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Value, Not Time – AI and Lawyers' Fees

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When AI turns hours into minutes, it challenges not only lawyers' traditional hourly billing model, but also the partnership model, the role of associates, and competition in the legal services market.

AI does not change the requirement that lawyers' fees must be reasonable. What the technology does, however, is break the link between time and value – with far-reaching consequences for the business logic that has long underpinned the legal profession.

Reasonable fees in the AI era – what do the rules say?

The Swedish Bar Association's Code of Conduct provides that "the fee charged by a lawyer shall be reasonable". In assessing what constitutes a reasonable fee for an engagement, account may be taken of what has been agreed with the client, the scope, nature, complexity and importance of the engagement, as well as the lawyer's skill, the result of the work and other such circumstances.

Time is therefore only one factor among several and, according to the commentary to the rule, should be based on an estimate of what the engagement "would normally have required", rather than on precise timekeeping. The commentary also states, among other things, that "the benefit to the client", "the particular responsibility entrusted to the lawyer" and "the lawyer's specialist knowledge" are relevant considerations.

At the same time, the case law of the Swedish Bar Association's Disciplinary Committee often attaches considerable weight to the time actually spent. The rule points towards value; practice has often leaned towards time.

Hourly billing is requested by clients and remains the prevailing form of remuneration. This is due in no small part to the fact that courts, insurance companies and the Legal Aid Authority treat time spent as the central parameter. Fixed or value-based fees do occur, particularly in commercial law, but without challenging the dominance of hourly billing.

It is precisely this tension – long latent in the business logic of the legal market – that AI is now exposing with a clarity that is becoming increasingly difficult to ignore. Clients have long paid for legal services as though taking a taxi, when in reality their value is closer to architecture: the decisive achievement lies in the result, not in the time spent. The model has nevertheless survived because hourly billing has been perceived as giving the client control over costs.

But when an experienced lawyer, supported by AI, can accomplish in one hour what previously took eight – and often do it better – *the question becomes unavoidable: what is the client actually paying for?*

Publicly regulated lawyers' fees and AI – the unexplored issue

In legal aid, legal expenses insurance and remuneration under the statutory hourly rate, lawyers' fees are ultimately determined through public regulation, insurance terms or judicial assessment – and the central parameter is time. In practice, the system assumes that legal value is measured by the number of hours worked.

This creates a regulatory conflict between a time-based remuneration system and a technology that breaks the link between time and the value created by legal work. Should remuneration really be reduced simply because the work has been completed more quickly?

The answer is probably no – but the consequences are clear. A lawyer who, with the assistance of AI, completes a task in one hour instead of eight cannot simply charge for eight hours. At the same time, however, the system has no mechanism for rewarding efficiency when the value of the work remains unchanged. The result is that the efficiency gain is converted into a loss of revenue for the lawyer – a system that, in practice, penalises efficiency and rational use of AI in the areas of legal aid and legal expenses insurance. This is particularly problematic given the longstanding and compelling arguments that remuneration levels under the legal aid system and the statutory hourly rate are already inadequate.

Despite the significant practical and principled consequences, the issue of lawyers' fees has so far received remarkably little analysis in Sweden – whether in case law, guidance from the Swedish National Courts Administration, or the Swedish Bar Association's discussions on professional ethics. The Bar Association has adopted both general advice on the use of AI (June 2024) and more comprehensive guidance on the use of generative AI in legal practice (June 2025), but neither addresses the question of how time saved through AI should affect lawyers' fees.

Could this, in fact, be one of the most overlooked yet systemically important issues that the development of AI presents to the legal profession?

That the question is no longer hypothetical is illustrated by the American Bar Association's Formal Opinion 512 (2024), which expressly addresses AI-assisted billing as an ethical issue. AI-generated work must not be billed in a manner that gives a misleading impression of the work performed. The Opinion also makes clear that efficiencies achieved through AI must not be used in a way that results in an unreasonable or disproportionate fee in relation to the work actually carried out.

At European level, the CCBE (Council of Bars and Law Societies of Europe) adopted general guidelines on lawyers' use of AI as early as 2022 and, in October 2025, adopted an updated "CCBE guide on the use of generative AI by lawyers", addressing the benefits and risks of AI in legal practice and in relation to professional ethics. However, the document does not address lawyers' fees – nor do the Swedish Bar Association's own guidelines from 2024 and 2025.

The Board of the Swedish Bar Association has, however, recently – on 10 June 2026 – endorsed the establishment of a working group on commercial law issues. Among other matters, the group is to clarify whether value-based pricing is compatible with the Bar Association's Code of Conduct. This is an important beginning – but the broader systemic issue remains: how can value-based pricing gain ground when courts, insurance companies and the Legal Aid Authority still assess reasonableness primarily by reference to the number of hours worked?

Sooner or later, courts, insurers and the Swedish Bar Association will therefore have to address a question that has so far been possible to avoid: *what actually constitutes a reasonable fee when the value of legal work is no longer proportional to the time spent?*

From an hourly-billing culture to alternative fee models

The hourly model has long been the model preferred by clients, while at the same time giving lawyers a clear way of justifying their fees. Particularly in international commercial matters, hourly billing is still perceived as providing control, transparency and predictability.

AI is, however, placing the model under increasing pressure. When sophisticated legal work can be performed significantly faster, traditional time recording becomes more difficult to justify. Moreover, an engagement no longer necessarily starts with a blank sheet of paper – the client may already have produced drafts and analyses using its own AI tools. The lawyer's role is therefore shifting from production towards review, strategic assessment and risk analysis.

This shift is likely to accelerate the transition towards alternative fee models. Fixed fees, subscription models and outcome-based remuneration are not new phenomena in the legal profession, but they have generally been complements rather than genuine alternatives to hourly billing. There are good reasons to reconsider that approach. Such alternatives already fall within the framework of the professional principle that fees must be reasonable – a principle that, in theory, remains entirely workable in an AI-driven legal environment.

At the same time, AI creates an interesting paradox. If hourly billing survives, the development of AI may contribute to higher hourly rates for the most experienced lawyers, even though the actual time spent on each matter declines. As billable time increasingly consists of sophisticated judgement rather than document production, the value per hour rises. In more standardised matters, by contrast, costs should come under downward pressure.

There is therefore much to suggest that the legal market will become increasingly polarised: lower prices for standardised services and upward pressure on prices for sophisticated advice, where experience and judgement are precisely what cannot be automated.

The remuneration model affects the entire business logic of the legal profession. The traditional pyramid model depends on large volumes of billable hours being produced by junior lawyers at the bottom of the hierarchy. When AI reduces the need for such work, it affects not only lawyers' fees but also the training model, staffing structures and the route to partnership.

AI and associates

One of the most important long-term questions concerns not the technology itself, but what the development of AI will do to the next generation of lawyers – and what responsibility this places on law firms.

Junior lawyers have traditionally developed their professional judgement through precisely the practical legal work that AI is now beginning to transform: legal research, document review and repetitive analysis. With AI assistance, these tasks can be performed more quickly. This creates efficiency gains, but also a new kind of vulnerability.

If parts of the legal craft are automated while junior lawyers are involved in more complex matters at an earlier stage of their careers, there is a risk of gaps in competence, incorrect advice, professional liability exposure and claims for damages against the firm.

Anyone using AI must be capable of determining whether the output is correct, legally sound and actually answers the question posed – but that requires professional judgement developed over years of practical work.

For law firms, this creates a concrete responsibility: to reconsider how associates are trained and supervised. Legal expertise will increasingly need to be combined with technological understanding and the ability to critically scrutinise AI-generated material. At the same time, younger lawyers must develop the independence and judgement that will later be required when they assume responsibility for advising clients in their own right.

The picture is not, however, entirely negative for younger lawyers. With AI support, they can work on more demanding tasks earlier in their careers than was possible only a few years ago. But this presupposes a law firm culture in which supervision, review and quality assurance are self-evident elements of legal practice.

So far there is little evidence that AI is generally reducing the need for associates. What is changing is not the need for younger lawyers, but the path into the profession. At the same time, a new professional role is emerging at the intersection of law and technology – *the legal engineer* – responsible for developing and quality-assuring AI-supported workflows, a role that is now taking shape both within law firms and among clients.

The most successful firms are likely to be those that manage to combine advanced use of AI with strong internal training and clear control structures. The real risk is not that lawyers will be replaced by AI, but that the profession will invest more rapidly in technology than in people – thereby weakening the professional judgement on which legal advice ultimately depends.

The billable-hour culture and female partners

AI's impact on the legal profession may also have implications for one of the profession's most conspicuous imbalances: the low proportion of female partners. If AI reduces dependence on the billable-hour culture, it may also facilitate the path to partnership.

In Sweden, the proportion of female partners is lower than in most other countries, despite the fact that women have for many years accounted for approximately 60–65 per cent of both law graduates and newly recruited associates at law firms. When firms lose women, they lose both expertise and the investment made in training those associates.

The problem lies in a system that rewards constant production of billable hours and high availability, while absence from work may adversely affect career progression.

AI will not solve the gender equality issue. But as AI drives the development of alternative fee models, the grip of the billable-hour culture on career paths may weaken, and the production of hours may become less decisive for the route to partnership. That would be entirely consistent with the Bar Association's longstanding principle that fees must be reasonable.

New competition from outside the profession?

This is not the first time that the legal profession has faced an existential competitive threat from outside.

In 1999 there was palpable concern. The accounting firms – the Big Five of the time – were building their own legal departments under the banner of *multidisciplinary practices (MDPs)*. They had the resources, the global networks, the established client relationships and the capital. The question was whether law firms would simply be overrun.

They were not.

The Swedish Bar Association's professional rules proved to be an effective barrier. The accounting firms' own independence rules imposed further limitations. Then came the Enron and WorldCom crises, and confidence in the accounting profession collapsed. The threat to the lawyers' market quickly disappeared.

This time, however, the threat is of a different nature. And professional rules alone will not be enough as a barrier.

AI companies are not seeking admission to the Swedish Bar Association. They are not circumventing the rules. They operate outside them – and price their services accordingly. Venture capital seeks scalability and returns, not membership of the legal profession. What in 1999 could be stopped at the boundary created by professional regulation can today simply go around it.

This time, therefore, defending the boundaries will not be enough. The profession must also demonstrate why lawyers are still needed.

With AI support, experienced sole practitioners and smaller firms can handle complex matters that previously required larger teams and substantial junior staffing. AI is therefore not only changing conditions within the large firms – it is shifting the competitive balance of the market.

A more tangible change in the Swedish legal landscape occurred in August 2025, when approximately 130 former members of the Swedish Bar Association left the Association and joined AGRD Partners. They came from around ten firms and were led by Vinge's former managing partner, Maria-Pia Hope. Behind the venture was the Danish private equity firm Axcel. The argument was straightforward: external capital provides the resources required to invest in AI, technology expertise and professional boards.

Lawyer Johan Lundberg put the issue starkly in *Affärsvärlden* in October 2025:

"The question is not whether the new model will take over. The question is how quickly it will do so."

But there are strong opposing voices. Richard Åkerman, Chairman of Hannes Snellman, is unequivocal:

"Allowing external ownership of law firms is almost as bad an idea as privatising the Supreme Court."

Åkerman reminds us what lawyers' independence actually means: *protection against the exercise of state power, against oligarchs and against media campaigns. Lawyers, he writes, should not "tiptoe around either power or Mammon"*.

That is a powerful argument. But the most far-reaching change may come from an entirely different direction. Jan Dernestam, who led Mannheimer Swartling as managing partner for fifteen years, looked ahead in an interview with *Dagens Juridik* on 4 May 2026:

"We are currently customers of Legora, but I believe that before too long they will enter the advisory market and start competing with lawyers. They could just as well have that structure themselves."

If the AI companies that currently supply technology to law firms eventually begin offering legal advice themselves, this will change not only law firms' business models but also the competitive landscape for legal services. Technology companies are financially strong and already have access to vast quantities of legal information, advanced AI models and a cost structure that law firms find difficult to match.

A natural next step is vertical integration: AI companies may not be content to remain technology suppliers, but may recruit experienced lawyers or acquire firms in order to integrate the quality assurance and legal judgement that AI companies are not yet capable of providing independently.

Responsibility cannot be automated

As AI tools become integrated into legal work, examples of AI hallucinations are also increasing. US courts have already responded firmly. Federal judges have imposed sanctions on responsible partners when associates submitted AI-generated pleadings containing fictitious case citations. The courts did not accept the argument that the error rested with the lawyers who had used the AI tool. Responsibility remained with the firms and the partners in charge.

Similar problems have attracted attention in Sweden. Swedish courts have criticised lawyers who cited Supreme Court decisions that never existed, while also questioning how such conduct relates to professional ethics and the requirement that lawyers' fees be reasonable.

AI can accelerate the work, but responsibility remains.

Responsibility, not hours

The paradox is that the answer to the legal profession's most pressing pricing question has always been present in its own rules of professional ethics. The Swedish Bar Association's reasonableness rule remains entirely viable in an AI-driven legal practice. The rule has never measured fees in hours, but in value, skill and results. AI has not changed that principle. It has exposed how rarely the profession has actually applied it to its full extent.

This creates a dual challenge for lawyers. Internally, the profession must reconsider what it charges for and why, and explain more clearly to clients what they are actually paying for. Externally, it must defend its position in a market where both today's providers of legal AI assistants and venture-capital-backed legal services firms may tomorrow be competing for advisory mandates.

What distinguishes a lawyer from other providers of legal services is not the title itself, but the core values underpinning the lawyer's professional role – independence, confidentiality, the duty of loyalty and disciplinary supervision. But a regulatory framework provides no protection to a client who does not know that it exists – or does not understand its value.

The Swedish Bar Association's most important communications task is to make that distinction understandable, relevant and worth paying for. It is not an easy task. But it is a necessary one.

Neither AI companies nor legal services firms without members of the Bar are subject to the same regulatory framework. A client who instructs a lawyer has access to a disciplinary system, statutory safeguards and an adviser bearing personal professional responsibility.

AI creates the opportunity for a more commercially rational and fundamentally fairer approach to pricing: the lawyer is no longer rewarded for working for a long time, but for creating value. At the same time, value is considerably more abstract and more difficult to measure than time. The weaker the link between time spent and fees becomes, the greater the scope for disagreement – and ultimately disputes – concerning efficiency, client benefit and what actually constitutes a reasonable fee.

The question is not whether the meter should be switched off.

The question is *in what circumstances it can still be justified*.

The answer is that it can – but in more limited circumstances than today. In genuinely sophisticated advice, in complex matters involving very substantial values and where better metrics simply do not exist, hourly billing can still be justified. Not because time and value coincide, but because we do not yet have generally accepted alternative measures for work that cannot be standardised.

More standardised elements of legal work, on the other hand, lend themselves to fixed fees and value-based models. It is this distinction – rather than the general abolition of hourly billing – that the legal profession now needs to articulate.

The best lawyers have never sold hours. They have sold responsibility, judgement and trust. That is also what AI is now making visible.

Håkan Fohlin
Advokat

Håkan Fohlin is an internationally oriented senior lawyer specialising in corporate law, venture capital and commercial contracts. Website: www.fohlinlaw.com