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# CONVERGENCE OF LAW AND AI: ANALYSING THE LEGAL FRAMEWORK OF BLOCKCHAIN AND SMART LEGAL AGREEMENTS

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## ABSTRACT

Legal contracts establish enforceable rights and obligations between parties. Traditionally, lawyers draft these contracts. However, due to the extensive due diligence required and the high costs associated, having lawyers handle all aspects of contract drafting can sometimes reduce efficiency and effectiveness. AI, a seemingly foreign term for legal contracts, when implemented with blockchain to create smart legal contracts may be the solution to such challenges, known and unknown. AI simulates human processes; blockchain tracks assets and records transactions. Together it leads to the formation of Smart legal contracts which combine the capabilities of AI technology with the security and transparency of blockchain technology. These contracts are self-executing agreements with the terms of the contract directly written into code. They can automatically execute and enforce themselves when certain conditions are met, eliminating the need for intermediaries and streamlining processes. This combination has the potential to revolutionize many industries by reducing costs, increasing efficiency, and enhancing trust in business transactions. Smart legal contracts are a huge opportunity for the legal world with the ability to revolutionize how contracts are drafted, it provides for increased security, easy record keeping, time efficiency and much more. This paper deals with the examination of smart contracts their potential implementation and its impact on the legal landscape. Utilizing a doctrinal research methodology, this study analyses the fundamental terms and technologies underpinning smart legal contracts to have a comprehensive understanding. The study then delves into how this advanced technology can be used in the current legal world, comparing and contrasting with other countries. The paper also provides an understanding of how various contractual features are affected by smart legal contracts, weighing its benefits and drawbacks. The paper then concludes by providing suggestions on how these issues can be addressed for a better implementation of this advanced technology.

**Keywords:** Contracts, AI, Technology, Agreements, Blockchain.

## INTRODUCTION

Legal contracts infer enforceable rights between two parties. Since their inception, the entire process has been done by professionals in the legal field. With the advent of new technologies like AI, the need for advanced technology is a must. This paper discusses the integration of Smart Legal Contracts in the legal field to streamline processes and align with technological advancements.

## AI AND SMART LEGAL CONTRACTS

The integration of artificial intelligence (AI) with smart legal contracts has the potential to transform how we manage contracts completely. The different features of AI model the ability of the human mind to solve problems and make decisions using computers, data, and occasionally machines certain skills like drafting, Natural Language processing, data analysis, and risk management help in the development of these Smart Legal Contracts<sup>1</sup>.

Commercial contracts have always been using natural language, and their development represents human civilization in doing business.<sup>2</sup> It has always been a thought to convert this natural language to certain codes so that the codes can relate to the entire agreement and take the form of a leading contract. The vision can be made true with the help of smart contracts that are typically kept as computer code on the Blockchain where Each user can inspect the code that executes the smart contract since most pieces of data on the blockchain are accessible to the public.<sup>3</sup>

Smart Legal Contracts (SLC) Model are self-executing agreements. It is to facilitate the integration of computer code and natural language into a technically functional and legally enforceable contract.<sup>4</sup> Smart contracts were first proposed in 1994 by Nick Szabo, an American computer scientist who conceptualized a virtual currency called "Bit Gold" in 1998, 10 years before Bitcoin was introduced.<sup>5</sup> A smart contract follows a condition-based structure, and if,

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<sup>1</sup> Riccardo De Caria, *The Legal Meaning of Smart Contracts*, 26 Eur. Rev. Priv. L. 731, 731–51 (2018).

<sup>2</sup> Mehren A. Contract. Encyclopedia Britannica. 2019. Available from: <https://www.britannica.com/topic/contract-law>.

<sup>3</sup> Dan Tysver, *Smart Contracts and the Law*, Bitlaw Blog (June 17th, 2024), <https://www.bitlaw.com/blockchain/smart-contracts.html>.

<sup>4</sup> Giusella Finocchiaro & Chantal Bompreszi, *A Legal Analysis of the Use of Blockchain Technology for the Formation of Smart Legal Contracts*, 2020(2) Media L. 111, 111–35 (2020).

<sup>5</sup> The Investopedia Team, *What Are Smart Contracts On The Blockchain And What Do They Do?*, investopedia blog (June 17th, 2024, 4:00 PM), <https://www.investopedia.com/terms/s/smart->

or when certain conditions have been met, a new action will be completed. It uses a very specific technology, Blockchain.

Smart contracts execute agreements, they can be used for many different purposes. One of the simplest uses is ensuring transactions between two parties occur, such as the purchase and delivery of goods. For example, a manufacturer needing raw materials can set up payments using smart contracts, and the supplier can set up shipments. Then, depending on the agreement between the two businesses, the funds could be transferred automatically to the supplier upon shipment or delivery.<sup>6</sup>

## AI AND BLOCKCHAIN

Blockchain technology ensures transparent, immutable data sharing within a business network by storing data in linked blocks. This creates an unalterable ledger for tracking transactions, with built-in mechanisms to prevent unauthorized entries and maintain consistency across the network<sup>7</sup>. This technology is currently used in cryptocurrency.

The practice and implications of Blockchain are so strong that if it is well understood, it can revolutionize legal work and make it more efficient and flexible. It will play a crucial role in enabling Smart Legal Contracts. Blockchain's transparency, tamper-proof nature, and decentralization ensure trust without relying on central authorities. With its immutable records and distributed network, blockchain offers a scalable solution for trustworthy data exchange and management.<sup>8</sup> It can be viewed as a secure private digital ledger accessible in the form of a smart legal contract.

Contract terms are coded into smart contracts, which are stored on the blockchain network. This guarantees integrity, transparency, and automatic execution of contractual obligations, minimizing the need for intermediaries and reducing fraud.<sup>9</sup>

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contracts.asp#:~:text=Investopedia%20%2F%20Laura%20Porter-History%20of%20Smart%20Contracts,years%20before%20Bitcoin%20was%20introduced.

<sup>6</sup> The Investopedia Team, *What Are Smart Contracts On The Blockchain And How Do They Work?*, investopedia blog (June 15th, 2024, 4:00 PM), <https://www.investopedia.com/terms/s/smart-contracts.asp>.

<sup>7</sup> AWS, <https://aws.amazon.com/what-is/blockchain/?aws-products-all.sort-by=item.additionalFields.productNameLowercase&aws-products-all.sort-order=asc> (last visited June 15th, 2024)

<sup>8</sup> Brook Becher, *Understanding Blockchain technology*, builtin blog (June 16th, 2024), <https://builtin.com/blockchain>.

<sup>9</sup> ibm, <https://www.ibm.com/topics/smart-contracts> (last visited June 15th, 2024)

Contract Lifecycle Management (CLM) is revolutionized by generative AI, which automates the processes of generating, evaluating, and summarising contracts. Time is saved and errors are decreased as it quickly extracts important elements like pricing and expiration dates. Artificial intelligence (AI) can quickly and efficiently create legally compliant contracts by analyzing large databases. This reduces risk and increases efficiency.<sup>10</sup> This technology is revolutionizing labor-intensive, traditional contract administration by enabling businesses to negotiate complex agreements with better accuracy and confidence. It can also translate complex legal jargon into simpler terms, making contracts more understandable for all parties involved.<sup>11</sup> It also enhances smart contracts by enabling adaptive execution and improved decision-making through real-time data analysis and historical pattern recognition.<sup>12</sup>

Integrating AI with blockchain enhances smart contracts by enabling accurate encoding and validation of complex relationships. AI allows dynamic contract adjustments based on real-time data and market conditions.<sup>13</sup> Therefore AI works towards the dynamic work of adjustment along with managing price change whereas blockchain technology facilitates the process by making it a more secure place to continue the contract.<sup>14</sup>

## LEGALITY IN INDIA

In India, under S. 10 of the Indian Contract, Act 1872 is the definition of a valid contract. It mentions the essentials of a contract – ‘all agreements are contracts if they hold the free consent of parties willing to contract, for a lawfully accepted consideration and with an object’. When we compare it with smart legal contracts, we find that it satisfies the definition under the legislation. This lacunae of the law being used to recognize smart legal contracts is inadequate if India wants to take any of the advantages of smart legal contracts. Such vague recognition only allows for the misuse of such contracts. By developing proper legislation that defines the

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<sup>10</sup> icertis , <https://www.icertis.com/learn/how-generative-ai-is-changing-contract-management/> (last visited June 16th, 2024)

<sup>11</sup> Leif Wonderbunny, *The Transformative Impact of AI on Contracts*, Oneflow Blog (June 17th, 2024), <https://oneflow.com/blog/the-transformative-impact-of-ai-on-contracts/>.

<sup>12</sup> iterators, <https://www.iteratorshq.com/blog/ai-in-blockchain-everything-you-need-to-know/> (last visited June 15th, 2024)

<sup>13</sup> appinventiv, <https://appinventiv.com/blog/ai-in-blockchain/#:~:text=The%20integration%20of%20AI%20and,record%2C%20promoting%20trust%20and%20innovation.> (last visited June 15th, 2024)

<sup>14</sup> turing , <https://www.turing.com/kb/how-blockchain-and-ai-complement-each-other> (last visited June 15th, 2024)

scope and rights related to smart legal contracts, the citizens will benefit by being able to enter into these contracts without fear of being exploited.

India has developed its contract laws through legislation and judicial precedents. Currently, e-contracts have gained legal recognition through the Indian Contract Act 1872 and the Information Technology Act 2000<sup>15</sup>. The discussion on Blockchain technology being used in India came about in 2017 with the launch of the “BankChain” platform, a consortium of 27 banks to facilitate e-KYC information sharing. It is a blockchain-based platform designed to share KYC data amongst the banks launched in India, though its application was merely on a record-keeping and information-sharing basis.<sup>16</sup> The recognition and use of blockchain by the government in its schemes showcase the potential of such technology. Its use to protect the privacy of the citizens in banking matters is similar to the reason why blockchain is proposed in smart contracts as well. Taking this same mindset further and legally recognizing smart legal contracts will help develop the legal sector of India on par with other countries globally.

India has ushered in a new digital era. The Government has worked to provide solutions and quality-of-life changes to the people by collaborating with technology. Some examples of such innovative solutions include Digilocker, UPI payments and Digi yatra, all of which have become essential in providing efficiency in a citizens day to day life.<sup>17</sup> Along the same lines, smart legal contracts advocate for a simple and quick execution of contracts. The recognition of such blockchain embedded in smart legal contracts is essential for the government. This will allow the government to capitalize on the advantages of these contracts, as well as prevent future misuse of such agreements. By being one of the potential fronts that accept and utilize smart legal contracts, India can become a country that allows such concepts and is looked upon for proceeding issues.

## COMPARATIVE ANALYSIS

The following sections explore the real instances of smart legal contracts’ implementation in various countries. Through this examination, we will be able to gain valuable insight into the

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<sup>15</sup> Megha Ravindranath, Legality of Blockchain and Smart Contracts in India, 6 IJFMR.

<sup>16</sup> Patki, A., Sople, V. Indian banking sector: blockchain implementation, challenges and way forward. *J BANK FINANC TECHNOL* 4, 65–73 (2020). <https://doi.org/10.1007/s42786-020-00019-w>

<sup>17</sup> NITI Aayog, *Blockchain: The India Strategy – Towards Enabling Ease of Business, Ease of Living and Ease of Governance*, Part I (2020), [https://www.niti.gov.in/sites/default/files/2023-02/Blockchain\\_The\\_India\\_Strategy\\_Part\\_I.pdf](https://www.niti.gov.in/sites/default/files/2023-02/Blockchain_The_India_Strategy_Part_I.pdf).

practicalities and difficulties of implementing smart legal contracts within the Indian framework. This comparative analysis will provide a comprehensive understanding of the potential advantages and disadvantages, helping in the successful implementation of this innovative technology in India.

## European Union

The utilization of smart legal contracts in Europe has been a major area of innovative and legislative development. The European Commission's discussions on this technology have culminated in the recognition of this technology in a legislative framework, the recently approved European Union's Data Act.<sup>18</sup> This Act is a binding legislature that is applicable across all European Union member states, maintaining consistency in legal requirements without requiring distinct national laws. The EU Data Act aims to facilitate the seamless integration of smart contracts, improving the single market's data accessibility and interoperability. By establishing clear regulatory guidelines, important issues including data privacy, security, and the enforceability of smart legal contracts are all covered under the Act. In addition to making the use of this technology easier, the supervised approach taken by the European Union also promotes innovation and cross-border legislative harmonization.<sup>19</sup> This legislative development demonstrates how committed Europe is to using smart contracts to improve both legal and commercial efficiency, setting a precedent for other regions to follow.

## United States of America

The incorporation of smart legal contracts into the legal framework has garnered noteworthy interest in the United States. The Uniform Law Commission (ULC) and the American Law Institute (ALI) established the Uniform Commercial Code and Emerging Technologies Committee to examine the impact of technologies like distributed ledgers and digital assets on the UCC. In July 2021, the ULC issued an issued memorandum after two years of talk. Although smart contracts were part of the discourse, no formal evaluation has been conducted, leaving the possibility of future guidelines open.<sup>20</sup> This ongoing effort serves as a valuable

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<sup>18</sup> *Data Act*, european commission (June 15th, 2024, 4:00 PM), <https://digital-strategy.ec.europa.eu/en/policies/data-act>.

<sup>19</sup> Luca Olivieri & Luca Pasetto, *Towards Compliance of Smart Contracts with the European Union Data Act*, in *CEUR Workshop Proceedings*, vol. 3629 (2023).

<sup>20</sup> Anna Duke, *What Does the CISG Have to Say About Smart Contracts? A Legal Analysis*, 20 Chi. J. Int'l L. (2019), <https://chicagounbound.uchicago.edu/cjil/vol20/iss1/4>.

example for other jurisdictions, including India, to consider in their integration of smart legal contracts. This comparative viewpoint emphasizes how crucial proactive legal innovation and planned regulatory development are to encourage the uptake of cutting-edge technologies.

## China

The Hangzhou Internet Court in China has made a groundbreaking move by integrating smart legal contracts into its judicial processes.<sup>21</sup> This court was created to handle cases pertaining to the Internet, and it has used blockchain technology to improve the effectiveness and openness of legal proceedings. The use of smart contracts allows for the automatic execution of judicial decisions and the secure storage of evidence, streamlining case management. This innovative approach by the Hangzhou Internet Court provides a compelling example for other jurisdictions, including India, to consider. This presents an opportunity for India to learn about the advantages and practical applications of smart legal contracts in its legal system by seeing how China uses them in the legal system. This comparative analysis provides an outline for legal innovation and regulatory adaptation, highlighting the potential of smart legal contracts to transform legal processes.<sup>22</sup>

## Russia

In Russia, recent amendments to the Civil Code have recognized the automatic execution of contracts, a noteworthy advancement in the integration of smart legal contract technology with the domestic legal system. These amendments facilitate the use of smart contracts, which are self-executing agreements.<sup>23</sup>

Russia has simplified the enforcement of contracts, lowering the need for manual oversight and lowering the risks of non-compliance by formally recognizing the automatic execution of

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<sup>21</sup> Meirong Guo, *Internet Court's Challenges and Future in China*, 40 Comput. L. & Sec. Rev. 105522 (2021), <https://doi.org/10.1016/j.clsr.2020.105522>.

<sup>22</sup> Pietro Ortolani, *The Impact of Blockchain Technologies and Smart Contracts on Dispute Resolution: Arbitration and Court Litigation at the Crossroads*, 24 Unif. L. Rev. 430, 430–48 (2019), <https://doi.org/10.1093/ulr/unz017>.

<sup>23</sup> Andrew C. Moyle and Elizaveta Bacheyeva, *Russian Civil Code Recognizes Digital Rights and Smart Contracts*, global fintech & digital assets blog (June 15th, 2024, 4:00 PM), <https://www.fintechanddigitalassets.com/2019/04/russian-civil-code-recognizes-digital-rights-and-smart-contracts/>

contractual obligations<sup>24</sup>. This legislative development provides a valuable example for other jurisdictions, including India, to consider. By studying Russia's strategy for integrating smart legal contracts into its Civil Code, India can learn about the changes to legislation and regulations required for this kind of integration.

## Private Sector

In the private sector, startups like Binariks, Kaleido, and the Accord Project are spearheading the use of smart legal contracts. These companies provide innovative products that improve legal and corporate operations by utilizing smart contract technology. The Accord Project helps clients automate and optimize contract lifecycle management by offering open-source tools and frameworks for the production and administration of smart legal contracts.<sup>25</sup>

With its user-friendly platform for efficient contract preparation, negotiation, and execution, Binariks is a leader in AI-powered contract automation.<sup>26</sup> Blockchain technology is integrated by Kaleido to provide safe, transparent, and unchangeable contract execution that meets a range of business requirements<sup>27</sup>. The accomplishments of these businesses highlight the useful advantages of smart legal contracts, including increased compliance, lower expenses, and increased efficiency. Through an analysis of these private sector developments, India and other jurisdictions can learn a great deal about the successful use and broad adoption of smart legal contracts.

## IMPLEMENTATION

India should learn from the developing countries and work towards implementing a more established system including the idea of smart contracts under the established legal system such as the Indian Contract Act and Information Technology Act<sup>28</sup> which can be understood from Russia's recent change in its civil code. The Indian legal system should bring itself more flexibility to accommodate changes by accepting more advanced technology similar to the

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<sup>24</sup> A. Radygin & R. Entov, *Enforcement of Property Rights and Contractual Obligations*, 46 Probs. Econ. Transition 7, 7–31 (2003), <https://doi.org/10.1080/10611991.2003.11049867> (last visited June 15th, 2024).

<sup>25</sup> accord project, <https://accordproject.org/> (last visited June 15th, 2024)

<sup>26</sup> binariks , <https://binariks.com/services/blockchain-development-services/> (last visited June 15th, 2024)

<sup>27</sup> P. Vionis & T. Kotsilieris, *The Potential of Blockchain Technology and Smart Contracts in the Energy Sector: A Review*, 14 Applied Sci. 253 (2024), <https://doi.org/10.3390/app14010253> (last visited June 15th, 2024).

<sup>28</sup> vishal sains advocate , <https://vishalsainiadv.com/blog/legal-framework-for-resolving-disputes-in-blockchain-based-smart-contracts-in-india/> (last visited June 15th, 2024)



European Union which will be very helpful in accommodating the unique aspect of smart contracts. Data protection is also a crucial aspect in which India can follow the European Union aspect as they have a good system for data privacy and security addressed in their regulatory framework. Like the United States, India can work towards a more balanced approach to implementing smart contracts by encouraging innovation and some level of oversight, it can also work towards promoting the concept of party autonomy for choosing the mode for dispute resolution. India should also implement the concept of cross-border harmonization like the EU to promote it in international trade as well.

To implement a concept like Blockchain which is used in very rare areas, India should analyze China's Hangzhou Internet Court as it provides a very secure and transparent platform for smart contracts. One of the major drawbacks of this idea is that the effectiveness of this system relies heavily on the robustness and security of the underlying technology, making it vulnerable to technical failures or cyber-attacks. This issue can be resolved by exploring regulatory sandboxes or other supervised approaches to encourage innovation while ensuring appropriate safeguards for data privacy, security, and enforceability.<sup>29</sup> India should also look into making it user-friendly like the Binaries and Accord Project to make it accessible for a larger crowd of people and accommodate the cross-border nature of smart contracts. The comparative research highlights the significance of proactive regulatory adaptation in India's legal ecosystem to capitalize on the transformative potential of emerging technology.

## JUDICIAL RECOGNITION

The Quoine v. B2C2<sup>30</sup> case represents a turning point in the legal system's acceptance of smart contracts by demonstrating how judges handle and resolve disagreements resulting from these technically sophisticated contracts. The Singapore International Commercial Court's (SICC) decision in this case is especially noteworthy because it examines how conventional legal principles interact with the intricacies of blockchain technology and automated contract execution.<sup>31</sup> The case's facts center on a sequence of automated trades that B2C2, a market maker, made on Quoine's cryptocurrency trading platform. Owing to a glitch in Quoine's

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<sup>29</sup> Chetna Bhardwaj, *What are Smart Contracts and Are They Legal in India?*, india briefing, (June 15th, 2024, 4:00 PM), <https://www.india-briefing.com/news/what-are-smart-contracts-and-are-they-legal-in-india-25343.html/>

<sup>30</sup> Quoine Pte Ltd v B2C2 Ltd [2020] SGCA(I)

<sup>31</sup> Alan Ma, *Blockchain-Enabled Smart Legal Contracts (i)*, in *Blockchain Applications (s)* (Vsevolod Chernyshenko & Vardan Mkrttchian eds., 2023), <https://doi.org/10.5772/intechopen.109041>.

platform, B2C2 was able to complete the deals at very favorable rates, which caused Quoine to suffer large losses. After realizing the mistake, Quoine unilaterally undid the trades. This led B2C2 to file a breach of contract lawsuit, claiming that the trades were carried out under the terms of the smart contract.

Whether Quoine has the authority to unilaterally rescind the trades and whether the provisions of the smart contract were legitimate and enforceable are the main legal questions at stake in this case. This case is significant because it tackles the fundamental issue of how conventional contract law rules relate to smart contracts, specifically in situations where automated execution and decision-making are involved. The court had to decide if Quoine's involvement was warranted and whether the trades were legally binding even though they were carried out by a flawed mechanism.<sup>32</sup>

The Quoine v. B2C2 ruling was a complex ruling. The SICC emphasized that the conditions of the smart contract were unambiguous and legally enforceable, ruling that Quoine had violated the agreement by reversing the trades. The court did, however, also recognize the error's singularity and the function of automated systems in executing the deals. Ultimately, the court balanced technological innovation with equitable considerations by acknowledging the enforceability of smart contracts while leaving open the potential of intervening in circumstances of serious error or unfairness.<sup>33</sup>

This decision will have a significant impact on smart legal contract conflicts in the future. The Quoine v. B2C2 ruling emphasizes the necessity of accurate and strong code in smart contracts to prevent errors and ambiguities that can cause disagreements. Additionally, it draws attention to the possibility of court involvement in automated contracts, implying that although smart contracts can improve accuracy and efficiency, conventional legal standards still apply to them. This case establishes a standard for how courts may handle cases of a similar nature, stressing the significance of openness, justice, and the enforceability of digital contracts within the legal system.

## **BENEFITS AND DRAWBACKS**

There are several strong advantages to smart legal contracts that improve the reliability and

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<sup>32</sup> Quoine Pte Ltd v B2C2 Ltd [2020] SGCA(I)

<sup>33</sup> *Id*

performance of agreements. The ability to execute contracts quickly and effectively is one of the main benefits. These contracts significantly cut down on the time and effort required for contract administration by automatically enforcing the terms agreed upon without human participation. However, the initial setup, testing, and implementation of smart contracts might take a while. For this reason, having a large selection of automated contract templates is essential to optimizing productivity.<sup>34</sup>

The increased accuracy of smart legal contracts is another noteworthy benefit. These contracts guarantee that terms are carried out precisely as coded by reducing human mistakes. However, it is crucial to understand that any mistakes or omissions in the code could have serious repercussions, underscoring the necessity of developing with caution and attention to detail.

The better security of smart legal contracts is further enhanced by the cryptographic algorithms of blockchain technology. This guarantees that contracts are impervious to tampering and unapproved modifications. Additionally, visibility is improved by the transparency of blockchain technology, which enables real-time monitoring and verification of contract execution by all parties. These digital agreements are further strengthened by the unquestionable audit trail that is provided by the immutable record-keeping that is intrinsic to blockchain technology<sup>35</sup>.

However there are drawbacks to smart legal contracts as well. Their accessibility is one major problem; it might be difficult for non-technical parties to comprehend or interact with them, which could prevent their widespread adoption. Furthermore, once implemented, smart contracts offer no flexibility due to their excessive rigidity.<sup>36</sup> If contract conditions need to be changed after implementation, this can be a big disadvantage because there are no coders available to change terms.

The fact that smart contracts lack collaboration is another drawback. There is limited opportunity for human negotiation or intervention in the automated execution process, which might be problematic in circumstances where dynamic or developing contractual agreements

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<sup>34</sup> questglt , <https://www.questglt.com/blogs/smart-contracts> (last visited June 15th, 2024)

<sup>35</sup> M. L. van der Merwe, *Smart Contracts and the South African Legal Landscape: An Analysis of the Legal Nature and Enforceability of Smart Contracts in South Africa* (2020) ( LL.M. thesis, Stellenbosch University) (on file with Stellenbosch University Library) (June 15th, 2024, 4:00 PM), <https://scholar.sun.ac.za/items/0a63ff1b-a046-4497-ae73-7a908efd5f43>

<sup>36</sup> juro, <https://juro.com/learn/smart-contracts> (last visited June 15th, 2024)

are required. In more complicated or dynamic corporate situations, the flexibility of smart contracts may be constrained by their inflexibility and absence of human interaction<sup>37</sup>.

## IMPACT IN THE LEGAL CAREER

Smart legal contracts are with the motive of making the work easier and a more reliable source for lawyers and the parties involved. The introduction of such technology will help in different fields especially the elimination of the use of third parties to form a contract further the blockchain will help in carrying out the work in a more easier format, which will allow the lawyers to focus on high-efficiency tasks which require their attention. A research report from Goldman Sachs International carried out in March has suggested that almost half of the daily tasks that currently sit with lawyers, paralegals, and other legal professionals could be automated by AI.<sup>38</sup> One of the main features of smart contracts is to execute the agreement automatically when predetermined conditions are met,<sup>39</sup> this makes the task of the lawyers easier and also eliminates any sort of delay in the execution of the deed.

Eventually, this adds to the professional degree like law where the introduction of new technologies will add a new area to the legal career and demand the lawyers to learn a new set of skills, this will help the lawyers to adapt to the changing world as well. Lawyer's expertise in this area will be in high demand to develop, implement and manage smart contracts. Also, India can follow in the footsteps of the USA and start with a balanced approach by having human oversight which will also encourage and build trust among the parties involved. Even the disputes regarding the smart contracts can be solved with the help of the human court's initial stages this will help in better understanding the contracts.

AI is always misunderstood as people believe that it will lead to a replacement of lawyers, but the main intention is to make the work of lawyers much easier. AI technology is being used in various fields like business and medicine, so why should a vast field like law restrict itself from advancement? AI is unlikely to replace a lawyer's ability to understand complex legal issues, negotiate on behalf of clients, and provide strategic advice. Therefore the fear of replacement shouldn't restrict such a wide scope.

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<sup>37</sup> Jeremy M. Sklaroff, *Smart Contracts and the Cost of Inflexibility*, 166 U. PA. L. REV. 263 (December 2017).

<sup>38</sup> Hatzius, J. et al. (2023) Global Economics analyst the potentially large effects of ..., Goldman Sachs, (Jan. 29, 2009, 10:04 AM) [https://www.ansa.it/documents/1680080409454\\_ert.pdf](https://www.ansa.it/documents/1680080409454_ert.pdf).

<sup>39</sup> IBM, *supra* note 7.

## LEGAL ISSUES WITH SMART LEGAL CONTRACT

Smart Contracts will add a lot of merit to the current legal issue but the issues arising from it cannot be neglected. Smart Legal Contract is an open platform for all which can lead to misuse by people as they can enter into contracts with their false identities which makes the dispute resolution process a lot more difficult and sometimes impossible.<sup>40</sup> Also, these contracts are coded by highly qualified engineers so it might be difficult for the lawyers to understand their language.<sup>41</sup> The fact that smart legal contracts are immutable makes them very rigid, and it is well known that amendments in the legal system are important which will get a bit difficult in the case of smart legal contracts.<sup>42</sup> Also, the Oracle problem needs to be resolved on an urgent basis as it is the most important part where the parties can manipulate data by putting wrong information.

Smart Legal contracts are legally new technologies and therefore new procedural laws will be required to implement the same.<sup>43</sup> It might be easy to take reference from other countries, but every legal system is different, and thus India needs to change a lot in its legal system. Certain areas like the E-SIGN Act and UETA affirm the legal validity of electronic signatures and records. Smart contracts, stored on the blockchain as electronic records with digital signatures will fall under this provision thus making the electronic contracts more enforceable.<sup>44</sup>

## CONCLUSION

The incorporation of Smart Legal Contracts (SLCs) represents a noteworthy advancement in the legal domain by combining modern technology with established methods. SLCs ensure security, improve accuracy, and accelerate legal procedures when paired with blockchain and AI. Analyses of nations such as the US, China, Russia, the EU, and the US provide ideas for India's approach. Despite obstacles like technical expertise and inflexibility in contracts, SLCs enhance the competence of legal practitioners. Through this paper, the authors have tried to

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<sup>40</sup> Astrid Bulmer, *Smart contracts – what are they, and what should you look out for?*, simkins (June 15th, 2024, 4:00 PM), <https://www.simkins.com/news/smart-contracts-what-are-they-and-what-should-you-look-out-for>.

<sup>41</sup> IBM, *supra* note 7.

<sup>42</sup> *What is a Smart Contract in Blockchain?*, utimaco (June 15th, 2024, 4:00 PM), <https://utimaco.com/service/knowledge-base/blockchain/what-smart-contract-blockchain>.

<sup>43</sup> Manish Darda, *What Are Smart Contracts?*, icertis (June 15th, 2024, 4:00 PM), <https://www.icertis.com/research/blog/what-are-smart-contracts/>.

<sup>44</sup> oberheiden p.c., <https://federal-lawyer.com/blockchain/smart-contracts-legal-issues/> (last visited June 15th, 2024).

give a framework of how a new legal system can be implemented with the help of this advanced technology.