

Driving Innovation in Legal With AI-Machine Learning

UT Bankruptcy Conference, July 21, 2017

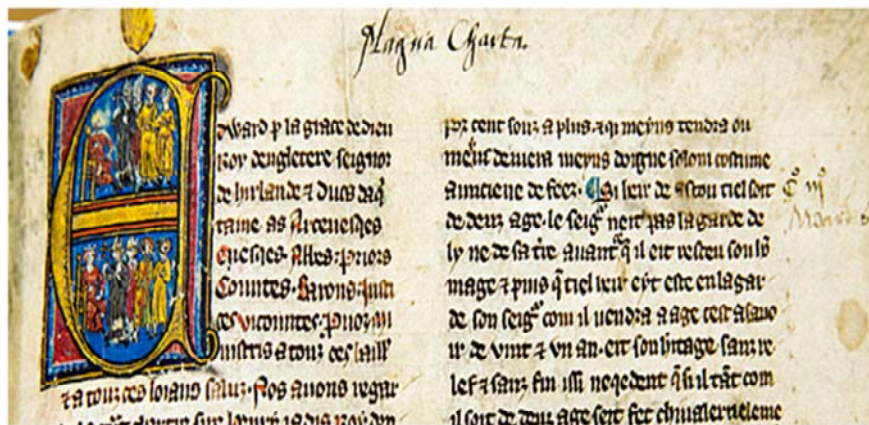
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REINVENT THE BUSINESS OF LAW WITH US

Private and confidential 1

The Innovation Imperative



Before we descend into AI, I would like to frame the discussion more broadly around innovation in legal...it is not new

King John in 1215 was quite the legal innovator, The **Magna Carta** is one of the most **important** documents in history.

- It guaranteed the people certain rights, and bound the king to certain laws, limitations of the monarchy
- England was mainly operated on a feudal system of land ownership
- While a great contribution, he died the next year of dysentery and no king has wanted the name John
- This was a dramatic innovation, proving that innovation in the legal profession is not new

However, legal innovation has been slow ever since

- The list of significant changes in the business of law, is short
- Cravath on the pyramid model a hundred years ago?

I would argue that the pace of change is accelerating now, faster than ever...we are at an inflexion point

We will discuss

- The innovation imperative
- Legal tech market context
- Models for driving innovation
- The role of technology and specifically AI
- Case studies of innovative change leveraging AI

Innovation imperative

- Law firms, and to some extent legal departments, traditionally lack the internal structure and R&D capital to drive transformation
- Massive growth in new legal tech companies that are gaining revenue at the expense of law firms and legal spend: different rules
- Professional VC money flowing in
- Clients demanding change as they are being pressured by their internal business clients and the C-suite
- Traditional law firm and legal department structures changing in response to new market landscape and non-law firm providers
- New products, services, incentives and approaches are required to survive and thrive
- Is the change fast enough?

85%

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Corporate legal departments are feeling intense pressure:

- Legal as a percent of the Fortune 500's P& L's is one of the few items growing as a percent of revenue
- CEO/CFO's are putting pressure on legal departments to manage the cost more tightly
- Many responses:
 - Consolidation of legal panels e.g. one client last week went from ~300 outside firms to ~30
 - They expect to share in the scale and efficiencies being created
 - Formation of legal ops groups chartered with running the legal department "like a business"
 - Utilization of tools, KPI's and procurement driven processes growing significantly
 - Faster/better/cheaper is a driving mantra
- Yet the 'corporate legal services gap' is still large
 - E.g. over 60% of contracts in many companies receive no legal review
 - E.g. Weinstein & CO is only the latest example where legal risk is either not being identified or mishandled

85% of Chief Legal Officers do not think their law firms are serious about change

So what is the legal industries' response?

Source: 2015 (Altman Weil Flash Survey)

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