Fundamentals of Contracts and AI

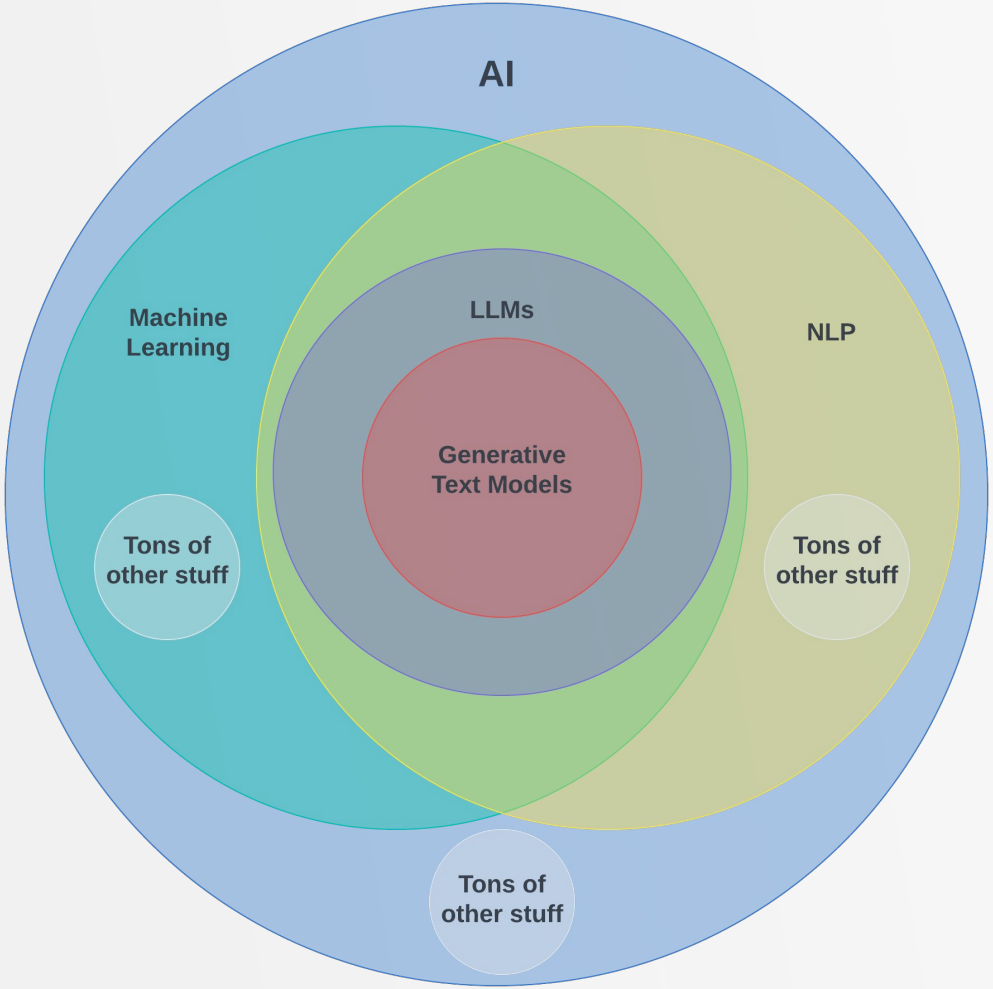
TERM SCOUT

AI won’t replace contract professionals…

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

Primer on AI and Contracts

TERM SCOUT®



AI – Simulates human-like thinking

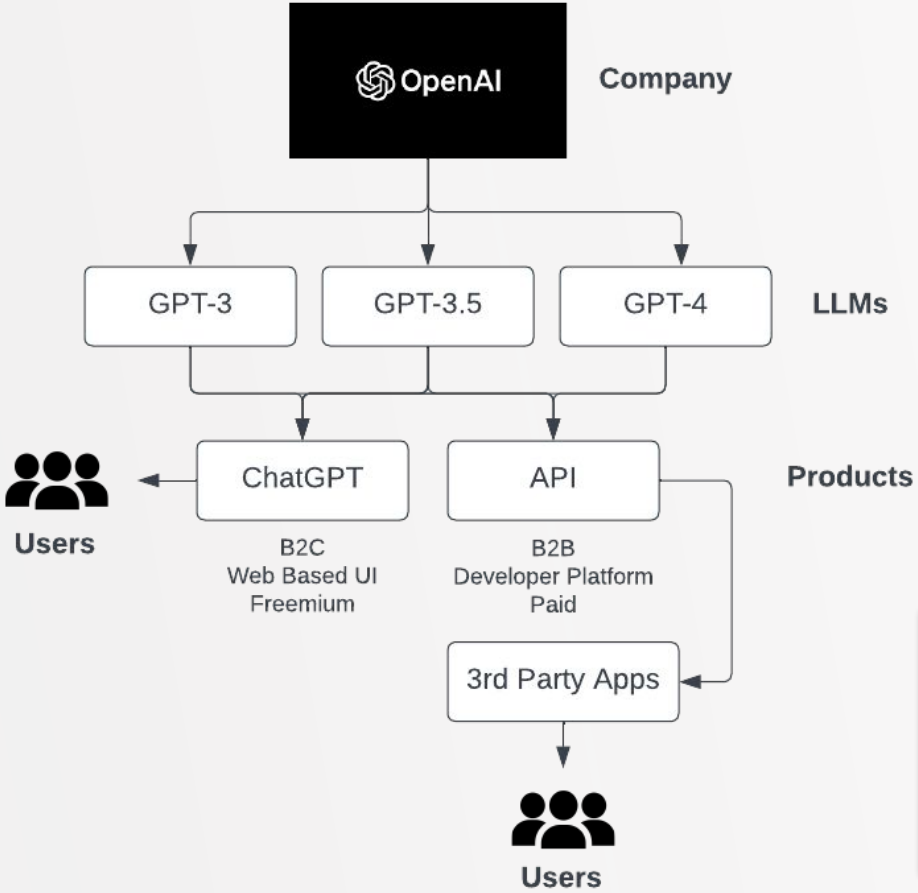
ML - Learns from data

NLP – Interprets human language

LLMs – Trained on massive text corpus

Generative Text Models – Produces human-like text

TERM SCOUT



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

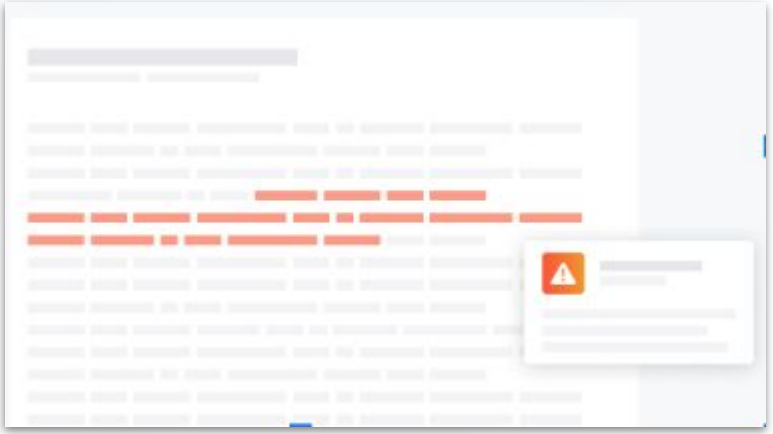
TERM SCOUT

AI has been used in contracts for a long time.

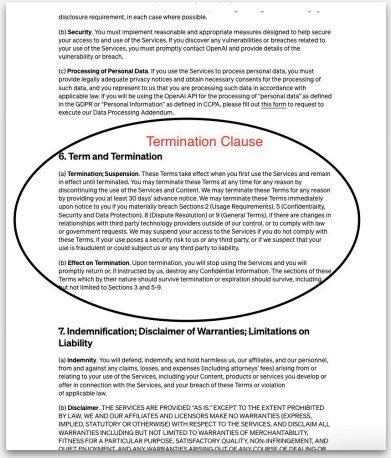
You are probably using it in your contracting stack today.

Common applications you may be familiar with

Automated Redlining



Clause Identification

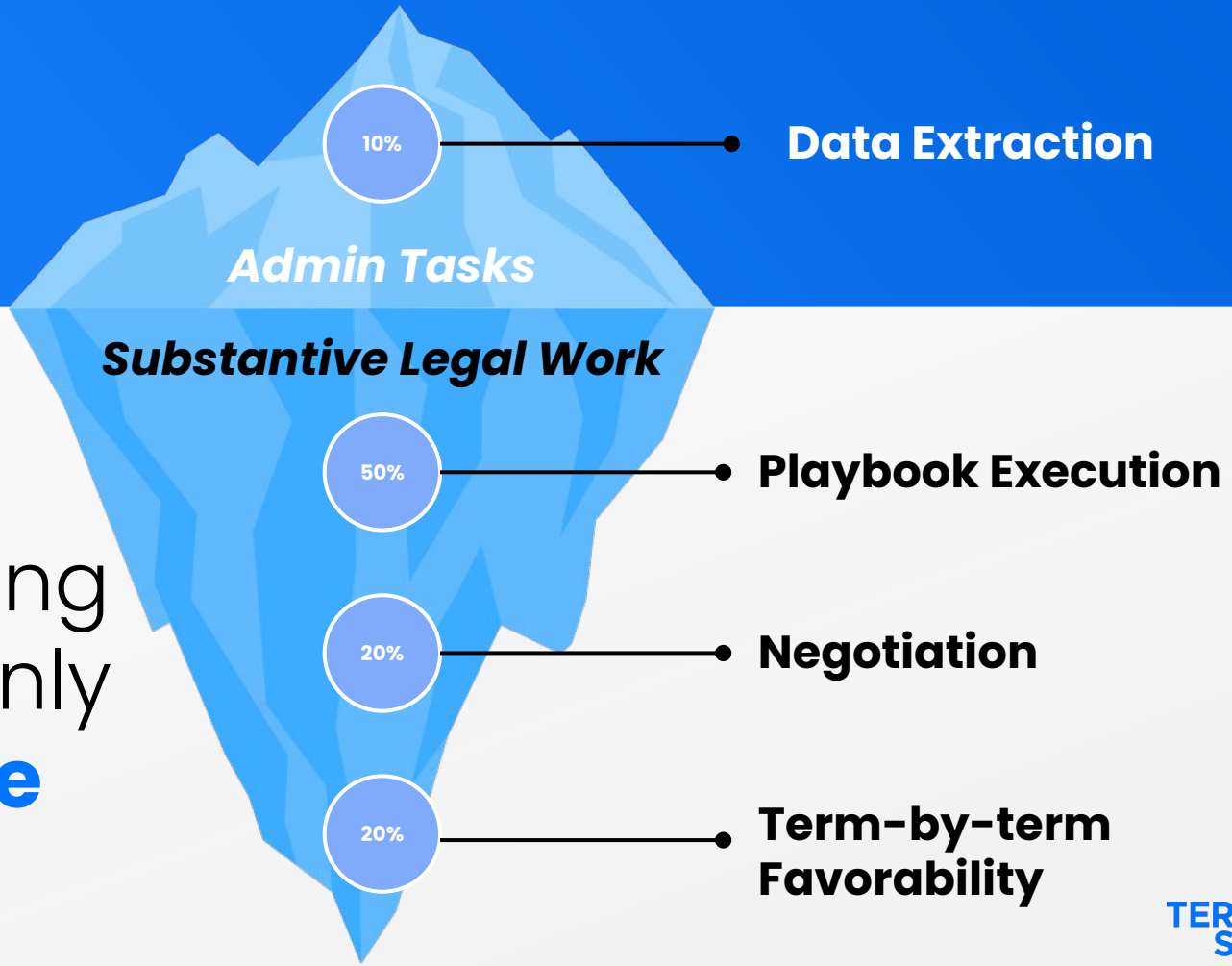


Key Data Point Extraction

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.

TERM SCOUT®

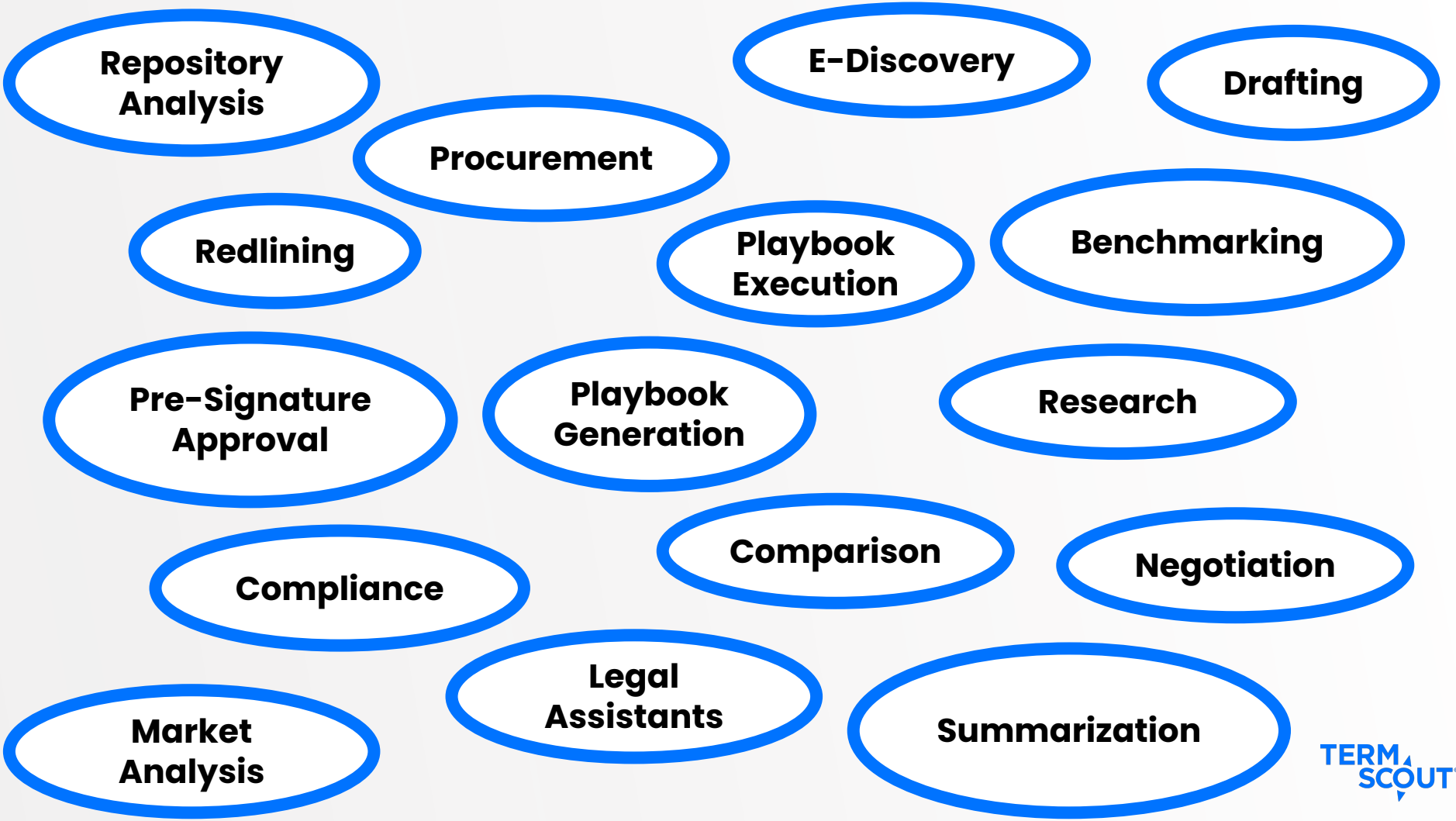
Many existing solutions only **scratch the surface**



TERM SCOUT

Burgeoning Use Cases

TERM SCOUT


Repository Analysis
E-Discovery
Drafting
Procurement
Redlining
Playbook Execution
Benchmarking
Pre-Signature Approval
Playbook Generation
Research
Comparison
Negotiation
Compliance
Legal Assistants
Summarization
Market Analysis
TERM SCOUT

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
...

TERM SCOUT

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

Amazon Textract

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 4 / 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

Enter a query to search within the document

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

TERM SCOUT

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

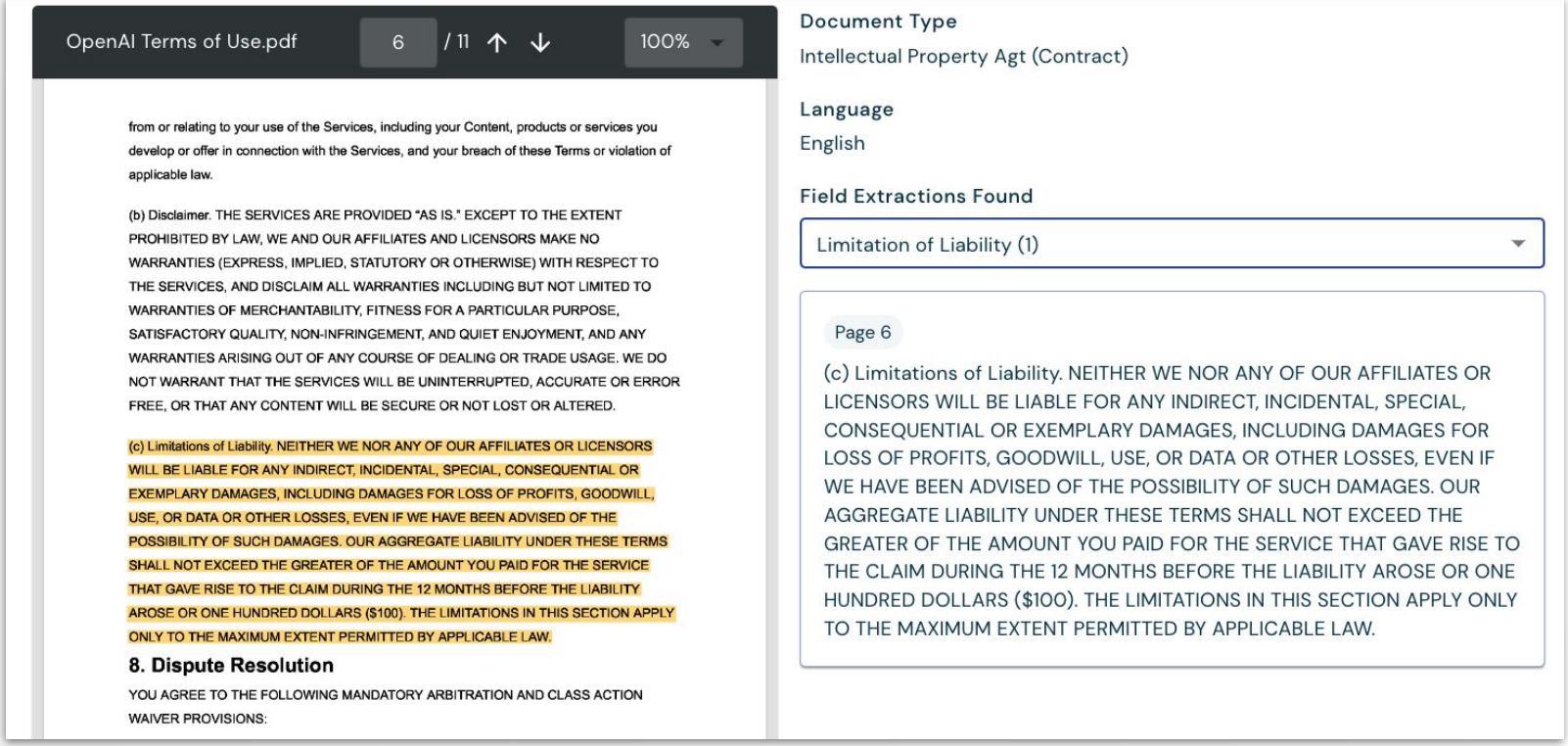
Search

1

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

TERM SCOUT

Zuva



TERM SCOUT

ChatGPT

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

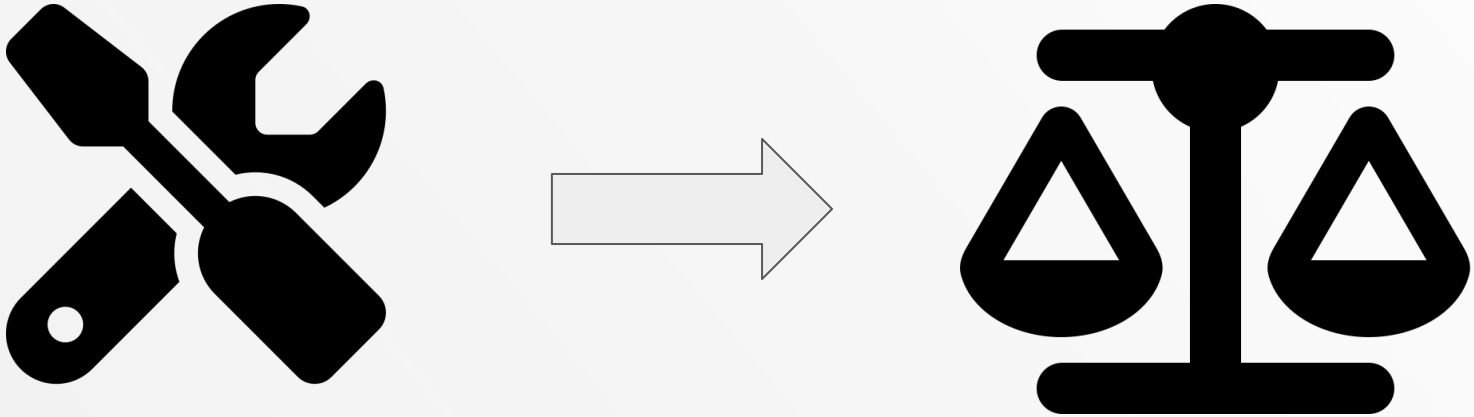
(d) Disputes and Late Payments. If you want to dispute any Fees or Taxes, please contact ar@openai.com within thirty (30) days of the date of the disputed invoice. Undisputed amounts past due may be subject to a finance charge of 1.5% of the unpaid balance per month. If any amount of your Fees are past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

TERM SCOUT

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



TERM SCOUT®

ChatGPT

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®

TERM SCOUT

How common is this clause?

Vendor Forms

99%

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

Negotiated Contracts

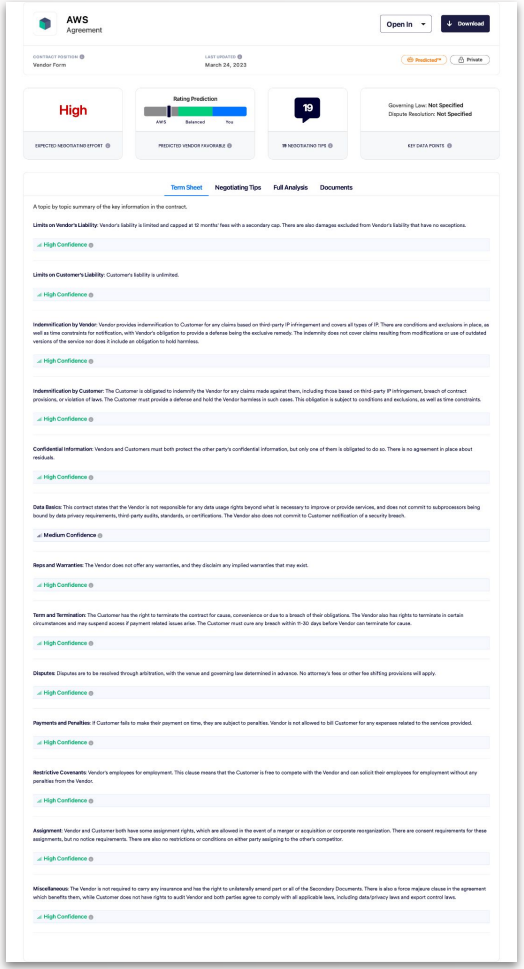
98%

Present in 335 out of 342 Verified™ Negotiated Contracts

Customer Forms

37%

Present in 50 out of 135 Verified™ Customer Forms



TERM SCOUT®

Privacy and Security Considerations

TERM SCOUT

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.

FOX BUSINESS

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

TERM SCOUT

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!

Here

Summary of Three AI Contracts (as of Apr 2023)

	TermScout	AWS	OpenAI
Remedies	• 12 months' fees • Super cap for data • Many exceptions	• 12 months' fees • 1 exception	• 12 months' fees • No exceptions
Data usage	Anonymized & aggregated unless opted out	None	• Anonymized & aggregated • ML training • Only API users can opt out
Data security	Strong	Strong	Unknown

TERM SCOUT

Best of both worlds approach to AI

AI Trained on Contracts

Purpose built to answer the questions that matter in contracts

+

General Purpose Generative AI

Flexible solutions that turn contract analysis into a compelling user experience

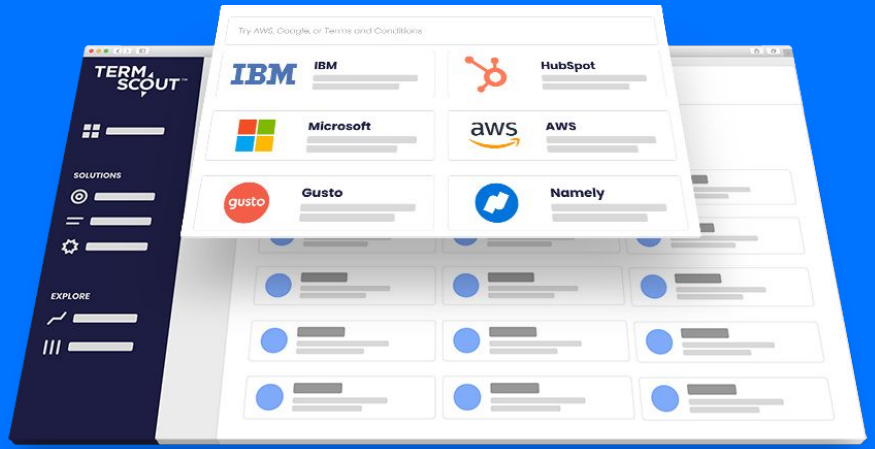
=

TERM SCOUT

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

Welcome to TermScout.

The future of contracts is here.



TERM SCOUT