



Generative AI
A guide for
corporate legal
departments

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Introduction

The potential of Generative AI in legal has captured the imagination in ways unmatched in other professional services. Given its heavy reliance on precedent and legislation, and the prevalence of text generation and review as its core tasks, legal work is particularly susceptible to AI application. Goldman Sachs estimates that AI has the potential to automate up to 44% of legal tasks, a materially higher percentage than any other profession. GPT-4 has already passed the Bar exam. A leading provider of Generative AI platforms predicts that within a year, Generative AI will match the capabilities of a paralegal, and within five years, it will match those of an “average lawyer.”

While most industries and corporate functions have already undergone substantial technology-driven transformation, legal has remained relatively untouched due to the unstructured nature of legal data and the continued reliance on expert professionals. With the emergence of large language models which underpin Generative AI, the legal industry has almost certainly reached its long-awaited tipping point toward transformative change.

Envision a scenario where Generative AI possesses the capability to address the majority of routine legal inquiries, generate highly tailored contracts instantly, facilitate contract negotiations, identify contractual risks, summarize changes in legislation and case law, and even draft legal arguments. GenAI is already capable of many of these tasks – in a small number of years we firmly believe it can be the standard model for doing so.

Generative AI will be pervasive to the core of what legal services are today. So much so that we also believe it has the capability not merely to automate tasks but to disrupt the entire foundations of the legal

market. We could see the democratization of legal advice, the transfer of legal practitioner judgement and opinion to machines, universal access to justice, market practice replacing two party negotiations, AI-based case resolution, and productivity transformation for lawyers.

Almost every Deloitte Legal conversation with General Counsel (GCs), senior corporate counsel and Legal COOs over the past three months has started or ended with a discussion about Generative AI. GCs have an emerging awareness of the remarkable potential this technology holds. Now, they are beginning to ask the obvious question - where and how they should start using it?



What is Generative AI?

Generative AI is a subdivision of artificial intelligence that empowers machines to create novel content, encompassing text, code, voice, images, videos, processes, and even the 3D structure of proteins. Though some forms of Generative AI are well established, it was the large language model (LLM) underpinning an accessible chat interface that triggered Generative AI's watershed moment, astonishing even field specialists. In legal services, text generation represents the most applicable form of content.

From productivity to legal risk

It takes time and experimentation to learn how to use Generative AI as part of legal workflow to generate meaningful, trusted outputs. The temptation is to interrogate Generative AI like a sophisticated search engine. For models that are in the public domain, trained on vast reams of historic data from the internet, this often returns results that are questionable—and sometimes irrelevant or inaccurate. More specialized Generative AI can however substantially boost lawyer productivity by automating tasks such as document review and comparison, summarization, and initial contract or legal memo drafting. By liberating lawyers from these routine tasks, AI paves the way for them to focus on more complex, high-value work, potentially leading to significant cost savings and growth opportunities. Of course, Generative AI can do more than just increase lawyer productivity. We anticipate that much more sophisticated use cases will be developed, in the area of legal risk management in particular. Generative AI's ability to digest and analyze large volumes of data from multiple sources makes continuous audit of legal risk across

the entire enterprise a real possibility—provided the right guardrails are in place.

Applications and outputs

When thinking about potential use cases, it can be helpful to focus on the different ways in which the technology can be applied, and the kinds of outputs it can generate. Generative AI can be applied in several different ways, all of which are highly relevant to legal services, such as:

- **Textual content generation:** Creating content based on input examples, documents, data, or a specific theme. Legal examples include drafting contracts, memos, policies, advice, communications.
- **Classification:** Assigning a category or label to a given input. This could include the classification of contracts and documents for due diligence purposes, or “tagging” data to create a smart, searchable knowledge management database.
- **Summarization:** Producing a concise summary of a long text or a collection of texts. Applications include summarizing



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due diligence reports, legal research, or legislative changes.

- Transformation: Converting content into a new type, format, or style. This could include the simplification of legal language.
- Q&A: Providing a natural language answer to a natural language question based on a text or knowledge base. This could be employed for legal self-service requests to answer repetitive questions that require a level of legal insight.
- Extraction: Deriving specific information or data points from a given input. A key use case would be legal due diligence, or high-volume contract repapering that requires comparison of content across a large portfolio of documents.
- Reasoning: Producing logical analysis given a context or knowledge base. An example here could be undertaking a regulatory gap analysis and using the technology to analyze the impact of the differences between the two pieces of legislation.

A range of opportunities

Corporate legal departments should look across the full range of legal advisory and legal operations work to identify potential use cases. Deloitte has designed a Digital Artifact Generation/Validation method to help innovation leaders determine whether an idea can be turned into a beneficial use case leveraging Generative AI. At the core of this method are two of the most critical elements to consider: the human effort required to complete a task without Generative AI, and the necessary effort to validate or fact check the output from the Generative AI. This leads to a two-dimensional classification, categorizing use cases based on the required human effort and the ability of the user to validate the results. If a task requires effort to execute but is easy to validate, it might be a good use case. Examples might include:

- **Litigation:** Analysis of case data for rapid early case assessment, enabling the legal department to achieve early case settlement (saving money and time and avoiding business disruption associated with protracted litigation).
- **Commercial contracting:** Identifying the most likely median end position for a particular clause in a particular contract type to speed up the negotiation process (helping to deliver business value and increasing speed to market).
- **M&A:** Using the speed and compute power of LLMs to conduct more detailed due diligence across significantly larger data sets, increasing the accuracy of target valuations (reduces business risk and increases business intelligence).
- **Competition/anti-trust:** Gaining a rapid and up-to-date understanding of the evolving merger control regimes across all relevant jurisdictions in the context of a merger and generation of preliminary antitrust risk assessment (reduces the risk of manual assessment of complex data across multiple jurisdictions).
- **Regulatory compliance:** Conducting regulatory gap analysis (comparing two or more areas of legislation/regulation) and assessing the impact of the differences (speeds up a manual and time-consuming process and increases accuracy).
- **Knowledge management:** Generation of updates and briefings for the business and the lawyers, generation of training materials, interrogation of knowledge assets (reduces risk and upskills teams, improves the employee proposition).
- **Legal operations:** Automated RFP (request for proposal) response scoring and assessment (eases the burden of a painful process and encourages objectivity).



The expanding pool of Generative AI technology providers will provide a range of service capabilities for legal departments.

Options for support: Specialized vs. generic

Most lawyers' experience with Generative AI to date has been with generic models freely available online that have not been explicitly trained for legal use. While these could be used for legal work, the real potential lies in creating legal specific capabilities, which could be achieved by enhancing the data input into generic models, or by creating dedicated legal models. We have seen instances in other industries (e.g., financial services and healthcare) where industry-specific models have been developed, and we expect that this will also happen in legal services.

For corporate legal departments considering the use of legal-specific capabilities, several options are available:

- Existing legal tech providers are incorporating Generative AI into their platforms; for example, some contract lifecycle management providers are incorporating Generative AI into their platform for contract drafting or information extraction.
- Some new Generative AI legal tech tools allow organizations to supplement a generic (non-Legal) model with their own proprietary content.
- Legal information providers are developing Generative AI tools that provide Generative AI capabilities on top of their existing knowledge bases.
- Some of these information providers will allow their clients (law firms and corporate legal departments) to supplement the system's knowledge with their own legal content and expertise.
- Larger law firms and corporate legal departments may even create their own capabilities, whether leveraging legal specific platforms or more generic Generative AI models.

As the technology becomes more pervasive, the boundaries between these categories may blur, raising questions about whether a legal information provider offering Generative AI capabilities is providing legal services, or whether a law

firm offering a Generative AI bot trained with their expertise is a legal information provider. From a corporate legal department perspective, the categorization is less important than the increasing range of choices available from an expanding pool of providers that will provide a mix of technology and legal service capabilities.



Getting started

General Counsel are increasingly questioning where to begin. We have identified some key criteria to consider when evaluating Generative AI use cases, which include:

Demand:

- Is there a pressing issue that needs addressing? To justify the effort and cost of implementing Generative AI, corporate legal departments should focus on a genuine identified problem that needs solving.
- Is the volume of work sufficient to justify a solution? As with any automation, there may be incremental gains each time an activity is performed but real economies of scale are achieved only when the activity is performed at a reasonably high frequency.
- Does the current work require enough human effort to warrant an AI solution? As AI is essentially replacing tasks that humans do, a greater return on investment will be achieved if the work that is being replaced currently requires a reasonable amount of human effort.

Feasibility:

- How much human effort is required to verify the accuracy of the AI result? Generative AI is based on statistics and is not 100% accurate. The outputs from Generative AI therefore require validation (see Risks below). If a disproportionate amount of effort is required to validate the outputs of the AI, it may make more sense to continue with the more traditional approach. Good Generative AI use cases will be those where the output can be validated with lower amounts of human effort.
- Who possesses the subject matter expertise to feed into the model? AI needs to be fed the required subject matter expertise to effectively generate specialized outputs. When considering use cases, consideration needs to be given to who has the underlying subject matter expertise to be able to create the best solution. See the section above regarding Specialized vs. Generic AI.
- Who is best positioned to provide support? Should a generic solution be used, or a legal-specific one? If so, should an “off the shelf” solution be used, or should something bespoke be created?

Clear trends are likely to emerge as the use of Generative AI technology evolves over time.

To begin answering these questions, the first task should be to undertake an activity analysis of the work done in the legal function. This will allow the in-house legal team to evaluate these activities against the factors listed above to determine which work should potentially be performed/augmented by Generative AI.

Once potential use cases have been identified, corporate legal departments should consider the best mix of technology and services to deliver the use case, factoring in the risks set out below. To help determine what that mix might be, ask the following questions:

- Should you subscribe to a standard tool (whether generic or legal specific)?
- Should you collaborate with some other corporate legal departments?
- Should you partner with a legal service provider?
- Should you build something bespoke?
- Should you simply outsource the work?

At this early stage of use of Generative AI, we believe there may be a mix of approaches, depending on the specifics of each organization and use case. Over time, as the use of the technology evolves, clear trends are likely to emerge.

Consider the risks

A degree of experimentation is critical to gain an understanding of the possibilities of this transformative technology. However, corporate legal departments need to understand the risks involved, and work with the technology safely. When exploring the use of Generative AI, several risks require careful consideration:

- **Hallucinations:** As Generative AI models operate on the basis of mathematical probabilities, there is a risk of generating incorrect outputs. While this risk diminishes with more domain-specific models, it is crucial to validate the model's output before use.
- **Data privacy:** Consider what data you are sharing with the technology/service provider and where it is hosted.

- **Data security:** Does the technology/service provider secure your data to the required standards?
- **IP:** Is the technology/service provider using your data to train its model for others' use?
- **Obsolescence:** Will bespoke solutions become obsolete when large technology and service providers release industry standard tools?
- **Expertise:** Do you have the appropriate experts to partner with you through this journey?

Impact on legal service providers

Legal service providers (law firms and others) are exploring the use of Generative AI in a similar way to corporate legal departments. If the service enhancements and efficiency gains are as significant as we expect them to be, the cost of delivering legal services should significantly decrease. Will law firms hold on to these margin gains or will they be passed on to their customers? Several law firms have announced their use of Generative AI including stating that this will not result in changes to resourcing models and fees. We believe that corporate legal departments should be challenging their service providers on their use of AI and on the benefits that they will receive.

Conclusion

We believe that there has never been a more exciting time to be working in legal services. We are all on a learning journey, with the ultimate destination as yet unclear. As we learn together, we must take this opportunity to reimagine how legal services can be delivered in the future. What is clear is that Generative AI will have a profound effect on multiple facets of legal services—resourcing models, value chains, costs, risk management, and service offerings. Given this transformative impact, General Counsel should be thinking about this foundational technology in a strategic manner and positioning their functions to benefit from its increasing capabilities. They should ask themselves where it makes sense to apply Generative AI in the legal function, what it means for resourcing models and skills, how it may influence sourcing and partnering strategies and how it could be used to better manage legal risk. The next few years will bring fundamental change to the industry, presenting huge opportunity for all participants.

Contacts



Bruce Braude
Deloitte Global Chief Technology Officer - Deloitte Legal
bbraude@deloitte.co.uk
+44 20 7007 2399



Isabel Parker
Partner, Deloitte Legal UK
ijparker@deloitte.co.uk
+44 20 7007 7980

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