REPORT BY THE EMERGING COMPANIES & VENTURE CAPITAL COMMITTEE

POLICY PAPER ON THE USE OF AI TOOLS BY LEGAL PROFESSIONALS IN EMERGING COMPANIES AND VENTURE CAPITAL

I. INTRODUCTION

Artificial intelligence (also referred to herein as "AI") is rapidly transforming how legal services are delivered in the United States and globally, from drafting and document review to legal research and workflow management. With AI's increasing presence, the demand for clear, unified ethical, regulatory, and operational guidance is urgent.

Financial institutions, law firms, and corporate legal departments are integrating AI into contract workflows, fundamentally reimagining legal service delivery. The legal AI software market size has grown exponentially in recent years, growing from $2.3 billion in 2024 to $2.79 billion in 2025[1], and is projected to reach $10.82 billion by 2030 at a compound annual growth rate of 28.3%[2], with document review and contract analysis as primary segments.

AI democratizes legal expertise through accessible interfaces, enabling non-lawyers to conduct preliminary reviews and identify standard terms. For lawyers, AI automates routine tasks, allowing focus on higher-value work requiring human judgment. Educational institutions increasingly recognize AI literacy as essential to legal practice. Currently, AI delivers three primary benefits to legal practitioners in the emerging markets and venture capital space: processing documents in minutes rather than hours for enhanced efficiency, reducing legal expenses by 30-70%[3] on standard agreements for significant cost savings, and mitigating risk through advanced pattern recognition that improves risk identification.

Despite its ubiquity, there is currently no uniform, industry-wide regulatory framework governing the use of AI in the legal profession. Instead, regulation is emerging through a decentralized array of sources—namely, the American Bar Association's Model Rules of

---

[1] *Legal AI Software Market Report 2026*, The Bus. Rsch. Co., https://www.thebusinessresearchcompany.com/report/legal-ai-software-global-market-report (All websites last accessed August 12, 2026).

[2] *Legal AI Software Market Report 2025-2030, by Application, Geo, Tech*, MarketsandMarkets (Feb. 2025), https://www.marketsandmarkets.com/Market-Reports/legal-ai-software-market-88725278.html.

[3] *How AI Speeds 'Hugely Time-Consuming' Pricing, Quote Tasks*, CFO Dive (Apr. 15, 2024), https://www.cfodive.com/news/how-ai-speeds-hugely-time-consuming-pricing-quote-tasks/713245/.

About the Association
The mission of the New York City Bar Association, which was founded in 1870 and has over 20,000 members, is to equip and mobilize a diverse legal profession to practice with excellence, promote reform of the law, and uphold the rule of law and access to justice in support of a fair society and the public interest in our community, our nation, and throughout the world.

Professional Conduct ("MRPC"), ethics opinions from state bars, task force reports, judicial orders, and practical guidance from regulatory bodies and courts. This fragmented approach has resulted in varying levels of clarity, flexibility, and enforceability across jurisdictions.

This section includes a summary of the current US regulation governing the use of AI in the emerging technologies and venture capital legal practice area. It aims to help lawyers identify their professional obligations regarding AI, outlining key risks, major regulatory responses, and emerging best practices. It also proposes a flexible strategy for adopting such practices.

As of the date of this policy paper, numerous jurisdictions across the United States have issued official ethics guidance, task force reports, or standing court orders regarding the use of AI in legal practice, as detailed in the Appendix hereto.

Federal courts are also increasingly issuing standing orders concerning AI use in legal filings, underscoring concern over hallucinations, misinformation, and accountability.

II. HOW AI TOOLS CAN BE USEFUL TO LAWYERS BUT COULD IMPOSE RISKS ON NON-LAWYERS

While there is no shortage of emerging startups and applications aimed at harnessing AI, and specifically large language models ("**LLMs**"), specifically focusing on the legal industry[4], business executives would be well-advised to approach these applications with a fair amount of caution.[5] Marketed toward business leaders as a panacea that might replace or at least decrease the need for expensive lawyers in the drafting of legal documents, business leaders should understand when the use of AI tools is appropriate, and when a human review is necessary.[6] This section explores common legal documents needed by startups, such as governing documents, intellectual property and assignments agreements, and commercial agreements. We then delineate a subset of common agreements that we consider to be "high risk" (including financing documents and complex commercial agreements) and may not be suitable for full reliance on AI tools. In determining the types of documents that may be suitable for AI versus those that likely are not, we will analyze key factors that business executives should use to make such a determination, including whether the contemplated agreement is standard, its complexity, and the need for bespoke drafting. From there, we briefly discuss the positive uses for AI with respect to legal document drafting, including template or initial draft generation, clause suggestion, contract review and analysis, data extractions, legal research assistance, and language optimization. Lastly, we turn to an analysis of the risks of using AI for legal document drafting, including a discussion of legal expertise, data quality, ethical implications and accountability.

As noted above, there are myriad legal documents that most startups will inevitably encounter, whether at the initial formation stage or as the company matures. From the perspective

[4] Examples include Clio, Claude, Gemini, Harvey AI, Lexis+ AI among many others.

[5] Note to the reader: AI and LLM technology is constantly changing, and therefore practitioners should always check to confirm what third-party providers offer to ensure that the services offered meet their and their clients' needs.

[6] See, *Hessie Jones, Risk or Revolution: Will AI Replace Lawyers?, Forbes (Mar. 20, 2025),* *https://www.forbes.com/sites/hessiejones/2025/03/20/risk-or-revolution-will-ai-replace-lawyers/*.

of AI and LLMs, there is little doubt that such tools are increasingly capable of drafting all manner of legal documents. In determining which types of legal documents may be appropriate for use of AI, there are a number of factors to consider, which will be further discussed below.

In determining whether a specific document can be initially drafted by AI, or whether an existing draft can be reviewed by AI, there are several key factors to consider, including standardization, complexity, tailoring, familiarity with such document, and level of negotiation complexity[7]:

a. Standardization - concerns the extent to which the document is based on a standard model or form, with only slight variations, (e.g. party names, dates, and numbers). Examples of documents in this category would include stock certificates, EIN registrations, and certain business licenses and permits.

b. Complexity - The level of document complexity will of course be a key factor. The more complexity involved, the less a document will be suitable for initial drafting by AI, and any AI analysis of an existing draft must be viewed with caution; for example, agreements that contain highly contentious legal concepts (e.g. good faith, intent) may not be suitable for AI, given that such concepts can be open to interpretation and require more in-depth legal analysis. Connected to these first two factors is the concept of tailoring.

c. Tailoring - The more bespoke a particular document is to the transaction or situation in question, the less suitable it will be for use of AI; For example, a highly negotiated employment agreement tailored to a key executive, or the primary buy-sell agreement for a particular transaction.

d. Experience/Repeating Document - relates to the level of familiarity an organization has with a particular type of document. In other words, does the company have a deep well of prior agreements upon which AI can generate new, similar agreements? Generally, if a company does not already have a reservoir of existing forms to provide to the LLM, unless the document is standard across the particular industry, the LLM's result may be insufficient.

e. Level of negotiation - the extent to which a document is negotiated will be a key factor; for example, AI may be able to draft the first iteration of a purchase agreement, to form the basis of negotiation, but once the parties begin to negotiate and make corresponding edits to a draft, lawyers will be required.

With respect to documents ultimately deemed suitable for AI drafting or analysis, there are particular use cases best suited for use of AI. In our view, these include, among others, template or initial draft generation, standard or customary clause suggestion, contract review and comparison to standard terms, data extraction, legal research and assistance, and language optimization. There are currently various AI tools that can create initial templates of a legal

[7] *White Paper: Don't Want to Become a "ChatGPT Lawyer"?*, Thomson Reuters (last visited Aug. 11, 2026), https://legal.thomsonreuters.com/en/insights/white-papers/dont-want-to-become-a-chatgpt-lawyer/form.

document by pulling from sample document sets and then tailoring the document based on a prompt for a specific scenario. For example, one might upload a set of non-solicit agreements and then prompt the tool to create a customized version that includes provisions bespoke to the specific situation. By analyzing large datasets of legal documents, AI can also draft relevant clauses to be included in an agreement. AI can also assist legal professionals when conducting due diligence and contract review. AI can extract key information from existing legal documents, such as parties' details, dates, and key terms, and create streamlined summaries or charts. For example, typically, in connection with M&A and financing transactions, law firms often provide diligence reports with respect to target companies that include analyses of change of control provisions/triggers. AI is particularly well suited to quickly scan large sets of contracts to isolate this type of information. In terms of legal research, AI can quickly search through legal databases to identify relevant case precedents and statutes, supporting the research process for drafting legal documents. AI can also be used to help refine the language used in already drafted documents to ensure clarity and avoid ambiguity.

There is no doubt the AI and LLMs present huge opportunities to streamline legal document drafting and analysis. However, as of this writing, all of the above-mentioned uses of AI would ultimately still require an attorney to review and verify the results or draft. For business executives, there remain serious risks to overdependence on AI tools, or relying solely on an LLM without input from an attorney. For starters, while AI can assist in simple contract drafting, lawyers will be required to apply their understanding of the law to ensure accuracy and appropriate use of legal language, for example, using the appropriate legal standards (e.g. using of "best efforts" standard vs. a "reasonable best efforts" standard). Another critical consideration concerns data quality. The quality of AI outputs depends on the quality of the data the AI is trained on or to which it has access (including whether a certain document is standard across the particular industry). Beyond these technical aspects of AI risks, there are also ethical implications to consider. Lawyers are attuned to ethical considerations such as client confidentiality and improper disclosure and will have guardrails in place to protect confidential information. Relatedly (but critically), lawyers are held to high standards of accountability and act as a backstop for their clients should litigation arise. Put simply, a business that drafts its own legal documents would be solely responsible for any damages flowing from those documents.

Illustrative Framework for Evaluating AI Use in Legal Tasks with respect to Emerging Companies and Venture Capital

The discussion above identifies several factors that influence whether AI tools may be appropriately used in legal work, including the level of standardization of the document, the complexity of the legal issues involved, the degree of tailoring required, and the extent to which the document is subject to negotiation. To help translate these considerations into a practical reference point, the table below provides a non-exhaustive list of documents and agreements companies are required to and analyze, with a breakdown into factors that may influence the suitability of AI assistance across common legal documents and workflows. The table provides a

simplified reference point for evaluating when AI tools may support legal work while highlighting circumstances in which closer human supervision and professional judgment are required.[8]

Legal Task / Document	**AI Suitability**	**Primary Risk Driver**	**Level of Legal Judgment Required**	**Typical Role of AI**
Basic formation documents for a C-corporation (including certificate of incorporation, bylaws, EIN application forms)	High	Clerical accuracy, jurisdictional rules	Low; High for shareholders agreements and founders' agreements	Form population, template drafting
Basic formation documents for an LLC (including limited liability agreement)	Low	Tax implications, economic terms	High	Draft starting point and clause suggestions
Board Minutes / Corporate Forms	High	Record accuracy, formatting	Low	Draft generation and formatting
Non- Disclosure Agreements	High	Non-standard clauses, confidentiality scope	Low–Moderate	Clause comparison and template drafting
Employment Offer Letters	Moderate	Compliance with employment law	Moderate; High for complex severance agreements and long-form employment agreements.	Initial draft generation and issue spotting

[8] Note to reader: this table isn't a "one-size-fits all" assessment – it would be appropriate, both professionally and ethically, for lawyers to use AI in a limited way for certain complicated provisions and for complex agreements; for example, while complex merger agreements have some simple provisions like notice and integration clauses, as well as certain simple c-corporation formation documents, can benefit from AI assistance, matters like jurisdictions and conflicts of law, as well as capital structure, would be unsuitable for AI to handle without sufficient human oversight.

Legal Task / Document	AI Suitability	Primary Risk Driver	Level of Legal Judgment Required	Typical Role of AI
Commercial Service Agreements, License Agreements	Moderate	Liability allocation, IP ownership	Moderate	Initial draft generation and issue spotting
SAFEs / Convertible Notes	Moderate	Economic terms, investor rights	Moderate	Term extraction and template comparison
Financing Documents	Low–Moderate	Negotiated provisions and investor protections	High	Summaries and clause analysis
Shareholder Agreements	Low	Governance rights and control provisions	High	Research support and precedent comparison
M&A Agreements	Low	Transaction structure and negotiated risk allocation	Very High	Diligence review and data extraction

This table is intended to be illustrative rather than prescriptive and reinforces a central principle reflected throughout this paper: AI tools may enhance efficiency, but human legal judgment and oversight remain essential.

III. LEVERAGING LLMS IN VENTURE FINANCING - HOW CAN AI TOOLS BE BENEFICIAL FOR LAWYERS AND NON-LAWYERS:

a. What Kind Of Agreements Should Be Reviewed By AI Tools

i. High-Volume, Standardized Agreements - NDAs, MSAs, SOWs, Employment Agreements, Commercial Leases.

- *Non-Disclosure Agreements (NDAs):* Establish confidential relationships between parties. Their standardization makes them ideal for AI review, which can identify non-standard clauses and flag concerning provisions. AI compliance challenges arise when confidential information is used to train AI/ML models.

- *Master Service Agreements (MSAs):* Defines a framework of commercial agreements. AI could flag deviations from templates, identifies risky clauses, and suggests optimizations, particularly for liability, termination, and intellectual property provisions.

- *Statements of Work (SOWs):* Outline project scope, deliverables, and payment terms. AI ensures completeness by flagging missing elements and verifying consistency with MSA terms.

- *Employment Agreements:* Contain common clauses regarding benefits, termination, and dispute resolution. AI checks compliance with evolving employment laws, ensuring uniformity and detecting variations in critical clauses.

- *Commercial Lease Agreements:* Outline rights and responsibilities between landlords and tenants. AI helps organize lease data, analyze patterns, and streamline processing.

ii. Due Diligence Support.

Due diligence documents are exceptionally well-suited for AI analysis due to their predictable structures, standardized terminology, and clearly defined review objectives, which when combined with their high volume that generates abundant training data and well-documented risk patterns, enables organizations to consistently achieve remarkable accuracy rates exceeding 90%[9] for standard provision identification while significantly enhancing both efficiency and reliability in the review process.

iii. Early-Stage Financing Instruments (SAFEs, Convertible Notes, Revenue-Based Financing, Equity Purchase Agreements)

- *Simple Agreements for Future Equity (SAFEs)* are non-equity contracts providing funding for future equity. Most follow standardized templates with limited negotiable terms. AI validates adherence to common terms and detects deviations.

- *Convertible Promissory Notes* are debt securities converting to equity during future financing rounds. AI reviews standard provisions, flags unusual clauses, and ensures compliance.

- *Revenue-Based Financing Agreements* provide capital for a percentage of future revenue. AI automates payment calculations, verifies formula accuracy, and monitors compliance with regulations.

b. Why AI Fits: Standardized Templates, Lower Complexity

Early-stage financing instruments, namely SAFE, convertible notes and simple financing documents, are ideal for AI review due to their structured, template-based nature with limited variables focused on key terms, standardized industry formats, and abundant quantitative elements that enable precise information extraction. Their relatively short length reduces analysis complexity compared to comprehensive agreements, making them well-suited for AI systems to perform standard term extraction from these streamlined documents, though specific accuracy

[9] *The Importance of Accuracy in AI-Powered Legal Technology*, Litera (May 13, 2024), https://www.litera.com/blog/importance-accuracy-ai-powered-legal-technology.

rates for these particular financing instruments have not been publicly documented in available studies.

c. Advanced and Complex Agreements

More complex agreements such as venture capital term sheets, NVCA model documents, M&A agreements, and syndicated loan agreements present greater challenges for AI automation despite following some industry standards, as they often contain highly customized terms and provisions and complex legal constructs and concepts. Complex legal agreements with unique terms or industry-specific language require careful human review.

These advanced agreements may pose a challenge for automation processes in light of structural variations, contextual interpretation requirements (typically, lack of precedents), and interdependent provisions requiring holistic understanding. However, AI makes it far easier to organize and assess documents, automatically doing so upon uploading, with systems that can classify multiple leases, contracts, spreadsheets, and licenses in a single batch[10]. Despite these obstacles, AI delivers value through hybrid legal document review processes that blend human and artificial intelligence to achieve optimal results, enabling organizations to benefit from technological efficiencies while preserving the nuanced judgment that experienced legal professionals provide.

d. Cost-Efficiency and Accuracy of AI Tools

i. Cost Savings Through Automation

Legal services typically account for 5-15%[11] of early-stage operational costs. The implementation of AI in law firms can result in a reduction in document review costs. AI-powered tools use subscription pricing ($50-200/month) versus standard fees of hourly billing ($300-800/hour).[12] AI-assisted review of a standard term sheet might cost $500-1,000 versus $3,000-$5,000 for traditional review. Clients' demand from law firms to utilize AI-tools as part of their services has been increasing in the last couple of years, particularly with the skyrocketing of billable hours of some top US partners.

---

[10] Darko B. Vuković, Senanu Dekpo-Adza & Stefana Matović, *AI Integration in Financial Services: A Systematic Review of Trends and Regulatory Challenges*, 12 Humanities & Soc. Sci. Comm., Apr. 22, 2025, at 1, https://doi.org/10.1057/s41599-025-04850-8.

[11]Howard East, *How Much Does a Startup Spend On A Lawyer* (Mar. 14, 2026), https://howardeast.com/startup-spend-lawyer/.

[12] This price disparity has been sending shockwaves throughout the legal and business communities, with some clients demanding that lawyers increase the utilization of AI tools to reduce legal costs: https://www.wsj.com/business/lawyer-hourly-rate-bill-3400-807cf6ce?gaa_at=eafs&gaa_n=AWEtsqfXMseAv3f4ZxcF9DmdXpn96ggUT8l760J8qQGpRcjX_TZwAcPC1N15&gaa_ts=699698cf&gaa_sig=vcQPt4rZPezI0onRGHC3JTTGwyg-DsWj0qj3MuDHPuc0pdYx1lNY67rLrbfk1rNMwsPyQswfulDsXxT6q3YVAg%3D%3D.

A study also found that AI reviewed five NDAs in just 26 seconds, while lawyers took an average of 92 minutes.[13] Studies indicate that AI can lead to a 12-37% reduction in the time it takes to complete tasks, and a notable increase in productivity, with some results showing up to a 140% improvement.[14] Commercial lease review typically requires approximately 10-15 hours to review, revise and negotiate according to legal professionals, while AI uses machine learning technology to extract relevant data points and produce a lease abstract in minutes while maintaining comparable accuracy.

ii. Enhancing Accuracy and Risk Mitigation

AI systems demonstrate superior accuracy in legal document review and enhances document review precision by identifying critical information that manual processes might miss.[15] For compliance, AI continuously updates with new regulations and case law to maintain current legal standards.

Beyond accuracy improvements, AI document review can rapidly analyze entire document sets, identifying key terms, inconsistencies, and potential red flags within a fraction of the time required for manual review, ensuring consistent handling of sensitive materials and significantly reducing error rates throughout the review process.

e. Current AI Tools

i. Survey of Application Providers

The legal technology landscape currently features several prominent platforms that have established themselves as significant players in the AI-driven legal tools market in the emerging markets and venture capital legal practice area. *Kira Systems* has built a strong reputation particularly in due diligence and mergers and acquisitions transactions, offering specialized capabilities that streamline these complex processes.[16] *Evisort* has focused its development on automating contract management through AI-driven clause extraction, while *Luminance* has advanced the field with its sophisticated machine learning-based contract analysis capabilities. *Ironclad* differentiates itself by concentrating on workflow automation and comprehensive contract lifecycle management solutions that address the entire document journey. *CoCounsel* is a generative AI legal assistant designed to assist attorneys with substantive tasks, including legal research, document review, and drafting, while operating under human oversight. *Clio* is a cloud-based practice management software, widely used for billing, client intake and document

[13] Chao Zhou, *AI Applications in Legal Document Review*, VERTU (June 17, 2025), https://vertu.com/ai-tools/ai-applications-legal-document-review-speed-accuracy-cost.

[14]Clio, *AI Time Tracking for Lawyers: Boosting Efficiency and Profitability*, Am. Bar Ass'n: L. Tech. Today (2025), https://www.americanbar.org/groups/law_practice/resources/law-technology-today/2025/ai-time-tracking-for-lawyers/.

[15] Ritu Kaushal, *The Role of AI in Modern Document Review*, Legal Support World (last updated May 5, 2026), https://www.legalsupportworld.com/blog/ai-in-document-review/.

[16] Recently, Kira expanded its services to also include contract review and analysis.

management. *Harvey AI* is a specialized generative AI platform for the legal industry, designed to help lawyers draft documents, conduct research, and analyze cases.

ii. Cost vs. Accuracy for Repeat Agreements

Traditional review methods are slow and costly, requiring heavy spending on manual labor and outside counsel. Lawyers (or other humans) often wade through thousands of pages, dragging out timelines. New data shows tech can cut costs by 30–40% and review time by up to 60%, with document processing time down 40% and outside counsel fees reduced by a third, underscoring the need for smarter, more efficient solutions.[17]

f. AI in Legal Financing: Are We Ready?

i. Case Study: NVCA Model Documents

The NVCA's Model Legal Documents serve as essential templates for U.S. venture capital deals. Updated as recently as late 2025, these templates reflect the latest changes in Delaware law, market trends, and emerging issues like AI and diversity policies. By using these standardized, data-driven documents, founders and investors can speed up negotiations, reduce legal costs, and gain clearer insights into market terms, all crucial for making confident and informed decisions.

AI tools are further revolutionizing how venture financing deals get done. By quickly comparing draft agreements to NVCA standards and analyzing past deal patterns, AI can suggest fair compromise positions and flag unusual terms. AI-companies report, as backed by founders and investors, that adoption of AI-assisted negotiation shorten deal cycles by 35–40%, enabling faster access to capital.[18] While AI improves efficiency and consistency, it's important to remain aware of risks like overreliance on automated advice and overly uniform contracts, ensuring each deal fits the unique needs of both parties.

ii. Adoption Trends and Barriers

Legal professionals increasingly rely on generative AI to enhance, not replace, using it for drafting, contract analysis, and litigation prediction. The global commercial AI software governance market is set to nearly triple in size by 2030, growing from $1.45 billion in 2024 to $3.90 billion[19].

Despite this momentum, challenges remain. Concerns over algorithmic bias, data privacy, and regulatory ambiguity, especially around unauthorized practice of law and liability for AI errors, pose real risks. Technical integration with existing systems also presents barriers. To

[17] *Supra* note 13

[18] Patrick Upmann, *ROI of AI Governance: Why Responsible AI Pays Off*, LinkedIn Pulse, https://www.linkedin.com/pulse/roi-ai-governance-why-responsible-pays-off-patrick-upmann-ea7vf.

[19] Legal AI Market Size, Share and Trends Report, 2025-2030, Grand View Rsch. (last updated July 2026), https://www.grandviewresearch.com/industry-analysis/legal-ai-market-report.

navigate these issues, organizations are emphasizing ethical AI governance and strong data hygiene as they automate more legal functions.

IV. REGULATION OF THE USE OF AI IN LEGAL PRACTICE

This section is organized into three parts:

- **Part one** discusses the most pressing risks and concerns raised by AI in the legal profession, including malpractice, privacy breaches, misinformation, model bias, and intellectual property issues.

- **Part two** surveys existing ethical and regulatory guidelines, organized by specific duties of professional conduct (e.g., competence, confidentiality, candor, supervision, billing, and communication).

- **Part three** offers insight into future directions, including potential national harmonization, evolving ABA policy, and anticipated regulatory trends.

By synthesizing diverse regulatory sources and ethical considerations, this section provides a practical roadmap for lawyers adapting to AI's growing role.

a. Risks and Concerns Among Legal Professionals

The integration of AI tools into legal practice—particularly generative AI—offers substantial efficiency and analytical benefits, but it also presents serious risks that must be carefully considered by legal professionals. These risks touch on core ethical duties and could expose lawyers to malpractice liability, disciplinary action, or even judicial sanctions. The subsections below explore each of these risk areas in detail, with legal context and real-world implications.

i. Legal Malpractice Claims

Generative AI poses malpractice risks when lawyers rely on its output without proper supervision or verification. A malpractice claim may arise when a lawyer breaches their duty of care, causing client harm. Using AI-generated content that is inaccurate or fabricated—without appropriate review— may satisfy this standard.

One prominent example is *Mata v. Avianca, Inc.*[20], where a federal judge sanctioned a lawyer for submitting a brief that included hallucinated citations from ChatGPT. The court found that the lawyer had "abandoned his responsibility."

[20] Mata v. Avianca, Inc., No. 1:22-cv-01461 (PKC), 2023 WL 4114965 (S.D.N.Y. June 22, 2023).

Further reinforcing this risk, in February 2025, a Wyoming federal court sanctioned Morgan & Morgan lawyers for filing briefs with fictitious citations generated by AI.[21]

In addition to malpractice exposure and judicial sanctions, lawyers may also face professional disciplinary proceedings arising from the improper use of AI tools. Ethical violations may occur where lawyers use AI systems in a manner that compromises client confidentiality, fails to adequately supervise AI-generated work product, violates court orders governing AI use, or otherwise breaches duties imposed by the applicable rules of professional conduct. In certain jurisdictions, disciplinary exposure may arise not only from misuse of AI, but also from the use of AI tools that lack sufficient confidentiality, security, or reliability safeguards.

Bar authorities and ethics committees are increasingly emphasizing that lawyers remain personally responsible for ensuring compliance with duties of competence, confidentiality, candor, supervision, and communication when using AI-assisted technologies. Accordingly, a lawyer's failure to appropriately vet, supervise, or verify AI-generated content may result not only in civil liability, but also in professional discipline, reputational harm, or court-imposed sanctions.

The message is clear: AI is a tool—not an authority. Lawyers must remain fully accountable for all submitted content, regardless of origin.

ii. Data Privacy and Security Risks

Rule 1.6 of the MRPC [22] requires lawyers to protect the confidentiality of client information. This duty is challenged when lawyers use AI platforms that store data, transmit input to third-party servers, or incorporate user prompts into training datasets. Absent a proper understanding of an AI tool's data handling policies, lawyers may inadvertently expose privileged information or breach confidentiality obligations. In this respect, its pertinent to note that the use of third-party AI to draft, analyze, or summarize litigation materials risks exposing mental impressions and strategic legal analysis to external providers, which could risk a waiver of the privilege, given that such materials are no longer protected. In recent case law, particular care has been imposed on litigants to prove the proper scope and type of use on AI technologies.[23]

Most consumer-facing AI tools, such as ChatGPT or Google Gemini, operate in cloud-based environments and often retain user input for model training unless users explicitly opt out. Uploading client information without safeguards or consent may result in ethical violations.

Several states have addressed this. For example:

[21] Bob Ambrogi, Federal Judge Sanctions Morgan & Morgan Attorneys for AI-Generated Fake Cases in Court Filing, LawNext (Feb. 14, 2025), https://www.lawnext.com/2025/02/federal-judge-sanctions-morgan-morgan-attorneys-for-ai-generated-fake-cases-in-court-filing.html.

[22] Model Rules of Prof'l Conduct r. 1.6 (Am. Bar Ass'n 2023).

[23] Presidential Task Force on Artificial Intelligence and Digital Technologies, New York City Bar Association, *The Intersection of Artificial Intelligence, Privacy, and Privilege* (May 2026), https://www.nycbar.org/wp-content/uploads/2026/06/20221638-IntersectionOfAIAndPrivacy-1.pdf.

- Texas Opinion 705[24] cautions lawyers to review AI tools' privacy policies and explicitly warns against exposing confidential client information without sufficient protections.

- Vermont's March 2025 Judiciary Committee Report[25] recommends a thorough review of terms of service and emphasizes the duty to take reasonable efforts to safeguard data.

- The New York City Bar Association Formal Opinion 2024-5[26] similarly warns that lawyers must not input confidential client information into generative AI systems that may share such information with third parties or use it for training purposes without appropriate client consent and adequate security safeguards. The opinion further emphasizes that lawyers should review applicable terms of use, monitor changes to provider policies, and consult IT or cybersecurity professionals where appropriate.

Failure to adequately protect confidential information when using AI tools may constitute an independent ethical violation and could subject attorneys to disciplinary action, particularly where privileged or sensitive client data is disclosed to third-party AI providers without informed consent or appropriate safeguards.

To comply, lawyers must choose AI tools with strong confidentiality protections and ensure no sensitive inputs are retained.

iii. Deepfakes and AI-Generated Misinformation

Generative AI is capable of producing sophisticated media—including faked audio, video, or documents—that may appear authentic. While such capabilities are often associated with misinformation via social media or public discourse, they pose specific dangers in the legal context if fabricated evidence or altered exhibits are introduced into litigation.

Lawyers have a duty to ensure the authenticity of documents and representations under:

- MRPC Rule 3.3 (Candor to the Tribunal),

- MRPC Rule 4.1 (Truthfulness in Statements to Others), and

- MRPC Rule 8.4(c) (conduct involving dishonesty, fraud, deceit, or misrepresentation)[27].

Although no known disciplinary actions have yet arisen specifically from filing deepfakes, the potential is real. Lawyers should independently verify the authenticity of all digital evidence.

[24] Tex. Comm. on Prof'l Ethics, infra note 107.

[25] Vermont Judiciary Committee on Artificial Intelligence and the Courts, infra note 109.

[26] N.Y.C. Bar Ass'n Comm. on Pro. Ethics, Formal Op. 2024-5 (2024), https://www.nycbar.org/member-and-career-services/committees/reports-listing/reports/detail/formal-opinion-2024-5.

[27] Model Rules of Prof'l Conduct rr. 3.3, 4.1, 8.4(c) (Am. Bar Ass'n 2023).

Vigilance is essential—submitting altered content, even unintentionally, can result in serious ethical breaches.

iv. AI Hallucinations and Accuracy Issues

A frequent source of concern in generative AI is "hallucination"—the confident generation of inaccurate or entirely fictitious outputs, including legal citations and reasoning. When lawyers accept and incorporate such outputs into representations made to courts or clients without verification, they risk malpractice.

Rule 3.3[28] of the MRPC and its state analogs require lawyers to ensure that legal arguments presented to a court are supported by valid authority. Courts have responded decisively:

- Judge Brantley Starr (N.D. Tex., May 2023)[29] issued the first standing order on AI use in legal practice (May 30, 2023), requiring lawyers to certify that any AI-generated content has been verified for accuracy.

- Judge Gabriel Fuentes (N.D. Ill.)[30], Judge Stephen Vaden (U.S. Ct. of Int'l Trade)[31], and Judge Michael Baylson (E.D. Pa.)[32] have issued similar orders mandating disclosure or banning AI use outright in filings.

The standard is firm: all AI-generated content must be independently verified against trusted sources.

v. Model Bias

AI models reflect the data on which they are trained, and those datasets may encode historical or systemic bias. This can result in skewed legal analysis, discriminatory client profiling, or the reproduction of harmful stereotypes in legal documents.

Even unintentionally, relying on biased outputs may compromise representations and violate professional rules oriented around equity and fairness. The **California State Bar's**

---

[28] Model Rules of Prof'l Conduct r. 3.3 (Am. Bar Ass'n 2023).

[29] Judge Brantley Starr, Mandatory Certification Regarding Generative Artificial Intelligence [Standing Order], N.D. Tex. (May 30, 2023), https://www.txnd.uscourts.gov/judge/judge-brantley-starr.

[30] Standing Order for Civil Cases Before Magistrate Judge Fuentes, N.D. Ill. (Jan. 9, 2024) (Fuentes, Mag. J.), https://www.ilnd.uscourts.gov/_assets/_documents/_forms/_judges/Fuentes/Standing%20Order%20For%20Civil%20Cases%20Before%20Judge%20Fuentes%20revision%201-9-24.pdf.

[31] Order on Artificial Intelligence, U.S. Ct. of Int'l Trade (June 8, 2023) (Vaden, J.), https://www.cit.uscourts.gov/sites/cit/files/Order%20on%20Artificial%20Intelligence.pdf.

[32] Standing Order Re: Artificial Intelligence ("AI") in Cases Assigned to Judge Baylson, E.D. Pa. (June 6, 2023) (Baylson, J.), https://www.paed.uscourts.gov/sites/paed/files/documents/procedures/Standing%20Order%20Re%20Artificial%20Intelligence%206.6.pdf.

Practical Guidance[33] and **Arizona's AI Best Practices**[34] both highlight the risk of bias and stress the lawyer's role in critically reviewing AI-generated content. This ethical principle is also rooted in MRPC Rule 8.4(g)[35], which prohibits conduct that reflects harassment or discrimination.

As with junior staff, lawyers must review and correct AI-generated content to avoid reproducing bias.

vi. Intellectual Property Concerns

The use and generation of content via AI raise new questions about copyright, authorship, and ownership. Though many legal documents are covered under the work-for-hire doctrine, generative AI may generate content that includes or resembles protected material, or where human authorship is ambiguous.

The U.S. Copyright Office has held that material created by non-human authors—including generative AI—is not protectable[36].

Consequently, lawyers must be careful to:

- Avoid using copyrighted material that may appear in AI outputs,
- Clarify authorship in outsourced content,
- Ensure they retain editorial control and legal responsibility over AI-assisted work product.

These concerns underscore a broader ethical point: lawyers must take authorship responsibility for all materials, regardless of origin. AI can assist—but never authors independently.

vii. Summary of risks.

Each risk discussed above highlights the same core principle: AI may assist, but it cannot replace legal judgment or ethical responsibility. Bar associations, courts, and regulators agree—lawyers remain ultimately responsible for all outputs, AI-generated or not.

AI content should be treated like a junior associate's draft—useful, but never final without thorough review.

b. Ethical and Regulatory Guidelines

The use of generative AI in legal services is now governed by a constellation of ethical duties derived from the ABA Model Rules of Professional Conduct (MRPC), alongside growing

[33] State Bar of California, infra note 92.

[34] Arizona Supreme Court, infra note 91.

[35] Model Rules of Prof'l Conduct r. 8.4(g) (Am. Bar Ass'n 2023).

[36] U.S. Copyright Office, *Zarya of the Dawn*, Copyright Review Board, Feb. 2023

state bar guidance and court orders. Although not uniform nationally, these frameworks are converging on a shared standard of care. This section analyzes how core ethical duties apply to AI, supported by jurisdictional examples and practical implications.

The New York City Bar Association's Formal Opinion 2024-5[37] provides comprehensive discussions of lawyers' ethical obligations relating to generative AI and synthesizes many of the themes emerging nationally, including confidentiality, competence, supervision, candor to tribunals, billing practices, discrimination concerns, and client communication obligations.

i. Duty of Confidentiality (MRPC Rule 1.6)

Lawyers are required to protect all information relating to client representation. When using AI, this means understanding the technology's data processing and retention policies.

Under Rule 1.6[38], lawyers must safeguard all client information. With AI, this means understanding how third-party tools handle data. Several states have formalized this principle. For instance, NYSBA's 2024 Task Force emphasized that lawyers should examine AI platforms' privacy practices and take reasonable efforts to prevent inadvertent and unauthorized disclosure of or access of client information[39]. California's 2023 Practice Guidelines[40] echo this caution, explicitly warning against uploading privileged information without proper security measures. Florida's Ethics Opinion 24-1[41] goes a step further, requiring lawyers to take "reasonable precautions" and, when necessary, obtain informed consent before using AI tools that may retain data.

Similarly, the New York City Bar Association Formal Opinion 2024-5[42] states that lawyers must not input confidential client information into generative AI systems that share data with third parties or use submitted information to train models unless informed client consent is obtained. The opinion also emphasizes that lawyers should periodically review evolving terms of use and ensure that AI systems provide adequate confidentiality and cybersecurity protections.

Uploading client data into AI systems—without reviewing its terms of service—is an ethical breach. Lawyers must vet AI tools rigorously and adopt appropriate technical safeguards to comply with this core duty.

ii. Duty of Competence and Diligence (MRPC Rule 1.1 and Comment 8)

[37] N.Y.C. Bar Ass'n Formal Op. 2024-5, infra note 26.

[38] Model Rules of Prof'l Conduct r. 1.6 (Am. Bar Ass'n 2023).

[39] New York State Bar Association, infra note 103.

[40] State Bar of California, infra note 92.

[41] Fla. Bar Prof'l Ethics Comm., infra note 93.

[42] N.Y.C. Bar Ass'n Formal Op. 2024-5, infra note 26.

Technology literacy is now embedded into the duty of competence. Lawyers must keep pace not only with changes in the law but also with innovations that affect legal practice—including AI.

The competence obligation requires lawyers not only to stay current on legal developments but also to remain informed about technology that impacts their practice. Comment 8 to Rule 1.1[43] specifically calls for technological awareness.

State guidance consistently enforces this idea. The NYSBA Task Force advises against overreliance on AI and calls for technological literacy[44]. Oregon's Formal Opinion No. 2025-205[45] and Pennsylvania's Formal Opinion 2024-200[46] requires lawyers to grasp how AI tools function, identifying limitations or risks before deployment. Florida's Opinion 24-1[47] echo this message, stressing that AI outputs must always be reviewed for accuracy. Minnesota's working group on AI similarly asserts that lawyers should keep abreast of changes in the law and its practice, including the benefits and risks associated with AI[48].

The New York City Bar Association Formal Opinion 2024-5[49] likewise stresses that lawyers must understand generative AI tools "to a reasonable degree," including their limitations, risks, and applicable terms of use, and emphasizes that lawyers may need continuing legal education or consultation with IT or cybersecurity professionals to satisfy their competency obligations.

This duty has two core components when AI tools are involved:

(1) Lawyers must verify the accuracy and sufficiency of AI-generated work. Nearly every state-issued opinion and/or guidance emphasizes that outputs from generative AI—no matter how sophisticated—must not be accepted uncritically. Reviewing, editing, and validating AI work product is essential to meeting one's professional obligations.

(2) Lawyers must understand how the AI tools they use function. This includes a working knowledge of the tool's design, capabilities, limitations, and underlying data sources. Without such understanding, lawyers may fail to identify risks related to bias, hallucination, confidentiality breaches, or inadmissible content.

[43] Model Rules of Prof'l Conduct r. 1.1 & cmt. 8 (AM. BAR ASS'N 2023).

[44] New York State Bar Association, infra note 103.

[45] Oregon State Bar, infra note 105.

[46] Pennsylvania Bar Association Committee on Legal Ethics and Professional Responsibility & Philadelphia Bar Association Professional Guidance Committee, infra note 106.

[47] Fla. Bar Prof'l Ethics Comm., infra note 93.

[48] Minnesota State Bar Association, infra note 97.

[49] N.Y.C. Bar Ass'n Formal Op. 2024-5, infra note 26.

Failure to verify AI-generated content may be equated to assigning work to an unqualified lawyer. Lawyers cannot outsource diligence and must apply independent, legally proficient judgment—even when they use seemingly reliable AI tools.

iii. Duty to Comply with the Law (MRPC Rule 8.4)

AI use does not excuse noncompliance with court procedures or ethical rules.

California's guidelines[50] emphasize this, and Florida affirms that AI does not provide any license to circumvent existing obligations[51]. In Missouri, an informal opinion reminded lawyers that they "must obey court orders" restricting AI use, underscoring that AI is not a loophole around court-mandated processes.[52]

Ethical compliance must be maintained at all stages of representation, regardless of whether work is generated by AI or not. Lawyers must ensure that innovation does not lead to inadvertent defiance of prescriptive standards.

iv. Duty of Supervision (MRPC Rules 5.1 and 5.3)

Lawyers bear supervisory responsibility over subordinate lawyers, nonlawyer personnel—and by extension, AI tools.

Lawyers are responsible for supervising all aspects of legal work, including the use of AI tools within their firms. This extends traditional oversight obligations beyond associates and staff to the technology itself. State guidance—including from NYSBA task force[53], New Jersey guidance[54], Vermont's 2025 Judiciary Report[55], and New Mexico's 2024 Opinion[56]—emphasizes that lawyers must:

- Oversee the use of AI tools to ensure compliance with ethical standards.
- Develop internal policies and training programs on proper AI use.
- Remain accountable for work product, even if generated by AI or nonlawyer assistants.

The New York City Bar Association Formal Opinion 2024-5[57] similarly advises that managerial and supervisory lawyers should establish clear internal policies regarding permissible AI use, provide training on ethical and practical risks associated with generative AI, and ensure

[50] State Bar of California, infra note 92.

[51] Fla. Bar Prof'l Ethics Comm., infra note 93.

[52] Office of Legal Ethics Counsel & Advisory Committee of the Supreme Court of Missouri, infra note 99.

[53] New York State Bar Association, infra note 103.

[54] New Jersey Supreme Court, infra note 101.

[55] Vermont Judiciary Committee on Artificial Intelligence and the Courts, infra note 109.

[56] State Bar of New Mexico, infra note 102.

[57] N.Y.C. Bar Ass'n Formal Op. 2024-5, infra note 26.

reasonable measures are in place so that both lawyers and nonlawyers comply with professional obligations when using AI systems.

Failure to supervise AI use constitutes an ethical failure by the supervising lawyer.

v. Duty of Communication (MRPC Rule 1.4)

Lawyers must keep clients informed of developments that materially affect representation—including the use of AI tools.

Current state guidance (such as from Utah[58], New Mexico[59], California[60], Florida[61], and Illinois[62]) advises:

- Discussing the role, benefits, and limitations of AI with clients before tools are used for their matters.
- Notifying clients when AI significantly shapes legal analysis or document preparation.
- Maintaining openness to foster transparency and secure informed consent.

An open dialogue about AI enhances trust and aligns representation with client expectations.

vi. Advertising and Client Intake (MRPC Rule 7.1)

Lawyers are obligated to ensure that all advertising, including marketing generated or assisted by AI tools, is truthful and non-misleading.

As AI becomes a component of client intake systems and public-facing communications (e.g., websites, chatbots, auto-responses), ethical scrutiny here in practice becomes increasingly important. Under Rule 7.1, lawyers must ensure that all advertising—including the use of AI-powered chatbots or automated intake forms—is truthful and not misleading.[63] State guidance (e.g., Florida Opinion 24-1[64], California 2023 Guidance[65]) requires:

- Transparency: Clearly label AI tools and confirm all AI-generated content is accurate and properly supervised.

[58] Utah State Bar, infra note 108.

[59] State Bar of New Mexico, infra note 102.

[60] State Bar of California, infra note 92.

[61] Fla. Bar Prof'l Ethics Comm., infra note 93.

[62] Illinois State Bar Association, infra note 94.

[63] Model Rules of Prof'l Conduct r. 7.1 (Am. Bar Ass'n 2023).

[64] Fla. Bar Prof'l Ethics Comm., infra note 93.

[65] State Bar of California, infra note 92.

- Superiority Claims: Lawyers may not claim their generative AI is superior to others' unless the statement is objectively verifiable. Comparative claims that cannot be substantiated violate ethical rules.

- No False Human Implications: Do not suggest AI-generated content reflects personal professional judgment if it does not.

Misleading advertising—whether generated by AI or not—remains an ethical violation, and the use of automation does not lessen that responsibility.

vii. Legal Fees (MRPC Rule 1.5)

The use of AI tools can enhance efficiency in legal service delivery, but fee arrangements must remain consistent with the professional obligation to charge reasonable fees based on time, labor, skill, and complexity. Lawyers cannot inflate bills based on efficiencies gained through technology.

Several jurisdictions like Florida[66], California[67], Oregon[68], and Vermont[69] all caution against billing "phantom time" that does not reflect actual time spent or necessary work performed.

Billing practices involving AI should ensure:

- Full transparency in how fees are calculated,

- No misrepresentation of work performed, and

- Disclosure if additional AI-related expenses are billed separately.

In short, AI cannot justify billing inflation. Time saved should benefit the client, not mask overcharges.

viii. Duty of Candor to the Tribunal (MRPC Rule 3.3)

Lawyers must ensure all representations to the court are accurate and truthful—obligations heightened when AI-generated content is used.

The risks of "hallucinated" case law and fabricated authorities have led courts to enact new safeguards. To address, several courts have enacted standing orders:

[66] Fla. Bar Prof'l Ethics Comm., infra note 93.

[67] State Bar of California, infra note 92.

[68] Oregon State Bar, infra note 105.

[69] Vermont Judiciary Committee on Artificial Intelligence and the Courts, infra note 109.

- Judge Starr (N.D. Tex.) requires lawyers to certify that AI-generated content has been reviewed.[70]

- Judges Fuentes (N.D. Ill.)[71], Vaden (U.S. Ct. Int'l Trade)[72], and Baylson (E.D. Pa.)[73] mandate disclosure of AI use and verification of citations.

- The N.D. Texas Bankruptcy Court requires AI content to be cross-checked using traditional sources.[74]

- Judge Molloy (D. Mont.) prohibits AI-based drafting in pro hac vice applications.[75]

A landmark 2025 incident in Wyoming underscored the significance of this duty. In *Wadsworth v. Walmart Inc.*, lawyers for Morgan & Morgan were sanctioned by U.S. District Judge Kelly H. Rankin after filing a motion containing eight fabricated case citations generated by the firm's in-house AI platform. The judge emphasized that the obligation to verify legal arguments is personal and cannot be delegated to AI or another lawyer, and technology does not excuse failures in professional diligence.[76]

The New York City Bar Association Formal Opinion 2024-5[77] similarly warns that generative AI tools may fabricate legal authorities or create misleading content and expressly states that lawyers must independently review all AI-generated outputs, including legal analysis and citations, before submission to courts or use in client matters.

State guidance, including from California[78], New Jersey[79], and the NYSBA Task Force[80], consistently emphasizes that lawyers must independently verify the accuracy of any AI-assisted filing and maintain transparency about the use of AI in court submissions.

Verification and transparency are mandatory—lawyers must rigorously confirm all AI-generated material before submission and disclose AI use where required, to satisfy both ethical and judicial expectations.

---

[70] Judge Brantley Starr, supra note 29.

[71] Magistrate Judge Gabriel A. Fuentes, supra note.

[72] Judge Stephen Alexander Vaden, supra note 31.

[73] Judge Michael M. Baylson, supra note 29.

[74] In re Pleadings Using Generative Artificial Intelligence, Gen. Order No. 2023-03 (Bankr. N.D. Tex. June 21, 2023).

[75] In re Pro Hac Vice Admission, No. MTD 73612, Doc. 8 (D. Mont. June 22, 2023) (Molloy, J.)

[76] Ambrogi, infra note 22.

[77] N.Y.C. Bar Ass'n Formal Op. 2024-5, infra note 26.

[78] State Bar of California, infra note 92.

[79] New Jersey Supreme Court, infra note 101.

[80] New York State Bar Association, infra note 103.

ix. Anti-Discrimination Considerations (MRPC Rule 8.4(g))

AI models may reflect biased data, unintentionally reproducing discriminatory patterns. Lawyers must ensure these biases do not impact advocacy, communication, or case strategy.

The relevant duty comes from MRPC Rule 8.4(g)[81], which prohibits conduct involving harassment or discrimination in the practice of law. Lawyers are ethically obligated to:

- Review AI outputs for any discriminatory or biased content.
- Take proactive steps to mitigate such biases in legal work.
- Incorporate bias monitoring strategies, as recommended in California's Practical Guidance[82], West Virginia's Formal Ethics Opinion 2024-01[83], and Arizona's ethical best practices[84].

V. FUTURE DIRECTION AND CONSIDERATION

As artificial intelligence becomes increasingly embedded in legal workflows—from document review and legal research to client communication and litigation support— ethical and regulatory frameworks must evolve in parallel. This section explores the potential trajectory of ethical and regulatory frameworks, identifies key institutional drivers of policy, and highlights the need for coordinated guidance across jurisdictions.

a. Toward Unified Standards: The Case for Harmonization

Regulation of AI in legal services remains fragmented across jurisdictions. As discussed above, while many states have issued detailed opinions or reports, others remain silent or offer only informal commentary. This lack of uniformity poses challenges for multijurisdictional practices and national firms, which must navigate conflicting or ambiguous standards.

There is a growing consensus that the legal profession would benefit from model guidelines or a national framework that builds upon the ABA Model Rules of Professional Conduct. Such a framework would preserve states' rights to interpret ethics rules but provide consistent baseline obligations regarding confidentiality, supervision, competence, and client communication when AI is used.

In the absence of federal regulation, state bar associations and courts remain the primary regulators. However, their efforts are increasingly informed by national organizations and interjurisdictional working groups that aim to reconcile local standards with broader ethical imperatives.

---

[81] Model Rules of Prof'l Conduct r. 8.4(g) (Am. Bar Ass'n 2023).

[82] State Bar of California, infra note 92.

[83] West Virginia Lawyer Disciplinary Board, infra note 111.

[84] Arizona Supreme Court, infra note 91.

b. The Role of the ABA and Professional Associations

The American Bar Association (ABA) has already begun shaping the dialogue around responsible AI use. The ABA House of Delegates has adopted:

- **Resolution 112**[85], urging courts and lawyers to address AI-related risks in litigation, and
- **Resolution 604**[86], which encourages bar associations and regulators to study the impact of AI on legal services.

These resolutions set the stage for the ABA's **Formal Opinion 512**[87], which outlines how core ethical duties apply to AI and encourages proactive compliance by legal professionals. The ABA's Standing Committee on Ethics and Professional Responsibility, as well as its Center for Innovation, are expected to release additional guidance that may influence how state bars frame future opinions.

Additionally, the City Bar opinion[88] includes three notable takeaways: (a) attorneys should obtain client consent before recording calls (b) attorneys should check all AI the work product for accuracy if the attorney expects to rely on the AI-transcription, and (c) the attorney should advise the clients of risks and disadvantages of recording calls with AI tools. In 2024, the City Bar launched its Presidential Task Force on Artificial Intelligence and Digital Technologies, composed of approximately 250 representatives of more than 50 committees, councils, and other task forces of the City Bar and adjunct members, including lawyers, academics, trade association representatives, consultants, technologists, and others. Virtually every City Bar practice area is represented on the Task Force, which includes a subcommittee on legal ethics.[89]

Other state bar associations—including those in Arizona, Minnesota, Vermont, and Illinois—have launched dedicated AI committees or task forces to monitor developments and recommend appropriate ethical frameworks. These self-regulatory initiatives currently offer the most immediate pathway toward comprehensive AI governance.

---

[85] ABA Resolution 112 and Report, Adopted at the Annual Meeting in San Francisco (Aug. 2019), https://www.americanbar.org/content/dam/aba/directories/policy/annual-2019/112-annual-2019.pdf.

[86] ABA Resolution 604 and Report, Adopted at the Midyear Meeting in New Orleans (Feb. 2023), https://www.americanbar.org/content/dam/aba/directories/policy/midyear-2023/604-midyear-2023.pdf.

[87] ABA Standing Comm. on Ethics & Prof'l Responsibility, Formal Op. 512 (July 29, 2024), Generative Artificial Intelligence Tools, https://www.americanbar.org/content/dam/aba/administrative/professional_responsibility/ethics-opinions/aba-formal-opinion-512.pdf.

[88] N.Y.C. Bar Ass'n Comm. on Pro. Ethics, Formal Op. 2025-6 (Dec. 22, 2025), https://www.nycbar.org/reports/formal-opinion-2025-6-ethical-issues-affecting-use-of-ai-to-record-transcribe-and-summarize-conversations-with-clients/.

[89] The primary mission of the Task Force is to create a Center of Excellence and Thought Leadership in artificial intelligence and digital technologies, including innovative technologies that create new or enhanced products and services, digital assets, and more efficient, convenient, and effective ways of doing business. For more information on the City Bar's AI Task Force, see https://www.nycbar.org/committees/task-force-on-digital-technologies/?back=1.

c. Anticipated Developments in State-Level Guidance

Several trends indicate the likely direction of state bar regulation:

- More jurisdictions are likely to follow states like Texas, Oregon, and Mississippi in publishing formal opinions that address both foundational ethical concerns and emerging practical issues—such as billing practices, disclosure requirements, and supervisory policies.

- State bars may shift from advisory guidance to enforceable standards, especially as high-profile AI misuse cases create public concern and judicial intervention.

- Some states may introduce mandatory CLE requirements focused on legal technology and AI ethics, similar to existing CLE obligations related to cybersecurity or substance abuse.

d. Judicial Influence and Procedural Orders

In addition to ethics bodies, the judiciary is becoming an increasingly influential regulator of AI use. Standing orders from federal and state judges—including those in the Northern District of Texas (Judge Starr), Northern District of Illinois (Judge Fuentes), Eastern District of Pennsylvania (Judge Baylson), and U.S. Court of International Trade (Judge Vaden)—already require certifications, disclosures, or even outright bans on AI-assisted filings.[90]

This trend signals that the judiciary will not wait for bar associations to finalize policies before implementing practical requirements. Monitoring and complying with these court-specific rules will become a critical part of litigation practice.

e. AI as a Driver of Access and Innovation

Despite these regulatory challenges, AI also offers unprecedented opportunities to expand access to justice. There is no doubt that, when used appropriately, AI can significantly reduce the cost of legal services; it can help lawyers deliver assistance to underserved or pro bono clients more efficiently, enabling broader and more affordable access to legal support; it already dramatically reduces the costs to form and manage corporations, engage with customers and personnel and, as discussed previously, reduces transaction costs, allowing more innovations in a field previously limited by prohibitive legal costs.

The key, however, is ensuring that AI is deployed responsibly. As regulators develop clearer frameworks, lawyers will be better positioned to harness AI's benefits without compromising their ethical obligations or exposing clients to harm.

[90] Responsible AI in Legal Services, *Analysis of AI Use in Courts*,(last visited Aug. 11, 2026), https://rails.legal/resources/resource-ai-orders/.

f. Recommendations for Emerging Technologies and Venture Capital Legal Practitioners and Institutions

Given the pace of regulatory change, emerging technologies and venture capital legal professionals should adopt proactive internal policies to govern AI use. This includes:

- Establishing firm-wide protocols for the use of generative AI tools, including risk assessments and confidentiality safeguards.
- Training lawyers and staff on emerging rules and best practices, including regular CLE or in-house seminars.
- Disclosing AI use to clients where appropriate and ensuring that clients understand its implications.
- Monitoring court orders and standing rules in jurisdictions where filings occur.
- Designating a technology ethics officer or team to oversee AI compliance.

In parallel, law schools and professional development organizations should embed AI ethics into their curricula, ensuring that future lawyers are prepared for this new regulatory terrain.

VI. CONCLUSIONS AND RECOMMENDATIONS

In this policy paper, we stipulated that AI should be viewed as a tool to enhance, rather than replace, legal services. Business executives should take special caution for deployment of AI in any complex matters or where the risk of failure is significant. Generally, a hybrid approach—blending AI efficiency with human legal judgment—enables organizations and business executives to benefit from technological efficiencies while preserving the nuanced judgment that experienced legal professionals provide.

Executives should be aware that AI tools present risks including hallucinations, accuracy limitations requiring proper legal language, and accountability gaps—a business that drafts its own documents is solely responsible for any resulting damages. Moreover, when lawyers are introduced post AI-drafting or in the middle of negotiation, remediation measures could prove limited and costly.

While AI's integration into legal practice is inevitable, its regulation is still developing. Lawyers should treat emerging bar opinions, judicial mandates, and ABA guidance not as theoretical suggestions—but as a rapidly evolving body of professional standards.

The legal community now faces a collective challenge: how to responsibly incorporate powerful, opaque, and imperfect technologies into a profession grounded in trust, diligence, and client protection.

Ignoring AI-generated bias risks ethical violations and erodes public trust in legal services. Those who embrace ethical innovation—viewing AI not as a shortcut, but as a tool subject to

human judgment—will not only avoid ethical pitfalls but help shape a more accessible, efficient, and equitable legal system.

Although AI is a powerful tool that can enhance legal practice, courts and ethics regulators have made it clear that it does not relieve lawyers of their professional duties. On the contrary, its proper use demands more vigilance, not less. To use AI ethically:

- **Understand** how it works—its limits, risks, and biases.
- **Verify** every output that may impact filings or advice.
- **Protect** client confidentiality by understanding data handling.
- **Supervise** AI use directly and ensure firm-wide compliance.
- **Communicate** its role to clients and use accurate billing practices.
- **Be truthful** in court filings and avoid misleading conduct.

The message is consistent across rules, courts, and ethics opinions: AI may assist, but legal responsibility remains with lawyers.

Emerging Companies and Venture Capital Committee
Ryan Kutter, Chair

August 2026

Contact
Raabia Qasim, Associate Policy Counsel | 212.382.6655 | rqasim@nycbar.org

Appendix: State-Specific AI Guidance

- **Arizona** – Best practices released by the Arizona Supreme Court Steering Committee on Artificial Intelligence and the Courts[91]
- **California** – Practical guidance from the State Bar of California (2023)[92]
- **Florida** – Formal Ethics Opinion 24-1 (2024)[93]
- **Illinois** – Preliminary recommendations from bar committees[94]
- **Kentucky** – Bar guidance on AI and client communication[95]
- **Michigan** – General bar guidance on AI use[96]
- **Minnesota** – June 2024 State Bar report and working group recommendations[97]
- **Mississippi** – Formal Ethics Opinion No. 267 (2024)[98]
- **Missouri** – Informal Opinion 2024-11 (April 2024)[99]
- **New Hampshire** – Articles and informal guidance by the Ethics Committee[100]

---

[91] Arizona Supreme Court, Steering Committee on Artificial Intelligence and the Courts, Best Practices (2024).

[92] State Bar of California, Practical Guidance: Ethical Obligations When Using Generative Artificial Intelligence in Law Practice (Nov. 2023), https://www.calbar.ca.gov/Portals/0/documents/ethics/Generative-AI-Practical-Guidance.pdf.

[93] Fla. Bar Prof'l Ethics Comm., Formal Op. 24-1 (2024), https://www.floridabar.org/ethics/ethopinions.

[94] Illinois State Bar Association, Report to President Shawn Kasserman, Recommendations of the Ad Hoc Committee on Artificial Intelligence (Sept. 27, 2023), https://www.bellas-wachowski.com/files/isba-ai-report-9-27-23.pdf.

[95] Kentucky Bar Association, Ethics Op. KBA E-457 (2024), https://nationalcenterforstatecourts.app.box.com/s/0f5iqlvcgyaumn7wvl10sku8mon3q41f.

[96] State Bar of Michigan, Artificial Intelligence: Frequently Asked Questions (Feb. 11, 2025), https://www.michbar.org/opinions/ethics/AIFAQs.

[97] Minnesota State Bar Association, Implications of Large Language Models (LLMs) on the Unauthorized Practice of Law (UPL) and Access to Justice: Report and Recommendations of the MSBA Working Group on AI (June 20, 2024), https://mnbars.org/docDownload/2460104.

[98] Mississippi Bar, Ethics Op. No. 267 (2024), https://www.msbar.org/ethics-discipline/ethics-opinions/formal-opinions/267/.

[99] Office of Legal Ethics Counsel & Advisory Committee of the Supreme Court of Missouri, Informal Op. 2024-11 (Apr. 2024), https://mo-legal-ethics.org/informal-opinion/2024-11/.

[100] New Hampshire Bar Association, Ethics Committee, *Ethics of Using Artificial Intelligence in Practice* (Feb. 8, 2024), https://www.nhbar.org/using-artificial-intelligence-in-practice/.

- **New Jersey** – Preliminary bar guidance on AI ethics[101]
- **New Mexico** – Formal Ethics Advisory Opinion 2024-004[102]
- **New York** – April 2024 Report and Recommendations by the NYSBA Task Force on Artificial Intelligence[103]
- **North Carolina** – Proposed Formal Ethics Opinion 2024-1[104]
- **Oregon** – Formal Opinion No. 2025-205[105]
- **Pennsylvania** – Formal Ethics Opinion 2024-200[106]
- **Texas** – Formal Ethics Opinion 705[107]
- **Utah** – ChatGPT and AI practice guidance from the Utah State Bar[108]
- **Vermont** – March 2025 Annual Report by the Judiciary Committee on Artificial Intelligence and the Courts[109]

[101] New Jersey Supreme Court, *Preliminary Guidelines on the Use of Artificial Intelligence by New Jersey Lawyers* (Jan. 24, 2024), https://www.njcourts.gov/sites/default/files/notices/2024/01/n240125a.pdf.

[102] State Bar of New Mexico, Ethics Advisory Op. 2024-004: The Use of Generative Artificial Intelligence in the Practice of Law (Sept. 2024), https://www.sbnm.org/Portals/NMBAR/GenAI%20Formal%20Opinion%20-%20Sept_2024_FINAL.pdf.

[103] New York State Bar Association, Report and Recommendations of the Task Force on Artificial Intelligence (Apr. 6, 2024), https://nysba.org/app/uploads/2022/03/2024-April-Report-and-Recommendations-of-the-Task-Force-on-Artificial-Intelligence.pdf.

[104] North Carolina State Bar, 2024 Formal Ethics Opinion 1: Use of Artificial Intelligence in a Law Practice (Nov. 1, 2024), https://www.ncbar.gov/for-lawyers/ethics/adopted-opinions/2024-formal-ethics-opinion-1/.

[105] Oregon State Bar, Formal Op. No. 2025-205: Artificial Intelligence Tools (Feb. 2025), https://www.osbar.org/_docs/ethics/2025-205.pdf.

[106] Pennsylvania Bar Association Committee on Legal Ethics and Professional Responsibility & Philadelphia Bar Association Professional Guidance Committee, Joint Formal Op. 2024-200: Ethical Considerations for Lawyers' Use of Artificial Intelligence (June 2024), https://www.lawnext.com/wp-content/uploads/2024/06/Joint-Formal-Opinion-2024-200.pdf.

[107] Texas Committee on Professional Ethics, Op. 705: Use of Generative Artificial Intelligence in the Practice of Law (May 2024), https://www.legalethicstexas.com/resources/opinions/opinion-705/.

[108] Utah State Bar, *ChatGPT and the Practice of Law: A Utah Ethical Perspective* (May 2023), https://www.utahbar.org/wp-content/uploads/2023/05/ChatGPT-article.pdf.

[109] Vermont Judiciary Committee on Artificial Intelligence and the Courts, *First Annual Report and Appendices* (Mar. 2025), https://www.vermontjudiciary.org/sites/default/files/documents/VJCAIC%20First%20Annual%20Report%20-%20Appendices%20%28final%29.pdf.

- **Washington, D.C.** – April 2024 the D.C. Bar Ethics Opinion 388[110]
- **West Virginia** – Formal Ethics Opinion 2024-01[111]

[110] D.C. Bar Legal Ethics Committee, Ethics Op. 388: Attorneys' Use of Generative Artificial Intelligence in Client Matters (Apr. 2024), https://www.dcbar.org/For-Lawyers/Legal-Ethics/Ethics-Opinions-210-Present/Ethics-Opinion-388.

[111] West Virginia Lawyer Disciplinary Board, Legal Ethics Op. 2024-01: Artificial Intelligence (June 14, 2024), https://storage.googleapis.com/msgsndr/Rgd68xOkcVdteTsBkf6O/media/667ac9c219bb7a1f7a4df4c2.pdf.