

Artificial Intelligence in New York Corporate Law: Ethical Accountability, Governance Gaps, and the Future of Professional Responsibility

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Introduction and Literature Review

The growth in usage of artificial intelligence (AI) in the area of corporate law raises significant ethical issues for lawyers to consider while conducting business. While AI has improved the speed with which research can be conducted, how quickly a contract can be reviewed, and the manner in which litigation support is provided to clients, reliance on AI will create renewed doubt amongst the public regarding the credibility and ethical judgements made by lawyers. As an example, in New York corporate law (where lawyers work primarily with contracts, negotiations, due diligence, and issues of governance), AI's ability to replace human judgement, moral reasoning, and contextual interpretation of data will negatively impact trust that exists between clients and attorneys. The recent advancements in AI technology have made these tools increasingly effective and accessible to legal professionals through the continued adoption of these technologies by law firms and corporate legal departments. Accordingly, while AI can perform large volumes of document analysis in record time, AI's ability to interpret case law precedent; identify the nuances in legal contexts; reach original conclusions from the information analyzed; or apply appropriate ethical judgement to different scenarios is questionable.

Research Gap and Problem Statement

This study looks at the perceptions of lawyers regarding AI in corporate law as well as the regulatory position of the NYSBA regarding its permissible uses. The issue is urgent because it is necessary to develop a framework that equitably represents three critical stakeholders (the client; the practicing lawyer; and the NYSBA) because, if there is no widely accepted agreement among them, then the credibility and ethics of the practice of law risk being damaged by AI. This concern is amplified due to increasingly sophisticated capabilities of AI systems to perform legal analysis and the availability of vast repositories of case law, contracts, and corporate law documents.

Review of Existing Frameworks

According to the literature on the subject, there are three overarching themes in the literature that may provide potential solutions to this problem: Fiduciary duty; legal ethics together with a lawyer's duty to their client; and corporate governance via board oversight. The first approach is based on putting the fiduciary duty of a lawyer to their client into practice by designing AI systems according to the principles of fiduciary duty. Professor Clare Boin stated that loyalty and trust (two of the core principles of fiduciary duty) must be included in the design of AI to allow AI systems to better align with and meet the needs of the client, thus enhancing the reliability of the technology. Yet, many, including Professor Boin, continue to debate whether it is possible to create AI that has the same moral and ethical reasoning as human beings when providing efficient services and reducing bias. Consequently, the issue of accountability remains unresolved. If an AI-enhanced legal decision creates harm to the client or results in an unethical outcome, who is the accountable party-the lawyer or the AI?

Another significant topic is the integration of legal things into direct supervision and accountability of a lawyer. The view put forth in this proposition is that attorneys using AI must possess adequate competency to utilize it; they must also be responsible for the continuing supervision of the product they produce using it; and they must take every reasonable measure to maintain the privacy of their clients. A number of legal scholars and ethical practitioners share the sentiment that AI needs to be regulated as part of a larger regulatory system that includes ethical boards, law firms' policies, and compulsory lawyer training. The NYSBA has suggested that attorneys receive training pertaining to the ethical use, protection of confidentiality, and mastery of technology related to AI. By applying this model, we achieve a balance between the human capacity for ethical reasoning and technology's capacity for efficiency while reinforcing that a lawyer is ultimately in charge of making decisions related to the representation of the client.

The third theme emphasizes corporate governance and oversight by the board of directors and will provide more power to the client organization than the previous two themes. Under his new approach, corporations will create an AI committee or a board with the responsibility to monitor the use of AI for legal representation, compliance and governance. As a consequence, some of the responsibility for a client's use of AI will be transferred from the lawyer to the client's business leaders, thereby giving the client more authority over how and to what extent AI will affect their representation. The consequence of providing a client with more autonomy is that ultimately there are questions of who is responsible for governing the governing body and how unethical governing decisions will be avoided using AI.

Common throughout all three themes is the lack of agreement among the stakeholders. Many of the proposed solutions are only focused on one or two of the stakeholders and are not intended to include the input of at least one of the other stakeholders such as the attorneys that are practicing law, the clients receiving the legal representation and/or the members of the NYSBA. Lasting and ethical solutions require a common framework that incorporates the perspectives and duties of all three of the stakeholders. This research is particularly timely because the potential threat posed to the legal profession from AI will only be heightened if protections are not put into place for preserving the profession's ethical standards. In a field as influential as New York corporate law, where AI can be heavily utilized, the need for immediate and collaborative action is critical.

Method

This study employs a mixed-methods research design involving both qualitative interviews and quantitative surveys to examine the relationship between AI and legal ethics, the professional responsibility of lawyers, and governance. Combined, these two approaches offer detailed insights into the individual's perspective and allow identification of general trends in the corporate legal field; as such, they deliver an all-inclusive perspective on the ways in which AI is affecting ethical and professional conduct, as well as the governance of contemporary corporate lawyers.

Research Design

The sequential exploratory mixed-methods approach was selected because artificial intelligence's impact on corporate law is continually evolving, and much of the data may not be represented accurately by numerical representations alone. The qualitative phase of this study allowed individuals to communicate their experiences, feelings, and concerns regarding the use of AI in corporate law. In contrast, the quantitative component offered structured tools to capture how widespread those feelings and experiences were within the profession.

Therefore, beginning with qualitative research has provided a genuine foundation (real-life professional experiences) for designing the empirical instrument (the survey instrument), as opposed to relying only on what I assumed to be true. Finally, the subsequent quantitative component bolsters the findings by providing empirical data (quantitative) to either support or refute patterns identified through interviews, thereby increasing overall research validity and reliability.

The qualitative phase of the study will involve interviewing corporate attorneys working in New York, which is one of the largest markets for both commercial and corporate law, and where most corporate law firms utilize new AI technologies in their practice. By targeting attorneys

working in New York specifically, the study will ensure that respondents have had first-hand experience with innovative AI tools as applied to corporate legal matters.

For the qualitative interview stage, a purposive sampling approach has been used to identify qualified corporate attorneys. In the quantitative phase, the survey will be sent to a much larger audience of attorneys to include a greater diversity of opinion and increase the external validity of the findings. All participants are giving their consent to participate in the study and their identities will remain confidential.

The data collection stage of the research project consists of utilizing semi-structured interviews. Semi-structured interviews offer researchers both a standardized list of questions and the ability to ask follow-up questions based on individual responses to the standardized questions. For instance, all participants will be asked the same basic interview questions, yet I have the ability to follow up with additional questions to help clarify or give more insight into each participant's personal opinion.

All participants will be asked questions regarding their opinions and experiences with AI's application within the context of corporate law, including how they perceive AI's use within this sector; what advantages they associate with AI usage, and the ethical ramifications involved in using AI. The questions that I will pose to each interviewee will be open-ended; therefore, each interviewee will be able to express their unique idea about the use of AI in corporate law rather than be limited to a selection of prescribed responses. This will help establish organic themes that develop rather than being influenced by the structure of a list of prescribed responses.

To reduce the possibility of bias from myself during the interviews (and thereby minimize the possible use of any pre-existing biases) all interviews will occur in a polite and fair way. To guarantee that I received an accurate snapshot of what was said by each individual (which will also give me content to code), I will do a recording of the interviews, and later transcribe the content from those conversations onto paper after they have occurred (right after). Finally, the information collected will then assist the researcher with determining themes, repetitiveness of themes, and the difference/ similarities of participant responses.

To conduct an analysis of the qualitative data using the thematic analysis approaches/ processes, as I collect and transcribe qualitative data (in the form of interview transcriptions), I will re-read through the interview transcriptions multiple times until I have compiled an in-depth understanding from each individual participant's response. Based on this process, I have generated some general codes based upon what has been said by each participant; so as to establish the repeatability of themes and other identified concepts, etc. of the responses received from each individual participant. From these codes, larger themes emerge that combine broader

categories of the responses to the individuals and reflect the similarities and commonalities of what individuals in the research study expressed in their responses related to AI in corporate law.

Thematic analysis is well-suited to this study because it enables the researcher to detect patterns among multiple participants while maintaining the participants' unique perspectives at the same time. Themes identified during the analysis will provide the basis for the quantitative survey developed as a result of the findings of the qualitative interview process.

To add to the credibility of this analysis, the themes will be drawn exclusively from the participants' responses and not from what I thought or felt about those responses. By using participants' responses to derive themes and connect those themes with the quantitative survey, the likelihood of injecting my own interpretation and bias into the results will decrease

Phase two of this study is the design and distribution of a quantitative survey based on themes that emerged during the qualitative analysis. The responses to the survey will provide a measure of how many legal professionals within the study population have similar experience and perspectives regarding the use of AI. This phase turns subjective representations into objective, quantifiable data.

The survey is designed in a manner that allows researchers to capture standardized, comparable responses to facilitate statistical analysis of the data collected. As such, survey questions may consist of either scaled (yes/no/maybe) or options to give their own feedback. The questions will assess the level of concern regarding ethics, as well as other related issues that may be correlated.

To ensure that all practitioners within the study population have access to the survey and to improve the response rate, it will be administered electronically. Additionally, as a result of using a standardized survey format, researchers will be able to systematically compare responses in order to enhance the accuracy and reliability of the data collected in this phase of the study.

Researchers analyze quantitative survey responses using descriptive statistics to identify trends and patterns from those responses. Researchers will examine how the responses are distributed to find out how many people shared similar opinions on AI and corporate law. Descriptive statistics are appropriate because the study is more interested in what participants think than why they think that way or how their opinions are related.

The quantitative results are compared with qualitative themes to see if there is consistency between the two types of data. Areas where the two data types align enhance the overall credibility of the findings, while areas where the two data types disagree provide opportunities for additional discussion and interpretation. The process of triangulation enhances the overall validity of the study.

Ethics

Ethical considerations play a central role in this research due to the nature of the research participants and the focus of the study. Participation in the study will be completely voluntary, and informed consent will be obtained from participants before the collection of data. Participants will know the purpose of the study and that they may withdraw from the study at any time.

To help keep participants' responses confidential, no personally identifiable information will be requested or recorded. Responses from interviews and surveys will be de-identified, and the findings will be presented in aggregate. By ensuring that the findings cannot be linked back to the individual participant or company, researchers hope to encourage participants to respond honestly and openly.

I have made an effort not to judge or evaluate the conduct of particular legal practitioners or organizations when preparing their review, and thereby preserve their objectivity and their integrity as ethical researchers by relying upon professional opinions generally rather than judging or commenting directly upon any one specific lawyer or organization.

Limitations

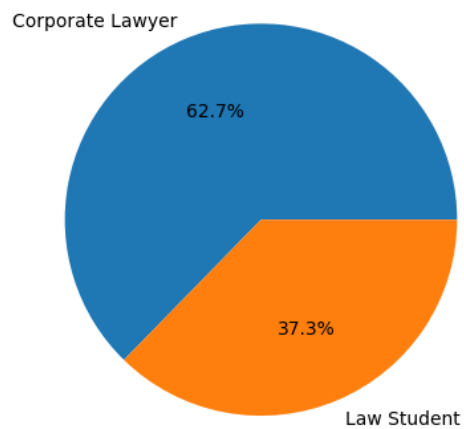
Although the combined use of quantitative and qualitative research methods supports the validity of the conclusions reached through this study, the findings may not be equally applicable to other states or types of law due to having restricted the participants to New York corporate attorneys. The results obtained from this study, based on self-reported information, may also be impacted by inherent biases resulting from their presenting answers they perceive as being considered favourable and desirable by an "outsider."

In addition to combining quantitative and qualitative methodologies to mitigate some inherent limitations, the design of the study emphasized producing sufficient depth of detail, reliable credibility, and conformity. By effectively bringing together qualitative interviews with the results of the data generated from the surveys, the study captures both comparatively detailed professional input and descriptions of general trends. Consequently all of the conclusions I reach are supported not only by credible evidence from the study, but also clearly demonstrate the professional realities associated with both practicing corporate law and utilising artificial intelligence.

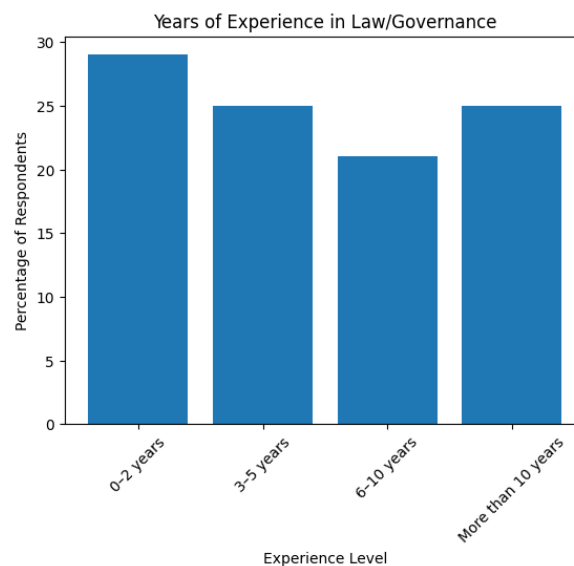
Results/Findings

This research has gathered information about how people working in or studying corporate Law perceive artificial intelligence (AI) usage or regulation related to corporate law in New York. The results listed below organize these responses into categories based upon participants' background, knowledge of AI, their thoughts about whether it meets legal standards, and general ethical issues raised by AI technology.

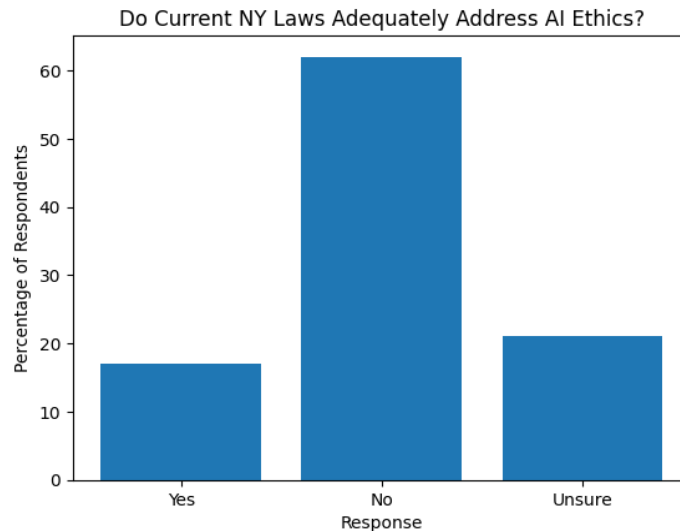
Distribution of Lawyers and Law Students



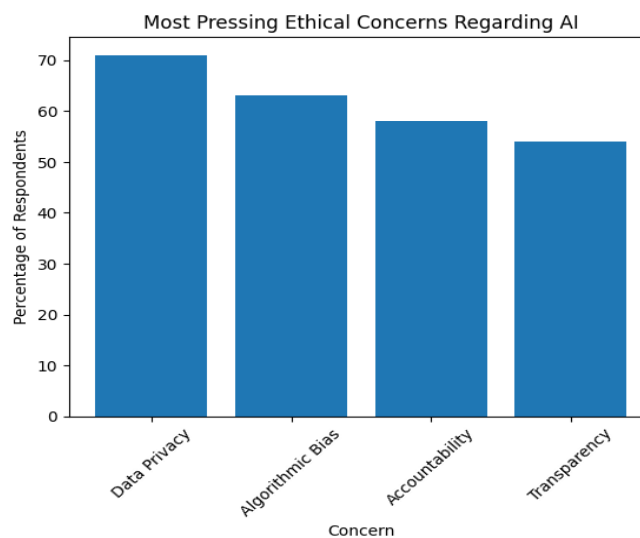
The above figure details the breakdown of participant types. Corporate Lawyer is the largest group of respondents, but Law Students are also a large portion.



Participants' Experience in Law/Corporate Governance: The years of experience of participants in law or corporate governance can be seen in the second chart. A majority of responses had a fairly even distribution across the different levels of experience, which indicates that the data reflect the perspectives of not only new, but also experienced professionals in the legal industry.



According to the third chart, there is a majority of the respondents that believe current New York State law does not sufficiently address ethics regarding AI in doing business. In addition, those who don't have an opinion on whether or not existing laws adequately address the issue comprise a smaller population percentage, and only a few believe that the current law is sufficient.



In the fourth data chart, most of the responses discussing ethical issues related to AI in corporate law displayed concern over were centered around issues of data privacy and confidentiality as the top being the most prevalent ethical concerns. Algorithmic bias, accountability and liability, and transparency also made up significant percentages among respondent selections, and this illustrates that respondents realize that there are many ethical issues associated with integrating AI into the corporate sector due to them having multiple overlaps with one another.

Ultimately, the data provides evidence of broad awareness regarding the role of AI in corporate law, as well as great concern about ethical and regulatory gaps. The results serve as a foundation for additional consideration on how the law, as well as professional standards, my need to adapt to new technology as it continues to emerge.

Discussion

The purpose of this study was to determine how corporate attorneys and law students from New York perceive the ethical implications and regulatory adequacy of AI in corporate legal practice. AI is perceived as widely known either by corporate and institutional lawyers or by law students within the legal profession, with significant uncertainty still remaining about whether or not current legal and ethical frameworks can adequately address this rapidly changing technological phenomenon.

This study's findings show that both practicing attorneys and law students have moderate to high levels of familiarity with AI. On average, there is a five-point scale that has an average rating of four for familiarity with AI; this indicates that AI is becoming a more often-used and accepted tool for working within a corporate legal setting. This represents a transformation in that former exposure to these technologies was primarily limited to technology professionals and is now becoming mor-e prevalent throughout mainstream legal education and practice. However, familiarity does not align to confidence in there being a proper regulatory framework that governs how practitioners use these technologies.

The forums of ethical issues identified by all participants within this study are overwhelmingly data privacy, algorithmic bias, and accountability. Participants indicated concern about protecting confidential or proprietary company data and preventing the AI system from producing business practices that could be viewed negatively, such as being discriminatory or having lack of transparency. The emphasis on accountability or AI-assisted decisions that may result in damage to the corporation indicates the uncertainty of who will be liable for the damages, whether it be the attorney, corporation, or the creator of the AI system.

The expressed importance of establishing a set of ethical guidelines applicable to all areas of AI demonstrates a wide consensus that there must be some type of structure to regulate AI.

However, the participants are split on how oversight of AI ethics should be managed. There are those who believe federal oversight is necessary to ensure conformity or uniformity within the regulation of AI; however, there are also participants who believe state or local oversight and involvement from a professional association is a better regulatory structure. This debate about whether there should be one centralized authority to provide oversight for AI, or whether there should continue to be multiple sources for AI oversight at various levels, reflects the continuing direction of the discussions taking place at the national level.

Qualitative data provides additional evidence to support the conclusion that AI is providing a much-needed assistive tool but is not, at least currently, capable of replacing human judgement. Participants commented that while they believe AI is increasing efficiency, they do not believe that AI could or should replace individualized ethical reasoning. Based on this understanding, it appears that currently, the prevailing view of legal practitioners is to consider AI as being augmentative instead of being fully autonomous. However, using automated outputs may indirectly impact risk aversion and make strategic decisions more difficult over the long term through ethical dilemmas.

As noted previously, this research has revealed an emergent set of insights regarding the current perception of AI ethics among New York's corporate legal stakeholders as it relates to corporations who use corporations in their operations. Although there are many discussions at the national level around what AI regulation means from a large technological or political perspective, these results show that the primary concern of corporate attorneys and law students is how to structure the responsibility/accountability of individuals using AI versus whether it should be utilized. Participants validated AI as an efficient means of being successful but established that they do not feel that they have a clear understanding of liability, transparency, or data protection. This indicates that the most critical area of contention is not about adopting new technology but rather establishing clarity regarding regulatory structures.

The research indicates an increase in ethical concern as individuals gain more familiarity with AI. Privacy concerns, bias and lack of accountability are issues raised by those with moderate to high levels of familiarity with AI, showing that skepticism is not necessarily due to unfamiliarity with AI but rather how credible legal professionals perceive the structural limitations of the current legal system. As such, it can be concluded from this empirical evidence that AI is being used in the field of corporate law in New York without any clearly defined ethical guidelines to govern its usage. Consequently, there exists a professional gap between the acceptance of AI as a working tool by lawyers and the lack of confidence by lawyers in the means of legal accountability associated with the use of AI. The disparity that exists between legal utility and regulatory assurance demonstrates the importance of establishing a coordinated oversight mechanism to develop appropriate ethical standards going forward.

Conclusion

This research investigated the viewpoints of corporate lawyers and law students in NY regarding the ethical ramifications and regulatory adequacy of AI in corporate legal practice. Results indicate that although there is growing acceptance of AI as an efficient means of performing legal research, conducting due diligence, reviewing contracts, and performing governance related tasks there are still serious concerns associated with how this technology is being ethically used and whether there is sufficient legal oversight and regulation governing its use. Through both qualitative interviews and quantitative survey data, participants indicated that the most significant ethical concerns relative to AI are; data privacy, algorithmic bias, transparency, and accountability. While participants have moderate to high levels of knowledge of AI technologies they do not have commensurate levels of confidence in existing regulatory protections governing the use of these technologies.

Legal professionals in New York City generally view AI as an augmentation of the legal profession rather than a complete replacement of human legal judgement. They perceive many benefits associated with using AI as a way to provide more efficient delivery of legal services and increased access to legal information. Nevertheless, participants also believe that AI cannot replace the ethical considerations, fiduciary obligations, and client centered decision making associated with human lawyers. Therefore, the overall conclusion that can be drawn from this research is that the current issue facing corporate attorneys in New York is not whether to utilize AI technology but more importantly the manner in which we will establish responsibility, liability, and ethical obligations associated with its use.

Implications

There are major implications for the legal profession in the future with regard to how corporate law firms will operate based on this research. There is still a lack of clearly defined ethical guidelines surrounding the use of AI, which could jeopardize the perceived integrity of the legal profession, cloud the issue of liability and raise issues of confidentiality and trust between a client and their attorney as more and more jurisdictions adopt AI for the delivery of legal services. Therefore, there is a need for coordinated oversight between the New York State Bar Association, law firms, corporate boards and legal educators to develop standardized ethical training for AI-assisted law practice, transparency around usage of AI by attorneys, and methods to hold attorneys accountable for AI-assisted services. Conversely, this research represents another step in a broader national conversation regarding whether AI governance of law should be centralized via federal regulations or maintained by the states and other relevant governing authorities and how to develop appropriate oversight of the use of AI by attorneys.

Limitations

There are a number of limitations associated with interpreting the results of this study. First, given that the focus of the study was on corporate attorneys and law students located within New York, the results may not be generalizable to attorneys in other jurisdictions or attorneys specializing in areas of law other than corporate law. The ethical expectations of attorneys and the need for appropriate regulation of the use of AI is likely to vary greatly from state to state and among the various legal specialties. Second, the data collected for this study were primarily based on self-reported perceptions by the respondents, which is susceptible to response bias due to social desirability effect in terms of how respondents reported their ethical concerns. Furthermore, because AI technology progresses at an increasingly fast rate, these findings only represent a snapshot of perceptions at one moment in time and are likely to change as the sophistication of legal AI tools continues to improve, or as regulations are developed.

Future Instructions

Subsequent studies may build on data collected for this research by incorporating attorney populations across state lines, additional types of practice areas, and corporate clients themselves to create a more thorough understanding of what ethical accountability should look like for all of the parties involved. Future research may investigate the impact of various types of AI governance policies or the effect of New York State Bar Association training requirements on attorney trust and how these factors influence client outcomes over time. Ultimately, this research indicates that AI continues to provide useful tools in the area of corporate law; however, whether it achieves viable status over time will ultimately be determined by the establishment of clear ethical guidelines that will ensure retention of human judgement as well as retention of attorney-client privilege and public confidence in the profession.

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