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ENHANCING LEGAL EFFICIENCY: THE ROLE OF ARTIFICIAL INTELLIGENCE IN CONTRACT DRAFTING AND NEGOTIATION- Mridul Mishra¹**ABSTRACT:**

In the modern world, technology is developing quickly and helped usher in the digital age. Numerous people, companies, and organizations are greatly benefiting from artificial intelligence (AI) technology. In practically every sector, artificial intelligence has been making a substantial contribution. Contract writing and negotiation are not an exception for AI technologies. AI has decreased the burden as a consequence of technological breakthroughs, but it also produces hygienic products. The new era of AI systems has superseded the old-fashioned method of drafting. AI may greatly improve contract writing by improving accuracy, efficacy, and proofreading while also supporting best practices in discussions. Before choosing to draft and negotiate, it is extremely convenient to be aware of the different complexities and subtleties of AI technologies. Inadequate understanding of how to use AI technologies may cause significant losses for the company or any other entity. The legal approach supporting the use of AI technologies in India has made substantial usage possible. The use of AI approaches in a variety of worldwide roles has led to its rise in contract preparation and negotiation. Understanding AI applications is essential to maximizing the advantages of AI systems while preventing future uncertainty.

KEYWORDS: Artificial Technology, Negotiation, Legal Industry, Contract Drafting.

INTRODUCTION:

The pinnacle of technical development in the current generation is artificial intelligence. Numerous corporations and organizations have employed AI technologies in contract preparation and negotiations, among other areas. Any individual or other organization can save their life by drafting a well-written agreement. In several fields, AI has taken the place of conventional contract procedures. AI is extremely slow in creating clean, well-structured contracts, which are essential for enforcing them by making them

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legally binding and clear. In order to make sure that contracts are written clearly and accurately, each of AI's many tools is important in its own way.

Moreover, AI tools are artificially outfitted with machine learning algorithms and are produced using saved information. Before writing, it's critical to understand the dangers and problems associated using AI technologies. India's extensive usage of AI has been made possible by the judiciary's stance on the technology. Legal and ethical issues must be taken into account when utilizing AI to expedite contract negotiations and writing. AI tools are often regarded as the greatest resources for contract preparation, review, and negotiation in many nations. The human intellect can be used to solve a variety of problems, and when AI is used properly, it can revolutionize any type of contract.

UNDERSTANDING ARTIFICIAL INTELLIGENCE: A COMPREHENSIVE OVERVIEW:

A wide range of research and activity centered on creating knowledge by integrating artificial machine algorithms is known as artificial intelligence (AI), which is usually a man-made technology. Usually, human intelligence is needed to run AI technologies. The 21st century has seen the successful expansion of artificial intelligence (AI) due to the rapid advancement of machine learning technologies.² Following the epidemic, artificial intelligence gained considerable traction in India. During the G-20 Digital Economy Ministers' virtual conference, Union Minister Shri Ravi Shankar Prasad emphasized the importance of artificial intelligence. He underlined that it is the common duty of member countries to build digital platforms that promote inclusive, egalitarian, and sustainable economies and societies—particularly during pandemics.³

IMPORTANCE OF AI IN CONTRACT DRAFTING AND NEGOTIATION:

AI has greatly aided the legal industry in the drafting, reviewing, and negotiating of a wide variety of contracts. AI became a useful tool for writing since it provided a number of noteworthy benefits, which includes:

- AI tools are embedded software that produces more hygienic drawing and keeps the job at the proper quality in less time. It facilitates the creation of personalized contract templates by attorneys.⁴ The contracts cover current information and are prepared with efficiency and high standards.

² CFI Team, Artificial Intelligence (AI), CFI (June 20, 2023, 10.00 AM), <https://corporatefinanceinstitute.com/>.

³INDIAAi, 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>.

⁴RACHEL 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/>.

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- It is critical to identify any mistakes, discrepancies, or misrepresentations in the contracts throughout the review process. Because the computer algorithms are always looking for these mistakes, the lawyer may fill them in without any help.
- By offering linguistic clarity, the use of AI as a contract writing tool has particularly helped to resolve ambiguities. Understanding the terms and circumstances of the agreements requires clear language. When AI technologies are used appropriately, this may be accomplished. This will lessen the likelihood of future conflicts.
- Drafting any type of contract requires the ability to negotiate. When constructing a contract, it is not possible to just copy and paste the templates. According to KPMG research, ineffective contracting results in the loss of 17% to 40% of transaction value.⁵ Therefore, by adhering to all contract terms, appropriate discussions can reduce the likelihood of new hazards. Artificial intelligence (AI) technologies are used in many negotiations because they can examine and evaluate all data and find recurrent phrases, clauses, or conditions that result in successful agreements. By proposing or advising the inclusion of successful features, AI can maximize future discussions.

For example, AI may identify a problem if it observes that a specific indemnity provision frequently results in disagreements or delays in contract completion. AI sorts these problems by offering suggested substitute terms or changes to reduce risks and increase the possibility of agreements.

OPERATIONAL FRAMEWORK OF AI IN CONTRACTING:

Artificial Intelligence (AI) tools are usually based on technologies like machine algorithms and natural language processing that produce information that is already recorded in electronic formats. The branch of artificial intelligence that primarily studies computer and human language is called natural language processing, or NLP. It investigates the intricate connections between words and aids in the understanding of particular words.⁶ It makes it possible to create computer algorithms that comprehend how people interact with AI. As a result, AI generates interpretations and analyses that meet human requirements. In order to obtain high-quality information that makes it easier to properly design, evaluate, and negotiate any contracts, AI gathers vast amounts of data, ranging from mild to comprehensive.

KEY CHALLENGES AND ISSUES RELATED TO AI IN CONTRACT DRAFTING AND NEGOTIATION:

⁵Martin 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>.

⁶Andrea Carvajal, AI Contract Drafting: How Machine Learning Is Changing Legal Documentation, (June 22, 2023, 9.30 AM), <https://www.top.legal/en/knowledge/ai-contract-drafting>.

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- When it comes to contract drafting, a variety of contracts have various complete legal settings. AI technologies sometimes fail to comprehend complicated legal ideas, subtleties, nuances, and precedents effectively which will lead to incorrect interpretations. AI tools occasionally have trouble generating this precise information in line with the user's actual needs.
- Inappropriate information may be generated if an AI tool version is not updated or appropriately created. Consequently, it will result in mistakes on the document's face. It is crucial to keep up with current knowledge when utilizing the AI tool.
- The AI model must be completed using collections of different types of data. AI technologies create information owing to their intrinsic stored information. If the AI system is prejudiced, incomplete, or contains flaws a highly negative consequence will be the outcomes.
- AI's usage in contract grading and negotiations may raise ethical and legal questions. If certain sensitive information is disclosed, the AI technologies may occasionally transgress moral and legal obligations. AI systems processing and storing sensitive contract data is one example of a data security and privacy risk. Contracts created by AI that be used or altered without permission may give rise to legal issues.
- It's the art and talents of negotiating that come from years of experience. Personal connections are essential during negotiations, as are dynamic interpretations of all terms and conditions, particularly those included in operative clauses. It would be impossible to construct a situation where both sides benefit from AI if there were any uncertainty or confusing aspects. Not all negotiations involve AI-generated information. Despite being the same contract type, bargaining usually depends on the specific facts of each deal. For example, even if the title of one employment contract is the same as another, the terms and circumstances of the two contracts are different.

JUDICIAL PERSPECTIVES ON AI:

The application of AI in the legal system is also being supported and favored by the Indian judiciary. The Supreme Court Portal For Assistance in Courts Efficiency (SUPACE), an AI-enabled application that blends machine learning and human intelligence, was introduced by CJI Bobde in April 2021.⁷ By offering assistance with a range of duties, including case analysis, information extraction, reading case files, promoting cooperation, and creating case comments, the primary goal is to increase the effectiveness of legal scholars and judges. SUPACE provides a range of options to optimize and expedite the court system's legal research and decision-making process.

⁷ 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>.

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GLOBAL ADOPTION OF AI IN CONTRACT PRACTICES:

In the US, artificial intelligence (AI) tools are both acceptable and advised. The AI system is used to draft a variety of contracts. The statement "JP Morgan Software does in seconds what took lawyers 360000 hours" was made public by JP Morgan in 2017.⁸ The use of AI in contract drafting is therefore eliminated. The legal technology sector in the US is thriving and offers a wide range of powerful contract writing tools. AI-driven platforms that help with contract creation and evaluation are provided by firms such as LegalZoom and Contract Express. In order to increase the effectiveness and precision of contract drafting, the majority of law firms and legal organizations adopted and frequently use these technologies. The AI contract Assist tool, developed by Seattle-based contract lifecycle management company Lexicon, was introduced on December 20, 2022. It leverages GPT-3 to assist attorneys in the creation and evaluation of contracts.⁹

In the UK, AI tools are frequently employed in the IT sector. The UK is known for its cutting-edge legal technology industries. In the UK, Luminance and Kira Systems are popular AI technologies. This application is used by every law firm and company legal department to analyze contracts, extract important data, and detect possible dangers. It will enhance the writing and due diligence procedures. Noah Waisberg, the creator of the Kira system and a lawyer who now serves as a legal co-founder, has emphasized the use of AI tools since they are able to execute tasks that human attorneys were previously unable to complete.¹⁰ AI is seen as an important tool in the UK for contract formulation, assessment, and negotiation.

In the legal industry, Singapore has been aggressively encouraging the use of AI technology. In order to encourage legal firms to use AI solutions for contract grading, the Ministry of legal has started many programs, such as the Tech Start for Law project. AI-powered contract drafting solutions are available in Singapore from legal tech firms such as Covenant Chambers and Law Canvas.¹¹ AI technologies have been employed by several nations for sophisticated contract writing. Understanding AI techniques and

⁸ 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.

⁹ Caroline Hill, US CLM vendor Lexicon unveils GPT-3 based contract drafting tool, Legali insider (June 29, 2023, 6.00 PM), <https://legaltechnology.com/2022/12/20/us-clm-vendor-lexicon-unveils-gpt-3-based-contract-drafting-tool/>.

¹⁰ BRITAINY BOESSEL, Does AI Really Cut Costs?, Kira (June 29, 2023, 3.00 PM), <https://kirasystems.com/learn/does-ai-really-cut-costs/>.

¹¹ 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>.

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procedures is crucial when creating contracts since they vary according on the legal and jurisdictional environments.

RECOMMENDATIONS FOR AI USE IN CONTRACTS:

Despite its own complexities and issues, artificial intelligence (AI) offers enormous advantages when it comes to contract preparation and negotiation. It's crucial to use the human thinking while creating contracts instead of just copying and pasting such machine-oriented data. One should proofread such documents before completing the AI-drafted contract. Drafting objective, error-free, and effective contracts is always aided by proofreading. The likelihood of resolving future contract issues is reduced. Before using AI technologies, it's crucial to think about ethical and legal issues.

CONCLUSION:

AI is becoming incredibly integrated into contract negotiation and writing. It has the potential to revolutionize the legal profession and offer substantial benefits. As a result, the data in the machine algorithms yields a variety of quantitative outputs. The AI tools' NLP allows the AI to comprehend, evaluate, and produce more efficient contracts. Artificial intelligence (AI) algorithms can better optimize the terms and conditions of contracts by identifying trends, extracting insights, and evaluating large amounts of data.

For AI to be used in contract writing in a responsible and efficient manner, a number of factors need to be taken into account. AI offers a wide range of tools. Applying one's intellect when utilizing AI technologies is preferable than relying exclusively on information produced by the technology. The terms and conditions of each contract vary, particularly in commercial transactions. Human intellect is thus required to steer clear of such complexities that might spark arguments in the future. Building reliable AI systems requires resolving privacy and confidentiality issues, ensuring data quality, and reducing biased information. The safe application of AI technologies depends on the development of regulatory frameworks, moral principles, and industry standards.

India, the US, the UK, Singapore, Australia, and many more nations have implemented AI technologies to improve contract drafting and negotiation. When writing, vetting, and drafting contracts, legal professionals employ AI technologies such as Kira, Luminance, Ross, Lawgeeks, and others to improve the AI systems. Collaboration between legal experts, AI developers, legislators, and regulatory agencies is essential to maximizing the potential of AI in contract formulation. AI must be combined with human intellect to produce a successful contract in order to fully realize the promised benefits of AI systems.

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