



Generative AI for Lawyers

Working smarter and faster – while complying with legal professional obligations in Australia and New Zealand

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Foreword

“One in two lawyers in Australia and New Zealand have already used generative artificial intelligence to perform day-to-day tasks and almost the entire profession believe it will change how legal work is carried out in future.”¹

Artificial intelligence (AI) is revolutionising the practice of law in Australia and New Zealand. Lawyers are already using generative AI tools to gain efficiencies, improve productivity, find information and create documents.

The ability of AI to process language and generate written content – from emails, PowerPoint decks and client correspondence to contract terms, pleadings and legal advice – represents an incredible opportunity for lawyers to safely, securely and responsibly speed up and improve routine legal work.

In the short time since ChatGPT exploded onto the market, a new wave of generative AI solutions is proliferating. At Microsoft, we believe it is crucial for lawyers to get acquainted with the benefits and opportunities that these technologies present.

AI tools are being used by our Microsoft Corporate, External, and Legal Affairs (CELA) team – comprising over 2,000 people in 55 countries – as a copilot to work in a whole new way. They allow our team to spend less time on routine tasks and focus on higher-value work and client engagement.

At the same time, it is crucial to ensure that AI is deployed and used responsibly and, for lawyers, in compliance with legal professional obligations.

In this paper, our goal is to inform lawyers about AI capabilities and their implications for legal professional obligations. We highlight AI use cases for lawyers and some of the innovations of our industry leaders. We also examine the status of AI regulation and legal professional obligations in Australia, New Zealand and around the world.

We hope that this paper will be a helpful resource as you explore AI technologies to unlock their benefits for your legal practice.

Clayton Noble

Head of Legal, Australia and New Zealand

1. Australian Financial Review, [“Get the job done’: One in two lawyers use AI”](#) (16 April 2024)

1 Introduction

Recent developments in the field of AI are a leap forward in digital capability at least as significant as the arrival of internet browsers in the mid-90s or the widespread adoption of smartphones.

However, far more than the technologies preceding it, AI has the capacity to advance our understanding of the world and our ability to learn and express knowledge.

AI describes the use of computer technologies to perform tasks such as learning, reasoning and problem-solving that would ordinarily be thought of as requiring human intelligence. Recently, AI technology has attracted a surge of renewed interest with the advent of generative AI.

Generative AI can be distinguished from other AI technologies (that primarily use pattern recognition to make decisions) by its ability to create new and unique content, such as text, images and code, using learnings from wider datasets. The accessibility of apps like ChatGPT has catapulted this powerful technology into the hands of the general public.

There is an unprecedented opportunity for lawyers to use AI to enhance capabilities and drive productivity gains, freeing up time to focus on higher-value work. Yet lawyers must be mindful of their legal professional obligations when using these tools.

Harnessing the power of AI in a responsible way is paramount. Microsoft has been committed to this since 2017, when we launched our Aether Committee with researchers, engineers and policy experts to focus

on responsible AI issues and craft our AI principles that we adopted in 2018. Such efforts are grounded in our company's mission to empower every person and organisation on the planet to achieve more.

The technology has made significant advancements in a short period and continues to progress at pace. While countries are starting to explore the adoption of regulations around the design, deployment and use of AI, many professional associations and regulators have been leading the way in offering preliminary guidance. Legal use cases for generative AI are beginning to transition from emerging to active experimentation, refinement and implementation.

No matter what the future holds, advanced human capabilities, empathy and insight will continue to be needed in the legal profession. However, observing the AI revolution from the sidelines is not a viable option. Lawyers must learn to work with this technology in order to adapt to the rapidly evolving legal environment or risk being left behind. With appropriate generative AI system selection and governance, lawyers can safely and responsibly use these technologies in a way that is fully consistent with their legal professional obligations.

“Adoption of AI is not a luxury for legal departments; it’s a necessity. It can never replace human judgment, but it can help us do our work better and faster.”

— Hossein Nowbar, Chief Legal Officer & Corporate Vice President, Microsoft





2 AI for the legal profession

Generative AI has enormous potential to be a copilot to augment and complement a lawyer's work, allowing legal work to move up the value chain – but not replace the role of a lawyer.

Goldman Sachs estimates that 44% of legal work stands to be automated by generative AI.² An analysis by Microsoft and the Tech Council of Australia has found that 10% of legal tasks could be automated and 32% augmented.³

Early applications of AI in the legal profession centred around data analytics, making predictions based on data or searching large volumes of information. AI technology automating tasks, such as document discovery, due diligence and contract management, have become widespread but, until now, many AI systems and tools have been rudimentary.

Generative AI offers unprecedented opportunity to advance innovation in the legal profession. By automating routine work, generative AI allows lawyers to focus on higher-value work – from offering strategic guidance to building trusted client relationships – where critical thinking, commercial acumen, empathy and experience, and a holistic understanding of the needs of clients come into play. Generative AI capabilities are becoming easily accessible. For example, Copilot for Microsoft 365 is integrated into apps commonly used by lawyers, including Microsoft Word, Outlook and Teams.

Generative AI systems and tools are only as good as the data they are trained on and use to perform tasks. If training or grounding data is inaccurate, output data may be too. Human oversight will be critical to review the quality and accuracy of AI-generated content.

Examples of AI use cases for lawyers

- **Legal drafting:** creating first drafts of contracts, legal advice and court pleadings.
- **Legal research:** researching and summarising information drawn from a number of sources and extracting trends and insights.
- **Legal analysis:** evaluating large volumes of contracts to assess risks and compliance. Tools such as Kira, Imprima and Document Intelligence are gaining popularity as AI becomes a standard part of due diligence exercises.
- **Summarisation:** generating synopses, summaries and fact sheets.
- **Negotiation support:** generating standardised responses and providing negotiation intelligence.
- **Knowledge management:** retrieving information and generating insights from a knowledge database.
- **Communications:** preparing first drafts of client and other communications in the right 'voice'.
- **Meetings:** scheduling of meetings, translation features for more inclusive meetings, transcribing and summarising meetings and extracting insights.
- **Practice management:** generating insights into performance metrics and financial optimisation.
- **Billing:** automating billing processes and estimating time to complete tasks based on past data.
- **Marketing:** creating marketing content to showcase capabilities and achievements.

We have set out further examples below.

2 Goldman Sachs Economics Research, [The Potentially Large Effects of Artificial Intelligence on Economic Growth](#) (26 March 2023)

3 Microsoft & Tech Council of Australia, [Australia's Generative AI Opportunity](#) (July 2023)



Practical implementation of AI use cases

Microsoft

Microsoft's Corporate, External, and Legal Affairs (CELA) team launched a department-wide initiative and crowdsourced over 250 ideas to harness the power of AI in three key areas: knowledge management and self-help capabilities; improving contracting; and complying with an increasingly complex regulatory landscape. Use cases being piloted include AI-powered Q&A apps trained on our knowledge database to answer high-volume and low-complexity queries; automating intake and triage processes; and generating draft contracts and identifying clause deviations from standard provisions.

King & Wood Mallesons

King & Wood Mallesons has a portfolio of generative AI tools, such as Copilot for Microsoft 365, that are applied to use cases to increase efficiencies and transform routine processes. Copilot uses include creating first drafts of client proposals; refining text and improving clarity; creating meeting transcripts, recaps and action items; searching for content within their Microsoft environment; summarising context and brainstorming. Patrick Gunning, Partner, says, "We are embracing generative AI's potential. The earlier you get your head around it, the more likely you will benefit from it. We are educating our people about generative AI and data use to maximise its potential in our firm, including through our 'legal tech belt' program, which has modules focused on AI."

Linklaters

Linklaters was part of Microsoft's Copilot for Microsoft 365 Early Access Program and rolled this out globally in July 2024, complementing its existing generative AI tools, including Laila, a self-built chatbot using Microsoft's Azure OpenAI Service. Adrian Fisher, Partner, says, "Linklaters has adopted AI tools since 2018. Effective and responsible AI adoption allows us to deliver measurable value to clients. It is crucial to train the next generation of lawyers to use this technology effectively and critically as we build for the future. 42% of the firm's population has used Copilot in its first month alone, and it is positively impacting productivity and helping drive efficiencies."

JLL

JLL Technologies, the technology division of JLL, has developed a bespoke generative AI model – the first of its kind for the commercial real estate industry – which is used by JLL's 103,000+ workforce around the world. This includes JLL's in-house counsel, who are regularly using it to support their day-to-day work. "I am so excited to have JLL at the forefront of this AI sector," says Christopher Y. Chan, APAC General Counsel. "While still in the early stages, our teams identify and use generative AI to increase our efficiency and productivity as lawyers. We should embrace and evolve – with controls – rather than block. This will soon be the norm."

3 The business value of AI: How Microsoft is reinventing its legal department with Microsoft Copilot

Microsoft Corporate, External, and Legal Affairs (CELA) is harnessing AI to transform how they work.

CELA is a global community of legal and business professionals committed to addressing the intersection of technology, business, law, regulations and public opinion. They pioneer innovative solutions that advance Microsoft's business, earn the public's trust and build the company's enduring value.

Like many legal organisations, CELA navigates an increasingly dynamic and complex legal, regulatory and compliance landscape. The workload is growing, in volume, speed and complexity. CELA is on a multi-year digital transformation journey to tackle this and other challenges, but much of the technology infrastructure and data have remained siloed. Navigating a legal technology ecosystem with domain-specific applications requires consolidation and aggregation of data from those systems.

AI and Microsoft Copilot, coupled with data infrastructure investments, are helping CELA transform vast amounts of data into actionable insights, achieve scale and drive forward with increased agility, while reducing time requirements on everyday tasks.

Approach

CELA is harnessing the power of Copilot and AI to enhance the efficiency, quality, impact and scale of its work. In its first phase, the team aims to deliver broad impact across CELA by prioritising use cases that leverage Copilot and AI to:

Create efficiencies for regulatory work. Quickly summarise regulations, streamline analysis, stay informed on industry news, draft guidance and provide actionable insights; empowering legal professionals to stay ahead of the curve.

Enhance advisory services. Rapidly find relevant information across sources to facilitate rapid decision-making and draft guidance to verify key advisory points are clear and relevant.

Strengthen compliance and risk management. Analyse large data sets, help proactively spot possible compliance issues, help respond to requests for information and enable agile and efficient action.

Improve client interactions. Redirect high-volume, low-risk inquiries to client self-service tools, to deliver faster responses.

Simplify transactions. Condense intricate agreements, pinpoint essential clauses, flag potential risks, compare contracts, compile insights, draft clauses and research legal structures for increased velocity and better decision-making.

Objectives

Streamline transactional processes by increasing efficiency, understanding and consistency with AI.

Enhance advisory services by leveraging AI to enhance the processes, efficiency, quality and scalability of the counsel we provide.

Strengthen compliance and risk management in a dynamically changing and complex regulatory, compliance and public policy landscape using AI at scale.

Adoption and onboarding

CELA implemented a multifaceted approach to model, recognise and incentivise innovation and experimentation, paving the way for and smooth integration of Copilot and AI into its practices. Adoption efforts to encourage sustained use have included:

Empowered AI for CELA catalysts. More than 40 individuals across practice groups help drive Copilot adoption, engagement and transformation activities. They are guided by a communications plan that positions Copilot as not just a tool, but as integral to how CELA operates.

Scenario and prompt libraries. Specialised libraries provide a place for team members to exchange best practices and favourite Copilot prompts, helping everyone to improve daily work.

Copilot Skilling Series. Expert- and peer-led training included a two-month Copilot Skilling Series that boosted Copilot use in Microsoft 365 Chat and Teams by more than 50%, with an average 30% increase across other Microsoft products.

Copilot Hubs. A dedicated Copilot SharePoint site and Copilot Hub in Teams enable CELA team members to share, discuss and access the latest information, resources and updates related to Copilot, fostering knowledge exchange. A video library includes 'snackable' training and features spotlighting how CELA employees use Copilot and its impact on their work.

Lessons learned



Connect to the bigger picture

Create a clear connection between Copilot adoption and advancing the organisations' strategic AI plan.



Think 'Culture First'

Engage users, not just communicate with them. Use encouraging language and a tone that inspires them to experiment with Copilot, in turn enhancing skill-building.



Engage champion

Empower early adopters to evangelise to and inspire peers.



Celebrate win

Recognise even the smallest victories at every opportunity. Share cross-departmental success stories that make Copilot adoption relatable and tangible.



Manage expectation

Position AI as a journey, rather than a destination. Emphasise continuous learning over immediate perfection.



Leverage leader

Ensure leaders actively support and promote AI initiatives and model behaviours and actions needed to succeed.



Prioritise data management

Generative AI requires access to vast amounts of high-quality data with proper security, privacy, permissions and governance controls. Focus on data acquisition and clean-up to successfully integrate generative AI while also addressing associated risks.





Beyond anecdotal success: Copilot delivers value and impact for CELA

“Copilot isn’t just a tool; it’s a game-changer, empowering our team to focus on what truly matters by enhancing productivity, elevating work quality and, most importantly, reclaiming time.”

— Hossein Nowbar, Chief Legal Officer & Corporate Vice President, Microsoft

In May 2024, Microsoft’s CELA organisation ran a controlled experiment with Microsoft’s Office of the Chief Economist to assess the potential value of Copilot on legal work. In this experiment, over 50 legal colleagues in CELA volunteered their time to complete three realistic legal tasks:

- get up to speed on and summarise a new regulation;
- review an executive speech to understand product strategy and spot compliance issues; and
- respond to a regulatory request for information regarding product capabilities and compliance.

Participants were randomly assigned the use of Copilot to complete the tasks, and measured on the speed and quality of their work. The results suggest how rapidly Copilot can deliver value. With a 32% increase in speed, and with 20% greater accuracy when Copilot was used, the CELA team knew it had a win.

Copilot delivers impact for CELA

32%
faster on tasks

20%
greater accuracy



In a controlled experiment conducted by Microsoft’s Office of the Chief Economist, we assigned CELA professionals to complete realistic legal tasks and randomly granted Copilot to some participants. We measured the speed and quality of their work.

The results suggest how rapidly Copilot can deliver value.

Results based on a randomised controlled trial with over 50 CELA legal professionals by Microsoft Office of the Chief Economist, May 2024. All findings statistically significant at $P < 0.05$.

87%
could more quickly get up to speed on a new regulation with Copilot

81%
found summarising a new regulation faster with Copilot

87%
reported enhanced productivity with Copilot

77%
observed improvement in work quality with Copilot

Example scenarios for lawyers

We have set out below some example scenarios to show how generative AI can aid different aspects of a lawyer's work. Before implementing any of these use cases, you should evaluate how it aligns with your organisation's business processes, regulatory requirements and responsible AI principles.

Licensing agreement negotiation

1. Meet with the counterparty

Use Copilot in Teams to transcribe the notes during the meeting to capture discussion on royalties, territory, duration and other key negotiation points.



Copilot in Teams

Benefit: **Conduct effective meetings** across legal team and with other departments and summarise notes and action items.

2. Draft term sheet

Using meeting notes to get started, use Copilot to create the preliminary term sheet.



Copilot

Benefit: **Retrieve relevant chats, emails and documents** faster.

3. Conduct negotiations

Use Copilot in Word to help analyse the counterparty's proposed terms.



Copilot in Word

Benefit: **Analyse large amounts of text** to better understand the proposed terms

6. Finalise the agreement

After reaching consensus, Copilot in Outlook generates a draft of the licensing agreement incorporating the decisions made. The legal review team makes necessary adjustments.



Copilot in Outlook

Benefit: **Draft emails and schedule meetings** for relevant stakeholders with appropriate information and tone for audience.

5. Finalise negotiations

In meetings, use Copilot in Teams to assist with real-time language suggestions and to flag potential pitfalls.



Copilot in Teams

Benefit: **Generate legal research** based on topics, keywords and sources, and provide insights and recommendations.

4. Surface legal insights

Use Copilot to find comparable agreements to provide real-time legal insights, and check for compliance requirements to ensure adherence to patent law and regulations.



Copilot

Benefit: **Improve quality** of data-driven decisions with autogenerated analyses based on user prompts

Contract review

1. Summarize email conversation

Ask Copilot to summarize an email thread about a memorandum of understanding (MOU).



Copilot

Benefit: **Save time reviewing** long email threads to pull out the essential information.

2. Draft email response

Ask Copilot in Outlook to respond to the email with a few suggestions for updates to the MOU.



Copilot in Outlook

Benefit: **Copilot will draft a professional email** with the necessary details from only a few bullet points.

3. Review the contract

Ask for specific details from a contract, such as the duration or payment terms. Then summarize key contract terms.



Copilot

Benefit: **Speed up a contract review** by asking Copilot to search for the information you need and focusing on specific areas needing further review.

6. Create briefing notes

Ask Copilot in Teams to create a brief for the legal counsel to use when meeting with the customer to finalize the contract.



Copilot in Teams

Benefit: **Prepare for a client meeting** by asking Copilot to summarize existing relationships and recent interactions.

5. Catch up on review meeting

Use the Recap to understand the key items discussed in the meeting and then ask Copilot in Teams to create a meeting report with a list of all contract updates required.



Copilot in Teams

Benefit: **Create a set of formal meeting minutes** for client records in a format you specify with items such as an attendance list, action items, disagreements, and key points.

4. Compare two agreements

Ask Copilot in Word to compare two agreements and list the results in a table and include areas addressed in one agreement and not the other.



Copilot in Word

Benefit: **Copilot can compare key legal positions** even if you don't provide specific areas and lay out differences and potential missing provisions.

Developing a compliance video

1. Create critical images for video

Request Copilot to develop an image of an eagle to use as a training mascot to produce a new training curriculum.



Copilot

Benefit: **Avoid costs** by reducing reliance on graphic designer.

2. Develop video script

Ask Copilot to draft the script in which the team, acting as hypothetical news reporters, narrates "breaking news" compliance issues to develop a creative training film.



Copilot

Benefit: Copilot **drafts complex script sections** for an important compliance training video based on existing compliance documentation, saving the team **dozens of hours** in writing.

3. Create production schedule

Request Copilot draft a production schedule to keep the project on track. Copilot can help ensure that multiple team members and resources were tracked efficiently for a complex filming environment.



Copilot

Benefit: Copilot **drafts a production schedule** based on the script and a list of resources to enable alignment and cohesion on set.

6. Write coordination emails

Ask Copilot to write professional emails to assist in coordinating filming and communicating updates.



Copilot

Benefit: **Write professional emails** to summarize updates and communicate critical information to the team.

5. Research compliance topics

Use Copilot to research "ripped from the headlines" compliance stories to develop one-pagers hosted on the team's SharePoint site as a training aid to the film.



Copilot

Benefit: **Collect and summarize real news stories** describing complex compliance cases, saving hours of research.

4. Develop video backgrounds

Ask Copilot to generate draft images of backgrounds for the video.



Copilot

Benefit: Copilot **creates images** from a brief, written description to assist in describing sets to production managers for the film.

4

Addressing common legal considerations

Ethical duties: Lawyers must continue to consider their duties to clients in the use of generative AI services, including:

- maintaining confidentiality of client information;
- delivering legal services competently, diligently and as promptly as reasonably possible;
- providing clear and timely advice;
- acting in the client’s best interests; and
- duty not to mislead.

Some common issues and concerns associated with the use of generative AI by lawyers:



Confidentiality

A legal practitioner’s duty of confidentiality is part and parcel of the fiduciary relationship with their client. It is also reflected in professional conduct rules across Australia and New Zealand. For example, under the Uniform Conduct Rules, a solicitor must not disclose any information that is confidential to a client and acquired during their engagement, unless an exception applies. Legal professional privilege depends on the confidentiality of privileged communications being maintained. Lawyers need to consider the data protection commitments and controls associated with a generative AI solution before inputting confidential data (either as part of a prompt or as part of grounding data used to provide additional context).



Accuracy

Lawyers are subject to a duty to act in the best interests of the client. There is a need for human oversight (including in reviewing, validating and editing outputs of a generative AI solution) and implementation of accuracy techniques (such as retrieval-augmented generation) to deliver legal services competently and ensure the AI technology is not “hallucinating” – that is, delivering false or misleading information. Generative AI should be used as a copilot, not an autopilot. It is critical for lawyers to maintain responsibility and accountability for the end legal work product that is produced.



Data privacy

Where personal data is used in an AI system – whether to develop, train or test an AI system, or to provide prompts or input – developers and users will need to ensure that its use is fair and lawful under applicable data protection laws. Lawyers should carefully review the data protection and privacy commitments of their AI service providers.



Intellectual property

A key legal consideration is whether or not the particular generative AI solution utilises data that is protected by copyright. Lawyers should seek contractual protections against potential third party copyright infringement claims from their AI service providers.



How Microsoft provides support in addressing these issues and concerns:



Data security

Microsoft's AI solutions leverage the entire complement of data security and privacy safeguards available in Azure and/or Office 365. Azure OpenAI Service foundation models do not store customer data. Copilot for Microsoft 365 presents only data that a user can already access with the same underlying controls for data access used in all Microsoft 365 services.



Provenance and accuracy

Microsoft is a co-founder of Project Origin and the Coalition for Content Provenance and Authenticity (C2PA) standards body to address media provenance. Our watermarking and metadata techniques enable Microsoft Copilots to include links in output content to source materials so that users can verify these. We also share information about ways to reduce the likelihood of "hallucinations", such as our [guidance on retrieval-augmented generation \(RAG\)](#). RAG grounds the model vectors – relationships between words – with data that is more relevant to the user, such as data specific to a person's role, company or industry.



Privacy safeguards

Azure OpenAI and Copilot for Microsoft 365 are core online services protected by the highest levels of Microsoft's data protection and privacy commitments, including European Union General Data Protection Regulation (GDPR) and data at rest commitments. Customer data is not used to train foundation models. Data that the customer uploads to create a customised model is not shared with any other customer or third party, nor is it used in the processing of any other customer model.



Customer copyright commitment

The large language models that Microsoft makes available have been trained in compliance with copyright laws. If a third party sues a commercial customer of Microsoft for copyright infringement arising from the output content of Microsoft's generative AI services, Microsoft contractually commits to defend the customer. It must also pay the amount of any adverse judgments or settlements, as long as the customer has used the required guardrails and safety measures. Microsoft has taken steps in the design process to mitigate the risk that the output content will violate copyright laws, and publishes guidance for how customers developing their own models can protect against such risks.

5 Responsible AI

Every organisation, including law firms, that creates or uses AI systems will need to develop and implement its own governance processes to ensure AI tools are used and developed responsibly.

Microsoft has been on a responsible AI journey since 2017 when we established our research-led AI, Ethics, and Effects in Engineering and Research (AETHER) committee in order to explore AI technologies and the standards that should apply to their development.

In 2019, Microsoft established the Office of Responsible AI to foster a comprehensive approach to responsible AI. This office has dedicated significant resources to understanding the principles that form the basis for a responsible approach to AI and the standards that should inform development and implementation of AI systems.

Microsoft's six AI principles are as follows:



Based on these principles, Microsoft has launched its [Responsible AI Standard](#). This consists of goals and requirements for each of the six principles and is intended to function as a checklist or scorecard for companies developing and implementing AI systems.

To further help customers on their responsible AI journey, Microsoft maintains a set of [AI Customer Commitments](#). These commitments focus on three areas:

- sharing and providing AI resources to help customers deploy AI responsibly;
- creating an AI assurance program; and
- developing responsible AI partner programs. For example, Microsoft has launched a partnership with PwC and EY to leverage responsible AI expertise that helps mutual customers deploy their own responsible AI systems.

Learn more about AI principles and explore responsible AI resources at: aka.ms/ResponsibleAIResources

“The point is to recognise that our growing use of generative AI tools will come with various ethical risks, and resolutely commit to their appropriate and ethical use, so as to preserve our status as an honourable profession.”⁴

— The Honourable Sundaresh Menon, Chief Justice, Supreme Court of Singapore

4 Sundaresh Menon CJ, “Answering the Call in the Age of Artificial Intelligence”, Mass Call Address 2023 (21 August 2023), para 23

6 Current regulatory landscape

Governments are adopting a range of approaches to consider how best to govern the use of AI technologies.



AI regulation in most countries is at an early stage, albeit evolving rapidly. Generally, regulators across the Asia-Pacific region have focused on “soft” guidance in the form of ethics principles, guidelines or codes of conduct for the use and development of AI technology.

In [Australia](#) and [New Zealand](#), there are currently no laws or regulations that apply specifically to AI. However, Microsoft and others are working with Australian and New Zealand governments to help identify and develop risk-based AI regulation to address potential gaps in the current legislative landscape and reduce risks of harm.

As part of a soft-law, principles-based approach, the Australian Government has published an AI Action Plan, along with a set of voluntary ethics principles that may be used by business or government in embracing AI.⁵

Key principles include the need for AI systems to be fair, reliable, non-discriminatory, transparent and explainable to the people they impact. The government is also considering requiring organisations to provide more transparency about how they use automated systems to make decisions as part of planned reforms to the Australian Privacy Act.

Meanwhile in New Zealand, government agencies have signed an Algorithm Charter that covers the

ethical design of public services.⁶ The New Zealand Privacy Commissioner has also published guidance to help organisations manage generative AI.⁷

Further afield in the region, [Hong Kong](#) and [Singapore](#) are examples of countries taking a pro-innovation, principles-based approach. A notable exception is [China](#), which has taken a prescriptive approach. The country has introduced three AI-specific regulations to regulate specific AI technologies (including, most recently, generative AI). Although other countries in Asia have started discussing whether AI-specific laws should be introduced (including [India](#), [Japan](#), [South Korea](#) and [Taiwan](#)), these discussions have not yet crystallised into binding laws or regulations.

Some indication of what future regulation could look like comes from the [European Union’s](#) AI Act, one of the first comprehensive laws of this nature in the world.⁸ The AI Act follows a risk-based approach. AI systems that contravene European Union values, such as violating fundamental rights, will be deemed an ‘unacceptable risk’ and banned. Those that pose significant potential harm to health, safety, fundamental rights, environment, democracy and the rule of law will be classified as ‘high risk’ and subject to additional compliance requirements. General purpose AI models will have to adhere to transparency requirements, and additional requirements will apply to general purpose AI models with systemic risk.

While AI policy is still in its early stages of development for many countries, some key common principles are emerging, which align closely with Microsoft’s AI principles described in Section 5 above. Microsoft’s [blueprint for AI governance](#) presents our proposals for AI regulatory frameworks, which we believe should be risk-based and outcomes-focused, pinpointing safeguards on the highest risk applications and utilising impact assessments and system testing to identify and address risks and ensure systems are performing appropriately.

5 Department of Industry, Science, Energy and Resources, [AI Ethics Principles](#)

6 Office of the Prime Minister’s Chief Science Advisor, “[Why is regulating AI such a challenge?](#)” (13 July 2023)

7 New Zealand Privacy Commissioner, [Generative Artificial Intelligence](#) – 15 June 2023 update

8 European Parliament, [Artificial Intelligence Act: deal on comprehensive rules for trustworthy AI](#) (9 December 2023)



7 What's next?

Generative AI promises to place exciting new capabilities in the hands of every lawyer and organisation.

Firms and in-house legal operations of the future may be filled with knowledge engineers, data analysts, technologists, design thinkers and transformation experts alongside lawyers. In light of the evolving definition of what it means to be a legal professional, education and training models will need a refresh.

Some organisations will be happy to lead, while others will wait until there are established industry-wide frameworks. However, the rapid advancement of generative AI indicates this is an area organisations must prioritise to maintain a competitive advantage. The practice of law is changing fast.

*"We're at a point in time where we're shifting from the abacus to the voice-activated calculator and it's a beautiful thing. The question is whether we have the vision, aptitude for adoption, innovation readiness and change management strategy to get there thoughtfully, responsibly and efficiently from where we are today."*⁹

— Ilona Logvinova, Associate General Counsel and Head of Innovation, McKinsey Legal

Checklist for adoption of generative AI

Safe use

- Implement internal policies to provide guidance to employees on permitted uses of generative AI.
- Provide training to employees on responsible use of AI, including the need to verify outputs.
- Factor the use of AI into governance and risk management frameworks.
- Identify high-risk cases and escalation paths.

Data issues

- Ensure compliance with privilege/confidentiality obligations and data protection regimes, including confirming data classification and labelling.

Ethical challenges

- Consider applicable responsible AI guidance and standards.
- Be transparent to third parties about the use of AI in work products.
- Ensure there is human review of outputs.

IP issues

- Consider IP rights in relation to outputs.
- Review contractual protections from generative AI service providers to cover potential copyright infringement risks.

Regulation and liability

- Ensure compliance with applicable professional standards and regulatory requirements with respect to the use of generative AI.
- Consider providers' compliance with applicable responsible AI standards and regulatory requirements.

9. McKinsey, [Legal innovation and generative AI: Lawyers emerging as 'pilots', content creators, and legal designers](#) (11 May 2023)



Appendix: Prompt engineering guide

By knowing the basics of prompt engineering – the practice of formulating instructions to obtain desired results from the generative AI tool being used – lawyers will be better able to write effective prompts and generate more accurate and relevant results.

A good prompt will provide a clear description of the task; explain the role the AI tool needs to play; describe the audience; provide guidance on the tone, style and length of the expected output; and any additional context to be taken into account. An iterative process will help to refine the result.



Basic concepts:

- A user enters a **prompt (or "input")**, the question or instruction for the model.
- The model uses this information to generate a **response (or "output")**, in the model's format (for example, natural language or images).

Other terms you may have heard of:

- **Grounding:** Data provided with a prompt to provide it context for responding to that prompt.
- **Fine-tuning:** A process of using data to further train a model so that it provides more specific responses in a given domain.
- **Metaprompt:** A master instruction to the model to apply in all prompts/responses.

We have set out below some examples of AI prompts that can be used in Copilot for Microsoft 365 – which incorporates generative AI capabilities into Microsoft apps commonly used by lawyers, such as Word, Outlook and Teams – to demonstrate how these can be used to support day-to-day work. **Copilot in Word**



- “Please draft a news bulletin on the joint position paper published by the Information Commissioner’s Office and the Competition and Markets Authority on harmful online designs, with a similar structure to [attach reference file].”
- “Please summarise this document about [topic] in 5 bullet points.”
- “Generate a client proposal from [insert reference file], aligning it with my template [insert reference file].”
- “Please compare key positions between [insert reference file] and [insert reference file], and also include areas addressed in one agreement and not the other.”



Copilot in Teams

- “Can you recap this meeting so far and identify any action items for me?”
- “Create a table of the options discussed with pros and cons.”
- “Please help set me up for the day tomorrow. Scan my meetings, emails and chats to let me know what meetings I have, who with and what preparation I need to do. Let me know what I’ve missed in the last 24 hours. What other tasks do I have to work on? Produce a structured list that helps me prioritise what I have to work on tomorrow. Include some concise context for each. Exclude any meetings marked as Private on my calendar.”



Copilot in PowerPoint

- “Create presentation about [topic] suitable for [audience]. Use file [attach reference file] for reference. The presentation should be visually appealing and easy to understand. Please include presentation notes.”
- “Add one slide summarising the EU AI Act.”
- “Organise this presentation into sections.”



Copilot in Outlook

- “Summarise this email thread.”
- “What’s the latest from [insert name]?”
- “Please draft an email to [insert name] regarding [specific topic or subject]. Keep the tone [formal/friendly/casual]. Refer to [source or document] for details.”
- “Please find emails with attachments related to [topic].”



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