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AI Decoded: The Future of Law, Judgment, and AI

November 24, 2026

The debate over how AI will reshape the legal profession shows no sign of slowing. In this episode of *AI Decoded*, partner Oliver Howley and Nathan Barksdale, General Counsel and VP of Operations at Perplexity, explore the role of human judgment in legal work, the future of the legal profession, and what's next for Perplexity.

OLIVER HOWLEY: There is a concern among certain folk that use of AI in legal work removes true human judgment and risk analysis, ultimately to the detriment of clients and lawyers. How do you see that human judgment feeding into AI use?

NATHAN BARKSDALE: There are two distinct processes, and AI and Perplexity is a tool that lawyers and humans use, and they utilize their judgment to determine what is the outcome and how they're going to use this information going forward. It's a common misconception that these tools are going to replace all of the work, and that's honestly — I think it's impossible. Every deal that we make, both sides try to end up happy, but usually there's a winner and there's a loser.

OLIVER HOWLEY: Yep.

NATHAN BARKSDALE: In court, there is a winner and there's a loser. You can't train AI to give one party the upper hand — it's just impossible, because AI is going to find what is the middle point. But if you want a little bit of an edge, you need humans to intervene in that process and be able to understand all of the variables of that company and what their objective is, and have information that the other party doesn't know, to be able to achieve what they want on the other side.

OLIVER HOWLEY: Yeah, I love that. I, I think there will always be a role, especially in Big Law, but also within in-house teams, especially at your level, for a lawyer to make the ultimate judgment call and to manage the room and have the EQ and the IQ to ultimately do a deal that satisfies the business and isn't just okay.

NATHAN BARKSDALE: Definitely. I think AI solves the blank page problem.

OLIVER HOWLEY: Yeah, yeah.

NATHAN BARKSDALE: It solved — early in my career, needing to draft a bespoke contract from scratch — it was the most rewarding work that I've ever done, but it was also daunting. Many late nights of being like, what do I want to accomplish with this deal?

OLIVER HOWLEY: Two in the morning, looking at a blank screen.

NATHAN BARKSDALE: Exactly, and it solves that, but it doesn't solve you reviewing every single word in detail and ensuring that it aligns with what your end goal is.

OLIVER HOWLEY: Right, right. I would also make a plug for one of the workflows and the Computer for Counsel, which is actually now a drafting tool. So, I would just put in a precedent, describe what I want, and it produces that first draft for my review or an associate's review.

Looking ahead, there seems to be an endless debate about how AI will change the legal profession — your and my jobs. From where you sit, what parts of a lawyer's job do you think AI is going to take away? And perhaps more importantly, what opportunities do you think AI is going to create for the legal profession?

NATHAN BARKSDALE: That's a good question. I think about that constantly, being a lawyer and looking out for my own job. But I think it applies to the industry as a whole that AI is not going to replace lawyers. AI is going to replace a lot of the administrative burden that all of us do on a day-to-day basis. It's going to allow us to be faster and more efficient at our job, get access to information in a way that you don't have to go to three parties to get it and pull it back and waiting for people to finish their part of the assignment before you can begin yours.

Also, the misconception is that it's going to reduce overhead for companies on their outside counsel spend, which I think is absolutely incorrect. There will be more demands on outside counsel, because you have more time back to get into more issues and more work. So whether it's firm revenue going up because your 14 hours a day that you spent on billable hours becomes the same 14 hours across many different matters and complex tasks—

OLIVER HOWLEY: Yeah.

NATHAN BARKSDALE: —or it’s the more administrative side of your business being removed, so then you are using your judgment and your expertise to do more tasks that the client wants you to do.

OLIVER HOWLEY: Absolutely agree, I think, I, for example, use Computer for all my matter openings now. So, feed in some information about our new client we’ll research, we’ll prepopulate all the fields, we’ll get sent to my assistant. She’ll use that to open the matter, and it’s made her life a lot easier (and my life a lot easier) because it would previously have taken, you know, an hour to open a new matter.

NATHAN BARKSDALE: The last thing I want a firm partner to do.

OLIVER HOWLEY: Is spend time filling out forms. Yeah, yeah, yeah.

NATHAN BARKSDALE: I know a midnight deadline to file a brief is looking over page and word requirements and trying to cut a sentence down to half the size so we can meet that demand. That’s not an efficient use of your time.

OLIVER: And actually brings me to a story that I, you know, just popped into my head, which is one of my partners, Colin. He writes briefs, he’s an antitrust, and he’s also scraping, I think you know him too. And he had a word limit on something that he had to, had to submit. And he wrote it all over a weekend. And he used your tool to just cut back and make everything as pithy as possible but was still compelling and still had all the substantive arguments, and he saved many, many hours doing that in an automated way rather than having him or an associate sit there for a weekend cutting unnecessary words.

NATHAN: Exactly, Yeah. It’s like having a summer associate that’s half the cost.

OLIVER HOWLEY: Another good example would be, I think, what we call internally our project reimagine function which is we’ve automated the end to end process for private fundraising using technology and AI, and what it’s allowed associates to do is remove a lot of the admin steps in the manual process for fundraising, which frankly, can be a bit monotonous and a bit repetitive, and it’s taking time away so that they can do, you know, more productive things: work on multiple fundraisings, go out and service clients, meet them, do business development, and one of the things we often say is what this technology will allow us to do is to actually do the work faster, more efficiently, more quickly and dare I say it, more cheaply.

NATHAN BARKSDALE: Definitely. I think junior lawyers, and especially aspiring lawyers or students in law school — their entire practice is going to be entirely different than how you and I have practiced over the —

OLIVER HOWLEY: And we're trained.

NATHAN BARKSDALE: — past 20 years. We brought in our first legal intern this summer, a first-year law student, and his sole task was to figure out how we can, as a company, as a team, utilize AI better, because he has a different way of looking at it.

He's a new foundation of taking what he's learned, looking at how new these projects are, and then applying a different skill set based on him growing up with AI. We grew up with social media, and students today, and aspiring lawyers, are going to grow up with AI and fundamentally practice differently into the future. That has probably been one of the single most successful things we've done as a team this summer, because of what he has been able to contribute at such a young age — and it's helpful for him as he goes to the firm in his second year summer and applies a whole new lens, taking what he's learned in-house with us this summer, to his career. I would say classes, summer classes, and junior associate classes three or four years from now are going to practice wildly differently than we do.

OLIVER HOWLEY: If we finish by looking at the future for Perplexity — we've heard about a potential IPO, who knows where we'll go there, but we've seen on the product front Comet, we've had Computer, we've had Computer for Counsel. What's next? Can you give us a spoiler? Is there anything we should be super excited about in the coming months and the year?

NATHAN BARKSDALE: So traditionally, we have been at the top of the AI stack. I think people look at us as the application layer that builds on top of these different models and tools. But we really develop every single layer. Recently, we announced Space, which is a sandbox layer where people can test certain workflows within a contained environment before it's released live. And next we're venturing into hybrid inference and hybrid AI. We'll be coming out with products shortly for NVIDIA, for Intel, for Apple, where that hybrid AI environment can meet better cost, security, and speed.

OLIVER HOWLEY: Just to explain that a bit more for those who don't necessarily appreciate the technical nuance — that is having certain processes and certain models running on-device, as well as, when it's necessary, calling out to the cloud, calling away from the device, right?

NATHAN BARKSDALE: Right. So that allows, because the AI will be working locally, much faster processing and speeds. It will allow for more security assurances for customers that really care about that, or are concerned with the cloud environment, where only information absolutely necessary and at your direction goes to the cloud, to get information from Perplexity or downstream sub-processors where it's necessary. And hopefully that will help a lot with the costs and the token usage, because all of that will be local and contained in those cases.

OLIVER HOWLEY: I think it's a perfect solution in many ways, because there seems to be some tension at the moment between sandboxed, or air-gapped, security solutions where nothing ever leaves your environment — we have people demanding that of certain clients — and then you also have, obviously, the most powerful operators, the most amazing models, the most amazing technology, being hosted elsewhere. So how do you bridge that gap? There seems to be a perfect solution, a mix of both worlds, that ultimately delivers the ultimate solution to the end operator.

NATHAN BARKSDALE: Definitely, and we think it's necessary because every business is going to be unique in how they want their AI infrastructure to be set up, and having more variety in how we can do that, and how businesses can launch that, is going to be better for all industries and all businesses.

OLIVER HOWLEY: So it's not just one-size-fits-all, right?

NATHAN BARKSDALE: Exactly, and AI — the purpose and intent for AI is to make sure that it can be tailored and tweaked for every single customer and every single user. Where SaaS was one-size-fits-all for customers, and you frustratingly found gaps in what a SaaS service could do for you, AI is wholly unique to every individual, and that's what we strive to be, and work with our customers on.

OLIVER HOWLEY: Truly bespoke. Okay, Nathan, boss, this has been great. Thank you so much for joining us. Always a pleasure.

NATHAN BARKSDALE: Thank you.

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