



Artificial
Intelligence in
Corporate Legal

ELM Solutions

*Meeting Challenges and
Predicting the Future*



Meeting Challenges and Predicting the Future: Artificial Intelligence in Corporate Legal

What are the first thoughts that come to mind when you hear the words “artificial intelligence?” Perhaps you envision a scene from a science fiction film: Arnold Schwarzenegger fighting sentient robots controlled by the omnipotent Skynet. Or maybe you think about the recommendations that you keep seeing across the Internet for a new pair of Nikes, simply because you once looked into buying some shoes.

But, for those in the corporate legal business, AI is not fantasy or an annoyance, nor is it magic. Instead, AI has the power to transform the corporate legal business in powerful, tangible, and beneficial ways. It can help general counsel and legal operations leaders address the many challenges they face as they navigate the complexities of today’s corporate legal landscape.

While that landscape is not the burnt-out environment depicted in “The Terminator’s” far-flung future, it does have its share of obstacles. Today’s corporate legal professionals have a lot on their plates. They must:

- Look for savings, control costs, and operate within budget constraints while improving in-house legal management programs.
- Proactively manage and keep their eyes on staffing levels while ensuring that outside legal partners comply with billing guidelines.
- Resolve matters quickly while keeping internal clients happy and protecting the financial interests of their companies.

They’re also increasingly being asked to predict the future.



In-house attorneys must have the foresight to develop accurate matter budgets with counsel and make informed decisions that will impact litigation while estimating potential settlement amounts, outcomes, and more. They are also responsible for choosing the appropriate counsel to best represent their interests on specific matters. Such decisions should not come down to educated guesses. In each of these cases, managers need accurate and actionable data in order to assign the right case to the right firm at the right cost.

This whitepaper will outline how GCs, in-house attorneys, and legal operations professionals can leverage AI and machine learning for greater insights, improved efficiencies, and cost savings. Specifically, it will show how AI can be used to improve invoice processing and bill review and how predictive analytics can help legal staff create more accurate case cost and outcome estimates and make better decisions.

AI is Changing the Legal Business Landscape

AI is not just hype. According to a 2018 Gartner CIO survey, while only four percent of companies are using an AI solution, by 2030, AI will eliminate 80 percent of the work of today's project management discipline, particularly mundane tasks like data collection, tracking, and reporting. Rather than eliminating jobs, however, AI is predicted to support business goals while helping workers become more efficient.

AI is changing the industry:



Source: <https://www.gartner.com/en/webinars/3838573/ai-strategy-special-report-what-you-need-to-do-in-2018>

Today's AI solutions are designed to fulfill very specific purposes, whether it's to serve as our digital assistants ("Hey Siri!"), communicate our safe driving aptitude to our car insurance agency, or provide actionable insights that can be used to identify the most appropriate law firm partners.

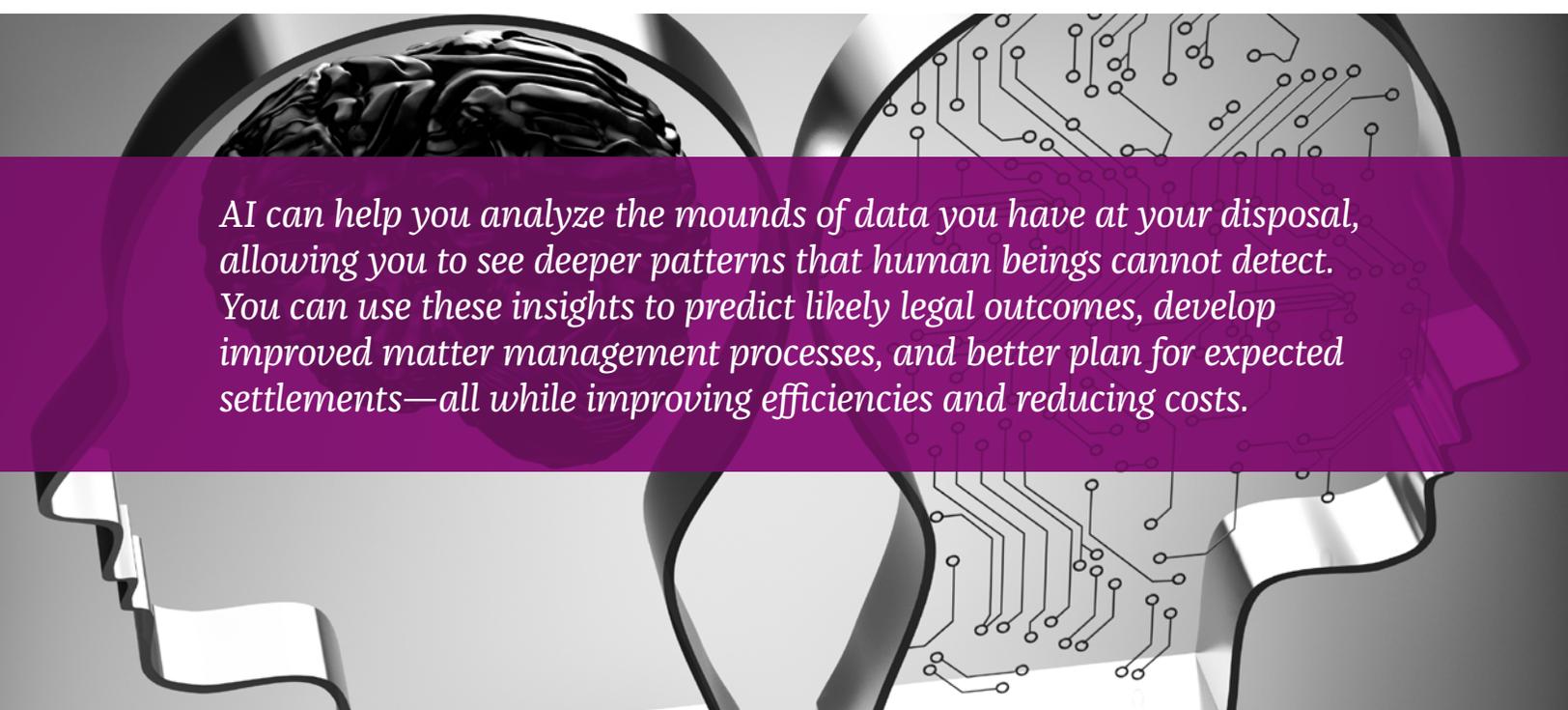
AI can encompass a number of different technologies. Everything from computer programs that compete in chess tournaments to the algorithms that power Netflix is powered by AI.

One of the most commonly known branches of AI—and the one that's likely of most interest to legal department professionals—is machine learning. While AI broadly mimics human capabilities, machine learning is the science of computers iteratively "learning" through continual data analysis. Through machine learning, programs become "smarter" and able to produce incredible analytic results by crunching large amounts of data—far more than humans could ever hope to effectively process.

We are starting to see the beginning of a wave of AI technologies and capabilities targeting the legal industry. This wave may be creating confusion and "FOMO"—Fear of Missing Out. It can be hard to tell which of these new solutions will pan out or go down in flames.

Given this, it's no surprise that some organizations have opted to start with low-hanging fruit, applying AI to those areas where it's most clearly applicable, such as contract management. Many legal departments are using the technology to automatically generate contracts based on past information, resulting in enormous time and efficiency savings.

While the benefits that AI offers in this area are real and important, the technology has much more to offer, even in its relatively nascent state. Let's take a look at how AI can help legal department leaders meet some of their biggest challenges today.



AI can help you analyze the mounds of data you have at your disposal, allowing you to see deeper patterns that human beings cannot detect. You can use these insights to predict likely legal outcomes, develop improved matter management processes, and better plan for expected settlements—all while improving efficiencies and reducing costs.

Bill review and analysis

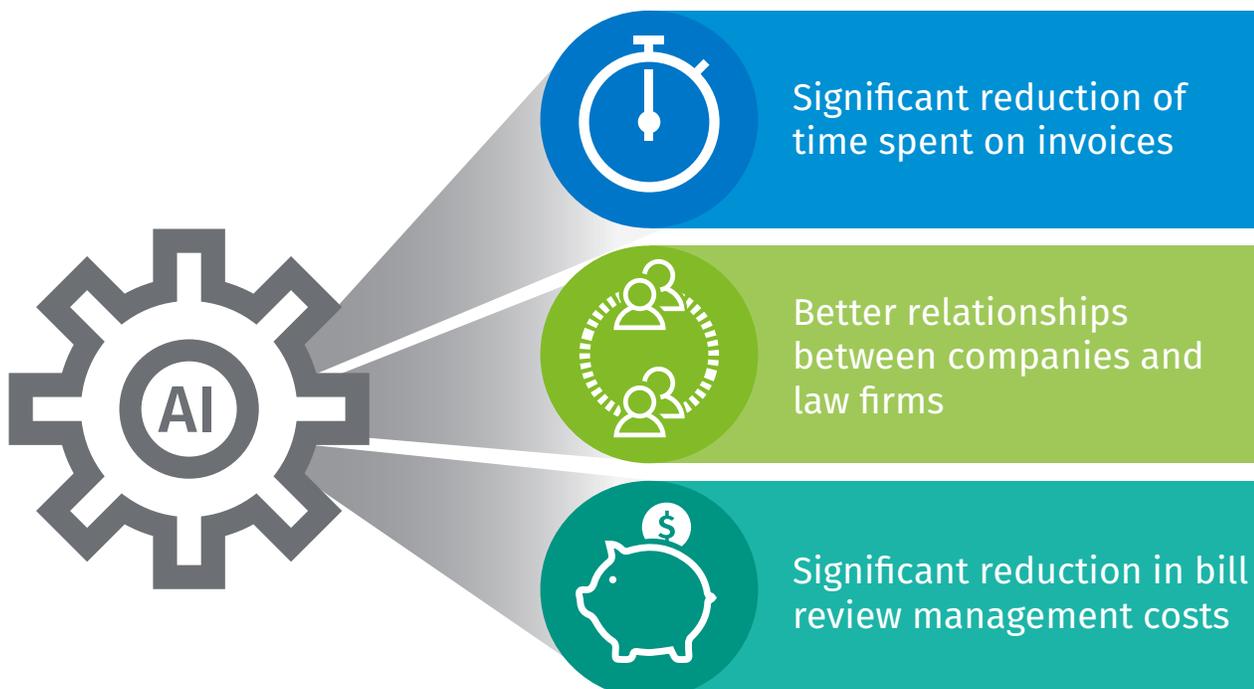
Legal departments receive a massive number of invoices from their law firm partners, each containing hundreds of sometimes cryptic line items—and attorneys are responsible for reviewing every one. They look for discrepancies, non-compliance with billing guidelines, and more.

This onerous process is time and resource intensive. It can take hours to review an invoice, and for some customers—depending on billing guidelines—our records show that up to 80 percent of adjustment dollars are appealed and reversed by law firms. All of this reduces worker productivity and creates dissatisfaction among both legal departments and their firms.

AI offers a better solution. Millions of invoice line items can be automatically analyzed, one by one for accuracy and insight, and then compared against billing guidelines. Inaccuracies and instances signifying non-compliance with a company's guidelines are immediately flagged.

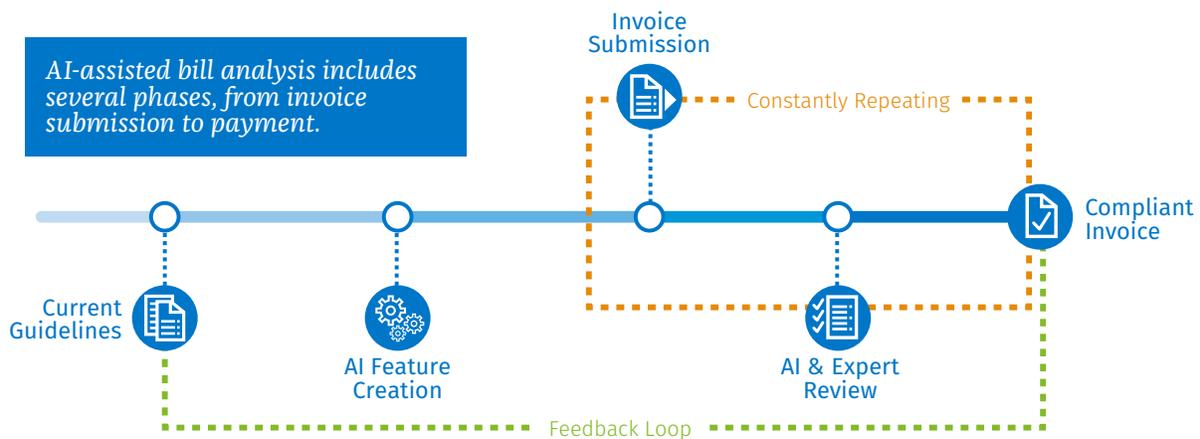
Not having to read through invoices manually provides significant benefits:

- The amount of time spent reviewing invoices is greatly reduced, allowing legal staff to focus on providing better service to their internal customers.
- Both legal organizations and their law firm partners can trust that invoices are accurate, reducing requests for revisions and the need for potential repeats, thereby improving relationships between legal staff and their law firm partners.
- The greater efficiencies provided by AI in the bill review process can lead to significantly reduced costs.



At the same time, human beings remain an integral part of the invoice review process. AI technology is very capable, but it requires continual human input to truly be effective. For example, humans can either act or choose not to act on the AI's warnings regarding potential non-compliance. Either response provides the system with critical information that helps improve accuracy and informs what the system should look for when reviewing invoices in the future.

In short, rather than taking humans out of the equation altogether, which is one of the great fears of AI, human input is necessary. It encourages and creates continuous improvements to the billing analysis cycle.



Processing invoices

AI can also be instrumental in transforming invoices into an optimized format for review. Many invoices that arrive in legal departments are in non-Legal Electronic Data Exchange Standard (LEDES) formats, such as PDFs. These invoices must be manually rekeyed into a system of record—a long and potentially costly process. Furthermore, this spend might be captured entirely outside the e-billing system. That data is lost to analytics, leading to an incomplete picture of legal costs.

3-4%

Client's total legal spend attributed to paper invoices

Indeed, even in today's "paperless" e-billing world, traditional "paper" invoices can account for about three to four percent—or more—of a client's total legal spend. That may not seem like much, but it adds up and presents several challenges, including:

- The inability for invoices to be adjusted or appealed, resulting in payments for non-compliant billing.
- The inability to capture data (if captured at all in e-billing) beyond totals, preventing legal departments from performing granular spend analytics and getting a complete picture of their legal spend.
- To address the challenges above, the need to hire dedicated staff to manually enter invoices into a LEDES format.

Legal departments can use AI to automatically capture and convert non-LEDES invoices without the need for manual entry, saving significant time and money. AI can also allow legal departments to reallocate data-entry personnel to do higher-value work. And, since all of the data contained in the invoices is cataloged electronically, teams gain full visibility into their legal spend and workflows, with the ability to drill down into details. They can use this knowledge to make better, more informed decisions in the future.



Lessening the e-discovery burden

Much like legal bill analysis, e-discovery is important—but it can also be a time-consuming and repetitive task. With the enormous amount of data now generated by companies, technology is needed to help lawyers reliably identify relevant documents for litigation in a reasonable amount of time.



Predictive coding software, which typically leverages machine learning, uses input from human document reviewers to identify additional documents that are likely to be material to the matter at hand. When courts approve its use, this approach saves time and expense and gives counsel access to pertinent facts earlier.

Cognitive bias: A limitation in objectivity caused by the human tendency to perceive information through a filter of personal experience.

While AI does not replace real people, it does minimize the need for human attention to every task, mitigating the chances for error and increasing efficiency. Instead of poring over every document, lawyers can spend their time on more interesting tasks that make better use of their skills and experience.

Selecting the right counsel

Selecting the best counsel for a given matter normally involves attorneys using their own reasoning and judgements, but that's a flawed methodology. First, people may tend to simply go on their "gut feelings" without any facts to support their conclusions. Second, their decisions could be compromised by cognitive biases such as the "recency bias," where people are influenced by something that happened in the recent past ("I think this firm would be a good fit here since they just did a good job for us on our last matter."). They're not basing their selections on hard and accurate historical data but their own impressions—thus, they may not be making the best decisions.

AI avoids the bias inherent in human nature. It simply collects and analyzes facts pertaining to past performance and applies those facts to the present matter. Based on its findings, attorneys can receive a recommendation on which firm to select, knowing that the selection is supported by actual data. This more efficient and accurate panel and firm selection process results in reduced costs, less wasted effort, and a better and more suitable choice of counsel.

All of this information is kept in the system so that it remains easily accessible to anyone who may need it for future matters. When new attorneys join the staff, they don't share the department's collective memory. Thanks to AI, even an attorney unfamiliar with existing firm relationships, outcome history, or geographic region can act with the wisdom of their peers—past and present—when selecting the appropriate counsel to represent the company's interests.

Developing accurate budgets, settlement amounts, and outcomes

AI can help legal staff make better decisions that go far beyond simply the selection of the right legal counsel. Right from the start of a matter, attorneys can be armed with a wealth of information, including whether they should settle, how much the settlement should be, and total costs associated with the process. The AI-based tools can automatically adjust these estimates based on variables such as jurisdiction, opposing counsel, and many other factors.

AI technologies, such as machine learning, continually scan massive amounts of data, learn from what they ascertain, remember that information, and apply that knowledge to the provision of very specific and actionable operational insights. As a matter is resolved, the technology can analyze and review the work that was done, along with the corresponding results, and use it to inform what should happen on the next matter, and the next, and the next. The more matters the law department works on, the more data is fed into the AI system and the more informed the recommendations become over time.

This results in better and more accurate predictions. Attorneys are able to supply their legal partners with actual numbers rather than ballpark estimates, further bolstering the relationship between legal departments and their law firms. Getting immediate and automatic recommendations saves an enormous amount of time, leads to much greater predictability, and provides legal staff with the information they need to make more insightful and impactful decisions.

Separating the Signal from the Noise

The legal business tends to suffer from a great deal of noise. There's a lot of information that attorneys need to plow through, from invoices to matter information to counsel management. Identifying useful insights in the context of all that noise can be difficult and painstaking.

AI technologies separate the signal from the noise. They pull out the most important information from the massive amounts of extraneous data that legal departments pull in.

That's why, at Wolters Kluwer's ELM Solutions, we have leveraged our AI solutions and services, along with our core offerings, to bring increased value and greater visibility. For example, our solution portfolio includes our e-billing and matter management systems – **Passport®** and **TyMetrix® 360°** – as well as **LegalVIEW® BillAnalyzer** and **Intelligent Invoice Conversion**. By combining tried and true enterprise legal management with AI-enabled services, you get a more holistic and accurate view of outside counsel spend.

As noted earlier, legal departments often receive invoices that are not in the standard LEDES format. Intelligent Invoice Conversion uses AI and human experts to quickly and accurately make these invoices LEDES-compatible, saving time for legal operations professionals and law firms.

LegalVIEW® BillAnalyzer analyzes all invoice data, line by line. Machine learning algorithms intelligently rank line items in terms of the probability that they will require adjustments. Then, everything is screened by Wolters Kluwer's ELM Solutions' expert team of quality assurance professionals to address potential adjustments and ensure the invoices are correct. Invoices are sent back to the law firm to accept or appeal, and results are fed back into the system so that it can make more informed recommendations in the future.

All of this ensures better compliance and efficiency, which equates to a more informed legal team, greater savings, and stronger relationships between legal departments and law firms.

None of this means that attorneys and legal operations professionals will someday be obsolete. Far from it—humans are needed to define AI solutions, oversee their implementation, provide context to its insights, and make the ultimate decisions on how to proceed with matters.

But AI does change the way legal staff can handle matters today and in the future. By eliminating repetition, it provides corporate legal professionals with the time and insights they need to do more meaningful work that delivers value to the legal department, as well as the larger organization.



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Find Out More

Learn more about how Wolters Kluwer is using artificial intelligence to bring transformative change to our corporate legal customers. Contact us to discuss how LegalVIEW BillAnalyzer can help you achieve your legal spend savings and guideline compliance goals.

Arrange a free consultation.

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Wolters Kluwer's ELM Solutions is the market-leading global provider of enterprise legal spend and matter management, contract lifecycle management, and legal analytics solutions. We provide a comprehensive suite of tools that address the growing needs of corporate legal operations departments to increase operational efficiency and reduce costs. Corporate legal and insurance claims departments trust our innovative technology and end-to-end customer experience to drive world-class business outcomes. Our award-winning products include Passport®, the highest rated ELM solution in the latest Hyperion MarketView™ Legal Market Intelligence Report; TyMetrix® 360°, the industry's leading SaaS-based e-billing and matter management solution; CLM Matrix, named a "Strong Performer" in the 2019 Q1 CLM Forrester Wave report; and the LegalVIEW® portfolio of legal analytics solutions based upon the industry's largest and most comprehensive legal spend database, with more than \$128 billion in invoices.

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