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Executive summary

AI is reshaping the legal industry, transforming practices, and influencing behaviors of legal technology buyers and vendors alike. However, AI adoption introduces complex risks that require careful consideration. *The Risks of Artificial Intelligence in Law* is devoted exclusively to AI risks in the legal profession, drawing upon the candid insights of 34 legal professionals and legal technologists across 17 jurisdictions and six continents – and the entire legal ecosystem.

Chapter 1 (in Part I) provides the context of this book by outlining the evolution of the legal AI landscape (such as the volatility of the legal technology market) and framing the barriers to AI adoption using the language of risk. It also sets out the scope and methodology of this book, detailing the topic validation process the authors conducted on social media and via an online survey, and the interview process, which includes the selection of the interviewees and the conducting of the interviews.

Part II (Technological risks) includes chapter 2 (Privacy risks), chapter 3 (Intellectual property risks), and chapter 4 (Reliability risks).

Chapter 2 on privacy risks starts by highlighting the centrality of the duty of confidentiality to the legal profession, making it imperative for lawyers and legal teams to pay attention to the evolution of privacy risks in the AI era. In the examination of these privacy risks, this chapter focuses specifically on the secondary use of legal teams' data for the training of AI models and the increasing risk of data breach. It then considers the legal and practical safeguards regarding privacy risks, including how lawyers and legal teams can assess vendors effectively and design systems comprehensively to make privacy a priority at the outset rather than just an afterthought. Ultimately, this chapter demonstrates how, as compared to monitoring or restricting AI use, ensuring AI literacy and awareness of lawyers (at both the individual and team levels) is a far more effective way of handling shadow AI in teams.

Chapter 3 on intellectual property risks focuses on the intellectual property aspects of confidential business information and copyrighted

information, considering both the consequences of the leakage of legal teams' trade secrets, and the intellectual property value of both legal teams' creations used as training data for AI, and the AI output itself. While acknowledging how both trade secret protection and copyright protection suffer from definitional uncertainties in the AI context and how intellectual property protection may never keep up with the development of AI, this chapter explains how lawyers and legal teams can nonetheless take proactive steps to protect their intellectual property, especially in contracts.

Chapter 4, on reliability risks, examines the inherent incompatibility between AI and legal work, which is required to be accurate and high-quality, given that the legal profession is premised on both competence and credibility. It explains how AI hallucinations and quality concerns undermine the reliability of not only AI but also lawyers who adopt the errors and omissions of AI-generated output without verification, and considers how such reliability issues may be avoided at the outset by carefully selecting AI use cases and tools, asking AI better questions, and ensuring careful oversight of AI-generated output – while bearing in mind the enduring nature of (and likely increase in) hallucinations over time.

This book covers not only technological risks but also operational risks (given that a law firm is a business and a corporate legal department is part of a business) and cultural risks (given that AI impacts the legal profession as a whole).

Part III (Operational risks) includes chapter 5 (Investment risks) and chapter 6 (Value risks).

Chapter 5, on investment risks, focuses on the risks associated with the cost-effectiveness of AI adoption and implementation in legal teams. It discusses risks of both using and not using AI. While the opportunity cost of not using AI effectively and missing out on its efficiency gains presents risks to both lawyers and legal teams, AI adoption and use may result in a negative return on the team's investment (both time-wise and money-wise) and affect the bottom line of the team. This chapter highlights the importance of the team first understanding its own workflows to determine where AI can best contribute value, and of adopting a process approach in ensuring aligned adoption of AI and maximizing returns on investment.

Chapter 6, on value risks, examines how AI adoption may reshape, redistribute, or erode the sources of value and therefore the economic foundations of legal services. It acknowledges that, even if some (if not many) law firms have yet to adopt AI, the fact that they could be using AI and that

other law firms are using AI has shaped conversations and assessments about the value law firms can create and capture. As this chapter argues, law firms must focus on productized solutions in a shift away from time as the measure of value, away from the billable hour, and away from the "pyramid model" in order to continue to create and (re)capture value and remain profitable in the AI era (or at least avoid insolvency).

Part IV (Cultural risks) includes chapter 7 (Development risks) and chapter 8 (Obsolescence risks).

Chapter 7, on development risks, highlights the unfortunate erosion of essential skills for lawyering and the decline in the caliber of younger generations of lawyers – both of which are largely due to the traditional ways of both learning and mentorship gradually fading in the AI era. This chapter invites both junior lawyers and legal teams to reconceptualize their engagement with AI so that AI can enhance both learning and mentorship. It argues that AI is a double-edged sword for junior lawyers in their learning journey. If used correctly as a starting point rather than the end point, AI can supercharge it. But if used as a shortcut to learning, AI can silently slow, stall, and even destroy the growth of junior lawyers.

While chapter 6 (on value risks – categorized as an operational risk) focuses on the loss of billable hours (the "harder" aspects of displacement), chapter 8 (on obsolescence risks – categorized as a cultural risk) focuses on the "softer" aspects of displacement. This chapter goes beyond the economic worries ("I'll lose my job" or "I'll lose my firm") to focus on the threat to the lawyer's professional identity ("I'll be replaced"), bearing in mind that the pace of AI's development is calling into question the need for lawyers. This chapter nonetheless examines the more "human" traits of lawyers and lawyering that AI cannot replace (at least for now), specifically strategic judgment and the "personal touch".

Chapter 9 (in Part V) wraps up the book by considering its cross-cutting themes – the relevance of jurisdictional differences, lawyers' and legal teams' engagement with technology as an unfamiliar discipline, and the evolving importance and management of AI risks. In noting the global borderless nature of AI and how AI risks are evolving and increasing in importance, this chapter reminds lawyers and legal teams that they cannot afford to disengage and ignore these risks, and encourages lawyers and legal teams to meaningfully engage with AI (including and especially AI risks).

About the authors

Matthew Seet is the author of a complete three-book trilogy published/forthcoming by Springer Nature (Apress) on the ISO/IEC 27001/27701/42001 trifecta, including *ISO 42001 and Legal Compliance: A Principled Implementation of the AI Management System, ISO 27001 in the Age of AI* and *IoT: Principles, Regulations, and the Information Security Management System, and ISO 27701 in Practice: Align Privacy Standards, Principles, and Legal Requirements Worldwide*. He is also the founder of LAIRisk (https://lairisk.com/), a legal AI risk management edtech company guiding legal professionals and legal technologists in managing AI risks by using the ISO/IEC 27001/27701/42001 framework. Matthew was formerly an international law lecturer at the National University of Singapore where he taught law for seven years, with human rights writings published in international journals like the *Cambridge Law Journal*, *Journal of International Criminal Justice*, and *International Journal of Refugee Law*, cited in the *Financial Times*, and awarded the 2017 Foundation for the Development of International Law in Asia Prize for Young Scholars. He obtained his Master's in International Law from the Graduate Institute of International and Development Studies in Geneva on a Swiss Government Scholarship, and is certified as an AI Governance Professional (IAPP), ISO/IEC 27001/27701/42001 Lead Auditor, ISO 31000 Lead Risk Manager, and Certified Information Privacy Manager (IAPP).

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