



WSSFC 2025

Practice Management Track – Session 2

The AI Advantage: Smarter, Faster, Ethical Lawyering

Presenters:

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About the Presenters...

Matthew (Matt) M. Beier, is the Senior Vice President and Director of Business Development Wisconsin Lawyers Mutual Insurance Company (WILMIC). Prior to joining WILMIC in November 2016, Matt was a civil litigation attorney in Madison with experience before state and federal courts as well as Wisconsin administrative agencies. He has broad experience in diverse areas of the law, including personal injury, employment law, contract law, business law, commercial law, and debtor/creditor law. Matt is a 1996 graduate of South Dakota State University, with a degree in Political Science, and graduated from the University of Wisconsin Law School in 2000. He is a member of the State Bar of Wisconsin, Wisconsin Defense Counsel, Milwaukee County Bar Association and the Dane County Bar Association. He also serves as a board member on the State Bar of Wisconsin's Solo/Small Firm and General Practice Section.

Dev Thain is a strategist focused on AI & transformational technology. He holds five degrees, including an MSc in Learning Technology from the University of Oxford. A former Senior Management Consultant at Gartner, Dev advised Fortune 500 companies and government agencies on major technology transformations. At Spellbook, he leads initiatives that bring AI into legal education and build partnerships that connect academia and industry.

The AI Advantage: Smarter, Faster, Ethical Lawyering

October 16, 2025

Wisconsin Solo & Small Firm Conference



Atty. Matthew M. Beier
WILMIC, Senior Vice President



Dev Thain
Program Manager - Partnerships

The Impact of AI/ChatGPT on Lawyers and Related Ethical Issues

I. Introduction

A. What is AI?

1. “At its simplest form, artificial intelligence is a field, which combines computer science and robust datasets, to enable problem-solving.” [IBM.com](https://www.ibm.com/topics/artificial-intelligence)
2. AI is at the center of using technology and machines to manage our personal and professional lives – think cell phones, case management, calendaring, product/music/movie recommendations (“You might also like,”), advertising and so much more!
3. AI is teaching a machine to act like a human.

B. What is ChatGPT (Chat Generative Pre-trained Transformer)

1. “ChatGPT is an AI-powered chatbot (a computer program designed to simulate conversation with human users over the internet)... that responds to open-ended text queries with paragraphs of text-written answers. It was trained through reinforcement learning from human feedback. During this process, human AI trainers would converse as a user and an AI assistant, then rank chatbot responses to teach the chatbot how to respond appropriately.” [Clio – June 2023](https://www.clio.com/blog/chatgpt-for-lawyers/).

2. When asked to describe itself in two sentences, ChatGPT said this, “ChatGPT is an advanced AI language model designed to generate human-like text, assist with tasks, answer questions, and engage in conversations across a wide range of topics. It leverages deep learning techniques to understand context and provide meaningful, context-aware responses.”

3. These large language models analyze large amounts of data from the internet (open ended) or proprietary (closed ended) sources and “predict” human responses to various prompts.

4. ChatGPT is incredibly easy to use and can be asked anything, only bound by the imagination of the user.

- a) The New York Times even provides “Chatbot Prompts to Try”
- b) Write a poem.
- c) Solve a math problem
- d) And, yes, write a legal brief

II. Will ChatGPT Replace Lawyers?

A. “[AI] would take off on its own, and re-design itself at an ever increasing rate, ... The development of full artificial intelligence could spell the end of the human race.” – Stephen Hawking, [2014 Interview with BBC](#)

B. “ChatGPT technology has the potential to be a milestone for technology advancements in the legal profession, as seen with the internet, online legal research platforms, and cloud-based case management systems. To truly understand and appreciate the technology, lawyers should try it for themselves.” Attorney Christopher Shattuck, [Wisconsin Lawyer](#), 96 Wis. Law. 41-47 (February 2023).

C. New Legal Tech Products

1. Spellbook – www.spellbook.legal

Uses GPT- to review and suggest language for your contracts and legal documents, right in Microsoft Word.

2. Lexis + AI – Protégé

3. Thomson Reuters - CoCounsel

III. Ethical Rules and Considerations

A. **SCR 20: 1.1 – Competence** - A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.

1. ABA Comment [8] - To maintain the requisite knowledge and skill, a lawyer should keep abreast of changes in the law and its practice, **including the benefits and risks associated with relevant technology**, engage in continuing study and education and comply with all continuing legal education requirements to which the lawyer is subject. (**emphasis added**)

2. “Basic technological competence includes, at a minimum, knowledge of the types of devices available for communication, software options for communication, preparation, transmission and storage of documents and other information, and the means to keep the devices and the information they transmit and store secure and private.” Wisconsin EF-21-02, “Working Remotely.”

3. It is the responsibility of the user to verify any information generated by it. Using ChatGPT does not remove your responsibility of being a competent lawyer.

4. The ABA Standing Committee on Ethics and Professional Responsibility has issued Formal Opinion 512 on July 29, 2024 – “This means that lawyers should either acquire a reasonable understanding of the benefits and risks of the GAI tools that they employ in their practices or draw on the expertise of others who can provide guidance about the relevant GAI tool’s capabilities and limitations. This is not a static undertaking. Given the fast-paced evolution of GAI tools, technological competence presupposes that lawyers remain vigilant about the tools’ benefits and risks. Although there is no single right way to keep up with GAI developments, lawyers should consider reading about GAI tools targeted at the legal profession, attending relevant continuing legal education programs, and, as noted above, consulting others who are proficient in GAI technology.”

B. SCR 20:1.3 – Diligence - A lawyer shall act with reasonable diligence and promptness in representing a client.

1. Generally, this rule requires a lawyer to pursue the client’s objectives promptly and thoroughly. Although ChatGPT is definitely responsive to providing work “promptly” the lawyer continues to carry the burden of “thoroughly” reviewing lawyer *and non-lawyer* work.

2. “I am not sure “are the other cases you provided fake”/”no, the other cases I provided are real” (from the screenshots of Schwartz’s AI chat) is at all helpful—lawyers know that “just trust me” isn’t a substitute for due diligence. Doubling down on a technology you already know you don’t understand isn’t great...” Atty. Stacie Rosenzweig, [Ethicking](#).

C. **SCR 20:1.6 – Confidentiality** - (a) A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, except for disclosures that are impliedly authorized in order to carry out the representation, and except as stated in pars. (b) [prevent crime or fraud] and (c) [not related to use of ChatGPT]... (d) A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.

1. ChatGPT inherently relies on large amounts of data being “input” into its system in order to constantly improve itself. The more data it has, the better it performs. It is important to resist the temptation to “overdisclose” in an effort to seek an improved response.

2. “The prohibition also applies to “disclosures that do not in themselves reveal protected information but could reasonably lead to the discovery of such information by a third person.” ABA cmt. [4]. Whether a lawyer believes that a disclosure would be “harmless” is not relevant to the analysis of whether such a disclosure would be permissible.” State Bar of WI Ethics Counsel Aviva Kaiser, [Wisconsin Lawyer](#), 96 Wis. Law. 41-47 (February 2023).

3. ChatGPT is can include sensitive/confidential information such as personal details and private conversations. The manner in which the data is collected, stored, and used, and who has access to it raises confidentiality questions.

4. “Because GAI tools now available differ in their ability to ensure that information relating to the representation is protected from impermissible disclosure and access, this risk analysis will be fact-driven and depend on the client, the matter, the task, and the GAI tool used to perform it.” – ABA, Op. 512.

D. SCR 20:2.1 - SCR 20:2.1 Advisor - In representing a client, a lawyer shall exercise independent professional judgment and render candid advice.

1. This rule naturally follows 20:1.3 in that it recognizes part of a lawyers due diligence is to exercise independent judgment – i.e., “Is this ChatGPT statement accurate?”

2. “ChatGPT acknowledges that there is the potential for it to be used in decision-making systems.” State Bar of WI Ethics Counsel Aviva Kaiser, [Wisconsin Lawyer](#), 96 Wis. Law. 41-47 (February 2023).

E. SCR 20:3.3 – Candor toward the tribunal, SCR 20:4.1 – Truthfulness in statements to others, and and SCR 20:8.4(c) – Misconduct (dishonesty, fraud, deceit or misrepresentation)

1. ChatGPT responses are loaded with disclosures of its limitations and reminders to cite ChatGPT as the generator of its content, when used in any form of publication and further, suggests that it generates very convincing text that may be used to spread misinformation.

2. “...Using it to cover your tracks after you know you messed up is worse—that gets us into dishonesty and misrepresentation territory.” Atty. Stacie Rosenzweig, [Ethicking](#).

3. “In judicial proceedings, duties to the tribunal likewise require lawyers, before submitting materials to a court, to review these outputs, including analysis and citations to authority, and to correct errors, including misstatements of law and fact, a failure to include controlling legal authority, and misleading arguments.” ABA, Op. 512.

F. SCR 20:5.3 - Responsibilities regarding nonlawyer assistance -

With respect to a nonlawyer employed or retained by or associated with a lawyer: (a) a partner, and a lawyer who individually or together with other lawyers possesses comparable managerial authority in a law firm shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the person's conduct is compatible with the professional obligations of the lawyer;

1. Is ChatGPT considered a “person” under the rule? This is not clear, but probably. ABA Comment [3] - ... Examples include the retention of an investigative or paraprofessional service, hiring a document management company to create and maintain a database for complex litigation, sending client documents to a third party for printing or scanning, and **using an Internet-based service to store client information.**

2. “SCR 20:5.3 is an umbrella rule. It requires the law firm to have in effect policies and procedures that give reasonable assurance that the nonlawyer assistance is compatible with the professional obligations of the lawyer. The rule also requires the lawyer having direct supervisory authority over the nonlawyer assistance to make reasonable efforts to ensure that the assistance is compatible with the professional obligations of the lawyer. Failure to comply with this rule’s obligations is itself professional misconduct.” Kaiser, [*Wisconsin Lawyer*](#), 96 Wis. Law. 41-47 (February 2023).

- Lawyers must manage nonlawyer assistance, protect confidentiality, provide competent representation, exercise

independent professional judgment, verify accuracy and authenticity of text and citations generated by the software, and perform other duties owed to clients and third parties.

3. Managerial lawyers must establish clear policies regarding the law firm's permissible use of GAI, and supervisory lawyers must make reasonable efforts to ensure that the firm's lawyers and nonlawyers comply with their professional obligations when using GAI tools. Supervisory obligations also include ensuring that subordinate lawyers and nonlawyers are trained, including in the ethical and practical use of the GAI tools relevant to their work as well as on risks associated with relevant GAI use." ABA, Op. 512.

G. **SCR 20:8.4(i)** – it is professional misconduct for a lawyer to "(i) harass a person on the basis of sex, race, age, creed, religion, color, national origin, disability, sexual preference or marital status in connection with the lawyer's professional activities. Legitimate advocacy respecting the foregoing factors does not violate par. (i)."

1. ChatGPT can amplify existing biases in the information used to generate responses.

2. Lawyers must ALWAYS exercise independent judgment (SCR 20:2.1) and avoid using ChatGPT as part of decision-making.

IV. Conclusion

It is clear that ChatGPT offers many possibilities and opportunities for lawyers. It is equally clear that those opportunities are good and bad. If we can suggest one takeaway, it would be that lawyers have the duty and responsibility to maintain competence, which includes knowledge of “the benefits and risks associated with relevant technology.” ChatGPT, and other products and services like it are not going away and will only improve in their sophistication and speed. Indeed, the practice of law requires understanding how it works, not just to make us more efficient professionals, but also to identify when it is being misused.

The AI Revolution in Law: There's No Turning Back

Regardless of one's level of comfort with artificial intelligence, AI is here to stay. Attorneys have a professional obligation to learn what AI is and when and how to use it responsibly to avoid associated risks.

BY MATTHEW M. BEIER

When I was a young associate at a medium-sized firm in Madison, the president excitedly distributed BlackBerry cell phones to all the lawyers, a move that put us at the forefront of legal technology at the time. Back then, there was debate over whether the BlackBerry was a helpful tool or merely a “short leash.”

Today, there's no debate – legal technology has advanced to the point where legal tech tools such as generative artificial intelligence (AI), “smart contracts,” data analytics, and cloud computing are so powerful that they are revolutionizing the practice of law. These tools and others were highlighted at a recent National Association of Bar Related Insurance Companies (NABRICO) conference in Calgary that I and other Wisconsin Lawyers Mutual Insurance Co. leaders attended.

If your stance on AI is “I'll retire before I use that,” you might want to consider an early exit, because AI is rapidly becoming integral to the legal field. At the NABRICO conference, over half the programming focused on how AI is being used by lawyers and insurance companies and how to implement it safely. One presentation, titled “Generative AI – No Slowing Down and No Going Back,” emphasized that it's no longer a question of whether to use AI but when and how to do so responsibly to avoid risks associated with its use.

The legal industry creates massive amounts of information. Legal tech that is used to store, manage, search, create, and communicate that information is nothing new. New tech software and products are transforming the efficient delivery of legal services, and clients are demanding lawyers use AI as a cost-saving measure. The main thrust of AI is to automate some of the routine legal work so that lawyers can focus on client contact and strategy. So, what are these tools and how do they work?

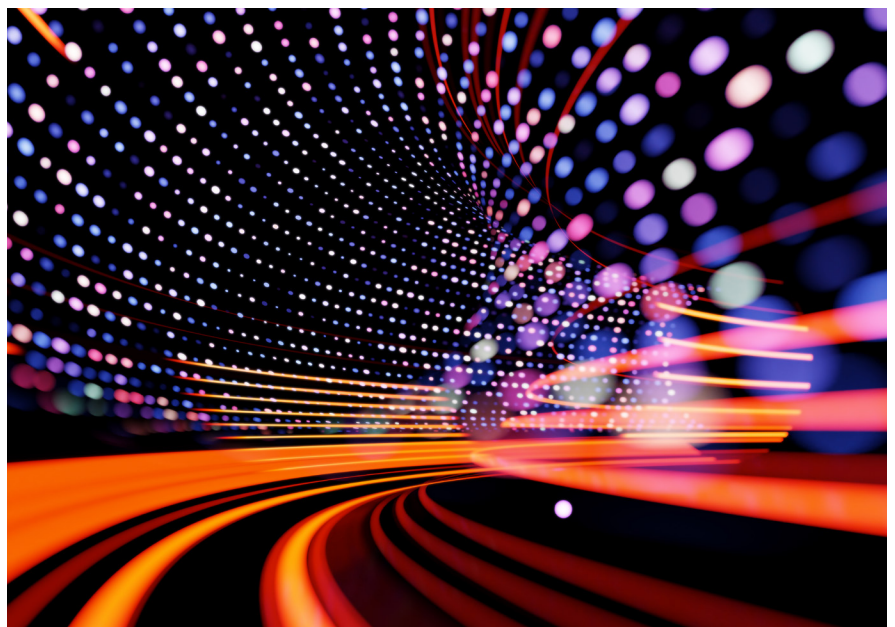
Generative AI

Generative AI has recently been the subject of much of the legal tech revolution discussion. ChatGPT is the large language model probably most recognized by the public. When asked to describe itself in two sentences, ChatGPT said this: “ChatGPT is an advanced AI language model designed to generate human-like text, assist with tasks, answer questions, and engage in conversations across a wide range of topics. It leverages deep learning techniques to understand context and provide meaningful, context-aware responses.” In other words, ChatGPT is a computer program that attempts to simulate human intelligence when interacting with users.

These large language models analyze large amounts of data from the internet (open-ended) or proprietary (closed-ended) sources and “predict” human responses to various prompts. The responses are often very impressive. Equally



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impressive is the amount of human (and nonhuman) effort that goes into improving these models, specific to different industries, including the practice of law.

The story of the New York lawyer who used ChatGPT to write a legal brief that included completely fictional cases and citations is now well known. The industry response was swift, with risk management programs and articles aplenty exposing ChatGPT's drawbacks and shortcomings, reminding lawyers of their ethical obligations to clients and the profession, and cautioning against relying on ChatGPT as an authoritative source.

In addition, developers and programmers have raced to produce better, safer products for lawyers – products like Spellbook,² which “uses GPT-4 to review and suggest language for your contracts and legal documents, right in Microsoft Word”; Lexis+AI (from Lexis-Nexis); and CoCounsel (from Thomson Reuters). In addition to contract drafting and review, Lexis+AI³ and CoCounsel⁴ are designed

to provide succinct answers to complex legal questions complete with citations to relevant statutes and case law.

All these programs operate in what is known as a closed-end system or library, which refers to a self-contained environment where the model operates within a predefined set of constraints, such as a specific dataset, task, or application domain. In such a system, GPT is restricted to a customized knowledge base, ensuring that outputs are more controlled and focused. This is especially important for purposes like legal services for which security, accuracy, and relevance are paramount. This means that lawyers can control “where” GPT looks for responses to questions and prompts – specific jurisdictions, firm-uploaded briefs, specific legal resources, and so on. Using a closed-end system prevents inadvertent disclosures of sensitive firm and client information.

Smart Contracts

“Smart contracts are digital contracts

stored on a blockchain that are automatically executed when predetermined terms and conditions are met.”⁵

For many people, the term blockchain brings to mind cryptocurrency. The main reasons to use smart contracts are efficiency, certainty, cost reduction, and mitigation of risks. Smart contracts are used in the delivery of life-saving medications and for retailer-supplier relationships, international trade, real estate, and other areas.⁶

Data Analytics

Law firms use data analytics for the collection, processing, and analysis of vast amounts of legal, business, and client data to uncover patterns, trends, and insights that can improve decision-making and operational efficiency. By leveraging advanced data tools, law firms can optimize case strategies, predict litigation outcomes, streamline billing practices, improve client services, and ensure compliance with legal regulations, ultimately driving more informed, data-driven legal practices.

Cloud Computing

One of the most significant catalysts for cloud computing was the COVID-19 pandemic. Since the start of the pandemic in 2020, the benefits and accessibility of remote collaboration have grown immensely. According to the ABA's 2022 Tech Report, “Cloud usage increased significantly from 60% to 70%.”⁷ That same ABA report commented that cloud computing and AI are closely intertwined into practice management and legal research.

The benefits are many and obvious. Lawyers can store and access their data from anywhere with an internet connection, allowing them to maintain communications with coworkers and clients. Gone are the days of having large, expensive on-site servers to protect data. The southeast United States is recovering from two major hurricanes, Helene and Milton. There is no doubt that losses in states including Florida, Georgia, South Carolina, North Carolina, and Tennessee will be huge, but recovery

Reach Wisconsin's Legal Community, Grow Your Business

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- Digital advertising through WisBar website, *InsideTrack*, CaseLaw Express, or WisLawNOW
- Sponsorships
- Legal expos
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of digital information will be much faster and much more complete for many individuals and entities because of cloud computing.

Ethical Considerations

In response to lawyers using AI and ChatGPT carelessly, commentators have pointed out the several Rules of Professional Conduct that are implicated when it is used. In a 2023 *Wisconsin Lawyer* article, Aviva Kaiser explained, “Lawyers using ChatGPT must carefully manage nonlawyer assistance [SCR 20:5.3], protect confidentiality [SCR 20:1.6], provide competent representation [SCR 20:1.1], exercise independent professional judgment [SCR 20:2.1], verify the accuracy and authenticity of text and citations generated by the software [SCR 20:4.1, SCR 20:3.3, and SCR 20:8.4(c)], and perform other duties owed to clients and third parties. [SCR 20:8.4(i)].”⁸

In addition, the ABA Standing Committee on Ethics and Professional Responsibility has issued its first formal opinion focusing on the use of generative AI by lawyers.⁹ The opinion is very consistent with Kaiser’s analysis and provides the following guidance:

Model Rule 1.1 – Competence: “To competently use a GAI [generative artificial intelligence] tool in a client representation, lawyers need not become GAI experts. Rather, lawyers must have a reasonable understanding of the capabilities and limitations.... Because GAI tools are subject to mistakes, lawyers’ uncritical reliance on content created by a GAI tool can result in inaccurate legal advice to clients or misleading representations to courts and third parties. Therefore, a lawyer’s reliance on, or submission of, a GAI tool’s output – without an appropriate degree of independent verification or review of its output – could violate the duty to provide competent representation as required by Model Rule 1.1.”¹⁰

Model Rules 1.6, 1.9(c), and 1.18(b) – Confidentiality: “Before lawyers input information relating to the representation of a client into a GAI tool, they must evaluate the risks that the information

will be disclosed to or accessed by others outside the firm. Lawyers must also evaluate the risk that the information will be disclosed to or accessed by others inside the firm who will not adequately protect the information from improper disclosure or use.... Because GAI tools now available differ in their ability to ensure that information relating to the representation is protected from impermissible disclosure and access, this risk analysis will be fact-driven and depend on the client, the matter, the task, and the GAI tool used to perform it.”¹¹

Model Rule 1.4 – Communication: “Of course, lawyers must disclose their GAI practices if asked by a client how they conducted their work, or whether GAI technologies were employed in doing so, or if the client expressly requires disclosure under the terms of the engagement agreement or the client’s outside counsel guidelines. There are also situations where Model Rule 1.4 requires lawyers to discuss their use of GAI tools unprompted by the client. For example, as discussed in the previous section, clients would need to be informed in advance, and to give

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informed consent, if the lawyer proposes to input information relating to the representation into the GAI tool. Lawyers must also consult clients when the use of a GAI tool is relevant to the basis or reasonableness of a lawyer's fee."¹²

Model Rules 3.1, 3.3, and 8.4(c) – Meritorious Claims and Candor: “In judicial proceedings, duties to the tribunal likewise require lawyers, before submitting materials to a court, to review these outputs, including analysis and citations to authority, and to correct errors, including misstatements of law and fact, a failure to include controlling legal authority, and misleading arguments.”

Model Rules 5.1 and 5.3 – Supervisory Responsibilities: “Managerial lawyers must establish clear policies regarding the law firm's permissible use of GAI, and supervisory lawyers must make reasonable efforts to ensure that the firm's lawyers and nonlawyers comply with their professional obligations when using GAI tools. Supervisory obligations also include ensuring that subordinate lawyers and nonlawyers are trained, including in the ethical and practical use of the GAI tools relevant to their work as well as on risks associated with relevant GAI use.”¹³ The opinion also considers lawyers' obligations to vet third-party providers, as discussed in prior ABA opinions.

Model Rule 1.5 – Fees: “[B]efore charging the client for the use of the GAI tools or services, the lawyer must explain the basis for the charge, preferably in writing.... If a lawyer uses a GAI tool to draft a pleading and expends 15 minutes to

input the relevant information into the GAI program, the lawyer may charge for the 15 minutes as well as for the time the lawyer expends to review the resulting draft for accuracy and completeness.”

The lawyer should also consider whether a cost is overhead or an out-of-pocket expense. “For example, when a lawyer uses a GAI tool embedded in or added to the lawyer's word processing software to check grammar in documents the lawyer drafts, the cost of the tool should be considered to be overhead. In contrast, when a lawyer uses a third-party provider's GAI service to review thousands of voluminous contracts for a particular client and the provider charges the lawyer for using the tool on a per-use basis, it would ordinarily be reasonable for the lawyer to bill the client as an expense for the actual out-of-pocket expense incurred for using that tool.”¹⁴

Legal Malpractice – Current and Future Claims

There is limited formal guidance for attorneys to avoid the worst outcomes from use of AI. Currently that guidance comes from professional commentary, a few cases, a handful of ethics opinions, and some local court rules from jurisdictions that have dealt with the errors directly. Aside from the obvious mistakes in which a lawyer uses generative AI to submit briefs with fake quotations and citations, there are very few malpractice claims that involve the use of AI. When a collection of claims attorneys from 19 NABRICO insurance companies were asked how

many and what types of claims have been experienced by those insurers, there was only one response, and the “fake citation” fact pattern was very similar. Nonetheless, the speed at which legal tech is moving and its unavoidable effects on the practice of law have many in the legal and insurance industry nervous.

The legal elements of a legal malpractice claim require a claimant to establish a duty owed by the lawyer to the client, a breach of that duty, and that the breach caused or was the proximate cause of damages to the client. While the discussion thus far has centered on the risks, pitfalls, and ill-advised use of generative AI, it is worth noting that the title of the NABRICO program, “No slowing down and no going back,” is appropriate. Because of client demand, efficiency, and inevitability, the duty of care owed by lawyers to clients is likely to require that lawyers use generative AI, rather than steering clear of it or burying their heads in the sand and avoiding it altogether.

Conclusion

The future of AI in the legal industry is not a question of “if” but “how” it will reshape the profession. As legal tech tools like generative AI, data analytics, smart contracts, and cloud computing continue to evolve, they are becoming indispensable for improving efficiency, client service, and decision-making. Lawyers must adapt to this shift, responsibly integrating these technologies while maintaining ethical standards, to remain competitive in an increasingly digital and data-driven world. **WL**

ENDNOTES

¹Carolyn Elefant, *The Blackberry: A Short Leash or Liberation?*, My Shingle (Dec. 28, 2005), <https://myshingle.com/2005/12/articles/operations/the-blackberry-a-short-leash-or-liberation/>.

²<https://www.spellbook.legal/>.

³<https://www.lexisnexis.com/en-us/products/lexis-plus-ai.page>.

⁴<https://www.thomsonreuters.com/en/artificial-intelligence.html>.

⁵IBM, *What Are Smart Contracts on Blockchain?*, <https://www.ibm.com/topics/smart-contracts> (last visited Oct. 13, 2024).

⁶*Id.*

⁷Michael D.J. Eisenberg, *ABA 2023 Cloud Computing Tech Report, The Status and Future of Cloud Computing for Attorneys: Harnessing Artificial Intelligence in Practice Management and Legal Research* (Jan. 29, 2024), https://www.americanbar.org/groups/law_practice/resources/tech-report/2023/2023-cloud-computing-techreport/.

⁸Aviva Kaiser, *Ethical Obligations When Using ChatGPT*, 96 Wis. Law. 41 (Feb. 2023), <https://www.wisbar.org/NewsPublications/WisconsinLawyer/Pages/Article.aspx?Volume=96&Issue=2&ArticleID=29597#1>.

⁹ABA Standing Comm. on Ethics & Pro. Resp., Formal Op. 512 (July 29, 2024), https://www.americanbar.org/content/dam/aba/administrative/professional_responsibility/ethics-opinions/aba-formal-opinion-512.pdf.

¹⁰*Id.*

¹¹*Id.*

¹²*Id.*

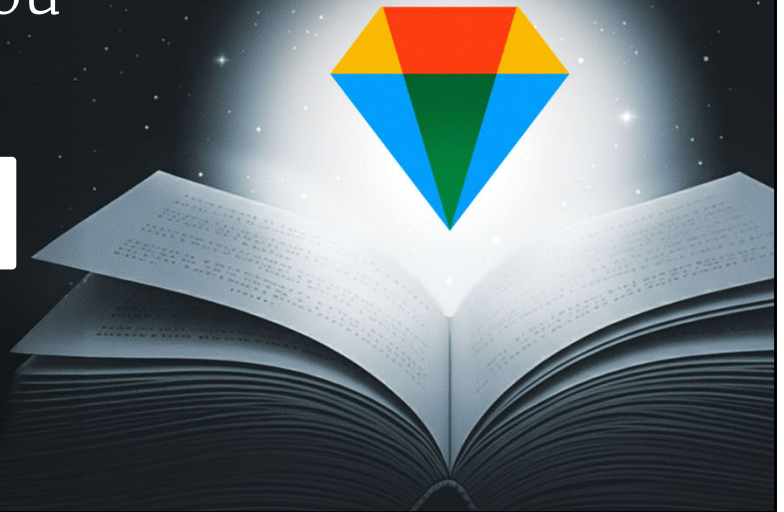
¹³*Id.*

¹⁴*Id.* **WL**

AI-Powered Contract Review: The Latest Developments You Should Know



September 2025



1

How to become a force multiplier



2



We were the very first commercial
generative AI copilot for drafting

3

There are now

3,600+

law firms and in-house teams using Spellbook



Fender

Securitas

HERZOG
HERZOG FOX & NEEMAN

IBDO

Nestlé

crocs

Little

4



The most comprehensive AI copilot for transactional lawyers



Review

Redline contracts and
catch risks.



Draft

Draft from scratch or
saved libraries.



Ask

Quick answers to
complex questions.



Benchmarks

Compare contracts to
industry standards.



Associate

Multi-step document
workflows.

5

Section 1 – AI & SMB Law Firms

6

The Reality for Small & Solo Law Firm

- Clients often expect the same speed and sophistication as large firms, but without the same budgets or staffing levels.
- Lawyers in small firms and solo practices often spend a disproportionate share of their day on lower-leverage, repetitive contract review.
- Efficiency gains are not incremental—they are existential in the future of law. The ability to deliver faster and cheaper while maintaining quality will define growth and relevance for future legal professionals.



AI-Powered Contract Review

7

What advantages does AI provide Small Firms & Solo Practitioners

- 1. Speed
 - Traditional contract review is slow: manual clause-by-clause comparisons across templates, prior deals, and statutes. Associates often spend days on tasks that delay client delivery.
 - AI reduces review to minutes, eliminating bottlenecks in high-volume work.
- 2. Accuracy
 - AI acts as a first-pass reviewer—spotting risks, suggesting edits, and benchmarking against standards. Lawyers are freed to focus on strategy, client counseling, and higher-value work.
- 3. Control
 - AI accelerates throughput but does not replace judgment.
 - Final decisions, accountability, and malpractice risk remain firmly with the attorney.



AI-Powered Contract Review

8

Capabilities Powering Next-Gen Legal Workflows

Research Copilots

AI research assistants now provide direct answers to legal questions, grounded in linked authority, reducing the need for time-consuming searches across multiple sources.

Contract Copilots

Contract copilots bring drafting and review directly into the lawyer's workspace, applying playbooks, generating redlines, and benchmarking terms against prevailing standards.

AI Agents

Agents extend these capabilities further by autonomously achieve complex goals in dynamic environments with minimal supervision by adapting, problem-solving, and executing multi-step tasks independently.



AI-Powered Contract Review

9

AI in the Legal Industry

- **AI in Law Today**
 - Firms and courts now rely on AI for drafting, review, and research dramatically accelerating speed of operations.
 - Adopters report faster turnaround and improved consistency across matters.
- **Good Prompting = Good Lawyering**
 - Structured instructions yield concise briefs and accurate memos, while vague prompts risk unreliable outputs.
 - Lawyers should treat prompt engineering and AI as a necessary professional capability.
- **Legal Writing Parallel**
 - Just as IRAC structures arguments for professors and judges, prompt engineering structures arguments for AI.
 - The discipline mirrors traditional advocacy frameworks students already know.



AI-Powered Contract Review

10



AI accelerates contract review, but the lawyer remains in charge. Efficiency changes, but your professional duties do not.

Critical

Indemnification Clause

This indemnification clause seems broad and could potential expose Acme Motors to significant liability. We should consider negotiating this provision to limit its scope or include a cap on potential liability.

Add Comment

Critical

Security Breach Exception

Clarifying that Acme Motors Inc.'s responsibility for security breaches applies only if Company's negligence or willful misconduct did not contribute ensures that

Spellbook Deleted: to ena

Spellbook Deleted:)

Spellbook Deleted: other

22 Suggestions

11



Section 2 – Risks and Responsibilities

12

Duties & Obligations

- **Competence (Rule 1.1):** Lawyers must understand the risks and benefits of technology.
 - *ABA Formal Opinion 512 (2024): Verify all AI outputs before use.*
- **Confidentiality (Rule 1.6):** Client data must be protected; avoid unsecured systems.
 - *Texas Opinion 705 (2024): Uploading sensitive data to public AI tools risks privilege.*
- **Candor (Rule 3.3):** Never submit fabricated citations or unverified AI output.
 - *NYC Bar Guidance (2025): Disclosure and client consent may be required.*
- **Supervision (Rule 5.3):** AI is like a non lawyer assistant — it must be supervised.
- **Reasonable Fees (Rule 1.5):** AI-accelerated work cannot be billed as if it were manual.
 - *Florida Bar Opinion 24-1 (2024): Billing must reflect AI time savings.*



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Risks and Challenges

Ethical and Regulatory Concerns

- **Attorney-Client Privilege & Data Privacy:** Integrating cloud-based AI systems may raise questions about confidentiality and risk of data breaches.
- **Bias in Training Data:** If the data used to train AI agents contain historical biases (e.g., selective enforcement patterns), the system's outputs may perpetuate discrimination.

Liability and Accountability

- **Professional Responsibility:** Lawyers must ensure they do not blindly rely on AI suggestions. Ultimately, ethical and legal accountability rests with the attorney.
- **Unauthorized Practice of Law (UPL):** AI that generate legal content or advice without supervision may cross into UPL.
- **Missouri Revised Statutes § 484.020 —** Prohibits anyone from engaging in the practice of law or doing law business unless duly licensed.



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Hallucinations

Risk

- LLMs can generate text that looks authoritative but is factually false.
- *Mata v. Avianca*, lawyers were sanctioned after submitting briefs with fabricated citations produced by ChatGPT — a landmark example of how hallucinations create malpractice exposure.
- Hallucinations can misstate contractual obligations, insert non-existent clauses, or invent precedent, creating downstream liability if unchecked.

Mitigations

- **Ground outputs in trusted sources** — tie every suggestion to verifiable authority.
- **Require mandatory lawyer verification** — no AI generated content enters client work without human sign-off.
- **Use professional-grade legal tools with safeguards** — avoid generic public systems where data retention, privilege, and hallucination risks are higher.
- **Adopt stop-ship triggers** — block AI generated citation or clause which cannot be grounded in an authoritative source from client deliverables.



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Governance: Duties vs. Policy Thresholds

What the firm enforces (internal policy thresholds — not mandated by ABA/state)

- **Recall (must-flag risks):** target $\geq 95-98\%$
- **Precision (noise control):** target 80–90%
- **Citation coverage:** 100% source traceability for any factual/authority claim
- **Zero fabricated citations:** strict-liability stop-ship

Why these thresholds are defensible

- **TAR/eDiscovery validation:** industry uses recall/precision with statistical sampling to validate effectiveness; no single mandated metric.
- **Risk frameworks:** NIST AI RMF directs organizations to measure/test AI and manage risk with documented metrics; ISO/IEC 23894 instructs integrating quantitative risk controls into governance.



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Section 3 – Best Practices

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Best Practices for Safe AI Contract Review Adoption

1. **Pilot on Your Own Contracts** – Test NDAs, MSAs, and templates before scaling; benchmark AI against your playbooks with measurable KPIs.
2. **Action Constraints & Human Approval** – Require lawyer sign-off at defined gates; prohibit delegation of legal advice, negotiations, certifications, or final approvals.
3. **Transparency & Auditability** – Retain logs of prompts, model versions, citations, redline diffs, and human edits for at least one year; make reasoning traceable for accountability.
4. **Validation Protocols** – Use TAR-style sampling and holdout contract sets.
5. **Control & Oversight** – Maintain the ability to reject, revise, or roll back AI outputs with full version history showing attorney edits as final authority.



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Evaluating AI Contract Review Vendors

Reliability

- Accuracy rates in clause detection & redlining.
- Benchmark performance against standards.
- Transparent metrics
- Demonstrated success across multiple contract types.

Compliance & Security

- **Zero data retention** and **SOC 2 Type II** certification.
- Adherence to privacy laws (GDPR, CCPA).
- Maintains attorney-client privilege in workflows.
- Clear audit trails to ensure accountability.

Integration & Usability

- Direct integration.
- Customizable Libraries.
- Easy ingestion from document storage.
- Strong training, onboarding, and support resources.



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Future Outlook for AI-Powered Contracts

From Copilot to Colleague

• AI will advance from basic “copilot” functions to fully autonomous “colleagues,” handling complex legal tasks and collaborating seamlessly with human attorneys.

No Data Plateau

• Despite concerns about limited training data, AI progress will continue through smarter compute-time approaches and improved data retrieval methods.

Personalization Increases

• AI systems will adapt to each firm’s specific preferences and risk profiles, creating customized drafting and negotiation strategies.

Regulatory & Governance Outlook

• Bar associations are clarifying rules: ABA Formal Opinion (2024) urged ongoing supervision; NYC Bar (2025) stressed disclosure, client consent, and staying informed on developments.



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Future: AI-Enabled Law Firm

- **Knowledge Retention & Precedent Capture** – AI Playbooks and Libraries turn scattered individual drafting habits into institutional knowledge, preserving clause language and negotiation positions.
- **Consistency Across Matters** – Contract standards, fallback positions, and risk tolerances are applied uniformly, reducing exposure to malpractice and creating a consistent client experiences.
- **Client Value Proposition** – Faster and more accurate review becomes a differentiator: firms can pitch AI-enabled review as a competitive advantage in RFPs and client pitches.
- **Talent Development & Retention** – AI exposes junior lawyers to high-quality clauses and negotiation strategies earlier in their careers, shortening the training curve and boosting associate satisfaction.
- **Scalable Workflows & Profitability** – Firms can handle higher volumes of contract work, such as M&A due diligence or vendor agreement portfolios, without proportional staffing increases — driving profitability under both billable and flat-fee models.

AI-driven legal workflows enhance productivity, but human expertise remains crucial for oversight, strategic decision-making, and maintaining ethical integrity.



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Section 4 – AI Leverage: How Small Firms Achieve Big- Firm Power

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Tip#1 Standardize Knowledge Capture and Delivery

- Build clause libraries, playbooks, and drafting standards directly into the AI system, ensuring every lawyer leverages accumulated firm knowledge rather than starting from scratch.
- Each reviewed contract becomes an input to a living institutional dataset—transforming partner intuition and prior deals into scalable, repeatable knowledge assets.
- Over time, firms evolve from ad-hoc, individual-driven drafting to institutionalized, firmwide quality control, where precedent, best practice, and client preferences are automatically embedded into each review.
- This standardization not only increases speed but also reduces variance in quality, a critical differentiator for small firms competing with larger practices.



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Tip#2 Redesign Workflows Around Human & AI Differentiation

- Reframe AI from “optional experiment” to a core step in every matter workflow, functioning as the first-pass drafter and reviewer.
- Task Differentiation
 - AI accelerates analysis, benchmarking, and redlining.
 - Lawyers validate, contextualize, and provide judgment—ensuring ethical compliance and client trust.
- Properly structured workflows shift junior lawyers from repetitive clause-checking to higher-value activities like negotiation prep, client counseling, and strategic guidance, enhancing both client satisfaction and talent development.



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Tip#3 Expand Service Scope Without Expanding Headcount

- AI allows small firms to offer services that were previously resource-prohibitive, such as data privacy compliance reviews, startup legal packages, or cross-border commercial agreements.
- By leveraging AI's ability to surface statutes, benchmark clauses, and generate compliant language, SMB and solo practices can confidently move into adjacent practice areas without hiring subject-matter specialists.
- This creates new revenue streams while maintaining cost discipline, allowing firms to grow breadth without adding fixed overhead.
- Over time, firms can reposition themselves from “niche players” into multi-service providers, meeting a wider spectrum of client needs with the same core team.



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Tip#4 Elevate Client Experience

- Clients increasingly value not just the end result but the transparency and responsiveness of the process. AI enables firms to deliver instant risk summaries, visual redlines, and plain-language explanations alongside legal documents.
- These AI-enhanced deliverables help clients understand trade-offs faster, making them feel more engaged and empowered in decision-making.
- The result is a “high-touch, high-tech” client experience: faster answers, clearer communication, and stronger trust in the lawyer’s judgment.
- This differentiated client service is a marketable brand advantage—positioning SMB firms as innovative, modern, and client-first compared to slower, more opaque competitors.



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Section 5 – Technical Workflow & Operations

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Core Features of AI Contract Review

Key features

1. **Redlining:** flags deviations, surfaces risks, & proposes edits.
 - a. Delivers the largest time savings by accelerating review of third-party paper.
2. **Playbooks:** encode firm or client-preferred positions for automatic enforcement.
 - a. Ensures consistency; juniors align with partner standards.
3. **Ask/Explain:** query any clause in plain English and receive clear, contextual answers.
 - a. Speeds review and supports real-time client questions.
4. **Drafting:** generates new clauses or full sections from scratch or libraries.
 - a. Productivity boost (first drafts, repetitive boilerplate, etc.)
5. **Benchmarking:** compares terms against market norms and industry standards.
 - a. Concrete leverage in negotiations and clearer guidance.

Contract Copilot

Together, these features replicate the effect of a managing partner in your pocket — enforcing standards, accelerating review, and giving lawyers leverage impossible under manual workflows.



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Clause-Level Performance Benchmarks

Key Metrics for Contract Review Tools

- **Recall (coverage):** % of must-flag clauses correctly identified.
- **Precision (noise control):** % of AI flags that are correct. High precision reduces reviewer fatigue.
- **Redline Acceptance Rate (usability):** % of AI-suggested edits that lawyers keep.

Source Provenance for These Metrics

- **E-Discovery TAR Practice:** Sedona Conference and *Da Silva Moore v. Publicis Groupe* established recall/precision as the accepted yardsticks for machine-assisted legal review.
 - Often targeting recall in the 90–95%+ range to satisfy courts.
- **LegalBench (Stanford HAI, 2023):** Contract clause classification tasks use recall and precision as standard evaluation metrics, confirming their applicability to contract AI.
- **Enterprise Pilot Audits (2023–2025):** Large firms and corporate legal departments set internal gates (recall $\geq 95\%$, precision $\geq 85\%$) before deploying contract AI in production, adapted from TAR and financial model-validation practices.



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Operational Workflow: Enforceable & Auditable

1. **Intake & Scoping** — classify matter risk, data handling, select playbook.
 - a. Record scope decision in file for defensibility and malpractice protection.
2. **Grounding & Benchmark Setup** — load templates, prior deals, industry standards.
 - a. Document which benchmarks are toggled on/off and rationale for selection.
3. **First-Pass Review (AI)** — run redline and benchmarking passes with explanations.
 - a. Preserve outputs with clause-level highlights and source links in the matter log.
4. **Human Review & Controls** — attorney validates edits, applies approval gates.
 - a. Activate stop-ship triggers if recall/precision fall below policy thresholds.
5. **Versioning & Audit** — log AI prompts, model/version, document hashes, rollbacks.
 - a. Require attorney sign-off to finalize and preserve accountability chain.
6. **Client Communication & Billing** — provide disclosure if needed, adjust billing.
 - a. Deliver handoff pack showing AI vs. attorney-reviewed work for transparency.
7. **Post-Matter Learning** — update playbooks with accepted/rejected clause language.
 - a. Feed results into KPI dashboards and schedule quarterly governance review.



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Bridging to Advanced: AI Agents in Transactional Practice

From Copilots to Agents

- Copilots = accelerate first-pass review under lawyer supervision
- Agents = execute multi-step workflows with memory, branching, and context retention

Practical Use Cases

- Coordinate edits across multi-document deal packets (NDA + MSA + SOW)
- Simulate counterparty negotiation positions for playbook testing
- Track issues across M&A diligence sets and flag conflicts
- Auto-generate partner/client risk summaries from redlines

Governance Implications

- Escalation rules: define which tasks require mandatory attorney sign-off
- Expanded logging: capture every autonomous step for audit trails
- Supervision duty remains with the lawyer under Rule 5.3



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