

OpenAI Accused of Practicing Law Without a License

A federal lawsuit in Illinois tests whether generative AI platforms can be held liable for enabling unlicensed legal practice — with \$10.3M in damages sought.

THE CASE

A new federal lawsuit filed in March 2026 by **Nippon Life Insurance Company of America** in the Northern District of Illinois alleges that ChatGPT "acted as an unlicensed lawyer" for a former disability claimant. The insurer seeks \$300,000 in compensatory damages and \$10 million in punitive damages, plus a declaration that OpenAI violated Illinois unauthorized practice of law (UPL) statutes.

HOW IT UNFOLDED

After her disability benefits case was dismissed with prejudice in January 2024, the claimant asked ChatGPT to review correspondence from her attorney. Acting on the AI's response, she fired her lawyer and began filing pro se motions to reopen the closed matter. Over the following year, she submitted more than **40 AI-generated court filings** — some citing non-existent cases — all of which a judge ultimately rejected.

LEGAL THEORIES AT STAKE

Nippon asserts UPL violations, an "aiding and abetting" theory, and seeks a permanent injunction barring ChatGPT from providing legal advice. The case may be the first to compel a court to define when AI output constitutes the practice of law and who bears liability for pro se litigants relying on it.

BROADER CONTEXT

In February 2026, a federal judge in *United States v. Heppner* held that a defendant's AI chats carried no attorney-client privilege. Meanwhile, courts nationwide have begun sanctioning lawyers for AI-hallucinated citations, with some now requiring disclosure of AI use in filings.

TAKEAWAYS FOR ATTORNEYS

Firms should update engagement letters and AI usage policies. Supervision protocols under **Model Rules 1.1, 1.6, 5.3, and 5.5** can help manage exposure. Expect more detailed guidance from courts and bar associations as this litigation unfolds.

REFERENCE LINKS

- 1 Reuters — "OpenAI hit with lawsuit claiming ChatGPT acted as an unlicensed lawyer" (Mar. 5, 2026)
- 2 Inside Tech Law — AI in Litigation Series: Complaint Analysis
- 3 NPR — "Penalties stack up as AI spreads through the legal system" (Apr. 3, 2026)
- 4 Perkins Coie — Federal court rules AI use not privileged
- 5 BakerHostetler — AI-generated documents are not privileged