

# **Effective Relationships Between In-House Counsel and Outside Counsel: Expectations, Best Practices and Tips**

## **I. INTRODUCTION**

### **Program Objectives**

This program addresses the essential expectations between in-house and outside counsel and provides a framework for building effective, transparent, and strategic legal partnerships.

### **Why Effective Communication Matters**

- Reduces legal exposure and improves outcomes
- Ensures alignment with business goals and risk tolerance
- Supports accurate budgeting and cost predictability
- Strengthens privilege, confidentiality, and ethical compliance
- Enhances efficiency through responsible technology use

## **II. ROLES & RESPONSIBILITIES**

### **A. In-House Counsel Responsibilities**

- **Strategic Alignment:** Translate business objectives into legal priorities and risk parameters.
- **Internal Coordination:** Facilitate access to facts, documents, and stakeholders.
- **Budget & Vendor Oversight:** Maintain accountability for costs, guidelines, and performance metrics.
- **Technology Governance:** Establish expectations for AI usage, privacy, and data security.

### **B. Outside Counsel Responsibilities**

- **Legal Expertise:** Deliver accurate, high-quality legal work, including validated AI-assisted outputs.
- **Strategic Advice:** Provide recommendations grounded in business realities.
- **Resource Management:** Staff matters appropriately and work efficiently.
- **Technology Transparency:** Disclose the use of AI tools consistent with client guidelines and ethical obligations.

## **C. Shared Responsibilities**

- Uphold professional and ethical standards
- Ensure timely and clear communication
- Avoid surprises—strategic, procedural, or financial
- Establish mutual agreement on permissible AI practices

## **III. COMMUNICATION STANDARDS**

### **A. Frequency and Method**

- Define preferred modes of communication (email, phone, Teams, etc.)
- Establish update intervals (weekly, bi-weekly, milestone-based)
- Identify escalation procedures and backup contacts

### **B. Transparency and Predictability**

- Immediate reporting of significant developments
- Early warning of budget issues or anticipated overages
- Advance notice for staffing changes or timeline adjustments

## **C. Quality of Information**

- Clear, concise, and decision-focused updates
- Outside counsel should confirm facts rather than rely on assumptions
- In-house counsel must provide timely and complete information

## **IV. BUDGETING, BILLING & FINANCIAL MANAGEMENT**

### **A. Budget Expectations**

- Detailed initial budget with assumptions and cost drivers
- Triggers for re-forecasting (expanded discovery, expert needs, change in case posture)
- Agreement on alternative fee arrangements where appropriate

## **B. Billing Guidelines**

- Requirements for timekeeper approvals
- Restrictions on administrative or excessive research billing
- Documentation standards for time entries

## **C. AI and Billing Transparency**

- Outside counsel must disclose when AI tools are used
- AI-assisted work should be billed appropriately, reflecting efficiency gains
- Both parties must agree on approved tools and required human review
- In-house counsel may request:
  - Identification of which AI tools were used
  - Explanation of validation steps
  - Assurance that confidential data was handled correctly

# **V. MANAGING MATTERS EFFECTIVELY**

## **A. Litigation Strategy**

- Early Case Assessments with clear risk analysis
- Presentation of strategic options with business-aligned recommendations

- Appropriate use of AI in analytics, document review, and drafting—with human verification

## **B. Discovery Management**

- Defined roles for preservation, collection, and production
- Transparency regarding use of AI-assisted review tools
- Quality-control procedures to ensure accuracy, privilege protection, and bias mitigation

## **C. Transactional Matters**

- AI-supported contract review, summarization, and clause comparison
- Alignment with in-house counsel on approved platforms and security requirements
- Human oversight for risk evaluations and final work product

## **D. Settlement and Negotiation**

- Clear communication of authority limits
- Use of predictive analytics only as one factor among broader legal judgment

- Prompt and thorough post-mediation reporting

## **VI. PRIVILEGE, CONFIDENTIALITY & ETHICS**

### **A. Protecting Privilege in the Age of AI**

- Do not input sensitive facts or privileged content into non-enterprise or non-approved AI tools
- Confirm AI vendor data policies (training, retention, encryption)
- Privilege markings and controlled distribution lists remain essential

### **B. Confidentiality Requirements**

- Adherence to corporate cybersecurity standards
- Use of encrypted channels for sensitive communications
- Limited access to confidential materials on a need-to-know basis

### **C. Ethical Compliance**

- Model Rule 1.1: Lawyers must understand technology used in representation
- Model Rule 1.6: Safeguards for client confidentiality
- Model Rule 5.3: Responsibility for AI as a “nonlawyer assistant”
- Mandatory human review of all AI-generated output

## **VII. RELATIONSHIP MANAGEMENT & PROFESSIONALISM**

### **A. Expectations for In-House Counsel**

- Provide clear authority levels and timely approvals
- Offer business context to support legal strategy
- Communicate AI governance expectations and security requirements

### **B. Expectations for Outside Counsel**

- Demonstrate ownership of the matter and proactive thinking

- Ensure clarity around staffing plans and cost impacts
- Provide value-added insights beyond task execution, including updates on legal trends and regulatory developments

### **C. Responsible Use of Technology**

- Ensure AI use enhances—not replaces—professional judgment
- Maintain diversity, fairness, and accountability in tech-assisted processes
- Commit to continual evaluation of AI tools for accuracy and safety

### **D. Feedback and Evaluation**

- Regular debriefs and matter-end reviews
- Constructive feedback to improve communication and workflow
- Evaluation of AI usage for efficiency, accuracy, and compliance

## **VIII. TECHNOLOGY & AI IN LEGAL PRACTICE**

## **A. Approved Tools and Platforms**

- Enterprise-level AI applications with strong data privacy safeguards
- Secure e-discovery, contract analysis, and workflow systems
- Compliance with corporate technology policy

## **B. Appropriate Uses of AI**

- Drafting of preliminary documents, subject to attorney review
- Summarization of large datasets
- Legal research assistance (with citation verification)
- Predictive analytics used as supplementary tools

## **C. Risk Mitigation Measures**

- Validation of AI outputs against primary sources
- Avoidance of confidential data input into non-approved tools
- Documentation of AI usage where required by the client
- Consistent monitoring for accuracy, fairness, and practical reliability

## **IX. PRACTICAL SCENARIOS**

### **Scenario 1: AI-Generated Research Error**

How counsel should verify accuracy and communicate corrections.

### **Scenario 2: Contract Review Using Unapproved AI Platform**

Discussion of privilege risks, data exposure, and corrective actions.

### **Scenario 3: AI-Driven Settlement Analytics**

Balancing technological data with human judgment.

### **Scenario 4: Business Unit Submits AI-Produced Factual Summary**

Ensuring facts are independently validated before use.

## **X. CHECKLISTS FOR COUNSEL**

### **In-House Counsel Checklist**

- Clear communication of goals and risk tolerance
- Defined AI usage standards and approved tools
- Timely sharing of documents and internal information
- Budget, authority, and timeline parameters communicated upfront

### **Outside Counsel Checklist**

- Disclosure and validation of AI usage
- Consistent compliance with client policies and billing guidelines
- Clear strategic recommendations, not just issue spotting
- Timely updates and “no surprises” communication

### **Mutual Checklist**

- No strategic surprises
- No budget surprises
- No AI usage surprises
- Regular alignment on expectations

## **XI. CONCLUSION**

Strong communication between in-house and outside counsel is essential to effective representation, predictable outcomes, fiscal responsibility, and ethical compliance. AI offers powerful opportunities to increase efficiency, but its use must remain transparent, responsible, and anchored in professional judgment. Establishing clear expectations from the outset—regarding communication, technology, and strategy—ensures a productive and collaborative attorney-client relationship.