

Session 1b: Innovation in Legal Contracts and Deals: How Lexion is Incorporating AI into Document Revision

Summary of Proceeding by Andrew Stein

Featured Speakers: Gaurav Oberoi (CEO and Founder, Lexion) & Jessica Nguyen (Chief Legal Officer, Lexion)

Moderated by Steven W. Bender, Associate Dean for Planning and Strategic Initiatives and Professor, Seattle University School of Law

Abstract: Lexion seeks to revolutionize how companies manage the contracts that they use. It has begun to corner a particular market in the rapidly growing field of Artificial Intelligence (AI), helping in-house attorneys to improve their workflow by automatically analyzing documents. By using AI, the program can successfully remove what the CEO of Lexion refers to as “low value” work. This allows overworked in-house attorneys to not only do more work in a faster time frame, but to also focus on big picture legal matters for the company without spending as much time on the minutiae. But how will this impact the legal profession, and more broadly, the corporate world? Will lawyers and other positions be replaced by this technology? Or simply enabled by it? While the future may be uncertain, current limitations of programs that utilize AI require that, ultimately, a human must review the program’s output.

I. Introduction

In the second half of Session One of the Sixth Annual Innovation and Technology Law Conference, Lexion presented its innovative software and discussed what role AI may come to play in the corporate and legal worlds. Founder and Chief Executive Officer (CEO), Gaurav Oberoi, began the presentation by describing the history of the company, including its origin as a startup in 2019 and its multiple rounds of successful financing. Both he and the Chief Legal Officer (CLO), Jessica Nguyen, elaborated on how this technology benefits both companies and their attorneys by streamlining the contract review process, thereby saving precious legal department resources. Oberoi also described current limitations in AI technology and how, ultimately, it will serve more as a tool to enable professionals than an automaton to replace them. Finally, he gave a demonstration of Lexion’s software capabilities, showcasing several potential use cases to illustrate how an attorney’s workflow can be made both easier and more efficient.

II. Identifying a potential market in in-house counsel

CEO Oberoi, who has a background in programming, began with a simplified explanation about how this technology works. He explained that a large language model (LLM) is trained with various “language model embeddings”, which are numerical ways to represent words in which meaning can be captured. He offered an example: say that a long string of

numbers (X) represents the word “King.” Another long string of numbers (Y) represents the word “Queen.” When the system subtracts X – Y, the resulting string of numbers represents the word “man.”

But how did Lexion home in on in-house counsel as the ideal legal market for this type of technology? First, according to Oberoi, as Lexion did proof of concepts with other companies in various industries, it became very clear that the most important documents in each industry were legal documents. Second, Lexion initially approached big law firms, only to find that firms which perform outside counsel services were largely not interested. Big law firms often asked, “Why would we want to reduce our billable hours?” So, for these reasons, Lexion turned to a corner of the legal market with the opposite business model – in-house counsel.

First, the in-house counsel market is a particularly large one and the business model of in-house attorneys is much more compatible with using Lexion’s software. Whereas attorneys who bill by the hour may not be incentivized to further streamline their workflow, attorneys who are paid a salary — such as in-house attorneys— are certainly motivated to do so. Lexion’s software allows salaried attorneys to save both time and money because today’s AI technology can look through thousands of contracts and answer critical questions, such as, “Which contracts are non-assignable?”

Second, Lexion believes there is a lot of opportunity for AI to make the lives of in-house attorneys easier. Given that revenue is not generated by the hour, paramount concerns of in-house attorneys include speed, efficiency, and low cost. As Oberoi observed, every company wants their general counsel to do more, faster, and with a smaller budget year after year. No company really wants to grow their legal budget, whether it’s a startup or a multibillion-dollar international conglomerate. When balancing other expenditures, such as research and development, this can be a tough cost to sell to the CEO.

III. Navigating the new AI world

People want to know, “are we being replaced?” This is the question today in *every* industry. In addition to the legal industry, Oberoi has seen this concern in programming, medicine, and teaching, among others. Oberoi is an optimist. In his view, every person may be able to have access to the best lawyer, programmer, doctor, and teacher with the use of AI technology. But with the current state of technology, Oberoi doesn’t believe those jobs are going anywhere. There is a rather large debate relating to defining “intelligence” as technology appears to grow increasingly intelligent. Oberoi proposed a narrower definition, for the sake of concerns relating to being replaced, when the technology can do economic work equivalent to a human.

To some extent, every technological innovation displaces jobs. Oberoi pointed to telephone operators who worked switchboards, or people who used to process payroll manually every couple of weeks. The invention of the computerized spreadsheet did not eliminate finance departments. As Oberoi sees it, lawyers and other professionals will not be replaced entirely but will be able to focus on “higher value” work instead. This, in turn, will allow in-house attorneys to reduce the time they spend redlining various agreements. For instance, if general counsel of a corporation has a conversation with the CEO where the latter says, “Moving forward, I’d like to

extend the cancellation period from 45 days to 60 days,” the attorney could then tell their virtual legal assistant, in plain language, “Per this, I want to rewrite these portions, give me a proposal.” The attorney can then review the material and edit what they wish. This saves a large portion of the attorney’s time and can accelerate how changes are implemented across various deals. Not only does this provide significant value to the business, but the CEO is happy because they do not have to hire an additional attorney. The attorney is happy that they do not have to do the boring, low value work (e.g., editing a limitation of liability clause for different customers each month).

IV. Current limitations of AI models

Although AI technology may seem to threaten positions in various industries (or provide significant value to those industries), today’s AI programs are not without their limitations. Oberoi does not believe that technology is currently at the point where a company can forego its legal department entirely. Simply put, AI programs cannot *actually reason*. Neither can they understand the position of the company and its interests, nor appreciate the importance of giving a customer what they need and making them feel valued. In the future, these features may be possible, but until we see what Oberoi described as a “dramatic leap in reasoning,” we still need a person to be at the wheel.

CLO Jessica Nguyen observed that AI does not currently possess other skills that people do, particularly relating to building relationships with other people. For example, when something goes wrong, the in-house attorney can go speak with each department individually and talk them down a bit. In addition, Nguyen noted that the first fifteen minutes of a thirty-minute call with an international company might end up being comprised entirely of small talk. This is an aspect of human culture that AI cannot currently appreciate; it cannot build that trust and rapport. These are areas where, according to Nguyen, human attorneys should add value. Sure, the attorney spent time prior to that call editing the contract manually, but technology could do this heavy lifting and the attorney could simply clean it up, tweak it, or add their own comments.

This ties into the prior discussion about how attorneys actually add value to their companies. Nguyen argues that attorneys should focus their skill sets on communication, persuasion, building human relationships, identifying market needs, identifying what a company is likely to get in a negotiation, and the bargaining chips a company can afford to lose in a negotiation. Corporate lawyers cannot simply synthesize the law; rather, they need to provide advice on what to do. Their focus should be on finding a solution. While AI can currently be assistive, even almost encyclopedic, it cannot apply the law to the company’s individualized situation and give sound advice. LLM programs are good at taking a body of text, synthesizing it, and summarizing it. They can reference portions of the text or take action and modify portions of it. AI will, however, have the same limitations relating to complete recall and precision as Boolean queries on Westlaw or LexisNexis.

Even today’s AI, however, can be utilized in legal tools, particularly relating to discovery, identifying cases, and putting them in a particular format. Even if a human attorney must still

review the program's output and do the higher-level reasoning, this has saved the attorney a huge amount of time and, therefore, saved the company a huge amount of money.

V. Lexion's use of AI in its program

Oberoi noted that contracts are everywhere in business: hiring offer letters; license agreements; financing approval; customer and vendor contracts; and more. None of these contracts are finalized without various people from various departments touching them and having some input. Some of the core value that Lexion's platform provides is in organizing this process. It consolidates this process to one place with a dashboard to oversee both where in this phase the contract currently is and who is working on it or responsible for getting it to the next phase. This provides visibility to those concerned with the contract from beginning to end.

With respect to AI, Lexion built its own repository when the business was started. With this AI technology, Lexion's program can look at all the agreements that have been organized by the company. It provides a multitude of filtering and search options. The user can view contracts by counterparty and time of agreement, to name a few. Not only can the user view the agreement itself, but the AI will auto-populate other information about the agreement. That is, it can automatically identify the type of agreement (master agreement, termination letter, lease, etc.), the title of the agreement, the parties, and the effective date. While this information may be relatively simple to mine from the document, the use of AI allows the program to do even more, such as calculating when the contract is active and when it will expire by reading the terms of the contract. It knows the difference between a fixed and perpetual term, and it can factor in conditions precedent to termination, cancellation deadlines, and initial length versus automatic renewal. The program also points the user directly to the clause from which the information was taken, which makes confirming that information even simpler.

Lexion's program can further extract other legally relevant pieces of information such as if the company can terminate for convenience. The program will identify major clauses for the user to search, like *force majeure* clauses, and narrow the results down to contracts that do not mention certain terms. When he spoke with companies, Oberoi observed that companies often do not have a good handle on all of the obligations and deadlines under their current contracts and would often have expenditures unintentionally auto-renew. Lexion's program reports instances like this before they happen, generating a list of upcoming expenditures. It can also create other reports that can be customized to a user's request. To illustrate, a report can be created that contains all contracts with the term "customer data" across all active vendor agreements to enable attorneys to check for compliance with updated privacy laws in a specific region. These reports can then be shared with the team, exported for outside counsel, and sent as notifications to auditors.

The software contains a Microsoft Word plugin that can save the document back to Lexion's website, preventing the need to track versions across various desktops. The Word plugin also contains several new features that utilize AI as a contract assistant. For example, if an attorney wants to modify both a payment clause to require payments quarterly instead of annually and a late-fee clause to state that late fees will accrue after ninety days instead of forty-five days, the attorney can insert a plain, colloquial language query that says, "Modify this so

that we pay quarterly, have ninety days to pay, and there are no late fees at all.” The program will modify the document accordingly and indicate the language it added or removed to accomplish that task. These redlining features function with Word’s “track changes” feature, to the delight of attorneys. The attorney can apply these changes to whichever contracts they wish by using the various filters described above. If the attorney is not satisfied with the language provided by the program, the attorney can refine the query to optimize the program’s suggestions.

There is also a beta feature called “Playbooks”, which allows a company to set standardized contracts across the board. Lexion has spent a massive amount of time talking to its customers to find out what is useful for them and has received positive feedback about early iterations of the software. Lexion has also added features based on customer requests. For example, its customers wanted a feature where they could simply tell the program up front what they wanted. So, Lexion turned to a similar practice done by many companies, drawing inspiration from actual “playbooks” that contain model clauses or floor/ceiling terms. Using this feature, users can write a series of rules in simple, natural language. The program will then flag things that need user review, almost as if a junior attorney redlined the document and then gave it to their supervisor. Oberoi believes that this is the direction in which AI technology is heading in the corporate world.