THE POST-AGI LAW FIRM: RE-PRICING TRUST AND RESTRUCTURING CROSS-BORDER LEGAL SERVICES

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ABSTRACT

Track 2 asks how ubiquitous advanced AI reshapes labor markets in knowledge-intensive domains. We forecast a specific reorganization of cross-border legal services: as general-purpose systems commoditize research, translation, and first-draft drafting, the scarce input becomes *trust work*—the production of defensible commitments under uncertainty. We formalize a decomposition of legal value into low-marginal-cost *commodity cognition* and high-assurance *trust work* (risk allocation, negotiation strategy, governance of agentic workflows, and accountability artifacts). From this decomposition we derive three market-structure hypotheses: (i) further erosion of time-based billing toward subscription, outcome-linked, and risk-sharing fees; (ii) bifurcation between high-volume legal platforms and high-assurance boutiques differentiated by auditability and reputational capital; and (iii) growth of dispute-resolution design as a complementary market because enforcement risk becomes the main brake on transaction velocity. We propose a new professional role—*Legal Assurance Engineer*—and outline a Tiny-Paper evaluation plan that maps tasks in a representative cross-border deal to substitutable cognition, trust requirements, and failure costs, then tests how governance artifacts (logs, model passports, solver-checked reasoning, and disclosure clauses) shift those costs.

1 INTRODUCTION: WHEN EVERYONE HAS AGI, WHAT STAYS SCARCE?

Legal services are often described as "knowledge work," but cross-border practice is more precisely *commitment work*: parties exchange promises that must survive asymmetric information, changing facts, and heterogeneous legal regimes. If advanced AI is ubiquitous, the marginal cost of producing fluent legal text falls. Existing professional guidance already treats generative AI as a tool for drafting, research, and document analysis, while emphasizing that these tools require human verification and supervision. Regulators and bar associations have issued competence, confidentiality, supervision, and billing guidance that anticipates widespread use of generative AI systems in legal workflows (American Bar Association, Standing Committee on Ethics and Professional Responsibility, 2024; State Bar of California, Standing Committee on Professional Responsibility and Conduct, 2023; New York City Bar Association, Professional Ethics Committee, 2024; Council of Bars and Law Societies of Europe (CCBE), 2025; Solicitors Regulation Authority, 2023).

This paper advances a simple thesis: **post-AGI legal production splits into (i) commodity cognition and (ii) premium trust work**. The first category includes research, first-draft contracts, translation, routine compliance mapping, and large-scale document review—activities that can be delivered at near-marginal cost once models and interfaces are deployed (Surden, 2014; Remus & Levy, 2017; Ashley, 2017). The second category remains scarce because it is constrained by accountability and enforcement. In practice, lawyers are required to exercise independent judgment, safeguard confidentiality, supervise nonlawyer assistance (including tools), and respect jurisdictional limits on practice (American Bar Association, 2024a;b;c; 2019; American Bar Association, Standing Committee on Ethics and Professional Responsibility, 2024). Recent incidents and empirical evaluations of AI legal tools underscore that verification and traceability are not optional in high-stakes settings (United States District Court for the Southern District of New York, 2023; Magesh et al., 2024).

The cross-border setting sharpens the distinction. Trade costs and regulatory complexity disproportionately burden smaller firms, and digital tools can lower some fixed costs while creating

new governance obligations (World Trade Organization, 2016; OECD, 2023). At the same time, cross-border enforceability hinges on institutions like arbitration (and its enforcement regimes), which reward process integrity and well-formed records (United Nations, 1958; UNCITRAL, 2006; International Chamber of Commerce, 2021).

2 A DECOMPOSITION: COMMODITY COGNITION VS. TRUST WORK

A minimal model. Let a transaction require a bundle of legal tasks $\mathcal{T}$ producing an outcome O (enforceable commitments plus ancillary documents). Write total client cost as

$$C = C_{\text{cog}} + C_{\text{trust}} + \mathbb{E}[L \mid G], \tag{1}$$

where C_{cog} is the cost of cognition (drafting, search, summarization), C_{trust} is the cost of governance and assurance (supervision, audit trails, dispute-readiness), and $\mathbb{E}[L \mid G]$ is expected loss from failures conditional on governance artifacts G. Transaction-cost economics predicts that organizations arise and persist when they economize on such costs and uncertainties (Coase, 1937; Williamson, 1979).

Ubiquitous advanced AI primarily pushes down C_{cog}. But C_{trust} and $\mathbb{E}[L \mid G]$ do not vanish: quality is hard to observe ex ante, and reputation and verification substitute for direct observability (Akerlof, 1970; Shapiro, 1983). In high-trust markets, sellers can sustain quality by investing in reputational or verifiable commitments that buyers can audit or enforce (Shapiro, 1983; Power, 1997).

What counts as trust work? We define trust work as activities that (a) reduce expected loss from legal failure modes and (b) are legible to third parties (counterparties, boards, regulators, tribunals). Four recurring components in cross-border deals are:

1. **Risk allocation under uncertainty**: choosing governing law, warranties, indemnities, caps, and insurance that price tail risk.
2. **Negotiation strategy and relationship management**: iterated bargaining where credible commitments and signaling matter (Spence, 1973).
3. **Governance of agentic workflows**: supervision, tool selection, data handling, and escalation procedures consistent with professional rules (American Bar Association, Standing Committee on Ethics and Professional Responsibility, 2024; Council of Bars and Law Societies of Europe (CCBE), 2025).
4. **Accountability artifacts**: records that make outputs contestable and defensible (logs, provenance, structured reasoning, and documentation).

These components map naturally onto emerging AI governance frameworks that emphasize documentation, record-keeping, and oversight. The EU AI Act takes a risk-based approach and imposes obligations (including technical documentation, record-keeping, transparency, and human oversight) for certain systems (European Union, 2024). The NIST AI RMF similarly frames trustworthy deployment as a governance process spanning mapping, measurement, and ongoing risk management (National Institute of Standards and Technology, 2023).

Accountability artifacts as "model passports." In software and ML governance, artifact-centric approaches have been proposed to standardize documentation. Model cards and datasheets formalize intended use, evaluation conditions, and limitations (Mitchell et al., 2019; Gebru et al., 2021). Algorithmic auditing frameworks similarly emphasize end-to-end documentation as a prerequisite for internal and external review (Raji et al., 2020). Formal-methods perspectives argue that strong assurance requires explicit specifications and verification/validation pipelines (Seshia et al., 2022). We interpret these tools as a template for legal "model passports": compact dossiers that connect a legal output to its provenance, constraints, and review trail.

3 MARKET STRUCTURE HYPOTHESES FOR CROSS-BORDER LEGAL SERVICES

H1: pricing shifts from time to outcomes and risk. As C_{cog} falls, billing by time becomes harder to justify, especially where tools compress labor hours. Ethics guidance explicitly warns that hourly billing must reflect actual time, and that efficiency gains from tools can affect the reasonableness

of fees (American Bar Association, Standing Committee on Ethics and Professional Responsibility, 2024). Industry reports track rapid changes in rates, productivity, and technology spending, suggesting pricing pressure and experimentation (Citi Global Wealth at Work and Hildebrandt Consulting, 2024; Thomson Reuters, 2025). We therefore expect growth in subscription bundles, performance-linked fees, and risk-sharing arrangements that price the trust component (e.g., capped exposure, indemnity engineering, or insured warranties).

H2: bifurcation into platforms and high-assurance boutiques. When the marginal cost of producing drafts falls, scale economies and network effects favor platformization of standardized workflows (templates, translation, compliance checklists). Platform economics predicts that intermediaries can coordinate multi-sided markets by reallocating prices across user groups and internalizing cross-group externalities (Rochet & Tirole, 2003). Meanwhile, the high-end segment competes on assurance: conflict-of-laws sophistication, reputational capital, and the ability to produce auditable records. This resembles markets where buyers cannot directly observe quality and therefore pay premiums for credible assurance and reputation (Akerlof, 1970; Shapiro, 1983).

H3: dispute-resolution design becomes a complementary growth market. Faster contracting increases the value of enforcement-ready design. International arbitration remains a central cross-border enforcement mechanism, supported by the New York Convention and harmonized legislative approaches such as the UNCITRAL Model Law (United Nations, 1958; UNCITRAL, 2006). Institutional rules continue to standardize procedure and case management (International Chamber of Commerce, 2021). In a post-AGI world, parties may transact faster, but enforcement risk (and the cost of reconstructing "who decided what, when, and on what basis") becomes the binding constraint. Trust work therefore includes evidentiary protocols, disclosure of AI assistance, authenticated deal-room logs, and clause sets that make agentic contributions contestable.

4 The Legal Assurance Engineer (LAE)

We propose a professional specialization: **Legal Assurance Engineer**, a hybrid role combining legal practice with audit/safety engineering. LAEs build and maintain the artifacts that convert commodity cognition into defensible commitments. Their work product is not primarily text, but *assurance*: structured records that support supervision duties and post hoc scrutiny.

Core responsibilities.

1. **Governance design for agentic pipelines**: define permitted tools, data-handling rules, escalation triggers, and human sign-off points aligned with professional obligations (American Bar Association, Standing Committee on Ethics and Professional Responsibility, 2024; Council of Bars and Law Societies of Europe (CCBE), 2025; Solicitors Regulation Authority, 2023).
2. **Model passports and provenance**: maintain model cards/datasheets-style documentation for internal tools and for third-party systems integrated into workflows (Mitchell et al., 2019; Gebru et al., 2021).
3. **Auditability and internal algorithmic audits**: implement end-to-end logging, evaluation, and review processes that can be inspected by clients, regulators, or tribunals (Raji et al., 2020; Power, 1997).
4. **Assurance against hallucinations and citation risk**: deploy retrieval and verification controls, given measured error rates in legal AI tools and real-world sanctions for fabricated citations (Magesh et al., 2024; United States District Court for the Southern District of New York, 2023; State Bar of California, Standing Committee on Professional Responsibility and Conduct, 2023).
5. **Regulatory alignment**: map legal AI uses to applicable regimes (e.g., risk-based AI rules, sectoral guidance on AI use in legal practice, and sanctions compliance programs for cross-border trade) (European Union, 2024; National Institute of Standards and Technology, 2023; United States Patent and Trademark Office, 2024; U.S. Department of the Treasury, Office of Foreign Assets Control, 2019).

Why this role becomes central. Automation does not merely eliminate tasks; it reshapes task boundaries and shifts demand toward complementary skills and governance (Autor, 2015; Acemoglu & Restrepo, 2018). Evidence from non-legal deployments shows generative AI can raise productivity and reshape skill gradients (Brynjolfsson et al., 2023). In law, regulators and ethics bodies increasingly treat competence as including tool selection and supervision, turning governance into a billable, defensible service line (American Bar Association, Standing Committee on Ethics and Professional Responsibility, 2024; Council of Bars and Law Societies of Europe (CCBE), 2025).

5 Distributional stakes and policy levers

Access and inclusion. Lower C_{cog} can reduce fixed costs for SMEs entering cross-border commerce. The WTO has documented that trade costs disproportionately impede SME participation (World Trade Organization, 2016). However, if assurance infrastructure (audits, logging, insurance, specialized review) becomes a premium layer, the distributional benefits may be uneven. The broader civil-justice gap illustrates how unmet need can persist even when information is available: in the United States, most civil legal problems reported by low-income Americans receive inadequate or no legal help (Legal Services Corporation, 2022).

Policy agenda: from "who gives advice" to "how advice is governed." Ubiquitous AI complicates unauthorized-practice debates because drafting and guidance may be mediated by platforms. A pragmatic regulatory pivot is to require *governance disclosures* and *minimum assurance norms* in high-impact settings: when AI materially influences decisions, disclose use; maintain review trails; and adopt incident-response obligations when systems update. Many of these requirements already appear, in different forms, in professional guidance (American Bar Association, Standing Committee on Ethics and Professional Responsibility, 2024; State Bar of California, Standing Committee on Professional Responsibility and Conduct, 2023; Council of Bars and Law Societies of Europe (CCBE), 2025).

We highlight three concrete levers:

1. **Standard-form "agent clauses"** in cross-border contracts specifying disclosure, logging, escalation, and audit rights for agentic tools.
2. **Mutual-recognition templates** for "model passports" so counterparties can exchange comparable assurance artifacts.
3. **Public/industry support for open compliance standards** to avoid lock-in to proprietary legal platforms and reduce SME disadvantage (OECD, 2023).

6 Conclusion

In the post-AGI law firm, the scarce resource is not the ability to produce text but the ability to produce *defensible commitments*. Commodity cognition commoditizes, while trust work—risk allocation, negotiation strategy, agent governance, and accountability artifacts—becomes the premium differentiator in cross-border practice. This reframes the competitive boundary between platforms and boutiques and suggests a research agenda focused on assurance engineering rather than generic "AI replaces lawyers" narratives.

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A SUPPLEMENTARY FIGURES (APPENDIX)

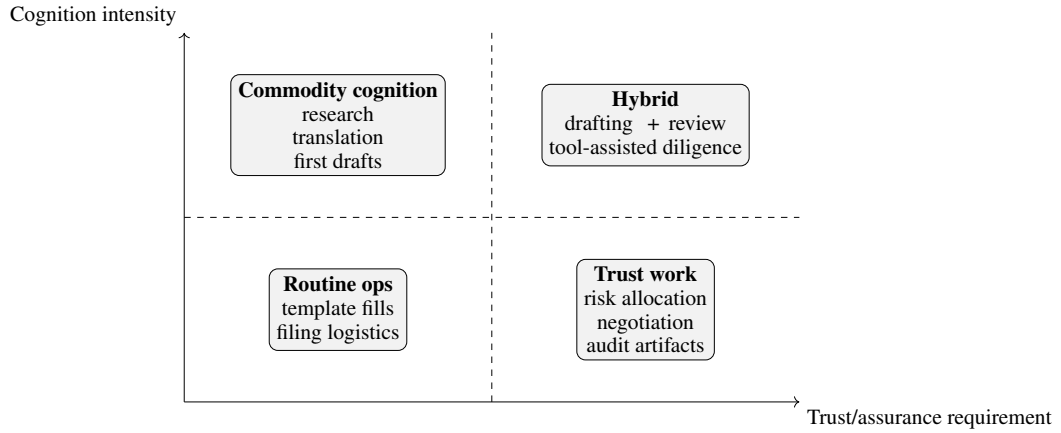


Figure 1: A task-space view: as ubiquitous AI lowers cognition costs, value migrates toward tasks with high trust and assurance requirements.

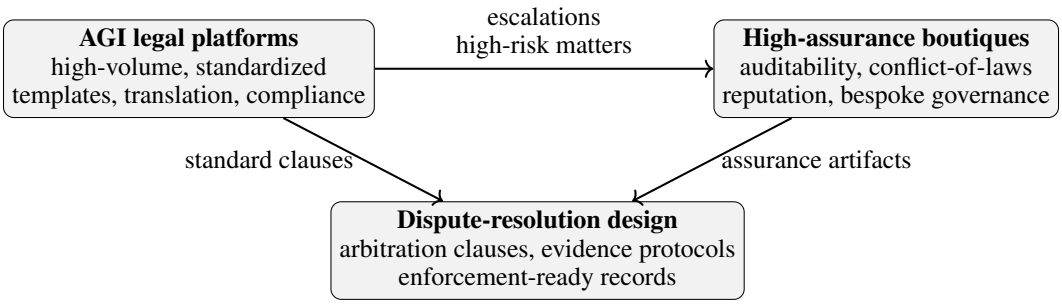
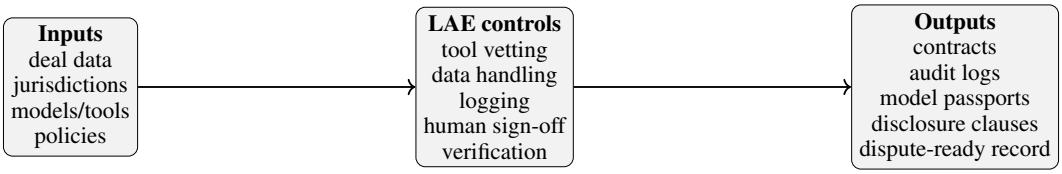


Figure 2: Market-structure hypothesis: platforms dominate commodity cognition, boutiques specialize in trust work, and dispute-resolution design grows as a complementary market.



Goal: reduce expected loss via artifacts legible to clients, regulators, and tribunals.

Figure 3: Legal Assurance Engineer (LAE) workflow: governance and documentation convert commodity cognition into defensible commitments.