

How will leveraging AI change the future of legal services?

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Thanks to the recent development of large natural language processing models, such as ChatGPT, AI tools are currently being applied to a host of legal tasks such as research, e-discovery, due diligence, litigation prediction analytics, contract review/drafting, and other document generation and management. This has many legal professionals rightfully wondering: What will the role of the average lawyer look like five years from now? In 10 years? 15?

While an existential scenario where AI replaces attorneys entirely seems unlikely for the foreseeable future, it is quite feasible that much of the rote and generic legal work of tomorrow will primarily be handled by AI. A 2023 study by Goldman Sachs estimated the share of different industries' employment exposed to replacement by AI automation in the United States. The legal profession had the second highest exposure, with an estimated 44% of tasks susceptible to automation. ["The Potentially Large Effects of Artificial Intelligence on Economic Growth." Briggs/Kodnani. March 26, 2023.]

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That is not to say that humans won't still be critical to the legal industry — they will be — but their roles, skill sets, and specializations will need to change to complement the technology, not compete with it. This viewpoint is partly enshrined in Rule 1.1 of the American Bar Association's Model Rules of Professional Conduct, which lays out a duty of competence for attorneys: "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..." For lawyers using artificial intelligence, this competency extends not only to understanding how AI works, but also to making sure AI tools produce accurate results.

A case in point is the now infamous sanctioning of two lawyers who used ChatGPT to generate a legal brief, only to realize after-the-fact that ChatGPT had cited six fake court cases — an AI-phenomenon

known as "hallucinations." In addition to hallucinations, AI models are also subject to issues of bias and discrimination, incomplete or faulty data, lack of replicability, and lack of transparency.

Another major ethical concern regarding AI in the legal space is that of client confidentiality and data privacy. AI has evolved into what it is today because of its ability to access and learn from massive quantities of information. This naturally should bring up questions surrounding what data an AI tool is able to access/store and how that data is going to be protected. This is especially salient if the data is stored by a third-party AI platform not controlled by counsel and potentially accessible to others.

With these liability issues looming, AI will still require a lot of human oversight and interaction to be effective. But if AI is truly able to replace 44% of legal work, then it's worth revisiting the value that human lawyers will be adding to the equation and how the legal industry will have to adapt.

Professional development

Much of the work that AI is on track to replace is currently performed by associates, paralegals, and other legal staff. In many ways, this will allow young lawyers the opportunity to bypass much of the typical drudgery tasks in favor of more substantial and sophisticated work at an earlier stage.

However, there is a downside challenge for firms and associates — not only will firms no longer need as many associates as they currently employ, but firms will also have to alter their training programs to provide young associates with skills and experiences that AI is replacing. There will be a gap to cover in terms of "learning the basics" in order to perform the higher level role of providing advice and counsel.

Future leaders and firms will need to be skilled in determining how and when to use AI tools; how to craft AI prompts that will yield optimal outputs; how to evaluate the accuracy and quality of AI results; how to identify inherent biases; and how to leverage judgment and expertise to apply the solutions of AI to real life situations and actually advise the client.

Billing and compensation

One of the exciting prospects of AI is that it can free up lawyers from labor and time-intensive tasks so that they can redirect their

focus to more sophisticated and higher value work. However, in an industry that predominantly operates on the billable hour, reducing the amount of time needed for certain tasks can have some obvious drawbacks. Additionally, as mentioned above, future law firms are likely to have smaller teams of associates, whose billable hours have traditionally been leveraged by BigLaw firms to propel profits up the compensation ladder to senior partners.

The AI revolution is therefore poised to radically affect the billing structure of the legal industry and render the billable hour all but obsolete. Value-based billing — paying for work completed rather than paying for time spent — will make more sense for both lawyers and clients alike.

Clients will no longer want to pay an hourly rate for a lawyer to do work that an AI tool can do in a fraction of the time. In fact, clients may not want to pay law firms for this at all if an alternative legal service provider (ALSP) is providing the same service at a reduced cost. Likewise, attorneys will want to be compensated based on the value of their expertise and judgment, things that an AI model cannot easily provide.

Law firm business model

Law firms are likely to see their pyramid-like hierarchies flatten out with the dissolution of the billable hour. They can also expect to face much heavier competition from AI-driven tech companies effectively operating as ALSPs. Law firms themselves may become more like tech companies and develop their own AI tools to package and offer as AlaaS — “Artificial Intelligence as a Service.” Like so many aspects of AI, this will present both enormous opportunity and enormous challenges within the legal industry. Firms that take advantage of these powerful tools will drive efficiency and accuracy, while dramatically expanding their business offerings.

By the same token, if the law firm of the future resembles more of a tech company than what we currently understand to be a

“traditional law firm,” then the business model and the value proposition of the legal industry must change as well.

Firms will have to position themselves as providers who can both leverage AI tools to their advantage as well as offer the distinctly human capabilities that AI cannot replicate and which will be the crux of human lawyers’ value going forward: the ability to build client relationships, advocate, empathize, understand a client’s particular needs, provide discretionary judgment, and, ultimately, the ability to weigh all of the factors at hand and advise on a path forward for the client.

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The legal industry will have to contend with how it is going to fit into this new AI paradigm and will need to place equal focus on both technological development as well as the quality of its higher level human-to-human interactions. Firms will be forced to assess how their traditional business models, compensation structures, and organizational dynamics run counterintuitive to the integration of AI and must decide whether to adapt or be left behind.

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