LEGAL BILLING GUIDELINES IN THE AGE OF AI

A Practical Guide
for Modern Legal Teams

SUMMARY

This document provides practical guidance for legal teams on creating or updating their outside counsel billing guidelines, specifically addressing the influence of Artificial Intelligence.

It explores how AI is changing legal spend management through enhanced data analysis capabilities and how it's impacting the delivery of legal services by outside counsel. The guide discusses developing guidelines that foster collaboration, efficiency, and value.

We've also included a sample set of billing guidelines in the appendix that incorporates these concepts, offering concrete examples for topics like matter management, invoice detail, alternative fee arrangements, and specific clauses addressing the use of AI tools by law firms.

Download a Word version of the sample billing guidelines here:

https://www.poppylegal.com/s/Sample-Outside-Counsel-Billing-Guidelines.docx

ABOUT POPPY

Poppy Legal provides AI-powered legal spend management software built for modern in-house legal teams, from solo GCs to departments of 50+ lawyers. Recognizing that many teams lack easy-to-use, affordable tools, Poppy was designed to bring powerful spend intelligence within reach.

Poppy uses AI to automatically capture and organize detailed spending data from invoices, requiring minimal setup. It analyzes spend patterns, helps teams manage outside counsel more strategically, provides analytics for budgeting and planning, and acts as an AI assistant to review invoice line items. The goal is to give legal teams the data and insights they need—affordably and efficiently—to control costs and operate more effectively.

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I. Introduction

AI tools are impacting how in-house teams operate, how outside counsel operates, and, in both cases, how organizational leaders perceive the practice of law and its cost.

For many business leaders, the value of AI comes simply in the form of efficiency. And so today's legal teams are facing mounting pressure to use AI and other modern tools to control costs and operate with greater efficiency than ever before.

This guide is intended to provide guidance for creating or updating billing guidelines broadly, but also specifically by taking the impact of AI into consideration.

Broadly speaking, this guide considers AI's impact on billing guidelines in two primary ways.

First, AI offers an opportunity to understand and analyze spending data in ways not previously available.

- AI's integration into business operations has opened new possibilities for thinking about spend management and analysis. AI-powered spend management systems can now analyze invoice data at scale, identify patterns that would not be apparent to human reviewers, automate routine compliance checks, and provide actionable insights for strategic decision making.

Second, given AI's impact on the practice of law, billing guidelines need to contemplate outside counsel's use (or non-use) of AI and its impact on the delivery of legal services.

- Similarly, AI has (and will continue to) change the nature of law practice, decreasing by orders of magnitude the time it might take outside counsel to put together an initial draft of a document or analyze large volumes of case law and contracts. Tasks that once required days of associate time can now be completed in hours or even minutes, fundamentally changing the value proposition of certain legal services.

This guide will discuss the process of creating or updating legal billing guidelines that harness the power of AI while preserving the human expertise and relationships essential to the delivery of effective legal services. Whether you're starting from scratch or refreshing existing guidelines, you'll find practice advice for developing a framework that aligns with today's technological capabilities while addressing the evolving needs of modern legal teams.

II. Why Billing Guidelines Matter (in the AI Era)

We do not see billing guidelines as a means to lay down draconian rules on outside counsel. While there is certainly an opportunity to express reasonable guardrails around billing practices, we also see billing guidelines as an opportunity to create frameworks for a collaborative working relationship with outside counsel, leveraging data collection, analysis and continuous improvement.

Modern guidelines should recognize that the goal isn't just compliance but the creation of shared understanding about value, efficiency, and strategic alignment.

The Challenge for Modern Legal Teams

Modern legal teams face a unique set of challenges that well-crafted billing guidelines can help address. As a "cost center," legal teams often have pressure to do more with less. And we believe that the development of AI will only increase that pressure, as executive teams come to expect streamlined operations with the use of AI tools.

In addition, there are increasing expectations that legal operate with the same data-driven efficiency as other business functions. CEOs and CFOs want more predictable, leaner legal budgets. Business partners expect faster, more transparent legal services. And the legal team itself is often stretched thin, with limited bandwidth for administrative tasks like detailed invoice review.

Well-designed billing guidelines can help address these challenges by establishing clear expectations, creating frameworks for data collection and analysis, and leveraging technology to automate routine tasks—freeing the legal team to focus on strategic work.

What You Can Achieve with a Modern Billing Guidelines

When developed thoughtfully, and implemented in a collaborative way, modern billing guidelines can offer a variety of benefits for legal teams, including:

- Reducing unnecessary expenses while maintaining or improving work product quality;
- Improved budget forecasting and early identification of potential overspend;
- Enhanced collaboration and communication with outside counsel;
- Increased focus on strategic, value-add activities rather than invoice review and compliance checks; and
- Access to spending insights based on structured data collection that can lead to a continuously-improving approach to delivery of legal services.

Of course, simply writing up and emailing out billing guidelines to outside counsel won't get you all of this. Guidelines will need to be drafted and rolled out in a collaborative way, and you'll need a means to collect and review data, as well as a tool that will help you ensure compliance with your billing guidelines in an automated way. A modern e-billing or legal spend management tool can help ensure you get the most from implementing billing guidelines.

III. Key Considerations for Modern Billing Guidelines

When creating or updating your billing guidelines, you'll want to think carefully about how they best match your legal team's size, structure and philosophy. In this section, we'll discuss some key considerations across various categories that you'll want to likely cover in your billing guidelines.

Matter Setup and Budgeting

Modern guidelines should establish clear expectations for the initiation of new matters and, if applicable for your team, budgeting processes.

The rigor around your new matter setup process will likely vary depending on the nature of the matter itself and how your team tends to operate. Regardless, we recommend having a standard, though flexible, approach to initiating new matters. This could be as simple as requiring email approval with a few key details, or could involve a more in-depth process that requires specification of expected deliverables, milestones and detailed budgets.

Here are some high-level areas you should consider covering regarding matter initiation and budgeting:

- **Basic Matter Information**: This would include things like matter names and description, matter type (litigation, contract review, privacy, etc.), priority level, and timelines.
- **Budgeting**: Requirements for budgeting depending on the complexity of the matter anywhere from high-level estimate to detailed, task-based budgets, as well as process for budget reviews and updates.
- **Staffing Plans**: Consider requiring approval for specific timekeepers and their rates, expected staffing ratios, and identification of any required expertise or experience.
- **Communication Framework**: Discussion of kickoff meeting expectations, status reporting cadence, escalation path, and communication expectations.
- **Documentation Requirements**: Requirements for a formal engagement letter, internal approval processes, or signed rate agreements or alternative fee arrangements.

In determining what makes sense for your legal team, you should consider not only which requirements would align with your team's size, structure and philosophy, but also what will be sustainable and realistic for your team to maintain.

We recommend keeping in mind that a simpler, less comprehensive process that's regularly followed is better than a fully comprehensive process that's often ignored.

Staffing and Delegation

Few things impact the cost and quality of legal work more than how matters are staffed. While many billing guidelines focus solely on restrictions around staffing (no first-year associates, maximum of two attorneys at meetings, etc.), strategic staffing requires a more thoughtful approach that balances efficiency, expertise, and value.

Here's how we recommend thinking about matter staffing strategically:

- **Match Staffing to Matter Complexity**: Effective guidelines should encourage thoughtful matching of resources to matter needs.
  - For routine matters, consider requiring lean staffing models with primary ownership by a mid-level attorney with limited partner oversight.
  - For complex matters, consider requesting detailed staffing plans that demonstrate a strategic approach to work allocation.
  - For specialized matters, acknowledge the value of true subject matter experts, even at premium rates.
- **Experience Matters**: In addition to legal subject-matter expertise, experience across various other areas impacts the cost of legal services.
  - Institutional knowledge about your company and its legal needs can impact cost. Consider encouraging continuity of staffing and requiring no-cost transitions when new attorneys join a matter team.
  - Matter-specific knowledge can increase efficiency. Consider encouraging firms to propose staffing that leverages attorneys who have worked on similar matters.
  - For industry-specific matters, industry knowledge can significantly impact the speed and quality of work. Consider requiring information around team members' relevant industry experience, when applicable.
- **Collaborative Staffing**: Rather than dictating precise staffing rules, which may not be optimal for the variety of matters your team encounters, consider a collaborative approach.
  - Pre-matter staffing proposals with explicit agreement around the rationale for staffing decisions can help set a baseline.
  - Regular staffing reviews, particularly for longer matters, can help ensure your law firm's staffing continues to optimally meet the needs of the matter.
  - Opportunities for performance feedback can both help adjust matters that are in-flight and help improve performance for future matters.

By incorporating aspects of this strategic framework into your billing guidelines rather than just rigid rules, you can guide outside counsel toward optimal staffing while maintaining the flexibility needed to address the unique requirements of each matter.

Invoice Data and Narratives

The quality of the narratives and detail of information included in your legal invoices are key for two reasons. First, your team needs to be able to completely and thoughtfully review the invoice that's in front of them. And second, but perhaps a little less obvious, broader analysis around law firm performance and comparison requires accurate and structured data.

Your guidelines should establish clear expectations for the information that must be included in an invoice, how work is categorized, and how work is described.

Establishing Narrative Standards

Effective billing narratives should tell a coherent and detailed story about the work performed. This isn't new information for your outside counsel but given that many clients won't hold them to high standards for billing narratives, it is important to reinforce the need and provide specific direction.

We suggest not only requiring that billing narrative provide "sufficient detail," but also provide concrete expectations. For example:

- An inadequate narrative would be "Research legal issue."
- A better version might be "Research liability standards for product defect claims in Kentucky."
- An even better version would be "Research Kentucky case law on strict liability standards for manufacturing defects in medical devices."

In addition to detail of narratives, context, consistency and audience awareness all can matter and should be discussed in your guidelines. Context means that, when appropriate, the narrative should include the "why" behind the activity. Consistency means that narratives across time should use similar terms to allow for data comparison within an invoice and across invoices. And audience awareness means that outside counsel should use plain language and recognize that the audience for some invoices may not be in-house attorneys, and may be business teams like HR, Finance or the Exec team, who do not have legal training.

Invoice Data Structure

Strategically managing outside counsel spend requires thinking beyond individual invoices and ensuring there is robust collection of consistent data across invoices.

We recommend ensuring your billing guidelines make clear the types of information that you expect to be included in each invoice. Some standards and items you might consider requiring:

- Consistent formats for matter references, timekeeper information, and other structured fields to enable inter- and intra-matter analysis.
- Standardized information about each timekeeper, including title, rate, and other areas that may support analysis.
- Consistent matter attribution, including references to business units (if applicable), matter types and other classification information that may help with your analysis.
- Clarity and transparency around agreed rates, discounts applied, and any special billing arrangements.

By establishing clear standards for invoice data and narratives, your billing guidelines will help ensure your invoices are not simply payment documents, but also strategic assets that help you drive decision-making and continuous improvement for your legal team.

Billing Rates and Alternative Fee Arrangements (AFAs)

We advocate an approach to billing rates and AFAs that prioritizes aligning legal fees with the value received by your team as well as promoting predictability and cost-effectiveness.

To ensure these goals are achieved, your billing guidelines should require your outside counsel to set clear expectations, be transparent, and provide notice of meaningful changes. Your guidelines should also disclose how you will strategically review matters in order to seek mutually-beneficial AFAs, and include examples of how you may approach evaluating such opportunities.

Billing Rates

Although you may consider seeking more strict guidance, as a baseline, we recommend three areas to cover in your billing guidelines regarding rates:

- **Transparency**: Require that all timekeeper rates be disclosed up front, along with each timekeeper's seniority, practice area, and/or region.
- **Clear Expectations**: Require that outside counsel provide as early notice as possible around any anticipated changes, to avoid surprises.
- **Process for Increases**: Establish a clear process for approval from your legal team before law firms may increase billing rates.

Common requirements that achieve these goals include requiring: agreement at the start of a matter on timekeepers and their rates; restrictions on changing timekeepers' rates during an ongoing matter; keeping rate changes to no more than annually; and providing a minimum notice period before new rates may go into effect.

Alternative Fee Arrangements

AFAs can be a powerful tool to align the value of legal services with their cost, as well as strategically save money for your organization.

We recommend being transparent in your legal billing guidelines with the types of AFAs that you would like to ideally adopt with outside counsel, when the circumstances of a matter make sense for them to be used.

Your billing guidelines should discuss the various AFAs that you'd like to consider using and potential circumstances of when they may make sense to use. As a reference, here's a short overview of potential AFAs and some example circumstances of when to consider using them:

- **Fixed fee arrangement**: Ideal for clearly defined, routine, or predictable projects where scope and effort are well understood from the start.
    - Examples: Standardized contracts, routine regulatory filings, or clearly-scoped litigation stages.
- **Capped fees with hourly billing**: Useful when project scope is relatively defined but has moderate uncertainty. The hourly cap provides budget certainty while maintaining flexibility.
    - Examples: Complex contract negotiations or litigation where tasks are predictable, but certain aspects may be variable or escalate.
- **Success-based or performance incentives**: Best suited for matters where outcomes significantly impact business goals, motivating counsel to achieve specific results or efficiencies.
    - Examples: Litigation, dispute resolution, or regulatory approval processes where achieving favorable outcomes directly benefits the organization.
- **Blended rates (across teams or matters)**: Helpful when teams with varied seniority handle similar or related types of matters, simplifying billing and improving cost predictability.
    - Examples: High-volume matters, like large-scale litigation document review or ongoing regulatory compliance involving diverse legal team compositions.
- **Retainer models**: Ideal when you have continuous legal needs that can be reasonably anticipated in scope and frequency, allowing you to secure a predictable cost structure.
    - Examples: General legal advice, routine contract reviews, trademark portfolio management, or day-to-day employment-related advice.

By structuring your billing guidelines around clear expectations and actionable strategies, you'll enable your legal team to manage costs proactively, enhance transparency, and build strong partnerships with outside counsel.

<u>Expense Management</u>

While hourly rates and staffing decisions typically drive a greater portion of legal spend, expenses can add up over time and can create areas of conflict when guardrails and guidance aren't in place.

Clear Guidance for Common Expenses

Your guidelines should address common expense categories with sufficient specificity to guide behavior, while maintaining reasonable flexibility for outside counsel to operate without unnecessary burden.

Consider including guidance on the following categories:

- **Research Services**: Specify whether and how firms can bill for online research services such as Westlaw or LexisNexis. Some options include barring being charged for such services, charging the services at cost with no markup, charging based on usage, or implementing a flat monthly allowance.
- **Travel Expenses**: Establish clear parameters for travel; often aligning with your organization's corporate policies is a reasonable place to start. Address airfare class, hotel rate ranges, meal allowances, and when travel requires pre-approval. Also ensure you address whether travel time is fully-, partially- or non-billable.
- **Copying and Printing**: Many teams require that routine copying and printing be treated as overhead included in hourly rates. If you do allow these charges, consider requiring volume discounts, caps, or flat allowances rather than tracking individual copies.
- **Court Costs and Filing Fees**: These expenses typically pass through at cost, but your guidelines should address documentation requirements and whether advanced approval is needed for significant fees.
- **Extraordinary Expenses**: For larger technology tools, like e-discovery platforms, or bigger subcontracted engagements, like experts or consultants, consider requiring certain processes around selection and approvals, rather than necessarily defining rules up front.

Approval and Documentation Requirements

An appropriate overall control for expenses is pre-approval and documentation. We recommend taking a tiered approach that requires pre-approval above certain levels of expenses. Depending on how specific your team is inclined to be, these tiers may vary depending on the expense category.

Depending on the type of expense or amount, you may want to require detailed receipts or documentation.

By defining allowable expenses, setting pre-approval requirements, and emphasizing transparency, you can help ensure your team strategically manages expenses, increases cost predictability, and minimizes billing conflicts.

Billing Processes and Invoice Submission

Streamlined billing processes are important for timely payment and accurate spend tracking over time.

While we cover guidance on invoice content in the "Invoice Data and Narratives" section, above, we'll dig into billing processes and timing in this section.

Invoice Timing

There are a few dimensions to invoice timing that you'll want to address in your billing guidelines. First, you'll want to address submission frequency. The most common approach is to require that outside counsel submit invoices on a monthly basis. Second, consider setting expectations around how soon after a billing period must an invoice be submitted. For instance, you may require that an invoice be submitted within 30 days of the billing period, or you may prohibit billing for work performed more than 90 days prior to the billing period.

Your rules should balance the administrative burden on outside counsel, your own finance team's need to understand and process payments, and a realistic ability to discuss the details of billed line items, which becomes hazier as time elapses.

Submission and Review

We recommend providing information around the invoice submission process for outside counsel (e.g., where to upload and send invoices), as well as disclosure on your internal process for review.

If you use a legal spend management or e-billing tool, consider providing information on the tool you use and your internal process.

Clear guidance on billing intake and transparency around your process can improve predictability and minimize disputes.

<u>Compliance and Enforcement</u>

For billing guidelines to be effective, there must be clear consequences for non-compliance, balanced with reasonable flexibility. Modern guidelines should establish processes for addressing violations but also consider including incentives for adherence.

Your billing guidelines should include a clear statement of how guidelines will be enforced, including whether and how automated compliance checking will be employed. Transparency about enforcement mechanisms helps firms understand the important of compliance.

You might consider leaving open the availability of graduated consequences depending on the type of violations or whether violations have been repeated, despite warnings.

No guidelines can anticipate every situation, so establish a clear path for firms to request exceptions when unique circumstances warrant.

Lastly, compliance does not need to all be negative. Consider how you'll communicate both concerns and positive feedback about your outside counsel's billing practices over time.

IV. AI-Specific Considerations for Billing Guidelines

The rapid advancement and adoption of artificial intelligence is creating opportunities for legal spend management, as well as new challenges that both in-house teams and outside counsel need to consider. Your guidelines should directly address how AI intersects with certain aspects of your outside counsel relationships and billing practices.

Law Firm Use of AI Tools

As law firms adopt various AI technologies, your billing guidelines should establish clear expectations about when and how these tools should be used, as well as how their usage should be reflected in your outside counsel's bills.

Disclosure

We recommend that you require outside counsel to disclose which AI tools it is using and for what purposes. This transparency will help you understand how work is being performed and assess whether appropriate tools are being employed.

Disclosure should include specific work product that has been created with significant AI assistance. And, ideally, should include quality control processes for AI-generated content.

Over time, this disclosure should give you a sense of when firms are beneficially-leveraging AI, and when they're not. This should give you the information you need to provide feedback around either quality or efficiency.

Appropriate Use Standards

Consider including guidance on circumstances around when AI should typically be leveraged, such as with doc review or due diligence support, contract analysis or drafting assistance, legal research augmentation or routine admin tasks. Though emphasize that AI-generated work product must undergo meaningful attorney review, with ultimate responsibility and accountability for accuracy, ethics, and quality remain with attorneys, not AI.

Your guidelines should also make clear that it is your outside counsel's responsibility to ensure the AI tools they use are compliant with data privacy and confidentiality standards, so that attorney-client or other relevant privileges are not waived.

Using AI for Invoice Review and Compliance

AI is changing the landscape of invoice review by automating guidelines enforcement, increasing accuracy, and delivering insights at scale. Consider the following aspects when integrating AI into your approach to legal spend management:

Enhanced Review Capabilities

AI is capable of reviewing every line item against your guidelines, catching issues that manual reviews might miss. These reviews are completed with speed and consistency that allows your guidelines to be applied in a standardized way. Advanced systems are also capable of identifying unusual or common billing patterns across matters and firms, providing opportunities to identify more subtle trends than you might reasonably expect to uncover with manual review.

Strategic Insights

Beyond simple guideline compliance, AI-powered legal spend management tools should also provide previously-inaccessible insights as a result of access to your spending history and data. Such insights might include performance benchmarking, predictive or forecasting analysis, and data-driven performance evaluation.

These insights should allow legal teams to strategically manage outside counsel while providing clearer visibility into both current and future spend.

V. Developing and Rolling Out Billing Guidelines

Effective billing guidelines are not merely documents; they are frameworks for collaboration and efficiency. Successful implementation requires more than just drafting; it demands thoughtful rollout and engagement with outside counsel.

- **Collaborative Drafting:** While internal goals drive the guidelines, involve key outside counsel partners in the *process* if feasible, or at least clearly communicate the *philosophy* behind them. This fosters buy-in and addresses practical concerns upfront.
- **Clear Communication:** Announce the guidelines well in advance of the effective date. Have informational conversations and provide clear contact points for questions. Explain the "why" – the goals of efficiency, predictability, and value alignment.
- **Phased Rollout (Optional):** Consider rolling out guidelines to a pilot group of firms or for specific matter types initially to refine the process based on feedback.
- **Technology Integration:** Ensure your internal team and outside counsel understand how guidelines will be implemented and monitored, especially if using a legal spend management tool. Provide necessary training or resources.
- **Feedback Mechanism:** Establish a process for ongoing feedback and periodic review of the guidelines to ensure they remain relevant and effective.

Measuring Success and ROI

Implementing robust billing guidelines, particularly when supported by technology, yields measurable results and a clear return on investment. Success isn't just about cost reduction; it's about optimizing value and efficiency.

- **Cost Savings & Predictability:** Track reductions in non-compliant billing, identify savings through AFAs, and achieve more accurate budget forecasting. Automated compliance checks significantly reduce manual review time.
- **Efficiency Gains:** Monitor invoice processing times and the reduction in administrative burden on the legal team, freeing them for strategic work. Assess improvements in communication and collaboration with outside counsel.
- **Data-Driven Insights:** Leverage the structured data collected through compliant invoicing. Use analytics (potentially AI-powered) to benchmark firm performance, identify spending trends, and inform strategic sourcing decisions. This continuous improvement loop is key to long-term ROI.
- **Qualitative Value:** Note improvements in the quality of billing narratives, adherence to staffing plans, and overall relationship health with outside counsel.

VI. Conclusion

In the age of AI, legal billing guidelines are evolving from simple rulebooks into strategic tools for managing legal spend and optimizing partnerships. By establishing clear expectations around matter management, staffing, invoicing, expenses, and the use of technology like AI, legal teams can drive efficiency, predictability, and value.

Developing guidelines collaboratively, rolling them out thoughtfully, and consistently measuring their impact are crucial steps. Leveraging modern legal spend management solutions amplifies these benefits by automating compliance, providing powerful analytics, and enabling data-driven decisions. Ultimately, well-implemented, modern billing guidelines empower legal teams to operate more effectively, control costs strategically, and demonstrate clear value to the organization.

This resource was created by Poppy Legal, the AI-powered legal spend management software designed for modern legal teams. To learn how Poppy Legal can help transform your approach to outside counsel management, visit www.poppylegal.com.

These sample Outside Counsel Billing Guidelines were created by Poppy Legal. This document is intended as a starting point and should be customized to reflect your company's specific requirements, policies, and philosophy. Review each section carefully and replace bracketed text with your organization's details.

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Sample Outside Counsel Billing Guidelines

I. Introduction and Philosophy

These Billing Guidelines ("Guidelines") outline the expectations and procedures for billing for legal services rendered to [Company Name]. We view these Guidelines as a foundation for a collaborative and efficient working relationship with our outside counsel partners. Our objective is to ensure transparency, predictability, and value in the delivery of legal services, leveraging modern practices and technologies where appropriate. Adherence to these Guidelines is required unless a specific exception is granted in writing by [Name/Title, e.g., the General Counsel or designated Legal Operations contact].

[Company Name] reserves the right to modify these Guidelines periodically. Notice of significant modifications will be provided to outside counsel via [Method, e.g., email] at least [Notice Period, e.g., 30 days] prior to the effective date of the changes.

II. Matter Management

- **Matter Initiation:** For each new matter, outside counsel must obtain engagement confirmation from the supervising [Company Name] attorney. This confirmation will include, at minimum, a defined matter scope, matter type, key contacts, and anticipated timelines. For matters anticipated to exceed [Dollar Threshold, e.g., $25,000], a more detailed scope, including key deliverables and milestones, may be required.

- **Budgeting:** Counsel must provide a budget estimate upon request. Depending on matter complexity and anticipated fees, this may range from a high-level estimate to a detailed, phase-based or task-based budget. Budgets must be reviewed [Frequency, e.g., quarterly or upon reaching 75% of budget] and updated promptly with approval from the supervising [Company Name] attorney if material changes are anticipated.

- **Staffing Plans:** Proposed staffing, including timekeepers and their applicable rates, requires approval at the outset of the matter. Significant changes to the staffing plan or timekeeper rates during a matter require pre-approval. Staffing should align expertise and seniority with matter complexity and requirements. We encourage continuity and request no-charge transition time if staffing changes are unavoidable.

- **Communication:** Counsel is expected to maintain regular communication regarding matter status as agreed with the supervising [Company Name] attorney. Please adhere to the agreed-upon reporting cadence and escalation path.

III. Invoice Content and Format

- **Narrative Detail:** Each time entry must contain a detailed narrative describing the specific task performed, enabling meaningful review. Vague descriptions (e.g., “Legal research,” “Analysis,” “Meeting”) are insufficient. Narratives should provide context where appropriate and use consistent terminology. Example: Instead of “Drafted motion,” use “Drafted motion to dismiss based on lack of personal jurisdiction.”

  - **Block Billing Prohibited:** Each time entry must represent a single task or activity. Grouping multiple distinct tasks into a single time entry (“block billing”) is prohibited.

  - **Basic Legal Research:** Time spent researching fundamental or basic principles of law generally applicable within the relevant jurisdiction is typically not compensable, as this knowledge is expected as part of the counsel’s expertise. Research on novel issues specific to the matter is acceptable.

  - **Administrative Tasks:** Tasks that are clerical or administrative in nature should be performed by appropriate administrative staff or paralegals. Time spent by attorneys performing purely administrative or clerical tasks (e.g., photocopying, document organization, scheduling, preparing routine transmittal letters) is [Policy Option 1: generally not compensable / Policy Option 2: compensable only at a pre-approved paralegal or administrative rates]. Please ensure tasks are delegated to the most appropriate and cost-effective resource level.

- **Data Structure:** Invoices must adhere to [Company Name]'s required format, typically PDF or LEDES. Each invoice must include:

  - Correct Matter Name and [Company Name] Matter ID.
  - Timekeeper Name, Title/Level, and approved Rate.
  - Clear itemization of Fees and Expenses.
  - Applicable UTBMS codes (if required).
  - [Any other required structured fields, e.g., Business Unit codes].

- **Rates:** Agreed-upon rates must be reflected accurately. Any discounts or special billing arrangements must be clearly itemized.

IV. Billing Rates and Alternative Fee Arrangements (AFAs)

- **Rate Approval:** All timekeeper rates must be agreed upon in writing at the start of an engagement or matter. Requests for rate increases are permitted no more than annually and require [Notice Period, e.g., 90 days] advance written notice and explicit approval from [Name/Title] before taking effect.

- **Alternative Fee Arrangements (AFAs):** [Company Name] encourages the use of AFAs where appropriate to enhance predictability and align cost with value. We are open to discussing various structures, including:

  - Fixed Fees (for predictable scopes).
  - Capped Fees (where scope has moderate uncertainty).
  - Success/Performance Incentives (for outcome-critical matters).
  - Blended Rates (to simplify billing for certain matter types).
  - Retainers (for ongoing, predictable needs).

Please proactively identify opportunities for AFAs with the supervising [Company Name] attorney.

V. Expense Management

- **General Policy:** Expenses must be reasonable, necessary, and directly related to the provision of legal services for the specific matter. Expenses will be reimbursed at actual cost with no markup, unless otherwise agreed in writing. Detailed receipts are required for any single expense exceeding [Dollar Threshold, e.g., $75].
- **Specific Expense Types:**
  - *Travel:* Travel requires pre-approval if estimated to exceed [Dollar Threshold, e.g., $1,000]. All travel must adhere to [Company Name]'s Corporate Travel & Expense Policy [Link to Policy or state key limits, e.g., coach airfare, standard room rates]. Travel time is [Billable/Non-Billable/Partially Billable - specify conditions, e.g., billable at 50% of standard rate].
  - *Research Services:* Charges for online legal research (e.g., Westlaw, LexisNexis) are [Policy, e.g., generally not reimbursable / reimbursable at cost / subject to a flat monthly fee per matter of $[Amount]].
  - *Copying/Printing:* Internal copying and printing are considered overhead and generally not reimbursable. External vendor costs require justification.
  - *Court Fees/Filings:* Reimbursable at cost.
  - *Third-Party Vendors:* Engagement of significant third-party vendors (e.g., experts, e-discovery providers, contract attorneys) requires pre-approval from the supervising [Company Name] attorney.
- **Pre-Approval:** Pre-approval from the supervising [Company Name] attorney is required for any single expense exceeding [Dollar Threshold, e.g., $500] or for specific categories as noted above.

VI. Billing Process and Compliance

- **Invoice Submission:** Invoices must be submitted electronically via [Email or E-billing System Name] on a monthly basis, typically within [Number, e.g., 15-30] days of the end of the month in which services were rendered. Invoices submitted more than [Number, e.g., 90] days after the service period may be rejected or adjusted.
- **Compliance Review:** Invoices will be reviewed for compliance with these Guidelines. [Company Name] utilizes [mention tool/process, e.g., its e-billing system, potentially leveraging automated checks including AI-powered review] to facilitate this process. Non-compliant charges may be adjusted or rejected.
  - **Maximum Hours Per Day:** Time billed by any single timekeeper should not exceed [Number, e.g., 10] hours in a single calendar day without prior written

approval from the supervising [Company Name] attorney. Justification will be required for exceptions.

  - **Internal Communications:** Time spent on internal firm communications (e.g., intra-office conferencing, discussions between attorneys) should be billed judiciously and only when necessary for the progression of the matter. Routine internal administrative communications are generally not compensable. Justification may be requested for significant internal communication time.

  - **Multiple Timekeepers in Meetings/Calls:** Billing for multiple timekeepers attending the same meeting or call (internal or external) requires justification based on the distinct contribution and necessity of each attendee. Prior approval may be required for meetings/calls involving more than [Number, e.g., 2-3] timekeepers from the firm.

- **Addressing Non-Compliance:** Issues identified during review will be communicated to the billing contact at your firm. Repeated non-compliance may affect the relationship. Exceptions to these Guidelines require advance written approval from [Name/Title].

VII. Use of Artificial Intelligence (AI)

[Company Name] encourages the appropriate use of artificial intelligence tools where such use can enhance efficiency, reduce costs, or improve the quality of legal services, consistent with the obligations outlined below. We view the thoughtful application of technology, including AI, as beneficial to our collaborative relationship.

- **Disclosure:** Outside counsel must disclose the use of generative AI tools for substantive legal work performed on [Company Name] matters, specifying the tool used and the task performed (e.g., “Used [AI Tool Name] to generate initial draft of discovery responses”).

- **Attorney Oversight:** While AI may be used for efficiency, all AI-generated work product must be carefully reviewed, verified, and supervised by qualified attorneys. Counsel retains full responsibility for the accuracy, ethical implications, and quality of all work product submitted.

- **Confidentiality & Data Security:** Counsel is responsible for ensuring that any use of AI tools complies with all applicable confidentiality, data privacy, and security obligations, safeguarding [Company Name]'s information and preserving privilege. Billing related to AI tools (e.g., subscription costs) should be discussed in advance and is subject to the Expense Management policy.

VIII. Contact Information

For questions regarding these Guidelines or specific billing inquiries, please contact [Name/Title/Department, e.g., Legal Operations Manager or Accounts Payable].