

# LAWYERS JOURNAL

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## LAW PRACTICE MANAGEMENT

### How law firms can turn AI risk into a competitive edge



By Kathy Serenko

#### The current crisis

Artificial intelligence tools like ChatGPT are reshaping the business landscape – and law firms have become a lightning rod for false-citation headlines. The crux of the problem is not lawyers who lack knowledge of the law or its practice.

The problem originates when blind trust is assigned to AI output. It doesn't help that AI is so eager to accommodate every request. In fact, AI's people-pleasing patterns increase the likelihood of hallucinations – those fabricated scenarios, details, and data created by AI to ensure a robust response.

At times, AI hallucinations are harmless: a detailed conversation between Abraham Lincoln and Gandhi that never occurred. In the legal realm, however, where client outcomes and professional credibility are at stake, hallucinations are no laughing matter. Even one false, AI-generated reference that makes its way into a legal document can be career-altering.

#### Escalating consequences

Courts are no longer treating AI citation errors as naïve missteps. The legal profession has entered an era of serious consequences: public reprimands, case disqualification, disciplinary referrals, and mandatory disclosures. The comment of one state judge says it all, "Fines alone do not account for the extreme dereliction of professional responsibility."

Another sobering reality: AI-related sanctions do not fall solely on the person who created the AI-generated content or citation errors. Courts are holding accountable anyone who signs, supervises, or approves AI-generated work.

#### Understanding the root problem

Despite heightened awareness, false AI-generated references continue – driven by the misconception that AI is a solution and

its output is an end product. The danger also lies in AI's speed and fluency: polished, split-second output creates the illusion of authority, masking the fact that AI does not reason like a lawyer.

AI is becoming better at simulating reasoning, since newer models have been trained on vast legal, technical, and analytical data. Its core mechanism of language creation, however, is still statistical pattern recognition. While its predictions can yield text that sounds legally accurate, they may lack any foundation in precedent or statute.

The crucial principle is that AI must never be allowed to supplant human expertise, accountability, and verification. Overreliance on this technology is an invitation to malpractice exposure, reputational harm, and a breach of client trust – the very foundations of a successful law practice.

#### Turning risk into opportunity

There is another side to the coin, however – and an exciting one at that. The risks associated with AI can be managed through deliberate firm practices, transforming potential liability into competitive advantage. Firms that dismiss AI entirely risk falling behind competitors who have learned to harness its efficiencies while maintaining professional standards.

#### Streamlining core legal work

While most people use AI for basic communications, its capabilities offer increased efficiency in more complex activities. For example, AI's ability to rapidly flag standard provisions and highlight deviations can eliminate hours of clause-by-clause contract analysis. AI also accelerates legal research by quickly scanning vast databases of case law and identifying relevant precedents that manual searches might miss. Due diligence checklists become more comprehensive and streamlined, increasing process efficiency. Settlement calculations benefit from AI assistance in analyzing damages and researching comparable precedents. In short, when lawyers start with AI-generated frameworks and apply their expertise to refine, personalize, and perfect the final product, time saved can be reassigned for more complex, billable work – a plus for every firm.

## Building effective safeguards

Success requires three foundational elements. First, comprehensive training ensures lawyers and staff understand both AI's capabilities and limitations. Equally important, they must master prompting – the crucial skill of crafting queries that generate reliable, useful outputs. Second, structured workflows should be put in place to identify when AI assistance is necessary and what level of review each output requires. Third, verification protocols must distinguish between low-risk communications and high-stakes content involving facts, cases, or precedents – the latter demanding thorough human fact-checking before reaching courts or clients.

## The path forward

When proper training, policies, and guardrails are in place, law firms can harness AI's insights and efficiencies without compromising the credibility that remains their ultimate currency. ■

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**Kathy Serenko** is a business owner and continuing legal education instructor who equips law firms to manage risk and optimize the efficiency of AI. Her insight into the evolving nature of this technology has been published by Forbes. Across industries, her focus is communication processes that drive organizational efficiency. For the purposes of this article, references to "AI" specifically mean large language models (LLMs), such as ChatGPT, rather than the broader field of artificial intelligence.