

# How Soon Before AI Kills the Billable Hour?

By Carolyn Elefant | May 3, 2023

2 Earlier this week, stock prices for Chegg, which provides study materials and outlines for high school and college students, plunged by almost 48 percent reports CNBC. The culprit? ChatGPT which has cut into much of Chegg's business in just five months.

4 Chegg's recent losses are yet another reminder of just how quickly ChatGPT can shake up industries. Law is no different. By now, you've probably seen stories like this NYT piece  
6 describing how AI may displace lower level associates or handle routine tasks ordinarily assigned to attorneys.

8 But perhaps the biggest disruption that AI promises is the end of the billable hour.

After all, how can it possibly be sustainable?

10 When a tool like Casetext Co-Counsel can summarize the fifty cases cited in an opposing brief  
12 in 10 minutes rather than the ten hours it might have taken an attorney, how do you bill for that?

14 When a lawyer can push a button to generate discovery requests that respond to a complaint that an associate supplements with two hours of review, rather than the two days the project might have taken, how do you bill for that?

16 And if in-house counsel can use AI-powered tools, how much use will they continue to have for large outside firms?

18 Consumer clients will soon grow savvy too. They'll be able to figure out that all those hours charged for depo prep in a family law case could have been accomplished in an hour with AI.  
20 Or that the canned, Chat-GPT generated email didn't take an hour to draft.

22 Flat fees charge for the deliverable, not the process and so they're less vulnerable than the billable hour in an AI-age.

24 The wheels of justice may grind slow, but technology moves at lightening speed. AI may not toll the end of lawyers, but it just may make the billable hour obsolete. That would be progress.

## Commentary

Line 24 : *[AI] just may make the billable hour obsolete. That would be progress.*

Why should this be “progress”?

The journalist sounds **critical of billing hours**. One may wonder why.

**Definition** of billable hours = the lawyer bills by the hour, it is an hourly rate. Clients are billed on an hourly basis for the length time a lawyer spends on a case.

--→ The longer a case goes on, the more money the law firm makes with an hourly billing model. And that might lead lawyers to make the case run as long as possible rather than seeking efficiency and results.

---→ Hourly billing has become an instrument to measure a lawyer’s performance not in terms of results or value but in terms of financial efficiency/targets. The success of a lawyer becomes determined by their billable hours rather than their skills, experience or innovation.

The more billable hours, the better for the law firm. The reputation of the law firm is reflected in its volume of billable hours.

**SOLUTION = Fixed fee billing / flat rates**

- a growing trend

--→ Clients know what the cost of their legal representation will be and can make informed decisions.

The focus is more on value / on the interests of the clients rather than on billable hours.

**PROBLEM:** Hard to estimate the length of time for a case to be solved. Firms can be put at a disadvantage if the case takes much longer than what was expected. Clients can also feel that they have been short-changed if the case is solved in no time.