Artificial Lawyer's Richard Tromans on Why Not Using AI Will Be Unthinkable

EPISODE TRANSCRIPT

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Daniel Hayter (Axiom): "Hello everyone, welcome back to Axiom Insights. I'm Daniel Hayter, Managing Director for Axiom in Europe. Today we're excited to be speaking with Richard Tromans, the founder and editor of ArtificialLawyer.com, one of the most popular destinations for lawyers and those in the legal field interested in changing the business of law, often through the use of technology, but also through the better deployment of people inside organizations within new business structures and innovation around process improvement.

"In addition to founding Artificial Lawyer, Richard is a market analyst, keynote speaker, conference creator, and consultant. He has more than 25 years of experience in the legal sector and a strong interest in the transformative power of AI. Richard, welcome to Axiom Insights and thank you for joining us today."

Richard Tromans (ArtificialLawyer.com): “Thank you very much for having me, Daniel.”

Daniel Hayter: “You’ve been covering legal AI since before anyone called it that, Richard. Take us back. What did the conversation look like ten years ago, and how does it compare with what you’re hearing today?”

Richard Tromans: “In a funny way, many of the big subjects are no different. ArtificialLawyer launched officially in early summer 2016, but I got interested in the field around 2015. Even in 2016, there were companies like Kira, Luminance, and eBrevia. Some people will know those names, some may not. Even at that point, it was obvious that AI wouldn’t be just another tool. It would change the business of law. It’s not like a document management system—and document management systems have come a long way since then. It’s not a filing cabinet, it’s not email, and it’s not a legal research tool where you’ve digitized a bunch of law books. It’s a technology that actually performs legal work.

“That’s the fundamental aspect of AI. It does the work. It changes the means of production, if you want to use that phrase. Even in 2016, people who were interested in the subject could see that. Some rejected it. They said AI will never be good enough. Others, like myself, said yes, it’s not brilliant, but it will improve. We’re not there yet, but we’re getting there.

“What that triggered back then was this question: If this is going to happen, what happens to training? What happens to junior lawyers? If they have some of that early work taken off them, how do you train lawyers? Even in 2016, you’d go to a conference and a hand would go up: What about training? Then you’d have issues around bias. In some ways that has gone away a little, in part because the training sets are now so gargantuan. In 2016, people worried about very narrow training sets, because they were using natural language processing and machine learning systems, which were very different from generative AI. People were also interested in the economics. Will the shape of law firms change? Will they cease to be so pyramidal? Will the billable hour go away? My God, even in 2016.”

Daniel Hayter: “That topic has been going on for decades, Richard.”

Richard Tromans: "Exactly, because everybody fundamentally knows it's not a great system. But it's rather like democracy: It's not the best system in the world, but it's better than everything else. The problem is that AI actually changes the game. If you have a fixed fee for a piece of work and you're using AI to accelerate to the end of that project, you're in a different ballgame.

"Take a client who comes to a partner with an M&A deal. There's no way one partner can do that deal alone. They could, but it would take months and months to read all the documents and do the due diligence, and they have more important things to do, like negotiating the deal. So they bring in leverage, the associate body. In that world, it's completely fair to charge by the hour, because how else would you charge? Human intellectual labor is unpredictable, complex, and varied. To show you've delivered value, it's sensible to say it took this amount of time.

"The buyer, if it's a sophisticated large buyer, probably has an in-house legal team that came from a large law firm itself. They know exactly what's going on. When they get the bill, they see all the itemized bits and think, yes, based on my experience, that looks like a good job. They're not going to redo the entire project to check it was done right. Otherwise, what's the point of hiring a law firm? You take it on trust. But you look at the bill and check off the items: due diligence, competition check, whatever. Now a significant chunk of that work, and it's growing literally every minute, can be done with AI.

"So this doesn't just change how we might bill, with fixed fees. It changes the entire model of a law firm. It also changes the relationship with clients, who are now thinking, hold on a minute, why are we sending out so much work? The work we send out, we'll still send on the basis that we want to crush risk. We want a reliable, trusted brand. We want someone with insurance behind them and regulators behind them. We still want those things. But once we get into an AI world, a significant amount of work is going to move away from that model."

Daniel Hayter: "There's a lot to unpack there, Richard. So AI is an existential threat to law firms and their model?"

Richard Tromans: "No, no. Well, if you believe the only way a law firm can exist is to use a model that really came into being in the 1970s and '80s … It's worth remembering that the billable hour as we have it today only became extremely popular after World War II, and really took off with the large-scale expansion of Western economies in the '70s and '80s: the growth of large law firms with huge associate bodies, salaried partners, and the whole pyramid. That didn't exist before. If something could come into existence, we can change it again. It's not set in stone.

"For example, you've got what I call new mods, the new model law firms. Other people call them AI-native law firms. There isn't so much a pyramid, and they don't bill by the hour. Their modus operandi is basically: AI exists, so how would we build a law firm today? They start with a plain piece of A4 paper and a biro and say, let's make a law firm. We've got AI. These are the things it can do. We need some lawyers with expertise, we need some clients, we need to make a profit, and there will be costs. They sketch it all out and build a new law firm. And they're proliferating."

Daniel Hayter: "We've seen that with Lawhive and others."

Richard Tromans: "Yes, Lawhive has quite an interesting model, but there are dozens of others now. You've got Crosby in America, Covenant in the UK, Caira. Many work in the transactional corporate area, mostly for startups, but many also work on higher-value matters. Norm, in New York, has hired a bunch of very senior partners from top firms there, and they're doing all kinds of complex work. Covenant works in private equity. One that's just launched in California, called Merrill, will be doing litigation defense work for large corporates, Fortune 500 types. And we're only about a year to 18 months into this trend.

"So I don't see it as an existential threat to law firms. But in the next decade it may be an existential threat to those law firms, or more precisely, parts of those law firms, that are wedded to a business model that is, or becomes, out of date for certain types of work.

"One of the ironies about the billable hour is this: When a Fortune 500 company wants to buy another giant company, or a California tech company wants to do an IPO, it doesn't matter how you denominate the bill. They'll pay it. They come to you because you're an

expert, you carry the risk, you have the reputation and capability, and the market trusts you. You could say, that's five million dollars, and they could write you a check on day one. Or you could spend months on it and send an enormously complex, dense bill that, guess what, comes to five million dollars. They might as well have sent me the bill on day one. We'd be done and dusted. For that kind of work, I don't think it makes any difference. That's one of the paradoxes. People say you'll still need the billable hour for the most complex, sophisticated work. But for that work, the value is very high and the buyers don't much care about the cost. If you're Goldman Sachs, you'll just pay it."

Daniel Hayter: "I think one of the trends we're seeing, leaving the high-value M&A work and the big-ticket litigation to one side, and we see this every day in our business, is that there's a percentage of work GCs are sending out to law firms where they're thinking, my God, if only I had an extra body, or a little bit of expertise in this area, I'd keep it in-house. That varies from company to company. It might be 10%, 20%, whatever the number is. There's a body of work going to law firms that quite frankly isn't law firm work. I think that's the potential existential threat: that 20% or 30% moving back in-house. Technology might help with that. Other lawyers might help, different skill sets might help. But that work is sometimes the bread and butter of those law firms, because not every firm gets to work on a big M&A transaction or big-ticket litigation that helps pay the bills. They rely a lot on work that comes in because people think, we haven't really got the resources to do this in-house, so let's give it to a law firm. I think that whole modus operandi is being challenged."

Richard Tromans: "And they can't access the data, for example. I was on a webinar yesterday talking to the GC of a very large company. She said, 'I get up in the morning and I'm working on a new contract or a new matter, and what I really need to do is read about a thousand previous contracts that relate to it, pull out all the key information, and insert it into this new document. I'll be honest with you, there's no way I'm going to do that. I wouldn't be very good at it even if I had the time. But AI can do it in five minutes. If I sent it to an external law firm, they'd take days, it would cost me an arm and a leg, and I'd still be

sitting here waiting for the answers to come back.' So you're absolutely right. Once in-house teams realize how much work they can do themselves, they will."

Daniel Hayter: "Thinking about your vantage point over the last ten years, from 2016 on, what technology, and specifically what AI, promised the most and delivered the least, and why do you think those particular claims stuck?"

Richard Tromans: "I think the only thing that really didn't work was early attempts to use machine learning and NLP software, which was very algorithmic. It wasn't purely deterministic, but it was much more simplistic than a generative AI system with true language understanding. Some people tried to make chatbots, and understandably some people took the mickey out of them, because a lot of big law firms did this. It was a sort of Q&A system: We're creating a new company, is it compliant with this regulation? You'd type in a bit of information and it would spit out an answer. The problem was that if you deviated even a tiny bit from what it expected, it stopped working. Even punctuation, a spelling error, or an extra space in the chat box could break it. If you remember customer service chatbots from ten years ago, they were absolutely useless, because that was the technology they were using. That's probably the one thing that really did fail.

"Scroll forward to generative AI and, my God, they're incredible. They can still make mistakes if they don't have the right data or don't pick up the right context. But I'd say that was the only thing that failed. The early AI systems were actually quite good at what they were made for, which is document review, and they still are. Kira, which is owned by Litera, is still regarded as one of the best tools around for contract review. It does use some generative AI now, but the core of the software was developed a decade ago and it's still regarded as a very good tool.

"On the generative AI side, one of the greatest issues, and it gets picked up all the time, is hallucination in legal research. I think that's because people don't use research tools properly. I've heard of people getting into a legal research platform, going into the general AI chat box, and trying to do legal research without going down the right avenue and bringing up the correct data, the metadata that comes with those citations. Or people just jump

onto ChatGPT, which I think is really dangerous, because ChatGPT will just try to give you an answer and it will hallucinate. That generally, you hope, won't happen on the main legal platforms."

Daniel Hayter: "That's the problem, isn't it? People will happily jump onto these general-purpose AI platforms versus a legally focused AI platform."

Richard Tromans: "Yes, but we're starting to see an interesting hybrid. OpenAI, Anthropic, Google, and others are now moving into the legal world, and they're saying, hands up, we're never going to be particularly good at legal research. It's not our thing. But we can connect to Thomson Reuters, LexisNexis, Wolters Kluwer, and a whole bunch of other companies, bring that data into our platform and environment, and you can carry on working. And a lot of the tools, like 'help me redraft this contract' or 'here's a playbook, what's different between this contract and that playbook,' are, amazingly, not rocket science any longer. People tried to do this ten years ago with the early form of AI, and it was very difficult. Now you could pick up an NDA, jam it into ChatGPT, throw in your playbook, and say please redraft this, and it would be pretty good. Just like that."

Daniel Hayter: "So let's flip the question. What has legal AI actually delivered on measurably? What's landed the way it was predicted or supposed to? Can you think of some standout examples?"

Richard Tromans: "You name it. Generative AI is fundamentally based on language understanding, the large language model, so it's extraordinarily good at bringing in sources and information and understanding that information. The more context, guidelines, guardrails, and, you might say, orders you give these systems, the better they'll perform. For example, I wrote this morning about what Google is doing with its notebook offering, part of the Gemini Enterprise suite. You can connect 300 different sources to the notebook, and each source can have up to 500,000 words. That's a huge amount, like all of our M&A deals going back several years. You can then constrain what you want to take place via the agentic orders you give the system, and off it goes. It really is beyond expectations. Going back to the general counsel I was speaking to, it will zip through a thousand previous

contracts, understand what's going on, and surface what I'm looking for because it understands what I want. That's two or three days, well, probably a week's work for a small group of lawyers. Anything along those lines is extraordinary."

Daniel Hayter: "I was reading on your website that Artificial Lawyer covered Harvey's $550 million raise at a $15.5 billion valuation. You reported Legora might be chasing a $10 billion round of its own. What do you make of valuations like that?"

Richard Tromans: "In the long run, I don't think it really matters. Obviously it matters to Harvey and Legora and their investors, but in the grand scheme the only thing that matters is that whichever companies are leading and pioneering get enough funding to keep doing what they're doing so they can help change the market. As for the valuations, what is something worth? Why is a Mark Rothko painting worth fifty million?"

Daniel Hayter: "As much as someone is prepared to pay for it, I guess."

Richard Tromans: "Exactly. And investors are betting that because Mark Rothko doesn't exist anymore, the value will go up. They think the same about Harvey and Legora. Not that they're going to disappear, but that they're going to be worth more. They're looking at a one trillion dollar global legal market, plus probably several hundred billion of unmet demand that AI might help unlock and release. I've seen various figures for the legal tech market, and it's very hard to calculate, but suffice it to say it's a tiny fraction of that trillion. AI is only going to improve, and demand for AI-based legal services is only going to increase.

"Even though Harvey and Legora have picked up many, many big law firms and in-house legal teams globally, there's still a huge amount to do. One interesting thing for all of these platforms is what happens once they've gathered huge parts of the Western world. Once you have every major law firm in America, from number one to number 500, and the top two or three hundred … well, actually, that's the thing about the UK. Once you get past the top 80, revenue of British law firms drops to about 20 million or something. They're very small businesses. There are supermarkets that make more in a year than some of the law firms ranked around 100 in the UK. So you will top out with the larger firms and the larger in-

house legal teams. Then there's a vast hinterland of the rest of the planet, and it will be really interesting to see how these companies deal with it.

"Do they just give it up? Do they say, these smaller businesses, smaller law firms, and smaller in-house legal teams are just going to use ChatGPT because it's free and easy, and even if it makes mistakes, they'll go with that, and we wash our hands of it? Or do they go after it? Do they say, the same way Microsoft is used by two or three billion people around the world, we want to be in the hands of every lawyer, whether you're in Mogadishu or Manhattan? Maybe we'll have to vary the prices, maybe make a light version. I think that's the long, long-term play. You can't sustain growth if the only idea is to get to the Am Law 100. You have to keep going."

Daniel Hayter: "So what I'm hearing is that those valuations really are mostly about appetite and momentum rather than the real value that's been delivered. One thing I've seen is that usage and adoption is tough. I constantly hear stories where an organization has enthusiastically rolled this out, but only 20% of the in-house team are using it. So usage and adoption has been a problem."

Richard Tromans: "It's not easy, but in some ways you've answered your own question, because if usage is low today, that's actually good. It means it's only going to grow. Every piece of data I see, and I see a lot of reports every week, is tracking upwards. Slowly, and you're right, there are scenarios where people have bought an all-singing, all-dancing AI system and only 20% of the firm really use it meaningfully. That's not necessarily a bad thing. If all of these companies eventually move to usage-based pricing, which lawyers can't really complain about because that's how they operate, then it's just going to go up and up. In ten years, the idea that anybody in a law firm would not be using AI in some way would just be unthinkable. The same way that—"

Daniel Hayter: "Is this another email moment, do you think?"

Richard Tromans: "Exactly. Completely. Or in-house, or anyone else in the business. Like I say, I don't get too hung up on the valuations. People get excited because it's unusual in the legal tech sector to see numbers like that. But in the long run, the only thing that matters is

that they get the money they need to do what needs to be done, which is to transform the legal sector."

Daniel Hayter: "A GC mentioned to me just this week, at an event we were hosting in Manchester, that AI won't replace lawyers, but lawyers using AI will replace lawyers who don't."

Richard Tromans: "That's an old one. It's done the rounds a few times. Although you could argue the very best lawyers, the Marty Liptons of this world, will probably survive without using AI. They'll be okay."

Daniel Hayter: "But let's be honest, Richard. For every Marty Lipton, there are thousands that aren't."

Richard Tromans: "There are a hundred thousand who aren't. Or even if they're as smart as Marty Lipton, they'll never, unfortunately, get the chance to do what he could do, because they won't end up in a firm that all the biggest companies in the world go to. They'll be working in Swindon. They might have a brain the size of a planet, but if you work in Swindon, you're limited by your client base. But I think AI will become a hygiene factor. The same way I'm talking to you through a laptop, and I'm guessing you've got one too. We don't even think about them. They're just part of life, like a table, a chair, and electricity.

"Once we get to that point, and AI is truly embedded, and accuracy and the dependability of agents go up so that agents can be given long-horizon tasks … That would be something like telling an agent to read any incoming contracts, triage and sort them, run any in a certain category against the playbook, highlight anything in the language that needs to change, and set it all up. Don't actually do it for me, but set it all up. So when I come in at nine in the morning and turn on my computer, or you're on your phone coming in on the train, it's all waiting for you and you can get straight into approval. That goes way beyond the prompt. Rather than working on a contract and asking your AI system, which is connected to all your internal playbooks, whether this clause matches your standard provisions, you're literally just saying, okay, agent, I don't need to deal with this. It's the same way a senior manager in your organization, I'm sure, delegates tasks all the time. You

just think, seriously, you want me to go and make the coffee? I don't have anyone to make coffee for me, but if I could delegate coffee making, I probably would."

Daniel Hayter: "Not as frequently as you think, Richard, I'll tell you that much."

Daniel Hayter: "I want to go back and challenge something you said earlier, that usage may increase because only 20% or 30% of a firm are using it. Take the opposing view, which I know Richard Susskind talks about: The quality of what AI can do is improving exponentially. If you were a law firm of 100 lawyers and only 30% are using it, do you really need 100 lawyers going down the road? In five or ten years' time, isn't that really a 30-person firm with AI or AGI? Do you really need that many lawyers to undertake that much work?"

Richard Tromans: "That makes total sense, but I think there's more to it. First, there's the Jevons paradox, a well-aired idea: If you make the use of something more efficient, you get more of that thing. You don't use it up. So there will be more legal work. A 100-person law firm in the UK that makes, let's say, 50 million pounds a year could now make 70. With the same number of lawyers, they can bring in way more work. As long as their business development machine keeps working, they'll make more money with the same number of people. Yes, they'll pay token costs and AI licenses, but eventually that will be marginal compared with the profit gains."

Daniel Hayter: "Some would say the trajectory of the technology is such that they probably wouldn't even need 100 lawyers. They could still make increased profits with fewer people."

Richard Tromans: "If that was possible. But if I had a business with 100 people that made 50 million, and someone said keep 50 people and you'll soon make 100 million, I'd go for the 100 million. The way law firms are structured, with a small group of equity partners at the top, the more the productive layer scales, the more profit you make. Say that 50 million pound law firm has 20 equity partners. Keeping the same relative cost base, you're now doing twice the amount of work, and those 20 partners are making at least twice, if not more, because profits scale higher. Yes, a firm of 100 could say, let's stay at 50 million in

revenue and start cutting away the associates, and you can boost profits that way. You could rationalize it that way. But I think it's also fair to say AI is not increasing exponentially. It's going up very gradually, in little steps of two or three percent in accuracy and reliability. For many tasks, it's already about as good as it needs to be. Summarization, for example. It wouldn't matter if in ten years we have quantum-computing-driven super AI systems so mind-bogglingly amazing we couldn't imagine them. Today it's good enough. If you've got the right metadata and the right RAG systems and the right channels, and your data is organized professionally and curated well, legal research is already extremely good. We don't need to go that much higher.

"It's not so much that AI needs to become incredibly better. I think it does for agentic work to become more reliable, but that's a slightly different issue. For me, the fundamental issue, and I've been banging on about this for ten years because I used to work as a management consultant advising managing partners on their business structures, is this: Can you change your business model to take advantage of the AI? If you're a plaintiff law firm in the US, it's no-win-no-fee. You only make money if you win. All the work you do leading up to the case is basically a sunk cost. If you can use AI to zip through that, reach the conclusion of the case, get the money, pay off the claimant, and keep the rest for yourself, your profit margins go up. If you're a new model law firm that works with startups, doing all of their founding documents on a fixed fee, and because you've worked with lots of similar companies you have all the templates and know all the things that might happen, you can zip through it and make more money. They have the right business structure.

"And look at Axiom. Axiom is a very interesting model. You provide lawyers to businesses that need that extra resource, that extra capability, at a time of pressure. Maybe someone is on maternity leave, maybe the business is growing rapidly, maybe it's a law firm entering a period of rapid expansion, or there's a huge surge in M&A, or whatever it is. It gives them flexibility. It's going to be very interesting to see how AI helps or hinders Axiom's business model. You might say AI is neutral. It's like embodied efficiency. The question is, does your

business model support the use of efficiency, or does becoming efficient start to work against it?"

Daniel Hayter: "One of the things we've included with our talent now is tech. We have a whole Tech+Talent offering where we've equipped lawyers with AI solutions. When they're on secondment, whether part time, full time, or ad hoc, they have access to Legora or Harvey or Draftpilot. That's very much part of the Tech+Talent package we put in front of in-house departments, who are very interested because some of them don't have those platforms. They want to see how they work. They want to see the efficiency of someone on secondment with an AI solution. Can they get through that work, to your point, in a fraction of the time they would otherwise? We've seen a huge uptick in both interest and engagement for lawyers who have that AI component with them on their laptops."

Richard Tromans: "I totally agree. In about two or three years, the idea that you'd hire anybody, from anywhere to anywhere, who didn't feel familiar using these tools … Why would you? You'd have to spend a week explaining it to them. You just wouldn't do it."

Daniel Hayter: "Exactly. And just to bring the conversation back full circle, because I know you've been tracking the new model framework, as it's referred to, they're built differently from the ground up, rather than bolting AI onto a big law firm structure with profit per equity partner and the pyramid and everything else that goes with that. How do you see that playing out over the next few years? Do you see it substantially changing the law firm landscape?"

Richard Tromans: "I think it will grow. I met up the other day for breakfast with a former head of innovation for a global law firm. They asked me whether I thought big firms should build their own new mods inside, in the same way that, remember, Allen & Overy created its own little version of Axiom. Many have since. It's a great idea, a great business model. Will they do the same? I think it's slightly different for them, because adding a flexible resource is one thing. Adding a business within a business that is effectively contradictory to everything the other business does, you'd have to be a very brave and ambitious management team to do that. How they balance it and keep control of it will be very

interesting. My gut instinct is that the new mods today, which are quite small and focused, will grow and grow and grow. They'll proliferate. In four or five years there'll be dozens and dozens. There already are dozens. I think there are about 30 or 40 already, which is extraordinary. In another five years there'll be hundreds."

Daniel Hayter: "But the same could be said for law firms creating their own alternative legal services providers, which you could argue are also a little contrary to their model."

Richard Tromans: "Yes, but their heart was never in it. That's the fundamental thing. There were a couple who genuinely did want to do it, because they were doing that kind of high-volume work anyway and it was part of their culture. But I don't think the hearts of many of the big firms that built those process divisions were really in it. I think they did it because they thought they had to, and that's never a good reason."

Daniel Hayter: "Isn't it a bit of a Trojan horse as well, a way to get the law firm itself in front of some of these in-house teams?"

Richard Tromans: "Yes, it's marketing. We're in a very strange phase right now. Some of the largest, wealthiest law firms in the world are telling everybody they're embracing AI, they love it, they love it, they love it. Then you talk to the clients and they say, yes, nothing has changed. The bills are actually bigger, the work comes back at the same speed. Yes, it's fantastic work, I love this firm, they do brilliant work. But has anything actually changed on our side? Pretty much nothing that we can spot. It's very strange. Look at the new mods, or the plaintiff firms, or some of the more innovative in-house teams, and they really are structurally changing now. Or if they've changed already, they're off to the races.

"Coming back to your point, in about a decade, once the new mods have grown, I think some of them will coalesce. Each new mod is almost like a practice group. They probably don't know this yet, but almost unconsciously, they're like slices of a big law firm, just looking for each other. Eventually we'll meet at a party and get together. They'll grow and they'll get investment. That's the other thing we haven't talked about: New mods are structured in a way that lets them take external investment."

Daniel Hayter: “We’ve seen a rise in private equity interest in funding, so it’s interesting how that model’s changing.”

Richard Tromans: “That is a really interesting one, isn’t it? Over the years, people have said to me, it’s amazing law firms in the UK can take private equity money. Well, show me a law firm in the UK, until very recently, that has taken external funding and changed the way it works.”

Daniel Hayter: “From your vantage point, what’s the actual limiting factor? Is it the technology, the business model, regulation, how firms are structured, or something else entirely?”

Richard Tromans: “Business model. Purely. The regulation is fine. It doesn’t really matter. I mentioned the other day that the big AI bosses are talking about, my God, we’ve got to be careful with AI and regulate it. What do lawyers do with AI? They read contracts with it. They’re not creating weapons of mass destruction. So on regulation, I’m not too worried, not for legal tech. The technology is getting better every year, adoption is increasing, use is increasing. That’s onwards and upwards. The fundamental issue is the business model. It just keeps coming back to that. If you sell time, if you sell expertise, and the buyer no longer sees that expertise as special and says it’s actually a commodity, then you’re up the creek.

“If there’s going to be a bifurcation, this is how I see it. The top firms that really are selling expertise will probably be able to double, triple, quadruple their prices, and their very sophisticated, well-funded, high-revenue buyers will say, that’s fine. We’re doing a massive M&A deal, a billion-dollar deal. We want the legal work done right, we want a brand behind it that we can trust, that’s your price, fine. I’ll write a check today over lunch, as I mentioned earlier. You don’t need to send us the billable hour thing. Forget that, it’s a waste of time. Take the money now, stick it in the bank, start earning some interest from it.”

Daniel Hayter: “Take the money now.”

Richard Tromans: “But where a firm comes to the client and says, we’re amazing, you should pay us whatever we want, the client may say, you know what, for the last couple of

years we've been playing around with AI, using these tools, working with some new mods. We do value some of the things you do. Definitely. We're not going to denigrate you. Some of what you do really is super valuable. But the other things you're pitching us, you either need to find a better way of offering them to us, or we're not going to use you for those things anymore. I don't think we're there yet. There's a bit of dancing around, a funny dance going on, and I think some in-house legal teams are scared to make too much of an ultimatum in case the law firms they work with call their bluff. If a GC says, you must do this, you must lower your prices, you must use AI, and the law firm turns around and says, well, then you don't use us anymore, and the next time there's a big case against you, we'll be on the other side. They won't say that, obviously, because they're far too nice. But it would be implied.

"Part of that is generational and cultural. In a decade, some of the junior lawyers who are moving into in-house roles will go up the tree and become deputies, and for some of the medium-sized businesses, perhaps make it to GC. Their sense of where value is and what's possible, their buying decisions, will be radically different. And there will be a new generation of CEOs, CFOs, shareholders, and board members. Their understanding and expectations of what an AI-supported business can do will change as well. Today the CFO comes down and says, can you use AI, and at least show that you're trying to contain your costs, but really legal spend is exactly the same as it was last year. It's probably a little higher. I think in ten years that really will change."

Daniel Hayter: "We hosted a couple of legal leaders breakfasts this week, and one of the themes that came out of them was how GCs are asking their external law firms about their use of AI. It's not that they say you must. They go to them and say, listen, we've got your bill. Tell me how you came to this. How was AI involved in this work? Did you use AI?"

Richard Tromans: "From next Tuesday, to pick a random date, any law firm that's not using AI to produce its work would just be strange. And equally, any in-house legal team that's not using AI on its side. You'd ask, why aren't you?"

Daniel Hayter: "What was interesting from their responses was the number of law firms that struggled to actually answer the question."

Richard Tromans: "Because the partners probably didn't know. But the truth is that AI is everywhere now. A junior associate is asked a question, they're using Harvey or Legora, and maybe that takes them into LexisNexis or Thomson Reuters, or they're using another system. The idea that legal practice at a modern commercial law firm can happen without some type of AI, even if you're not conscious of it being involved, is just not realistic. And I think some GCs aren't quite sure what they're asking."

Daniel Hayter: "Interesting. And on that note, because I know we're coming up on time, for a general counsel tuning in right now, what's the one thing you think they should stop doing, stop believing, or start doing about legal AI? What would be your advice?"

Richard Tromans: "Triage, triage, triage, the three Ts. Think about what you do within your own organization. Can it be done better? Can AI be used? If it can be used, you should be using it, because it's simply a win-win. What can no longer be sent out and can be kept in without you having to struggle? Can you expand the amount of work you do without increasing permanent overhead? When you look at your outside counsel, what truly is expert, valuable, high-risk advice, where their brand, their name, and their knowledge really, truly make a difference, where you'd be happy to pay pretty much whatever they want? And what about everything else? How are you unbundling and grading that work? Some of the larger in-house teams do that already, and some do it really well. But I'd say you're almost going to have to do it again. Go back to your panels and elect a new group of law firms. Go back to the way you've unbundled work and rethink it. Have some serious conversations with the law firms and say, we're rethinking our entire panel structure and the way we think about it, because we used to think about it in terms of all these time-based, pyramidal law firms. There are so many different options now, so many different ways for us to work and to produce work. We're going to have to start on a new basis and rethink, and then also think about how we're going to use Axiom and other ALSPs, all these different components.

“It’s complicated, and I can understand why some GCs say, hold on a minute, I was hired to protect this company and reduce risk. That was my job. That’s why I went to law school. I was not put in charge of the in-house legal team of this billion-pound company to run a gigantic change management program. It’s not even in my job description. So I don’t blame them for saying, you know what, I’m just going to keep going. The question is, how long can that position remain?”

Daniel Hayter: “I completely agree. One of the ways people need to think about this, and you’ve touched on it, is people, process, technology. They need to think about their people, then their processes and how they’re doing things and in what order, and then the technology. Sometimes people get that around the wrong way and ask, what do we buy, Legora or Harvey? No, stop. That’s not the first question you should be asking. The question is what people we’ve got doing what jobs, what our processes are, what we want to streamline, and what’s open to being done by AI versus a lawyer. Then think about the technology and the solution. Some people have got that completely the wrong way around.”

Richard Tromans: “One of the problems is that you don’t know what you can do with AI until you bring it in at scale and let everyone have a go. There’s an interesting debate around that, but I’m generally of the school of thought that you bring it in, experiment, and learn what it can do. It’s quite hard to tell from a few demos, or from a couple of people in your innovation team or legal ops team playing around with certain tools. I think you’ve got to let everyone have a go and almost feel their way through. Then you can start to make decisions. You might say, we do want to use AI, but this particular tool isn’t the one for us, or we’re going to need five or ten or seventeen different tools to do what we want. If AI changes the game, you’re going to have to learn the new game. You can’t go from the old game to the new game just like that, because there’s no rulebook.”

Daniel Hayter: “Richard, thanks so much for taking the time to join us on Axiom Insights and share your views and advice with our listeners today.”

Richard Tromans: “Pleasure. It’s going to be an exciting time.”

Daniel Hayter: "It certainly is. And for our listeners, if you're navigating the complexity of legal AI and how it's changing the business of law, and you want to know how best to structure and deploy your in-house team in this new era, along with best practices for legal technology innovation and process improvement, I'd strongly encourage you to check out Richard's work at ArtificialLawyer.com. Don't forget to check the show notes for links to resources and contact information related to today's show. Stay tuned to Axiom Insights for more conversations on the topics that matter most to in-house legal teams. I'm Daniel Hayter, and I hope you have a great rest of your day. Thank you very much."

Richard Tromans: "Thank you."

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