



**GENIE AI**

# The 2024 Legal AI Retrospective:

## Key Lessons from the Past Year

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# The 2024 Legal AI Retrospective: Key Lessons from the Past Year

## I. Executive Summary

This report is the result of the extensive research, feedback, conversations and direct input from industry leaders. We extend our sincere gratitude to all who have contributed.

### Why another report on Legal AI?

We recognize that the majority of research into Legal AI falls into one of three categories.

- Written by legal journalists (simplified - often lacking in technical depth)
- Written by legal vendors (biased - often highlighting their own successes)
- Written by scholars, engineers and researchers - (academic - often more theoretical than practical)

This leaves a gap for deeper, unbiased, and more practice-oriented reporting, which we have worked hard to fill.

### Who should read this report?

This report provides in-house legal teams and law firms—particularly those in corporate and commercial law—with a valuable resource to navigate the rapidly evolving landscape of Legal AI

### Our unique approach

As we are one of the longstanding vendors in this space, we have taken an unusual approach:

- We call out and applaud our competitors for their successes! (A rising tide lifts all boats, after all).
- We don't try and sell our products or services to you at any point.  
(We are here to learn, just like everyone else).

Rather than attempting to distill the complex and far-reaching impact of AI into a few key findings, we instead invite you to explore the full breadth of 200+ insights, 100+ topics, 60+ cited studies and 30+ comments from industry leaders. All the references featured throughout this 50-page report are from 2024 where possible, and 2023 otherwise.

## Report Structure

1. Key Areas of Legal AI Development, and their practical applications.
2. The Emerging Trends and Technologies, and their current limitations for legal use cases (also, some prompt engineering tips for you).
3. Pros and Cons of Legal AI by Legal Team Type (in-house counsel, Big Law, and small/solo law firms).

## Our sincere hope

By engaging with the full range of topics and perspectives presented in this report, you will gain practical insights into implementing Legal AI effectively within your organization. You'll stay ahead of emerging trends, and understand the specific advantages and challenges to your legal team.

If you would like to join our panel of experts and contribute to upcoming reports, please reach out to us via [community@genieai.co](mailto:community@genieai.co).

Sincerely,

Alex Denne, *Head of Growth @ Genie AI*

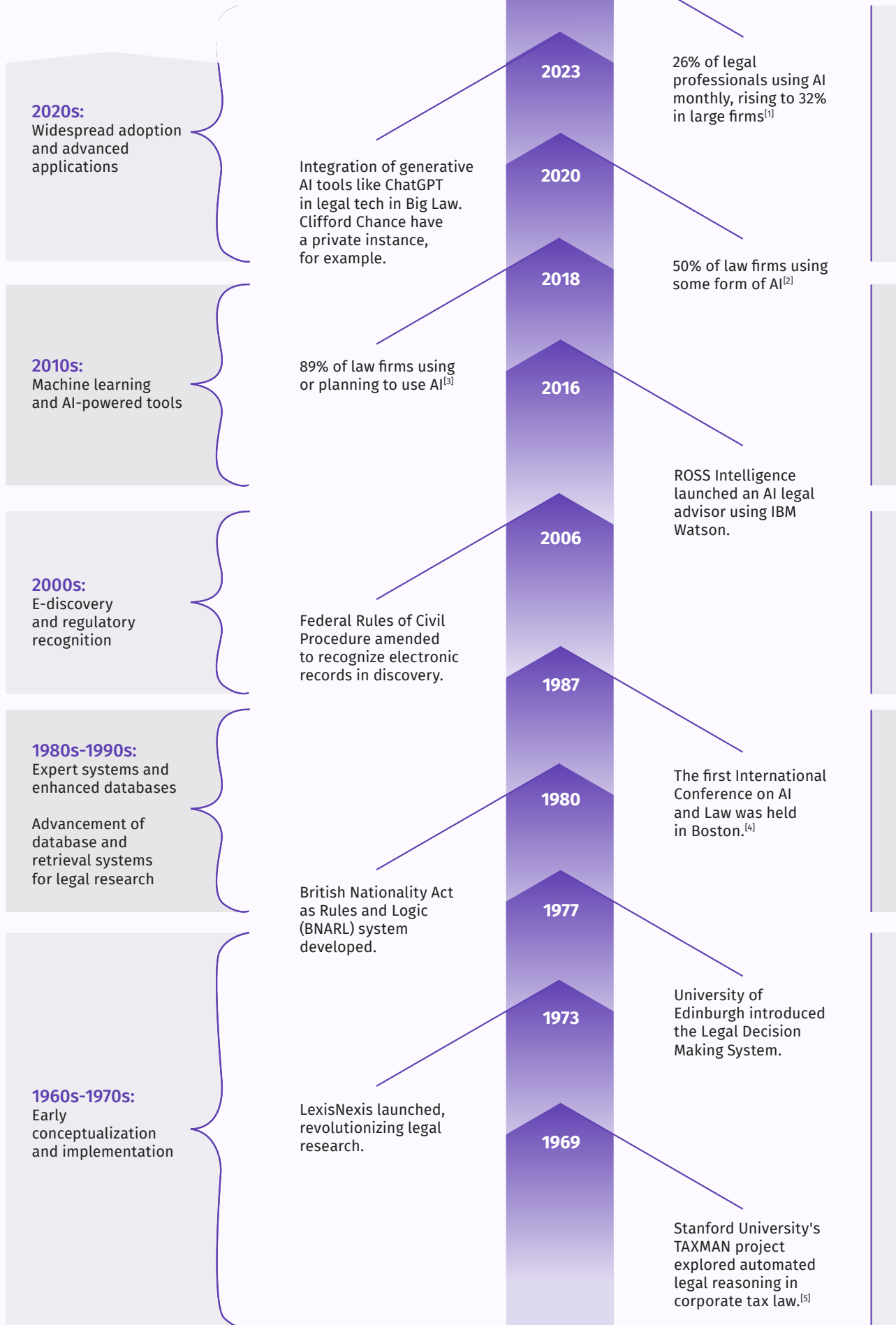
*“AI's impact on legal practice and operations is undeniable and transformative. It's not just about automating tasks; it's about leveraging technology to drive growth, enhance client services, and modernize law firms. As our law firm clients integrate AI into our strategic processes, we see significant improvements in efficiency and profitability. This is why I advocate for law firms to proactively evaluate and leverage these technologies. The future of legal services is shaped by our ability to adapt and innovate, ensuring that we not only meet but exceed the evolving demands of our clients and the market.”*

Dan Safran, President and CEO, Unbiased Consulting LLC;  
Adjunct, University of Illinois College of Law, USA

## II. Introduction

### A. Brief history of AI in the legal sector

*Significant milestones in the integration of Artificial Intelligence (AI) in the legal sector*



Current AI applications in law include:

- Document review
- Legal research and outcome prediction
- Contract review and analysis
- Contract drafting
- Risk monitoring and compliance
- Client engagement via chatbots

The AI in legal tech software market, valued at \$548.44 million, is projected to grow by 17% over the next five years, reaching an estimated \$2.6 billion.<sup>[6]</sup> Between January 2023 and February 2024, LegalTech startups attracted substantial venture funding, with a focus on AI-driven technologies. Notable funding rounds included Harvey (\$80M, Series B), EvenUp (\$50M, Series B), Darrow (\$35M, Series B), Robin AI (\$22M, Series B and \$25m 'Series B plus'), Spellbook (\$27M, Series A) and Genie AI (\$17.8M, Series A). Additional companies securing significant investments were Litify, Steno, Trellis, LawVu, PowerLaw, Parrot, Xapien, and Paxton AI. This funding trend reflects the increasing integration of AI technologies in the legal sector.<sup>[7]</sup>

*“This recent influx of capital for legal AI companies demonstrates a timely optimism that coincides with increased adoption by practitioners in the industry. Taken together, the acquisition of Casetext by Thomson Reuters for \$650m in cash, the \$900m raise from Clio as they roll out Clio Duo, and the expansion of key players like Gavel adding AI features like Blueprint and Spellbook with Associate all indicate a rapidly shifting legal landscape poised for increased reliance on AI tools for increasingly complex tasks to free professionals up for the necessary human elements of the practice of law”*

Brittany Hernandez, Head of Legal Innovation, Gavel, USA

From basic research tools to sophisticated systems capable of complex legal reasoning and interaction, this timeline illustrates a progressive integration of AI into all aspects of the legal sector.

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<sup>[1]</sup> LexisNexis. “Tracking the Irresistible Rise of Generative AI.” LexisNexis Future of Law, July 13, 2023.

<https://www.lexisnexis.co.uk/blog/future-of-law/tracking-the-irresistible-rise-of-generative-ai>

<sup>[2]</sup> Parnham, R., Sako, M. and Armour, J. “AI-assisted lawtech: its impact on law firms.” University of Oxford, December 2021. [https://www.law.ox.ac.uk/sites/default/files/migrated/ai\\_final1097.pdf](https://www.law.ox.ac.uk/sites/default/files/migrated/ai_final1097.pdf)

<sup>[3]</sup> CBRE. “London Law Firms Embrace Artificial Intelligence.” CBRE, April 25, 2023.

<sup>[4]</sup> Bench-Capon, T., Araszkiwicz, M., Ashley, K., Atkinson, K., Bex, F., Borges, F., ... & Wyner, A. (2012). A history of AI and Law in 50 papers: 25 years of the international conference on AI and Law. *Artificial Intelligence and Law*, 20(3), 215-319. <https://cgi.csc.liv.ac.uk/~tbc/publications/ICAIL25AuthorsVersion.pdf>

<sup>[5]</sup> “Reflections on TAXMAN: An Experiment in Artificial Intelligence and Legal Reasoning,” *Harvard Law Review*, 90(5), 837-893 (1977). [https://www.researchgate.net/profile/L-Thorne-Mccarty/publication/259873043\\_Reflections\\_on\\_TAXMAN\\_An\\_Experiment\\_in\\_Artificial\\_Intelligence\\_and\\_Legal\\_Reasoning\\_Original\\_Version/links/0deec52e55f64db779000000/Reflections-on-TAXMAN-An-Experiment-in-Artificial-Intelligence-and-Legal-Reasoning-Original-Version.pdf](https://www.researchgate.net/profile/L-Thorne-Mccarty/publication/259873043_Reflections_on_TAXMAN_An_Experiment_in_Artificial_Intelligence_and_Legal_Reasoning_Original_Version/links/0deec52e55f64db779000000/Reflections-on-TAXMAN-An-Experiment-in-Artificial-Intelligence-and-Legal-Reasoning-Original-Version.pdf)

<https://news.cbre.co.uk/london-law-firms-embrace-artificial-intelligence/>

<sup>[6]</sup> LexCheck. “The Past, Present, and Future of AI in Legal Tech.” LexCheck Blog, accessed September 26, 2024.

<https://blog.lexcheck.com/the-past-present-and-future-of-ai-in-legal-tech-1c>

<sup>[7]</sup> Megan Ma, Aparna Sinha, Ankit Tandon & Jennifer Richards, *Generative AI Legal Landscape 2024*, March 2024 - <https://law.stanford.edu/publications/generative-ai-legal-landscape-2024-2/>

## B. Current state of Legal AI

The legal industry is experiencing rapid adoption and integration of AI technologies, transforming traditional practices and creating new opportunities for efficiency and innovation. The current state of Legal AI is characterized by widespread adoption, diverse applications, and significant market growth.

### Market Growth and Adoption

- The global legal AI software market is projected to reach \$4.83 billion by 2033, at a CAGR of 20.3% from 2024 to 2033.<sup>[8]</sup>
- At least 35% of law firms are now using AI for legal tasks, with an additional 42% planning to adopt AI within the next year.<sup>[9]</sup>
- The number of lawyers using generative AI doubled in the space of six months between July 2023 and January 2024 alone.<sup>[10]</sup>
- 73% of lawyers (working both in-house and in law firms) surveyed in November 2023 expected to integrate generative AI into their legal work in 2024.<sup>[11]</sup>

### Key Applications

#### Document Review

AI-powered document review tools can review and analyze a far greater volume of documents in a day compared to human reviewers, accelerating the document review process. AI software has the potential to reduce the total number of hours professionals spend reviewing documents by up to 40%.<sup>[12]</sup>

The global e-discovery market (not a focus of this whitepaper, but relevant to document review) is expected to reach \$17.1 billion by 2027, with AI playing a significant role in its growth.<sup>[13]</sup>

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<sup>[8]</sup> The Business Research Company. "Legal AI Software Global Market Report 2024." The Business Research Company, 2024. <https://www.thebusinessresearchcompany.com/report/legal-ai-software-global-market-report>

<sup>[9][10]</sup> LexisNexis, "Lawyers Cross into the New Era of Generative AI," LexisNexis UK, 2023, <https://www.lexisnexis.co.uk/insights/lawyers-cross-into-the-new-era-of-generative-ai/index.html>

<sup>[11]</sup> Wolters Kluwer, "No consensus among lawyers about generative AI being an opportunity or threat," Wolters Kluwer Expert Insights, 2024, <https://www.wolterskluwer.com/en-gb/expert-insights/ai-for-lawyers-trends-impact-on-law-firms>

<sup>[12]</sup> Deloitte, "Artificial intelligence and machine learning in e-discovery and beyond," Deloitte Switzerland, 2023, <https://www2.deloitte.com/ch/en/pages/forensics/articles/AI-and-machine-learning-in-E-discovery.html>

<sup>[13]</sup> MarketsandMarkets, "eDiscovery Market by Component, Deployment Type, Organization Size, Vertical and Region - Global Forecast to 2027," MarketsandMarkets, 2023, <https://www.marketsandmarkets.com/Market-Reports/e-discovery-market-11881863.html>

## Legal Research and Analytics

AI-driven legal research platforms can reduce research time by up to 70% compared to traditional methods.<sup>[14]</sup>

## Contract Analysis and Management

76% of respondents to a 2023 survey already use contract management software.<sup>[15]</sup>

## Regulatory Compliance and Risk Management

Machine learning algorithms can reduce ‘false positives’ and detect suspicious behavior and risk-classify elements within a transaction as being higher or lower risk more effectively, compared to humans.<sup>[16]</sup>

AI and machine learning can enhance the effectiveness of Anti Money Laundering (AML) systems by improving accuracy in identifying suspicious transactions and reducing false positives.<sup>[17]</sup>

60% of financial institutions are already using AI for risk management.<sup>[18]</sup>

## Legal Chatbots and Client Engagement

Legal Chatbots, unlike human legal professionals, can provide 24/7 support to clients. Chatbots can raise client satisfaction and help clients feel connected to their lawyers.<sup>[19]</sup>

Legal chatbots can handle routine client inquiries, and automate a number of client-facing interactions, freeing up lawyers and paralegals from the burden of administrative work.<sup>[20]</sup>

*“It’s ironic that the use of a chatbot can make clients feel “connected” to their legal advisers. This is a great area of potential for lawyers to leverage AI to help support their clients whilst not being on call 24/7. The use of chatbots should help lawyers switch off and potentially could lead to a better work-life balance.”*

Natalie Salunke, General Counsel, UK

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<sup>[14]</sup> WiFi Talents, "AI In Law Statistics: Rapid Growth and Transformation Forecasted Ahead," WiFi Talents, 2024 <https://wifitalents.com/statistic/ai-in-law/>

<sup>[15]</sup> Thomson Reuters, "AI-powered contract analysis for in-house legal departments," Thomson Reuters Legal Solutions UK, February 29, 2024, <https://legalsolutions.thomsonreuters.co.uk/blog/2024/02/29/ai-powered-contract-analysis/>

<sup>[16]</sup> Deloitte, "The transaction monitoring framework," Deloitte Malta, 2023, <https://www.deloitte.com/mt/en/services/risk-advisory/perspectives/transaction-monitoring-framework.html>

<sup>[17]</sup> Deloitte, "Optimizing rule-based transaction monitoring systems," Deloitte, 2023, <https://www2.deloitte.com/content/dam/Deloitte/de/Documents/finance/Deloitte-Optimizing-rule-based-transaction-monitoring-systems.pdf>

<sup>[18]</sup> UK Finance, "The impact of AI in financial services," UK Finance, November 2023, <https://www.ukfinance.org.uk/system/files/2023-11/The%20impact%20of%20AI%20in%20financial%20services.pdf>

<sup>[19]</sup> Szeghalmi, V., "Rules over words: Regulation of chatbots in the legal market and ethical considerations," Acta Juridica Hungarica, 64(3), 472-489, 2023, <https://akjournals.com/view/journals/2052/64/3/article-p472.xml>

<sup>[20]</sup> Perlman, A., "The Implications of ChatGPT for Legal Services and Society," Harvard Law School Center on the Legal Profession, 2023, <https://clp.law.harvard.edu/knowledge-hub/magazine/issues/generative-ai-in-the-legal-profession/the-implications-of-chatgpt-for-legal-services-and-society/>

## Challenges and Considerations

**Ethical and Bias Concerns:** In 2024, 27% of legal professionals who hadn't tried AI technologies cited concerns about ethics of use as the reason for this.<sup>[21]</sup>

**Regulatory Landscape:** As of 2024, several jurisdictions are developing or have implemented guidelines for the use of AI in legal practice, including ethical considerations and transparency requirements.<sup>[22]</sup>

**Impact on Legal Workforce:** AI could automate up to 23% of lawyers' work hours by 2030.<sup>[23]</sup>

**Fundamental Distrust:** The (un)reliability of AI-generated content has led to instances of misuse and misunderstanding, and public errors, such as citation of non-existent case law in court documents. This has raised concerns about the potential damage to AI's reputation in the legal sector.

**Accuracy:** The issue of "hallucination" - where AI models generate false or inaccurate information - is particularly problematic with current Large Language Models (LLMs) when handling legal queries. While some platforms are addressing this by implementing source citation features, the problem remains a significant hurdle in the widespread adoption of AI in legal practice.

**Continued growth in usage:** Are we already nearing AI adoption? A Slack survey of 17k global workers (not legal professionals) shows that the rate of adoption is already slowing.<sup>[24]</sup>

## Future Outlook

The prolific integration of generative AI in the past 12 months marks what will be an undeniably pivotal moment in the legal sector's history.

*"The models are moving fast. If you try to use the tech and faceplant on the 1st of the month it's worth checking on the 14th and the 28th of the month to see how far the world has moved in the meantime!"*

Oliver Asha, Head of Legal, UK

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<sup>[20]</sup> Thomson Reuters, "Future of Professionals Report 2024," Thomson Reuters, July 2024, <https://www.thomsonreuters.com/content/dam/ewp-m/documents/thomsonreuters/en/pdf/reports/future-of-professionals-report-2024.pdf>

<sup>[22]</sup> Skadden, Arps, Slate, Meagher & Flom LLP, "AI in 2024: Monitoring New Regulation and Staying in Compliance With Existing Laws," Skadden Insights, December 2023, <https://www.skadden.com/insights/publications/2023/12/2024-insights/other-regulatory-developments/ai-in-2024>

<sup>[23]</sup> McKinsey Global Institute, "A new future of work: The race to deploy AI and raise skills in Europe and beyond," McKinsey & Company, May 2024, [https://www.mckinsey.de/~media/mckinsey/locations/europe%20and%20middle%20east/deutschland/news/presse/2024/2024%20-%2005%20-%2023%20mgi%20genai%20future%20of%20work/mgi%20report\\_a-new-future-of-work-the-race-to-deploy-ai.pdf](https://www.mckinsey.de/~media/mckinsey/locations/europe%20and%20middle%20east/deutschland/news/presse/2024/2024%20-%2005%20-%2023%20mgi%20genai%20future%20of%20work/mgi%20report_a-new-future-of-work-the-race-to-deploy-ai.pdf)

<sup>[24]</sup> Slack, "The Fall 2024 Workforce Index Shows AI Hype Is Cooling", November 2024, <https://slack.com/intl/en-gb/blog/news/the-fall-2024-workforce-index-shows-ai-hype-is-cooling>

### III. Key Areas of Legal AI Development

AI in the legal sector is advancing in several key areas. This section merely touches on some of the most prominent developments of Legal AI in legal practice, backed by recent data and research. Each will be covered in much more detail later on.

Most bleeding-edge research is conducted via collaborations between:

- Law Firms
- Legal Technology companies
- Academic Institutions
- Large Language Model Providers
- Government and Regulatory Bodies

All of whom will need to work more closely together than ever before, in order to keep up with the pace of change.

The 2024 ACC Chief Legal Officers report shows that 45% of Chief Legal Officers (CLOs) will invest in new technology solutions to boost operational efficiency in 2024—the highest since 2021.<sup>[25]</sup>

We will therefore investigate the following key areas:

#### A. Document review and contract analysis

Natural Language Processing in Legal Text Analysis

Contract analysis

AI-Driven Legal Research and Knowledge Management

#### B. Due diligence and compliance

AI-Powered Document Review

AI-Enhanced Risk Assessment and Management

Automated Regulatory Compliance Monitoring

Summarizing Legislation

Reacting to Legislative Changes

Data Privacy and Security Compliance

Automated Due Diligence Reporting

Automated trademark infringement monitoring

#### C. Legal and contract drafting

AI-Assisted Legal Communications Drafting

AI-Assisted Document Drafting

Open Access and Open source Legal AI

AI Contract Generators

Multilingual Contract Drafting

AI-enhanced Contextual Clause Suggestions

Emerging Legal Editors and Drafting Tools

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<sup>[25]</sup> ContractPodAi, "AI-Based Contract Management Guide 2024," ContractPodAi, March 14, 2024, <https://contractpodai.com/news/ai-contract-management/>

## D. Data Governance

IP Risk Assessment in Data Flows

Compliance Decisions

These developments in Legal AI will reshape the legal landscape, offer new efficiencies and insights and also present real challenges.

## A. Document review and contract analysis

The integration of artificial intelligence (AI) in legal research and case prediction has revolutionized the legal landscape, offering unprecedented efficiency, accuracy, and insights. This section explores recent advancements and their impact on the legal sector.

Recent developments in AI-powered legal research tools have shown remarkable improvements:

AI-powered tools can rapidly sift through vast amounts of documents to identify relevant information for legal cases, utilizing natural language processing (NLP) and machine learning algorithms to enhance accuracy and efficiency.

AI tools can help legal professionals inspect the strengths of their arguments, learn relevant laws, and determine the possibility of success.<sup>[26]</sup>

By using Legal AI, lawyers can further capitalize on their expertise, by buying them time that would otherwise be spent manually reviewing and analyzing records.<sup>[27]</sup>

## Natural Language Processing in Legal Text Analysis

Improvements in Natural Language Processing (NLP) have enhanced legal text analysis:

AI-powered legal research can analyze huge collections of legal documents like case law, contracts, and statutes within minutes or seconds, abstracting pertinent information and learning patterns using natural language processing and machine learning algorithms.<sup>[28]</sup>

AI platforms utilize advanced natural language processing (NLP) to enhance legal research by enabling natural language queries and contextual understanding, providing highly relevant case law, statutes, and regulations quickly and accurately.<sup>[29]</sup>

We will cover NLP more broadly later.

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<sup>[26][27][28]</sup> Bloomberg Law. "Can AI Write Legal Contracts?" Bloomberg Law, 2024.  
<https://pro.bloomberglaw.com/insights/technology/can-ai-write-legal-contracts/#ai-contract-analysis>

<sup>[29]</sup> Good Law Software. "Natural Language Processing in Legal Practice." Good Law Software, 2024.  
<https://goodlawsoftware.co.uk/law/natural-language-processing-in-legal-practice/>

## Contract analysis

AI-powered tools have revolutionized document review processes, dramatically increasing efficiency:

These tools can analyze vast amounts of legal documents within minutes or seconds, significantly increasing efficiency compared to manual review methods.<sup>[30]</sup>

## AI-Driven Legal Research and Knowledge Management

AI-powered semantic search functions, which analyze the intent behind the user's query, can provide more precise and relevant results, making them a superior option compared to traditional keyword searches.

These developments in Legal AI are reshaping the legal landscape, offering unprecedented opportunities for efficiency and insight. However, they also present challenges that require careful consideration and ongoing dialogue within the legal community.

In the EU's regulatory landscape, companies across heavily regulated sectors currently only use legal research and case prediction tools strategically. Legal AI geared towards these use-cases may enable organizations to adopt more high-risk legal strategies, by enabling legal teams to analyze precedents and predict outcomes across multiple jurisdictions near instantly, thereby enhancing decision-making and risk management.

Note: Although 'interesting', we found that it might only be of limited use to those we interviewed while writing this whitepaper. One to watch out for, perhaps.

## Conclusion: Document review and contract analysis

As AI continues to transform legal research and case prediction, it's crucial to address ethical considerations and potential biases. Future developments are expected to focus on:

- Ensuring transparency and explainability of AI-powered predictions
- Addressing potential biases in training data and algorithms
- Protecting data privacy and confidentiality
- Developing AI tools that support, rather than replace, human judgment and expertise

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<sup>[30]</sup> Thomson Reuters Legal Solutions UK. "AI for Legal Document Review: The Key to Your Firm's Competitive Edge." Thomson Reuters Legal Insights Europe, October 17, 2023. <https://legalsolutions.thomsonreuters.co.uk/blog/2023/10/17/ai-for-legal-documents-unlocking-a-competitive-edge/>

It's important to note that these ethical considerations are further explored in Section V.B., which delves into bias, fairness, and ethical considerations and accountability of AI-driven legal decisions. This section provides a more comprehensive analysis of the potential risks and mitigation strategies associated with AI in legal decision-making processes.

*“As representatives of the rule of law, we must vigilantly safeguard transparency, fairness, and the essential human element. The future of AI should not only support human expertise but elevate it, ensuring that ethical boundaries, data privacy, and unbiased training remain at the forefront of its evolution.”*

Natalie Salunke, General Counsel, UK

The ongoing evolution of AI in legal research and case prediction promises to further streamline legal processes and increase access to justice, partly by improving the efficiency of legal systems worldwide, and partly through the associated power that publishing this data brings to the general public.<sup>[31]</sup>

As we will see, it is essential to maintain human oversight and critical thinking, ensuring that AI tools are an aid and not a substitute for professional legal judgment.

## B. Due diligence and compliance

The integration of AI in due diligence and compliance processes has significantly transformed these critical legal functions. This section explores recent advancements and their impact on the legal sector.

### AI-Powered Document Review

Deloitte reported that AI-assisted document review reduced review time by 80% compared to manual methods.<sup>[32]</sup>

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<sup>[31]</sup> British Institute of International and Comparative Law, “Use of Artificial Intelligence in Legal Practice,” BIICL, 2023, [https://www.biicl.org/documents/170\\_use\\_of\\_artificial\\_intelligence\\_in\\_legal\\_practice\\_final.pdf](https://www.biicl.org/documents/170_use_of_artificial_intelligence_in_legal_practice_final.pdf)

<sup>[32]</sup> Deloitte. “The future of legal work? The use of Generative AI by legal departments.” Deloitte Legal, June 2024 <https://www2.deloitte.com/content/dam/Deloitte/dl/Documents/legal/dtl-genai-legal-work-full-report-Germany.pdf>

## AI-Enhanced Risk Assessment and Management

AI algorithms have significantly improved risk assessment and management capabilities:

A 2023 Thomson Reuters survey revealed that 67% of legal departments using AI for compliance reported improved efficiency and decision-making.<sup>[33]</sup>

AI can identify potential risks and detecting cybersecurity threats with 90% accuracy, enhancing traditional compliance methods.<sup>[34]</sup>

A 2024 study by McKinsey & Company found that AI-powered risk assessment tools reduced costs in risk, legal and compliance departments by 33%, and increased revenue in these departments by 62%.<sup>[35]</sup>

## Automated Regulatory Compliance Monitoring

A 2023 study by Moody's Analytics found that AI-powered compliance tools can reduce false positives in anti-money laundering (AML) alerts, leading to more efficient resource allocation.<sup>[36]</sup>

AI can improve the management of regulatory obligations and changes by monitoring updates and tracking notifications more effectively. Organizations often receive a large volume of daily regulatory alerts, which traditionally require manual review, prioritization, and distribution. By using AI, institutions can speed up their response and adaptation times, helping to reduce compliance risks and avoid potential fines.<sup>[37]</sup>

Existing tools have monitoring, alerts, analysis and reporting capabilities regarding regulatory compliance issues. Most organizations have either very expensive tooling, or cobble together manual processes in-house. We don't know of many which are agentic and/or proactive yet, but if at an attractive price point, this will certainly be an area to watch in 2025.

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<sup>[33]</sup> Dewey B Strategic. "Thomson Reuters Releases Report on Impact of AI on Future of Legal Professionals" Dewey B Strategic, August 2023. <https://www.deweybstrategic.com/2023/08/thomson-reuters-releases-report-on-impact-of-ai-of-future-of-legal-professionals.html>

<sup>[34]</sup> Ernst & Young (EY). "How can cybersecurity transform to accelerate value from AI?" EY Global, 2024. [https://www.ey.com/en\\_gl/insights/consulting/transform-cybersecurity-to-accelerate-value-from-ai](https://www.ey.com/en_gl/insights/consulting/transform-cybersecurity-to-accelerate-value-from-ai)

<sup>[35]</sup> McKinsey & Company. "The state of AI in early 2024: Gen AI adoption spikes and starts to generate value." McKinsey Digital, 2024. <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai>

<sup>[36]</sup> Moody's Analytics. "Applying AI to 3 Types of Customer Due Diligence," Moody's Analytics, 2023, <https://www.moody.com/web/en/us/kyc/resources/insights/applying-ai-to-3-types-customer-due-diligence.html>

<sup>[37]</sup> Thomson Reuters. "AI Enhances Governance, Risk, and Compliance Programs." Thomson Reuters, 2023 <https://www.thomsonreuters.com/en-us/posts/corporates/ai-governance-risk-compliance-programs/>.

## Summarizing Legislation

We have increasingly heard of lawyers using NotebookLM to summarise the key points in new legislation. NotebookLM is a Google Labs project designed to help people understand complex materials. It's marketed as a virtual research assistant, with a 500,000 word limit (thankfully most legislation isn't that long, but some are, such as the Consolidated Appropriations Act, 2021 is 5,593 pages)

While researching this whitepaper, no studies had been carried out on the accuracy of NotebookLM in the legal domain, but we maintain that it's worth trying for this use case. As of today, according to our proprietary research, it'll perform accurately if you upload one piece of legislation.

If you add many, however, it struggles to cross-reference sufficiently: We tried importing the Data Act, Data Governance Act (DGA), Digital Services Act (DSA), Digital Markets Act (DMA), Cybersecurity (NIS 2), and eIDAS and asking it to pull out and reference sources across the set of documents and it didn't perform so well.

## Reacting to Legislative Changes

Another use of NotebookLM, and of Genie AI, frequently adopted by legal professionals we spoke to in the past 30 days, is looking to get a quick view on newly published regulations.

In the rapidly changing environments of the EU, US, and China, for example, you import the full text into your platform of choice, enrich it with context around your organization, and begin to understand how you'll be impacted.

A further use is then to use Legal AI tools to draft a response to the regulator directly, or as an internal memo to parties in-house who can then begin the process of lobbying.

Faster reaction times to new legislation, faster suggested legislative amendments and more developed lobbying strategies are all of obvious material value to enterprise organizations.

## Data Privacy and Security Compliance

AI can strengthen privacy protection by automating data security processes and leveraging advanced algorithms to identify patterns and anomalies that signal unauthorized access or misuse, thereby improving the detection and prevention of potential privacy breaches.<sup>[38]</sup>

Organizations using AI for data privacy compliance could potentially reduce the time required for GDPR data subject access requests significantly.<sup>[39]</sup>

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<sup>[38]</sup> ELN Events. "The Future of AI Privacy: What You Need to Know." ELN Events, 2024.

<https://elnevents.com/the-future-of-ai-privacy-what-you-need-to-know>

<sup>[39]</sup> Glucina, Jaeger. "AI and the control of data subject access requests." Business Reporter, 2023.

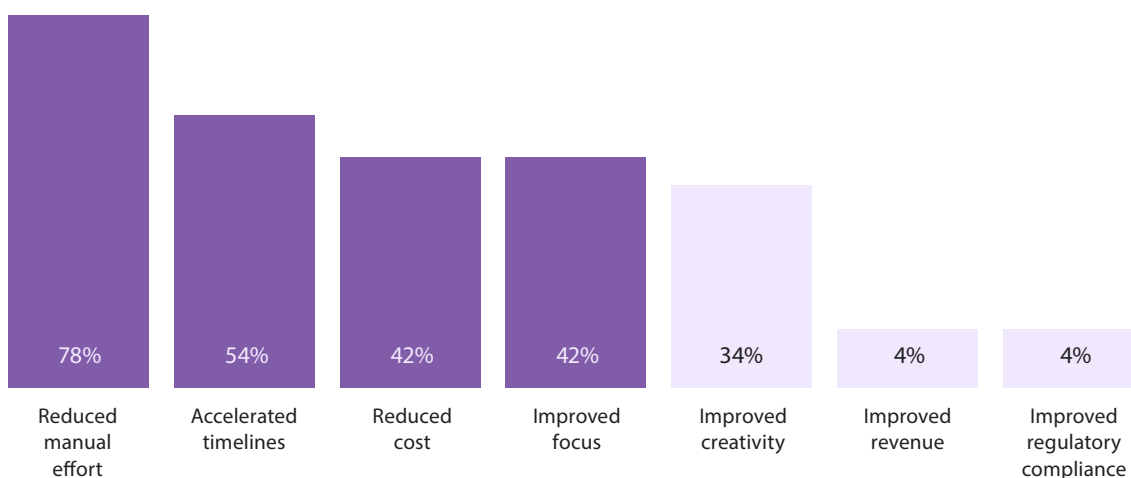
<https://www.business-reporter.co.uk/technology/ai-and-the-control-of-data-subject-access-request>

## Automated Due Diligence Reporting

A 2023 case study reported by Deloitte found that AI-powered due diligence tools not only reduce report generation time but also enhance comprehensiveness. The study highlighted a 25% efficiency saving when using Generative AI compared to traditional AI-enabled due diligence, and a 75% efficiency saving compared to manual review.<sup>[40]</sup>

In 2024, Bain & Co reported that 54% of M&A professionals using AI for due diligence reported a reduction in transaction closing times.<sup>[41]</sup>

### Most compelling benefits of using generative artificial intelligence for the M&A process



Note: Includes current users (N=50)

Source: Bain M&A Practitioners' 2024 Outlook Survey

In our research for this paper, we found that due diligence processes in companies, regardless of size, often lack comprehensive oversight, with stakeholders from finance, privacy, legal, and information security working in isolation.

This segmented approach can overlook critical aspects such as a company's financial history or previous scandals.

Legal AI geared towards Due Diligence holds promise for integrating disparate inputs, improving thoroughness of reviews, mitigating risks, and bolstering overall compliance efforts.

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<sup>[40]</sup> Deloitte, "Deloitte. "The future of legal work? The use of Generative AI by legal departments."  
<sup>[41]</sup> [https://www.bain.com/globalassets/noindex/2024/bain\\_report\\_global\\_m\\_and\\_a\\_report\\_2024.pdf](https://www.bain.com/globalassets/noindex/2024/bain_report_global_m_and_a_report_2024.pdf)

## Automated trademark infringement monitoring

Currently, the issue of trademark infringement monitoring can be expensive and ineffective. We have heard stories of organizations spending \$30,000 per trademark per year for monitoring, and they don't pick anything up. 6-8 infringements were actually initially spotted by staff members, and acted on. We spoke with one Magic Circle Law firm who will remain unnamed and said "The best thing is having your own staff monitoring you, as they are always looking where your customers are looking".

If you could give automated trademark infringement monitoring AI the context of 'where your customers are looking', then it could scan vast online data, and improve the detection of potential infringements across multiple platforms in near real-time with greater speed and accuracy.

These systems should be capable of analyzing visual and textual similarities in trademarks across e-commerce, social media, and more, prioritizing high-risk cases for efficient resource allocation.

Traditional methods will be due a reckoning once Legal AI tools for trademark infringement monitoring reach maturity and cost-effectiveness.

## Conclusion: Due Diligence & Compliance

As AI continues to transform due diligence and compliance processes, key areas of focus include:

- Legal AI will help legal professionals adapt to a rapidly evolving regulatory landscape
- There are potential biases in AI and its training data which must be taken seriously
- Explainable AI models will further enable decision-making processes
- Data security and confidentiality of Legal AI tools will come under increased scrutiny (See III. D.)
- Ethical standards and professional judgment should dictate automated processes, rather than being an afterthought <sup>[42]</sup>

*"I've witnessed an internal AI platform review over 100 supplier contracts and provide feedback on certain clauses in an Excel format. This was manually checked and the first round had an impressive 75% accuracy. This empowered the challenge behind external counsel document review fees. Doing the work faster internally was incredibly helpful when trying to reduce fees"*

Aksa Kalam, Senior Legal Counsel, UK

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<sup>[42]</sup> International Bar Association, "The Future is Now: Artificial Intelligence and the Legal Profession," IBA, 2023, <https://www.ibanet.org/IBA-and-CAIDP-release-report-The-Future-is-Now-Artificial-Intelligence-and-the-Legal-Profession>

## C. Legal and contract drafting

Recent advancements in AI-powered legal tools have significantly transformed the landscape of legal drafting, including legal agreements.

Legal templates have been used since documents existed, but they are often bloated as lawyers are incentivised to add-in new provisions, and rarely (if ever) take them out. We expect active development of AI document generation to take an increasing proportion of market share from template usage, via the use of playbooks, and data-driven contextual document generation provision-by-provision.

Shorter documents with more tailored coverage, can still maintain market standards. We have already seen this with the popularization of 'privacy policy generators' following the 2018 EU GDPR. Some are, naturally, much better than others and should be used with appropriate caution.

Some more 'classic' document automation solutions do exist to help law firms and businesses to streamline and automate the creation of legal documents. These are heavily reliant on primitive guided 'wizards' and underlying templates, which, while reducing the time spent on completely manually drafting documents from scratch, do not provide an optimal outcome.

For the sake of clarity, we see the key areas of Legal AI development within legal and contract drafting within a quadrant.

On the horizontal axis you have high volume - low volume, and on the vertical axis you have low ~customisation, high customisation.

A CLM offers a brilliantly optimized solution to, say, manage a repeatable high-volume process with a low customisation document (such as rider agreements and NDAs for deliveroo riders). The recipient doesn't have bargaining power so negotiation has also effectively been reduced to zero. Customisation is near-zero. It is a process that can effectively be managed with a glorified mail-merge.

The introduction of AI into this process would be merely one of oversight, error-scanning.

As we move into the two quadrants with high customisation, regardless of volume, we see cutting-edge Legal AI beginning to bear fruit, and yielding a new class of Legal AI.

## AI-Assisted Legal Communications Drafting

According to Bloomberg's 2023 State of Practice report, almost 2/3rds of legal professionals use genAI for legal writing for communications (memos, emails, correspondence to opposing counsel, etc.)<sup>[43]</sup>

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<sup>[43]</sup> Bloomberg's 2023 State of Practice report.  
<https://pro.bloomberglaw.com/insights/business-of-law/2023-state-of-practice-legal-landscape/>

Genie AI has reported barristers in New Zealand discovering the platform, uploading transcripts of proceedings, and then drafting correspondence such as affidavits. One such barrister who would rather not be named, suggested that the amount of clients who push-back and want to make edits to those affidavits has gone down from 2 out of every 3, to zero.

As transcription improves, each AI use-case which interacts with that transcription gets better too.

Interviews we undertook as part of this research uncovered differences in how informal and formal communication is drafted. We learned that many legal professionals use tools like ChatGPT, Gemini and Copilot to draft informal language, but that formal legal language (especially in other languages) is often better handled themselves, or with specific Legal AI tools which understand, but don't over-use, legalese.

## AI-Assisted Document Drafting

A 2023 study found that almost half of lawyers use generative AI tools for drafting documents.<sup>[44]</sup> By using AI for work which would usually be passed to junior lawyers, law firms can expect to experience a reduction in billable hours for routine tasks. In fact, the World Economic Forum estimates that lawyers will gain back 46% of their time through the use of generative AI.<sup>[45]</sup>

Not only can AI-powered drafting tools increase the speed at which legal documents can be produced, they can also improve consistency across documents.<sup>[46]</sup>

## Open Access and Open source Legal AI

Some Legal AI tools may offer open access to everyone, (such as Genie AI) in order to reduce the size of the gap between those who want legal assistance in some form, and those who can afford it. While Genie AI is geared for commercial uses (and there is a known and well documented group in need of more affordable legal services here), there will no doubt be open access Legal AI tools for a wider range of users and use cases coming in 2025.

Open source Legal AI models could help to address concerns about bias and fairness by allowing for greater scrutiny of the algorithms and training data.

We believe that any open access to legal training datasets will raise concerns about data privacy and security. Further research on computational privacy is a must here.

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<sup>[44]</sup> LexisNexis Legal & Professional. (2023, August). International Legal Generative AI Report. <https://www.lexisnexis.com/pdf/lexisplus/international-legal-generative-ai-report.pdf>

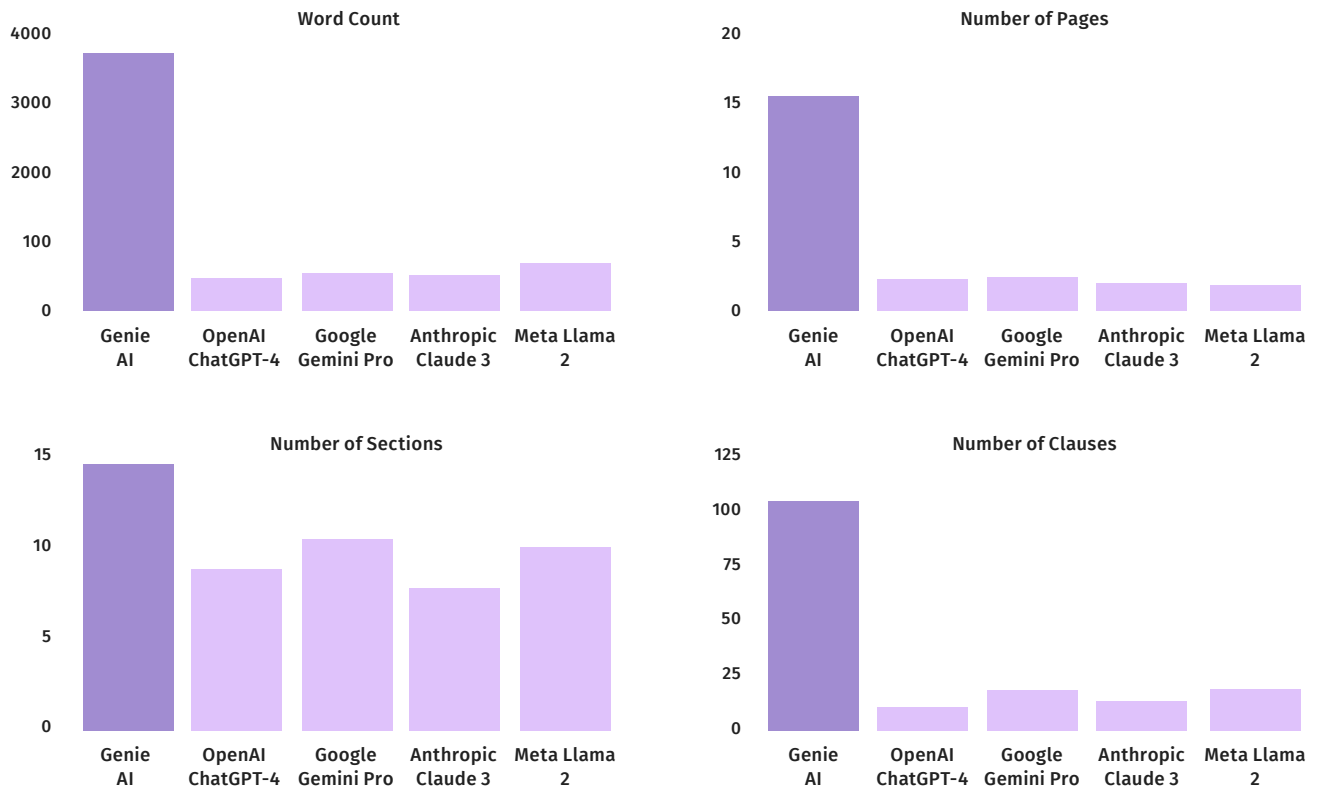
<sup>[45]</sup> Legal Balance. "The Dawning of a New Era: Generative AI and the Evolution of Legal Billing." Legal Balance, June 2024, [https://legalbalance.co.uk/wp-content/uploads/2024/06/The-Dawning-of-a-New-Era\\_-Generative-AI-and-the-Evolution-of-Legal-Billing.pdf](https://legalbalance.co.uk/wp-content/uploads/2024/06/The-Dawning-of-a-New-Era_-Generative-AI-and-the-Evolution-of-Legal-Billing.pdf).

<sup>[46]</sup> Stark, Jason. "AI Technology and Its Impact on the Legal Industry." Stark Legal Insights, [https://assets.ctfassets.net/exvcr1lfm0et/65zIHsasm081PywsGyBGh9/df60daf17693f7846ed27a1eadd282e5/Stark\\_3e\\_AI\\_Tech\\_Online\\_Chapter.pdf](https://assets.ctfassets.net/exvcr1lfm0et/65zIHsasm081PywsGyBGh9/df60daf17693f7846ed27a1eadd282e5/Stark_3e_AI_Tech_Online_Chapter.pdf).

## AI Contract Generators

AI offers an escape for lawyers who forever dread the blank page with a blinking cursor, via the generation of ‘viable first draft’ contract template generation.

AI models can significantly reduce template creation time and improve accuracy in generating customized contract templates.<sup>[47]</sup>



	Genie AI	OpenAI ChatGPT-4	Google Gemini Pro	Anthropic Claude	Meta Llama 2
Word count	3730	443	535	497	668
Number of sections	14	9	10	8	10
Number of pages	16	2	2	2	2
Number of Clauses	104	10	17	13	19
Number of schedules	2	1	0	1	0
Number of definitions	10	0	0	1	1
Contracts created	34	34	34	34	34

Research undertaken by the author tested how 5 different LLMs fared when drafting legal agreements in full from a single prompt, when compared to Genie AI.

These results show that Legal AI (Genie AI in this case), when given exactly the same prompt, will draft comprehensive 16+ page documents, compared to just 2 pages for the leading large language models.

<sup>[47]</sup> <https://systango.medium.com/automating-legal-document-creation-how-generative-ai-is-changing-the-game-ba7bece3d593>

## Multilingual Contract Drafting

As many of the readers of this report will know, multilingual contract drafting can involve 2 columns, one column with terms from one language, and another column with terms from the other language.

Presently, you can either use a law firm, ALSP/LPO or legal translator to expedite the process, at some expense, and with some delay.

Some organizations don't do this, perhaps they can't justify the expense or don't want the delay, and will instead either:

1. Translate it internally, badly (legally speaking)
2. Use an AI-translation tool to translate it, but adding words at the bottom of the document saying "The translation is only for reference and isn't legally binding, the legally binding text is the English one"

Both of these workarounds act as a plaster, and are not recommended. One firm we spoke to mentioned that half their contracts are in English, and for the other half they use workarounds like this.

If you had the option to put it into a Legal AI which could give you high certainty of a good legal translation, which can fill the other side of the document in the column of the translation, then you wouldn't need a workaround.

While Legal AI tools now offer advanced multilingual capabilities for contract drafting (Genie AI), they aren't yet fully integrated into translation workflows.

AI multilingual drafting tools have shown high accuracy in generating legal documents across multiple languages, facilitating international legal work.<sup>[48]</sup>

The authors of this report believe that firms using multilingual Legal AI for drafting will report cross-border work efficiency gains, whether dealing with 3rd parties, or simply intra-group.

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<sup>[48]</sup> Cimphony, "AI Contract Review: Multi-Language Support," Cimphony, 2023, <https://www.cimphony.ai/insights/ai-contract-review-multi-language-support>

## AI-enhanced Contextual Clause Suggestions

AI can perform contextual analysis of legal documents, understanding terms within specific legal frameworks or firm-specific precedents, making the review and drafting of contracts more accurate.

2024 has seen the issue of 'context window' (that is, the maximum amount of information you can feed an LLM within the prompt) largely disappear. It is now cheaper than ever before to feed an entire 100-page document to an LLM just to ask it to suggest a clause. While being the 'easiest' approach, we don't believe it's the 'right' approach, and it certainly doesn't stand up to the 'secure by default' guidelines set out by EU GDPR.

## Emerging Legal Editors and Drafting Tools

This year has seen the emergence of a new generation of legal editors and drafting tools:

Advanced language models, such as GPT-4 Turbo, released in late 2023, have been integrated into legal drafting platforms, offering improved natural language understanding and generation capabilities.<sup>[48]</sup>

New AI-powered legal drafting tools, such as Genie AI and Spellbook, have introduced real-time, jurisdiction-specific assistance, reducing editing and drafting time.<sup>[49]</sup>

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<sup>[48]</sup> OpenAI, "GPT-4 Technical Report," OpenAI, 2023, <https://openai.com/research/gpt-4>

<sup>[49]</sup> Cimphony, "Top 10 AI Legal Drafting Tools 2024: Features & Pricing," Cimphony, 2023, <https://www.cimphony.ai/insights/top-10-ai-legal-drafting-tools-2024-features-and-pricing>

## Changing of the guard?

*“Clients want certainty. In effect, they pay lawyers to limit risk. The contract is simply a vehicle for risk mitigation.*

*Great lawyers instinctively know this. They recognise and prioritize risks. They are rarely authorized to accept commercial risks without taking instructions, but the best lawyers are trusted by the clients to identify and present risks in a way that allows their clients to make informed decisions. This means that they address major concerns head on.*

*In contrast, less accomplished lawyers often joust with one another, sensing a risk but not really understanding it (and certainly not able to articulate it). They believe that they reduce risk by using the precedent or template. They argue “legal points” - where if the point were important it would be a commercial issue for the principals (clients) to decide. Some clients delegate arguments to their lawyers, and that is respectable until you realize that their motivation is that the lawyer understands the risk and can mount the argument better than the client. Good business people will want to master the argument and create meaningful relationships with their counterparts as they negotiate the risk allocation process.*

*AI will assist them to do this.*

*In summary, the unrevealed opportunity is for AI to identify and explain risks to help the commercial principals work together (in a trusting, open relationship) to decide how best to mitigate and (then) allocate risks between them. This provides certainty. As Lord Mansfield said*

*“In all mercantile transactions the great object should be certainty; and therefore, it is of more consequence that a rule should be certain, than whether the rule is established one way or the other” (Vallejo v Wheeler (1774) 1 Cowp 143, 98 ER 1012). Conventional contracts may or may not be the optimum way of doing this, time will tell.*

*The opportunity is for AI to “grease the wheels of commerce” by doing what the great lawyers already do – identifying risk and allowing the clients to allocate it.*

*Once the risks are identified and allocated then the work of recording the agreement can be finished.*

*Whilst democratization of the AI process will not level playing fields, it will help parties to optimize the process of securing certainty.”*

Quentin Solt, Senior Solicitor, UK

## Conclusion: Legal and contract drafting

The ongoing evolution of AI in legal and contract drafting promises to further streamline legal processes, potentially increasing access to justice and improving the overall efficiency of legal systems worldwide.

However, it remains essential to maintain human oversight and critical thinking, ensuring that AI tools are an aid and not a substitute for professional legal judgment.

There is a lack of traceability and explainability, making it difficult to trace the origin of specific clause suggestions in AI-generated contracts.

*“If your organization hasn’t adopted AI in some capacity, whether that’s summarizing a new piece of legislation or putting together a convincing presentation for a new solution in the business, then you’re already behind. AI isn’t replacing lawyers, it’s helping us bridge the language barrier between the business and the legalese we find ourselves living behind.”*

Aksa Kalam, Senior Legal Counsel, UK

## D. Data Governance

The integration of AI in legal processes necessitates robust data governance frameworks to ensure compliance, protect intellectual property, and maintain ethical standards.

This section explores the current landscape of data governance in legal AI, focusing on data usage throughout the value chain, IP risk assessment, compliance decisions, and the challenges surrounding internal tool development and 3rd-party LLM usage.

### Introduction: Data Usage Throughout the Value Chain

The legal AI ecosystem relies heavily on data at every stage of its lifecycle:

1. Data Collection and Storage (inc. Model training)
2. Data Processing and Analysis (inc. Model training)
3. Data Output and Reporting

**Data Collection and Storage:** A 2023 survey by the International Legal Technology Association (ILTA) found that 78% of law firms now use cloud-based storage solutions for client data.<sup>[50]</sup>

The American Bar Association reported in 2023 that legal AI systems are increasingly incorporating privacy-enhancing techniques to protect data during the training process.<sup>[51]</sup>

**Data Processing and Analysis:** According to a 2023 study, legal AI tools are increasingly employing privacy-preserving techniques to protect individual data points during analysis.<sup>[52]</sup>

The Journal of Artificial Intelligence and Law reported in 2023 that legal AI systems are exploring advanced encryption methods to perform computations on encrypted data, enhancing security.<sup>[53]</sup>

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<sup>[50]</sup> Aderant, "The Great Law Firm Cloud Migration: In the Next Five Years, Most Law Firms Will be Using Someone Else's Servers even for Critical Systems," Aderant Think Tank, 2023, <https://www.aderant.com/think-tank/law-firm-cloud-migration/>

<sup>[51]</sup> American Bar Association, "The Use of Artificial Intelligence in the Legal Profession," ABA, 2023, [https://www.americanbar.org/content/dam/aba/administrative/professional\\_responsibility/ethics-opinions/aba-formal-opinion-512.pdf](https://www.americanbar.org/content/dam/aba/administrative/professional_responsibility/ethics-opinions/aba-formal-opinion-512.pdf)

<sup>[52]</sup> Megan Ma, Aparna Sinha, Ankit Tandon & Jennifer Richards, Generative AI Legal Landscape 2024, March 2024 - <https://law.stanford.edu/publications/generative-ai-legal-landscape-2024-2/>

<sup>[53]</sup> Awwal-Bolanta, O., & Anakanire, O. C. (2024). Artificial Intelligence and Data Privacy: Evaluation of The Innovations, Legal Frameworks, and Technological Protection. Journal of Law and Global Policy <https://iijournals.org/get/JLGP/VOL.%209%20NO.%202%202024/ARTIFICIAL%20INTELLIGENCE%2036-49.pdf>

## IP Risk Assessment in Data Flows

Data Collection and storage: A 2023 study by the World Intellectual Property Organization (WIPO) found that legal AI systems are increasingly employing automated IP detection algorithms during data ingestion.<sup>[54]</sup>

The provenance of data inputs is important, as this affects the reliability of a given AI output. Blockchain-based provenance tracking is one method of addressing this concern, by creating an immutable record of data while maintaining confidentiality.<sup>[55]</sup>

Law firms seeking to develop their own legal AI tools will have access to a large volume of client data. A 2024 report by the London School of Economics has forecast that one of the most significant challenges in such firms developing AI tools will be striking the balance between generating these high-quality training datasets using sensitive information and protecting the privacy of individuals.<sup>[56]</sup>

The potential for the infringement of IP arises during the training of generative AI models on large datasets.<sup>[57]</sup> This topic has been litigated on over recent years, with notable cases including a US lawsuit by the New York Times alleging that OpenAI and Microsoft trained their models using New York Times articles,<sup>[58]</sup> and Getty Images in the UK bringing a claim against Stability AI, alleging that their images had been used to train Stability AI's model.<sup>[59]</sup> Both cases remain ongoing, and will be instrumental in determining how the model training process moves forward.

*“There is always a risk of breaching copyright and confidentiality issues that we have to consider with Legal AI. As a business, we almost always work under NDA when engaging with the client. Entering any details of the contract or anything related to the business matter may constitute a breach of confidentiality obligation.”*

Aleksandra Kozikowska, Solicitor (Construction and Engineering), UK

Output Generation: Legal AI tools, such as Thomson Reuters' CoCounsel, can increase efficiency in legal research by producing citations for case law with outputs.<sup>[60]</sup>

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<sup>[54]</sup> Collopy, D. (2024). Artificial Intelligence and Intellectual Property Enforcement - Overview of Challenges and Opportunities. Presentation to WIPO Advisory Committee on Enforcement, Geneva, February 2, 2024. [https://www.wipo.int/edocs/mdocs/enforcement/en/wipo\\_ace\\_16/wipo\\_ace\\_16\\_15\\_presentation.pdf](https://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_16/wipo_ace_16_15_presentation.pdf)

<sup>[55]</sup> SIMBA Chain. (2023). Data Provenance: The Next Frontier in Cybersecurity, AI, Blockchain, and Cybersecurity. <https://simbachain.com/blog/data-provenance-the-next-frontier-in-cybersecurity-ai-blockchain-and-cybersecurity/>

<sup>[56]</sup> LSE Law School. (2024). AI in Law & the Legal Profession: Industry Insights Report. London School of Economics and Political Science. <https://www.lse.ac.uk/law/Assets/Documents/news/AI-in-Law-the-Legal-Profession-Industry-Insights-Report.pdf>

<sup>[57]</sup> <https://www.cliffordchance.com/insights/resources/blogs/talking-tech/en/articles/2023/04/the-intellectual-property-and-data-protection-implications-of-tr.html> Clifford Chance. (2023, April). The intellectual property and data protection implications of training generative AI. Talking Tech.

<sup>[58]</sup> Harvard Law Review. (2024, April). NYT v. OpenAI: The Times's About-Face. Harvard Law Review Blog <https://harvardlawreview.org/blog/2024/04/nyt-v-openai-the-timess-about-face/#:~:text=Ultimately%2C%20the%20Supreme%20Court%20found,have%20infringed%20the%20freelancers'%20copyrights.>

<sup>[59]</sup> Pinsent Masons. (2024, April 29). Getty Images v Stability AI: Implications for copyright law and licensing. Out-Law Analysis. <https://www.pinsentmasons.com/out-law/analysis/getty-images-v-stability-ai-implications-copyright-law-licensing>

<sup>[60]</sup> Thomson Reuters Legal. (2023, August 30). Legal AI Tools Essential for Attorneys. Thomson Reuters. Retrieved October 31, 2024, from <https://legal.thomsonreuters.com/blog/legal-ai-tools-essential-for-attorneys/>

## Compliance Decisions

Legal firms are adopting various strategies to ensure compliance with data protection regulations and industry-specific requirements:

**Data Protection Regulations:** an important use case for AI in legal firms could be the processing of data in accordance with GDPR. In cases where Data Protection Impact Assessments (DPIAs) are required, AI tools can assist in identifying and mitigating risks to data subjects, making the process more streamlined and efficient.<sup>[61]</sup>

**Industry-Specific Compliance:** in 2021, HSBC and Google Cloud launched an AI-driven AML risk assessment system. This solution analyzes transaction patterns and KYC information to generate risk scores for customers, identify financial crimes, and maintain data privacy.<sup>[62]</sup>

*“As an in-house lawyer, I greatly value the role of AI systems, even basic and freely available ones, in conducting initial KYC processes and performing checks on prospective clients or counterparties. While the ultimate decision to proceed rests with me and the management team, these technologies have significantly enhanced the efficiency of such processes. Additionally, they contribute to more predictable budgeting, as our firm can accurately anticipate costs and plan accordingly.”*

Kirill Ivaninskiy, Legal Counsel, UK

The American Bar Association noted in 2023 that 73% of state bar associations have issued guidelines on the ethical use of AI in legal practice.<sup>[63]</sup>

**Internal Tool Development and External AI Usage:** Many law firms and legal departments are grappling with the decision to develop internal AI tools or use external solutions.

**Enforcement Challenges:** Research carried out as part of this report suggested that legal departments may struggle to effectively monitor or enforce guidelines on external AI tool usage.

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<sup>[61]</sup> LegalWeb. (n.d.). The role of AI in GDPR compliance. Retrieved October 31, 2024, from <https://legalweb.io/en/news-en/the-role-of-ai-in-gdpr-compliance/>

<sup>[62]</sup> Oliver Wyman. (2023). UK Finance Report 2023. Retrieved from Oliver Wyman website: <https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2023/nov/uk-finance-report-2023.pdf>

<sup>[63]</sup> American Bar Association, “State Bar Associations and AI Ethics Guidelines: A 2023 Overview,” ABA Journal, 2023, <https://www.americanbar.org/ai-ethics-guidelines-2023>

*“In the Commercial Legal realm, AI is and will increasingly continue to be revolutionary and create significant efficiencies to both lawyers and non-lawyers on a wide number of tasks including: contract generation, review / risk assessment, drafting, signature and management as well as risk monitoring and regulatory compliance.”*

Andrea Rinaldi, Senior Legal Counsel (UK & EU), Trainline, Italy

## Conclusion

As the legal AI landscape continues to evolve, organizations must strike a balance between leveraging innovative tools and maintaining robust data governance practices. The future of legal AI will require ongoing investment in sophisticated data governance tools, training programs, and dynamic regulatory frameworks to adapt to rapid technological advancements. By addressing these challenges, the legal industry can harness the power of AI while maintaining client trust, regulatory compliance, and ethical standards.

*“There are great opportunities for application of AI in the data governance space, where datasets need to be analysed for IP and data privacy risk at scale. The ability to quickly assess risk of using a dataset will be a key differentiator for organisations looking to train new LLMs or for finetuning models in specific sectors. In this way, smart use of AI could help accelerate adoption of AI in a safe and legally compliant way.”*

Andrew Forbes, Legal Counsel (AI & Data Governance), LOD, UK

## IV. Emerging Trends and Technologies

The legal AI landscape is rapidly evolving, with several key trends and technologies shaping the future of the industry. This section explores the most significant developments and their potential impact on legal practice.

- Advanced NLP
- Explainable AI
- Democratization of Contract Law and Market Standards

*“With perhaps the most rapid change in legal tech since the PC’s invention, AI is transforming the legal services market and redefining what it means to be a lawyer from 2025 onwards”*

Gav Ward, Ex-BigLaw Solicitor, UK

### Trend 1: Advancing Natural Language Processing (NLP)

#### Transformer Architecture Dominance

77% of businesses using NLP expect to increase their investment in NLP.<sup>[64]</sup> The transformer architecture has continued to be the backbone of most state-of-the-art NLP models:

- **Improved Attention Mechanisms:** Researchers have developed more efficient attention mechanisms, allowing for processing of longer sequences and better handling of contextual information.<sup>[65]</sup>
- **Sparse Transformers:** These models have gained traction, offering comparable performance to dense transformers while requiring less computational resources.<sup>[66]</sup>

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<sup>[64][66]</sup> <https://inclusioncloud.com/insights/blog/whats-new-nlp-latest-ai-advancements/>

<sup>[65]</sup> <https://www.narrativa.com/5-trends-in-nlp-and-nlg-for-2023/>

## Large Language Models (LLMs)

LLMs have seen significant improvements:

- **Parameter Efficiency:** New techniques will emerge to create smaller yet equally powerful models, reducing computational requirements.
- **Few-shot Learning:** LLMs have become more adept at performing tasks with minimal examples, enhancing their versatility.<sup>[67]</sup>

## Multimodal Models

NLP has expanded beyond text:

- **Text-to-Video Generation:** Models can now generate short video clips from textual descriptions, marking a significant leap in multimodal AI.<sup>[68]</sup>
- **Cross-modal Understanding:** Improved integration of text, image, and audio modalities for more comprehensive language understanding.<sup>[69]</sup>

## Ethical AI and Bias Mitigation

Efforts to address ethical concerns in NLP have intensified:

- **Fairness-aware Models:** New techniques are being developed to detect and mitigate biases in language models.
- **Explainable AI:** Advancements in making NLP models more interpretable and transparent in their decision-making processes.<sup>[70]</sup> More on this in the next section.

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<sup>[67][69][70]</sup> <https://www.narrativa.com/5-trends-in-nlp-and-nlg-for-2023/>

<sup>[68]</sup> <https://inclusioncloud.com/insights/blog/whats-new-nlp-latest-ai-advancements/>

## Multilingual NLP

Progress in handling multiple languages has accelerated:

- **Universal Language Models:** Development of models capable of understanding and generating text across hundreds of languages.
- **Low-resource Languages:** Improved techniques for NLP tasks in languages with limited data available.<sup>[71]</sup>

## Efficient Training and Deployment

Advancements in model efficiency have been notable:

- **Quantization Techniques:** More sophisticated methods for reducing model size while maintaining performance.<sup>[72]</sup>
- **On-device NLP:** Progress in deploying powerful NLP models on edge devices with limited computational resources.<sup>[73]</sup>

## Conclusions: NLP in the Legal Domain

Looking ahead, we anticipate:

1. Development of NLP-powered legal tools with both multilingual and cross-jurisdictional capabilities
2. More seamless collaboration between NLP-driven tools and human legal practitioners
3. Increased reliance on NLP-powered Legal AI tools as a valuable assistant, allowing legal professionals to focus on high-level strategic thinking and creative problem-solving

These developments have collectively pushed the boundaries of what's possible in NLP, and in the Legal domain, enabling more sophisticated language understanding and generation across a wide range of legal applications

*“AI is transformative, which is both exciting and intimidating. Not only does it challenge the traditional conception of legal practice, but it also invites us to reconsider fundamental questions about the meaning of intelligence, the nature of legal reason, and even human nature itself”*

Kevin P. Lee, Professor of Law, North Carolina, USA

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<sup>[71]</sup> <https://inclusioncloud.com/insights/blog/whats-new-nlp-latest-ai-advancements/>

<sup>[72]</sup> <https://www.narrativa.com/5-trends-in-nlp-and-nlg-for-2023/>

<sup>[73]</sup> Kailai Sun, Xinwei Wang, Xi Miao, Qianchuan Zhao, "A review of AI edge devices and lightweight CNN and LLM deployment", 2024, <https://www.sciencedirect.com/science/article/pii/S0925231224015625>

## Trend 2: Explainable AI (XAI) in legal decision-making

Explainable AI (XAI) has emerged as a crucial tool in the legal domain, addressing the need for transparency, accountability, and trust in AI-driven decision-making processes.

We need AI to be explainable so we can understand how it did what it did. XAI is the research field of 'peeking behind the curtain', to figure out the inner workings of the machine.

By providing clear explanations for AI-generated outcomes to the user (legal professionals, let's say) then those users know how to interpret and adapt to those legal AI responses. Explainability means you know what you can and can't trust.

This section explores, as of today, the current challenges and research directions of XAI in 7 different aspects, many of them highly relevant to legal practice.

When procuring new Legal AI tools, legal teams should be asking how vendors are tackling these issues.

*“Legal AI adoption faces barriers due to a lack of explainability. Lawyers, often underwhelmed by legal AI’s unfulfilled promises, require absolute confidence in its accuracy. In high-stakes matters, explainable AI is essential to ensure transparency, reliability, and trust in its results.”*

Sean A. Harrington, Director of Technology Innovation,  
University of Oklahoma College of Law, USA

## Creating Explanations for New Types of AI

**Explanation:** We are trying to figure out ways to get LLMs to explain their thinking, so we can understand and improve them.

Challenge	Research Direction
Explaining complex generative AI models like LLMs	Explore mechanistic interpretability for deeper understanding

## Improving Current XAI Methods

**Explanation:** Sometimes an LLMs answer changes based on 'how' you ask them to explain their thinking. We need to learn, based on all the different ways of asking them to explain their thinking, which ones are most reliable.

Challenge	Research Direction
Limitations of current attribution methods	Develop aggregation techniques and focus on model robustness
Noisy results in synthesis-based explanations	Develop quality metrics and apply across diverse domains

## Evaluating XAI Methods

**Explanation:** We need to set up rules and benchmarks for Legal AI, so we can consistently evaluate and improve them.

Challenge	Research Direction
Lack of standardized evaluation methods	Develop comprehensive evaluation metrics
Difficulties in human subject evaluations	Implement standardized protocols for human evaluations

## Supporting Human-Centered Explanations

**Explanation:** An AI tool may 'give' an explanation, but as humans we may not be able to 'understand' it.

Challenge	Research Direction
Explanations not easily understandable by humans - they are based on feature attributions and complex concepts	Design methods aligned with human cognitive processes

## Supporting Multi-Dimensional Explainability

**Explanation:** Reliability of AI outputs is a function of the different dimensions the AI uses to source its output. Like how a legal case needs to be looked at from criminal law, civil law and constitutional law.

Challenge	Research Direction
Need for comprehensive trustworthiness explanations	Develop integrated trustworthiness metrics
Barriers to interdisciplinary collaboration	Foster collaboration through shared resources and training

## Adjusting XAI Methods for Different Contexts

**Explanation:** You'd explain a legal concept differently to a client than a colleague. We should try and create AI explanations which ensure everyone gets information in the way that makes the most sense to them.

Challenge	Research Direction
Diverse stakeholder needs	Develop adaptable, personalized XAI methods
Domain-specific explanation requirements	Incorporate domain knowledge into XAI methods
Varying explanation goals	Design goal-specific XAI methods

## Mitigating Negative Impacts of XAI

**Explanation:** Preventing the manipulation or misuse of explanations, especially in high-stakes situations such as legal proceedings.

Challenge	Research Direction
Potential for deceptive use of explanations	Develop criteria for assessing explanation falsifiability
Exploitation of XAI by malicious actors	Develop methods to detect and mitigate explanation manipulation
Future AI systems exploiting human cognitive biases	Research XAI limitations in ensuring AI safety

## Improving Societal Impact of XAI

**Explanation:** If an AI system writes a legal brief, who gets credit for the work?

Challenge	Research Direction
Determining originality in AI-generated content	Develop methods to trace training data influence
Implementing “right to be forgotten” in AI systems	Research machine unlearning techniques
Addressing power imbalances exacerbated by AI	Shift focus to empowering individuals and addressing societal issues

*“If you’re thinking about using AI in your law firm or organization, here’s something to consider—don’t just train it on datasets. Instead, focus on personas. When you capture the nuances of client needs and how attorneys actually work, you’ll create tools that feel more personal, strategic, and genuinely human.”*

**Jim Merrifield**, Director of Information Governance, Robinson+Cole

## Trend 3: Contract Law and Democratizing of Market Standards

The EU AI Act heavily emphasizes transparency obligations for specific AI systems, particularly those classified as “high-risk”.

The Act aims to ensure that users and affected parties have access to information about how these systems function and make decisions.

This principle of transparency could be seen as a step towards democratizing knowledge, as it empowers individuals with a better understanding of AI’s role in decisions that impact them.

### Balancing transparency with the protection of intellectual property rights in the context of the EU AI Act.

This tension could pose challenges to the democratization of knowledge, as some argue that excessive protection of proprietary AI models might hinder open access and sharing of crucial information about these technologies.

The integration of AI in contract law is revolutionizing the way legal professionals and businesses approach contract creation, analysis, and management. AI-driven tools are making sophisticated legal expertise more accessible, streamlining processes, and promoting standardization across industries. This section explores the impact of AI on democratizing market standards and the future directions of this transformative technology.

Increased transparency in AI systems used for drafting or analyzing contracts could make legal processes more understandable and accessible to individuals and businesses. This aligns with the broader goal of democratizing legal knowledge, empowering individuals to better understand and navigate legal complexities.

### AI-Enhanced Contract Drafting, Review, and Analysis

AI-powered contract drafting and review tools are significantly enhancing efficiency and accuracy in contract management. These tools leverage advanced algorithms and vast databases of legal templates and clauses to assist users in creating, negotiating, and reviewing contracts without the need for extensive legal expertise.<sup>[74]</sup>

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<sup>[74]</sup> Gartner, “Gartner Predicts Half of Procurement Contract Management Will Be AI-Enabled by 2027,” May 2024, <https://www.gartner.com/en/newsroom/press-releases/2024-05-08-gartner-predicts-half-of-procurement-contract-management-will-be-ai-enabled-by-2027>

*“AI has already proven useful in automating certain tasks. Document automation, predictive analytics to improve ediscovery, and legal informatics to develop highly realistic valuations of contingent litigation have become mainstream. At the same time, however, chatbots that offer advice raise significant ethical and professional responsibility concerns as well as operational questions. AI cannot yet differentiate a majority opinion from a dissenting one or understand that a statement in one paragraph of a decision may be rendered unquotable because of the statements that follow it in that same opinion. LLMs are simply not trained in the law.”*

Jon Garon, Professor of Law, Nova Southeastern University;  
Director, Goodwin Program for Society, Technology, and the Law, USA

Key benefits include:

- **Reduced review time:**  
AI can halve NDA review times for multinational companies, speeding up deal flow and boosting response times.<sup>[75]</sup>
- **Improved accuracy:**  
38% of lawyers are excited about AI’s ability to reduce inaccuracies due to human error.<sup>[76]</sup>
- **Increased accessibility:**  
Non-lawyers can confidently engage with legal documents using AI-assisted platforms.<sup>[77]</sup>

## Standardization of Contract Terms and Clauses

AI is facilitating the standardization of contract terms and clauses across industries, leading to more consistent and efficient contracting processes. By leveraging extensive databases of legal documents, AI tools enable users to adopt best practices in contract drafting, even if legal is not their primary expertise.<sup>[78]</sup>

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<sup>[75]</sup> LexCheck, “Legal Technology, AI, and the Impact of Both on the Practice of Contract Law,” 2023, <https://blog.lexcheck.com/legal-technology-ai-and-the-impact-of-both-on-the-practice-of-contract-law-lc>

<sup>[76]</sup> Thomson Reuters, “Future of Professional Report” August 2024, <https://www.thomsonreuters.com/content/dam/ewp-m/documents/thomsonreuters/en/pdf/reports/future-of-professionals-report-2024.pdf>

<sup>[77]</sup> Genie AI, “Reducing contract drafting time by 95%,” October 2024, <https://www.genieai.co/case-studies/how-a-sales-marketing-lead-uses-genie-ai-to-reduce-contract-drafting-time-by-95>

<sup>[78]</sup> McKinsey & Company, “The state of AI in early 2024: Gen AI adoption spikes and starts to generate value,” May 2024, <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai>

This standardization offers several advantages:

- Reduced negotiation times and disputes over ambiguous terms.<sup>[79]</sup>
- Improved regulatory compliance and risk management.
- More equitable agreements through the adoption of industry-standard clauses.

*“Even though standardization is one of the greatest achievements of the modern global world, I remain skeptical about the feasibility of fully standardizing all contracts—though it is a goal to strive for. Even standard templates provided by platforms such as LexisNexis or Thomson Reuters are undoubtedly valuable, as they offer a more efficient starting point for drafting compared to beginning from scratch. However, in practice, lawyers and clients often amend and adapt key provisions—not just boilerplate terms—to meet their specific needs and requirements.”*

Kirill Ivaninskiy, Legal Counsel, UK

## Available datasets

Contract Understanding Atticus Dataset (CUAD) is a corpus of 13,000+ labels in 510 commercial legal contracts that have been manually labeled under the supervision of experienced lawyers to identify 41 types of legal clauses that are considered important in contract review.

The contracts are collected from the Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) system, which is maintained by the U.S. Securities and Exchange Commission (SEC) (<https://www.sec.gov/search-filings>).

ContractNLI is a dataset for document-level natural language inference (NLI) on contracts, containing 607 (NDAs).

Despite containing more contracts than the CUAD dataset, these are considerably shorter and the whole contract corpus of this dataset is shorter. Moreover, it doesn’t contain any other contract type other than NDA.

Having more extensive knowledge of the context for this data would enhance the performance of models fine-tuned on them.

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<sup>[79]</sup> Genie AI, “Legal AI for Negotiation,” October 2024, <https://www.genieai.co/use-case/ai-negotiation>

## Defining Accuracy

Let's say you wanted to "Investigate whether appending the whole contract to the prompt is the best practice in terms of accuracy and the cost-performance trade-off of doing this."

In order to answer the cost-performance tradeoff point here, you'd need to first define the cost of inaccuracy. Higher risk of dispute, claims, and legal fees associated, or simply the lost hours spent checking work so these other outcomes don't arise?

But that's easier said than done.

*"Accuracy is a misleading metric. This has led to a search for different metrics measuring different aspects of Legal AI performance. This is a complex task and there are many classifications metrics to measure different performance nuances (Akosa 2017; Holzmann and Klar 2024). There is unfortunately no one-works-for-all metric. However, the following are some of the most common classification metrics. Precision is the ratio of correctly predicted positive observations to the total predicted positives. It is calculated as:*

*Recall is the ratio of correctly predicted positive observations to all the observations in the actual class. The F1 Score is the harmonic mean of Precision and Recall.*

*Metrics like precision, recall, and F1 give different results depending on which class is treated as positive and which is treated as negative"*

Elifsu Parlan, AI Scientist, UK

## Prompt Engineering

*"There are potentially large obstacles for automating legal work. Using a legal practice guide for RAG produces inconsistent results, and there are no consensus prompt decomposition strategies which achieve a 'best' overall performance consistently"*

Colin Doyle, Associate Professor of Law, Loyola Law School, Los Angeles, USA

A prompt is the natural language text given to an LLM with the aim of getting the desired output.

The quality of the prompt can drastically affect the quality and accuracy of the answers of an LLM. This has led to the emergence of a field called prompt engineering.

Prompt engineering refers to the systematic design and optimization of input prompts to guide the responses of LLMs, ensuring accuracy, relevance, and coherence in the generated output.

This process is vital to harness the full potential of the models (B. Chen et al. 2024).

There are many prompt engineering techniques:

**Role-based priming:** This is like telling the AI to pretend it's a specific type of lawyer or judge. It helps the AI understand what kind of answer you need.

**Goal-oriented priming:** This is when you tell the AI exactly what you want to achieve, like writing a contract or analyzing a case.

**Chain-of-thought prompting:** This is like asking the AI to show its work, step-by-step, which is great for complex legal reasoning.

**Few-shot prompting:** This is when you give the AI a few examples of what you want, which helps it understand tricky legal concepts better.

**Specificity and precision:** Using clear, detailed instructions and legal terms helps the AI give more accurate answers.

**Providing context:** Giving background information helps the AI understand the legal situation better.

**RICE method:** This stands for Role, Instructions, Context, and Expectations, which helps structure your questions to the AI.

An entire report could be dedicated just to exploring the effectiveness of each of these techniques. Instead of doing that, we encourage you to take some time to look up examples of each in the legal domain, and find what works best for you and your use case.

## Challenges and Future Directions

Despite the numerous benefits, challenges remain in the widespread adoption of AI in contract law. Data privacy concerns, the need for improved AI interpretability, and potential biases in AI-generated outcomes are among the key issues that need to be addressed.

As AI continues to evolve, its role in contract law is expected to expand further. Companies are leading ongoing research and development efforts that aim to:

Enhance the sophistication of AI-driven contract tools, potentially incorporating multimodal interfaces.<sup>[80]</sup>

Integrate AI with other emerging technologies, such as blockchain, to create more secure and efficient contract management systems.<sup>[81]</sup>

Develop ethical standards and regulatory frameworks to ensure responsible AI adoption in legal practices.

*“In my opinion, the regulation of AI presents unique challenges compared to other technologies. While current approaches in the US, EU, Singapore, and Canada focus on harm prevention, risk-based frameworks, or voluntary guidelines, I believe they fail to address broader issues such as intellectual property rights, liability for AI-related harm, and the evolving nature of AI capabilities. I argue that granting AI a legal personality, akin to corporations, could fill these accountability and rights gaps. This approach would provide a clear framework for addressing liability and intellectual property disputes while offering the flexibility needed to adapt to future advancements in AI.”*

Frederick Chan, former GC (Technology and Innovation), Canada

Developing ethical AI standards for law requires collaboration between governments, legal bodies, tech companies, and researchers to ensure responsible and fair use. This joint effort aims to create adaptable guidelines that address ethical concerns like data privacy and bias, promoting responsible AI adoption in legal practices worldwide. We are still in the early stages of this process, and would recommend all readers to subscribe to their local bar association or regulatory body for updates, and reach out to participate in panels and forums.

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<sup>[80]</sup> McKinsey & Company, “The state of AI in 2023: Generative AI’s breakout year”

<sup>[81]</sup> MIT Sloan Management Review, “AI and the Future of Contract Management”

## Conclusion

The application of AI in contract law represents a significant step towards more efficient, accessible, and standardized contracting processes. AI-driven tools are democratizing legal expertise, empowering businesses and individuals to engage confidently with complex legal documents.<sup>[82]</sup> As AI continues to advance, it will play an increasingly vital role in promoting fairness, transparency, and efficiency in contract law. However, stakeholders must remain vigilant regarding the ethical implications and strive for continuous improvement in these technologies to ensure a just and inclusive legal landscape.<sup>[83]</sup>

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<sup>[82]</sup> Harvard Business Review, "AI Is Changing How Companies Approach Legal Work"

<sup>[83]</sup> Deloitte, "State of AI in the Enterprise"

## V. Pros and Cons of Legal AI by Legal Team Type

The integration of AI technologies in in-house legal departments presents both opportunities and challenges. This section examines the key advantages and potential drawbacks of AI adoption for corporate legal teams.

*“Artificial Intelligence won't replace lawyers and it won't end law; but it will replace lawyers who don't adapt to this new disruptive technology”*

Zachary Catanzaro, Assistant Professor of Law, St. Thomas University;  
Academic Chair Business Law Section's Blockchain & Digital Assets Committee  
and eDiscovery & Electronic Evidence Committee, Florida Bar Association, USA

### A. Advantages for In-house Legal Teams

In-house legal teams face significant challenges in today's fast-paced business environment. They spend considerable time on lower-value drafting and review tasks, with contract processing costs being substantial. These teams struggle with managing risk at scale, information loss, errors, and data security concerns. Often viewed as blockers or cost centers, in-house legal departments can leverage AI-enabled tools to improve efficiency without requiring additional budget.

#### Increased Accuracy: Potential for More Data-driven Decision Making

AI systems offer the potential for more accurate, data-driven decision-making in legal contexts. This advantage is particularly valuable for in-house teams dealing with complex legal issues and large volumes of data. A 2023 study found that AI-powered contract review tools achieved an average accuracy rate of 94%, compared to 85% for human lawyers reviewing the same documents.<sup>[84]</sup> According to research carried out as part of this report, legal departments increasingly require the “use of appropriate technologies” when choosing their legal partners, indicating a growing recognition of AI's potential in improving accuracy and efficiency.

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<sup>[84]</sup> LawGeex, “AI vs. Lawyers: The Ultimate Showdown,” LawGeex, 2023, <https://images.law.com/contrib/content/uploads/documents/397/5408/lawgeex.pdf>

## Increased Efficiency: Time Savings Through Reduced Research, Drafting, Customizing, and Negotiating

AI technologies offer substantial time savings across various legal tasks, allowing in-house teams to operate more efficiently. One Legal AI vendor reported that AI contract review can complete tasks in 26 seconds that would take human lawyers an average of 92 minutes, significantly reducing the time spent on contract analysis and drafting.<sup>[85]</sup> Contract professionals also spend time just locating documents and finding specific clauses, a process that AI could also streamline.

### AI Becomes an In-house ALSP

Note for non-US readers: ALSP's in your region may be referred to as LPOs, MLSP, LSP or even NewLaw.

AI technologies are democratizing access to legal information and expertise, potentially reducing the need for outsourcing to Alternative Legal Service Providers (ALSPs) for routine tasks. Another Legal AI vendor stated that companies using AI-powered contract management systems saw an increase in contract compliance across departments.<sup>[86]</sup>

With AI handling routine tasks, ALSPs may shift their focus to more strategic, high-value work such as complex litigation and transactional matters. Interviews conducted while drafting this report found that in-house legal teams using AI for routine tasks otherwise aimed at their ALSP were able to redirect their ALSP engagements towards more strategic legal work.

Research done as part of this report revealed a desire to treat AI like an ALSP. Legal AI will soon take a list of things which are acceptable or unacceptable to your organization, and train on your templates and parameters. You will then be able to put counterparty contracts in for review, and automate the action you would otherwise have manually taken, while still relying on your knowledge, your experience, your playbook.

If you don't do this, you can guarantee that the ALSPs will, so they can remain competitive on price.

*“There’s no single authority who is up to date with the tools and the tech. So you have to get involved and see what you can achieve yourself and with your own team (or buy from someone like Genie AI who has a team solving the problem you’ve got”*

Oliver Asha, Head of Legal, UK

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<sup>[85]</sup> SuperLegal, “AI vs Lawyers – The Ultimate Showdown,” October 2022, <https://www.superlegal.ai/blog/aivslawyer/>

<sup>[86]</sup> SirionLabs, “What is AI in Contract Management? Exploring the Digital Future,” 2023, <https://www.sirion.ai/library/contract-ai/what-is-ai-contract-management/>

## Junior Roles Evolve into “AI Wranglers”

As AI adoption increases, junior roles within in-house legal teams are evolving. These “AI wranglers” are becoming crucial in managing and optimizing AI outputs. These AI-native junior lawyers scrutinize AI output, filter discrepancies, identify hallucinations, and ultimately pass on a higher volume of work than previously possible to management. They are also beginning to work with tech providers to train in-house AI systems to become business-facing, providing initial answers to requests from marketing or sales by incorporating relevant compliance and regulatory information alongside best practices and internal playbooks.

*“Reviews of the accelerating uses of AI in legal remind me first of all of the famous exclamation by the radio reporter Herbert Morrison, watching the Hindenberg zeppelin explode in 1937: 'Oh, the humanity!'” I wonder, in other words, what is becoming of the classic hallmarks of lawyers and lawyering: human understanding, human communication, human connection, and above all - professional judgment. Thoughtless AI deployment risks reducing lawyers to automatons. To avoid that outcome, AI must be humane. The entire profession, with tech developers, will need to rethink the answers to some fundamental questions. What are human lawyers for, and how do we train and organize those people?”*

Michael Madison, Law Professor, University of Pittsburgh;  
Host, Future Law Podcast, USA

## In-house Legal Teams: The Frontier of Legal AI Innovation

In-house legal teams are uniquely positioned to benefit from legal AI, as there’s no threat to their hourly wage and everything to gain.

According to the Thomson Reuters’ Legal Department Operations (LDO) Index 2023, 76% of surveyed legal departments are already using contract management software solutions.<sup>[87]</sup> AI-powered contract management systems can accelerate contract review cycles by as much as 40% by optimizing terms and conditions, standardizing clauses, and flagging non-compliant clauses intelligently.<sup>[88]</sup>

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<sup>[87]</sup> Thomson Reuters, “Future of Professionals Report” August 2024, <https://www.thomsonreuters.com/content/dam/ewp-m/documents/thomsonreuters/en/pdf/reports/future-of-professionals-report-2024.pdf>

<sup>[88]</sup> Icertis, “How Generative AI is Changing Contract Management” <https://www.icertis.com/learn/how-generative-ai-is-changing-contract-management>

AI-based contract management solutions can improve contract compliance and quality by minimizing errors and risks and ensuring alignment with the parties' goals and expectations.<sup>[89]</sup> Generative AI in contract management can enable companies to innovate and adapt to changing markets by surfacing new insights from their contract data.<sup>[90]</sup>

AI-powered contract review and analysis solutions allow legal teams to go beyond the typical extraction of facts and clauses from legal documents. A recent report indicated that 36% of law departments predicted an increase in regulatory spend, indicating a growing focus on compliance and risk management in legal departments.<sup>[91]</sup>

## Empowering Strategic Risk Management

Enterprises with the most AI-friendly in-house legal teams that use AI most effectively will be able to spend more time taking on and managing strategic risks for their organization. This shift allows in-house lawyers to focus on the kind of high-level legal work they studied law to practice, ultimately providing more value to their organizations and enhancing their professional satisfaction.

These advantages demonstrate the transformative potential of AI for in-house legal teams. By leveraging AI technologies, corporate legal departments can enhance their accuracy, efficiency, and access to specialized knowledge, ultimately providing more value to their organizations. AI has the potential to 'level the playing field' between large corporations with extensive legal resources and smaller companies with limited in-house legal capabilities.

While the advantages are significant, they should be balanced against potential challenges and ethical considerations. The U.S. Department of State released a "Risk Management Profile for Artificial Intelligence and Human Rights" as a practical guide for organizations to design, develop, deploy, use, and govern AI in a manner consistent with respect for international human rights.<sup>[92]</sup> Additionally, NIST has developed a framework to better manage risks to individuals, organizations, and society associated with artificial intelligence (AI).<sup>[93]</sup>

*"Published guidelines for ethical AI use, such as those from organizations like the The European Commission and the U.S. National Institute of Standards and Technology (NIST), provide useful frameworks for fairness, transparency, and accountability. However, more needs to be done to make these guidelines actionable and enforceable"*

Natalie Salunke, General Counsel, UK

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<sup>[89][90]</sup> Icertis, "How Generative AI is Changing Contract Management" <https://www.icertis.com/learn/how-generative-ai-is-changing-contract-management>

<sup>[91]</sup> Thomson Reuters, "State of the Corporate Law Department Report," 2023 <https://legalsolutions.thomsonreuters.co.uk/en/trends-insights/reports/2023-state-of-corporate-legal-department-report/form.html>

<sup>[92][93]</sup> NIST, "AI Risk Management Framework," 2024, <https://www.nist.gov/itl/ai-risk-management-framework>

## B. Concerns and Limitations for In-house Legal Teams

The adoption of AI in the legal industry, particularly for in-house legal teams, presents both significant opportunities and notable challenges. While AI offers the potential for increased efficiency and cost-effectiveness, it also raises important concerns that must be carefully addressed.

*“In my opinion, in-house lawyers face significant challenges in adopting legal technology, largely because the tools designed for law firms do not address their unique operational needs. In-house teams might benefit from hiring legal operations professionals who can bring the necessary expertise in both legal and technology domains. This, I think, is a pivotal step toward overcoming the barriers to technology adoption in the in-house legal environment”*

Frederick Chan, former GC (Technology and Innovation), Canada

### Data Privacy and Security

Data privacy and security remain paramount concerns for in-house legal teams adopting AI technologies:

68% of legal industry respondents cited data security concerns as a barrier to AI adoption, while 62% pointed to privacy and confidentiality issues.<sup>[94]</sup>

The confidential and sensitive nature of legal work requires assurances that client data is not being misused by AI tools.<sup>[95]</sup>

Legal-specific AI solutions are often designed with privacy and security as top priorities, in contrast to generic AI tools that may have less stringent data protections.<sup>[96]</sup>

In-house legal departments must carefully evaluate the data handling practices of AI vendors and implement robust safeguards to protect sensitive information.

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<sup>[94][95][96]</sup> NIST, “AI Risk Management Framework,” 2024, <https://www.nist.gov/itl/ai-risk-management-framework>

## Potential for Bias and Errors

AI systems are not infallible and can exhibit biases or make errors that have serious implications in legal contexts:

AI-powered legal research tools may show bias in case law recommendations, potentially skewing legal analysis.<sup>[97]</sup>

There have been instances of AI misinterpreting complex legal language in contract analysis, which could lead to errors in contract execution.<sup>[98]</sup>

Facial recognition algorithms used in legal investigations have shown higher error rates for people of color, raising concerns about fairness and accuracy.<sup>[99]</sup>

To mitigate these risks, in-house legal teams must implement human oversight and quality control measures when using AI tools.

*“When evaluating human and machine errors, the focus needs to shift from error rates to the nature and severity of the errors. While some errors are inconsequential, others can be catastrophic. Effective collaboration between humans and machines requires leveraging their comparative strengths to reduce the impact of errors, not just the frequency of errors.”*

Colin Doyle, Associate Professor of Law, Loyola Law School, Los Angeles, USA

## Ethical Considerations and Accountability

The use of AI in legal work raises important ethical questions:

Lawyers remain responsible and accountable for the outputs of AI systems they use, even if provided by third parties.<sup>[100]</sup>

Firms must ensure they have systems in place to meet their professional responsibilities when using AI.<sup>[101]</sup>

Clients should be appropriately informed about how AI is involved in their cases.<sup>[102]</sup>

In-house legal teams need to develop clear policies and guidelines for the ethical use of AI in their work.

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<sup>[97][98]</sup> AI for Cross-Jurisdictional Legal Research: Risks & Opportunities", <https://www.cimphony.ai/insights/ai-for-cross-jurisdictional-legal-research-risks-and-opportunities>

<sup>[99]</sup> Alan Turing Institute, "Understanding bias in facial recognition technologies", 2020 [https://www.turing.ac.uk/sites/default/files/2020-10/understanding\\_bias\\_in\\_facial\\_recognition\\_technology.pdf](https://www.turing.ac.uk/sites/default/files/2020-10/understanding_bias_in_facial_recognition_technology.pdf)

<sup>[100][101][102]</sup> Thomson Reuters, "State of the Corporate Law Department Report," 2023 <https://legalsolutions.thomsonreuters.co.uk/en/trends-insights/reports/2023-state-of-corporate-law-department-report/form.html>

## AI Hallucinations and Reliability

The phenomenon of AI hallucinations, where AI systems generate plausible but false information, is a significant concern:

Legal professionals must be trained to critically evaluate AI-generated content and not blindly trust its outputs.<sup>[103]</sup> The best AI tools are designed to indicate when they do not have a reliable answer to a query. There are anecdotal reports and discussions among developers suggesting that GPT-4o is less likely to say “I don’t know” compared to other models.

In-house teams should prioritize AI solutions that are transparent about their limitations and provide clear indications of confidence levels in their outputs.

*“Concerns about AI hallucinations are valid, however the crowd rejecting AI fail to recognise the scope and speed of development: challenges will diminish as technology matures. The key lies in adopting a forward-thinking approach that sees AI as a strategic partner in analysis, risk identification and contract structuring, rather than just an efficiency tool.”*

Quentin Solt, Senior Solicitor, UK

## Balancing Adoption with Caution

Despite these challenges, many in-house legal departments are moving forward with AI adoption:

Over 60% of large law firms and a third of small firms were exploring the potential of new generative AI systems as of late 2023.<sup>[104]</sup>

The legal industry is cautiously adopting AI, with about one-quarter of law firm and corporate legal department respondents having used public AI tools like ChatGPT.<sup>[105]</sup>

In-house legal teams are often more willing to accept certain risks in exchange for efficiency gains, but they must do so thoughtfully and with appropriate safeguards in place.

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<sup>[103]</sup><sup>[105]</sup> Thomson Reuters, “State of the Corporate Law Department Report,” 2023 <https://legalsolutions.thomsonreuters.co.uk/en/trends-insights/reports/2023-state-of-corporate-legal-department-report/form.html>

<sup>[104]</sup> Risk Outlook report: The use of artificial intelligence in the legal market”, 2023, <https://www.sra.org.uk/sra/research-publications/artificial-intelligence-legal-market/>

By carefully considering these concerns and implementing best practices for AI adoption, in-house legal teams can harness the benefits of AI while mitigating its potential drawbacks. The key lies in responsible implementation, ongoing oversight, and a commitment to maintaining the highest standards of legal practice in the AI era.

*“We are bang in the middle of an era of opportunity, before appetite for AI investment gets dampened by rising regulatory costs and overwhelming competition. The time to take risks is now.”*

Kimia Pezeshki, Lawyer (Data Privacy)

*“I anticipate even greater AI value coming very soon from GenAI tools that will not even require user-provided prompts, but which are powerful enough to monitor the situation at hand and proactively offer powerful, real-time assistance to attorneys.*

*Think about agents that can continually review the case docket, and unilaterally alert an attorney of new filings, what now needs to be done, and include GenAI-created proposed drafts based on prior firm samples. And GenAI agents that can listen in on depositions, trials or client intake meetings, and provide the attorney - in real time - with AI-powered guidance and assistance (issue spotting, identifying inconsistencies or falsehoods, etc.) based on the agent's knowledge of the entire case file.*

*Tools like this are already in development, and will soon become mainstream”*

Evan Shenkman, Chief Knowledge and Innovation Officer, Fisher Phillips, USA

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<sup>[106][107][108]</sup> Thomson Reuters, “Generative AI in the legal industry: The dos and don'ts of adoption,” May 2024, <https://www.thomsonreuters.com/en-us/posts/legal/genai-adoption/>

## C. Advantages for BigLaw

BigLaw firms are increasingly leveraging artificial intelligence (AI) to develop specialized applications and deliver more productized value to clients at an accelerated pace. This section explores the key advantages of AI adoption in large law firms, focusing on in-house AI development and improved client service delivery.

### In-House Development of Specialized AI Applications

BigLaw firms are investing heavily in developing proprietary AI tools tailored to their specific practice areas and client needs. As of 2024, over 60% of large law firms were exploring the potential of new generative AI systems, as were a third of small firms.<sup>[109]</sup>

AI-powered closing checklists have significantly improved transaction efficiency in M&A deals. Dynamic closing checklists enable legal teams to manage all transaction documents in a single location on a cloud-based platform in real time. This allows for efficient management of final document forms, resulting in a smooth closing process with improved organization of final transaction documents.<sup>[110]</sup>

AI has substantially enhanced document review and contract analysis capabilities. For instance, A&O Shearman claim that Legal AI has resulted in a productivity gain of 30% with document reviews, finding and extracting essential data, and providing rapid insights into large data sets.<sup>[111]</sup>

### Enhanced Client Value Through AI-Driven Productization

AI enables BigLaw firms to offer more standardized, efficient, and cost-effective legal services to clients. Some key benefits include:

**Faster transaction speed:** AI automates data collection and analysis, significantly accelerating M&A deals. It processes information quickly, enabling teams to gather and analyze data much faster than traditional methods.<sup>[112]</sup>

**Reduced manual effort:** AI-powered dealmaking eliminates grunt work and repetitive tasks, saving time in the due diligence process. This allows teams to focus on higher-value activities, such as analyzing insights and making strategic informed decisions.<sup>[113]</sup>

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<sup>[112]</sup> Solicitors Regulation Authority, "Risk Outlook report: The use of artificial intelligence in the legal market," November 20, 2023, <https://www.sra.org.uk/sra/research-publications/artificial-intelligence-legal-market/>

<sup>[110][111][113]</sup> M&A Community, "Exploring the role and benefits of AI in M&A due diligence," July 2024, <https://mnacommunity.com/insights/ai-in-ma-due-diligence/>

<sup>[108]</sup> Setting a precedent: how A&O Shearman is embracing AI to transform the legal sector", 2024, <https://www.microsoft.com/en-gb/industry/blog/cross-industry/2024/08/27/setting-a-precedent-how-ao-shearman-is-embracing-ai-to-transform-the-legal-sector>

**Improved accuracy:** AI technologies can analyze large datasets more efficiently and accurately during the M&A deal process. For example, one AI provider claims to have a 90% accuracy in predicting case outcomes.<sup>[114]</sup>

**Enhanced risk identification:** AI-powered due diligence can detect significant clauses from deep within documents, where risk could be buried. This allows lawyers to quickly generate reports tallying up potential red flags and classify them by category and priority.<sup>[115]</sup>

By leveraging AI technologies, BigLaw firms can provide clients with more comprehensive, efficient, and cost-effective legal services while maintaining high standards of accuracy and risk management.

In 2024, Clifford Chance's use of AI technologies like Copilot for Microsoft 365 enabled employees to automate routine tasks, driving productivity and elevating client satisfaction.<sup>[116]</sup>

*“When consulting, and in my law school classes, I emphasize the transformative role of AI in legal practice and operations, reshaping data handling and client engagement. It allows our law firm clients to provide tailored services and proactive insights, making it essential for law firms focused on innovation and client satisfaction. AI isn't just technology; it's the burgeoning next frontier in legal practice.”*

Dan Safran, President and CEO, Unbiased Consulting, LLC;

Adjunct, University of Illinois College of Law, USA

## Potential for Higher Margins and Competitive Advantage

Once the billable hour issue with AI is resolved through fixed/value-based pricing, BigLaw firms can potentially realize higher margins on their work. Firms that embrace AI most effectively are likely to offer higher salaries to attract top talent, increasingly require AI experience from new hires, and gain a competitive edge over firms that lag in AI adoption. Clifford Chance's partnership with Orbital Witness saved 350 hours on one project.<sup>[117]</sup> Real Estate Law aside, Biglaw and industry-specific legal tech partnerships can also act as a competitive advantage vs smaller industry-specific law firms they might compete with locally, as they can reduce hours billed, while enhancing the accuracy and depth of analysis, and put the time savings into forging lasting relationships with their clients.

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<sup>[114]</sup><sup>[115]</sup> Solicitors Regulation Authority, "Risk Outlook report: The use of artificial intelligence in the legal market," November 20, 2023, <https://www.sra.org.uk/sra/research-publications/artificial-intelligence-legal-market/>

<sup>[116]</sup> Microsoft, "Clifford Chance: Innovating with generative AI and Microsoft 365 Copilot," 2024, <https://ukstories.microsoft.com/features/clifford-chance-innovating-generative-ai-copilot-microsoft-365/>

<sup>[117]</sup> Clifford Chance, "AI innovation drives welcome change for how Clifford Chance is approaching real estate diligence for complex cases", April 2024, <https://www.cliffordchance.com/insights/resources/blogs/innovation-insights/2024/04/ai-innovation-drives-welcome-change-for-how-clifford-chance-is-approaching-real-estate-diligence-for-complex-cases.html>

## Customization and Localization Opportunities

BigLaw firms have the unique opportunity to leverage their resources for advanced AI implementation by fine-tuning models. Their firm-specific approaches and expertise, region-specific datasets and Retrieval-Augmented Generation (RAG) can localize outputs while maintaining house style. Real outcomes data can also be used to evaluate and improve AI models continuously. Clifford Chance has developed its own private and secured AI tool, Clifford Chance Assist, on Microsoft's Azure OpenAI platform, which was rolled out to the entire firm following extensive trials.<sup>[118]</sup>

*“Much has been said about some 'concern' that AI will take away work from law firms. But not nearly enough has been said about the additional work that AI will likely bring to law firms. Plaintiff's law firms will file more cases, since it will be more efficient for them to do so; federal and state regulators will initiate more inspections, because it will be more efficient for them to do so; litigation funding will continue to grow, due to more powerful and accurate case valuation and assessment models. So while many isolated Big Law assignments will be easier to efficiently complete thanks to AI, there will be far more overall work to content with”*

Evan Shenkman, Chief Knowledge and Innovation Officer, Fisher Phillips, USA

*“Industry wide challenges also include: Lack of precedents, so no clear idea of what area of AI is high risk (i.e., coding for developers or lifting a template which may have trained on another users IP), a lack of understanding as to IP ownership which could question viability of the business, Increased litigation in the US coupled with ineffective laws leaves a grey area for adoption of AI.”*

Aksa Kalam, Senior Legal Counsel, UK

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<sup>[118]</sup> Clifford Chance, "Clifford Chance announces global roll-out of generative AI tools in collaboration with Microsoft," February 2024, <https://www.cliffordchance.com/news/news/2024/02/clifford-chance-generative-ai-microsoft.html>

## Potential Disadvantages and Challenges

While AI offers significant advantages, BigLaw firms must also consider potential challenges such as rapid obsolescence and investment risk. Clifford Chance has addressed this by implementing a global AI Principles & Policy oversight framework that enables best practices in AI adoption and ensures that client consent is sought when solutions are deployed for client work outside the firm's own business operations.<sup>[119]</sup>

## Strategic Utilization for Market Share Growth

By effectively leveraging AI resources, BigLaw firms have the potential to capture an increasing portion of market share. The global legal AI market is expected to grow at a compound annual growth rate (CAGR) of 17.8% from 2023 to 2030, reaching USD 3.89 billion by 2030.<sup>[120]</sup>

## Product-Led Growth and Democratization of Legal Services

Some BigLaw firms are exploring Product-Led Growth (PLG) strategies in the legal AI space by productizing legal knowledge through AI-powered tools, offering limited access to these tools as part of campaigns focused on democratizing legal services, and expanding pro bono work without significant opportunity costs to corporate clients. KPMG, for example, plans to invest "tens of millions of dollars" to help corporate legal departments streamline operations, including implementing generative AI.<sup>[121]</sup>

The adoption of AI in BigLaw is transforming the delivery of legal services, allowing firms to provide faster, more accurate, and cost-effective solutions to clients. However, the long-term impact on the legal industry's structure and business models remains to be seen, and firms must carefully balance innovation with the potential risks and challenges associated with rapid technological change. Generative AI tools could significantly alter traditional law firm operations, potentially reducing reliance on junior lawyers for routine tasks.<sup>[122]</sup>

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<sup>[119]</sup> Clifford Chance, "AI Principles", 2024

[https://www.cliffordchance.com/about\\_us/who-we-are-and-how-we-work/policies/AI-Principles.html](https://www.cliffordchance.com/about_us/who-we-are-and-how-we-work/policies/AI-Principles.html)

<sup>[120]</sup> Grand View Research, "Legal AI Market Size, Share & Growth Analysis Report, 2030," 2023,

<https://www.grandviewresearch.com/industry-analysis/legal-ai-market-report>

<sup>[121][122]</sup> Roy Strom, "KPMG Looks to Beat BigLaw at AI by Leveraging Size and Capital," Bloomberg Law, 2023,

<https://news.bloomberglaw.com/business-and-practice/kpmg-looks-to-beat-big-law-at-ai-by-leveraging-size-and-capital>

## D. Concerns and Limitations for Biglaw

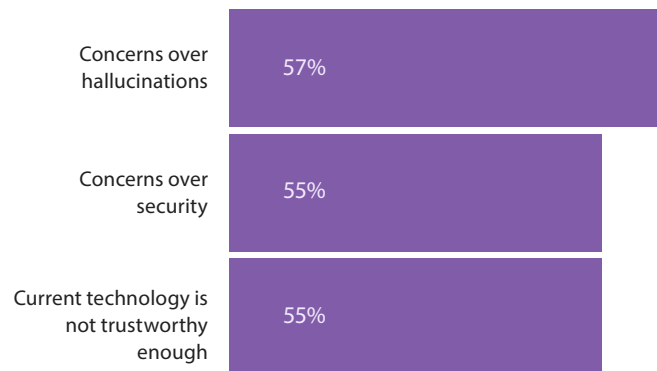
While AI offers significant advantages for large law firms, its implementation also raises several concerns and limitations that must be carefully addressed:

### Data Security and Client Confidentiality

AI systems require access to vast amounts of sensitive client data, increasing potential cybersecurity risks.

A 2023 report revealed that 68% of legal industry respondents cited data security concerns as a barrier to AI adoption, while 62% pointed to privacy and confidentiality issues.<sup>[123]</sup>

#### What are the biggest hurdles to adoption of generative AI powered solutions in your firm?



Source: LexisNexis Generative AI Survey January 2024

In 2024, the National Center for State Courts emphasized that judicial officers must be cognizant of whether they or their staff are entering confidential, sensitive, or draft information into an open AI system when conducting legal research or drafting documents.<sup>[124]</sup>

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<sup>[123]</sup> Thomson Reuters, "Generative AI in the legal industry: The dos and don'ts of adoption," September 25, 2024, <https://www.thomsonreuters.com/en-us/posts/legal/genai-adoption/>

<sup>[124][122]</sup> National Center for State Courts, "AI and the Courts: Judicial and Legal Ethics Issues," May 2024, [https://www.ncsc.org/\\_data/assets/pdf\\_file/0010/101125/ncsc-ai-rrt-judicial-legal-ethics-may-2024.pdf](https://www.ncsc.org/_data/assets/pdf_file/0010/101125/ncsc-ai-rrt-judicial-legal-ethics-may-2024.pdf)

## Ethical Implications of AI and Time Tracking

AI-assisted work may complicate traditional billable hour models, raising questions about fair pricing and transparency.

In 2024, the National Center for State Courts highlighted that lawyers will have to navigate the issues of using AI to the financial benefit of the client, not using AI if a client specifically chooses not to have it used on their legal matters, and determining proper fee schedules for using, supervising, and editing a product that relies on generative AI.<sup>[125]</sup>

## Accuracy and Reliability of AI-Generated Content

AI systems may produce inaccurate, outdated, or improperly cited information, potentially leading to legal errors.<sup>[126]</sup>

A 2023 report by the Solicitors Regulation Authority (SRA) noted that one AI provider claims to have a 90% accuracy in predicting case outcomes.<sup>[127]</sup>

The SRA also reported in 2023 that lawyers remain responsible and accountable for the outputs of AI systems they use, even if provided by third parties.<sup>[128]</sup>

## AI Hallucinations and False Information

AI models can sometimes generate false or nonsensical information, known as “hallucinations.”

In 2024, the National Center for State Courts recommended that judicial officers and lawyers must be trained to critically evaluate AI-generated content and not blindly trust its outputs.<sup>[129]</sup>

In a 2024 survey conducted by LexisNexis, concerns over AI hallucinations were cited as the biggest hurdle to adoption of generative AI in law firms (55%).<sup>[130]</sup>

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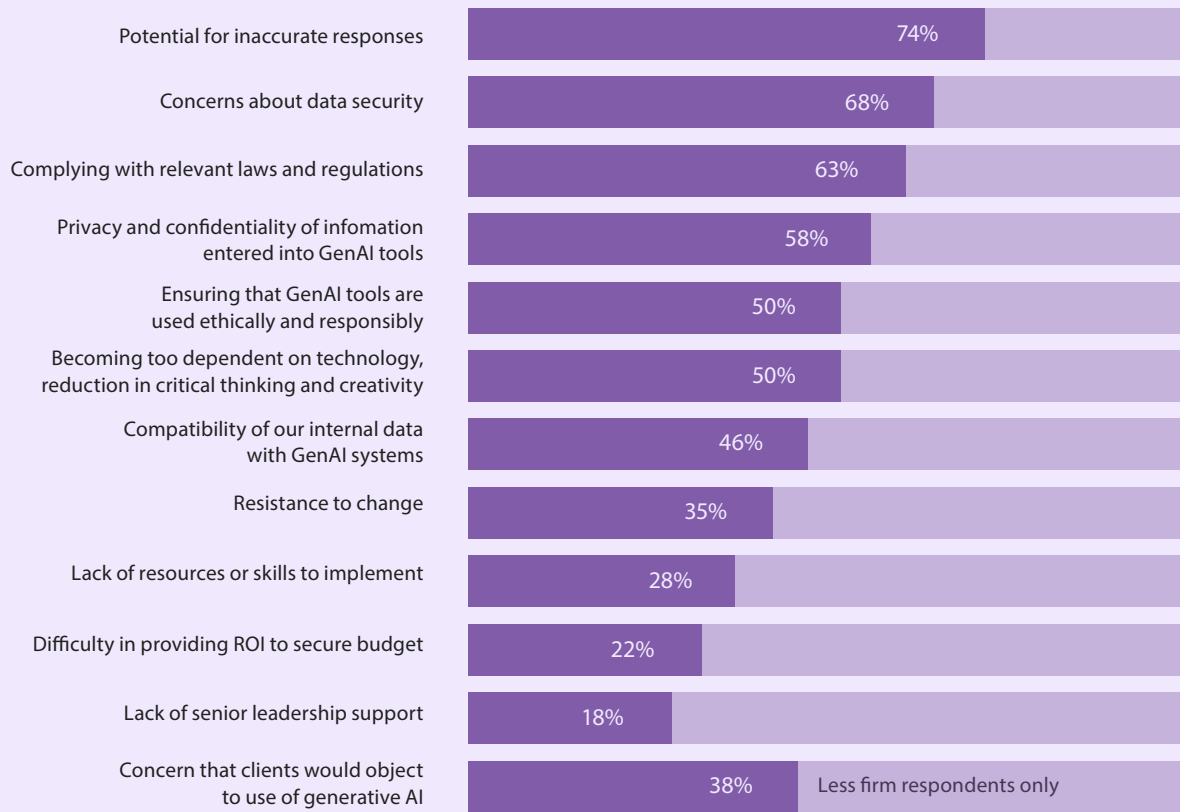
<sup>[125][129]</sup> National Center for State Courts, "AI and the Courts: Judicial and Legal Ethics Issues," May 2024, [https://www.ncsc.org/\\_data/assets/pdf\\_file/0010/101125/ncsc-ai-rrt-judicial-legal-ethics-may-2024.pdf](https://www.ncsc.org/_data/assets/pdf_file/0010/101125/ncsc-ai-rrt-judicial-legal-ethics-may-2024.pdf)

<sup>[126]</sup> Solicitors Regulation Authority, "Risk Outlook report: The use of artificial intelligence in the legal market," November 20, 2023, <https://www.sra.org.uk/sra/research-publications/artificial-intelligence-legal-market/>

<sup>[127][128]</sup> Slack, "The Fall 2024 Workforce Index Shows AI Hype Is Cooling", November 2024, <https://slack.com/intl/en-gb/blog/news/the-fall-2024-workforce-index-shows-ai-hype-is-cooling>

<sup>[130]</sup> LexisNexis, "Lawyers Cross into the New Era of Generative AI," LexisNexis UK, 2023, <https://www.lexisnexis.co.uk/insights/lawyers-cross-into-the-new-era-of-generative-ai/index.html>

## Barriers to widely adopting GenAI



## Over Reliance on AI and Skill Atrophy

Excessive dependence on AI tools may lead to a decline in critical thinking and analytical skills among legal professionals.

A 2024 report highlighted that judicial officers and lawyers have a basic duty to be competent in technology relevant to their profession, including AI.<sup>[131]</sup>

*“A majority of lawyers and law schools have yet to lean into AI. Surveys of the profession indicate that a few lawyers and students have relied on gen AI tools to perform substantive legal tasks. Awareness of AI has yet to translate into acceptance of AI, however. This moment may become reflective of the inertia that has long defined the profession. Lawyering in 20 years will be entirely different, require us to pause, and significantly adjust our approach to teaching and practicing the law.”*

Kevin Frazier, Assistant Professor, St. Thomas University College of Law;  
Senior Research Fellow, Institute for Law and AI, USA

<sup>[131]</sup> Use of Artificial Intelligence in Legal Practice", 2023, [https://www.biicl.org/documents/170\\_use\\_of\\_artificial\\_intelligence\\_in\\_legal\\_practice\\_final.pdf](https://www.biicl.org/documents/170_use_of_artificial_intelligence_in_legal_practice_final.pdf)

## Cultural Resistance and Shadow AI Usage

There is a growing cultural divide between traditional legal practices and AI-assisted workflows, leading to potential conflicts and unauthorized AI usage. Some members of a team might be ready to adopt a new technology, but getting buy-in from the rest of the partnership can be a long and cumbersome process. Difficulty in proving ROI to secure budget was cited by 22% of respondents to a 2024 survey.<sup>[132]</sup>

In 2024, it was reported that about one-quarter of law firm and corporate legal department respondents had used public AI tools like ChatGPT.<sup>[133]</sup>

These concerns highlight the need for careful implementation of AI in legal practice, with robust ethical guidelines, security measures, and ongoing human oversight. Law firms must strike a balance between leveraging AI's benefits and maintaining the integrity and quality of legal services. Further research is needed to develop best practices and regulatory frameworks that ensure the responsible use of AI in the legal industry.

Nearly half (48%) of all (non-legal) desk workers would be uncomfortable admitting to their manager that they used AI for common workplace tasks.<sup>[134]</sup>

The top reasons for workers' discomfort are:

- 1) feeling like using AI is cheating
- 2) fear of being seen as less competent and
- 3) fear of being seen as lazy<sup>[135]</sup>

The authors of this report believe these fears are exacerbated within the legal industry, but that isn't to say that the usage isn't happening at all.

## E. Advantages for Small Law Firms / Sole Practitioners

The adoption of AI technologies offers significant advantages for small law firms and sole practitioners, enabling them to compete more effectively with larger firms and expand their capabilities.<sup>[136]</sup>

While some prominent Legal AI providers seem to focus on furthering the technology capability gap between BigLaw and other law firms, companies like Genie AI and ContractPodAI are actively working to reverse this trend by offering cutting-edge technology to solo, small, and mid-market firms. AI empowers smaller legal entities to enhance efficiency, explore new practice areas, and provide more customized services to their clients.

A third of small firms are exploring the potential of new generative AI systems.<sup>[137]</sup>

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<sup>[132]</sup> Barriers to widely adopting GenAI, P55

<sup>[133]</sup><sup>[136]</sup> Thomson Reuters, "Generative AI in the legal industry: The dos and don'ts of adoption," September 2024, <https://www.thomsonreuters.com/en-us/posts/legal/genai-adoption/>

<sup>[134]</sup><sup>[135]</sup> Slack, "The Fall 2024 Workforce Index Shows AI Hype Is Cooling", November 2024, <https://slack.com/intl/en-gb/blog/news/the-fall-2024-workforce-index-shows-ai-hype-is-cooling>

<sup>[137]</sup> Solicitors Regulation Authority, "Risk Outlook report: The use of artificial intelligence in the legal market," November 20, 2023, <https://www.sra.org.uk/sra/research-publications/artificial-intelligence-legal-market/>

## Expansion into New Practice Areas

AI-powered legal research tools allow small firms to explore and enter new practice areas more efficiently. A May 2024 report found that solo and small firm lawyers are more likely to adopt AI quickly, with 40% of solos and 35% of small-firm lawyers planning to adopt AI within the next six months, compared to just 24% of lawyers in larger firms.<sup>[138]</sup>

It is worth noting that during periods of reduced discretionary spending by businesses and consumers, the willingness to embrace potential new revenue streams in new practice areas tends to increase.

AI-powered tools can optimize intellectual property portfolio analysis and management. For instance, Gilbert + Tobin reported that AI has greatly assisted with document reviews, finding and extracting essential data, and providing rapid insights into large data sets.<sup>[139]</sup>

## Enhanced Research Capabilities

AI significantly improves the speed and depth of legal research for small firms. In 2024, Thomson Reuters launched AI-Assisted Research on Westlaw Precision, which allows users to pose complicated legal research questions in natural language and provides synthesized answers, potentially saving hours of work.<sup>[140]</sup>

## Customized Document Generation

AI-powered tools enable small firms to create bespoke legal documents without relying on generic templates. Thomson Reuters plans to integrate generative AI into legal document review and summary, as well as legal drafting with Microsoft Copilot.<sup>[141]</sup>

## Increased Productivity and Client Capacity

AI tools allow small firms to handle more clients and matters simultaneously.

Thomson Reuters' acquisition of Casetext for \$650 million in 2023 aimed to enhance AI capabilities in legal research and workflow, potentially increasing productivity for law firms of all sizes.<sup>[142]</sup> The integration of CoCounsel Core with Westlaw Precision provides users access to an extensive suite of legal generative AI tools, including assistance with contract analysis, document review, and deposition preparation.<sup>[143]</sup>

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<sup>[138]</sup> Bob Ambrogi, "Solo and Small Firms Plan to Adopt AI More Quickly than Larger Firms, but Not Fast Enough for Clients, Clio Survey Finds," LawSites, May 2024, <https://www.lawnext.com/2024/05/solo-and-small-firms-plan-to-adopt-ai-more-quickly-than-larger-firms-but-not-fast-enough-for-clients-clio-survey-finds.html>

<sup>[139]</sup> Lawyers Weekly, "Are BigLaw firms using AI to its full potential?," 2024, <https://www.lawyersweekly.com.au/biglaw/39544-are-biglaw-firms-using-ai-to-its-full-potential>

<sup>[140]</sup> Thomson Reuters, "Thomson Reuters Launches Generative AI-Powered Solutions to Transform How Legal Professionals Work," PR Newswire, January 2024, <https://www.prnewswire.com/news-releases/thomson-reuters-launches-generative-ai-powered-solutions-to-transform-how-legal-professionals-work-301989149.html>

<sup>[141]</sup> Thomson Reuters, "How AI transformed the legal profession in 2023," Legal Current, December 19, 2023, <https://legal.thomsonreuters.com/blog/how-ai-transformed-the-legal-profession-in-2023/>

<sup>[142]</sup> Reuters, "Thomson Reuters to acquire legal tech provider Casetext for \$650 mln," June 27, 2023, <https://www.reuters.com/markets/deals/thomson-reuters-acquire-legal-tech-provider-casetext-650-mln-2023-06-27/>

<sup>[143]</sup> Thomson Reuters Expands GenAI-Powered CoCounsel 2.0 in Westlaw and Practical Law", 2024, <https://www.legalitprofessionals.com/global-news/13951-thomson-reuters-expands-genai-powered-cocounsel-2-0-in-westlaw-and-practical-law>

## Cost-Effective Alternative to Additional Staff

AI can perform tasks traditionally assigned to paralegals or junior associates, providing a cost-effective alternative to hiring full-time support staff. The 2023 Executive Order on Safe, Secure, and Trustworthy Artificial Intelligence highlighted the potential for AI to transform various sectors, including legal services, by improving efficiency and reducing costs.<sup>[144]</sup>

While AI offers significant advantages for small law firms and sole practitioners, it is crucial to consider potential limitations and ethical implications. A May 2024 study revealed that legal AI models can hallucinate in 1 out of 6 (or more) benchmarking queries, emphasizing the need for proper oversight and evaluation of AI tools in law.<sup>[145]</sup> As AI continues to evolve, its potential to empower smaller legal entities and reshape the competitive landscape of the legal industry is likely to grow.

*“Issues with hallucinations still highlight the need for human expertise in order to recognise where errors may lie together with fact-checking. Lawyers can still leverage their efficiency while maintaining professional oversight to ensure accuracy which underscores AI’s role as an assistant not a replacement.”*

**Natalie Salunke**, General Counsel, UK

*“Many clients remain skeptical, often favoring human-generated work over AI-driven outputs. To address this, law firms should focus on leveraging AI to enhance, rather than replace, human expertise—boosting efficiency and elevating client service.”*

**Duska Frink**, Global Director - Solutions Management, BigHand, Canada

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<sup>[144]</sup> The White House, "Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," October 30, 2023, <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/>

<sup>[145]</sup> Stanford University, "AI on Trial: Legal Models Hallucinate in 1 out of 6 (or More) Benchmarking Queries," Stanford HAI, January 24, 2024, <https://hai.stanford.edu/news/ai-trial-legal-models-hallucinate-1-out-6-or-more-benchmarking-queries>

## F. Concerns and Limitations for Small Law Firms / Sole Practitioners

While AI offers significant advantages for small law firms and sole practitioners, it also presents several concerns and limitations that must be carefully considered:

### High Initial Costs and Implementation Challenges

A 2023 Thomson Reuters report suggests that small, agile law firms are in an excellent position to use generative AI-based tools and products to compete with larger, resource-rich law firms in ways that were previously impossible.<sup>[146]</sup>

However, the high initial costs and implementation challenges remain significant barriers for small law firms and sole practitioners, more so than for BigLaw.

Industry research conducted by Genie AI on 79 Legal AI, LegalTech, and AI tools revealed that only one-third of these tools publicly disclose their pricing on their websites.<sup>[147][148]</sup>

Many AI capabilities are increasingly embedded in products that lawyers at small firms are already using, which may help mitigate some of the implementation challenges.<sup>[149]</sup>

To determine if the investment is worthwhile, firms should utilize ROI calculators or conduct their own cost-benefit analysis.

The procurement process could be particularly challenging for smaller firms, who may benefit from tools offering freemium plans or trial accounts.

*“Once you decide to implement Legal AI software, it is never an easy or straightforward process, that is one of the drawbacks”*

Aleksandra Kozikowska, Solicitor (Construction and Engineering), UK

While Software as a Service (SaaS) tools in other industries have embraced product-led growth (PLG), this approach is not yet widespread in the legal SaaS sector. PLG relies on product usage to drive adoption, reducing dependence on traditional sales processes.

Notable examples of PLG in the legal tech space include Genie AI, which has acquired 100,000 users without marketing spend, and legal automation tools like Logikcull and HelloSign by Dropbox.<sup>[150]</sup>

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<sup>[146][149]</sup> Thomson Reuters, "Generative AI and the small law firm: Leveling the playing field," 2024,

<https://www.thomsonreuters.com/en-us/posts/legal/generative-ai-small-law-level-field/>

<sup>[147]</sup> 100,000 users without a penny in advertising, [https://www.linkedin.com/posts/alexdenne\\_i-cant-believe-we-have-178-million-in-activity-7254747637579493377-Qg8c](https://www.linkedin.com/posts/alexdenne_i-cant-believe-we-have-178-million-in-activity-7254747637579493377-Qg8c)

<sup>[148][150]</sup> Clio: <https://www.legalrevolution.org/2020/08/a-product-led-growth-strategy-for-legal-tech-explained-197/>

## Limited Customization for Niche Practice Areas

Until AIs are fine-tuned on practice area and domain specific knowledge, firms and sole practitioners specializing in niche practice areas may find existing AI solutions inadequately tailored to their specific needs.<sup>[151]</sup>

*“Training Legal AI software to meet your specific requirements and align with your corporate governance policies is a complex and time-consuming process. It demands considerable time, commitment, and analysis to reach a point where you can confidently trust the process.*

*Additionally, it necessitates input from both legal and commercial business units to guarantee its effectiveness for all parties involved.*

*While it can be a valuable tool once fully implemented, it is important to recognize that this does not occur instantaneously.”*

Aleksandra Kozikowska, Solicitor (Construction and Engineering), UK

## Client Perception and Trust Issues

There are concerns about potential breaches of client confidentiality when using AI tools, particularly if precautions are not taken.<sup>[152]</sup>

Protecting client confidentiality is a significant ethical concern, as generative AI is often designed to learn from information that users provide.<sup>[153]</sup>

Attorneys have an obligation not to reveal confidential information relating to client representation without the client’s informed consent.<sup>[154]</sup>

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<sup>[151][153][154]</sup> Thomson Reuters, "Key legal issues with generative AI for legal professionals," 2024, <https://legal.thomsonreuters.com/blog/the-key-legal-issues-with-gen-ai/>

<sup>[152]</sup> Solicitors Regulation Authority, "Risk Outlook report: The use of artificial intelligence in the legal market," 2023, <https://www.sra.org.uk/sra/research-publications/artificial-intelligence-legal-market/>

## Additional Concerns

The “black box” nature of current AI decision-making processes raises concerns about transparency and accountability.

Law firms must carefully review their jurisdiction’s rules of professional conduct and seek guidance from advisory AI ethics opinions when integrating AI into their practices.<sup>[155]</sup>

*“A.I is here to stay and we as practitioners should come to terms with this fact. It will soon be required of you as a legal practitioner to effectively integrate A.I. technologies into our practice to increase efficiency. To stay ahead, we need to familiarize ourselves with this option to keep current.”*

Benedicta Y. Azagloh, Lawyer, Ghana

## Industry-Wide Challenges:

### Data Privacy and Security Risks

An January 2024 analysis of data from the Information Commissioner’s Office (ICO) covering Q3 2022 – Q2 2023 revealed that 60% of identified data breaches in the UK legal sector were caused by insiders.<sup>[156]</sup> The same study found that data from legal firms relating to 4.2 million people was compromised, impacting customers (49%) and employees (13%).<sup>[157]</sup>

### Ongoing Training and Maintenance Requirements

The SRA’s risk outlook report on the use of AI in the legal market emphasized the need for firms to understand their regulatory and professional responsibilities in the context of generative AI.<sup>[158]</sup> A 2024 analysis of ICO data for the legal sector showed that human error, such as emailing or posting data to incorrect recipients, accounted for 39% of the reported data breaches.<sup>[159]</sup>

While these concerns and limitations are significant, they are not insurmountable. Small law firms and sole practitioners should carefully weigh the benefits and risks of AI adoption, implementing appropriate safeguards and maintaining a balanced approach to technology integration in their practice.

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<sup>[155]</sup> Navigating AI Legal Issues: Overcoming Pitfalls in AI Adoption for Lawyers", <https://www.clio.com/uk/blog/ai-legal-issues/>

<sup>[156]</sup> <sup>[157]</sup> <sup>[159]</sup> Data security incident trends", 2024, <https://ico.org.uk/action-weve-taken/data-security-incident-trends/>

<sup>[158]</sup> Risk Outlook report: The use of artificial intelligence in the legal market", 2023, <https://www.sra.org.uk/sra/research-publications/artificial-intelligence-legal-market/>

*"Legal AI has the potential to quickly analyze complex regulatory environments and help make sense of the legal landscape, ensuring innovation and compliance can coexist."*

Basil Ogolla, Lawyer, Kenya

*"AI in legal is not without its challenges. Unskilled use risks hallucinations, potentially doubling checking time (Inkster's Law), underscoring the ongoing need for awareness and CPD in this area for legal professionals"*

Gav Ward, Ex-BigLaw Solicitor, UK

*"My students are optimistic that the increasing prevalence of AI within the legal profession will allow lawyers to spend more time on the uniquely human aspects of lawyering - counseling clients, advocating for their clients' rights, and improving access to justice for all."*

David Kemp, Adjunct, Rutgers Law School; Managing Editor, Oyez, USA



### Next steps

Please contribute to upcoming reports by joining our panel of experts. Reach out to us via [community@genieai.co](mailto:community@genieai.co).

Sincerely,

Alex Denne, Head of Growth @ Genie AI