



LegalOn
Technologies

The State of Contracting in the Age of AI

**Navigating
Transition**

Introduction

In an era where AI is reshaping legal practice, contracting stands at a critical crossroads. While many legal professionals are eager to harness AI's potential, a significant gap remains between aspiration and implementation. The question isn't whether to embrace AI—it's how to do so safely and effectively.

Legal work is changing fast. In-house teams are under pressure to review more contracts in less time, while dealing with increasingly complex agreements and tighter budgets. The traditional approach of manually reviewing every clause is struggling to keep up with modern business demands.

As AI tools become more common, legal teams are evaluating how to use them effectively. It's not about replacing legal professionals – it's about making their work easier and more efficient.

As we navigate 2024 and set priorities for 2025, in-house legal teams find themselves at a critical juncture, balancing the promise of AI-driven efficiency with the imperative of maintaining legal accuracy, mitigating risks, and enabling their businesses.

As generative AI is constantly evolving, one thing is clear: it is not merely a passing trend but can significantly reimagine how legal work can be enhanced.

Contract review is at the forefront of this change. The traditional image of lawyers meticulously combing through lengthy documents is giving way to a new paradigm where AI assists in identifying key clauses, flagging potential risks, and even suggesting alternative language. This evolution promises to impact longstanding challenges in the legal profession, such as the time-intensive nature of contract review, the increasing volume and complexity of agreements, and the constant pressure to do more with limited resources.

LegalOn Survey Findings

To that end, we recently conducted a survey of over 150 legal professionals, which revealed some of the pressing challenges facing today's legal departments. The data paints a clear picture: contract review remains a time-intensive process that strains resources and delays business operations.

Consider these key findings:



Time Investment

Half of the surveyed legal professionals spend 3 hours or more reviewing a single contract. For teams handling 200 contracts annually, this translates to a staggering 600 hours – or 75 business days – dedicated to manual contract review.



Adoption Gap

Over 70% of legal professionals are open to AI adoption for contract review, but only 8% currently use AI tools. This significant gap underscores both the potential for growth and the hesitation in embracing new technologies.



Resource Constraints

With tightening budgets and frozen headcounts, most legal teams are under pressure to do more with less. This challenge is particularly acute given the increasing volume and complexity of contracts in today's fast-paced business environment.



Playbook Deficiency

60% of legal teams lack any form of contract review playbook. Only 8% have comprehensive playbook coverage for all contracts. This absence of standardized processes further compounds the inefficiencies in contract review.

The State of Contract Review in 2024: Challenges and Opportunities

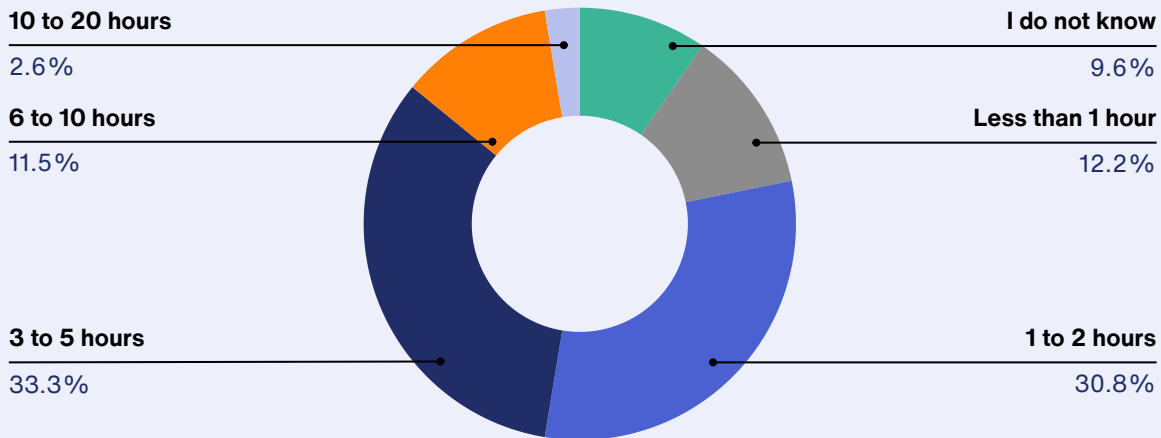
As we delve into the current landscape of contract review, our survey of over 150 legal professionals reveals a field ripe for innovation yet grappling with persistent challenges. The data paints a picture of overworked legal teams struggling to keep pace with increasing demands, while simultaneously eyeing technological solutions with a mix of hope and caution.

Time: The Persistent Constraint

In-house legal teams spend much of their time reviewing and managing contracts, safeguarding the interests of the business, ensuring compliance, and setting the trajectory of long-term business relationships. Yet despite the time spent in contract review – many legal professionals still struggle with contract delays.

Half of our respondents spend 3 hours or more reviewing a single contract. At 200 contracts a year, a volume most legal departments far exceed, this translates to 600 hours (or 75 business days) of manual contract review. This time investment underscores the need for efficient contract review technology to optimize working hours.

TIME SPENT REVIEWING ONE CONTRACT



Resource Constraints: Doing More with Less

The significant time in-house legal teams spend reviewing contracts detracts from their myriad other duties—serving as the company’s counsel, advising on risk, and aiding in compliance. Despite these responsibilities, legal teams face stagnant headcount and budgets, forcing them to accomplish more with the same, or even fewer, resources.

This pressure is a constant refrain in legal departments. The 2024 ACC Chief Legal Officers Survey found that:

- 42% of CLOs say their legal department received a cost-cutting mandate over the past year.
- 58% of departments have been impacted by law firm rate hikes, with 23% saying the increases have been difficult to manage.

This resource squeeze is particularly challenging given the increasing volume and complexity of contracts in today's business environment. Legal teams struggle to balance routine contract review with strategic legal work, often leading to longer hours and increased stress.

Playbook Deficiency: The Missing Foundation

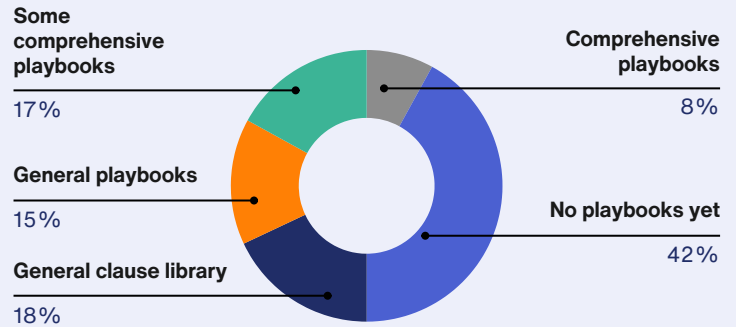
Playbooks, or predefined guidelines outlining the step-by-step process for reviewing contracts, help legal and business teams ensure agreements meet company standards.

Playbooks can take on various forms. Early versions begin as general clause libraries with the company's preferred clauses. They grow more advanced as they become tailored to specific contract types. Fully comprehensive playbooks are not only tailored to contract type but also include fallback positions for all contracts, including those on third-party paper.

Developing and managing a set of playbooks, however, can be time-consuming and resource-intensive. Given the constraints legal teams face, few have the resources to develop a fully comprehensive set of playbooks.

Our survey found that most legal teams – 60% – do not have any playbooks at all or merely have a general clause library. Only 25% have some form of comprehensive playbook. Building out playbooks is a heavy investment of time that many legal departments cannot afford.

PLAYBOOK DEPLOYMENT



This deficiency compounds inefficiencies in contract review. Without standardized playbooks, legal teams often have to reinvent the wheel for each review, leading to inconsistencies and increased time investment. Comprehensive playbooks, when available, provide a foundation for both manual reviews and AI-assisted processes, ensuring consistency and efficiency. This standardization not only streamlines the review process but also enhances the quality and reliability of contract outcomes.

The AI Adoption Gap: Promise v. Practice

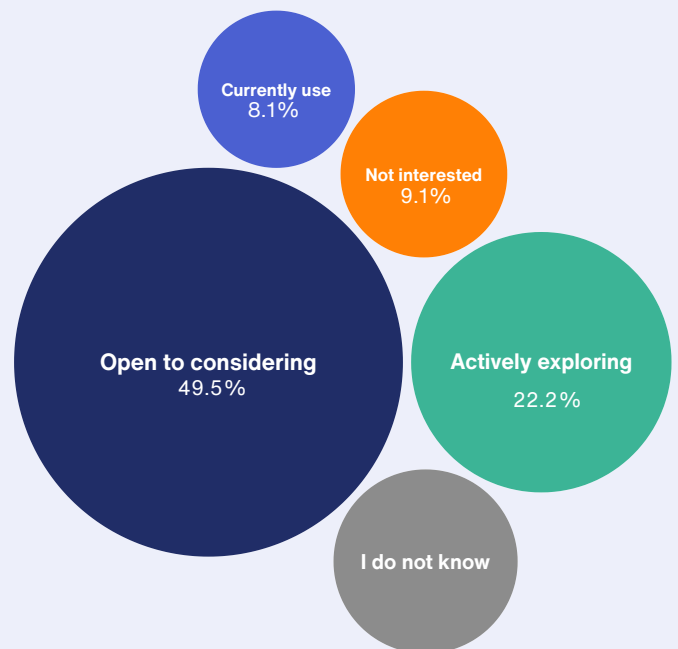
Facing the need to turn around contracts faster and more consistently, while operating with fewer resources, legal departments are looking for a better solution - and wondering, is AI it?

However, while AI holds the promise of alleviating these challenges, AI adoption is still very much in its infancy. While there is substantial interest and openness to AI adoption (over 70% actively considering or open to considering its usage), its actual current adoption is minimal (8%).

This gap is understandable. The adoption of AI in legal practice comes with significant challenges. The risk of AI-generated hallucinations – false or misleading information produced by AI models – poses a serious threat to the accuracy and reliability of legal work.

This rest of this guide aims to bridge the gap between the current state of contract review and the potential of AI-assisted processes. We'll explore how AI is reshaping contract review, examine the challenges of implementation, and provide practical strategies for legal teams looking to modernize their processes responsibly.

INTEREST IN AI FOR CONTRACT REVIEW



Looking Ahead: Legal AI as a Solution

The challenges facing legal departments are clear: tighter budgets, increasing workloads, and a pressing need for efficiency. While AI adoption in the legal profession is still in its early stages, it offers a promising solution to these issues, particularly for contract review.

Its structured nature and clear objectives align well with AI's strengths. In the next section, we'll explore the current challenges AI faces and why contract review is leading the way in legal AI applications and how it can address the challenges we've discussed.

The Emergence of Legal AI and Risks

AI is transforming legal work by streamlining processes, increasing efficiency, and improving accuracy. Advanced AI tools are changing legal practices such as research, document review, contract analysis, and drafting.

The legal profession, with its complex and time-consuming processes, benefits greatly from AI. By automating repetitive tasks, quickly identifying relevant information, and providing intelligent insights, AI reduces the time and effort required for many legal activities, especially contract review.

As promising as AI is, many AI tools still fabricate purported facts and legal principles. A recent Stanford University study tested legal AI tools against over 200 legal queries. The results were concerning: AI produced inaccurate information up to 33% of the time.

While AI can speed up time-intensive legal tasks, there is a "jagged frontier" that separates tasks at which AI is more successful from those at which it is less. Which tasks is AI best-suited for, and how can we harness AI's potential while ensuring accuracy for legal work?

Legal research may be beyond that frontier, for now. The Stanford researchers note that legal research requires AI "to synthesize facts, holdings, and rules from different pieces of text while keeping the appropriate legal context in mind."

AI contract review software is a useful case study to understand why AI can work today, but also what vendors must do to ensure AI is accurate and "professional grade" for lawyers.

Why Contract Review is Leading the Way for Legal AI

Contract review stands out as a great use case for AI, offering distinct advantages over less structured legal tasks:

- **Grounded in defined standards:** AI can be effectively trained on specific contract types and clauses, reducing the risk of straying into unfamiliar and constantly evolving territory.
- **Easier to verify:** Unlike ediscovery or broad legal research which requires synthesizing across many documents, AI in contract review focuses on analyzing an individual document. This makes it easier to pinpoint source language and enables lawyers to efficiently inspect and validate AI's work.
- **Focused objectives:** Contract review often involves identifying standard clauses and deviations, tasks that align well with AI's pattern recognition capabilities.

When implemented correctly, AI can enhance various aspects of the contract review process:

- **First-pass review:** AI can quickly analyze contracts, identifying key issues, potential risks, and deviations from standard language, providing a solid foundation for human review.
- **Context and explanations:** For flagged issues or suggested changes, advanced AI tools can provide context and reasoning, empowering attorneys to make informed decisions quickly.
- **Intelligent redlining:** AI can suggest appropriate redlines based on established playbooks, significantly speeding up the redlining process.
- **Customized playbooks:** Legal teams can create and refine AI-powered playbooks that align with their organization's risk tolerances and preferred contract language, ensuring consistency across reviews.

Choosing the Right AI Tools for Contract Review

To harness the benefits of AI while mitigating risks such as AI hallucinations, it's crucial to select tools that are specifically designed for legal use and incorporate safeguards:



Lawyer-Trained and Tested AI Models

An effective AI contract review solution should be anchored in attorney-written content and rigorously tested by lawyers. AI review and redlining should use accurate up to date legal knowledge from experienced attorneys, ensuring quality results.



Built for Contract Review

Your solution should handle both first-party and third-party contracts, adapting to your specific risk preferences and legal standards. The platform should enable one-click redlining, work within familiar document editing environments, such as Microsoft Word, and support multiple file formats.



Customizable Playbooks

Playbooks are the foundation for consistent and high-quality contract reviews, and set the guardrails for contract review across the team. Effective solutions offer both pre-built playbooks to enable immediate review and customization options to adjust to your internal standards.



Integrated Legal Knowledge

A comprehensive contract review solution should offer a readily accessible repository of legal knowledge, seamlessly integrated into the platform. This enables you to leverage your organization's clauses, templates, and legal resources all in one location



Data Privacy & Security

Contract data often contains sensitive and confidential information, making data privacy, security, and compliance paramount concerns for legal teams. Compliance with relevant standards, such as SOC 2, GDPR, and CCPA, and the absence of third-party data sharing for model training, are essential.







By focusing on these well-suited tasks and selecting appropriate tools, legal teams can leverage AI to enhance efficiency and accuracy in contract review without compromising on quality or ethical standards.

As the technology continues to evolve, AI is poised not to replace lawyers, but to amplify legal expertise, allowing attorneys to work more efficiently and focus on high-value, strategic aspects of their roles.

Considering LegalOn

It can feel overwhelming to identify software that's truly aligned with your unique requirements and challenges in contract review.

However, there are differentiators that set certain platforms apart—and LegalOn has key distinctive features:

-  **Responsible AI Innovation** At LegalOn, we believe that AI for legal professionals should be anchored in attorney-written content and rigorously tested by lawyers. LegalOn reviews and redlines using accurate and up-to-date legal knowledge created by our experienced attorneys. Our responsible AI approach includes:
-  **Purpose Built for Pre-Signature Review** LegalOn is specifically designed for pre-signature contract review, ensuring thorough and intelligent review and redlining. Its features include AI-powered contract analysis to surface contract risks, one-click redlining, and advanced contract comparison. It seamlessly integrates within Microsoft Word or your existing workflows and supports multiple document types.
-  **Pre-Built & Custom Playbooks** LegalOn offers comprehensive off-the-shelf and customizable playbook solutions to standardize and streamline your contract review process. Our expert attorneys have pre-built over 50 playbooks covering everything from standard NDAs to complex MSAs. Adjust these playbooks to fit your needs, or you can partner with LegalOn to develop your own custom playbook.
-  **Integrated Legal Knowledge** LegalOn isn't just another tech tool; it combines AI innovation with genuine legal expertise. Our platform integrates your organization's clauses, templates, and legal resources alongside LegalOn's legal content created by experienced attorneys. This fusion bridges technology with practical resources, making it easy to find relevant clauses, compare contracts, and access the practical resources you need as you review and negotiate.
-  **Commitment to Security** At LegalOn, we prioritize the privacy and security of your sensitive contract data. We are SOC 2 Type II, GDPR, and CCPA compliant and have professional-grade protections to ensure your agreements stay secure and your data stays private, including a strict policy ensuring your data is never used, stored, or sold to train third party models.
-  **An Experienced Team and Track Record** Founded by corporate attorneys in 2017, LegalOn has grown to serve over 5000 customers worldwide. Our team, driven by a mission to apply cutting-edge AI responsibly, brings rich legal expertise to every aspect of our platform. This experienced foundation underscores our commitment to delivering reliable and effective contract review solutions.

**Experience
LegalOn**

There's a reason why LegalOn stands apart. But don't just take our word for it. Book a demo with us and experience firsthand how AI combined with expert legal guidance can help you elevate your contract review process.

[Request a Demo](#)



LegalOn
Technologies

LegalOn Technologies is a global leader in AI contract review, trusted by over 5,000 companies and firms worldwide.

San Francisco, CA | Tokyo, JP

LegalOnTech.com | info@legalontech.com

Our software helps legal teams find and fix contract risks before signature with industry leading AI and practical guidance content by experienced attorneys. Start Day 1 with our off-the-shelf playbooks and tailor them to your standards and templates. LegalOn helps save time on contract review, improve accuracy, and scale your team.

LegalOn is built by and for lawyers, founded in Japan by two corporate lawyers to make contract reviews faster and more accurate. LegalOn now operates globally with businesses in Japan and the United States.