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**AUGMENTING LEGAL EFFICIENCY: EXPLORING THE IMPACT OF  
ARTIFICIAL INTELLIGENCE (AI) IN CONTRACT DRAFTING AND  
NEGOTIATION**

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**ABSTRACT:**

In today's scenario technology is rapidly growing and paved the way for the digital era. Artificial Intelligence (AI) systems are significantly benefiting a large number of individuals, businesses, and organizations. AI has been contributing a significant role in almost every field. AI tools are not exceptions to contract drafting and negotiations. Due to advancements in technology AI has reduced the workload and on the other hand, it creates the hygiene product as a result. The traditional way of drafting has been replaced after the new phase of AI systems. AI can contribute immense benefits while drafting contracts by enhancing, accuracy, proofreading, and effectiveness and facilitating best practices of negotiations. It is very expedient to know about the various intricacies and nuances of AI tools before opting for drafting and negotiations. Improper knowledge about the usage of AI tools will hamper the business or any other organization and leads to huge loss. The judicial approach in favor of the use of AI has witnessed the way for significant use of AI tools in India. Various global positions using AI techniques have witnessed the prominence of AI in drafting contracts and negotiations. In order to reap the benefits of AI systems one should be aware of the Applications of AI with applications of mind to avoid future uncertainties.

**KEYWORDS:** Artificial Technology, AI, Contract Drafting, Negotiation

**INTRODUCTIONS:**

Artificial Intelligence is the perfect epitome of technological advancement in today's generations. AI tools have been used in various industries including in contract drafting and negotiations by various businesses and organizations. Drafting a well-crafted agreement is a lifesaver for any individual or any other organization. AI has replaced the use of traditional contract methods in many areas. AI plays a very stagnant role in shaping well-structured and hygienic contracts which is necessary to enforce such contracts by creating proper bindingness

without any ambiguity. The numerous tools of AI have their significance that embraces the quality and clarity assurance for drafted contracts.

AI tools are generated based on stored sources and more ever they are artificially equipped with machine learning algorithms. It is very important to be aware of the various challenges and risks of AI tools before drafting. The judicial approach toward AI has facilitated the significant use of AI in India. While using AI as a streamline for contract drafting and negotiations it must be equipped with ethical and legal considerations. AI tools are globally accepted by many countries as the best tool for drafting, reviewing, and also for negotiating contracts. Applications of the human mind while using AI can trace various challenges and proper applications of AI can be game changers for any kind of contract.

### **THE CONCEPT OF AI AN OVERVIEW**

Artificial Intelligence (AI) is typically man-made technology that involves a broad field of study and practice focused on generating information by embedding artificial machine algorithms. AI tools typically require human intelligence to operate such systems. AI is growing successfully in the 21<sup>st</sup> century due to the rapid growth of technology in the sub-field of machine learning.<sup>1</sup> In India, AI got more prominence after the phase of the pandemic. Union Minister Shri Ravi Shankar Prasad has highlighted the significance of AI in the virtual meeting at the G-20 Digital Economy Ministers meeting. He emphasized that, collective responsibility of member nations in constructing digital platforms that foster equitable, inclusive, and sustainable economies and societies, especially in pandemic situations.<sup>2</sup>

### **SIGNIFICANCE OF AI IN CONTRACT DRAFTING AND NEGOTIATIONS**

AI has contributed immense benefits in the legal field while drafting, vetting, and negotiating various ranges of contracts. AI emerged as a valuable tool in drafting by offering several significant advantages that include-

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<sup>1</sup> CFI Team, Artificial Intelligence ( AI), CFI (June 20, 2023, 10.00 AM), <https://corporatefinanceinstitute.com/>

<sup>2</sup> INDIAai, Trustworthy digital systems can transform the society and economy says Ravi Shankar Prasad, INDIAai (June 20, 2023, 10.15 AM), <https://indiaai.gov.in/news/trustworthy-digital-systems-can-transform-the-society-and-economy-says-ravi-shankar-prasad>

- AI tools are software embedded that creates more hygiene drafting and maintains the appropriate quality of the work in less time. It helps lawyers to create customized contract templates.<sup>3</sup> The contracts are drafted with high standards and efficiency by covering up-to-date information.
- While reviewing the contracts it is very important to find out the errors, inconsistencies, or any misrepresentations existing in the contracts. The machine algorithms are always active in sourcing these errors thereby it allows the attorney to fill those errors without any escapes.
- Adopting AI as the contract drafting tool has specifically contributed to clarifying ambiguities by providing language clarity. Language clarity is very important to understand the terms and conditions of the agreements. This can be achieved with the proper applications of AI tools. This will help to avoid future possible disputes.
- Negotiation is a skill that is needed while drafting any kind of Contract. One cannot simply copy-paste the contract templates while drafting. Research by KPMG shows that 17% to 40% of the value in deals is lost due to inefficient contracting.<sup>4</sup> Therefore proper negotiations can save less chance of emerging risks by complying with every term of contracts. AI tools are adopted in a large number of negotiations, they can analyze and scrutinize every piece of data and identify recurring clauses, provisions, or terms that lead to successful agreements. AI can optimize future negotiations by suggesting or recommending the insertion of successful elements.

For instance, if AI notices a particular indemnification clause consistently leads to disputes or delays in finalizing contracts, it can be flagged as an issue. Such issues are sorted by AI by providing proposed alternative words or suggesting modifications to mitigate risks and improve the likelihood of negotiations.

## WORKING STRUCTURE OF AI IN CONTRACTING

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<sup>3</sup> RACHEL VANNI, How AI Accelerates the Legal Contract Drafting Process,(June 21, 2023, 9.00 AM), <https://kirasystems.com/learn/how-ai-accelerates-the-legal-contract-drafting-process/>

<sup>4</sup> Martin Rand, Companies Are Adopting AI For Supplier Negotiations, But Which Ones Should The Machines Handle?, (June 21, 2023, 9.15 AM), <https://www.forbes.com/sites/martinrand/2021/03/13/companies-are-adopting-ai-for-supplier-negotiations-but-which-ones-should-the-machines-handle/?sh=6cb0872f4f42>

AI tools are typically based on technology such as Natural Language Processing and machine algorithms that generate the information which is already stored in electronic forms.

Natural Language Processing (NLP) – NLP is the subcategory of AI that focuses mainly on the computer and human language. It helps in understanding individual words and explores the complex relationships between them.<sup>5</sup> It enables the development of machine algorithms to understand human interactions with AI. Thus AI produce interprets, and analyses in accordance with human needs. Hereby AI collects huge data ranging from moderate to comprehensive which enables them to get high standards information that facilitates proper drafting, reviewing, and negotiating any contracts.

### **MAJOR ISSUES AND CHALLENGES ASSOCIATED WITH AI IN CONTRACT DRAFTING AND NEGOTIATIONS**

- In contract drafting a wide range of contracts have different comprehensive legal contexts. AI tools often fail to understand complex legal concepts, intricacies, nuances, and precedents accurately which will lead to poor interpretations. AI tools sometimes struggle with producing this accurate information in accordance with the actual need of the user.
- If a version of an AI tool is not updated or not well developed properly it may lead to the generation of misappropriate information. Thus it will lead to errors on the face of the document. It is very important while using the AI tool one needs to be up to date with information.
- AI model has to be fulfilled with collections of various data. AI tools generate information due to their inbuilt stored information. If the AI system is biased, incomplete, or contains errors a very bad outcome will be the results.
- The use of AI in contract rating and negotiations may tend to be legal and ethical considerations. The AI tools sometimes violate ethical and legal considerations if some sensitive information is leaked. For instance, the issue is related to data security and data privacy such as sensitive contract information being processed and stored by AI systems. Unauthorized use of or manipulation of AI-generated contracts could lead to legal disputes.

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<sup>5</sup> Andrea Carvajal, AI Contract Drafting: How Machine Learning Is Changing Legal Documentation, (June 22, 2023, 9.30 AM), [AI Contract Drafting: How Machine Learning Is Changing Legal Documentation](#)

- In negotiations, it is the art and skills it can be accessed due to years of practice. In negotiation, there is a very need for personal interactions, and dynamic interpretations of every term and condition of contract especially in operative clauses of contracts. Some ambiguity or unclear elements in AI would not be possible to create a win-win situation for both parties. AI-generated information is not related to every negotiation. Because negotiation typically depends on the factual circumstances of each contract though it is the same contract type. For instance, in employment contract terms and conditions of one contract is not the same and similar to another employment contract though the title of the contract is the same.

### **JUDICIAL APPROACH TOWARDS AI**

Indian judiciary is supporting and showing its favor towards the use of AI in the justice system as well. In April 2021 CJI Bobde launched the SUPACE (Supreme Court Portal For Assistance in Courts Efficiency), which is an AI-enabled tool that combines human intelligence and machine learning.<sup>6</sup> The main intention is to enhance the efficiency of legal researchers and judges by providing support in various tasks such as case analysis, information extraction, reading case files, facilitating teamwork, and drafting case comments. SUPACE offers various solutions to streamline and optimize the legal research and decision-making process within the judicial system.

### **AI IN DIFFERENT GLOBAL POSITIONS**

In the United States - AI tools are accepted and recommended in the United States. A wide range of contracts is drafted by utilizing the AI system. JP Morgan in 2017 publicized that “JP Morgan Software does in seconds what took lawyers 360000 hours”<sup>7</sup>. This extinguishes the scope of AI in contract drafting. The US has a robust legal tech industry, that includes various-powered tools for drafting contracts. Companies like LegalZoom and ContractExpress offer

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<sup>6</sup> Enhancing the efficiency of India's courts using AI, INDIAAI,(June 24, 2023, 9.45 PM), <https://indiaai.gov.in/case-study/enhancing-the-efficiency-of-india-s-courts-using-ai>

<sup>7</sup> Anthony E. Davis, The Future of Law Firms (and Lawyers) in the Age of Artificial Intelligence, ABA ( June 28, 2023, 10.38 PM), [https://www.americanbar.org/groups/professional\\_responsibility/publications/professional\\_lawyer/27/1/the-future-law-firms-and-lawyers-the-age-artificial-intelligence/#9](https://www.americanbar.org/groups/professional_responsibility/publications/professional_lawyer/27/1/the-future-law-firms-and-lawyers-the-age-artificial-intelligence/#9)

AI-driven Platforms that assist with contract creation and review. Most law firms and legal organizations adopted and commonly leverage these tools to improve the efficiency and accuracy of contract drafting. On December 20, 2022, Seattle- headquartered contract lifecycle management vendor Lexicon unveiled its AI contract Assist tool which uses GPT-3 to help lawyers with contract drafting and review.<sup>8</sup>

In the United Kingdom - AI tools are often used in UK tech industries. The UK is recognized for its innovative legal tech sectors. Luminance and Kira Systems, are widely used as AI tools in the UK. Every law firm and corporate legal department has embedded this tool in analyzing contracts, extracting key information, and identifying potential risks. It will improve the due diligence and drafting process. Kira system founder Noah Waisberg, an attorney who is turned as the legal co-founder of Kira system has highlighted the AI tools, as AI not only do the work instead they have the capacity to tackle the work which was previously unattainable by human lawyers.<sup>9</sup> In UK AI is considered a significant tool in drafting reviewing, and negotiating contracts.

In Singapore - Singapore has been actively promoting the adoption of AI technology in its legal sector. The Ministry of Law has launched some initiatives like the tech start for Law program, encouraging law firms to adopt AI solutions for contract rating. Legal tech companies like law canvas and covenant chambers offer AI-powered solutions for contract drafting in Singapore.<sup>10</sup>

Different countries have adopted AI tools for advanced contract drafting purposes. It is important to aware about AI methods and processes while drafting contracts are different with different legal practices legal and jurisdictional landscapes.

### RECOMMENDATIONS:

Though AI has its own intricacies and problems but the benefits of AI are phenomenal while drafting and negotiating any contracts. While drafting contracts it is important to apply the

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<sup>8</sup> Caroline Hill, US CLM vendor Lexion unveils GPT-3 based contract drafting tool, Legali insider ( June 29, 2023, 6.00 PM) <https://legaltechnology.com/2022/12/20/us-clm-vendor-lexion-unveils-gpt-3-based-contract-drafting-tool/>

<sup>9</sup> BRITTAINY BOESSEL, Does AI Really Cut Costs?, Kira ( June 29, 2023, 3.00 PM), <https://kirasystems.com/learn/does-ai-really-cut-costs/>

<sup>10</sup> Legal Technology in Singapore, Lawtech.Asia ( June 29, 2023, 3.25 PM), [https://lawtech.asia/legal-technology-in-singapore/#Technological Trends that are Driving Legal Technology](https://lawtech.asia/legal-technology-in-singapore/#Technological_Trends_that_are_Driving_Legal_Technology)

human mind rather than simply copy-pasting such machine-oriented information. Before finalizing the AI-drafted Contract one should go for proofreading such documents. Proofreading always helps to draft unbiased, error-free, and efficient contracts. There is less chance of mitigating future disputes involved in the contract. It is important to consider ethical and legal considerations before opting for AI tools.

### **CONCLUSION:**

The integration of AI in contract drafting, and negotiation is phenomenal. It brings significant advantages and transformative potential to the legal field. The information in the machine algorithms provides a wide range of quantitative products as a result. The NLP in the AI tools enables the AI to interpret, analyze and provide more effective contracts. By analyzing vast data, AI algorithms can extract insights, identify patterns, and optimize the terms and conditions of the contract in a better manner.

However, several considerations must be addressed for the responsible and effective use of AI in contract drafting. There are vast tools available in AI. While using AI tools one should apply the mind rather than opting solely on AI-generated information. Especially in commercial contracts each contract varies in its terms and conditions. Hence there is a need for human intelligence to avoid such intricacies that may lead to disputes in the future days. Ensuring data quality, mitigating biased information, and addressing privacy and confidentiality concerns are crucial for building trustworthy AI systems. The establishment of legal frameworks, ethical guidelines, and industry standards is crucial for the secure use of AI tools.

Various countries are embedded AI tools for better drafting and negotiating contracts including India, the US, the UK, Singapore, Australia, and many others. The AI tools like Kira, Luminance, Ross, Lawgeeks, etc., are used by legal professionals to enhance the AI systems while drafting, vetting, and drafting contracts. To fully harness the potential use of AI in contract drafting, collaboration among legal professionals, AI developers, policymakers, and regulatory bodies are crucial. In order to reap the full pledged benefits of AI systems AI must be coupled with human intelligence to get an effective contract as an outcome.