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AI Contracting Tools: A Buyer's Guide

HARNESS CUTTING-EDGE AI TOOLS TO OPTIMALLY ALLOCATE YOUR
LEGAL TEAM'S MOST CRITICAL RESOURCE: ATTENTION

IVO.AI



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Foreword

When I was Production Editor at the Harvard Journal of Law and Technology, the final read-through would consist of a group of us in a monastic circle reading the entire article out loud, word by word, including the punctuation. This was to ensure the document did not contain errors. If this sounds quaint, this was 2014.

In the decade since, I've worked alongside countless tech companies problem-solving creatively to build new innovations. Yet, lawyers have retained largely the same workflows of the past, almost holding onto these painstaking manual workflows as a badge of honor or rite of passage (the overworked junior associate manually typing in markups, signature pages, diligencing hundreds of documents late at night hoping for no mistake). Legal teams continue to be hamstrung by reliance on manual processes and outdated tools that are not fit-for-purpose—playbooks that are cumbersome word documents always needing a refresh, the checks and re-checks for version control and ineffective knowledge sharing that slows everyone down. These constraints make for unhappy lawyers and legal teams being labeled as slow and decidedly not tech-savvy.

In today's legal teams, the most precious commodity is attention. Budgets and headcounts are tight, requests are coming in from all directions and managing workloads sustainably is critical to prevent burnout and deliver quality client service on time, every time. It's become more important than ever to automate away unnecessary, inefficient, manual parts of the job that attorneys once took for granted.

With the advent of generative AI, there is unprecedented potential to increase both quality and efficiency of the legal work that gets done. It's never been easier to build and enforce consistent contracting policies while automating away the manual reviews and version control issues. However, the technology is early and there are real concerns with output quality, accuracy, privacy and security. There is also a proliferation of companies branding themselves as AI players. It's a crowded industry difficult to assess for quality and fit.

While change is coming whether we are ready or not, the good news is that lawyers are uniquely suited to meet the moment. Organizations are getting the message, with some of the largest law firms and legal teams starting to explore different ways to leverage AI. While there is no one-size-fits-all solution, we hope this will equip you to ask the right questions and find the right fit for your business needs.



NATALIE KIM

Attorney

Foreword

At Ivo, I have the privilege of talking to legal teams every day. One increasingly common thread in these conversations is something like this: “I’m interested in using AI, but there is so much noise and I don’t know where to start.”

The AI Contracting space is so nascent that the market hasn’t fully taken shape yet—legal teams are still not sure exactly what to make of a busy market that is going through what feels like a cambrian explosion of vendors. I’ve had clients tell me that they reviewed over 10, and in some cases, over 20 vendors before coming to a decision; is it any wonder legal teams feel overwhelmed?

There is a good reason for this. LLMs are the most exciting technological innovation for legal teams in recent memory; and while they present a very real opportunity for process improvements, this excitement has led to a lot of noise. I can barely go a day without opening my LinkedIn newsfeed to breathless exclamations of how AI can do impossible things (and do my laundry, and fold my clothes!), or confident assertions that AI has no utility at all (perhaps as a reaction to the overly excitable); between the two, it can be hard to separate hype from unwarranted cynicism.

Your best option is to trust your own eyes and ears, and evaluate each vendor on their own merits; what do you think of the outputs their AI is generating? Is their tool actually saving you time? Is it making your life better by removing unnecessary drudgery, or is it making it worse every time it forces you to navigate its confusing UI?

The goal of this guide is to arm you with a framework you can use to answer these questions. Good luck!



MIN-KYU JUNG

CEO & Co-founder at Ivo

AI Contracting Tools: The basics

WHAT ARE THEY?

AI contracting tools use large language models (LLM) and generative AI technologies to analyze, propose language for, and automate processes for contract review. Simply put, they use technology that helps computers learn like humans to aid in contracting tasks traditionally performed by humans. Like many nascent industries, we have yet to see solidifying industry jargon - the many players in this space brand themselves as “AI Contracting” “AI Contract Review” “AI Contract Drafting” “AI Assist” or “Contract Review Automation”. For the sake of consistency, we’ll call them AI contracting tools throughout this white paper.

AI contracting tools automate all or a subset of the below tasks to make it easier for the human contract reviewer:

CONTRACT REVIEW

Review third-party contract for deviations against standard company playbook (if any)

Review third-party contract against “market” standard terms (from gut instinct, internal information, external benchmarking services)

CONTRACT DRAFTING

Propose language in markup to send back to counterparty alongside desired parameters (e.g., market-standard, company-standard, customized)

Redline against prior versions

Collect comments from internal stakeholders

CONTRACT ANALYTICS

Pull subset of contracts containing a certain provision

Get insights from contract base for various contract metrics:

- Deviations from standard
- Deviations from market
- Time-to-close, average turn time and other legal ops metrics
- Frequent pushbacks and rationale
- Upcoming deadlines / milestones

AI Contracting Tools can be broadly categorized into two buckets:

DEDICATED CONTRACTING TOOLS:

These tools focus on the contract review and drafting portion of the workflow, with typically a lightweight MS Word, Google Docs or web interface where the user can (1) run a preset or custom “playbook” or rules against the contract (2) sift through deviations and proposed updates and (3) generate a redline to send across to the counterparty. These tools aim to enable granular redlining of high-touch contracts as well as quick reviews of low-touch contracts.

EXAMPLES: Ivo, Spellbook, Luminance

✓ PROS

Product focus on common contracting workflows; accessible price point for small teams; easy and fast implementation.

✗ CONS

May not have all desired integrations off-the-shelf.

CLM EMBEDDED TOOLS

These tools have AI contracting as a part of a contract lifecycle management platform (CLM). “AI Assist” or other features enhance existing contract repository, approval and analytics capabilities offered through the main CLM product.

EXAMPLES: Ironclad, Linksquares, Docusign (with their acquisition of Lexion).

✓ PROS

Integrated to existing CLM functionality; potential for analytics on contract base.

✗ CONS

Pricing likely higher due to composite nature of product; may have longer implementation process.

Worth noting here is that there is a growing emergence of providers in different parts of the legal tech stack bringing their unique angle to AI contracting, spanning from matter management (a quick contract review to delegate in-depth management appropriately) to AI co-pilots (prompt your customized AI model to review your contract among other document drafting tasks).

Common misconceptions

It's still early days with things changing fast in AI contract drafting, and the industry is rife with misconceptions. In our conversations with hundreds of legal teams, here are a few misconceptions that are most common:

"I'm afraid this will replace lawyers or the work I do."

Right now, the tech is simply nowhere near the level of maturity required to wholly replace the work that a seasoned lawyer is doing. A more accurate representation of the current state of the technology is that it helps lawyers do less of the mundane, repetitive work to focus time and attention on higher-order tasks that require strategic acumen, ability to evaluate nuanced topics and legal judgment. Currently, AI is more an "extension" of the team enabling it to do more with less, rather than a replacement.

"If it has errors, it's not worth using."

Much has been made of errors and hallucination, and it's true that AI quality varies widely across providers. But the possibility of errors alone should not deter from considering the tools currently available. In addition to assessing the relative accuracy of different vendors, you can also consider how the AI compares against an "eager junior attorney" who can help make work more efficient and identify overlooked issues, all without being accurate all of the time. Rather than waiting for 100% accuracy (likely never), optimize for easy verification and human oversight with a "good enough" genAI accuracy rate.

"My legal team is too small to need one."

Large in-house legal teams or law firms operating at scale can derive value-add from AI contracting tools as a source of truth for playbooks, best practices and other knowledge-sharing when it comes to an organization's contract base. But even a legal team of one or sole commercial counsel at a scrappy startup can find much-needed lift from an AI contracting tool by accelerating contract reviews.

Contracting pain points

Contracting pain points sap away legal team attention from the most business-critical tasks to frequent distractions, process pitfalls and high-volume, low-risk tasks. In addition to being annoying for everyone involved, these pain points have real business impact, both qualitative and quantitative. Users most frequently cite the below pain points as what led them to take the leap to an AI contracting tool:

1. HARD TO TRIAGE

Legal teams want to turn high-priority items more quickly than low-priority ones, and dedicate focus to high-risk contracts. To turn this ideal into reality, it's critical to effectively triage work as it comes in. The problem is the triage itself takes time and focus away from the task at hand. This loss of workflow control harms the business with low-risk, high-volume items clogging up intake and slowing down SLAs for high-priority items.



An AI contracting tool can check against checklists and playbooks faster than humans to give a sense of how far afield the contract is from the company's standard risk envelope for that contract type.



Key Metrics: Time taken from request to initial response, overall turnaround time, visibility across team for prioritization.

2. HARD TO FOCUS

This is a spillover effect from the first problem. Triaging poorly leads to misallocation of resources where attention and effort are spent on ultimately unimportant matters for the company. The distraction itself is also time wasted reviewing, triaging, and delegating to the right person: requests can come from all directions, and many times not to the right person the first time.



An AI contracting tool (especially when paired with matter management tools) can help the right work with the appropriate complexity quickly find its way to the person best equipped to handle it.



Key Metrics: Time taken from request to assignment, % of attorney time spent on matter vs. coordinating.

3. TOO MUCH VOLUME

As businesses grow the contract volume typically far outstrips attorneys' ability to thoroughly review each one. Legal teams often default to policies where "XYZ type contracts, or contracts below \$X are not reviewed". With AI contracting tools, more contracts can be reviewed without sacrificing attorney review time on more important contracts.

✦✦ **For low-risk contracts still requiring legal review, an AI contracting tool can radically decrease time spent on manual review while increasing quality of review overall.**

↳ **Key Metrics:** Overall turnaround time, quality of review, errors and need for amendments after signature, attorney workload, average deviation from standard terms.

4. MANUAL PROCESSES

This is time spent trying to find that doc squirreled away containing the latest internal notes on this type of agreement, applying a stamp or inputting a contract number manually into the document footer each time for compliance purposes, waiting for email approval to come in, answering questions from teammates on what is the standard language for this provision and where we can find it, and answering questions from business counterparts on where the latest template is.

✦✦ **An AI contracting tool can reduce time attorneys spend on administrative work or "working around the system", facilitate knowledge sharing and reduce friction in the overall contracting process.**

↳ **Key Metrics:** Ease of working with legal team, overall turnaround time, % of attorney time spent on matter, attorney burnout.

5. CONSISTENT, SINGULAR SOURCE OF TRUTH

People love to create docs. They're usually much worse at updating and maintaining them. Soon enough, there are duplicate copies, zombie versions that have outdated information and incomplete parts of playbooks hiding in people's brains. Or on the other extreme, there are gigantic playbooks that take too much time to parse (not to mention needing a continual refresh) due to their size.

✦✦ **An AI contracting tool transforms playbooks into automated, simplified, evergreen layers built directly onto every contract the team reviews.**

↳ **Key Metrics:** Review time per contract, % of attorney time spent on matter vs. administrative tasks, legal ops bandwidth.

How to choose an AI Contracting Tool

These tools focus on the contract review and drafting portion of the workflow, with typically a lightweight MS Word, Google Docs or web interface where the user can (1) run a preset or custom “playbook” or rules against the contract (2) sift through deviations and proposed updates and (3) generate a redline to send across to the counterparty. These tools aim to enable granular redlining of high-touch contracts as well as quick reviews of low-touch contracts.

Table stakes

FUNCTIONALITY

Different tools offer different functionality; solutions will generally be stronger in certain areas and weaker in others. Depending on your team’s needs and use cases, features that may be “nice to haves” for others may be critical for your own team.

HOW TO VET



Before you begin your evaluation process, prepare a scorecard of your requirements for different features, and record the extent to which each vendor’s solution meets those requirements. We suggest assessing vendors against each requirement both on a (a) yes/no basis; and (b) if yes, a numerical score quantifying how strong their support for that functionality is.

ACCURACY

A baseline level of accuracy is a given for users to be able to rely on AI contracting tools’ output; without this such tools might slow down rather than accelerate users. After early scares like ChatGPT hallucinating case law, legal teams are understandably concerned about accuracy. Providers understand this and are starting to release accuracy reports (with multiple providers claiming over 95% accuracy rates), but methodology is inconsistent across providers and industrywide benchmarking efforts are still nascent. Industry consensus for “reasonable” accuracy levels also remain unsettled and will for quite some time.

However, the benefits of the technology and current performance levels have already reached a level where many companies (from Fortune 500 down to smallest startups) are starting to reap the benefits.

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Focus on ease of human oversight in addition to accuracy.

HOW TO VET



First, ask the provider what their error rate is, but don't stop there. Ask how they're measuring it, and what they're doing to improve accuracy over time. A good provider will expect and have ready answers for these questions. Ask for a demo, and try to run a few test playbooks through sample contracts; ideally, these sample contracts are broadly representative of your real-life use cases. Run the same tests across all the providers to get a good comparison, either in a sandbox environment or live on a demo, and compare the outputs.

Second, focus on human oversight capabilities that are quick and easily verifiable. Check the user experience to verify AI claims where a section might appear or a playbook trigger is met, and to make edits to the recommendations if they need tweaking. A few seconds difference in these repeat workflows can add up to the difference between a seamless tool and an unusable one.

PRIVACY AND SECURITY

As a group of buyers trained from day one on attorney-client privilege, legal buyers of AI contracting tools understandably care about how the AI contracting tool uses ingested data, which are some of the most sensitive materials a company has. Mirroring early debates in privacy regarding personally identifiable information (PII) sharing, providers fall into different camps regarding privacy.

Some providers commit to non-use of customer materials for any purpose of training their AI systems, with each customer's data stored in a private cloud. Others train their models on anonymized customer data (on an opt-in, opt-out or default basis), on the grounds that they properly scrub contracts to be free of identifiable data and a model optimized from as much safely procured data as possible improves output for everyone. Given the lack of common awareness of how AI systems process and retain contract data, providers in the first camp are more likely to have an easier time assuaging customer concerns about data processing.

Understand data processing processes of the AI contracting tool to ensure alignment with company policies.

Regardless of one's philosophy regarding such data processing, it's important to understand data processing practices of the AI contracting tool provider to ensure alignment with company policies and overall data sharing posture. Many providers are making available trust centers and other customer-facing materials to describe in easy-to-understand ways how contract data is used, processed, shared and retained.

HOW TO VET



Understand how the provider uses contract data from both a high-level technical perspective as well as contractual. Review the relevant privacy and security terms. Ask the provider for a deep-dive through the data processing from a technical perspective. Attend this meeting as well (do not just punt to IT or infosec!).

QUALITY OF AI-GENERATED LANGUAGE

AI contracting tools currently in the market vary quite a bit when it comes to the quality and style of the “AI drafting voice” and its suggested language. As contract drafting is both art and science, some of it will be a matter of stylistic preference. However, it's problematic if the tool consistently generates wording that is imprecise or unconventional. If accuracy helps vet for contract review, assessing proposed language helps vet for contract drafting.

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The approach varies across current providers, with some employing lawyers to directly populate suggested language and train the model (often called “legal engineers” or “legal content” providers).

HOW TO VET



Ask for a demo, then try a few simple markups (e.g., change a termination for convenience clause into a termination for cause, turn this provision mutual instead of unilateral), as well as a few more complex changes (e.g., insert this extra exception into the indemnities section, update a reference throughout the document) and see how it fares. As with accuracy, trying the same drafting tasks across all providers is key. Also ask the team how the AI output is trained (as well as quality control processes they have to keep a consistent voice throughout).

GENERAL USABILITY

This goes without saying, but as the advocate for committing budget to the AI contracting tool, it's essential to ensure adoption by the entire user group; a failed implementation or unused tool can place the entire legal technology strategy at risk. Usability refers to UI/UX, ease of implementation and ramp-up, as well as covering existing workflows both internal and external to the legal team as applicable.

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HOW TO VET



Test most commonly utilized workflows on the tool against how your organization currently handles those workflows. If the chosen AI contracting tool will be used for redlining and comparisons, check how easy it is to run redlines, input comments and up-version documents. If the tool will be used collaboratively with other teams, get their input on must-haves and nice-to-haves (or better still, invite them to the RFP discussions).

Differentiators:

GEN AI NATIVE

Deep into the AI hype cycle, many providers are rebranding themselves as “AI companies”. From the buyer perspective this makes for a confusing landscape—who are the real AI players and who are using it to gloss over decidedly non-AI product offerings (like rebranding keyword search and other pre-AI technology)? Here too providers vary widely in their technical prowess. Some providers are built from the ground up with the latest AI technology while others are playing catch-up with older ML-based tools. Others seek to differentiate themselves with access to, and models trained from, millions of proprietary contract datasets.

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HOW TO VET



Understand what providers mean when they say their product “has AI”—is this a glorified term to describe their keyword-based contract search engine? Or is it truly describing an LLM-based inquiry model that can derive insights about contracts from conversational inputs? Ask about the company’s custom model and/or proprietary datasets (if any). The provider should be able to explain why their underlying technology beats the competition, as well as a generic model.

PLAYBOOK ECOSYSTEM

Most AI contracting tools offer features that allow for development of custom playbooks to run contracts against. Some providers have a marketplace of curated playbooks built by experts for specific types of contracts, such as NDAs. Others opt to have a “solutions engineering” type approach where support personnel help build your custom playbooks as part of implementation. Providers also vary widely in how much customization is possible in the playbooks—Ivo enables cross-organizational customization of playbooks (e.g., the entire sales team may work off the same payment term, but APAC may have their own governing law provision) and internal commentary empowering contract negotiators to have fallbacks (and fallbacks to fallbacks) with appropriate commentary on rationale.

HOW TO VET



There is no one-size-fits-all answer—a large organization may have ready-made playbooks that they need someone to help translate into the tool. A small organization without a full-fledged legal team may benefit from having a menu of sample playbooks to easily draw from. Understand your organization’s needs and ensure your chosen tool’s approach to playbooks is in alignment with those needs.

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PRODUCT ROADMAP

This one is rather subjective, but attempts to measure the drive and vision of the team building the product to make it even better, and how much they’re willing to have a collaborative relationship with the customer to actively take feedback into account. Providers who take this seriously should be able to easily demonstrate how they facilitate this two-way communication, build community amongst users and have made the product better as a result.

The best-performing platforms build a community of users who can drive synergies from each others' use cases and a funnel of valuable feedback that can continually improve the product.

HOW TO VET



See how fluently demo team members can speak to the product roadmap, how they've solved recently for user pain points and the momentum visible on their website and external-facing communications (blogs, socials etc). The best-performing platforms build a community of users who can drive synergies from each others' use cases and a funnel of valuable feedback that can continually improve the product. Great fundraising momentum is another (albeit relatively weak) proxy.

LEGAL STACK INTEGRATION

Does the tool play nicely with your team's other tools, including those touchpoints with cross-functional stakeholders? Some AI contract tools have integrations with major CLMs, document storage and collaboration tools, while others are intentionally designed to be CLM-agnostic and usable on a standalone basis. Still others come in-built with their own CLM or storage solutions. Your organization may just be beginning its tech stack building journey and may be more agnostic to future tool integrations, or you may have a fully built out tech stack and as such needing to make more tailored additions to the existing tools.

Some AI contract tools have integrations with major CLMs, document storage and collaboration tools, while others are intentionally designed to be CLM-agnostic and usable on a standalone basis.

HOW TO VET



Ask whether the tool supports your organization's essential integrations and if one is not available off-the-shelf, whether they would be willing to do a custom integration as part of implementation. If your needs are complex (e.g., custom dash boarding, workflows etc) it may be worth considering third-party consultancies who offer these services for a fee.

Conclusion

An AI contracting tool has quickly become a key part of a legal team's tech stack - while the technology is early and still in growth phase, the demonstrable benefits already point to a serious consideration of the available options.

The breadth of options can be overwhelming, but for customers **there has never been a better time to mix-and-match different tools to optimize for each organization's unique needs** and preexisting toolset.

AI contracting tools have the potential to make contracting more efficient, painless and easier for everyone involved - we hope this white paper will help your team's journey to unlocking its benefits in a way that makes most sense for your business.

About the authors

Natalie Kim is an attorney specializing in counseling high-growth tech and AI companies. She was most recently Head of Commercial and Privacy Legal at Intrinsic, a robotics and AI company, where she built and scaled all contracting processes and built the privacy compliance program. Prior to that, she was at Apple and Cisco in their in-house legal teams. She started her career in Bay Area law firms specializing in outside GC matters for tech startups. Natalie has a JD from Harvard Law School and an AB from Princeton. Outside of lawyering, she can be found training for a half-marathon, exploring new eats and wrangling her three kids. She can be reached at natalie@inflectionlegal.com.

Ivo was founded out of a belief that contracts are foundational to commerce. We saw first hand how contract review was slowing down mission-critical projects, and decided to do something about it.

Founded in New Zealand and now headquartered in San Francisco, Ivo powers the world's most comprehensive and accurate AI Contract Review platform, designed to help legal and business teams accelerate time-to-close and unblock contracts from key business processes. By using AI to reduce the time, effort, and cost of negotiating contracts, Ivo makes it easier for businesses to work together.

To learn more about Ivo and see it in action, visit us at www.ivo.ai or email us at hello@ivo.ai.

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