

# The engagement-letter language and the bill that survive an Opinion 512 audit.

Designed for a 14-minute walkthrough at the next partners meeting. Five clauses, the fee-treatment matrix, the OCG-response template, the pre-bill pack, and the 13-state overlay. Texas Op. 705, ABA 512, and the leading state-bar follow-ons.

**A managing partner forwarded the OCG to her ethics partner Tuesday. Friday's bill went out without a Rule 1.5 review.**

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ABA Op. 512 (July 2024) and Texas Op. 705 (February 2025) are the operative authorities on AI fee billing. The California Practical Guidance, Florida 24-1, DC 388, the NYSBA Task Force Report, and PA-Phila. Joint Op. 2024-200 add state-specific overlays.

In parallel, corporate clients in financial services, health care, and government are inserting AI provisions into outside counsel guidelines. The Texas Attorney General's OC AI Use Policy was last revised July 2025. Every billable matter ending in 2026 needs a fee-defense answer to "did AI save you time, and if so, why does the bill not reflect that?"

# Three questions arrive on three desks.

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FROM THE CFO

*“Did AI save us time on the matter, and if so, why does the bill not reflect that?”*

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Asked at the pre-bill review. Gets louder when corporate clients add AI saved-time discount language to OCGs.

FROM THE GENERAL COUNSEL

*“Outside counsel's OCG response — accept, negotiate, or reject?”*

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Asked when the firm receives an OCG with 12+ AI clauses. Without a response template, the OCG goes back unanswered or fully accepted.

FROM THE ETHICS PARTNER

*“Does our engagement letter satisfy Opinion 512's specific-consent standard?”*

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Asked when the carrier-renewal questionnaire arrives. Boilerplate consent is explicitly rejected.

# Six Model Rules. Nineteen pages. One operative document.

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RULE 1.1 · COMMENT 8

## Competence

Know the tool's capabilities and limitations as relevant to the matter. Applies to every lawyer using the tool.

RULE 1.6

## Confidentiality

Reasonable efforts to prevent unauthorized disclosure. Boilerplate engagement-letter consent is explicitly rejected.

RULE 1.4

## Communication

Consider whether to inform the client about AI use. Disclosure is often the right answer when AI is material.

RULES 3.1 / 3.3

## Candor

Verify AI-generated content before any filing or assertion. Hallucinated citations reaching a tribunal violate Rule 3.3.

RULES 5.1 / 5.3

## Supervision

AI is treated as nonlawyer assistance under Rule 5.3. Partners hold direct supervisory obligations.

RULE 1.5

## Reasonable Fees

Bill review time. Do not bill for time AI replaced. California's guidance is the most explicit nationally.

# Boilerplate consent is rejected. Specifically.

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*“Boilerplate consent included in engagement letters will not be adequate to satisfy a lawyer's obligations under Rule 1.6 when the lawyer uses GAI tools that involve the disclosure of client confidences.”*

— ABA Formal Opinion 512, July 29, 2024

The engagement letter must be specific about which AI tools, what work, and the data-handling architecture that protects confidences. A generic “we may use technology” clause does not meet the bar.

# AI is supervised as a nonlawyer assistant.

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The Opinion's most consequential interpretive move. Partners hold direct supervisory obligations for the firm's AI use — comparable to obligations for paralegals and contract reviewers.

The supervision must include training before authorization, a defined scope of permitted use, a responsible-attorney review chain, incident reporting when something goes wrong, and documentation sufficient to demonstrate the supervision occurred.

## THE IMPLICATION

A firm that cannot demonstrate the supervision is operating in violation of the Rule. Documentation, not informal practice, is the load-bearing artifact.

# Mata is the precedent every managing partner remembers.

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The sanctioned conduct is unverified AI output reaching a tribunal — not AI use itself. Verification architecture eliminates the exposure.

**\$5,000**

Rule 11 sanction in *Mata v. Avianca*,  
S.D.N.Y., June 22, 2023

*Judge Castel — fabricated case citations, AI output not verified before filing*

**73%**

Firms expecting generative AI to be  
the top legal-research use within 18  
months

*ILTA 2024 Technology Survey*

# Build to the highest standard once.

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FLORIDA · OPINION 24-1

## Most restrictive on confidentiality.

Informed consent before *any* disclosure of confidential information to a third-party generative AI program. The default for any multi-state firm.

CALIFORNIA · STATE BAR GUIDANCE

## Strictest on fees.

Cannot bill clients for time saved by AI; can bill for time spent reviewing AI-assisted work product. The most influential fee position nationally.

NEW YORK · NYSBA TASK FORCE

## Most disclosure-forward.

Treats client disclosure of AI use as the default in matters where AI is used. Firms with NY exposure adopt this as the higher bar.

*A multi-state firm builds to the highest standard once and satisfies every jurisdiction in its footprint. The Florida-grade clause satisfies every other state currently issuing AI guidance.*

# Three artifacts. Not a hire. Not a platform.

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## ARTIFACT 01

### **The AI practice policy.**

One document, six to twelve pages. Approved tools, work categories, carve-outs, supervision protocol, training requirement, engagement-letter standard, incident reporting. Reviewed annually.

## ARTIFACT 02

### **The engagement-letter language pack.**

Three clauses (base AI consent, carve-out, disclosure-when-material) plus the matter-amendment template for in-flight matters. Integrated with matter-intake.

## ARTIFACT 03

### **The supervision and training protocol.**

Responsible-attorney review chain, training cycle (initial plus annual), incident-reporting protocol, audit-readiness records. Maintained as records the firm can produce on request.

# Five clauses. Specific consent, not boilerplate.

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CLAUSE 03 – RULE 1.5 FEE TREATMENT (HOURLY)

*Where this Matter is billed on an hourly basis, we will bill only for time actually expended on your representation. Where generative AI is used and reduces the time required to perform a task, that time saving will be reflected in the invoice; we will not bill for time the lawyer did not spend. We may bill for time spent reviewing, refining, or verifying generative AI output where that work is performed by the responsible attorney.*

Five clauses total: AI-use disclosure (Clause 01); Rule 1.6 informed consent (Clause 02); Rule 1.5 fee treatment above (Clause 03); AI subscription cost pass-through posture (Clause 04); matter-team-staffing disclosure (Clause 05). Each calibrated to the highest current state-bar floor.

# The matter file the carrier reads. The matter file the fee-shifting motion exhibits.

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A · TOOL AUTHZ	Authorized-tools register snapshot at engagement open; OCG-response memo names approved tools.
B · RULE 1.4 NOTE	Disclosure-consideration memo per AI-material matter. Disclosure communication where applicable.
C · TIME ENTRY	Four categories: review/refinement (billable); verification (billable); learning (not billable); saved time (not billable).
D · SUPERVISION	Responsible-attorney verification timestamped per AI-assisted work product. Cite-check log per filing.
E · TOOL LOG	User, timestamp, prompt, output retained for three years post-matter closure (or longer per OCG).
F · PRE-BILL REVIEW	No AI-saved time on bill; no pass-through without consent; supervisor-review pairs; Rule 1.4 note present.
G · CARRIER EXPORT	Annual matter-list export with AI-material flag and supervisor-review counts. Carrier-renewal exhibit.

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# Defensible posture in sixty days.

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DAYS 1-7	AI inventory. Surface every tool in use, including individual subscriptions and personal accounts on consumer products.
DAYS 8-14	Practice policy draft. Anchored in Opinion 512 plus applicable state-bar opinions.
DAYS 15-21	Engagement-letter language pack. Three clauses plus matter-amendment template.
DAYS 22-28	Supervision and training protocol. Responsible-attorney review chain. Initial training cycle.
DAYS 29-35	Partner approval and rollout. Ethics partner presents. Vote and sign-off.
DAYS 36-45	Active-matter amendment cycle. Send amendments to clients on in-flight matters. Track signatures.
DAYS 46-60	Malpractice-carrier governance summary. Calendar-ready 60 days before renewal.

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# Insurance math. Not productivity math.

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**\$500K–\$5M**

Cost of one avoided malpractice claim — settlement plus premium impact.

*Lawyers Mutual / Aderant research, 2024*

**\$15K**

Ethics-Alignment Diagnostic. Fixed fee. Four weeks at most firms.

*One avoided claim funds the engagement 33–333x.*

**6**

Operative Model Rules in Opinion 512 — every rule the policy maps to.

*Rules 1.1, 1.4, 1.5, 1.6, 3.3, 5.1/5.3*

*The firm does not need to avoid every claim. It needs to avoid one.*

# Have us run the diagnostic for your firm.

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You describe the practice areas, the tools already in use, and the malpractice carrier's questions at the last renewal. We audit your actual AI use, calibrate the policy to your tools and engagement types, draft the engagement-letter language for your client mix, and train your attorneys.

SCOPE

**Ethics-Alignment Diagnostic**

FEE · DURATION

**\$15K–\$60K · 4 weeks**

DELIVERY

**Policy · letter pack · carrier pack  
· training**

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