



## AI Contract: Potentiality of AI Contract to Revolutionize the Legal Field

*Anupama C Emmanuel<sup>1</sup>, Mariya Vincent<sup>2</sup>, Siona Unni<sup>3</sup>, Biju Antony<sup>4</sup>, Suranya S. Kumar<sup>5</sup>*

<sup>1,2,3</sup>B A LLB Graduate Students, Bharata Mata School of Legal Studies, Choondy, Aluva, Kerala – 683112

<sup>3,4</sup>Asst. Professor, Bharata Mata School of Legal Studies, Choondy, Aluva, Kerala – 683112

E mail – [thekkanathpaul@gmail.com](mailto:thekkanathpaul@gmail.com), Mob: 9744768738

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### ABSTRACT

AI (Artificial Intelligence) is a highly practiced and effective technology used in various fields all over the world. It has made our lives effortless and at the same time highly accessible to dynamic technology. AI can be described as a highly intelligent and influential technology that is far more powerful, technologically advanced and evolved than the reach of a human being which can process masses of data, accomplish and verify flaws in intricate files instantaneously and many more. Contract is a legal relationship which binds two or more parties where both parties agree to certain obligations and benefits. The traditional contract construction methods grasp considerably a long duration and required enormous human efforts along with high proficiency in the same. Here derives the real exigency of making use of the advanced technology where AI becomes a finest option today. With the help of AI in contracts, it analyses and highlights any fault in the legal document or data, fills out the loopholes and can even help in drafting a contract efficiently and swiftly. The doctrinal research outlines the concept of AI Contracts, its merits, demerits, future impacts in legal system as well as contract. The doctrinal research work aims stimulate new inventions and technological advancements in various forms of contracts which can revolutionize not only contracts but also legal realm.

**Key Words:** AI Contract; Artificial Intelligence; Potentiality of AI Contracts; Horizons of AI Contracts; Law and Artificial Intelligence; Advantages of AI Contracts; Disadvantages of AI Contracts

### POTENTIALITY OF AI CONTRACT TO REVOLUTIONIZE LEGAL FIELD

“AI is a game changer in the legal field and has the potential to revolutionize the way lawyers work” said supreme court judge Hima Kohli. The introduction of AI in the legal field has the capacity to remold the entire working atmosphere of the legal system. It is also powerful enough to revolutionize certain fields in law such as contract review, contract analytics, litigation prediction, legal research etc (Solanki, n.d.). Here in this research paper the discussion is about the horizons of possibilities and threats of AI contract which has sharp link with legal system.

- It assists in the expansion of sophisticated writing in a very limited time which was exclusively done by high skilled, efficient and experienced individuals in a duration of a long period.
- Cost-efficiency, proficiency, drop in errors, reduced remote barriers, effective legal analysis, research tasks etc. can be achieved by the exposure of public towards AI for law.

The major question which arises here is the capacity of AI to replace lawyers, advocates’ clerks even though it helps in the easy analysis that is not enough to replace the judgmental ability of the learned jurists. Human skills are vital to check on the liability of the AI generated documents. Thus, AI cannot replace lawyers and advocates’ clerks but enhance their productivity and benefits to provide more accurate suggestions to their clients. The very introduction of AI to legal realm also puts up the question of making use of AI for the best use law firms. E-discovery can be done with the help of AI which helps in the easy collection of the identified data that is in electronically stored information (ESI) that is stored as evidence for litigation (GARY E. MARCHANT, 2017).

The introduction of AI to legal dominion of contracts also supports simplification of large volume of data, identification of similar cases, advanced client interaction, increased productivity, better arrangement of resources, checking accuracy of the acquired data, finer drafting ability etc. Smith.ai, Gideon, Casetext and Diligen are some of the AI that can be made use by lawyers in their profession for better results (Juhász, 2020).

AI Contract Lifecycle Management (CLM) is used to draw useful analysis regarding the content of the contract. When creating and writing a contract, the AI solution can detect the type and goal of the contract and suggest suitable clauses to add which would be more legally professional at the time of disputes if any. This contextual analysis considers factors such as industry norms, legal obligations, and specific contract types, ensuring that the contract is complete and customized to fit the unique needs of each case (Solanki, n.d.).

Smart contract creation with AI, contract authors enjoy more efficiency and accuracy. The AI solution helps in finding the right vocabularic clauses from a large collection of language, reducing the time that is wasted looking for relevant wording. By using machine learning abilities, the AI system constantly improves its suggestions based on feedback and user choices, further improving the creation process over time (Alarie et al., n.d.).

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## ADVANTAGES OF AI CONTRACT

### 1. IDENTIFY, EVALUATE, AND REDUCE RISKS EFFECTIVELY

AI is capable to scan documents, label clauses and mark the changes between contract versions, along with suggestions of words and clauses which are too risky or uncertain for a company and replacing them with words which will make the contract safer.

AI contract management has produced a positive change on business performance. A team can focus on more supreme tasks and strategic targets with the contracts made with effortless and exactness by AI, eventually resulting in business development and victory.

### 2. EXTRACT CONTRACT TERMS AND CLAUSES WITH AI TECHNOLOGY

In AI contract management, it enables a company in finding right clauses from a large collection of templates and clauses, by spotting the changes between various contract versions. This ensures the process of contract making more systematic by verifying and speeding up the negotiation process, enabling a company to close deals faster and reserve money.

A key benefit of AI contract management is the ability to see how contracts change over time and what modifications are made during the contract cycle. This aspect allows the parties to spot and recognize the changes in the contract with ease, making the negotiation process smoother. It now becomes easier to follow and comprehend the development of contract with AI powered analysis and make sure that all parties are in the specific agreement.

### 3. AI BASED CONTRACT ANALYSIS

With its smart contract analytics AI is able to transfigure the contract management process. AI can distinguish patterns, suggest irregularities and clauses using machine learning. AI is also enhanced by its surprising ability in showing connections and problems that the business may not have been aware of.

### 4. FASTER CONTRACT CYCLES

AI enable people in signing and negotiations by performing several rounds of checking which helps contract cycle to finish within 3 to 4 weeks.

With the use of AI contract management, editing, discussing and comparing can be accomplished in one platform, which results in faster contract cycles and savings of time. Thus, smart contract technology in managing contract life cycle is making contract simpler and faster.

### 5. UNDERSTANDING AND FULFILLING OBLIGATIONS

Smart contract life cycle management can examine various deals and tell us how skillfully they are working and following the rules. With the usage of this information it ensures that we are doing what we agreed to; making business to benefit from AI contracts.

AI contract system come up with innumerable benefits to firms attempting to minimize their contract management process. Accuracy, efficiency, regulation, accessibility and choice making can be advanced using these beneficial technologies. For ensuring the efficient functioning of such a fruitful system enterprise must cautiously take the variables mentioned above into account.

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## DISADVANTAGES AND DANGERS OF AI CONTRACTS

Even though AI Contract offers many advantages, there are a lot of disadvantages and dangers linked with their usage.

### 1. LACK OF POTENCY OF NEGOTIATIONS AND RATIONAL THINKING

The facts and conditions included in the contract can be considered as a complex entanglement of human emotions and expressions. Negotiations play an important role in conveying the ideas and making the deals more practical but, usage of AI lacks this ability. Extreme application of AI inhibits the critical creative thinking of human beings. Legal advices can only be provided by lawyers considering the relevant conditions and this capability cannot be replaced by an AI (Alarie et al., n.d.).

### 2. INHIBITIONS TO CRITICAL DISCERNING

Man can be considered as the creator, protector and the owner of the AI world; every invention originates from his brain but, extreme application of AI inhibits the critical creative thinking and discernment of human beings. Communication skills can be considered as peculiar feature of individuals. While handling cases related to child custody, inheritance, business dealings etc. the value of legal advices are irreplaceable. Legal advices can only be provided by lawyers considering the relevant conditions and this capability cannot be replaced by an AI (MATTHEW OLIVER, 2021).

### 3. VARIANCE OF DOMESTIC LAWS

The first serious issue is compliance with laws and regulations. It's crucial to make sure they abide by local laws and regulations because they can differ from one place to another i.e., from country to country. Failure to ensure, may lead to exorbitant legal fees, fines, and reputational harm(Juhász, 2020).

#### **4. LEGAL VALIDITY AND ENFORCEABILITY**

Another disadvantage of AI Contract is constitutionality and enforcement of such contract. Contract generated through AI may be problematic for legal translation due to language hurdles. It is necessary to employ qualified professionals associated with legal terms in the language that are being translated. Moreover, lawyers have a responsibility to verify that the contracts are constitutionally valid and enforceable in all applicable jurisdiction(Agrawal, 2021).

Furthermore, highly delicate and personal data are inserted in a machine for analytical purposes. The security and privacy of an individual is questioned by this action. It is crucial to guarantee that the use of such data is in accordance with the legal and privacy norms such as laws and regulations governing data protection(Agrawal, 2021).

#### **5. POSSIBILITY OF PREOCCUPIED BIASED DATA**

Another major concern is that insertion of the preoccupied or predesigned biased data can generate an output which is discriminatory and non-reliable in nature. The data must be unbiased to ensure just and equitable contractual terms and conditions(MATTHEW OLIVER, 2021).

#### **6. HIGHER RISK OF LIABILITY**

Lastly, contracts generated with the help of Artificial Intelligence provide an outline and structure for discussing with parties who may or may not be acquainted and who may be liable for risks. Even though AI contracts are enforceable under Indian law, if not taken with care while entering into a contract with another party, the consequences of a failed transaction must be carried solely by that party because there is no comprehensive regulatory framework for the AI contract in the legal system(MATTHEW OLIVER, 2021).

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### **FUTURE OF AI CONTRACT**

As we know, AI is puissant tool which can decode complicated proceedings into something understandable. It directs us to take effective choices and recommend measure which help us to gain desired result. With the help of AI, future of contracts will be less intimidating and easier. Adoption and growth of AI contract represent the next stage of innovation since it has the potential to reduce overhead costs by billions of dollars while boosting system productivity(GARY E. MARCHANT, 2017).

Most of our day-to-day activities are computerized with the use of software Artificial Intelligence, ignoring such technological developments would lead to outdatedness and dangerous status. In order to maintain good growth rate, developing countries like India must cope up and adopt latest technological AI innovations that is supported worldwide. Due to the growing popularity of modern technologies, several government organisations have begun to integrate blockchain and Artificial Intelligence into their research and development programs(Agrawal, 2021).

Contract has always been questioned for its complexities. Since manual labour creates errors, application of AI has increased. Thus, the use of AI in making of contract can help in the development of international trade relations and treaties in an effective manner. The major issue faced by developing countries like India is an increase in the rate of unemployment, as a consequence, the usage of AI creates a threat to job seekers which will lead to an increase in unemployment rate. Although AI-based contract has been termed the "next big thing" after the human generated contract, it still doesn't have the data localization and border control that the contract created by humans does in some sense. Although we may expect AI-based contract to be used extensively in the future, it is crucial to advance a thorough grasp of the technology today(Juhász, 2020).

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### **CONCLUSION**

This article deals with the potentiality of AI contract to revolutionize the legal field. Artificial intelligence has become an integral part of the society. AI has many remarkable achievements but it still cannot replace a lawyer. It should not be used as an excuse to downplay the value of human intellect and rationality in the legal profession. Even with AI's achievements it has certain drawbacks and risk associated with the use of AI.

In short, AI contract is a renowned technology which brought great changes to the legal field. Use of such technology creates a threat to job seekers, especially lawyers who accept them and use them professionally. However, it must be ensured that the usage of AI must align with moral and ethical values. AI system is not a tool to replace human but a tool which assist and simplifies their work. By the employment of AI contracts in the legal field, lawyers with the help of AI, can develop solutions which are effective, efficient and much cheaper than human generated contracts.

Humans are creatures of tradition and we have a natural resistance to change, which is something we must comprehend. The benefits, though, make adoption seem inevitable. The best course of action, however, may not be to create regulations right now until legislators have a complete understanding of the technology. Thus, the employment of such technologies like AI will improve, breakthrough levels of competitiveness and reduce workloads of lawyers, but we must ensure that this new technology must be employed in a limited or a controller manner in order to be used efficiently and without causing any adverse effects.

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