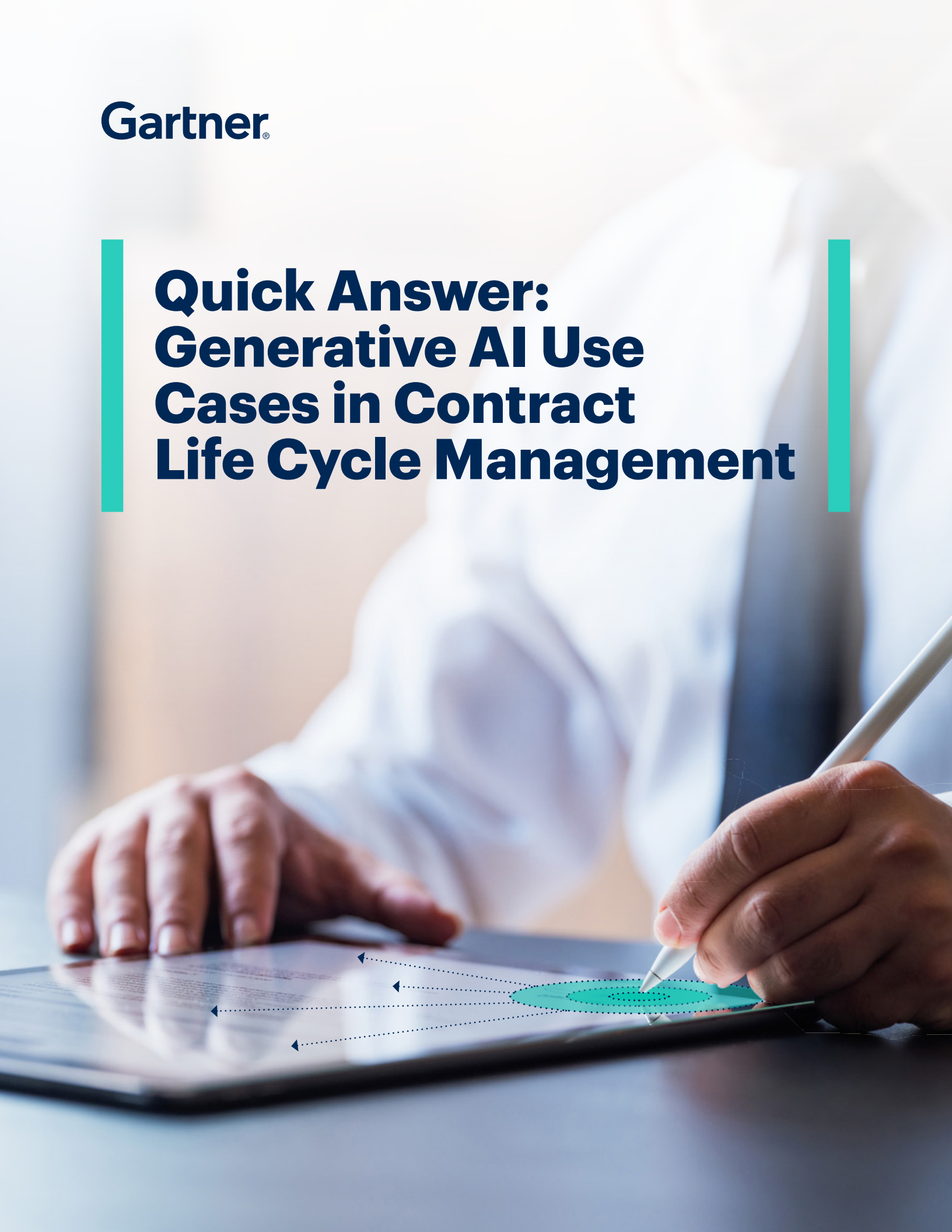


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Quick Answer: Generative AI Use Cases in Contract Life Cycle Management



The contract life cycle management (CLM) market has been quick to respond to the hype around generative AI (GenAI). Defining the use cases, their practicality and understanding how the vendors execute these capabilities will help organizations prioritize the most value-added use cases that the market presents to them.

Quick Answer

What are the emerging use cases and maturity of generative AI in contract life cycle management?

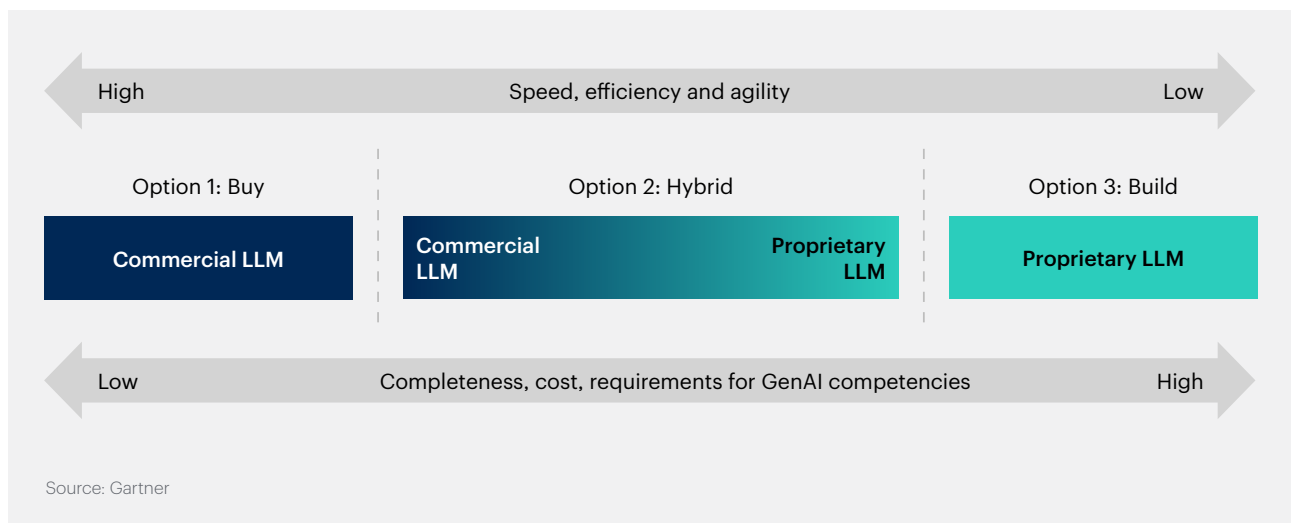
There are five primary use cases coming to market at the moment, which include:

- Agreement summarization
- Clause translation
- Conversational AI/chatbots
- Clause/template creation
- Precision/surgical redlining

GenAI use cases in the CLM market are still new and can be considered immature; however, use cases like agreement summarization have the capacity to mature at a faster rate due their low level of risk and perceived market acceptability.

Large language models (LLMs), with ChatGPT as a prominent example, are making a significant impact across various industries. ChatGPT exemplifies LLMs’ potential to enable human-like conversational capabilities. In the CLM market, vendors typically employ one of the following deployment methods to leverage these advanced models.

LLM deployment models

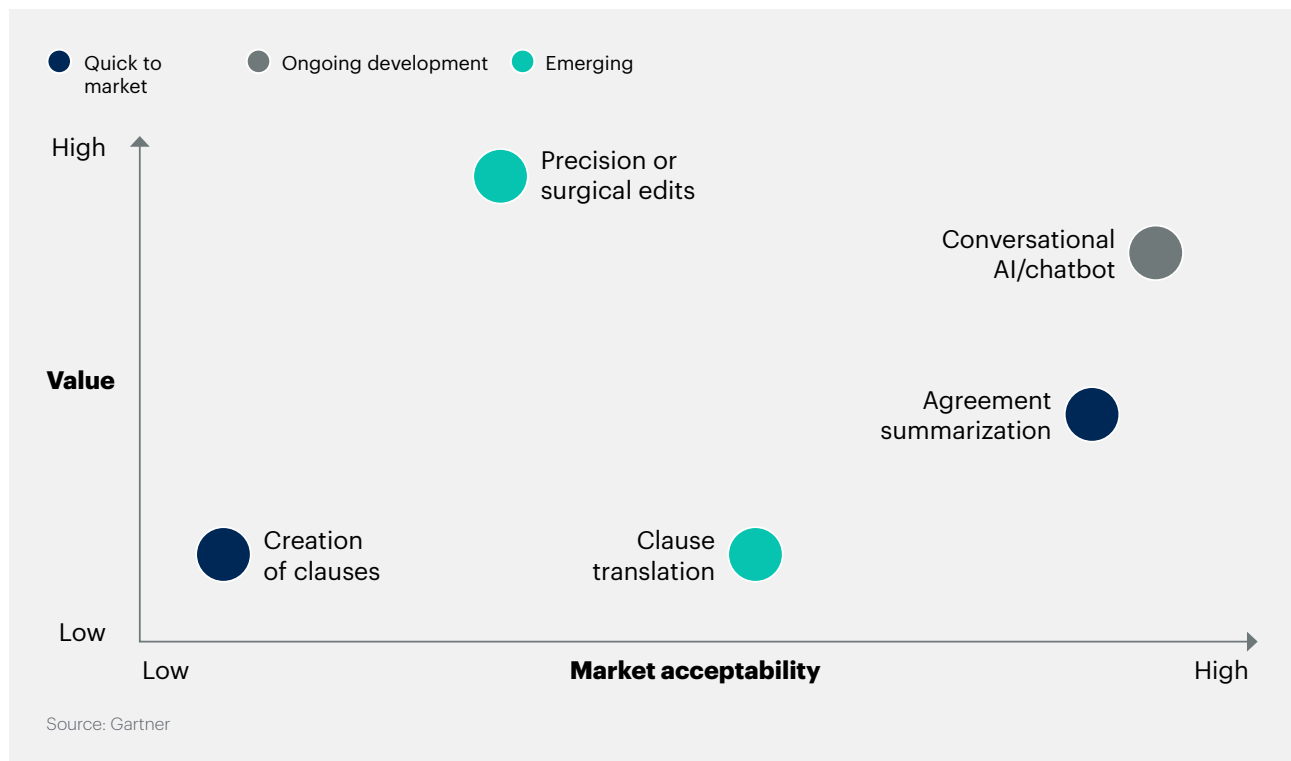


Though vendors using commercial LLMs can bring functionality to market quickly, the use of third parties can raise data privacy, security and compliance concerns. Proprietary LLMs can be more tailored to contract language and potentially provide more innovative use cases. However, building an LLM requires a lot of effort, continued learning, fine-tuning the model and vendor cost, which likely means additional end-user cost.

Vendors can use any of the three deployment models to provide gGenAI use cases, though their choice will affect the pace, cost and ingenuity of the use cases.

First wave generative AI use cases

Illustrative



The most prevalent CLM use cases being brought to market are:

Agreement summarization

Agreement summarization provides a shortened overview of the key terms and conditions in the contract. This is often provided in natural language so wider stakeholders and senior leadership can follow the contractual commitments without understanding legal terminologies. This use case is commonly utilized in the postsignature phase of the contract life cycle and is a common entry point for vendors looking to deploy GenAI. It is widely accepted by clients as being deemed low risk. However, it must be noted that the generated content must be thoroughly scrutinized by humans.

Sample vendors: Docusign, Gatekeeper, Ivalua, Linksquares, Pramata, Sirion

Clause translation

Clause translation describes the ability to see or translate legal text into clear English. The use of this capability varies in the CLM market, but the one way it's deployed is by hovering over text or highlighting text within the contract and seeing it translated either in a text box above or a text panel beside the clause. Another method can be through a chatbot. This use case can be utilized pre- and postsignature, but the most common form in the market today is postsignature within the contract library. It has the potential to alleviate the volume of simple ad hoc requests to the legal team.

Sample vendors: Malbek, Robin AI

Conversational AI/chatbots

While chatbots are not new, those powered by LLMs and supported by GenAI are now emerging. Users can interact with chatbots in natural language to help understand a contract, analyze and compare clauses, or search from a contract library. Another functionality under chatbots has helped users do administrative tasks, such as changing access rights or workflows. Vendors differ in terms of capabilities they can provide through the chatbot. Interrogating a singular contract is the most common use case deployed in the market today, followed by the interrogation of a contract library. This use case has the capacity to span both pre- and postsignature; however, it is predominantly used postsignature to help stakeholders search, understand, amend and report on their contracts. This use case is immature in the market today, but expected to be deployed more widely by CLM vendors looking to improve their GenAI use case offering in the market.

Sample vendors: ContractpodAI, GEP, Icertis, Ivalua, Luminance, Zycus

Clause/template creation

Clause or template creation is simply the ability to build out new legal clauses based on a natural language input. This is a common use case associated with GenAI, taking a language request and understanding and generating an answer. However, this is an immature use case in the market today, with the range of capabilities surrounding it varying from simple output of unvetted clauses, or generic contract templates that change every time the command is placed, to tailored clauses based on an understanding of the organization's current playbook and past negotiated terms.

Sample Vendors: Contractworks, Docusign, Evisort, Malbek

Precision/surgical redlining

The precision/surgical editing use case uses GenAI to help suggest edits to contract language during negotiations to bring agreements into compliance with an organization's playbook without ripping and replacing clauses. The expectation is that GenAI can read and understand the clauses and make minimal edits much like a legal professional does when redlining a contract in order to bring it closer to our requirements dedicated in our previous contracts and playbooks. This capability is one of the more complex use cases produced as a result of GenAI. Precision and surgical edits are still an immature use case in the market today and may take some time to permeate the market due to the risk perceived by review teams and the amount of training and model fine-tuning efforts required.

Sample vendors: Agiloft, Evisort, Intelagree, Ironclad

Table 1: The value, benefits and cautions associated with GenAI use cases

Stakeholder/use cases	Value	Benefits	Cautions
Agreement summarization	Low value	Allows stakeholders that aren't close with the CLM process to gain a high-level overview of important contract information on their key contracts	Less useful when not tailored to the persona reading the summary
Clause translation	Medium value	Empowers nonlegal users to understand the content of their contracts without the assistance of a legal professional	Not useful for legal audiences or stakeholder groups
Conversational AI/ chatbots	High value	Allow frequent and infrequent users to navigate the application more efficiently, glean insights faster and get recommendations on contracts	Require prescriptive queues to obtain the required outcome; potentially slow processing in some scenarios
Clause creation	Medium value	Beneficial in helping organizations create new clauses	Reduces standardization of clauses with organizational templates, clauses and fallback clauses
Precision/surgical editing	High value	Automate and speed up the time it takes for legal professionals and other stakeholders to review and mark up contracts	Unknown logic behind the markups; may require human review at the start to build confidence in its reliability

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