



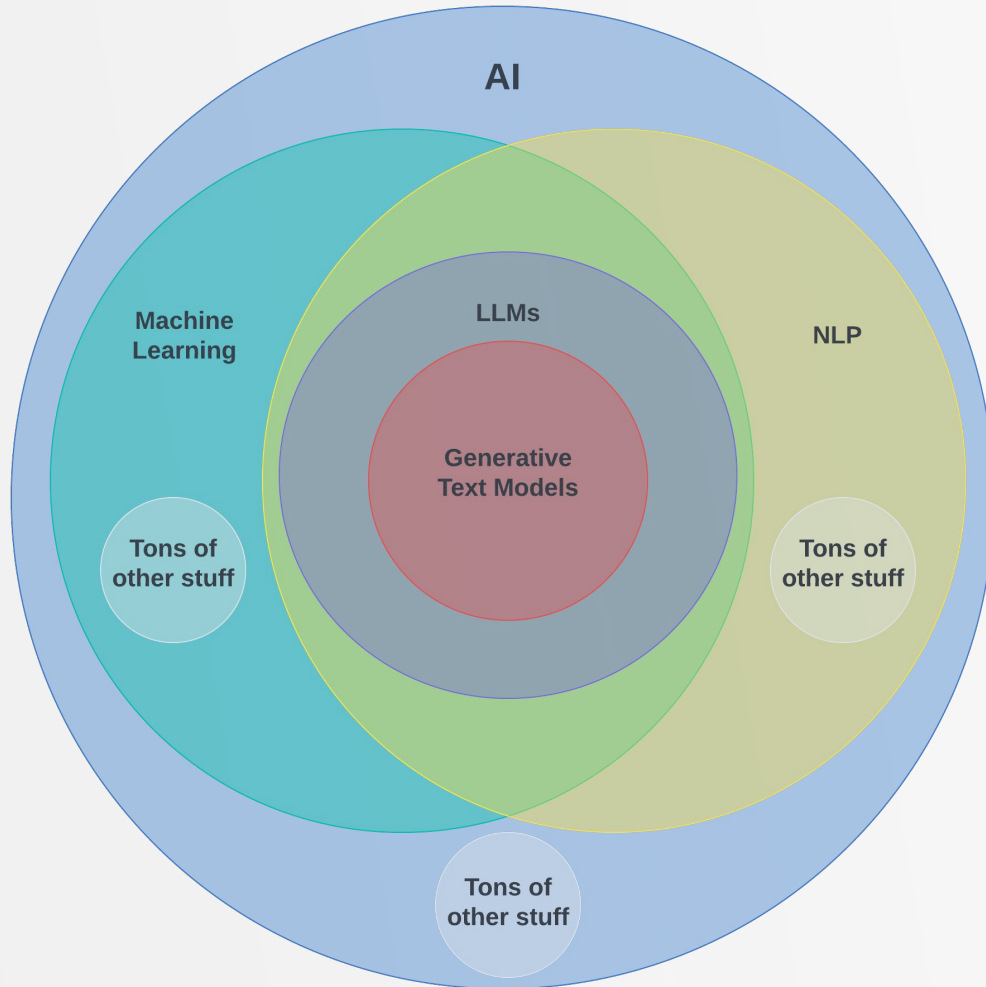
Fundamentals of Contracts and AI

AI won't replace contract professionals...

...contract professionals who use AI will replace those that don't.

Primer on AI and Contracts





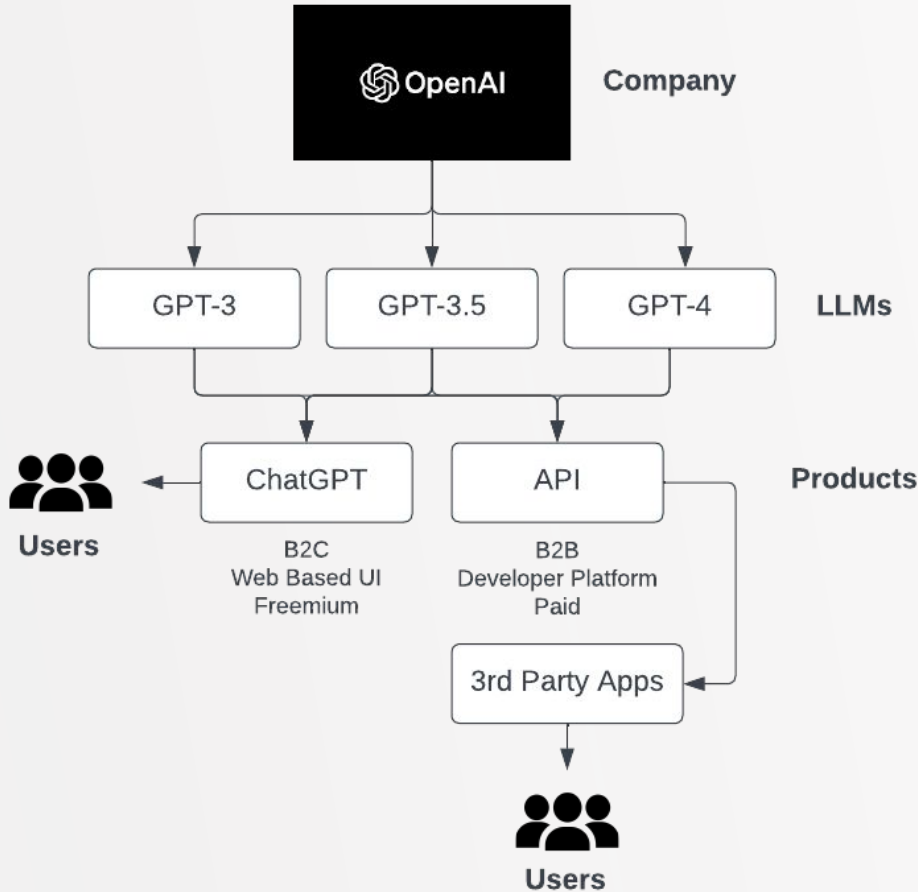
AI – Simulates human-like thinking

ML – Learns from data

NLP – Interprets human language

LLMs – Trained on massive text corpus

Generative Text Models – Produces human-like text



OpenAI – Founded 2015

Transformers Research at Google – 2017-2018

GPT-3 – Released 6/2020

ChatGPT – Launched 11/2022

GPT-4 – Released 3/2023

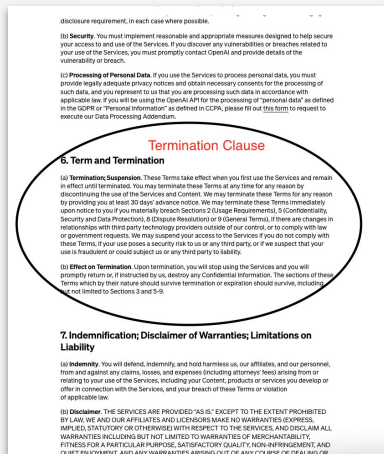
Simulated exams	GPT-4 estimated percentile
Uniform Bar Exam (MBE+MEE+MPT) ¹	298/400 ~90th
LSAT	163 ~88th

**AI has been used in contracts
for a long time.**

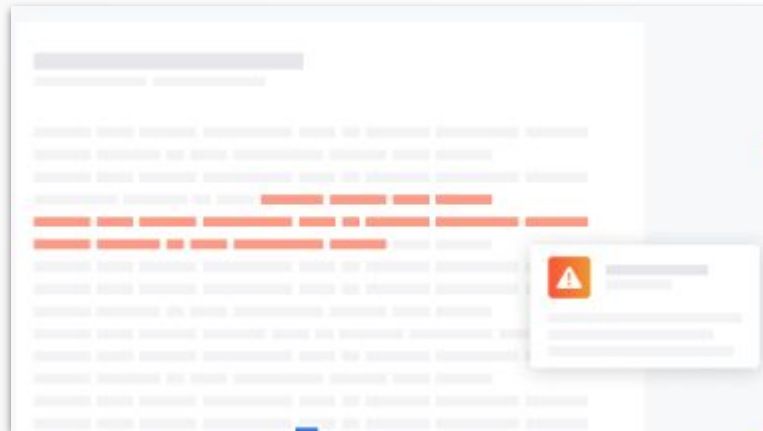
**You are probably using it in
your contracting stack today.**

Common applications you may be familiar with

Clause Identification



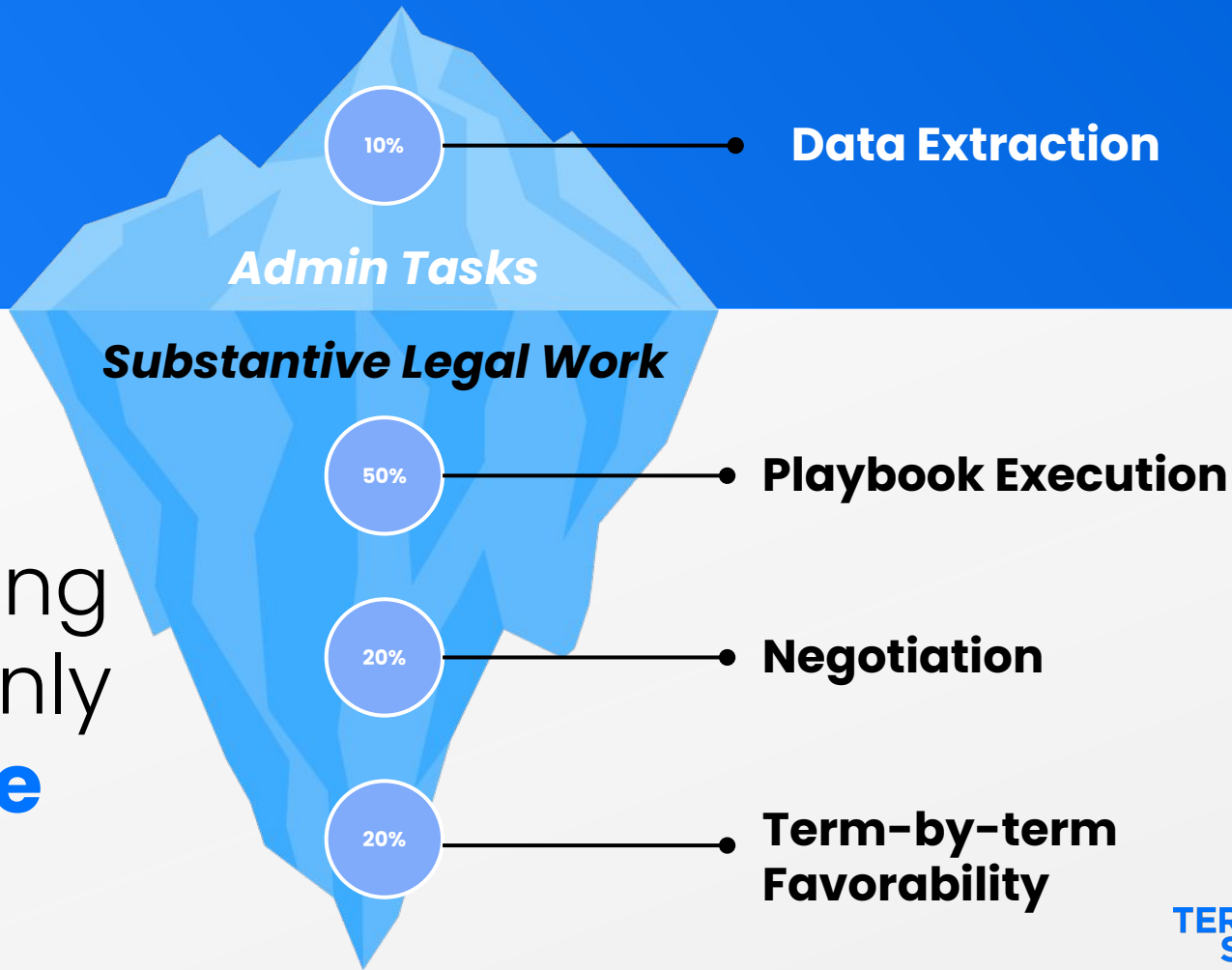
Automated Redlining



Key Data Point Extraction

These Terms of Use apply when you use the services of OpenAI, L.L.C. or our affiliates, including our application programming interface, software, tools, developer services, data, documentation, and websites ("Services"). The Terms include our Service Terms, Sharing & Publication Policy, Usage Policies, and other documentation, guidelines, or policies we may provide in writing. By using our Services, you agree to these Terms. Our Privacy Policy explains how we collect and use personal information.

Many existing solutions only **scratch the surface**



Burgeoning Use Cases



**Repository
Analysis**

E-Discovery

Drafting

Procurement

Redlining

**Playbook
Execution**

Benchmarking

**Pre-Signature
Approval**

**Playbook
Generation**

Research

Compliance

Comparison

Negotiation

**Market
Analysis**

**Legal
Assistants**

Summarization

Where in your tech stack will you interact with these solutions?

Chatbots

Legal assistants
Research

Word Processors

Drafting
Redlining
Summarization

SaaS Apps

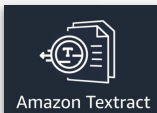
Repository analysis
Procurement
Pre-signature Approval
Market Analysis
Compliance
Benchmarking
E-Discovery
Playbook Execution

...

There is a growing set of solutions available in the market for many of these use cases.

Let's look at some of the **administrative tasks** that AI has historically operated in





Analyze Document [Info](#)

[Download results](#)[Reset demo](#)

Choose a sample document, or upload your own, to view the result from the Analyze Document API.

OpenAI Terms of Use (1)



Page / 8

(c) Price Changes. We may change our prices by posting notice to your account and/or to our website. Price increases will be effective 14 days after they are posted, except for increases made for legal reasons or increases made to Beta Services (as defined in our Service Terms), which will be effective immediately. Any price changes will apply to the Fees charged to your account immediately after the effective date of the changes.

(d) Disputes and Late Payments. If you want to dispute any Fees or Taxes, please contact ar@openai.com within **thirty (30) days** of the date of the disputed invoice. Undisputed amounts past due may be subject to a finance charge of 1.5% of the unpaid balance per month. If any amount of your Fees are past due, we may suspend your access to the Services after we provide you written notice of late payment.

(e) Free Tier. You may not create more than one account to benefit from credits provided in the free tier of the Services. If we believe you are not using the free tier in good faith, we may charge you standard fees or stop providing access to the Services.

[Raw text](#)[Queries](#)

Results

[Copy queries](#)[Edit queries](#)[Submit query](#)

Limit of 200 characters per query. Duplicate queries not permitted.

How many days do you have to dispute an invoice?

Page: 4

thirty (30) days

Amazon Comprehend



Insights [Info](#)

Entities

Key phrases

Language

PII

Sentiment

Targeted sentiment

Syntax

Analyzed text

Thank you for using [OpenAI!](#)

These Terms of Use apply when you use the services of [OpenAI, L.L.C.](#) or our affiliates, including our application programming interface, software, tools, developer services, data, documentation, and websites ("Services"). The Terms include our Service Terms, Sharing & Publication Policy, Usage Policies, and other documentation, guidelines, or policies we may provide in writing. By using our Services, you agree to these Terms. Our Privacy Policy explains how we collect and use personal information. The terms are effective as of [March 5, 2025](#).

▼ Results

Entity	Type	Confidence
OpenAI	Organization	0.77
OpenAI, L.L.C.	Organization	0.78
March 5, 2025	Date	0.99+

from or relating to your use of the Services, including your Content, products or services you develop or offer in connection with the Services, and your breach of these Terms or violation of applicable law.

(b) **Disclaimer.** THE SERVICES ARE PROVIDED "AS IS." EXCEPT TO THE EXTENT PROHIBITED BY LAW, WE AND OUR AFFILIATES AND LICENSORS MAKE NO WARRANTIES (EXPRESS, IMPLIED, STATUTORY OR OTHERWISE) WITH RESPECT TO THE SERVICES, AND DISCLAIM ALL WARRANTIES INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SATISFACTORY QUALITY, NON-INFRINGEMENT, AND QUIET ENJOYMENT, AND ANY WARRANTIES ARISING OUT OF ANY COURSE OF DEALING OR TRADE USAGE. WE DO NOT WARRANT THAT THE SERVICES WILL BE UNINTERRUPTED, ACCURATE OR ERROR FREE, OR THAT ANY CONTENT WILL BE SECURE OR NOT LOST OR ALTERED.

(c) **Limitations of Liability.** NEITHER WE NOR ANY OF OUR AFFILIATES OR LICENSORS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING DAMAGES FOR LOSS OF PROFITS, GOODWILL, USE, OR DATA OR OTHER LOSSES, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. OUR AGGREGATE LIABILITY UNDER THESE TERMS SHALL NOT EXCEED THE GREATER OF THE AMOUNT YOU PAID FOR THE SERVICE THAT GAVE RISE TO THE CLAIM DURING THE 12 MONTHS BEFORE THE LIABILITY AROSE OR ONE HUNDRED DOLLARS (\$100). THE LIMITATIONS IN THIS SECTION APPLY ONLY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.

8. Dispute Resolution

YOU AGREE TO THE FOLLOWING MANDATORY ARBITRATION AND CLASS ACTION WAIVER PROVISIONS:

Document Type

Intellectual Property Agt (Contract)

Language

English

Field Extractions Found

Limitation of Liability (1) ▼

Page 6

(c) **Limitations of Liability.** NEITHER WE NOR ANY OF OUR AFFILIATES OR LICENSORS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING DAMAGES FOR LOSS OF PROFITS, GOODWILL, USE, OR DATA OR OTHER LOSSES, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. OUR AGGREGATE LIABILITY UNDER THESE TERMS SHALL NOT EXCEED THE GREATER OF THE AMOUNT YOU PAID FOR THE SERVICE THAT GAVE RISE TO THE CLAIM DURING THE 12 MONTHS BEFORE THE LIABILITY AROSE OR ONE HUNDRED DOLLARS (\$100). THE LIMITATIONS IN THIS SECTION APPLY ONLY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.



E

These Terms of Use apply when you use the services of OpenAI, L.L.C. or our affiliates, including our application programming interface, software, tools, developer services, data, documentation, and websites (“Services”). The Terms include our Service Terms, Sharing & Publication Policy, Usage Policies, and other documentation, guidelines, or policies we may provide in writing. By using our Services, you agree to these Terms. Our Privacy Policy explains how we collect and use personal information.

What is the vendor's name?



OpenAI, L.L.C.



E

(d) Disputes and Late Payments. If you want to dispute any Fees or Taxes, please contact ar@openai.com within thirty (30) days of the date of the disputed invoice. Undisputed amounts past due may be subject to a finance charge of 1.5% of the unpaid balance per month. If any amount of your Fees are past due, we may suspend your access to the Services after we provide you written notice of late payment.

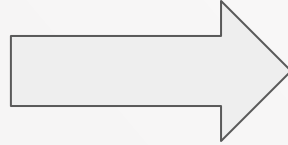
How many days do you have to dispute an invoice?



Thirty (30) days.




AI's impact is shifting from administrative tasks to **substantive legal tasks**






E You will defend, indemnify, and hold harmless us, our affiliates, and our personnel, from and against any claims, losses, and expenses (including attorneys' fees) arising from or relating to your use of the Services, including your Content, products or services you develop or offer in connection with the Services, and your breach of these Terms or violation of applicable law.

How common is this indemnification clause?

 This indemnification clause is quite common, as it serves to protect the indemnified party, typically a vendor or service provider, from liability arising from the indemnifying party's actions.

E Are indemnification clauses for software agreements typically not subject to conditions and/or exclusions?

 Indemnification clauses in software agreements often include conditions and/or exclusions to tailor the extent of indemnification and protect parties from unreasonable liabilities.

E Could I expect to be able to negotiate conditions or exclusions?

 Yes, you can expect to negotiate conditions or exclusions in an indemnification clause, especially in B2B transactions, where parties often have more leverage and flexibility in negotiations.

TERM SCOUT

How common is this clause? ⓘ

Vendor Forms

99%

Present in 1,300 out of 1,310 Verified™ Vendor Forms

Negotiated Contracts

98%

Present in 335 out of 342 Verified™ Negotiated Contracts

Customer Forms

37%

Present in 50 out of 135 Verified™ Customer Forms

AWS Agreement Open In Download

Agreement Overview | Vendor Form | Last Modified: March 24, 2022 Feedback Print

High Rating Prediction 19 Governing Law: Not Specified Dispute Resolution: Not Specified

EXPECTED NEGOTIATING IMPACT PREDICTED VENDOR FAVORABLE MONITORING THIS KEY DATA POINTS

Term Sheet **Negotiating Tips** **Full Analysis** **Documents**

A topic by topic summary of the key information in the contract.

Limit on Vendor's Liability: Vendor's liability is limited and capped at 12 months' fees with a secondary cap. There are also damages excluded from Vendor's liability that have no exceptions.

→ High Confidence ⓘ

Limit on Customer's Liability: Customer's liability is unlimited.

→ High Confidence ⓘ

Identification by Vendor: Vendor provides indemnification to Customer for any claims based on third party IP infringement and covers all types of IP. There are conditions and exclusions in place, as well as time constraints for notification, with Vendor's obligation to provide a defense before the exclusive remedy. The indemnity does not cover claims resulting from modifications or use of excluded versions of the service nor does it include an obligation to hold harmless.

→ High Confidence ⓘ

Identification by Customer: The Customer is obligated to indemnify the Vendor for any claims made against them, including those based on third party IP infringement, breach of contract provisions, or violation of law. The Customer must provide a defense and hold the Vendor harmless in such cases. This obligation is subject to conditions and exclusions, as well as time constraints.

→ High Confidence ⓘ

Confidential Information: Vendors and Customers must both protect the other party's confidential information, but only one of them is obligated to do so. There is no agreement in place about what is confidential.

→ High Confidence ⓘ

Data Basics: This contract states that the Vendor is not responsible for any data usage rights beyond what is necessary to improve or provide services, and does not commit to subprocessors being bound by data privacy requirements, third party audits, standards, or certifications. The Vendor also does not commit to Customer notification of a security breach.

→ Medium Confidence ⓘ

Reps and Warranties: The Vendor does not offer any warranties, and they disclaim any implied warranties that may exist.

→ High Confidence ⓘ

Term and Termination: The Customer has the right to terminate the contract for cause, convenience or due to a breach of their obligations. The Vendor also has rights to terminate in certain circumstances and may suspend services if payment related issues arise. The Customer must cure any breach within 30 days before Vendor can terminate for cause.

→ High Confidence ⓘ

Disputes: Disputes are to be resolved through arbitration, with the venue and governing law determined in advance. An attorney's fees or other fee shifting provisions will apply.

→ High Confidence ⓘ

Payments and Penalties: If Customer fails to make their payment on time, they are subject to penalties. Vendor is not allowed to bill Customer for any expenses related to the services provided.

→ High Confidence ⓘ

Restrictive Covenants: Vendor's employees for employment. This clause means that the Customer is free to compete with the Vendor and can solicit their employees for employment without any penalties from the Vendor.

→ High Confidence ⓘ

Assignment: Vendor and Customer both have some assignment rights, which are allowed in the event of a merger or acquisition or corporate reorganization. There are consent requirements for these assignments, but no notice requirements. There are also no restrictions or conditions on either party assigning to the other's competitor.

→ High Confidence ⓘ

Miscellaneous: The Vendor is not required to carry any insurance and has the right to unilaterally amend part or all of the Secondary Documents. There is also a force majeure clause in the agreement which benefits them, while Customer does not have rights to audit Vendor and both parties agree to comply with all applicable laws, including data/privacy law and export control laws.

→ High Confidence ⓘ

Privacy and Security Considerations



**Your contract data is
confidential information.**

Not just yours.

Your counterparty's too.

**As a contract professional,
your job is to mitigate risk...**

Not introduce more risk.



ARTIFICIAL INTELLIGENCE · Published April 6, 2023 5:01pm EDT

Samsung employees reportedly leaked sensitive info on ChatGPT by accident

3 incidents reportedly took place within 20 days of allowing ChatGPT access

**So how do you assess the risk
of different AI platforms?**

It starts with the contracts.

There are **three things** to get right in contracts with AI companies.

Liability – what kinds of remedies do you have if something goes wrong?

**Data Usage – How does the
vendor *use* your data?**

**Data Security – How does the
vendor *protect* your data?**

Let's take a look at some data!



Summary of Three AI Contracts (as of Apr 2023)

	TermScout	AWS	OpenAI
Remedies	<ul style="list-style-type: none">● 12 months' fees● Super cap for data● Many exceptions	<ul style="list-style-type: none">● 12 months' fees● 1 exception	<ul style="list-style-type: none">● 12 months' fees● No exceptions
Data usage	Anonymized & aggregated unless opted out	None	<ul style="list-style-type: none">● Anonymized & aggregated● ML training● Only API users can opt out
Data security	Strong	Strong	Unknown

Best of both worlds approach to AI

AI Trained on
Contracts

+

General Purpose
Generative AI

=

**TERM
SCOUT**

Purpose built to
answer the questions
that matter in
contracts

Flexible solutions that
turn contract
analysis into a
compelling user
experience

An end-to-end
software solution
built by legal experts
for legal experts

Welcome to TermScout.

The future of contracts is here.

