

## PLAYING THE ODDS: SCHIFF HARDIN CREATES AI TOOL TO SIMULATE CLAIMS' VALUE

The software addresses an age-old struggle for most lawyers: What's the value of my client's claim? Instead of relying on hunches and limited research, Schiff Hardin said it's leveraging machine learning and lawyer input.

BY VICTORIA HUDGINS

Like a growing number of firms, Schiff Hardin is looking to enhance their lawyers' educated guesses about clients' risks with artificial intelligence (AI). Today, the firm publicly launched Magnitude, a program that simulates outcomes for a client's claim before the matter is settled or taken to trial.

The AI-backed software provides estimates on a claim's average exposure, average verdict and other outcomes Schiff Hardin attorneys or clients want to know before making a decision regarding the claim. The tool was developed in-house by Schiff Hardin and was built via Monte Carlo simulation, a math technique that creates random variables for modeling risk



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or uncertainty of a specific system.

Unlike other predictive analytics tools, including Baker McKenzie's collaboration with an AI company to predict client's needs or risks, Magni-

tude doesn't leverage firm or public data, such as court or regulatory filings.

Rather, Schiff Hardin partner Jonathan Judge, who oversaw the development of Magnitude, and his team ask law-

yers handling the claim about the likelihood of different outcomes. Judge codes those potential findings into Magnitude and runs various simulations to determine which outcomes are most likely, and how these possible outcomes combine to provide an overall value for the claim.

“We use our interviewing skills to break down a case into its components and various questions a jury would have to decide, and we talk about how likely each of these individual possibilities are,” explained Judge. “Once we go through that, we use Magnitude to figure out how these individual possibilities combine together to estimate the various possible outcomes for the case.” Later, Judge and his team provide lawyers with a report outlining outcomes.

Judge noted that public records aren’t leveraged by the tool because those filings

are “not at all representative of what the typical case is.” He added, “That information is extremely biased. It’s only there because someone reported it, usually because one side decided to. There’s so many more cases that don’t go public than do go public.”

While Magnitude is only set to be used by Schiff Hardin attorneys, Judge noted the software can be used to evaluate complex claims in any practice area.

Magnitude automates a process lawyers have long struggled with, Judge added. While attorneys have always evaluated a claim and determined multiple outcomes before making a decision, an individual or even group of lawyers can’t possibly consider every possible outcome for large-scale matters, he said.

“People estimate the value of a case and sometimes they don’t know,” he said. “We

started to ask ourselves how many combinations are there in these cases, and we were finding there were tens of thousands of combinations. It became clear to us why everyone and us were struggling with that, it isn’t doable.”

Judge believes that simulation tools will become the norm for valuing cases. Still, some lawyers will likely be hesitant to leverage the tool at first from fear the software could replace attorneys, he noted.

“But I think once they figure out what they’re doing, they’ll welcome it and clients will welcome it,” he said. “Right now lawyers are under a lot of pressure to put value on these cases and that’s difficult to do with complex claims.”

*I am a reporter for Legaltech News, where I cover national and international cyber regulations and legal tech innovations and developments.*