

For Further Review – AI Contract Analysis Can Lead to Problems for Businesses

By [Brian Thomas Pugh](#)

Have you ever asked AI how to stop cheese from sliding off pizza in the oven? One person reported that they did and received a reply to use glue to fasten the cheese to their pizza. This may seem extreme, but it's an instance where AI may lack common sense. Let's be honest; sometimes people lack common sense too.

We use Artificial Intelligence (AI) in many aspects of our lives – to order from restaurants, to do simple research, or to generate notes from a meeting, among other daily tasks. We use its emerging technology to provide helpful information, or when we need advice, or to save time. But what happens when technology goes awry?

Have you ever missed a turn because of inaccurate directions, or been embarrassed when autocomplete or autocorrect provides the wrong word? Students and reporters have been busted for plagiarism or fraud after using AI, and some lawyers have also felt the sting from the risks of AI technology when trying to take a shortcut for legal research, or when following computer generated suggestions has resulted in a court order that ends poorly for them and their clients.

Cue the 1969 song by The Rolling Stones – “You Can’t Always Get What You Want.”

Recently, I received an unsolicited email from a company which stated that they offered AI contract review. That is a dangerous idea in my opinion, coming from a former in-house corporate counsel and an attorney who has represented and advised businesses for more than 20 years. After analyzing hundreds of complex contracts for specific clients and purposes, I can safely say that AI contract analysis can lead businesses down a slippery slope.

Contracts are Specific, Unique, and Should Be Scrutinized

Contracts come in many different forms and agreements. Just as an example, through my background, I have drafted, analyzed, reviewed, and led negotiations for clients on commercial lease agreements, equipment lease agreements, purchase orders, master supply agreements, master service agreements, and vendor managed inventory contracts, to name a few.

It is true that many contracts include similar terms, conditions, and provisions, but each contract is specific to the parties, unique to the business, industry, and stated services, and should therefore be scrutinized by an experienced attorney. Here are some reasons why it's important for experienced counsel to perform contract review and analysis, and when an AI contract analysis may miss or fail to communicate the best responses when prompted:

- **Define Clear Roles and Responsibilities:** Each contract should identify and define the parties to the contract, include a term or timeframe for its performance, state in clear and detailed sentences the performance or payment obligations of each party, and any provisions that are unique to the contract. An AI review may miss these specifics, and these clear roles and responsibilities are critical if this contract were to be analyzed and decided upon later in a court of law.
- **State Necessary Provisions, Such as Venue and Choice of Governing Law:** Provisions about the venue and choice of governing law for potential disputes, severability, specific contact information and a preferred method for notice to the parties, and a statement that signed copies are equivalent to the original, are often included in contract forms. Experienced lawyers are familiar with those provisions and their consequences, while AI may not necessarily be familiar with all of the above.

It is also important to remember a few more important points about business contracts.

- **Negotiate BEFORE You Sign the Contract:** Negotiation and editing of contracts should occur before the contract has been signed. Once a contract has been signed, requests for changes are more about seeking permission to remedy a mistake or oversight as a lot of bargaining power has been lost.
- **Calculate the Contract Cost:** Calculate and consider the total potential value of the contract. For example, a contract for \$5,000 per month for a term of 60 months is not a \$5,000 contract, it is a contract with a value of \$300,000 that may have future implications, good or bad, after the end of the 60-month initial term.
- **Digital Execution of Contracts:** Please know that digital signatures can be easy and save time, but they can also be equally as binding as a signature with a pen.

Good contracts where the terms and conditions are stated clearly and that are fair to both sides can lead to productive and continuing business relationships. Bad contracts have legal hazards including the potential loss of a good relationship with an important customer or supplier.

Commercial contracts and other important business documents should be read, negotiated, and edited by experienced counsel. Realizing later that you signed a contract with errant statements in it is much more serious and could have terrible consequences for you and your business.

About Our Author: [Brian Pugh](#) has practiced law for more than 20 years in Alabama. He advises businesses on all types of commercial transactions and contracts including real estate deals; acquisitions of assets; entity formation and entity governance matters; labor and employment; defense of claims and legal issues at the intersection of business and government. Brian works for companies with operations in Alabama and other states to help them advance their economic development goals using his knowledge of laws and public policy, his relationships and his experience in dealing with governmental entities.