
THE SOCIAL-ECONOMIC AND LEGAL PERSPECTIVE OF ARTIFICIAL INTELLIGENCE - AI IN CONTRACT LAW AND AUTOMATED DECISION MAKING

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ABSTRACT

This research paper delves into the multifaceted dimensions of Artificial Intelligence (AI) by examining its intricate intersections with contract law, automated decision-making, and public perceptions through research and surveys. In Part 1, the investigation unfolds the growth of AI's influence on contract law, unravelling its meaning and assessing the pros and cons. The section sheds light on the transformative impact of AI in contractual relationships, addressing its potential to streamline processes while highlighting concerns related to accountability and legal interpretation. Part 2 delves into the realm of automated decision-making, unveiling the mechanisms driving AI's role in facilitating quicker and more consistent decisions. While presenting the advantages of automated decision-making, the section meticulously scrutinizes associated risks, including invisible profiling, user expectations, and potential adverse effects on individuals. In Part 3, the research extends to public sentiment through conducted surveys and research, unveiling societal attitudes, expectations, and concerns regarding AI. By exploring general topics and questions related to AI, this section contributes valuable insights into the broader societal impact and implications of AI technologies.

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PART 1

The integration of Artificial Intelligence (AI) into various aspects of our daily lives extends to the realm of contract law, ushering in a new era of legal considerations and implications. This part of my research paper delves into the growth of AI's influence on contract law, exploring its expanding role and significance. By examining the meaning and intricacies of AI within the context of contract law, the aim is to provide a comprehensive overview of the transformative impact AI has on contractual relationships. In assessing the pros and cons, challenges presented by AI in contract law is covered, shedding light on its potential to streamline processes, mitigate risks, but also raising concerns related to accountability and legal interpretation.

I. INTRODUCTION TO ARTIFICIAL INTELLIGENCE

In recent years, technology has made a lot of developments and there have been a lot of “we never thought that would be possible” moments. Artificial Intelligence is one such development by technology. Artificial Intelligence is a terminology that almost everyone nowadays is familiar with.

Artificial Intelligence (AI) refers to the creation of computer systems capable of executing tasks that typically demand human intelligence. These tasks include problem-solving, reasoning, learning, perception, and language understanding. AI technologies aim to replicate and augment human capabilities, contributing to automation, efficiency, and innovation across various domains. The development of AI intends to make human life easier, faster and more efficient. It is one of those breakthrough moments that have resulted in huge changes throughout all the sectors of human life and technology.

II. ABOUT CONTRACT LAW

An agreement enforceable by law is called a contract. In simple words, contracts are a

type of agreements and they are legally enforceable.² Contract law is a branch of legal principles governing the creation and enforcement of agreements between parties. Contracts establish the rights and obligations of the involved parties, providing a legal framework for transactions and relationships. Key elements of a contract include offer, acceptance, consideration, legality, capacity, and intention.³

III. CONTRACT LAW AND AI

The integration of AI into contract law has evolved alongside technological advancements. Initially, contracts were primarily paper-based, but with the growth of electronic communication, the concept of electronic contracts emerged.

In the legal industry, drafting and reviewing contracts play a major role. AI has further revolutionized by becoming capable in contract reviewing, drafting, and finding minute discrepancies in contracts that can be missed by the human eye, offering benefits such as increased efficiency, reduced errors, and enhanced analysis of legal documents. In other words, it makes the work easier, faster and error-free.

The data reveals a noticeable uptick in the integration of Artificial Intelligence (AI) within legal processes. AI proves particularly valuable in the analysis and processing of extensive datasets, encompassing tasks such as contract pattern recognition, issue identification, and enhancements. A prominent law firm, Cyril Amarchand Mangaldas (CAM), has embraced an AI-powered software named "Kira" to enhance their legal service delivery. CAM effectively utilizes Kira for tasks like contract and due diligence review. Given AI's proficiency in analyzing large volumes of data, it excels in document review and abstraction, tracking deal points from previous transactions, and ensuring error-free lease abstractions, among other functionalities. The advantages extend to drafting due diligence lists and organizing data based on predefined parameters for diverse legal transactions, presenting a significant boon. Applications of AI in contract review demonstrate an average time reduction of 30%, leading to heightened productivity

² Contract law book – SK Kapoor

³ <https://study.com/learn/lesson/elements-of-an-enforceable-contract-overview-importance.html>

and substantial cost savings.

AI contract management software aids businesses in maintaining uniformity in terms and usage throughout their contracts. For instance, when a company aims to establish a specific definition for "confidential information" in its non-disclosure agreements, it is crucial to ensure that all divisions align with this definition. Swift and accurate incorporation of any changes to the definition is essential to prevent potential harm to the company. AI contract management software efficiently maintains consistency in such terms across the organization's templates and can identify other terms indicating "confidential information" in non-disclosure agreements with business partners. Furthermore, AI contract management software can rapidly evaluate risks within contracts, outpacing the speed of a legal team in conducting risk analysis. This is achieved through the identification of suboptimal terms and clauses.

IV. CHALLENGES OF AI IN CONTRACT LAW-

Challenges arise in adapting traditional legal frameworks to accommodate AI technologies. AI evolves by employing progressive learning algorithms, enabling the data to drive the programming. Through this process, AI identifies patterns and regularities within data, allowing algorithms to develop skills. Similar to how an algorithm can autonomously learn to play chess, it can also learn to recommend the next product online. In the context of AI in contract law, certain challenges are emerging, including:

A. Accuracy and Relevance Concerns

There is a big challenge in ensuring if AI produces accurate and up-to-date legal information. There is a potential for errors or misunderstandings due to reliance on historical text data.

B. Limitations in Nuance and Complexity:

The legal industry has changed every single day. There is always going to be difficulty for AI to grasp the nuances and complexities of legal principles. The lack of human-level understanding and judgement in interpreting legal precedent will lead to

difficulties in resolving the prompt.

C. Ethical Concerns:

There is a potential for job losses and economic disruption if AI replaces human lawyers which will further lead to unemployment. There is also a risk of manipulation or deception through the generation of false legal documents which would increase lead to a huge increase in fraud and deceptions towards the innocents which will result in innocents suffering.

PART 2

The advent of AI has revolutionized decision-making processes across various sectors, giving rise to the paradigm of automated decision-making. This part delves into the intricate dynamics of AI in automated decision-making systems, offering insights into the mechanisms driving these processes. Topics such as how AI facilitates quicker and more consistent decisions, particularly in scenarios involving large volumes of data have been covered. However, the exploration doesn't stop at the advantages; it also scrutinizes the risks associated with automated decision-making, shedding light on issues such as invisible profiling, user expectations, understanding of the processes, and potential adverse effects on individuals.

V. INTRODUCTION TO AUTOMATED DECISION-MAKING

Automated Decision Making (hereinafter called as “ADM”) involves using algorithms and AI systems to make decisions without direct human intervention. These decisions can range from credit approvals to legal judgments, impacting various aspects of society. Automated decision-making refers to the execution of decisions through automated processes without human intervention. These determinations may rely on verifiable data, digitally generated profiles, or deduced information. Example of this include: an online decision to award a loan, profiling etc.

VI. AI AND AUTOMATED DECISION MAKING-

AI plays a crucial role in ADM by analyzing vast amounts of data to inform decision-making processes. ADM assists in review, risk assessment, and compliance monitoring, streamlining processes and reducing human error.

Automated decision-making holds significant potential for enhancing organizational efficiency and benefiting individuals across various sectors, such as healthcare, education, financial services, and marketing. This technology enables faster and more consistent decision-making, particularly in scenarios involving the rapid analysis of extensive datasets.

VII. Challenges and issues with AI and Automated Decision Making-

There are notable risks associated with automated decision-making:

- Profiling is often conducted without individual's awareness.
- Individuals may not anticipate the use of their personal information in this manner.
- Understanding of the process and its potential impact on individuals may be lacking.
- The decisions made through automated processes could result in significant adverse effects for certain individuals.

ADM raises concerns about bias, lack of accountability, and the potential for legal disputes. The opaque nature of some AI algorithms makes it challenging to understand and challenge decisions, leading to questions of fairness and justice. Although, AI is designed to replicate human-capacity reasoning and decision-making abilities but lacks human judgment, beliefs, and sensibilities.

A. Accuracy and Bias Challenges:

There are concerns about ensuring AI and automated decision-making systems produce accurate and unbiased results. There is also a risk of perpetuating biases present in training data, potentially leading to unfair outcomes.

B. Complexity and Nuance Limitations:

There is also difficulty for AI systems to account for the intricacies and nuances in

decision-making processes. The Lack of contextual understanding compared to human decision-makers, especially in complex situations can lead to unfavourable outcomes.

C. Ethical Considerations:

The Potential impact on employment due to automation has been raising concerns about job displacement. The Risks of unintended consequences and ethical dilemmas in decision-making, particularly in sensitive areas have been raising a lot of concerns.

D. Transparency and Accountability Issues:

There are countless challenges in understanding and explaining the decision-making processes of AI systems. The adoption of AI and automated decision-making necessitates careful consideration of accuracy, bias, ethical implications, transparency, and accountability. Striking a balance between leveraging technological advancements and addressing potential risks is crucial for responsible integration.

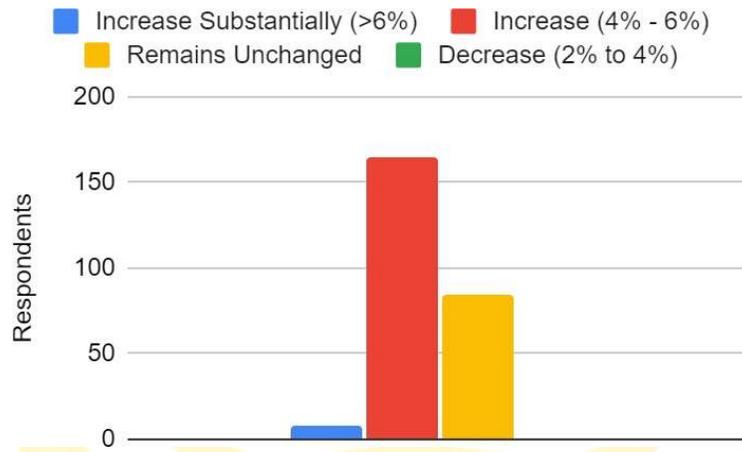
PART 3

Amidst the rapid evolution of AI technologies, it is imperative to understand public perceptions, concerns, and awareness. This section focuses on the research and surveys conducted to gauge public sentiment and knowledge regarding AI. By exploring general topics and questions related to AI, the aim is to uncover societal attitudes, expectations, and apprehensions. From ethical considerations to privacy concerns, this part of the research paper provides a comprehensive snapshot of the public discourse surrounding AI, contributing valuable insights into the broader societal impact and implications of AI technologies.

VIII. RESEARCH AND ANALYTICS REGARDING AI

Q.1. What will be the implications of recent developments in AI on global economic

growth, as they mature over the upcoming decade?⁴



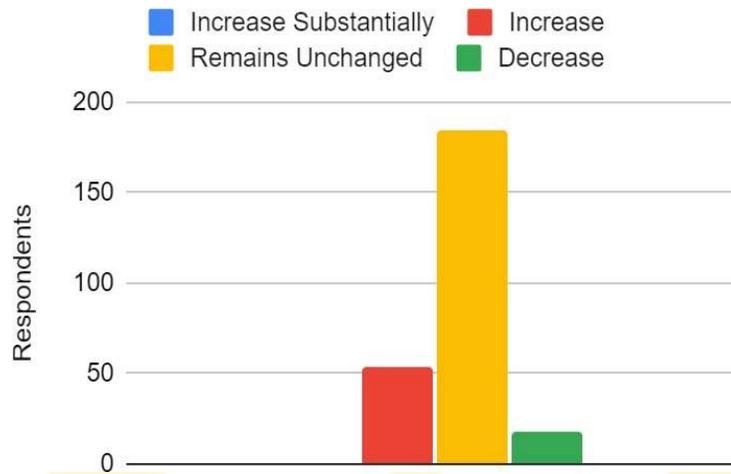
ANALYSIS

The majority of respondents anticipate a positive impact on global economic growth due to recent AI developments. A significant portion expects a moderate increase in growth by 4% - 6%, emphasizing the transformative potential of AI across industries. A smaller group is more optimistic, foreseeing a substantial growth boost of more than 6%. The absence of pessimistic views reflects confidence in AI's potential benefits. However, a notable segment predicts no change, suggesting caution or scepticism about the immediate transformative effects of AI. Overall, the responses indicate a prevailing optimism about AI's contribution to economic growth, though a conservative viewpoint exists, possibly due to uncertainties or challenges in widespread AI adoption.

Q.2. What will be the implications of recent developments in AI on unemployment in high-income countries over the upcoming decade?⁵

⁴ <https://cepr.org/voxeu/columns/impact-artificial-intelligence-growth-and-employment>

⁵ <https://cepr.org/voxeu/columns/impact-artificial-intelligence-growth-and-employment>

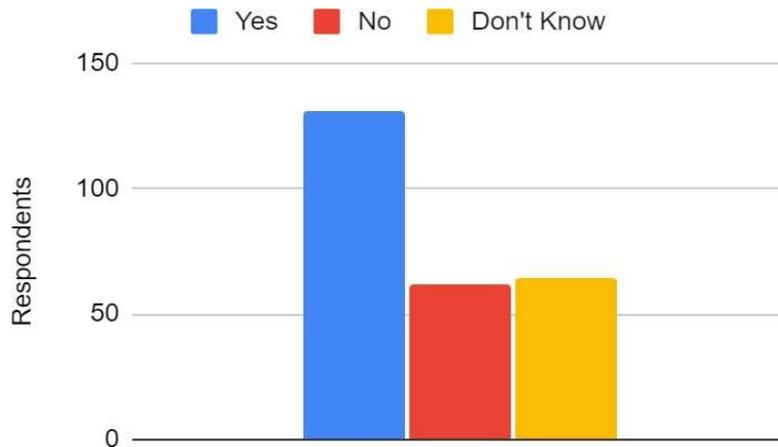


ANALYSIS

The responses indicate a prevailing sentiment that recent developments in AI will not substantially impact unemployment in high-income countries over the next decade. The largest portion expects no change, reflecting a belief that AI advancements will not lead to a significant increase in unemployment. A moderate number anticipates a general increase, suggesting a nuanced view acknowledging some job displacement. The absence of respondents predicting a substantial increase may indicate a degree of confidence in the ability of economies to adapt and create new job opportunities, possibly through the evolution of industries or the emergence of new AI-related roles.

Q.3. Should Generative AI like ChatGPT be applied for Legal work?⁶

⁶ <https://legal.thomsonreuters.com/blog/ais-impact-on-law-firms-of-every-size/>

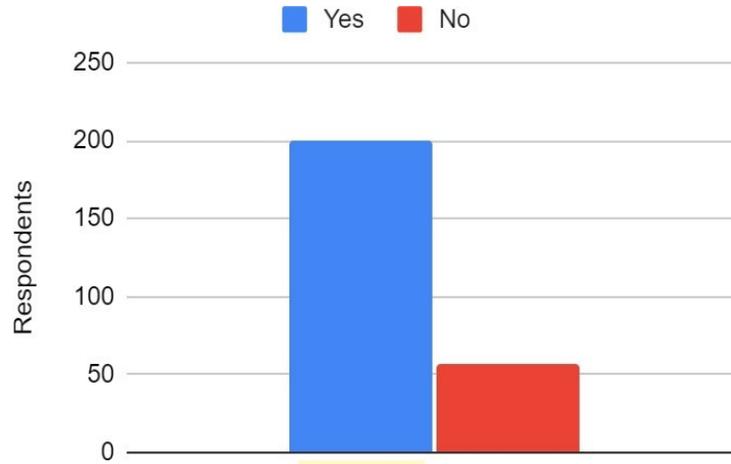


ANALYSIS

The responses highlight a divided perspective on the application of Generative AI, like ChatGPT, in legal work. A majority supports its use, recognizing the potential for efficiency gains, document drafting, and legal research. However, a significant portion expresses hesitation or scepticism, possibly due to concerns about accuracy, ethical considerations, or the nuanced nature of legal interpretation. The uncertainty reflected in the "Don't Know" responses may indicate a need for clearer guidelines and ethical frameworks in deploying AI in legal contexts. Overall, the split opinions underscore the need for careful consideration of the benefits and challenges of integrating Generative AI into legal practices.

Q.4. Do you think AI can be dangerous to the society?⁷

⁷ <https://medium.com/@fcisneros141/survey-basic-artificial-intelligence-questionnaire-post-5-9633b78ca60c>

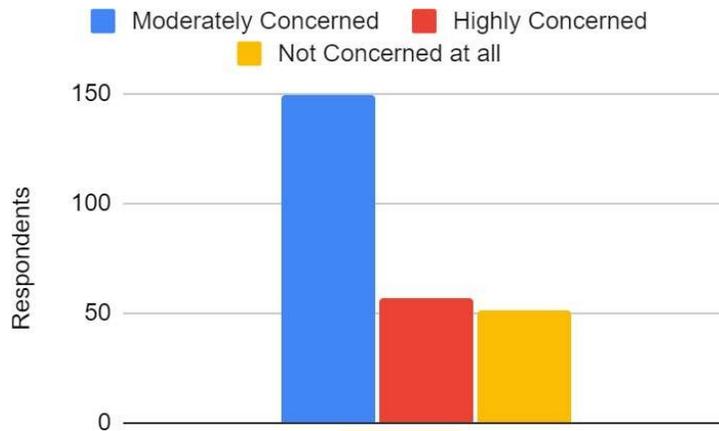


ANALYSIS

The overwhelming majority expressing concern about AI's potential danger to society reflects widespread apprehension. A privacy breach is one big concern, as AI systems handle vast amounts of personal data which is likely to contribute to this sentiment. Additionally, the fear of malicious uses, such as AI-driven scams or deepfake technology have influenced society to limit the use of AI. The 57 respondents who don't see AI as dangerous might believe in robust regulation and ethical frameworks to mitigate risks. Overall, the dominance of "Yes" responses underscores the urgency of addressing ethical, privacy, and security concerns to ensure responsible AI development and deployment for the betterment of society.

Q.5. What is the level of concern about the impact of AI-based technologies on your child's education?⁸

⁸ <https://doodlelearning.com/us/math/guides/ai-in-education>



ANALYSIS

The responses reveal a notable level of concern regarding the impact of AI-based technologies on children's education. The majority expressing moderate concern suggests a widespread awareness of potential challenges or changes AI may bring to educational systems. A significant portion indicating high concern may fear negative effects on traditional learning methods, such as reduced personal interaction, reduced critical thinking, or biases in AI-driven educational tools. On the other hand, 51 respondents not being concerned might believe in the potential benefits of AI in enhancing educational experiences. The diverse responses indicate a need for balanced discourse and proactive measures to harness AI's positive contributions while addressing concerns.

IX. CONCLUSION

Certainly, a pivotal consideration in contemporary discourse pertains to the integration of rules and regulations concerning Artificial Intelligence (AI) within the framework of contract law, particularly as it relates to the Companies Act. The advent of AI introduces a distinctive and intricate dimension, characterized by its dynamic and evolving nature. While the Companies Act serves as a robust and structured legal framework, the incorporation of AI necessitates a thoughtful and specialized approach.

Recognizing the multifaceted attributes of AI, it becomes evident that a mere integration within

existing sections of the Companies Act may prove insufficient. Instead, there arises a imperative need for the establishment of a dedicated section exclusively tailored to AI, accompanied by comprehensive regulations and elucidations. Such provisions would elucidate how the corporate sector navigates the complexities of AI, articulating protocols for engagement, governance, and disclosure within the corporate landscape.

As AI continues to evolve, legal frameworks need to anticipate and adapt to the unique challenges and opportunities it presents. The incorporation of AI-specific sections within the Companies Act not only reflects a proactive response to technological advancements but also establishes a clear and transparent foundation for businesses to comprehend, integrate, and responsibly deploy AI within their operations. This strategic approach ensures that the regulatory framework aligns with the intricacies of AI, fostering a conducive environment for innovation while upholding legal integrity within the corporate sphere.

In conclusion, this research paper navigates the dynamic landscape of AI, providing a comprehensive understanding of its legal, operational, and societal implications. Part 1 underscores the transformative growth of AI in contract law, presenting opportunities for efficiency and risks related to legal interpretation. Part 2 delves into the world of automated decision-making, emphasizing the advantages of speed and consistency while meticulously examining the potential risks and adverse effects on individuals. Part 3 expands the discussion to public perceptions, revealing societal attitudes and concerns through research and surveys. By synthesizing these dimensions, the paper contributes to a nuanced understanding of the evolving role of AI, urging policymakers, industry stakeholders, and researchers to address challenges and leverage opportunities responsibly. As AI technologies continue to shape the future, a balanced approach is essential to harness their benefits while mitigating potential risks. Artificial Intelligence (AI) has emerged as a transformative force, revolutionizing industries and societal norms. Significant challenges and ethical considerations must be carefully weighed before adopting AI in the legal profession. Balancing the potential benefits against risks and drawbacks, and emphasizing responsible and transparent use of the technology is crucial and a must before applying AI in the legal industry.⁹

⁹ <https://clp.law.harvard.edu/knowledge-hub/magazine/issues/generative-ai-in-the-legal-profession/the->

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