

WHITE PAPER

How AI Is Revolutionizing Contract Management and the Legal Industry

Written by Riley Hawkins
& Memme Onwudiwe

Foreword

In this paper we look at the current changes happening in the legal industry, and in particular the world of contract management, with respect to the adoption of artificial intelligence and machine learning/natural language processing technologies. We view this through examination of the evolving legal tech start-up, Evisort.

Evisort was founded in 2016 by researchers from Harvard Law School and MIT, and uses artificial intelligence to classify legal and business documents, and apply legal analysis to contracts. In this paper, we draw on our experiences as founding members of Evisort, and on lessons learned through our respective leadership roles at the company, Memme as Executive Vice President of Business Intelligence and Riley as Senior Product Manager.



About Evisort

Evisort's founders started the company with a single idea in mind: that the time spent by lawyers and business executives organizing, reading through, tracking and performing due diligence on contracts could be made vastly more efficient with the application of advanced artificial intelligence. The question that remained was "How can recent advances in areas such as natural language processing AI be best applied to make the job of a lawyer, banker, supply chain executive, salesperson, etc. easier and infinitely more valuable?" Thus began a thorough investigation of the market that would eventually culminate in a contract management product designed for the modern business.

Over the past three years, between the two of us, we have spoken with more than one thousand general counsel and business executives, selling our AI-powered contract management platform into businesses of all kinds. Our current clients include legal, finance, and procurement teams at companies that range from small engineering firms in the Midwest to billion-dollar telecommunication companies.

Evisort's current client base reflects its early success and the premier value of its technology, and while none of this happened overnight, Evisort's story over the past several years has indeed been one of exponential growth. Evisort's founders, Jake Sussman, Jerry Ting, (both Harvard Law School alumni students at the time of the company's formation) and Amine Anoun (former MIT PHD candidate and the data scientist responsible for Uber Express Pool), jumpstarted the company by applying for membership at the Harvard Innovation Lab, which housed our small team of students for the first few years.





Today, we have major offices both in Silicon Valley and Downtown Boston. Evisort is backed by several venture capital firms, including Village Global, whose limited partners include such tech luminaries as Bill Gates, Mark Zuckerberg, and Jeff Bezos. Jake, Jerry, and Amine were all recognized by Forbes 30 under 30 this year. And just this year, we closed our second round of venture financing: a \$4.5 million dollar raise led by Village Global and Amity Ventures, with participation from Serra Ventures.

A New Perspective on Contracts

On the resumes of our leadership team there are major consulting firms like Boston Consulting Group, as well as sales and data science verticals at well-known technology companies like Yelp and Uber, but not one of us has spent any significant time at a law firm. This has allowed us to look at contract management with fresh eyes and full knowledge of the business value that innovative technology can bring.

Over time, after hundreds of calls with potential customers, our business-driven point of view catalyzed a revelation that we had not initially recognized. Market research clued us in to something: contracts are not just legal documents. So often we would be on a call with a general counsel and hear something like, “I really like this tool, I can’t wait to show it to my friends over in the finance department,” or, “It’s not our primary responsibility to track expiration dates in contracts, procurement owns that.” After a while it clicked: everything a business has ever agreed to is in its contracts, and this information is pertinent not only to legal but also finance, procurement, sales, human resources, and so on. In the same way that other companies were using artificial intelligence to review large litigation-based documents like settlement agreements, we could use the same technology to analyze and extract data from purchase orders, statements of work, and invoices, in addition to common contracts like vendor agreements, leases, and non-disclosure agreements.

Together, the data contained in these documents (expiration dates, key clauses, rebates, payment terms, party names) adds up to everything important about a business: its operational milestones, revenue, risk, etc. They are a record of everything a company is doing and has done and all of their outstanding assets and obligations. By mining the data contained in these documents, we can do more than just identify change of control provisions across a data room prior to a merger. We can actually help drive a business. It’s why our clients include, for example, finance departments at major sports franchises, in addition to legal departments. And for legal, which is usually thought of as a cost within a business, we can make a compelling case for why they need our technology, which leverages artificial intelligence to propel efficiency and reduce cost.

Artificial Intelligence for Contracts: The Supply Chain Use Case

To look at how AI-enabled contract management can bring value to business units outside of legal, let's focus on one particular data point that Evisort is often asked to track by supply chain teams: rebates. Rebates provide discounts to a contracting party that spends over a certain amount when purchasing services or goods from a vendor. In our experience, they most commonly appear in either services agreements or licensing agreements. For each individual contract with a rebate, there is usually a clause which explains the steps necessary to collect that rebate as well as a table, often included as an addendum, that lays out the various levels and rates of the discount (see Figure 1 below).

FIGURE 1: SAMPLE RATE TABLE

QUANTITY	PRICE PER PART
1-100	\$100.00
101-500	\$97.50
501-1000	\$93.00
1001-5000	\$87.00
>5000	\$82.50

Rebate language and tables are significant to supply chain teams because these teams are responsible for tracking spend and reducing cost whenever possible. Supply chain personnel can ask for advantageous rebate terms during contract negotiations, and some vendors offer standard rebates for particular products. Rebates represent a significant opportunity for savings if a business can stay on top of spend and which of their vendor contracts contain active rebates. This becomes a challenge for supply chain teams at large companies that are responsible for managing tens of thousands of vendor relationships and even more associated contracts.

We've learned that these companies struggle to keep up with even basic contract terms like automatic renewals, let alone complex rebate structures. One Evisort client in particular faced the challenge of organizing contracts for a wide array of sub-entities that it had acquired over time. Evisort can help companies like this save millions by teaching artificial intelligence models to look for rebates and extract their terms. From the Evisort platform, users can search for contracts that contain rebates and view discount details. Thus, Evisort is able to provide value outside of the legal context, even if its contract management platform was originally designed for legal departments. What's more, legal departments that use Evisort can become revenue-positive allies to other business units in their organization. The legal department that uses Evisort to identify an unfavorable automatically renewing contract before it expires or that can produce a report of active rebates across all contracts is no longer just a cost to the business, but a risk reducer and source of revenue.

To learn more about how Evisort can transform a large supply chain department, check out this article on Evisort's engagement with Cox Automotive.

Artificial Intelligence for Contracts: The Legal Department Use Case

Despite the fact that contract ownership is often diffuse across several business units, based on our experience legal departments are still the main drivers of contract administration, and thus, general counsel continue to make up the majority of Evisort's clientele. Our product for in-house legal teams is, in essence, a document management system with an artificial intelligence brain behind it. Instead of requiring the manual entry of metadata for the contracts stored in our platform, our system can read contracts for itself and automatically extract the most important data within seconds. Our system can find and extract key dates and terms, detect signatures, abstract important clauses, and more.

Most general counsel that we speak to are surprised by what our artificial intelligence can do, since the average document management system of 2019 is basically a repository that allows users to manually record contract information. For every contract, a paralegal or junior associate is required to answer certain questions like, “What is the effective date?”, “Who are the parties”, or “Is there a non-compete provision?” However, such a process is time-consuming and error-prone, and to reduce the burden companies will limit what data they have their contract administrators track. They only track what they “need to know” as opposed to what they “want to know.”

To illustrate the way artificial intelligence changes this process, let’s look at one of our recent client engagements. The potential customer reached out to us after being burned in a specific way by the limited data management process described above. They had thousands of sales agreements with their clients and very rarely (<1% of the time) they would include a “data breach” provision in those agreements. Such a provision states that if the company suffers a data breach, they are required to notify the client within a certain number of days or risk breach of the agreement. Because the presence of a data breach provision was not a “need to know” data point, the company had no way of knowing which of their agreements contained the clause. They would have to painstakingly comb through every contract or risk significant financial harm.

In these situations, legal teams have historically been forced to choose between several undesirable options: they can either outsource the work to law firm at a steep price, or they can re-allocate substantial time resources in-house (and in-house teams are usually overstretched as it is). Evisort alleviates this dilemma for its clients by doing the following:

Evisort uses artificial intelligence to allow legal teams to track what they “want to know” and not just what they “need to know.” Evisort can track over forty data points out-of-the-box, and can easily tweak existing models to track additional data points upon customer request. In contrast to a paralegal, the models never get tired meticulously tagging contracts with metadata. Moreover, there is almost no difference in cost to have the models analyze ten contracts versus ten thousand contracts (apart from costs emanating from optical character recognition technology). The bottom line? As a general counsel, you may not need to know the environmental sustainability accreditation status of all your vendors today, but if on some day you do, artificial intelligence can turn a month-long fire drill into an hour of work. With artificial intelligence, a multitude of contract data is always at your fingertips.

Conclusion

Contract management has changed even less than one might think over the past twenty years. A decade or two ago, most companies still kept paper contracts in folders in a physical file room. The digitization of documents changed the format of these contracts, but not the organizational structure. Contracts still reside in folders, and lawyers still struggle to sift through these folders to find what they're looking for or know what's in these contracts in a meaningful way. Artificial intelligence is changing all of this.

Folders are irrelevant if machine learning models can generate a searchable database of metadata that corresponds to every contract a company has ever entered into. It's this kind of powerful technology that led one journalist to call Evisort the "Google for contracts." In this way, artificial intelligence empowers lawyers to focus less on tedious contract review and more on the kind of deep legal analysis they had anticipated doing when they were still bright-eyed law students. And for today's current generation of law students, those that learn how to maximize the utility of this technology will be the leaders of the legal world of tomorrow.



Riley Hawkins
riley@evisort.com



Memme Onwudiwe
memme@evisort.com

Looking to learn more?

Evisort streamlines your contract workflow using advanced AI to extract, classify, and track key provisions in your documents, all delivered through a cloud-based platform. Upload, access, search, monitor, deliver results, and run reports seamlessly across all your lines of business.

Let us help you solve your greatest contract challenges.

Contact Us