2020

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How Gravity Stack helped a multi-national electronics corporation look beyond their force majeure provisions in less than a day with Heretik

The world is still learning many lessons from the COVID-19 Pandemic, some that will change the global economy forever. One thing that will remain true is that a robust contract management strategy paired with reliable technology can get businesses through unprecedented times without ending corporate deals or thwarting operational oversight. This report details **Gravity Stack**'s experience navigating the COVID-19 Pandemic alongside their client. The message we hope to share is that with the right people, process, and technology in place, your organization can also overcome these unique challenges.

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ALL EYES ON
FORCE MAJUERE

The COVID-19 pandemic has disrupted businesses in a way we have never seen before. Crumbling supply chains, unpredictable production schedules and halted logistics operations are forcing companies to make extremely tough decisions very quickly. Many businesses are beginning to fall behind on their contractual obligations, and for the first-time investigating force majeure and related contract provisions that could provide some relief for one or both parties.

At a time when disruptions are inevitable, it is critical for companies to quickly assess their level of risk within their contracts. A swift yet mindful examination of force majeure language is essential. However, even if a force majeure clause is present, there are other important considerations to understand; the analysis of triggers, notifications, and definitions are necessary to prepare for the next storm brewing: post-pandemic litigations.

RESPONDING IN
REAL TIME

While in the midst of a contract portfolio review, **Gravity Stack** and their client (a multi-national electronics corporation) suddenly found themselves in an unrelated crisis. The COVID-19 Pandemic was causing significant production delays for not only the company, but many of its vendors and suppliers as well, creating a massive web of defaulted contractual obligations to sort through.

The global conglomerate turned to the Gravity Stack team for guidance in a COVID-19 strategic workflow for over 8,000 already processed contracts. Using their own **suite of end-to-end review solutions** (powered by **Heretik**), Gravity Stack was able to report on the variations of the force majeure clauses within the collection, auto-assemble draft written notifications when required, evaluate the risk of defaulted obligations as a result of no applicable language, and prioritize contracts for further review that may prompt litigation. The use of Gravity Stack's tools reduced several weeks of work to only one day. As a result, the client was able to significantly reduce economic loss to the business as well as prepare them for any future risks that may result from the uncertainty of the COVID-19 Pandemic.

Gravity Stack is known for putting a data-driven focus on their clients' key legal challenges, and this situation was no different. Having an existing data intelligence partner like Gravity Stack readily available (and already structuring this clients' contracts) allowed them to instantly and intelligently pivot their project. In less than a day, they provided their client actionable data that will ultimately save them millions of dollars while also minimizing impacts to their business and team, now and for the remainder of this unforeseeable event.

8,000
CONTRACTS REVIEWED

1 DAY
REVIEWING CRITICAL PROVISIONS

99%
TOTAL PROJECT COST SAVINGS

1 MONTH
TOTAL TIME SAVED ON PROJECT

TOTAL BUSINESS COST SAVINGS

Several hundred million dollars saved from **mitigated risks and litigation preparedness** around COVID-19

Several million dollars saved from **diligence exercise**

Several hundred thousands of dollars saved on **further (or future) review with new structured contract data** around force majeure, triggers, requirements, party obligations, etc.

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TECH-ENABLED REVIEW TURNS
INSIGHT INTO ACTION

Gravity Stack applied their suite of end-to-end review solutions (powered by Heretik) on this project. Some of the key Heretik features used in this critical review include:

Heretik Analysis – Identified contract types and then auto-segmented those contracts by clause for quick navigation and review.

Extraction – Heretik's force majeure model was used to locate, auto-extract, and assess critical risk data points within the force majeure language across all the documents in the collection.

Bookmarks & Linking – Our click-to-navigate workflow created a more efficient and linear review of the extracted data points and clauses related to the force majeure language.

Compare – After the risk assessment was complete, Compare was used to understand the variances in force majeure clauses to then determine prioritizations and next steps.

Reporting – Configurable reporting options within Heretik allowed for the easy creation and sharing of key insights to relevant stakeholders.

Document Assembly – Once stakeholders were aligned on risk and liabilities, the already extracted data (such as addresses, party names, points of contact, etc.) were auto-inserted into approved notification templates to then be sent out to clients or vendors.

If you are interested in learning more or seeing a full demo of Heretik's proven force majeure model, check out our **'Force Majeure Use Case Package'**

A DEEPER, STRATEGIC ANALYSIS OF
FORCE MAJEURE IS ESSENTIAL

Since the client's agreements were already being reviewed, Gravity Stack was able to use Heretik to auto-segment contracts at a clause level, and then quickly see which contracts had force majeure language and which did not. On this particular project, they found 88.9% of the agreements had force majeure language and needed further review of things like event classification and definitions, each party's liabilities, notification terms, risk assessment, and more.

AGREEMENTS WITH FORCE MAJEURE CLAUSE

NOT ACTIONABLE
(BY ITSELF)

11.1%

88.9%

YES

NO

Figure 1.1
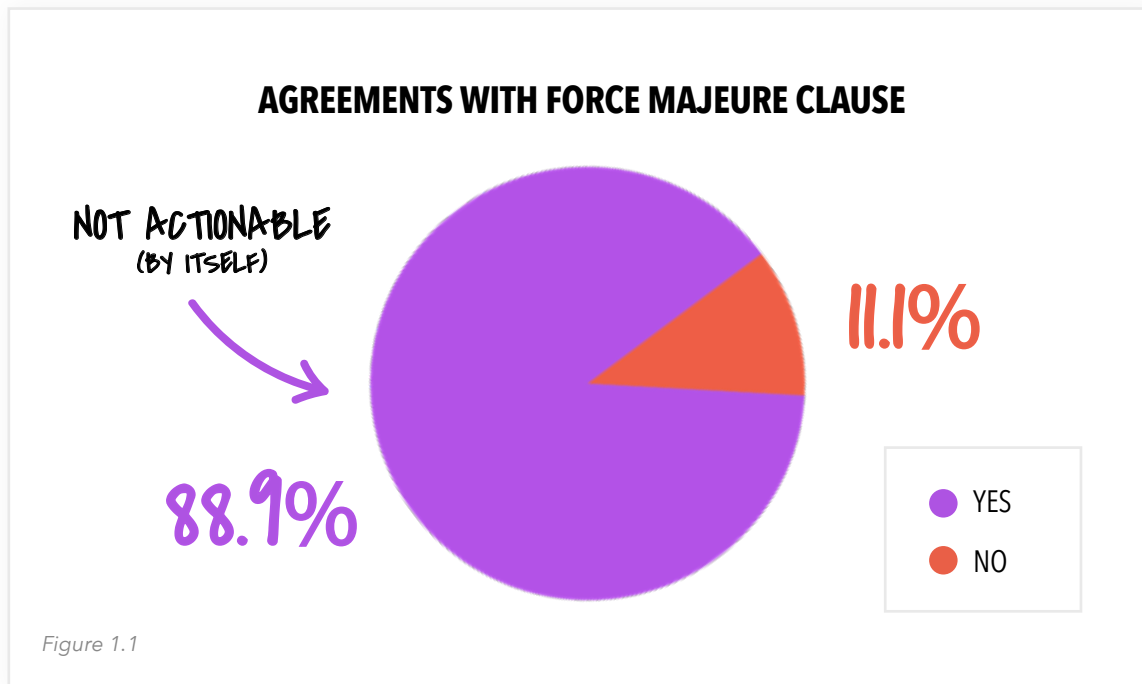
A surface-level force majeure analysis is essentially useless. The next logical step is to analyze the liability counts for each party, risks within specific subsidiaries, as well as a breakdown of notification requirements and timelines. Gravity Stack quickly reported several actionable insights from their findings in figures 1.2, 1.3, and 1.4 on the next page. →

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COUNT OF FORCE MAJEURE PARTY LIABILITY

NEITHER PARTY LIABLE   BOTH PARTIES LIABLE   PROMISING PARTY LIABLE
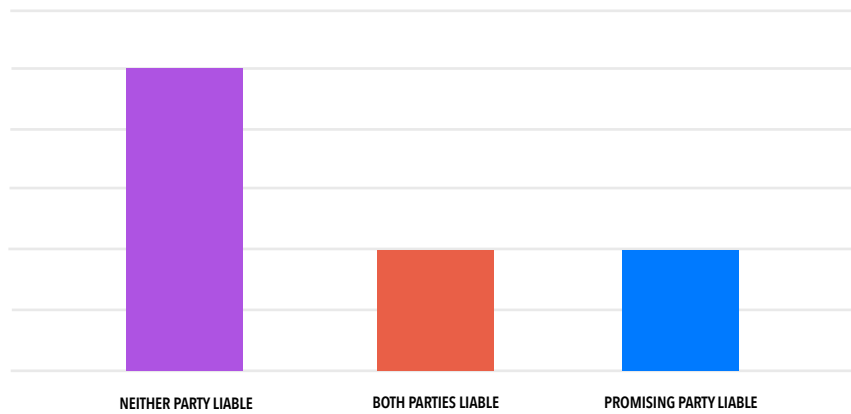
Figure 1.2

COUNT OF FORCE MAJEURE PARTY LIABILITY

CLIENT 1 CLIENT 2 CLIENT 3 CLIENT 4 CLIENT 5 CLIENT 6 CLIENT 7 CLIENT 8 CLIENT 9 CLIENT 10

Figure 1.3

● MUTUAL   ● SPECIFIC SUBSIDIARY ONLY
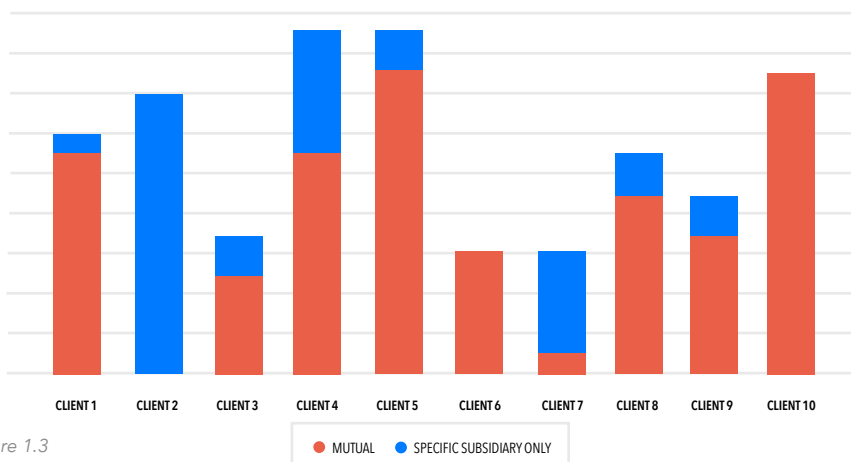
DAYS NOTICE REQUIRED & NOTIFICATION TYPE

WRITTEN NOTICE

PROMPTLY NOTIFY

VERBAL NOTIFICATION

CONTRACT IS SILENT

● 1 DAY   ● 5 DAYS   ● 14 DAYS   ● 60 DAYS   ● AS SOON AS POSSIBLE
● 2 DAYS   ● 10 DAYS   ● 30 DAYS   ● 90 DAYS   ● SILENT

Figure 1.4

Once there was a clear understanding of responsibilities between all parties, the next step in the review was to understand breakdown of force majeure classifications as well as an overall litigation risk assessment of the documents. Keep in mind all this information was extracted and shared with the client in less than a day with Heretik's contract review solution. They are now able to prioritize additional review, take action on with their contracts, and ultimately make the most informed business decisions in a time of unprecedented uncertainty.

SO WHAT?

Over the next several months, businesses will continue to shift from a reactionary phase to one of recovery. The first step to making the actual first step in organizational recovery is to understand the risks and obligations within your current agreements. Structuring contract d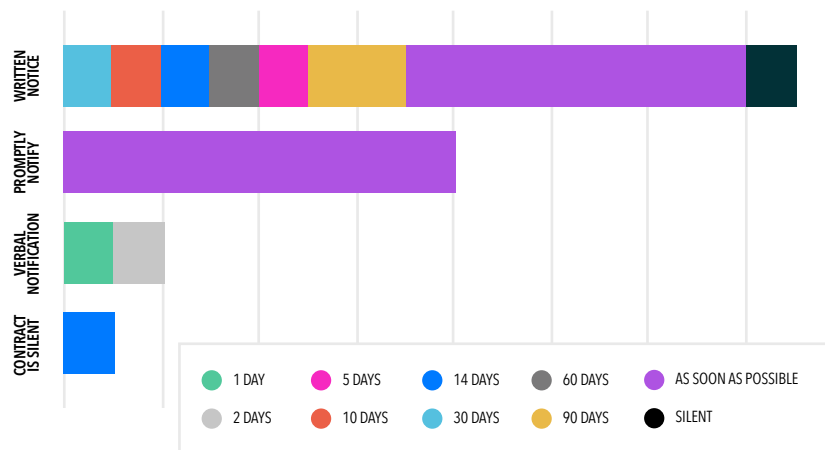ata will allow for quicker and more intelligent decision making in the short-term, while creating a foundation for strategic crisis management in the long term. Heretik and all of our partners are ready to help any and every organization take that first step when they are ready to do so.

FORCE MAJEURE CLASSIFICATIONS

30.8% 38.5% 7.7% 23.1%

- ACT OF GOD
- NATURAL DISASTER
- EPIDEMIC
- EVENTS BEYOND PARTY'S REASONABLE CONTROL
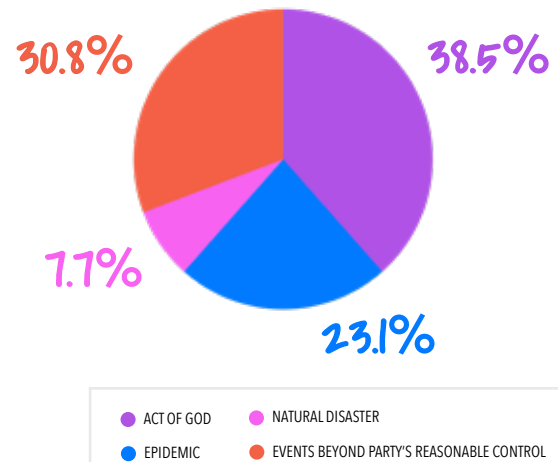
Figure 1.5

LITIGATION & LIABILITY RISK ASSESSMENT

50% 11.1% 39.9%

- HIGH RISK OF LIABILITY / LITIGATION
- MEDIUM RISK OF LIABILITY / LITIGATION
- LOW RISK OF LIABILITY / LITIGATION

Figure 1.5

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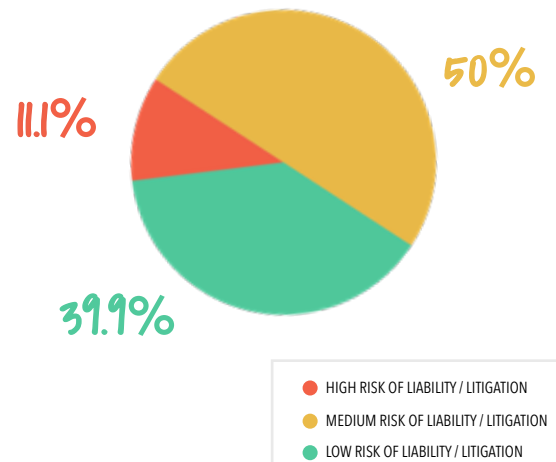
Gravity Stack combines technology with human expertise to solve our clients' most pressing issues. Clients engage us for complete, end to end managed services in litigation, internal investigations, large scale contract management, and technology consulting. So, whether your company has received a litigation hold notice, you are conducting an internal investigation or you have been tasked with reviewing and repapering your company's entire corpus of contracts, our team is ready to turbo charge your process.

GET IN TOUCH

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Heretik is a lightweight contract review application that seamlessly integrates into existing contract management tools. Our solution enables teams to transform existing agreements into structured, actionable data to efficiently handle all types of corporate transaction and regulatory response use cases, enhancing best practices with minimal disruption.

GET IN TOUCH