CLIENT ALERTS & INSIGHTS

California's New AI Law: What Legal Departments and Outside Counsel Need to Know

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Featured Practices: Litigation, Commercial Litigation & Disputes, Artificial Intelligence (AI)

Key Takeaways

- Newly enacted California Senate Bill 574 regulates how attorneys use generative AI by amending the California Code of Civil Procedure and requiring attorneys to personally verify every citation, whether sourced from AI or otherwise. It also holds law firms jointly responsible for sanctionable violations by their attorneys. The bill added a new section to the California Code of Civil Procedure (§ 1282.1), barring arbitrators from delegating their decision-making to generative AI.
- Beginning January 1, 2027, attorneys who use generative AI to "assist in the practice of law" must disclose such use "to the court for all documents submitted to the court" and are prohibited from entering confidential information into unsecured AI tools.
- The new law's plain language leaves several terms in these provisions open to interpretation, making it prudent for companies to adopt precautionary measures. Counsel practicing in California should understand and comply with SB 574, update engagement letters and outside counsel guidelines, and stay informed of developments at the intersection of AI and legal practice, including as courts rule on the interpretation of the new law.

Background

On August 31, 2026, the California Assembly passed Senate Bill 574 by a vote of 75-0.[1] Effective January 1, 2027,[2] California will usher in a new era of legal practice, becoming the first state to regulate attorneys' use of generative AI by statute.[3]

Assemblymember Rebecca Bauer-Kahan, presenting SB 574 on behalf of its author, Senator Thomas Umberg, highlighted a key concern driving the bill's safeguards for AI use in the legal profession:

Artificial intelligence is prevalent everywhere, including the legal industry. And honestly, legal briefs are where we have seen some of the most egregious hallucinations.[4]

Bauer-Kahan's remarks underscore the California Legislature's response to a series of high-profile AI hallucination incidents, particularly in court filings, where the technology's shortcomings have been most visible. The assembly committee analysis made the same case in more detail,[5] observing that "a steady stream of cases involving lawyers and judges carelessly relying on errant outputs of GenAI tools has raised major concerns for the integrity of the legal system."[6] The committee cited a California attorney who used ChatGPT to draft a brief in which 21 of 23 quotations were hallucinated, as well as a researcher's catalog of 1,641 legal decisions involving AI-generated hallucinations.[7]

What SB 574 Does

The new law does not broadly indicate that California lawmakers intend to shut the door on AI use in the legal profession.[8] Rather, SB 574 represents the first step toward a broader regulatory framework for AI across the practice of law. The bill makes three principal changes.

First, SB 574 adds a new section to the California Business and Professions Code-§ 6068.1-imposing four duties on attorneys who use generative AI to assist in the practice of law:[9]

1. **Ensure the lawyer is in charge.** Attorneys may use generative AI to assist their work, but the legal judgment and responsibility for the final work product remains with the lawyer. Notably, the text does not define what constitutes "delegation."[10]

- **Maintain confidentiality.** Do not enter confidential, personal identifying or other nonpublic information into an AI tool unless access to the information is restricted to the attorney and persons authorized by the attorney who are obligated to protect its confidentiality.[11]
- **Verify the output.** An attorney ***must*** take reasonable steps to verify the accuracy of AI-generated content, including all case and statutory citations, and correct any erroneous or hallucinated output in any material the attorney uses.[12]
- **Inform the court.** Attorneys who use AI must disclose its use to the court in every submitted document and should consider similar disclosures for AI-generated materials shared with the public.[13]

Second, SB 574 amends California Code of Civil Procedure § 128.7, requiring attorneys to personally verify every citation in court filings, whether sourced from AI, colleagues or legal research databases such as Westlaw or Lexis.[14] Violations are subject to § 128.7's sanctions framework. Under this framework, an attorney's law firm is jointly responsible for violations by its partners, associates and employees "absent exceptional circumstances."[15]

Third, SB 574 amends California Code of Civil Procedure § 1282 by adding a section that prohibits arbitrators from delegating their decision-making responsibilities to generative AI.[16] The bill directs the Judicial Council to review and update its standard on judges' use of generative AI.[17]

The Gaps to Watch for in SB 574

Notably, SB 574 leaves several of its new decrees up for interpretation. This may lead to several years of "test cases" in California courts, particularly given that no other states have similar regulations to-date. Here are some of the provisions Benesch will be keeping an eye on given their current ambiguity:

- The Legislature has not defined what it means to "use" generative AI. The statute defines "generative AI" but leaves unclear whether limited uses-such as editing a fully written brief or affidavit, using AI-assisted research tools, or summarizing a case or deposition prior to writing a brief alone-would require disclosure.[18]

- None of the new rules establish a statewide disclosure form or specify the wording, format or placement of the disclosure that the courts will require.[19] While some litigants may choose to take language directly from the rule, others may vary the language and/or create a form available on the local rule website. It will be extremely important to check local rules websites and judges' webpages as the implementation of these rules evolves.

- The new Business and Professions Code section does not define what "reasonable steps" are, nor require specific procedures that attorneys must follow to verify AI-generated output.[20] What may be "reasonable" to one attorney may be considered "overkill" to another. There is no uniform way to know what a judge could consider adequate.

Practical Takeaways for Clients

All companies should actively consider how SB 574 will affect their legal operations, engagements with outside counsel, compliance procedures, use of AI-enabled vendors and decisions during active litigation:

- Evaluate whether the legal department and outside counsel use AI. Update compliance protocols for the treatment of confidential or nonpublic information, access permissions and data retention.

- Assume the requirements apply to attorneys admitted *pro hac vice*. California Rule of Court 9.40(f) subjects out-of-state counsel admitted *pro hac vice* to California laws governing attorney conduct to the same extent as State Bar licensees.[21] Ensure out-of-state and local counsel follow a uniform protocol for SB 574's duties, including in California federal court.[22]

- Update engagement letters and outside counsel guidelines to account for permitted AI tools, verification expectations and notice to the client when AI is used on a matter.

- Designate an attorney to verify citations in each court filing and maintain records of when and how generative AI was used to prepare materials for attorney review.

- Expect further developments,including the Judicial Council's review of Standard 10.80, additional State Bar guidance and trial court rulings addressing the ambiguities discussed above.[23]

Benesch's Commercial Litigation Team continues to monitor California's developing AI regulatory landscape. If you have questions about SB 574 or its impact on pending matters, please contact our team. We stand ready to assist you in editing your outside and in-house counsel guidelines and beyond.

With contribution from Philip R. Sullivan, a summer associate at Benesch.

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[1] *SB 574: Attorneys, Arbitrators, Judicial Officers, and Alternative Resolution Providers*, CalMatters: Digital Democracy (Sep. 30, 2026), https://calmatters.digitaldemocracy.org/bills/ca_202520260sb574.

[2] S.B. 574, 2025-2026 Reg. Sess., ch. 858, 2026 Cal. Stat. (approved by Governor and filed with Secretary of State Sept. 30, 2026).

[3] Lawrence J. Tjan, *California Passes First-in-the-Nation Rules for Lawyers Using Artificial Intelligence*, Law Commentary (Sep. 2, 2026), https://www.lawcommentary.com/articles/california-lawyers-ai-rules-sb-574.

[4] Floor Session, Cal. State Assemb. (Aug. 31, 2026), CalMatters Digital: Democracy, https://calmatters.digitaldemocracy.org/hearings/280028.

[5] Assem. Comm. on Privacy & Consumer Prot., Analysis of Sen. Bill No. 574 (2025-2026 Reg. Sess.) (Cal. 2026) (as amended June 22, 2026; hearing July 1, 2026).

[6] *Id.* at 1.

[7] *Id.* at 5.

[8] *See id.* ("Developed and used correctly, however, GenAI has the potential to enhance the practice of law and accelerate access to justice.").

[9] Cal. Bus. & Prof. Code § 6068.1(a).

[10] *Id.* § 6068.1(a)(1)-(2) (also preserving the attorney's duty to exercise reasonable competence and diligence).

[11] *Id.* § 6068.1(a)(3)(A), (b)(2) (defining personal identifying information).

[12] *Id.* § 6068.1(a)(3)(B).

[13] *Id.* § 6068.1(a)(3)(C).

[14] Cal. Civ. Proc. Code § 128.7(b)(2)(A)-(B).

[15] *Id.* § 128.7(c)-(d); *see also Noland v. Land of the Free, L.P.*

, 114 Cal. App. 5th 426, 448 (2025) (imposing $10,000 in sanctions under § 128.7 after finding fabricated quotations in legal authorities in appellate briefs prepared with generative AI).

[16] Cal. Civ. Proc. Code § 1282.1(a)-(c).

[17] *Id.* § 180.

[18] Cal. Bus. & Prof. Code § 6068.1(a)(3), (b)(1).

[19] *See id.* § 6068.1(a)(3)(C).

[20] *Id.* § 6068.1(a)(3)(B).

[21] Cal. R. Ct. 9.40(f) (subjecting pro hac vice counsel to "the law of this state governing the conduct of attorneys" and requiring compliance with "the standards of professional conduct required of licensees of the State Bar").

[22] *See, e.g.,* N.D. Cal. Civ. L.R. 11-4(a) (requiring all members of the court's bar, including attorneys admitted pro hac vice, to understand and comply with California's standards of professional conduct).

[23] S.B. 574, 2025-2026 Reg. Sess., ch. 858, § 4, 2026 Cal. Stat. (adding Cal. Civ. Proc. Code § 180) ("The Judicial Council shall publicly revisit, and revise as necessary, Standard 10.80 of the California Standards of Judicial Administration to incorporate any necessary changes to reflect the further development of generative artificial intelligence.").