Lacey v. State Farm AI brief sanctions

IMPLEMENTED 2025 · PROFESSIONAL SERVICES · US · BAND F · PROVED
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A brief filed by two law firms for a plaintiff contained AI-generated false citations and quotations. A court-appointed special master struck the briefs, denied the discovery sought and ordered the firms to pay $31,100.

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NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

What went wrong: AI output or malfunction; Weak oversight or controls.

AI used: Generative AI tools used to draft a legal research outline; tools not named in the sources.

Implemented: 2025. Grade: band F, Failure, Proved.

Headline result, as reported: Two law firms ordered to pay $31,100 jointly after an AI-generated outline put false citations in a brief, May 2025

1 · The case

The facts, as reported by the 2 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

K&L Gates and Ellis George. Two US law firms sharing the representation of a plaintiff in an insurance coverage case in the Central District of California: a national firm of about 1,700 lawyers and a mainly Californian firm of about 45, per Eugene Volokh. Canvas block: 8. Governance and risk. Also 5. People and skills, 6. Data and technology.

Business challenge

The challenge. Not reported as a business aim. The firms were preparing a supplemental brief on a privilege dispute for a special master.

How it was addressed. An attorney at Ellis George used various AI tools to generate an outline for the brief and sent it to lawyers at K&L Gates, who incorporated it. No attorney or staff

Who implemented it

AI tools were used by an individual attorney; no deployment partner.

Technology (SEAM pillar E)

SEAM types: T1 Chat assistants. Deployment: Not reported. Vendors and products: Not reported.

Where it was built in: Used by one attorney to produce an outline that another firm's lawyers incorporated into a filed brief.

What changed

Before: an undisclosed AI-generated outline passed between two firms into a filed brief. After: the special master struck the briefs, denied the discovery relief the plaintiff sought and ordered the firms to pay $31,100; the lawyers told him their client had been informed. [1] [2]

Cost of failure

$31,100 ordered against the two firms jointly and severally: $26,100 reimbursing the special master's fees and $5,000 towards the defence's fees. Loss of the discovery relief sought for the client. No sanctions on individual lawyers.

What it saved

Not reported [1] [2]

Governance and control

The special master found the lawyers collectively acted in a manner tantamount to bad faith: undisclosed AI use, no cite-check, and resubmission without disclosure. He declined to sanction individual lawyers, citing full admissions and apologies, and said the client would not bear the monetary awards.

S2 · Accountable owner · Missing (independent source shows it was absent)
Responsibility was split between two firms and neither checked the research; the special master called it "a collective debacle". [1]

A1 · Safe use · Not reported
Not reported.

A2 · Human in the loop · Missing (independent source shows it was absent)
No attorney or staff member at either firm apparently cite-checked the research before filing, the special master found. [1]

A3 · Monitoring and assurance · Missing (independent source shows it was absent)
After two errors were flagged, the brief was resubmitted with about half a dozen AI errors still in it. [1]

A4 · Vendor AI · Not reported
Not reported.

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Outside scrutiny (a regulator, court, auditor or similar body acted)
The special master found conduct tantamount to bad faith, struck the briefs and ordered the firms to pay $31,100. [1] [2]

What worked, what did not, what is unproven

WORKED

– The lawyers made full admissions and apologised, which the special master accepted when declining individual sanctions.

DID NOT

– AI-generated research passed between two firms without disclosure or verification.

– When alerted, the firm removed two citations and resubmitted a brief still containing about half a dozen AI errors, without disclosing AI use.

– The special master said the brief nearly led him to include the false material in a judicial order.

UNPROVEN

– What either firm changed in its AI policies or checks afterwards: Not reported.

Timeline

Jan 2025 Court appoints a special master to handle a discovery dispute over privilege [1]

Apr 2025 Special master issues orders on false citations in the plaintiff's supplemental brief [1]

May 2025 Sanctions order: briefs struck, discovery relief denied, firms ordered to pay $31,100 [2]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: F, Failure. Proof: Proved. Level of change: Not graded.

No level assessed: band F, a proved failure. A judicial officer sanctioned two firms after AI-generated research misled him.

The SEAM view and lessons learnt

The failure sat at the join between two firms: AI-generated work was passed on without saying so, and neither firm checked it, the special master found. When two errors were flagged, the brief was resubmitted with other AI errors still in it. For any organisation sharing work with partners, the origin of AI-generated material and who checks it need to travel with the work.

1. Disclose AI use whenever work passes to another team or firm.
2. Verify every authority before anything is filed or published.
3. When one AI error is found, re-check the whole document.

Evidence

Score 3 of 4. Independent: a special master's written sanctions order, quoted at length by a law professor and reported by Above the Law; the order itself was not opened.

Evaluation method. Court or tribunal finding: special master's sanctions order in Lacey v. State

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/lacey-v-state-farm-ai-brief-sanctions

[1] Reason (Volokh Conspiracy): AI Hallucination in Filings Involving 14th-Largest U.S. Law Firm Lead to $31K in Sanctions (May 2025), quoting the special master's order
https://reason.com/volokh/2025/05/14/ai-hallucination-in-filings-involving-14th-largest-u-s-law-firm-lead-to-31k-in-sanctions/

[2] Above the Law: Law Firms Use Artificial Intelligence To Earn Very Real $31K Sanction (May 2025)
https://abovethelaw.com/2025/05/law-firms-use-artificial-intelligence-to-earn-very-real-31k-sanction

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