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OVERVIEW OF LEGAL CONCERNS IN CONTRACTS OF ARTIFICIAL INTELLIGENCE SYSTEMS

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Artificial intelligence systems are software that imitate human intelligence to assist in tasks that are complicated to be accomplished by human mind and requiring a lot of hard work. AI has been evolving in recent times and taking position of everything and anything in the society for a consumer. These AI are programmed to perform tasks that typically require human intelligence such as reasoning, problem solving, data analysis etc.

Since this software provides helpful services, such as AI for customer experience, service and support, AI for targeted marketing, safer operations for on-site in outside locales or in spacious geographical areas for gathering data from endpoint devices such as cameras, thermometers, motion detectors and weather sensors, AI for optimization, etc it is quite in demand by many corporations across globe. In lieu of such demand, it is important to understand the legal concerns it bears and how to make it operational efficiently and efficiently.

Machine learning is a sub field of AI wherein the AI system is fed with large size data to achieve a desired goal by the help of algorithms coded in it. This gives a brief understanding that a proper regulatory framework is required, which can be created through contractual rights and restrictions. There are certain key areas to be checked upon for contracts of AI systems.

The primary area is Implementation. So, the issues pertaining to the implementation of the AI systems into another are subject to various factors, which could include dependencies on the customer for training data, time period for which the technology will be used, targets as a goal sought to be achieved and delivered to the user by the customer, etc. For an AI system to fit in properly, the parties may need to identify appropriate training data, potentially review and clean that data to remove bias and anomalies, then train the system on data, before the system can be tested to ensure it meets the agreed criteria.

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A brief analysis of the output and input into these AI systems is essential which should cover all and about of the data to be processed, permissions, potential breaches etc. Due to the interconnected nature of the regulatory and other challenges presented in these contracts and their lack of a clear alignment with already-existing corporate activities like procurement, compliance, or IT, technology lawyers who advise on AI contracts deliver better-suited guidance to remove these discrepancies.

Customers' information may cause issues with data privacy and the legality of using customers' information is crucial to be pre-accessed in order to avoid any confidentiality breaches. Competition concerns, reputational risk, and, ultimately, the question of whether a specific AI tool is appropriate for its intended purpose may arise if competitive pricing information is made available (either through the original or future use case, or as part of training the AI algorithm) which is selecting strategic price points to best take advantage of a product or service-based market in relation to competition. This helps the software provider in a way that if supplied with information related to the value and market demand of that particular AI, this can provide an edge in negotiating these contracts.

Another important area to be considered while contracting for AI systems is ***Licensing Model.*** The facets included in Licensing can be the **"the way in which will be used**"- on sit AI like face recognition, finger prints, etc., SaaS/cloud like google workspace provide over a virtual site/space and digital assistants- Siri, chatbot. Other facet can be **"how the usage shall be charged."** Efficiency in this point can be insured by adopting calculations based on the number of tasks performed or by volume of data processed.

Artificial intelligence (AI) compliance cannot typically be outsourced rather, it is the responsibility of the customer to first identify all the steps required to achieve regulatory compliance about AI and then to specify the areas in which the customer will rely on the technology provider to achieve compliance (e.g., adherence to specific data security standards, separation of competitive information, etc.). In terms of risk allocation, the best practice is to provide the party with the greatest capacity for understanding risk.

For example, if most of the data used to train the system comes from the customer, like for in cases of services provided to exclusive customers such as investigating corporations etc., the

customer may be in a better place to understand the risks involved in using that data due to its sensitivity, and it would be fair for the customer to assume most of the risk in a manner that no presumptuous or underlying issue is made later on merely to create a liability on the service provide. However, if a technology company is gathering similar data from many customers, like removing a middle party such as the one mentioned in the previous example, the corresponding risk should fall on the technology company for the reason that here the tech company will be given the task of scrutinizing the sensitivity of data and risk attached to it in cases of infringement.

Furthermore, it is advisable to technology lawyers to spearhead a collaborative multi-disciplinary effort to develop and then periodically revisit an adaptable risk-based framework that can help identify areas of high risk and, potentially, high value for the company that may involve AI technology now or in the near future. This is because of the breadth of potential issues and expanding use of AI, and because doing so will enable us to provide effective counselling to the business.

Lawyers can be better equipped to minimize these risks of data breach and infringement with particular AI technology by identifying danger signals and tracing them back to their source. Further, it can also be used to counsel a specific company to use a particular AI in a particular manner so as to minimize the risk. Even while it can be challenging to assess an AI system comprehensively in the limited time allotted to finish a contract for an AI solution, such a framework of pre-assessing and technical knowledge of the AI system's operation can help quickly evaluate and address risks as they develop.

Another important area to consider is intellectual property rights in an AI system. The ownership of IPR, in the newly developed software, attracts the bid most which makes it essential to ensure that who should be the rightful owner of these IP and that it supports the purpose of the system offered and also does not breach any fundamentals.

CHALLENGES IN CONTRACTING FOR AI TECHNOLOGY

The results from AI models may not be accurate all the time, but rather a certain small percentage of errors should be tolerated. Because AI technology derives rules based on training data with certain statistical properties and then tries to apply it to unknown data with potentially

slightly different statistical properties, the output of AI technology occasionally may be incorrect. As a result, the specifications for an AI model are often measured in error rates.

Obstacles for the vendor in providing an upfront performance guarantee is quite not possible since the improvement of a man-made intelligence innovation relies so intensely upon the preparation informational collection, it is hard for a seller to be aware at the hour of contracting how the subsequent artificial intelligence innovation will perform on the client's informational index when the gatherings execute the agreement. The AI model may ultimately fail when put into production if the statistical properties of the training data set and the user data are significantly different, including if the training data does not include statistically rare events.

Thus, contracting for the development and use of AI technology must be different than contracting for the development and use of conventional software. This is largely a result of the inductive nature of AI technology development as contrasted to the deductive process generally used by conventional software.