

The Unexpected Benefits of AI in Transactional Law



Artificial intelligence (AI) is crucial to the future of law, and not just because it saves time, relieves drudgery, and streamlines legal workflows. In a world where we're collectively generating a flood of new data—[projected at 97 zettabytes annually in 2022](#), or more than 250 billion gigabytes per day—AI is essential to organizing, analyzing, and interpreting that data.

Beyond these powerful practical reasons, though, there are unexpected benefits to adopting AI-based technologies in legal work, particularly in transactional practices. As AI becomes ubiquitous in the legal industry, lawyers are discovering that technology creates exciting new options for understanding and using organizational and law firm data, reshaping career trajectories, and more. Legal departments and law firms that have wholeheartedly embraced AI are achieving substantially better results than their late-adopting competitors across a wide range of measures.

This ebook explores both the expected returns on an investment in AI as well as the knock-on effects of adopting AI technology. First, though, let's take a quick look at how we got here.

A Brief History of AI in the Legal Industry

Twenty years ago, artificial intelligence was practically unheard of in the legal industry. Lawyers and legal analysts took for granted that legal tasks required human intelligence and painstaking, hands-on work.

My, how times have changed. AI has since [driven real change in how lawyers work \(and more is coming\)](#). The field of eDiscovery offers one of the oldest examples, with AI-powered technology-assisted review or TAR, [accepted as black-letter law since at least 2015](#). Legal research was also an early target for AI systems. The former ROSS Intelligence jolted the industry when it [outperformed an experienced lawyer](#), finding a nearly identical precedent in mere seconds rather than the 10 hours it took a human to find the same case.

AI has also proved useful in contract analysis, digesting and assessing a massive repository of contracts in, again, just seconds, whereas that same task would have taken [hundreds of thousands of hours of skilled lawyer time](#). More recent areas in development include legal expert systems that provide rules- and inference-based legal answers for standard inquiries as well as litigation analytics that can accurately [predict the outcome of litigation](#).

With all these use cases, it's no surprise that AI specifically and legal technology generally are now vital to successfully competing for work in the crowded legal marketplace. As such, technology is creating new roles and new career paths for law-adjacent professionals such as data scientists, analysts, and other IT (Information Technology) specialists.

How AI's Influence in Transactions Will Continue to Grow—and Where It Falls Short

When it comes to M&A transactions, AI-based technologies are playing an increasingly important role. Respondents to the [Litera Technology in M&A Report](#) survey predicted that AI would continue to grow modestly for several more years and then accelerate even further.

This expected growth is unsurprising given the volume of data associated with transactional law. Document reviews for due diligence can typically span hundreds to thousands of documents per deal, necessitating the assistance of technology to gain a clear overview of the risks and obligations associated with a deal.

Most of the M&A lawyers we surveyed believe that AI will be leveraged on a large proportion of their transactions within five years. That growth is at least partially fueled by client interest, as a considerable majority of firms reported that their clients have specifically asked about the firm's use of AI in due diligence. Nearly all respondents—91%—expect that the use of AI technology in document review will become a standard for most M&A due diligence. When asked about the top benefits of using technology in M&A transactions, our survey respondents noted four key benefits:



23% reported that review is more accurate



18% reported that technology expands the scope of review, thereby decreasing risk for their clients



16% reported that they have more time for analysis and client consultation

&

16% reported that technology makes the review process more efficient

But AI should not be viewed as a replacement for a human lawyer. While AI is excellent at surfacing documents that may be of interest and thereby winnowing an overwhelming corpus to a manageable stack for human review, there are still issues that require human oversight. Neither clients nor law firms fully trust technology to manage review in its entirety, again supporting the notion that AI should be viewed as augmented intelligence rather than as a replacement for human intelligence.

"AI is the latest step in driving the practice of law forward. It is heavily used in law and offers real advantages for lawyers who embrace it—and perils for those who don't."

Noah Waisberg

Co-Founder and CEO of Zuva,
Co-Founder and former CEO of Kira Systems

How Top Firms Are Using AI in Transactional Work

Legal departments and law firms typically turn to AI for three primary purposes in transactional due diligence:

- to uncover concerns that would be difficult to spot through manual review due to the large volume of documents,
- to expedite review, and
- to lower the cost of due diligence and, in firms, compete more successfully for work.

Those were certainly among the motivations driving [Daimler in its decision to leverage AI](#) during a 2018 business reorganization. Daimler and its counsel estimated that they would have to review somewhere between 20,000 and 200,000 documents out of a total of approximately 1 million active legal documents including contracts, certificates, and permits. That effort was initially expected to take more than 50 people approximately a year to complete.

The predicted budget for manual review convinced Daimler that its traditional ways of resourcing legal work might no longer be sufficient to deliver on its business objectives—which led Daimler to select Kira as the solution.

As it turned out, 1 million documents had been a low-end estimate; the actual number extended to approximately 4 million active legal documents. But with the help of AI, fewer than 10 people were able to conduct a complete review within the necessary time frame—and gain a far more thorough picture of the company’s legal documents than manual review could have produced.

The Expected ROI of AI

Saving time and money, reducing risk, and obtaining greater strategic insight are the primary “expected” benefits of AI.

Saving time and money. According to a [study from Nucleus Research](#), legal departments and law firms that use AI to identify, extract, and analyze the text in contracts and documents save considerable time and money. Specifically, this research found that:

**JUNIOR-LEVEL
LAW ASSOCIATES**

saved

50-80%

of the time they spent reviewing documents

**SENIOR ASSOCIATES
AND PARTNERS**

saved

23-35%

of the time they spent reviewing documents

**LEGAL DEPARTMENTS
AND LAW FIRMS**

saved

75-85%

of the time they spent developing reports

**LEGAL
DEPARTMENTS**

saved

up to **94%**

of the cost of hiring outside legal counsel to review documents

Reduced risk. Legal departments and law firms that use AI-powered technology to evaluate documents in due diligence are far more likely to identify areas of concern than those that rely solely on manual processes. Reducing risks for clients was identified as one of the top four benefits of using AI in our Technology in M&A Report, with 18% naming it as the top benefit.

Greater strategic insight. It comes as no surprise that the less time lawyers must spend looking for issues, the more time they have to think about those issues. Therefore, one of the primary side effects of using AI in due diligence is the increase in the time that lawyers have to add value and their resulting ability to identify, resolve, or negotiate around potential concerns. This increase in efficiency also translates to more time for transparent communication and direct client service.

Saving time and money, reducing risk, and finding greater strategic insight are the primary reasons that legal practitioners turn to AI and thus are what we characterize as the expected benefits or return on an investment in AI. But these metrics don't capture all, or even most, of the advantages of using AI in M&A transactions.

The Unexpected Benefits of AI

The added value of structured data. The insights that legal teams gain from AI-powered due diligence review are useful well after the closing. The same data can support ESG planning and inform post-closing business strategy. Firms can also use the information extracted with AI to support their marketing efforts and enhance their knowledge management. Detroit-based full-service law firm Honigman is a prime example. In addition to utilizing AI in the standardization of M&A due diligence in its Honigman Review Solutions (HRS) service, the firm also uses data gathered in connection with transactions to track outcomes and improve on existing processes.

Knowledge management. Contract review and analysis platforms were originally built to assist with the review of contracts during M&A due diligence. But the same AI that is used for such reviews can also be applied to make knowledge management and the development of institutional knowledge more robust. By applying AI tools to the transaction agreements themselves, or to regulatory filings that often include the same types of information, organizations can more easily track what has been negotiated and drafted for virtually any provision, compare multiple agreements against a firm form, and quickly classify and identify trends in provisions, in addition to confirming their absence or presence. This information can be used internally to support negotiating with more consistency, as well as to generate datasets that may be of interest to existing and prospective clients, as is frequently done with deal term studies.

New career and client opportunities. The rapid growth in technology, and specifically AI, has produced new career paths for lawyers and legal professionals in area such as project management, data analysis, and algorithm development and training. Law firms and legal departments also now have access to data that can help them identify likely clients and spot new opportunities for their existing clients. Automating matter data collection, extraction, and classification prevents the development of dead-end information silos and improves resource allocation. AI tools can be used to analyze timekeeping, billing, and outcome data to increase the accuracy of matter pricing and ensure that the right matters are matched to the right resources. Additionally, AI can streamline client communications by providing self-help tools to answer routine legal questions.

Competitive advantage. Given that clients frequently inquire about law firms' use of AI in due diligence, it's unsurprising that [91% of survey respondents](#) said that they use technology as a differentiator and competitive advantage in attracting M&A business.

Higher lawyer satisfaction and lower turnover.

No one we know invested years of their life and thousands of dollars in law school so that they could laboriously pore through contracts in search of restrictions on assignment. When legal departments and law firms adopt AI, they free their junior associates from the tedium of endless document review, improving lawyer satisfaction and [reducing turnover by 15 to 20%](#).

85% of the [Litera Technology in M&A Report](#) survey respondents stated that AI-based technologies deliver value to their M&A practice. But that value often springs from unexpected sources. While legal departments and law firms expect to save time and lower costs by adopting AI, they don't always anticipate the additional value they can glean from a deeper understanding of their own or their clients' data. Lawyers that leverage AI effectively find themselves serving their clients more effectively, reducing risk, partnering more strategically, and improving their internal processes and ability to win

business. Organizations also benefit from the higher lawyer satisfaction and lower turnover associated with the reduction of time spent on repetitive, manual tasks that don't necessarily contribute to making better lawyers.

"We have found that clients are very receptive to hearing that their lawyers use AI and other tools that increase efficiency. In fact, clients increasingly expect their law firms to utilize AI and other technology to promote efficient and cost-effective outcomes. With that in mind, we regularly promote our use of AI technology as an important and regular part of our client offerings."

Jonathan Klein
DLA Piper

If you're ready to incorporate AI into your transactional law practice, [get in touch](#).

About Litera

Litera has been a global leader in legal technology for 25+ years, helping legal teams work more efficiently, accurately, and competitively. As a leader in document workflow, collaboration, and data management solutions, we empower legal teams with simplified technology for creating and managing all their documents, deals, cases, and data.

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