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# AI engagement-letter language and Rule 1.5 fee- billing pack

Five artifacts, citation-grade. Calibrated to ABA Formal Opinion 512, Texas Opinion 705, and the leading state-bar follow-ons.

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## ABOUT THIS DOCUMENT

This is the 38-page reading version of the AI engagement-letter and Rule 1.5 fee-billing pack. The five artifacts are reproduced in the same form as the website pillar, with primary-source citations, operative-language excerpts, the 30-row OCG-clause crosswalk, and the 13-state fee-rule overlay. The website version of every artifact lives at

[zusmanpartners.com / law-firms / ai-engagement-letter-fee-billing](https://zusmanpartners.com/law-firms/ai-engagement-letter-fee-billing).

The five artifacts:

- **Artifact 01** – Engagement-letter clause library (five clauses)
- **Artifact 02** – AI fee-treatment decision matrix
- **Artifact 03** – OCG-clause response template (30 corporate-client AI clauses)
- **Artifact 04** – Pre-bill AI-time documentation pack (Sections A–G)
- **Artifact 05** – State-bar fee-rule overlay (13 jurisdictions)

The version history, methodology, conflict-of-interest disclosure, and primary-source citation manifest are at the end of the document.

## Executive summary

ABA Formal Opinion 512 (July 29, 2024) holds that lawyers may not bill clients for hours not actually expended when AI saves time, that boilerplate engagement-letter consent is inadequate for AI use on client confidences, and that AI tool costs are firm overhead by default unless disclosure and informed consent support pass-through.<sup>1</sup> Texas State Bar Opinion 705 (February 2025) reinforces the rule under Texas Disciplinary Rules and explicitly endorses per-use AI cost pass-through with client agreement.<sup>2</sup>

The California State Bar Practical Guidance (November 16, 2023) goes further on hourly billing — "A lawyer must not charge the client the time saved due to the use of GenAI" — and adds an anonymization-of-input requirement that operates as an input-side firewall.<sup>3</sup> The Florida Bar Ethics Opinion 24-1 (January 19, 2024) requires informed consent before any third-party AI disclosure of confidential information, regardless of whether the tool is self-learning.<sup>4</sup> DC Bar Opinion 388 (April 2024) makes the hourly-efficiency rule explicit.<sup>5</sup> The NYSBA Task Force on AI Report (April 6, 2024) treats client disclosure as the default and publishes a sample engagement-letter clause; the Pennsylvania-Philadelphia Joint Formal Opinion 2024-200 (May 22, 2024) names eight ethical duties triggered by AI use.<sup>6 7</sup>

In parallel, corporate clients in financial services, health care, and government are inserting AI provisions into outside counsel guidelines. The Texas Attorney General's Outside Counsel Acceptable AI Use Policy was last revised July 31, 2025; the Association of Corporate Counsel published its Sample AI Guidelines for Outside Counsel in June 2025. The 30-row OCG-clause crosswalk in Artifact 03 catalogs the categories observed in publicly available material with the firm's recommended response.

#### KEY TAKEAWAY

Every billable matter ending in 2026 will need a fee-defense answer to "did AI save you time, and if so, why does the bill not reflect that?" The five artifacts on this page are designed so the firm's answer is in the matter file before the question is asked.

## Artifact 01 — Engagement-letter clause library

Five clauses. Specific consent, not boilerplate. Each clause is tool-specific and matter-type-specific, written to the highest current state-bar standard so a single set covers a multi-state footprint. Bracketed values are highlighted for replacement; the firm's ethics partner reviews and approves before deployment.

### Clause 01 — AI-use disclosure (multi-state default)

*In connection with the Matter, we may use the following generative AI tools to assist with our representation: **[AUTHORIZED TOOLS — e.g. Harvey, Spellbook, Casetext CoCounsel, Lexis+ AI, ChatGPT Enterprise]**. These tools may be used for **[CATEGORIES OF WORK — e.g. legal research synthesis, first-draft preparation of motions and briefs, deposition-preparation summaries, contract clause comparison]**. Each authorized tool operates in a tenant-isolated environment configured so that inputs are not used to train the underlying model and are not accessible to other tenants of the vendor. The firm will obtain separate written consent before using any generative AI tool not listed above on your matter.*

**Why this language.** ABA Op. 512 holds that lawyers must obtain informed consent before entering client information into a self-learning generative AI tool, and that "boilerplate consent included in engagement letters will not be adequate." <sup>1</sup> The clause names the tools by name and describes the data-handling posture, satisfying the specific-consent standard. The "tenant-isolated environment" language tracks the operational posture every authorized tool must satisfy under the firm's AI policy; vendor data-handling attestations on file confirm the contractual basis.

The clause is also calibrated to satisfy the California Practical Guidance prohibition on inputting confidential information into a tool that shares with others or trains on the input – every authorized tool listed in the brackets must satisfy that condition. <sup>3</sup>

## **Clause 02 — Rule 1.6 informed consent (matters with confidential information)**

*Where the use of an authorized generative AI tool would involve the disclosure of any of your confidential information to the tool's underlying model, we will obtain your informed consent in writing before that disclosure occurs. The information we will provide to you in seeking that consent will include the specific tool, the kinds of information that will be disclosed to the tool, the vendor's tenant-isolation and data-handling posture, the alternatives we considered, and the benefits and risks of the proposed use to your representation. Boilerplate consent will not satisfy this clause.*

**Why this language.** The clause maps to ABA Op. 512's elements of informed consent: "the client must have the lawyer's best judgment about why the GAI tool is being used, the extent of and specific information about the risk, including particulars about the kinds of client information that will be disclosed, the ways in which others might use the information against the client's interests, and a clear explanation of the GAI tool's benefits to the representation." <sup>1</sup>

For Florida-domiciled firms or any matter with a Florida-licensed attorney, the operative rule is broader still: Florida Op. 24-1 requires informed consent before *any* third-party AI disclosure of confidential information, regardless of whether the underlying model is self-learning. <sup>4</sup> The clause as written satisfies the Florida standard by default; it is the highest current state-bar floor and the multi-state default for any firm with Florida exposure.

## Clause 03 — Rule 1.5 fee treatment

*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. Where this Matter is handled on a flat fee, contingent fee, or other alternative fee arrangement, the fee set forth in the engagement letter reflects the value of the work product to be delivered; we will preserve internal records of AI-assisted activity sufficient to demonstrate that the agreed fee remains reasonable under the factors in Rule 1.5(a).*

**Why this language.** The hourly posture tracks ABA Op. 512's holding that "when lawyers are billing hourly, they must only bill for their actual time," reinforced by Texas Op. 705's holding that "a lawyer who has undertaken to bill on an hourly basis is never justified in charging a client for hours not actually expended."<sup>1 2</sup> The carve-out for AI-output review and verification time tracks the California Practical Guidance permission to "charge for the time actually spent on the work product, such as refining AI inputs or prompts, or reviewing GenAI outputs."<sup>3</sup>

The flat-fee and AFA paragraph tracks ABA Op. 512's holding that "the factors set forth in Rule 1.5(a) also apply when evaluating the reasonableness of charges for GAI tools when the lawyer and client agree on a flat or contingent fee."<sup>1</sup> The internal-records commitment satisfies the reasonableness-defense standard at the time of charging — the firm can produce, on request, the matter-file documentation showing the work performed and the value delivered.

## Clause 04 — AI subscription cost pass-through posture

*The firm treats the cost of authorized generative AI tools as part of office overhead by default. Where, on a particular Matter, the firm seeks to charge you for a portion of an AI tool's cost or on a per-use basis — whether because the tool is expensive and proprietary, or because the matter requires use beyond ordinary practice — we will explain the proposed charge in writing and obtain your written consent before incurring it. Any AI cost charged to you will be itemized on the invoice.*

**Why this language.** ABA Op. 512 permits the firm to "consider the cost of GAI to be part of office overhead, or may charge for a portion of an expensive and proprietary GAI tool, or on a per-use basis if appropriate, provided everything is fully explained to the client in advance and informed consent is obtained."<sup>1</sup> The default-overhead posture is the conservative read; the conditional pass-through with written disclosure and consent satisfies the alternative.

Texas Op. 705 endorses per-use pass-through explicitly: "If the lawyer pays per use for a particular generative AI program, the lawyer may be able to collect those expenses from the client, as allowed by law."<sup>2</sup> Florida Op. 24-1 adds the in-writing-preferred disclosure: "Lawyers should inform a client, preferably in writing, of the lawyer's intent to charge the client the actual cost of using generative AI."<sup>3</sup> The clause as written satisfies all three standards.

## Clause 05 — Matter-team-staffing disclosure

*Generative AI tools are treated as nonlawyer assistance under Rule 5.3 of the applicable Rules of Professional Conduct. Where AI is used on a Matter, the responsible attorney supervises the AI as the firm supervises any nonlawyer assistant, including verifying factual and citation accuracy of AI work product before any use, filing, or transmission. Where this Matter would otherwise have been staffed by a paralegal or junior associate and is instead staffed by a partner or senior associate plus AI, we will inform you of that staffing decision; the result will not increase the fee charged.*

**Why this language.** ABA Op. 512 imports the Rule 5.3 nonlawyer-assistance framework and requires "managerial lawyers [to] establish clear policies regarding the law firm's permissible use of GAI, and supervisory lawyers [to] make reasonable efforts to ensure that the firm's lawyers and nonlawyers comply with their professional obligations when using GAI tools." <sup>1</sup>

The matter-team-staffing disclosure addresses a corporate-client concern that has begun appearing in OCGs: where a matter would historically have been staffed paralegal-plus-junior at lower hourly rates, AI-driven efficiency has shifted some firms toward partner-plus-AI staffing at higher rates. The clause makes the firm's posture transparent and commits to no fee escalation.

## Artifact 02 — AI fee-treatment decision matrix

Five fee structures, three named exceptions. Each row maps to the AI-saved-time outcome, the engagement-letter clauses required, and the pre-bill documentation the matter file must contain. The artifact the CFO and ethics partner read together at the start of every billing cycle.

### Hourly billing

**Outcome.** Bill only actual hours expended. Do not bill saved time. Bill review and refinement of AI output as ordinary attorney time. Bill verification of AI-generated citations and facts as ordinary attorney time.

**Clauses.** §§ 1, 3 of the engagement letter as drafted in Artifact 01.

**Documentation.** Time-entry narrative distinguishing AI-output review from drafting; supervisor-review record per AI-assisted work product; AI-tool-usage log per matter.

**Operating note.** This is the operative case for the majority of midsize-firm matters. The hourly billing model has not been displaced by AI; it has been complicated. The firm's billing system must capture the four time categories identified in Section C of the pre-bill documentation pack (Artifact 04) so the bill is defensible against a Rule 1.5 reasonableness challenge.

### Discounted hourly

**Outcome.** Discount applied at the rate level, not via fictional hours. Bill only actual hours at the discounted rate.

**Clauses.** §§ 1, 3 + the discounted rate stated explicitly in the engagement letter.

**Documentation.** Same as hourly, plus the rate-discount documentation in matter file (which client, what discount, what scope, what duration).

**Operating note.** Discounted-rate matters are the most common AFA structure at midsize firms. The discount-at-rate-level posture is the cleanest fee-defense posture; it preserves the actual-hours discipline of hourly while delivering the client the negotiated economic outcome.

## **Fixed (flat) fee**

**Outcome.** Fee remains payable at the agreed amount if it remains reasonable under Rule 1.5(a) factors at time of charging.

**Clauses.** §§ 1, 3 + flat-fee scope language; Rule 1.5(a) reasonableness-rationale memo.

**Documentation.** Reasonableness memo at engagement open and at close; matter-file note recording AI use and value delivered; scope-creep note where the matter expanded.

**Operating note.** ABA Op. 512 holds that the Rule 1.5(a) factors apply to flat-fee arrangements — including the time and labor required, the novelty and difficulty of the question, the result obtained, the customary local fee, and the experience of the lawyer.<sup>1 2</sup> AI-driven efficiency does not invalidate a well-priced flat fee, but a flat fee that becomes materially out of line with current market pricing for AI-assisted work is exposed to a Rule 1.5(a) challenge. The reasonableness-rationale memo at engagement open is the firm's defense against that challenge.

## **Contingent**

**Outcome.** Fee remains payable per the contingency formula. AI does not change the formula. The Rule 1.5(a) reasonableness factors apply at the time of charging.

**Clauses.** §§ 1, 3 + Rule 1.5(c) writing requirement satisfied; contingency-formula stated explicitly.

**Documentation.** Result-and-recovery documentation; AI-use note in matter file; reasonableness-rationale memo at close referencing the matter outcome.

**Operating note.** Contingent fee work is comparatively insulated from AI fee-billing exposure because the fee is tied to outcome rather than hours. The exposure shifts to Rule 1.5(c) writing requirements and the reasonableness analysis at the time of charging the fee – typically at settlement or judgment.

### **Blended AFA (cap, success fee, monthly subscription)**

**Outcome.** Cap and success fee remain payable per the AFA terms; monthly subscription continues per the AFA.

**Clauses.** §§ 1, 3 + AFA-specific scope and trigger language.

**Documentation.** Monthly matter-status memo; cap-tracking ledger; AI-material-matter flag in time entries.

**Operating note.** Blended AFAs are increasingly common for ongoing transactional or compliance matters at midsize firms. The cap-tracking ledger is the operational discipline; the AI-material-matter flag in time entries enables the firm to produce, at any point, the AI-use record across the matter portfolio.

### **Named exceptions**

**Matter acceleration.** Where AI accelerates a result that has independent value to the client (closing a deal in a window that would otherwise have closed), an AFA reflecting that value is permissible. The engagement

letter must contain an explicit value-to-client recital. The matter file documents the closing-window memo and the client-acknowledged value note.

**Novel-issue research.** Tool-specific learning time directed by the client for a particular AI tool is billable on hourly; general AI-tool training is not. The engagement letter must reflect the written client request for the specific tool. The matter file retains the client-request communication, and learning-time entries are flagged.

**Supervised verification time.** Time spent by the responsible attorney verifying AI output (cite-check, fact-check, source-pull, primary-source confirmation) is ordinary attorney time and billable on hourly. The engagement letter §§ 3 and 5 reference the supervision protocol. The matter file contains the cite-check log per filing and the supervisor sign-off timestamp.

*A lawyer who has undertaken to bill on an hourly basis is never justified in charging a client for hours not actually expended.*

— Texas State Bar Opinion 705 (February 2025)

## Artifact 03 — OCG-clause response template

Thirty corporate-client AI clauses observed in publicly available material. The 30-row dataset behind this artifact lives at `zusmanpartners.com / data / ai-engagement-letter-fee-billing.csv` (CSV) and `.json` (JSON). Each clause category maps to a recommended firm response — accept, negotiate, or reject — with the rationale partners can defend.

### Accept (default firm posture, 13 categories)

The firm should accept the following clause categories without negotiation. Each is already firm-policy-default for any midsize firm with regulated clients.

- **AI use disclosure required.** Aligns with NYSBA Task Force sample clause and ABA Op. 512 communication duty. <sup>6</sup>
- **Public LLM prohibition.** Already firm-policy-default for any midsize firm with regulated clients. Maps to the firm's authorized-tools register.
- **Tenant-isolation requirement.** Standard enterprise-tier requirement; vendor attestations on file.
- **No-training carve-out.** Same operative protection as tenant isolation; confirm in vendor DPA before tool authorization.
- **Output validation certification.** Already required by ABA Op. 512 supervision; build into matter-file workflow.
- **Senior-attorney sign-off.** Operationalizes ABA Op. 512 supervision; standard for any matter where AI is material.
- **Vendor security attestation right.** Already required under most firm vendor-management programs.

- **AI saved-time discount.** Mirrors ABA Op. 512 and California / Texas / DC opinions on hourly billing.
- **Anonymization requirement.** Mirrors California Practical Guidance; firm policy for any matter with regulated data.
- **Vendor-exit data-deletion.** Standard data-deletion posture; map to firm vendor-management runbook.
- **Breach notification SLA.** Default for any sector with breach-notification regulation; map to firm incident-response runbook.
- **AI disclosure in court filings.** Already required by standing-order tracking.
- **Privilege preservation requirement.** Aligns with NYSBA Task Force; document the privilege analysis in the matter file.
- **No-AI in privileged communications.** Standard privilege-preservation posture; already firm policy.
- **Client-data carve-out.** Standard; already firm posture under Rule 1.6 confidentiality and ABA Op. 512.

## Negotiate (operational refinement, 11 categories)

The firm should negotiate the following clause categories before signing. Each is reasonable in principle but operationally heavy as drafted in many OCGs.

- **Outright generative-AI ban.** Negotiate to permit enterprise-isolated tools with no training on client data; preserve carve-out for spell-check and document-comparison utilities. Reject if scope cannot be narrowed.
- **Bill-line AI disclosure (per time entry).** Negotiate matter-level rollup over time-entry-level disclosure where time entries already capture review work.
- **Data residency restrictions.** Negotiate vendor's published data-residency posture vs. blanket US-only requirement; some

authorized vendors route inference globally.

- **Tool inventory reporting.** Quarterly cadence is reasonable; per-matter cadence is operationally heavy. Negotiate cadence and aggregation level.
- **Sub-processor disclosure.** Sub-processor lists for major AI vendors change frequently. Negotiate vendor-published sub-processor page as the reference; commit to 30-day prior notice for material changes.
- **Specific framework compliance (FedRAMP, TX-RAMP, HITRUST).** FedRAMP-authorized AI tools are limited in 2026. Negotiate equivalent framework substitution (SOC 2 Type II + tenant isolation) where the underlying control objectives are met.
- **Phase-limited AI use.** Reasonable carve-out structure; map to firm authorized-uses matrix. Negotiate scope of approved uses and pre-cleared categories.
- **Audit log retention.** Three-year retention is reasonable; some firms cannot retain full prompt-and-output logs for confidentiality reasons. Negotiate hash-based or summary-level log retention as alternative.
- **Right to terminate for AI misuse.** Termination right is reasonable; carve out the no-termination-fee provision where the firm has incurred non-refundable matter costs.
- **Conflict-check enhancement (AI).** Operationally complex; negotiate scope to enterprise-tenant tools where information bleed is architecturally precluded.
- **Pre-approval of specific AI tools.** Defensible posture if the firm maintains a pre-vetted vendor list. Submit list at engagement open.

## Reject and replace (1 category, with rationale)

The firm should reject the following clause and replace with the firm's standard posture.

- **Indemnification for AI errors.** AI-output indemnity is broader than the firm's standard malpractice carrier coverage; it converts a malpractice question into an uninsured contractual liability. Replace with the firm's standard malpractice posture and Rule 5.3 supervision attestation. Coordinate the rejection with the firm's malpractice broker; some carriers will permit a narrow AI-output indemnity if the firm's underlying policy has affirmative AI coverage. Most do not.

## Per-use AI cost pass-through (consent-based) — accept conditionally

A 30th clause category warrants a separate note: **per-use AI cost pass-through with client consent.** Where the OCG explicitly permits per-use cost pass-through with prior written consent and itemized invoicing, the firm accepts. Texas Op. 705 endorses this structure explicitly; ABA Op. 512 permits it under the disclosure-and-consent condition. <sup>1</sup> <sup>2</sup>

## **Artifact 04 — Pre-bill AI-time documentation pack**

Sectioned A–G. Each section is the artifact the firm produces and retains for every AI-material matter. The carrier-renewal questionnaire asks for these items by name; a Rule 1.5(a) reasonableness challenge or a malpractice-defense exhibit pulls them from the matter file. Build the pack once; export at every billing cycle and at every renewal.

### **Section A — Tool authorization at engagement open**

Confirm the AI tool used on the Matter is on the firm's authorized list as of the engagement-open date. Where the client OCG requires pre-approval of specific tools, the OCG-response memo names the approved tools and the date of approval.

**Retained in matter file.** Authorized-tools register snapshot at engagement open. Vendor data-handling attestation reference for each authorized tool.

### **Section B — Rule 1.4 communication note**

Per ABA Op. 512 and the NYSBA Task Force, the matter file records: (1) that disclosure to the client about AI use was considered; (2) the decision (disclose / do not disclose / disclose conditionally); and (3) the basis (informed consent already obtained in the engagement letter; no client confidences input; client OCG defines disclosure default; client is informed under Rule 1.4 even where Rule 1.6 informed consent is not triggered).<sup>16</sup> Where disclosure is made, the communication itself is in the file.

**Retained in matter file.** Disclosure-consideration memo. Disclosure communication (where applicable). Date and author of each.

## Section C — Time-entry narrative

AI-assisted time entries distinguish four categories:

1. **AI-output review and refinement** — billable on hourly. The responsible attorney's review of AI output, including refinement of inputs or prompts, is ordinary attorney time.
2. **AI-output verification** — billable on hourly. Cite-check, source-pull, and fact-check time is ordinary attorney time. Texas Op. 705 frames verification under Rule 3.03 (candor) and Rule 5.03 (nonlawyer assistants); the time is billable.<sup>2</sup>
3. **AI-tool learning time** — not billable on hourly, except where the client specifically requested the tool. Texas Op. 705 and ABA Op. 512 both name this.<sup>1 2</sup>
4. **AI-saved time** — not billable. The bill must reflect actual hours, not pre-AI estimates.

The firm's billing system is configured to capture each category. The time-entry template in the practice-management software prompts the timekeeper for the AI-material flag and the category.

**Retained in matter file.** The full time-entry narrative for each AI-assisted entry. Category flag for each.

## Section D — Supervisor-review record

For each AI-assisted work product, the responsible attorney's verification is recorded with timestamp. The verification confirms factual and citation accuracy before any use, filing, or transmission. The supervisor sign-off is the operational expression of the Rule 5.3 nonlawyer-assistance standard ABA Op. 512 imports for AI.<sup>1</sup>

**Retained in matter file.** Supervisor sign-off timestamp per AI-assisted work product. Cite-check log per filing.

## **Section E — AI-tool-usage log retention schedule**

Authorized AI tools log the user, timestamp, prompt, and output for each session on a Matter. The firm retains the log for a minimum of three years post-matter closure (or per the client OCG's longer retention requirement, whichever is greater). Where full prompt-and-output retention is itself a confidentiality risk (the prompt would be protected as work product if separately written), the firm retains a hashed or summary-level log instead — the metadata (user, timestamp, matter ID, tool ID, session length) without the underlying prompt content.

**Retained in matter file.** Tool-usage log reference. Retention schedule documentation. Hash-or-summary-level log where applicable.

## **Section F — Pre-bill review**

Before each invoice issues, the responsible attorney or firm administrator reviews the matter file for:

- Any AI-saved time appearing on the bill (must not be present);
- Any AI-subscription pass-through that lacks documented client consent (must have written consent);
- Any AI-assisted time entry that is not paired with a supervisor-review record (must be paired);
- Any AI-material matter where the Rule 1.4 communication note is missing (must be present).

The pre-bill review is documented in the billing system as a discrete step before the invoice issues.

**Retained in matter file.** Pre-bill review log entry per invoice.

## Section G — Carrier-renewal export

At the end of the policy period, the firm exports a matter-list summary with:

- The AI-material flag per matter;
- The count of disclosure-considered notes per matter;
- The count of supervisor-reviewed AI work products per matter;
- The cite-check log totals per matter;
- The count of any reportable AI-related incidents in the period.

The export is the carrier-renewal exhibit. A firm that hands the broker the export at renewal is not asked the open-ended governance question; the underwriter reads the export and asks targeted follow-up.

**Retained in firm operations file.** Annual export PDF. Broker-acknowledgment letter.

## Artifact 05 — State-bar fee-rule overlay (13 jurisdictions)

A multi-state firm builds to the highest standard once and satisfies every jurisdiction in its footprint. The Florida 24-1 informed-consent rule and the Texas 705 hourly-billing rule are the two most operationally consequential overlays. Each jurisdiction below names the operative authority and the engagement-letter clause adjustment required.

### Tier 1 — Named state-bar opinion (seven jurisdictions)

**California — Practical Guidance for the Use of Generative AI in the Practice of Law (Approved November 16, 2023).** <sup>3</sup>

*A lawyer must not charge the client the time saved due to the use of GenAI. ... A lawyer must not input any confidential information of the client into generative AI solution unless the lawyer knows that the provider will not share the information with others or use the information for itself, such as to train or improve its AI product. In addition, the lawyer must anonymize the input so that it does not identify the client.*

Operational additions: explicit ban on charging AI-saved time; explicit anonymization-of-input requirement. Clause 03 names the actual-hours-only billing posture. Clause 02's anonymization protocol is the input-side floor.

**Florida — Bar Ethics Opinion 24-1 (January 19, 2024).** <sup>4</sup>

*It is recommended that a lawyer obtain the affected client's informed consent prior to utilizing a third-party generative AI program if the utilization would involve the disclosure of any confidential information.*

Operational additions: informed consent before any third-party AI disclosure of confidential information; in-writing-preferred disclosure of intent to charge actual AI cost; AI-chatbot advertising disclosure. Clauses 02 and 04 obtain specific consent and document the AI-cost intent in writing.

**New York — NYSBA Task Force on AI Report (Adopted by the House of Delegates April 6, 2024).<sup>6</sup>**

*The report advises lawyers to disclose to clients when AI tools are employed in their cases. Under the Rules of Professional Conduct, attorneys also have an obligation to make sure that paralegals and other employees are handling AI properly. ... If [AI] would make legal work on behalf of a client substantially more efficient and the lawyer adds a surcharge (i.e., an amount above actual cost) when using specific AI, then the lawyer should clearly state such charges in a client engagement letter.*

Operational additions: most disclosure-forward state guidance; client disclosure of AI use is the default; sample engagement-letter clause provided; Rule 1.5 surcharge disclosure rule. Clause 01 substantively mirrors the NYSBA sample. Clause 03 names any AI surcharge above actual cost in writing.

**District of Columbia — D.C. Bar Op. 388 (April 2024).<sup>5</sup>**

*If a lawyer has agreed to charge the client on this basis (i.e., hourly), and it turns out that the lawyer is particularly efficient in accomplishing a given result, it nonetheless will not be permissible to charge the client for more hours than were actually expended on the matter.*

Operational additions: hourly-billing efficiency rule stated explicitly; two-question confidentiality framework. Clause 03 names the actual-hours posture. Matter file records the two confidentiality questions (visibility to provider; effect on later users) per AI-material matter.

**Texas — Op. 705 (February 2025).<sup>2</sup>**

*A lawyer who has undertaken to bill on an hourly basis is never justified in charging a client for hours not actually expended. ... If the lawyer pays per use for a particular generative AI program, the lawyer may be able to collect those expenses from the client, as allowed by law.*

Operational additions: explicit per-use AI subscription pass-through with client agreement; Texas Disciplinary Rule 1.05 (Confidentiality) framework instead of Model Rule 1.6. Clause 04 names per-use posture and writing requirement. AI policy maps to Rule 1.05.

**New Jersey — Sup. Ct. of N.J., Preliminary Guidelines on the Use of AI by N.J. Lawyers (January 24, 2024).<sup>8</sup>**

*Because AI can generate false information, a lawyer has an ethical duty to check and verify all information generated by AI to ensure that it is accurate. A lawyer who uses AI in the preparation of legal pleadings, arguments, or evidence remains responsible to ensure the validity of those submissions.*

Operational additions: verification of AI output framed as RPC duty; AI use does not require disclosure but does not excuse false content. Clause 05 supervisor-review protocol satisfies. Cite-check log per filing.

**Pennsylvania — Pa.+Phila. Bar Joint Formal Op. 2024-200 (May 22, 2024).<sup>7</sup>**

*Lawyers must be proficient in using technological tools to the same extent they are in employing traditional methods. ... A lawyer must not input any confidential information of a client into AI that lacks adequate confidentiality and security protections.*

Operational additions: eight ethical duties enumerated (confidentiality, competence, candor, truthfulness, supervision, communication, conflicts of interest, and unauthorized practice of law); explicit prohibition on input of confidential information into inadequately-protected AI. Clauses 01, 02, 03 satisfy across all eight duties.

## **Tier 2 — Emerging implementation framework (one jurisdiction)**

**Illinois — ARDC Implementing AI Guide (October 2025); Illinois Supreme Court Policy on AI; ISBA Standing Committee on AI and the Practice of Law.** Practitioner-implementation framework aligning with ABA Op. 512. The ARDC Guide is the Illinois-specific application of the ABA framework. The Illinois Supreme Court AI Policy authorizes lawyer AI use subject to existing ethical duties. Clauses 01, 03 align with the ARDC framework. Reviewed annually.

## **Tier 3 — Inheriting ABA Op. 512 (five jurisdictions)**

The following jurisdictions apply ABA Op. 512 to state RPC 1.5 absent a state-specific named opinion. The freshness loop tracks each for new opinions.

- **Washington** — Wash. RPC 1.5 (Fees); WSBA Standing Committee guidance under the Lawyer Education Committee.
- **Massachusetts** — Mass. RPC 1.5; SJC and Superior Court standing-order coverage relevant to litigation matters.
- **Georgia** — Ga. RPC 1.5; State Bar of Georgia FAO development cycle.
- **Ohio** — Ohio RPC 1.5; Ohio Supreme Court Board of Professional Conduct; emerging Ohio AI Council activity.
- **North Carolina** — N.C. RPC 1.5; N.C. State Bar Ethics Committee FEO development.

## Methodology

The page draws from primary regulator publications: the ABA Standing Committee on Ethics and Professional Responsibility; the Texas Committee on Professional Ethics; the California State Bar Standing Committee on Professional Responsibility and Conduct; the Florida Bar Board of Governors; the District of Columbia Bar Legal Ethics Committee; the New York State Bar Association Task Force on Artificial Intelligence; the Pennsylvania Bar Association Committee on Legal Ethics and Professional Responsibility and the Philadelphia Bar Association Professional Guidance Committee; and the Supreme Court of New Jersey. It also draws from one corporate-billing-guideline survey (Bloomberg Law / ACC-Everlaw 2025) and the Texas Attorney General's published Outside Counsel AI Use Policy (last revised July 31, 2025).

Every citation in this document is verified against a fetched URL listed in the citation manifest at `marketing/website/src/content/resource-sources/ai-engagement-letter-fee-billing.json` in the source repository for the website. Where the original primary-source document was not directly fetchable in the build environment (for instance, the `americanbar.org` PDF behind authentication), the document cites a follow-on publication that quoted the primary source verbatim, and the manifest records both the verbatim quote and the URL fetched.

The 30-row OCG-clause crosswalk dataset is a categorical synthesis from publicly published OCG templates (the ACC Sample AI Guidelines for Outside Counsel, June 2025; the Texas Attorney General's Outside Counsel AI Use Policy; Bayer's published billing guidelines), state-bar opinions, and big-firm practitioner commentary. No client-confidential OCG is reproduced. Where a clause category is observed across multiple industries, the dataset names the most commonly observed industries, not an exhaustive list.

The page is reviewed monthly. Every source in the citation manifest is re-fetched on the freshness cadence; deltas open a PR for human review.

## Conflict of interest disclosure

Zusman Partners is a boutique advisory practice serving midsize law firms. The firm earns engagement fees for the diagnostic and adoption-support services described in this document. The firm has no equity in, and receives no commission from, any AI tool vendor named in this document. Vendor names appear because they are commonly deployed at midsize firms, not because of any commercial relationship.

This document is not legal advice. It is a starting-point template; the firm's ethics partner reviews and approves before deployment. State-bar advisory opinions are non-binding guidance; specific matters may require specific legal advice from a licensed practitioner in the relevant jurisdiction.

## Version history

DATE	CHANGE	SOURCE OF CHANGE
2026-05-04	Initial publication.	Manifest as of 2026-05-04.

## Sources

The full citation manifest with verbatim quotes lives at [zusmanpartners.com/api/resources/ai-engagement-letter-fee-billing.json](https://zusmanpartners.com/api/resources/ai-engagement-letter-fee-billing.json).