Amplify 2026

November 2-5 Scottsdale, AZ

Managing law firms in the age of AI: Policies, guidelines & accountability

November 4

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Responsible AI in legal operations

Connecting innovation with professional responsibility



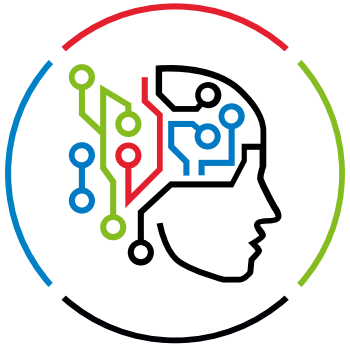
Confidentiality

Rules of professional conduct

Compliance



Accountability



AI

Responsible use

Transparency



Value

Legal departments



Law firm partners

Innovation • Governance • Partnership

Takeaways

1. How your peers are navigating law firm AI usage
2. Where AI usage can best improve the delivery of legal services
3. Best practices for AI usage guidelines to set expectations for your firms



Agenda

AI usage: Best practices for clients and law firms

- Standards, transparency, and appropriate use of AI tools in legal service delivery

Real-world AI adoption

- Risks, quality concerns, current case law, and the practical implications for attorney direction, confidentiality, verification, and candor

Impact of AI on your legal spend management program

- How different industries and clients are managing this new technology and the questions they have

AI use guideline recommendations

Q&A



AI usage:

Best practices for clients and law firms

Best practices for ethical and transparent AI usage

Recommended principles for responsible AI use, from ethical conduct to informed client consent.

Responsible, ethical use

- Use AI responsibly, ethically, and consistent with the client's artificial intelligence standards
- Bill AI-assisted work accurately and appropriately

Rules of Professional Conduct

- Comply with the Model Rules of Professional Conduct as adopted by the relevant jurisdiction(s)

AI-specific ethics guidance

- Follow ABA guidance, including ABA Formal Opinion 512
- Follow state bar associations and legal ethics boards

Applicable laws

- Ensure all AI use complies with every applicable law and regulation

Disclosure and informed consent

- Disclose AI use or obtain consent when law or ethics require it
- Get informed consent before entering client information into AI (ABA Formal Opinion 512)
- Consult clients on how objectives are met (Model Rules 1.4(a)(2), 1.4(b))

Takeaway: AI does not create an exception to professional duties; it changes the context in which those duties apply.

Protecting client data and confidentiality

Data protection is central to responsible AI use: Client privacy, security, and confidentiality remain paramount.

Outside counsel

When using AI tools, outside counsel should:

- Comply with all data privacy and security laws
- Keep all information relating to the representation of a client confidential
- Avoid sharing any client data with third parties
- Avoid inputting, uploading, or providing client data to any AI vendor tool that would use it to train the vendor's data set
- Securely store and transfer any AI-generated content that contains client data

Firm protocols

Safeguards firms should put in place

- **Confidentiality protocols:** Internal rules on which AI tools may handle client data and how
- **Secure tools:** Use a proprietary tool or enterprise license to guard against sharing client data with third parties

Takeaway: Efficiency never outweighs confidentiality, privilege, or client data protection. Safeguards should be built into how the firm operates.

AI errors, bias, and supervision

AI can hallucinate and produce biased results; all AI output should be reviewed and verified.

The risk

Consequences of unchecked AI

- Liability to clients for inaccurate or biased AI content
- Court sanctions for inaccurate filings
- AI exclusions are being introduced into insurance policies

Human oversight

Verify everything AI produces

- Confirm the accuracy, reliability, and quality of all AI work product
- Verify every cited case exists, is good law, and supports the proposition; verify all quotations
- Extend verification requirements to experts hired by the firm
- Keep guidelines consistent with duties of competence and diligence

Supervision

Firms should supervise AI use

- Create AI use policies and procedures
- Train firm staff
- Stay current on AI technology and legal issues
- Consult IT experts on relying on and prompting AI tools

"GAI tools are only as good as their data and related infrastructure." — **ABA Formal Opinion 512**



Real-world AI adoption

How are firms using AI best

- Summaries and outlines: Deposition transcripts, records, contracts, pleadings, interrogatory responses, and other documents
- Timelines and chronologies
- Basic or form documents: Notice/entry of appearance, notice of deposition, pro hac vice applications
- Research: Legal questions and developments; **All citations, analysis and conclusions must be validated.**
- Risk analysis: Risk matrices for deals, disputes, labor actions, etc.
- Knowledge management: Playbooks, templates, and matter post-mortems
- Workflow aids: Project plans, diligence trackers, and budgeting

Pain points developing in these early days

- Clients are using AI tools to generate theories of their case and demanding that their attorneys' explain why these theories or strategies have not been employed.

- AI tools are not experienced attorneys. Attorneys use judgment, and ALL relevant facts, to make strategic recommendations and arguments.

- The ease of AI tools generating briefs is leading to inaccurate briefs filed in court. Attorneys have been admonished and sanctioned by the judiciary.

- A memorandum or brief filed in the court must be **100% accurate, 100% of the time.** There isn't an acceptable amount of AI inaccuracy that will be tolerated by the courts.

- An attorney's exercise of professional judgment remains their responsibility at all times and cannot be delegated to generative AI.

Current case law on AI use: Attorney-client privilege and work product doctrine



United States v. Heppner

No. 1:24-cr-503 (S.D.N.Y. Feb. 17, 2026)



Warner v. Gilbarco

No. 2:24-cv-12333 (E.D. Mich. Feb. 10, 2026)

Current cases on AI use and supervision



Bioplanet Int'l LLC v. Johansson

792 F.Supp.3d 1341 (S.D. Fla. 2025)



Johnson v. Dunn

(792 F.Supp.3d 1241 (N.D. Ala. 2025)

Current case law on AI use: Non-delegable ethical duty to ensure accuracy

Robert Fletcher v. Experian Information Solutions, Incorporated et al. (Feb. 18, 2026)

United States Court of Appeals for the Fifth Circuit (No. 25-020086)

Malkeet Lnu, et al. v. Todd Blanche, Acting Attorney General No. 24-4790 (June 3, 2026)

United States Court of Appeals for the Ninth Circuit Sanctions Order (No. 24-4790)



Impact of AI on your legal spend management program discussion

Panelist discussion

- When did your organization first recognize outside counsel AI usage as an issue for your organization?
- What concerns you most about outside counsel's use of AI?
  - Confidentiality
  - Transparency
  - Quality
  - Cost
  - Something else
- What does responsible AI use look like in your legal department, and have you incorporated your expectations within your guidelines?
- What is working?
- What isn't working?
- Are you seeing AI usage impact on your legal spend costs?
- Are you identifying and distinguishing responsible efficiency from inappropriate billing?
- How are your firms communicating AI usage to you in their legal invoices?



AI use:

Billing guideline recommendations

Current American Bar Association opinion: Generative AI tool usage



Formal Opinion 512

July 29, 2024

Attorney obligations (Rules of Professional Conduct):

- Competence (Rule 1.1)
- Confidentiality (Rule 1.6)
- Communicate (Rule 1.4)
- Supervision (Rules 5.1 & 5.3)
- Candor (Rules 3.1, 3.3 & 8.4)
- Fees (Rule 1.5)

Pay for the work. Not the tool.

AI usage + Time spent = Reduced billable hours



- Attorney reviewing, analyzing, editing, and verifying
- Legal judgment, supervision, and quality control
- Actual time expended to ensure accuracy of AI assisted work

Discussion question: What areas are you seeing AI usage change the expected billed hours?

Recommended best practice: Use of AI tools does not create a new billable category, but they can assist in delivering legal services.

Expenses outside counsel may not bill



AI tool cost



Initial setup and training



Efficiency gains

Discussion question: What exception would you approve and why?

Recommended best practice: Adoption costs stay with the firm

Activities outside counsel may perform with AI tools that are non-billable

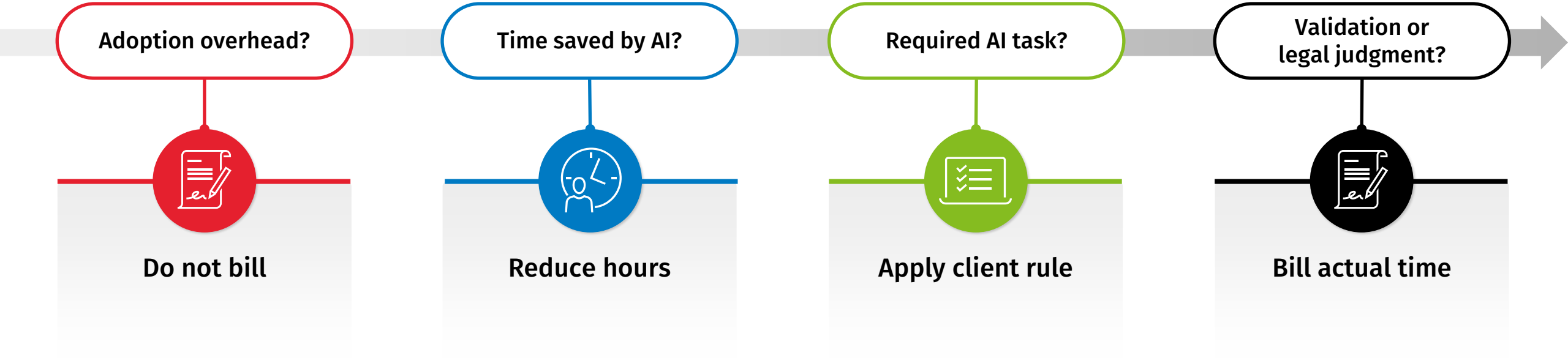
Outside counsel may use AI tools for these activities and should treat them as non-billable.



- Summaries and outlines
- Timelines and chronologies
- Basic or form documents
- Research
- Risk analysis
- Knowledge management
- Workflow aids

Discussion question: Are there any additions or subtractions you would make to this list and why?

A simple invoice decision path – classify the charge



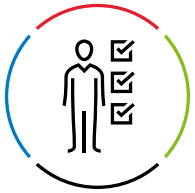
Discussion question: What invoice detail makes enforcement easier?

Billable fees and expenses summary



Ethical use of AI tools in legal service delivery

Time spent using an AI tool to provide legal services for a [CLIENT] matter, including entering information into an AI tool.



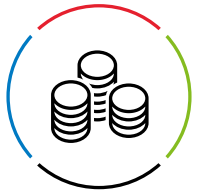
Human validation and quality control

Time spent by professionals to validate, review, edit, and verify AI-generated work product ensuring legal sufficiency is billable.



Expertise and professional judgment

Strategic, legal, and factual judgments, analysis, advice, advocacy, and other work requiring legal expertise remain fully billable.



Out-of-pocket expenses

Reasonable and necessary out-of-pocket expenses remain billable (e.g., filing fees, court reporter fees, business travel and related expenses, expert fees).

AI enhances efficiency. Professional judgment delivers value.

Appendix



Current case law on AI use: Attorney-client privilege and work product doctrine

United States v. Heppner

No. 1:24-cr-503 (S.D.N.Y. Feb. 17, 2026)

Background: After a grand jury subpoena, Heppner used Claude on his own—not at counsel's direction—entering information learned from his attorneys to generate defense-strategy reports, which he then shared with counsel. He was later indicted on fraud and false-statement charges; an FBI search seized devices holding ~31 records of his conversations with Claude. He claimed the AI documents were protected by attorney-client privilege and work product.

Holding: Communications with a generative AI tool (Claude) are not protected by attorney-client privilege or the work product doctrine.

> *"An AI platform simply isn't an attorney... a client's communications with it aren't attorney-client communications."*

Takeaway: Public generative AI use can waive privilege and defeat work product where confidentiality and attorney direction are absent.

Warner v. Gilbarco

No. 2:24-cv-12333 (E.D. Mich. Feb. 10, 2026)

Background: A pro se civil litigant used ChatGPT to prepare for litigation. Defendants moved to compel discovery of her AI use. The court denied the motion, finding her AI-assisted work was protected work product prepared in anticipation of litigation, and rejected the idea that using a generative AI tool, by itself, is disclosure to a third party that waives protection.

Principle: Courts apply traditional privilege and work product rules to AI use rather than creating new doctrine.

Takeaway: Outcomes turn on the facts, particularly attorney involvement and confidentiality controls.

Comparison: Both courts applied the same traditional privilege and work-product rules, so the opposite outcomes turned on the facts—attorney direction and confidentiality. Heppner's self-directed, public use of Claude forfeited protection, while Warner's AI-assisted prep in anticipation of litigation kept it.

Main takeaway: Generative-AI work is shielded only when it is attorney-directed and kept confidential—pair the right tool with each task and keep privileged material inside secure channels.

Current cases on AI use and supervision (to name a few; there are hundreds)

Bioplanet Int'l LLC v. Johansson

792 F.Supp.3d 1341 (S.D. Fla. 2025)

Background: A Florida litigator filed multiple complaints, and subsequent briefs and memoranda which cited caselaw forming the legal basis for the claims which were the result of AI hallucinations. Quotes in the cases cited were made up, as well as entire cases cited were not real. The Court advised:

> *"AI is not yet a match for an actual litigator. Employing the euphemism-du-jour, AI regularly "hallucinates" entire cases and "hallucinates" quotations from real cases.*

Holding: Multiple cases filed by the litigator were dismissed and the litigator sanctioned to pay attorneys fees incurred by opposing counsel in rooting out and responding to the filings.

Takeaway: Attorneys remain fully responsible for outputs generated used AI, including legal content used in work product.

Johnson v. Dunn

(792 F.Supp.3d 1241 (N.D. Ala. 2025)

Background: A large prominent Firm was representing a party in significant prison related litigation. The Firm submitted briefs in a discovery dispute that contained every type of error AI could make for caselaw. The Firm admitted that a partner had used ChatGPT to generate case citations and failed to verify them. The Firm had AI use policies that required independent verification for generative AI tools as well as mandated training.

Holding: The Judge sanctioned three of the Firms attorneys: The AI partner user, and the filing and supervising partners. They received public reprimand, disqualification from the case, and referral to the Alabama State Bar. They were also required to provide copies of the sanctions order to their clients, opposing counsel, every attorney in their firm, and presiding judges in all pending cases where they serve as counsel.

Takeaway: As made clear by the Court: *AI-related sanctions do not depend on who typed the prompt. They extend to every attorney who signs, supervises, or approves work product without fulfilling their independent duty to verify its accuracy.*

AI Errors Pose Significant Litigation Risk: The case *Mata v. Avianca*, Inc., 678 F.Supp.3d 443 (S.D. N.Y. 2023) made national headlines after attorneys were sanctioned for citing fabricating seven nonexistent cases. Even after the splash of *Mata v. Avianca*, law firms large and small have filed briefs citing fabricated caselaw generated by AI.

Main takeaway: Attorneys are responsible for AI output. Attorneys have a duty to the court to present accurate facts and caselaw. Failure to do so leads to sanctions and may lead to professional liability risks and poor case outcomes.

Robert Fletcher v. Experian Information Solutions, Incorporated et al. (Feb. 18, 2026)

United States Cour of Appeals for the Fifth Circuit (No. 25-020086)

Background: Attorney filed a reply brief on appeal containing numerous inaccurate citations, quotations, and statements of fact. The attorney used generative AI to draft a substantial portion – if not the entirety-of her reply brief. The court issued a show-cause order enumerating 16 instances of fabricated quotations and 5 additional serious misrepresentations of law or fact.

Holding: Attorney was sanctioned $2,500 after determining she failed:

- To verify the accuracy of the AI content in her reply brief
- To be candid and forthcoming with the court in her response to the show-cause order.

Takeaway: Attorneys remain fully responsible for outputs generated using AI, including legal content used in work product. Attorneys have an ethical duty to ensure the accuracy and truthfulness of their filings and should accept responsibility and be forthcoming when there are missteps in the use of generative AI.

Malkeet Lnu, et al. v. Todd Blanche, Acting Attorney General No. 24-4790 (June 3, 2026)

United States Cour of Appeals for the Ninth Circuit Sanctions Order (No. 24-4790)

Background: Attorneys represented petitioner in an immigration appeal in the Ninth Circuit. The filed briefs contained citations that did not exist, quoted language that did not appear in the cases cited, and the mischaracterization of legal authority. In essence, an immigration appeal case led to significant attorney disciplinary actions.

Holding: Sanctions and practice suspension imposed against 2 attorneys for filing briefs containing nonexistent cases, misattributed quotations, and misrepresentation of real cases. Additionally, attorneys showed lack of candor in revealing the errors and inaccuracies were the result of generative AI hallucinations.

Takeaway: An attorney's exercise of professional judgment remains their responsibility at all times and cannot be delegated to generative AI. Attorneys retain the duties of competence and diligence to ensure no brief, pleading, motion, or any other paper filed in any court should contain any citations – whether provided by generative AI or any other source – that the attorney responsible for submitting the pleading had not personally read and verified. Attorneys cannot delegate their professional judgment

Main takeaway: Attorneys have a non-delegable ethical duty to ensure the accuracy of all legal filings which includes the verification of quotations, citations and legal authorities before submission to a tribunal when generative AI is used in drafting. Misconduct is not derived from the use of generative AI, but from an attorney's failure to exercise competence, diligence and candor.

Current American Bar Association opinion: Generative AI tool usage

Formal Opinion 512

July 29, 2024

Background: ABA Formal Opinion 512 became the first national ethics framework for attorneys using generative AI. Over 35 other state bar associations have also issued guidance on AI usage in legal practice.

Attorney obligations (Rules of Professional Conduct):

- Maintain **competence** regarding limitation of generative AI tools. (Rule 1.1)
- Preserve client **confidentiality** and protect privilege. (Rule 1.6)
- **Communicate** with client to obtain consent when required before using client information in AI tools. (Rule 1.4)
- Proper **supervision** of attorneys, staff and vendors using AI tools in connection with client matters. (Rules 5.1 & 5.3)
- Ensure **candor** and honesty to prevent fraud, misrepresentation and deceit in legal filings and claims. (Rules 3.1, 3.3 & 8.4)
- An attorney's **fee** includes time and skill required to perform legal services. (Rule 1.5)

Takeaway: ABA Formal Opinion 512 supports charging for an attorney's professional judgment and actual legal services, but not for the cost of AI technology, training, implementation, or the efficiency gains created by using AI. Clients should only be charged for actual legal work performed and not the costs associated with adopting AI technology.

Thank you!



Wolters Kluwer