



AI Contract: Future and Scope In Legal System

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DOI-10.5281/zenodo.8344607

Abstract:

The research article peeps deep into the relevance of artificial intelligence in contract and how it is associated in legal realm. It gives a vivid picture of the concept of Artificial Intelligence, its future scope in contract as well as in legal system. The significance, potentiality and vitality of AI in the present modern era especially in legal domain is specifically attracted in the research article. The substantial role played by ChatGPT in law of contract is well enumerated in the work. The coining of the terms and conditions to the best benefit of both parties are most essential part of a contract and here the relevance and importance of AI is well explained to reach the reader. The study also gets into various AI tools that are used in the legal contract system for framing better results. The future scope of AI in contractual relationship especially in the Indian legal framework is also dealt here in this article. It is a doctrinal research article which aims to illuminate legal contractual framing with the mansion of artificial intelligence for a better result in contractual jurisprudence.

Key Words: Artificial Intelligence, Scope of Artificial Intelligence, Artificial intelligence and legal realm, AI contractual tools, Relevance of AI in jurisprudence, importance of AI

AI contract: Future and scope in legal system

A contract is a written or spoken agreement that is enforceable by laws. It is a kind of evidence of the duty of the parties having to each other. But does the parties have an efficient way of maintaining these evidences. When such a question arises, AI contract is a topic of discussion. But what is an AI contract? Why is it required? What are its benefits on the legal system? The list seems endless. To know about AI contract, we need to know a bit about AI(Dabass & Singh Dabass, 2018).

Artificial intelligence (AI) has been reconceiving society in ways we have never foretasted. Technology is clinching to us in every walk of our lives. The use of AI has helped to improve efficiency, reduce costs and increase accuracy in various fields. It has revolutionized many industries, including education, finance, healthcare and more. Even though there has been profound development of AI in various fields, it's use in legal system is still in nascent stage. Several countries like United States, United Kingdom, Canada, China, Singapore, Australia etc. are exploring and implementing the use of AI in the legal system. But in India, AI is not extensively being used in the legal system. However, some measures are taken for incorporating AI in the legal domain in India. For instance, a discussion paper

was released in 2020 by the National Institute for Transforming India (NITI Aayog) on the use of AI in Indian justice system(Agrawal, 2021).

AI CONTRACTS

The use of AI in legal system enhances the scope of judicial work and lessens the burden of the judges. AI also helps in providing assistance in drafting contractual documents, due diligence, legal analytics etc. one of the major uses of AI in legal system is in contract-related activities. AI contracts also termed as smart contracts, are self-driven with terms directly written into codes. These contacts are based upon blockchain or distributed ledger technology, which ensures transparency and perpetuality(Solanki, n.d.).

AI AND LEGAL INDUSTRY

A significant part of lawyer's work is in the form of written words. It can be seen in the form of emails, memos, briefs, complaints, requests and responses, transactional documents of all kinds, enquiries, judgements, case laws and many more. Although existing technology has made the generation of these words easier in some respects, these tools have changed most lawyer's work in relatively easier ways. In contrast, AI tools like ChatGPT shows the prospective in altering legal document to generate a much wider range of legal documents and information. ChatGPT is a chatbot

released by OpenAI on 30 November 2022. It has a great potential in both legal profession and for the society. A person in a legal industry can make use of ChatGPT in various ways. One can use it in legal research. It could serve as a constant guide throughout the journey. It can scan large number of legal documents and only provide relevant information regarding the same. It serves as a timesaver to the researcher. ChatGPT also helps in generating helpful documents. It could be used to provide general legal information to the public, such as answering frequently asked questions or providing basic legal advice. It could be used to assist in legal analysis by providing suggestions and insights based on its understanding of the important legal terms(maxims), legal doctrines and legal precedents. Within a few months of ChatGPT's release, law firms and legal tech companies are already announcing new ways of using generative AI tools(*AI-Driven Contract Analysis in Perspective and in Practice*, 2020).

ChatGPT AND LAW OF CONTRACT

ChatGPT is helpful in several ways of framing a contract. It can also be used in contractual negotiations like if the contract needs additional arguments, suggestions, crisp and clear drafts with the help of ChatGPT we can make necessary changes according to the needs. For example, If a user wants to create a contract for the sale of a piece of property, they could provide GPT-3 with the names of the buyer and seller, the price of property, and any contingencies or special provisions. It could then generate a draft of the contract, which the user could then review and make any necessary changes. This process could save the user time and effort, as they would not have to start from scratch when creating the legal document. Sometimes we can say these powerful AI tools can replace human lawyers to AI lawyers(Thomson Reuters Institute, 2023).

Capacity of ChatGPT in Law of Contract

We can put a short contract and seek help of ChatGPT to work upon it and ask it to suggest review and suggest revisions. Also, we can seek ChatGPT to respond the proposed revisions and provide justifications for the same. We can approach for recommendations for the best language to achieve the objectives in revising the clauses or sections of an agreement. It could be helpful in summarizing a super lengthy paragraph that one could normally understand the intent and its impact. Also, we can compare what appear to be conflicting the clauses and provide an analysis of the clauses work together. It helps us to understand what is standard in certain types of contracts and certain industries, and request supporting explanations and data. It could be helpful in summarizing legislation to pinpoint what is critical and why a party would want to exclude or include it from the contract etc(Juhász, 2020). it also provides data or

instructions on how to get data or support your arguments. It could be able to understand the other side's arguments and requests responses on your behalf. It enables quick research and can identify a statute or regulation and its definition to determine whether a particular regulation or statute applies to the same. it can be helpful in checking grammatical errors and mistakes which in turn helps to consume time(Mayers, 2023).

AI TOOLS PREVAILING IN LEGAL INDUSTRY

Kira

Kira is a patented AI technology designed for the extraction of certain documents from case files and records. It extracts and identifies clauses from contracts which help in contract review. Kira can also create powerful summaries or documents and is suitable for extensive use by corporate legal, consulting firms, audit departments, financial services, real estate etc. This patented AI technology has wider scope in the law of contracts(Alarie et al., n.d.).

Hyperlex

Hyperlex is a software that manages contracts in all phases. It assists in all phases the creation of contracts to negotiations. It helps in negotiations. It draws comparisons to arrive to the best offer. Hyperlex speeds up the long process. It also sets up reminders for deadlines on expiration dates. The software analyses every clause and language of a contract to dismiss any potential future conflict in accordance with the contract(Alarie et al., n.d.).

Evisort

Evisort is an AI tool that accelerates the contract creation. It also accelerates the management process by using natural language. It uses advanced AI to automate data search. It also extracts data from contracts to simplify data collection. Evisort improves accountability in workflow. It helps in keeping track of renewal and approval of contracts. The software comes with a powerful text search. It provides a feature of auto alert of key dates to prevent unwanted costs or missed opportunities(Alarie et al., n.d.).

Luminance

The AI tool Luminance was founded by University of Cambridge. Luminance is a document review software that maintains the client's legal database. It accelerates reviews and highlights the key clauses of contract. It identifies and alerts the user to change, delete certain words that may create conflicts in the future. Luminance makes analysis by its user easier and faster(Alarie et al., n.d.).

ROSS

ROSS is an AI tool where question-based research is found. It works as a document analyzer. The software looks for overturned and critical treatments in the documents during the review

process. It presents a summary of the case. It alerts the lawyer if any relevant cases can be referred and equips them with crisp information from related cases and arguments(Alarie et al., n.d.).

Lex Machina

Lex Machina is an AI analytical software. It frames strategies in accordance with legal analysis of the cases. It analyses the behaviour and case records of judges, opposing counsel, and parties to predict the behaviour and frame strategies. It also makes a case list analyzer for reference to related cases. Lex Machina offers motion metric report feature. It helps to predict the chances of a motion to be granted or denied(Alarie et al., n.d.).

LawGeex

LawGeex is a contract review automatic platform of AI which offers an automated contract review. Information about guidelines is fed to the program that reviews contracts like a human lawyer. It makes suggestions in contracts. It helps to identify missing clauses in a legal document. It can speed up the contract review process by three times. Also, it acts as a timesaver and save energy for other crucial and high-skill tasks(Alarie et al., n.d.).

Everlaw

Everlaw is an AI cloud-based e-discovery platform. It provides for an-to-end support. It helps in setting narratives, analyzing testimony, and organizing arguments. The program can translate documents. Over 109 languages are available in this AI program. Everlaw offers a narrative building and trial preparation platform(Alarie et al., n.d.).

SCOPE OF AI CONTRACTS

The scope of AI contracts is broad and extends across various industries. AI contracts can have a significant impact on the following areas(GARY E. MARCHANT, 2017).

1. **Supply Chain Management:** AI contracts can help in tracking and verifying the movement of goods along the supply chain. This ensures transparency, authenticity and adherence to the agreed upon terms.
2. **Finance and Banking:** AI contracts can automate processes such as loan agreements, insurance claims and cross-border payments. This helps in reducing processing time and minimizing errors.
3. **Real Estate:** Smart contracts can simplify property transactions, rental agreements and property management tasks, which in turn reduces paperwork and improves efficiency
4. **Intellectual Property:** Copyright protection, licensing agreements and royalty distribution for creative works can be managed by AI contracts.
5. **Healthcare:** AI contracts can help in managing patient records, insurance claims and medical billing processes securely and efficiently.
6. **Automotive Industry:** Smart contracts can automate vehicle registration, ownership transfers and maintenance scheduling.

7. **Voting and Governance:** The transparency of voting processes and governance mechanisms can be improved by using smart contracts.

8. **Digital Identity:** Smart contracts can play a vital role in managing digital identities and controlling access to personal information.

9. **Legal and Notary Services:** AI contracts can be used to manage notary services. The creation of legally binding agreements can also be done by using smart contracts.

10. **Energy Utilities:** In energy sector, AI contracts can facilitate and manage peer-to-peer energy trading and grid distribution.

HOW CAN WE IMPLEMENT AI CONTRACTS IN LEGAL SYSTEM IN INDIA

AI contracts are increasingly gaining recognition in the legal system in India. But as mentioned earlier, AI contracts are still in the stage of development and refinement. Legal professionals and policy makers are actively working for creating a framework to govern AI contracts and for addressing the challenges they pose. Certain steps which can be taken for the implementation and development of AI contracts in the legal system in India are as follows(Agrawal, 2021):

1. **Legislative Updates:** For ensuring that AI contracts are legally enforceable, the legal framework should be updated to accommodate AI contracts.
2. **Standardization:** standardized guidelines and protocols should be established for creating, executing and interpreting AI contracts. This ensures clarity.
3. **Liability and Accountability:** it is crucial to determine liability and accountability in AI contracts. Legal provisions should be established to address issues such as breaches, errors, and malfunctions and to allocate responsibilities between the parties involved.
4. **Ethical Considerations:** Ethical concerns associated with AI contracts, such as transparency, fairness, and bias should be addressed. It is important to ensure that AI systems adhere to ethical standards in order to help build the trust and confidence in their use.
5. **Contract Formation:** For implementing AI system in contracts, clear guidelines should be established, including the necessary elements for contract formation such as offer, acceptance, and consideration.
6. **Dispute Resolution:** Proper mechanisms should be developed for resolving disputes arising from AI contracts including alternative dispute resolution methods. This can help in providing efficient resolution.
7. **Education and Awareness:** In order to facilitate better understanding and implementation of AI contracts, proper awareness and education should be provided to legal professionals, judges and the general public.

8. **Regulatory Sandbox:** A regulatory sandbox environment should be established where innovative AI contract solutions can be tested. This can promote the development of effective regulatory frameworks.
9. **Data Protection:** it is very important to ensure data protection methods, including consent, privacy, security, when dealing with AI contracts. In order to safeguard the interests of all parties involved, it is crucial to implement strong data protection laws and regulations.

10.Certification and Accreditation: Certification and accreditation programs for AI systems and providers should be established. This will help to establish trust and reliability in the use of AI for contracts related activities.

11.Collaboration: Collaboration between legal [professionals, technology experts and policymakers should be promoted. This will help in the development of best practices for AI contracts.

12.Continuous Monitoring and Evaluation: The implementation of AI contracts should be regularly monitored and evaluated. This can help in identifying any gaps or challenges and also help in enabling timely adjustments to the legal framework.

DISADVANTAGES OF AI CONTRACT

AI contract does seem to have a wide range of scope and future in the legal field but it also has many risk factors or cons which we can understand from the above discussion, also these risk factors should be kept in mind while implementing of AI contracts. Contract creates an interaction between the parties involved in it, which fabricates a sense of fulfilling the duty that one is having to the other. From our study we have understood that, AI contract has high chances of creating a gap between the parties as there is very little interaction happening in person. This will also create communications problems between the parties leading to failure on the agreement connecting them. AI contract needs to be handled carefully and requires the knowledge for it or else it may give way to excessive deception. AI contract is a system which digests what it is fed thus, there are numerous chances of malpractices occurring. Invading into the contract like cyber-attacks can take place. Someone who is an expert in activities like hacking may not need much time to swap the information in the contract. AI contract can be vulnerable to damages as it has the involvement of machines. Machines are prone destruction which can be caused to lack of awareness for the controlling of the machines, poor maintenance etc. causing breakdown of the machines and loses to the parties(Mayers, 2023).

CONCLUSION

AI is not confined to the legal field only; it can be seen used in every profession. There are different AI technologies that are used by students, workers, IT professionals etc. Indeed, AI has contributed in

massive to the legal system. As the CEO of Contract Intelligence Company right said, “AI is never going to replace lawyers, but lawyers who use AI and lawyers who use technology are absolutely going to replace lawyers who don’t.”(Brooks et al., 2020) It surely has the unique potential to boost the efficiency of contract creation process. It certainly has made things bit more easier but to an extent. It should be used wisely especially when applied in handling of contracts or things can get chaotic. Moreover, India can efficiently implement AI contracts in the legal system and ensure their smooth amalgamation into the existing legal landscape by adopting necessary methods.

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