

 [Click to Print](#) or Select 'Print' in your browser menu to print this document.

Page printed from: [Corporate Counsel](#)

IBM Says New Watson Tool Could Dramatically Reduce Outside Counsel Spend

Jennifer Williams-Alvarez, Corporate Counsel

May 16, 2017

A new tool using International Business Machines Corp.'s [Watson](#), notorious for defeating its human competitors on "Jeopardy" in 2011, is hard at work for in-house legal departments with the goal of significantly reducing outside counsel spend.

So far, use of "Outside Counsel Insights," or OCI, has been limited to legal departments in the financial services industry, according to [Brian Kuhn](#), co-founder and leader of IBM Watson Legal. But with the potential to save as much as 30 percent on annual outside counsel spend, it's no surprise that the tool has piqued the interest of some of the largest companies in that field.

The service relies on cloud-based cognitive computing system Watson to reveal billing insights to in-house legal departments, Kuhn said. The development of OCI, which became an official offering late last quarter, stemmed from the perceived desire of legal departments to get their arms around this line item on the budget, he added.

"Outside counsel spend is really a [significant concern](#) for corporate general counsel," Kuhn said, noting that "on average, corporate law departments spend one-third to 50 percent of their annual budget on outside counsel."

To cut down on these costs, OCI looks at the amount of time a lawyer spends on a task and at line item descriptions in a budget, for instance, and creates a nearly complete automation of the invoice review process, Kuhn said. The tool also shows how outside counsel are working, he added, which "tells you not just what lawyers did, but in a very granular way, the order in which they did things."

Together, these two features will help facilitate fixed-fee pricing, according to Kuhn, because legal departments will have a very detailed understanding of the work being done by outside counsel and can then dictate price. What's more, Kuhn said, a future capability of OCI is to extract insights, such as how a judge ruled on certain motions and how specific lawyers perform on cross-examination, in order to "enforce appropriate legal strategy based on the outside counsel who've worked for you."

"There are other tools out there on the marketplace that offer just a pure analytics approach and

they can only parse structured data," Kuhn said, explaining what makes Outside Counsel Insights unique. "What Watson's good at is actually reading like a person, reading language ... and the ability to take narrative descriptions of legal tasks and time entries and understand what a lawyer actually intends by that in the context of a company's billing guidelines, is really how we move the needle and [how we use AI](#)."

While OCI is currently only used in legal departments in the financial services industry, the potential savings are far from insignificant, Kuhn said. He pointed out that in just the one industry, IBM's analysis shows that the service can provide a 22 to 30 percent savings on annual outside counsel spend after two years. In one company with over \$1 billion on annual outside counsel spend, which IBM declined to identify as the financial services company does not give its name as a reference, Kuhn said the benefits case showed close to \$400 million a year in savings after two years.

There are also plans to expand use of the tool in the future to other industries that rely heavily on outside counsel, according to Kuhn.

"This is definitely not a sexy use of Watson," he noted. "It's about creating efficiency for the lawyers and it's about massively reducing outside counsel spend."

Copyright [Corporate Counsel](#). All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

Copyright 2017. ALM Media Properties, LLC. All rights reserved.