

Generative Contracts

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This Article examines how consumers can use generative artificial intelligence to write their own contracts. Popularized by “chatbots” such as OpenAI’s ChatGPT, generative AI is a form of artificial intelligence that uses statistical models trained on massive amounts of data to generate human-like content such as text, images, music, and more. Generative AI is already being integrated into the practice of law and the legal profession. In the context of contracting and transactional law, most generative AI tools are focused on reviewing and managing large volumes of business contracts. Thus far, little attention has been given to using generative AI to create entire contracts from scratch. This Article aims to fill this gap by exploring the use of “generative contracts”: contracts that are written entirely by a generative AI system based on prompts from the user. For example, a user could ask a generative AI model, “Write me a contract to sell my used car.” The Article uses OpenAI’s GPT-4 to generate drafts of a wide range of contracts from an employment agreement to a residential lease to a bill of sale. While relatively simple, the contracts written by GPT-4 are functional and enforceable. These results suggest that generative contracts present an opportunity to improve access to justice for consumers who are currently underserved by the legal system. To examine how consumers might use generative contracts in practice, the Article engages in a proof-of-concept case study of two hypothetical consumers who use GPT-4 to write and modify their own car sale contract. Drawing on this case study, the Article analyzes the implications of generative contracts for consumers, lawyers, and the practice of law. While generative AI holds great promise for consumers and access to justice, it threatens to disrupt the legal profession and poses numerous technological, privacy, and regulatory challenges. The Article maps the benefits and risks of generative contracts as the world approaches a future of automated contracting.

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INTRODUCTION

Consider a hypothetical consumer-to-consumer contract: Alice wants to sell her car to Bob. Alice and Bob are not lawyers, nor do either of them have any prior experience buying or selling used cars. Having agreed on a price, they must decide how to represent and effectuate their contract. Until recently, they had four options: (1) use an oral “handshake” contract;¹ (2) write a contract themselves;² (3) fill in a form contract obtained from the DMV or a consumer-facing legal service provider such as Rocket Lawyer;³ or (4) pay a consumer law attorney hundreds of dollars to draft a contract.⁴ Today, they have a fifth option: ask a generative AI model to write their contract.

Popularized by “chatbots” such as OpenAI’s ChatGPT,⁵ generative AI is a form of artificial intelligence that uses statistical models trained on massive amounts of data to generate content such as text, images, music, and more.⁶

1. Michael S. Bogner, Comment, *The Problem with Handshakes: An Evaluation of Oral Agreements in the United States Film Industry*, 28 COLUM. J.L. & ARTS 359, 360, 365 (2004). Assuming that the price of the used car is at least \$500, an oral contract would likely fail to satisfy the Uniform Commercial Code’s Statute of Frauds. See U.C.C. § 2-201(1) (AM. L. INST. & UNIF. L. COMM’N 2022) (“Except as otherwise provided in this section a contract for the sale of goods for the price of \$500 or more is not enforceable by way of action or defense unless there is some writing sufficient to indicate that a contract for sale has been made between the parties and signed by the party against whom enforcement is sought or by his authorized agent or broker.”). Many states also have separate requirements that bills of sale for cars be in writing. See, e.g., CAL. VEH. CODE § 1652 (West).

2. Or they can have a friend or family member help them.

3. See, e.g., *Bill of Sale*, CAL. DEP’T OF MOTOR VEHICLES, <https://www.dmv.ca.gov/portal/file/bill-of-sale-reg-135-pdf> [<https://perma.cc/T4PS-WE4U>]; *Bill of Sale*, ROCKET LAWYER, <https://www.rocketlawyer.com/sem/bill-of-sale> [<https://perma.cc/SC56-MMNC>].

4. See RONALD L. BURDGE, UNITED STATES CONSUMER LAW: ATTORNEY FEE SURVEY REPORT 2017–2018 26, 31 (2019), <https://burdgelaw.com/wp-content/uploads/2021/11/US-Consumer-Law-Attorney-Fee-Survey-Report-w-Table-of-Cases-091119.pdf> [<https://perma.cc/BEF3-H62T>] (“[T]he average hourly rate for the typical Consumer Law attorney in the United States is \$345 . . . [t]he median attorney hourly rate is \$325.”).

5. See *ChatGPT*, OPENAI, <https://openai.com/chatgpt> (last visited Nov. 22, 2024).

6. See Gil Appel, et al., *Generative AI Has an Intellectual Property Problem*, HARV. BUS. REV. (Apr. 7, 2023), <https://hbr.org/2023/04/generative-ai-has-an-intellectual-property-problem> [<https://perma.cc/42HM-5EQ>] (“Generative AI platforms are trained on data lakes and question snippets—billions of parameters that are constructed by software processing huge archives of images and text. The AI platforms recover patterns and relationships, which they then use to create rules, and then make judgments and predictions, when responding to a prompt.”); *What Is Generative AI and How Can It Help Contracts?*, EVISORT, <https://www.evisort.com/glossary/what-is-generative-ai> [<https://perma.cc/M28V-G64T>] (“Generative AI uses artificial intelligence algorithms to study existing elements of content like text, audio, or images, identify underlying patterns related to those original inputs, and create completely new content that is similar.”).

Generative AI has been used to write novels,⁷ create visual art,⁸ compose original songs,⁹ and accelerate the pace of drug discovery.¹⁰ For text and language-based industries such as law, large language models (“LLMs”) are the most impactful (and potentially disruptive) form of generative AI. These AI models train billions of parameters on huge amounts of text data to produce remarkably human-like natural language content.¹¹ LLMs are already being integrated into the legal profession and the practice of law. They are being used to conduct legal research,¹² prepare for depositions,¹³ summarize

7. See, e.g., Adi Robertson, *I Tried the AI Novel-Writing Tool that Everyone Hates, and It's Better than I Expected*, VERGE (May 24, 2023), <https://www.theverge.com/2023/5/24/23732252/sudowrite-story-engine-ai-generated-cyberpunk-novella> [<https://perma.cc/6FLN-PJVR>].

8. See, e.g., *DALL·E 2*, OPENAI, <https://openai.com/dall-e-2> [<https://perma.cc/V5Z7-3D42>] (“DALL·E 2 is an AI system that can create realistic images and art from a description in natural language.”); MIDJOURNEY, <https://www.midjourney.com> [<https://perma.cc/YWD8-FM8E>].

9. See, e.g., Joe Coscarelli, *An A.I. Hit of Fake “Drake” and “The Weeknd” Rattles the Music World*, N.Y. TIMES (Apr. 19, 2023), <https://www.nytimes.com/2023/04/19/arts/music/ai-drake-the-weeknd-fake.html>.

10. See, e.g., Alex Ouyang, *Speeding Up Drug Discovery with Diffusion Generative Models*, MIT NEWS (Mar. 31, 2023), <https://news.mit.edu/2023/speeding-drug-discovery-with-diffusion-generative-models-diffdock-0331> [<https://perma.cc/39QG-YB6V>].

11. John Linarelli, *Artificial Intelligence and Contract Formation: Back to Contract as Bargain?*, in EMERGING ISSUES AT THE INTERSECTION OF COMMERCIAL LAW AND TECHNOLOGY 13 (Stacy-Ann Elvy & Nancy S. Kim eds., 2023) (“A large language model is AI that has access to very large datasets of texts that it uses to express natural language in remarkably human-like sequences.”); see Yonathan A. Arbel & Shmuel I. Becher, *Contracts in the Age of Smart Readers*, 90 GEO. WASH. L. REV. 83, 94 (2022) (“[A] language model is a statistical representation of human language. The model is the product of a machine-learning process, which scours texts and learns to detect statistical patterns.”). A parameter is a variable within the model that can be configured during the training process. See Rahmat Faisal, *What Are Model Parameters in Deep Learning, and How to Calculate It*, MEDIUM (Nov. 1, 2020), <https://medium.com/analytics-vidhya/what-are-model-parameters-in-deep-learning-and-how-to-calculate-it-de96476caab> [<https://perma.cc/8L88-ZMKZ>].

12. See, e.g., *LexisNexis Announces Launch of Lexis+ AI Commercial Preview, Most Comprehensive Global Legal Generative AI Platform*, LEXISNEXIS (May 4, 2023), <https://www.lexisnexis.com/community/pressroom/b/news/posts/lexisnexis-announces-launch-of-lexis-ai-commercial-preview-most-comprehensive-global-legal-generative-ai-platform> [<https://perma.cc/S3R7-HRKS>].

13. See, e.g., *Litigation*, CASETEXT, <https://casetext.com/litigation> [<https://perma.cc/UBL2-82XN>].

statutes,¹⁴ and speed up discovery.¹⁵ GPT-4 (OpenAI's most advanced LLM) even scored in the ninetieth percentile on a simulated bar exam.¹⁶

In the context of contracting and transactional law, most generative AI tools are currently targeted at the process of reviewing and managing large volumes of business contracts. Applications include automated revision,¹⁷ contract database search,¹⁸ negotiation facilitation,¹⁹ and contract summarization.²⁰ Some companies have created LLMs specifically trained on business documents.²¹ Large firms and major legal service providers have already incorporated generative AI into their workflows.²² Thus far, however,

14. See, e.g., Santiago Velez, *Summarizing Bills with Generative AI*, PLURAL (Apr. 20, 2023), <https://pluralpolicy.com/blog/summarizing-bills-with-generative-ai> [<https://perma.cc/6RVQ-5QGS>].

15. See, e.g., *eDiscovery Disrupted: The Potential Effects of AI*, LOGIKCULL, <https://www.logikcull.com/blog/ediscovery-disrupted-the-potential-effects-of-ai> [<https://perma.cc/9TPQ-QXD5>].

16. See OPENAI, GPT-4 TECHNICAL REPORT 6 (Mar. 27, 2023), <https://cdn.openai.com/papers/gpt-4.pdf> [<https://perma.cc/J422-63ZG>] (“GPT-4 exhibits human-level performance on . . . [most] professional and academic exams. Notably, it passes a simulated version of the Uniform Bar Examination with a score in the top 10% of test takers.”).

17. See, e.g., BLACKBOILER, <https://www.blackboiler.com> [<https://perma.cc/K83M-YDWW>].

18. See, e.g., *Transactional Law*, CASETEXT, <https://casetext.com/transactional-law> [<https://perma.cc/L9YA-R96T>].

19. See, e.g., Amit Sharma, *Generative AI for Contracts*, CONTRACTKEN (Feb. 1, 2023), <https://www.contractken.com/post/chatgpt> [<https://perma.cc/FRK4-58SS>] (providing an example of ChatGPT reviewing a clause from a share purchase agreement and suggesting negotiation options for the buyer).

20. See, e.g., Inhi Cho Suh, *Bringing Generative AI to Contracts and Agreements*, DOCUSIGN (May 3, 2023), <https://www.docusign.com/en-au/blog/products/generative-ai-contracts-agreements> [<https://perma.cc/6PLU-5GUV>].

21. See, e.g., *Generative AI*, DOCUGAMI, <https://www.docugami.com/generative-ai> [<https://perma.cc/55JH-TUV4>] (“Docugami is a proprietary Business Document Foundation Model, a Large Language Model (LLM) for Generative AI applied to your own business documents.”).

22. See, e.g., Kate Beioley & Cristina Criddle, *Allen & Overy Introduces AI Chatbot to Lawyers in Search of Efficiencies*, FIN. TIMES (Feb. 14, 2023), <https://www.ft.com/content/baf68476-5b7e-4078-9b3e-ddfce710a6e2> (describing how Allen & Overy, a prominent law firm based in London, made a generative AI chatbot available to its attorneys); Press Release, PwC, PwC Announces Strategic Alliance with Harvey, Positioning PwC's Legal Business Solutions at the Forefront of Legal Generative AI (Mar. 15, 2023), <https://www.pwc.com/gx/en/news-room/press-releases/2023/pwc-announces-strategic-alliance-with-harvey-positioning-pwcs-legal-business-solutions-at-the-forefront-of-legal-generative-ai.html> [<https://perma.cc/ZGS5-UY5G>] (“Harvey will give PwC's professionals across 100+ countries access to leading generative AI technology. This will enhance the ability of PwC's network of more than 4,000 legal professionals to deliver human led and technology enabled legal solutions in a range of areas, including contract analysis.”).

little attention has been given to using generative AI to create entire contracts from scratch.²³

This Article aims to fill this gap by exploring the use of “generative contracts”: contracts that are written entirely by a generative AI system based on prompts from the user. For example, Alice could ask a generative AI model to, “Write me a contract to sell my used car.” The Article uses GPT-4 to generate drafts of over a dozen different kinds of contracts including: an employment agreement, a consulting agreement, a service agreement, an NDA, a residential lease, a commercial lease, a supply agreement, a partnership agreement, a limited partnership agreement, an LLC operating agreement, a licensing agreement, a terms of service agreement, and a bill of sale.²⁴ While relatively simple, the contracts written by GPT-4 are often functional and enforceable.²⁵ These results suggest that generative AI may one day be used to draft many basic consumer contracts.

Generative contracts present an opportunity to improve access to justice for consumers who are currently underserved by the legal system.²⁶ According to the Legal Services Corporation, “[l]ow-income Americans do not get any or enough legal help for 92% of their substantial civil legal problems.”²⁷ This issue is particularly pronounced for rural Americans who live in so-called “legal deserts” with a shortage of attorneys.²⁸ This “justice gap” demonstrates a significant unmet need for low-cost, easily accessible consumer legal services. To examine how consumers might use generative contracts to fill this gap, the Article engages in a proof-of-concept case study

23. The few examples that exist are limited in scope and not commercialized. *See, e.g.*, Andrew Perlman, *The Implications of ChatGPT for Legal Services and Society*, PRACTICE (Mar.-Apr. 2023), <https://clp.law.harvard.edu/knowledge-hub/magazine/issues/generative-ai-in-the-legal-profession/the-implications-of-chatgpt-for-legal-services-and-society> [<https://perma.cc/MPM2-J79N>] (using ChatGPT to draft a real estate sale contract, a car sale contract, and a will); Jack Shepherd, *ChatGPT for Contract Drafting: AI v. Templates*, MEDIUM (Feb. 9, 2023), <https://jackwshepherd.medium.com/chat-gpt-for-contract-drafting-ai-v-templates-50ec8fd42f44> [<https://perma.cc/KRY5-NCRN>] (using ChatGPT to draft an employment contract).

24. *See infra* Section II.A and Appendix B.

25. *See generally Can AI Write Legal Contracts?*, BLOOMBERG L. (June 10, 2024), <https://pro.bloomberglaw.com/insights/technology/can-ai-write-legal-contracts> [<https://perma.cc/G6LG-5WQV>] (noting generative contracts can be a source to start a legally binding agreement, but to surely be enforceable they should still be reviewed by all parties and, if possible, personnel with legal expertise).

26. *See infra* Section III.A.

27. LEGAL SERVS. CORP., *THE JUSTICE GAP: THE UNMET CIVIL LEGAL NEEDS OF LOW-INCOME AMERICANS* 7 (2022), <https://lsc-live.app.box.com/s/xl2v2uraitobbrhuwtjlgj0emp3myz1> [<https://perma.cc/5N8B-BUQ7>].

28. *See* Lisa R. Pruitt, et al., *Legal Deserts: A Multi-State Perspective on Rural Access to Justice*, 13 HARV. L. & POL'Y REV. 15, 120–30 (2018).

in which two hypothetical consumers, Alice and Bob, use GPT-4 to write and modify their own car sale contract.²⁹ The case study demonstrates many of the key features of generative contracts including ease of use, speed, cost, flexibility, and modifiability.

While generative AI holds great promise for consumers and access to justice, it also threatens to disrupt the legal profession and poses numerous technological, privacy, and regulatory challenges.³⁰ These concerns include accuracy,³¹ bias,³² inscrutability,³³ violation of privacy,³⁴ intellectual property infringement,³⁵ and the unauthorized practice of law.³⁶ The Article maps the benefits and risks of generative contracts as the world approaches a future of automated contracting.

The Article makes three primary contributions. First, it provides the first in-depth scholarly account of how consumers can use generative AI to write their own contracts. Second, it generates and analyzes empirical examples of contracts written entirely by a generative AI model. Third, it examines the impact of these generative contracts on consumers, access to justice, lawyers, and the legal profession.

The remainder of this Article proceeds as follows. Part I provides a background on generative AI and reviews the current landscape of generative AI products focused on contracting and transactional law. Part II introduces generative contracts, demonstrates the ability of GPT-4 to create a wide range of contracts, and engages in a proof-of-concept case study that highlights many of the key features of generative contracts. Part III discusses the implications of generative contracts for consumers, lawyers, and the practice of law. Part IV analyzes the limitations and risks of generative contracts and generative AI more broadly. The Article concludes with a discussion of opportunities for further research.

29. See *infra* Section II.B.

30. See *infra* Part IV.

31. See Arbel & Becher, *supra* note 11, at 118–24, 137–40 (discussing the risk of errors in large language models and proposing a doctrinal approach for allocating this risk in the contracting context).

32. See Sandra G. Mayson, *Bias In, Bias Out*, 128 YALE L.J. 2218, 2218–22 (2019) (discussing the biased and discriminatory use of AI models in the criminal justice system).

33. See Andrew D. Selbst & Solon Barocas, *The Intuitive Appeal of Explainable Machines*, 87 FORDHAM L. REV. 1085, 1089–99 (2018) (discussing the inscrutable and nonintuitive nature of statistical AI models).

34. See Noam Kolt, *Predicting Consumer Contracts*, 37 BERKELEY TECH. L.J. 71, 127 (2022) (discussing data and privacy protection concerns related to the use of LLMs).

35. See Appel et al., *supra* note 6 (reviewing ongoing cases dealing with alleged intellectual property infringement by generative AI companies).

36. See Spencer Williams, *Predictive Contracting*, 2019 COLUM. BUS. L. REV. 621, 691–93 (discussing the potential unauthorized practice of law by AI contracting tools).

I. GENERATIVE ARTIFICIAL INTELLIGENCE

This Part provides an overview of generative AI. Section I.A discusses the technical aspects of generative AI and the growing use of LLMs in the legal industry. Section I.B reviews the current landscape of generative AI products focused on contracting.

A. Technical Overview

Generative AI is a form of artificial intelligence that can create a wide range of content including text, images, music, video, and more.³⁷ Generative AI gets its name from being able to “generate” original content based on prompts from the user.³⁸ The feature of generative AI that has captured the world’s imagination is its ability to produce remarkably (and sometimes unsettlingly) human-like content.³⁹ For example, fans of the musical artists Drake and The Weeknd were surprised to learn that a popular new song titled *Heart on My Sleeve* that seemed to be written and performed by the artists was in fact created by generative AI.⁴⁰ Meanwhile, an entire subgenre of YouTube videos has emerged in which fans of director Wes Anderson use generative AI to make parody movie trailers for films such as *Star Wars* and *Lord of the Rings*, reimagined in the director’s iconic style.⁴¹ More serious (and socially beneficial) applications of generative AI exist as well. Researchers at MIT created a generative AI model called “DiffDock” that can generate 3D models of molecules to accelerate the pace of drug discovery.⁴²

Generative AI works by training a statistical model on massive amounts of data such as natural language text scraped from the internet.⁴³ The model identifies statistical relationships in the training data and then uses these relationships to produce new content.⁴⁴ Rather than being designed for a

37. See Appel et al., *supra* note 6; EVISORT, *supra* note 6.

38. See Appel et al., *supra* note 6; EVISORT, *supra* note 6.

39. See Linarelli, *supra* note 11, at 9.

40. See Coscarelli, *supra* note 9.

41. See Stuart Heritage, *Please Stop Using AI to Make Wes Anderson Parodies*, GUARDIAN (May 11, 2023), <https://www.theguardian.com/film/2023/may/11/wes-anderson-parodies-ai> [<https://perma.cc/8SXR-AEBM>].

42. See Ouyang, *supra* note 10.

43. See Arbel & Becher, *supra* note 11, at 94. The inherently statistical nature of modern AI (including generative AI) separates it from older, nonstatistical forms of AI. For a discussion of the difference between statistical and nonstatistical AI, see Daniel Martin Katz, *Quantitative Legal Prediction—or—How I Learned to Stop Worrying and Start Preparing for the Data-Driven Future of the Legal Services Industry*, 62 EMORY L.J. 909, 918 (2013); and Harry Surden, *Machine Learning and Law*, 89 WASH. L. REV. 87, 93 (2014).

44. See Arbel & Becher, *supra* note 11, at 94.

single specific task, generative AI models are “foundation” models that can be used for a variety of applications.⁴⁵ For example, a generative AI model trained on natural language text can be used to summarize documents, generate stories, answer questions, and write computer code.⁴⁶

The primary form of generative AI used in text and language-based industries such as law are large language models. LLMs are natural language processing AI models with billions of parameters trained on huge amounts of text data that produce human-like natural language content.⁴⁷ Unlike earlier natural language processing models, which typically required supervised training on content-specific data, most LLMs can be trained in an unsupervised manner on general datasets of natural language text.⁴⁸ LLMs have often been compared to supercharged autocomplete tools that generate text by predicting the sequence of words that is most likely to follow the user’s prompt based on the statistical relationships in the model’s training dataset.⁴⁹ For example, if a user gave an LLM the following prompt: “Complete the following phrase: Jack in the,” the LLM would likely return “Box” because “Box” is by far the most common word that follows the sequence “Jack in the” found on the internet.

While there are numerous different LLMs, the most well-known (and arguably the most powerful) are OpenAI’s series of GPT models (which

45. See, e.g., Noam Kolt, *Algorithmic Black Swans*, 101 WASH. U. L. REV. 1177 (2024) (discussing foundation models); Jeanina Casusi, *What Is a Foundation Model? An Explainer for Non-Experts*, STAN. UNIV.: HUMAN-CENTERED A.I. (May 10, 2023), <https://hai.stanford.edu/news/what-foundation-model-explainer-non-experts> [<https://perma.cc/K422-5XHD>].

46. See Casusi, *supra* note 45.

47. See Arbel & Becher, *supra* note 11, at 94; Kolt, *supra* note 34, at 74–75; Linarelli, *supra* note 11, at 9.

48. See Alec Radford et al., *Language Models Are Unsupervised Multitask Learners*, OPENAI (Feb. 14, 2019), https://cdn.openai.com/better-language-models/language_models_are_unsupervised_multitask_learners.pdf [<https://perma.cc/VL4Z-2GQP>] (“Natural language processing tasks, such as question answering, machine translation, reading comprehension, and summarization, are typically approached with supervised learning on task-specific datasets. We demonstrate that language models begin to learn these tasks without any explicit supervision when trained on a new dataset of millions of webpages called WebText.”).

49. See Kolt, *supra* note 34, at 79 (“Language models . . . do primarily one thing: predict the next word in a sequence. They function as an autocomplete, guessing what words are most likely to follow a particular text.”); Linarelli, *supra* note 11, at 11. A group of AI researchers famously referred to LLMs as “stochastic parrots.” Emily M. Bender et al., *On the Dangers of Stochastic Parrots: Can Language Models Be Too Big?*, in FACCT ’21: PROCEEDINGS OF THE 2021 ACM CONFERENCE ON FAIRNESS, ACCOUNTABILITY, AND TRANSPARENCY 610, 616–17 (2021), <https://dl.acm.org/doi/pdf/10.1145/3442188.3445922> [<https://perma.cc/8WUR-GV6B>].

stands for “Generative Pre-Trained Transformer).⁵⁰ OpenAI was founded in 2015 with the mission of creating artificial general intelligence, a theoretical form of AI that can perform any human task.⁵¹ In 2020, OpenAI released GPT-3, a cutting-edge LLM capable of performing a wide range of tasks with a level of proficiency not previously seen in the AI industry.⁵² In 2022, OpenAI once again shocked the world with the release of its now ubiquitous chatbot “ChatGPT,” which is powered by the LLM GPT-3.5.⁵³ In 2023, OpenAI released a limited beta version of its newest LLM, GPT-4.⁵⁴ Since 2019, OpenAI has partnered with Microsoft, which has invested over \$10 billion in OpenAI with the aim of incorporating OpenAI’s LLMs into its software products.⁵⁵ In addition to the OpenAI-Microsoft alliance, other prominent LLMs include Google’s PaLM 2,⁵⁶ Meta’s LLaMA,⁵⁷ Anthropic’s Claude,⁵⁸ and Baidu’s ERNIE.⁵⁹

The key feature of LLMs that separates them from other natural language processing models is their size.⁶⁰ The size of an LLM consists of three

50. See Radhika Vyas, *Examining the Leading LLM Models: Top Programs and OWASP Risks*, INDEX. (MAY 21, 2024), <https://www.index.dev/blog/Exploring-top-5-Leading-LLM-Models> [https://perma.cc/7587-32VQ].

51. See *id.*; see also Kolt, *supra* note 45, at 1187 (discussing the history of OpenAI).

52. See TOM B. BROWN ET AL., OPENAI, LANGUAGE MODELS ARE FEW-SHOT LEARNERS (May 28, 2020), <https://arxiv.org/pdf/2005.14165> [https://perma.cc/Z59J-VNBX]; see also Arbel & Becher, *supra* note 11, at 94; Kolt, *supra* note 34, at 74–75, 84–89; Kolt, *supra* note 45, at 1187.

53. See *Introducing ChatGPT*, OPENAI (Nov. 30, 2022), <https://openai.com/index/chatgpt>; see also Jonathan H. Choi et al., *ChatCPT Goes to Law School*, 71 J. LEGAL EDUC. 387, 387–88 (2022); Kolt, *supra* note 45, at 1172; Shepherd, *supra* note 23.

54. See OPENAI, *supra* note 16; *GPT-4 Is OpenAI’s Most Advanced System, Producing Safer and More Useful Responses*, OPENAI, <https://openai.com/gpt-4> [https://perma.cc/6P5Q-W3Z7].

55. See *Microsoft and OpenAI Extend Partnership*, MICROSOFT BLOG (Jan. 23, 2023), <https://blogs.microsoft.com/blog/2023/01/23/microsoftandopenaiextendpartnership> [https://perma.cc/UX5S-D3DX].

56. See *PaLM 2*, GOOGLE AI, <https://ai.google/discover/palm2> [https://perma.cc/WQ7G-HZHH].

57. See *Introducing LLaMA: A Foundational, 65-Billion-Parameter Large Language Model*, META AI (Feb. 24, 2023), <https://ai.facebook.com/blog/large-language-model-llama-meta-ai> [https://perma.cc/LD3L-6UND].

58. See *Introducing Claude*, ANTHROPIC (Mar. 14, 2023), <https://www.anthropic.com/index/introducing-claude> [https://perma.cc/JHY3-PRFD].

59. See *ERNIE Bot: Baidu’s Knowledge-Enhanced Large Language Model Built on Full AI Stack Technology*, BAIDU RSCH. (Mar. 24, 2023), <http://research.baidu.com/Blog/index-view?id=183> [https://perma.cc/2U5H-QUCV].

60. See Kolt, *supra* note 45, at 1187.

factors.⁶¹ The first is the number of parameters in the model.⁶² A parameter is a variable within the model that can be configured during the training process.⁶³ The greater the number of parameters, the more powerful the model.⁶⁴ The second factor that determines an LLM's size is the size of its training dataset.⁶⁵ The larger the dataset, the more content the model has from which to learn and identify statistical relationships. The third factor is the amount of computer processing power used to train the model.⁶⁶ The more processing power available, the better able the model is to learn from the training set and configure its parameters.⁶⁷ As a result of these factors, the cost of developing and training an LLM can be enormous. For example, GPT-4 cost over \$100 million.⁶⁸ Consequently, the development of LLMs (especially the largest LLMs) has been concentrated within large technology companies.⁶⁹

Due to their ability to analyze and generate large amounts of human-like text, LLMs are well-positioned to engage in legal reasoning.⁷⁰ In one study, ChatGPT received an average grade of a C+ across four different law school final exams (Constitutional Law, Employee Benefits, Taxation, and Torts).⁷¹ Another study concluded that Microsoft's Bing Chat (powered by OpenAI)

61. See JARED KAPLAN ET AL., OPENAI, SCALING LAWS FOR NEURAL LANGUAGE MODELS 3 (Jan. 23, 2020), <https://arxiv.org/pdf/2001.08361> [<https://perma.cc/5LGG-5SPX>] (“Model performance depends most strongly on scale, which consists of three factors: the number of model parameters N (excluding embeddings), the size of the dataset D , and the amount of compute C used for training.”).

62. *Id.*

63. See Faisal, *supra* note 11 (noting OpenAI's GPT-3 had “175 billion parameters”); Brown et al., *supra* note 52. GPT-4 is estimated to have over 170 trillion parameters—one thousand times as many as GPT-3. See Mohammed Lubbad, *The Ultimate Guide to GPT-4 Parameters: Everything You Need to Know About NLP's Game-Changer*, MEDIUM (Mar. 19, 2023), <https://medium.com/@mlubbad/the-ultimate-guide-to-gpt-4-parameters-everything-you-need-to-know-about-nlps-game-changer-109b8767855a> [<https://perma.cc/5ZR5-YCQF>].

64. See Faisal, *supra* note 11.

65. See Kaplan et al., *supra* note 61.

66. *Id.*

67. *Id.*

68. See Will Knight, *OpenAI's CEO Says the Age of Giant AI Models Is Already Over*, WIRED (Apr. 17, 2023), <https://www.wired.com/story/openai-ceo-sam-altman-the-age-of-giant-ai-models-is-already-over>.

69. See Kolt, *supra* note 34, at 86–88.

70. See generally NEEL GUHA ET AL., LEGALBENCH: A COLLABORATIVELY BUILT BENCHMARK FOR MEASURING LEGAL REASONING IN LARGE LANGUAGE MODELS (Aug. 23, 2023), <https://arxiv.org/pdf/2308.11462> [<https://perma.cc/7HWA-XVCN>] (benchmarking the performance of multiple LLMs on a set of 162 different legal tasks across six categories of legal reasoning: issue spotting, rule recall, rule application, rule conclusion, interpretation, and rhetorical analysis).

71. See Choi et al., *supra* note 53, at 387–88.

performed at a level equivalent to a B/B+ law student.⁷² As part of their release of GPT-4, OpenAI claimed that the new model passed a simulated bar exam with a score in the top 10% of exam takers.⁷³

As a result of their legal reasoning capabilities, LLMs are already being integrated into the practice of law.⁷⁴ There are numerous generative AI tools designed to assist lawyers with their jobs. LexisNexis, the world's largest legal research provider, launched a proprietary generative AI platform called Lexis+ AI.⁷⁵ Casetext, a legal AI startup, unveiled CoCounsel, a generative AI legal assistant that can help litigators prepare for depositions.⁷⁶ Lexata, another legal AI startup, rolled out a tool for helping public companies comply with securities laws.⁷⁷ Logickull, an e-discovery provider, has proposed incorporating generative AI into their platform to speed up the discovery process.⁷⁸ But perhaps the most promising application of generative AI for the legal industry is contracting and transactional law.⁷⁹ The next Section provides a review of the current contract AI landscape.

B. Contract AI Landscape

The current landscape of contract AI products spans the contract life cycle, from negotiation to execution, post-execution review, and management. Large law firms such as Allen & Overy, as well as huge legal service providers such as PwC, have already adopted generative AI products targeted at improving contracting.⁸⁰

Many contract AI companies are focused on facilitating the negotiation stage of contracting. For example, BlackBoiler, a contract AI startup, uses generative AI to automate redlining during the negotiation process.⁸¹ Evisort,

72. See Perlman, *supra* note 23.

73. See OPENAI RESEARCH, *supra* note 16, at 1. For comparison, GPT-3.5 performed in the bottom 10%. *Id.*

74. See Steven Lerner, *Forget the Future. Attorneys Are Using Generative AI Now*, LAW360 (Jan. 30, 2023), <https://www.law360.com/pulse/articles/1570266/forget-the-future-attorneys-are-using-generative-ai-now> [<https://perma.cc/KEV9-X7U5>] (discussing the ways in which lawyers are using generative AI).

75. See LEXISNEXIS, *supra* note 12.

76. See CASETEXT, *supra* note 13.

77. See LEXATA, <https://lexata.ca> [<https://perma.cc/G725-P2B2>].

78. See LOGIKCULL, *supra* note 15.

79. See Tom Davenport, *Early Adopters of Gen AI in Law*, FORBES (June 1, 2024), <https://www.forbes.com/sites/tomdavenport/2024/06/01/early-adopters-of-gen-ai-in-law> [<https://perma.cc/89KG-F67V>].

80. See Beioley & Criddle, *supra* note 22; Press Release, PwC, *supra* note 22.

81. See BLACKBOILER, *supra* note 17.

another contract AI company, uses AI to recommend revisions.⁸² Genie AI automates template customization.⁸³ Lexion has created an AI-powered plugin for Microsoft Word that suggests language for the drafter to use when negotiating and revising a proposed contract.⁸⁴

Some contract technology providers are seeking to improve the execution process. Most notably, DocuSign, the world's largest e-signature platform, has released an AI tool powered by OpenAI that summarizes the key terms of a proposed contract for the decision-maker.⁸⁵ The goal of this tool is to reduce execution friction and get critical contracts signed more quickly.⁸⁶

The stage of contracting that has received the most attention from AI companies is post-execution review and management. Casetext's generative AI legal assistant, CoCounsel, can automatically extract key data from existing contracts, such as "deal terms, dollar amounts, and dates."⁸⁷ ContractKen, a contract AI startup, is using generative AI to automate the classification and organization of large volumes of contracts.⁸⁸ Robin AI, another contract AI startup, has developed Query, a database system for executed contracts with AI-enabled search features.⁸⁹ Ironclad, a large contract management company, has incorporated generative AI into its management platform.⁹⁰ Ontra, another contract management company, uses AI to support compliance with performance obligations and allows users to run conflict checks against a database of existing contracts.⁹¹

While commercial AI firms have mostly focused on addressing the contracting needs of businesses, there has been academic interest in using generative AI to help consumers. This interest is motivated by the "no-reading" problem in consumer law in which consumers rarely read (let alone

82. See *EVISORT*, *supra* note 6.

83. See *GENIE AI*, <https://www.genieai.co> [<https://perma.cc/A77Q-Y7T9>].

84. See *LEXION*, <https://www.lexion.ai> [<https://perma.cc/2QX7-8R6H>].

85. See Suh, *supra* note 20.

86. *Id.*

87. See *Transactional Law*, CASETEXT, <https://casetext.com/transactional-law> [<https://perma.cc/L9YA-R96T>].

88. See Sharma, *supra* note 19.

89. See *Query*, ROBIN AI, <https://www.robinai.co.uk/product/query> [<https://perma.cc/68SZ-3R45>].

90. See *Generative AI and How It Improves Contract Management*, IRONCLAD, <https://ironcladapp.com/journal/contract-management/generative-ai> [<https://perma.cc/YY4C-58DL>].

91. See *Contract Automation*, ONTRA, <https://www.ontra.ai/products/contract-automation> [<https://perma.cc/C34D-Y6F7>].

understand) consumer contracts.⁹² Yonathan Arbel and Shmuel Becher examined using LLMs as “smart readers” to summarize legalese, personalize the presentation of a contract to the user’s background, interpret terms, and benchmark contracts against contracts offered by competitors.⁹³ The authors used GPT-3 to produce an empirical proof-of-concept for smart readers.⁹⁴ In a similar project, Noam Kolt used GPT-3 to empirically examine the ability of LLMs to read and understand consumer contracts, finding that when given a set of two hundred questions related to online terms of service agreements, GPT-3 answered 77% of the questions correctly.⁹⁵

Despite the recent advancements in generative AI, little attention has been given to using generative AI to create entire contracts from scratch. This is likely due to three reasons. First, most business-to-business and business-to-consumer contracts are not written from scratch but rather are created via precedent-based drafting using precedent documents and templates.⁹⁶ Second, many business contracts, such as merger agreements, joint venture agreements, corporate debt contracts, and venture capital financing agreements, are too long and complex to be drafted entirely by AI.⁹⁷ Third, business contracts often require bespoke terms that are unique to the transaction at hand. If the type of situation necessitating a bespoke term was not present in the AI model’s training dataset, the model may be unable to effectively generate the term.⁹⁸ There is, however, an underexplored use case for generative AI: enabling consumers to write their own contracts.

92. See Robert A. Hillman & Jeffrey J. Rachlinski, *Standard-Form Contracting in the Electronic Age*, 77 N.Y.U. L. REV. 429, 446 (2002); Ian Ayres & Alan Schwartz, *The No-Reading Problem in Consumer Contract Law*, 66 STAN. L. REV. 545, 546 (2014); Yannis Bakos et al., *Does Anyone Read the Fine Print? Consumer Attention to Standard-Form Contracts*, 43 J. LEGAL STUD. 1, 1 (2014) (finding that for every 1,000 online retail shoppers, only 1 or 2 read end-user license agreements).

93. See Arbel & Becher, *supra* note 11, at 83 (“[S]mart readers can: simplify complex legal language; personalize the contractual presentation to the user’s specific sociocultural identity; interpret the meaning of contractual terms; and benchmark and rank contracts based on their quality.”).

94. *Id.* at 89.

95. See Kolt, *supra* note 34, at 103–04.

96. See Claire A. Hill, *Why Contracts Are Written in “Legalese,”* 77 CHI.-KENT L. REV. 59, 59 (2001) (discussing the use of forms).

97. See Spencer Williams, *Contractual Complexity*, 48 DEL. J. CORP. L. (forthcoming 2024) (manuscript at 3–4) (discussing the complexity of modern contracts).

98. See Williams, *supra* note 36, at 687 (discussing the difficulty of training AI models to respond correctly to infrequent and uncommon situations in contracting).

II. GENERATIVE CONTRACTS

This Part discusses “generative contracts”: contracts written entirely by a generative AI system based on prompts from the user. Section II.A introduces generative contracts and then uses GPT-4 to generate drafts of a wide range of contracts. Section II.B engages in a proof-of-concept case study of two hypothetical consumers who use GPT-4 to draft and modify their own car sale contract.

A. Contracts Written by AI

Contract automation has been around for several decades.⁹⁹ In the 1970s, lawyers began using a variety of contract automation technologies to reduce the time and cost needed to draft contracts.¹⁰⁰ The most common type of contract automation technology was the code-based form contract: a template document with pre-coded options for the user to choose from.¹⁰¹ For example, if a lawyer wanted to draft a contract for the sale of a house, they would select “Residential Real Estate Sale” from a list of options that would include other choices like “Will,” “Trust,” and “Lease.” They would then complete the template by filling in additional information such as the address of the home and the sale price. Digital form contracts eventually made their way directly to consumers via online consumer-oriented legal service providers such as LegalZoom and Rocket Lawyer.¹⁰² The key feature of digital form contracts is that all of their text is pre-generated: every term that could possibly be included in the contract has to be written in advance by the provider (such as Legal Zoom).¹⁰³ This substantially limits the flexibility and modifiability of digital form contracts.¹⁰⁴ If a user wants to include a term (or a variation on a term) that is not part of the form contract’s pre-coded library, the user is out of luck.¹⁰⁵

Starting in the 2010s, many contract technology companies began experimenting with statistical AI such as machine learning and natural

99. See Kathryn D. Betts & Kyle R. Jaep, *The Dawn of Fully Automated Contract Drafting: Machine Learning Breathes New Life into a Decades-Old Promise*, 15 DUKE L. & TECH. REV. 216, 218 (2017); Williams, *supra* note 36, at 661–63; Linarelli, *supra* note 11, at 5–8.

100. Williams, *supra* note 36, at 661.

101. *Id.* at 662–63.

102. See LEGALZOOM, <https://www.legalzoom.com> [https://perma.cc/XYB7-S3TZ]; ROCKET LAWYER, *supra* note 3.

103. See Williams, *supra* note 36, at 661–63.

104. *Id.*

105. *Id.*

language processing.¹⁰⁶ Unlike their pre-coded predecessors, statistical AI tools are not confined to a library of pre-generated results.¹⁰⁷ Rather, they identify statistical relationships in their training data and then use these relationships to produce new outputs when provided with new inputs.¹⁰⁸ Yet for many years, these tools remained extractive in nature—they could extract data and information from contracts but they could not actually generate original contract language.¹⁰⁹ Generative AI has changed this.

Generative AI has enabled what this Article refers to as “generative contracts”: contracts that are written entirely by a generative AI system based on prompts from the user. A user can give a generative AI system a simple prompt such as, “Write me a contract to sell my used car,” and within a matter of seconds they will be provided with a car sale contract.¹¹⁰ If the user wants to modify the contract in some way (for example, they want to add or remove a warranty), they need only ask.¹¹¹ This ability to freely customize and modify generative contracts fundamentally distinguishes them from earlier iterations of contract automation such as digital form contracts.¹¹²

106. See Betts & Jaep, *supra* note 99, at 220, 226–27.

107. See *id.* at 226–27.

108. See *supra* note 99 and accompanying text.

109. See Betts & Jaep, *supra* note 99, at 227 (“Thus, the same fatal law that has haunted contract drafting technology for decades remains: the computer’s inability to produce *novel* language.”).

110. See *infra* Section II.B.

111. See *infra* Section II.B.

112. At this point it is useful to distinguish generative contracts from other types of technologically-enabled contracts. See Spencer Williams, *Edge Contracts*, 25 U. PA. J. BUS. L. 839, 849 n.74 (2023). The first are digital form contracts such as those provided by LegalZoom. *Id.* As previously discussed, generative contracts are fundamentally different from form contracts because they are not pre-coded. The second are smart contracts. Smart contracts are contracts that are “effectuated (at least in part) by a blockchain.” *Id.* at 850. While generative contracts could be implemented as part of a blockchain-based smart contracting platform such as Ethereum, generative contracts do not depend on blockchain technology to function. *Id.* at 850–51. The third are computable contracts. A computable contract is a contract that is both machine-readable and machine-executable. See Harry Surden, *Computable Contracts*, 46 U.C. DAVIS L. REV. 639, 658–59 (2012). Even though generative contracts are produced by a machine, they are written in a natural language such as English rather than an inherently machine-readable language such as computer code. The key distinction between generative contracts and computable contracts is that generative contracts are written for humans whereas computable contracts are written for machines. The fourth are algorithmic contracts. An algorithmic contract is a contract in which one or more terms are determined by an algorithm. See Lauren Henry Scholz, *Algorithmic Contracts*, 20 STAN. TECH. L. REV. 128, 134 (2017). Generative contracts are a subcategory of algorithmic contracts in which *all* terms are determined by an algorithm. There are many contracts in which some, but not all terms are algorithmic, such as online consumer goods contracts in which the price is determined by an algorithm, but the other terms are written by a human lawyer. See Williams, *supra* note 112, at 849 n.74.

To demonstrate generative AI's ability to write contracts, this Article uses GPT-4 to create drafts of over a dozen different kinds of contracts including: an employment agreement, a consulting agreement, a service agreement, an NDA, a residential lease, a commercial lease, a supply agreement, a partnership agreement, a limited partnership agreement, an LLC operating agreement, a licensing agreement, a terms of service agreement, and a bill of sale. These contracts were selected because they are generally useful to consumers and small businesses. As discussed above, there are unique challenges to using generative AI to draft complex business contracts such as merger agreements.¹¹³ The Article leaves the automation of these longer and more complex contracts for future research.

The following methodology was used to create the generative contracts. The contracts were created using an advanced version of ChatGPT powered by GPT-4.¹¹⁴ The model was not fine-tuned or modified in any way.¹¹⁵ All the prompts used to generate the contracts were written to be accessible to consumers and small businesses and, as a result, do not require specific expertise or prior knowledge of contract law. For example, the prompt used to generate an employment agreement was, "Write an employment contract for Small Corp. to employ Alice Apple in California as a Senior Engineer for a salary of \$100,000." The prompts were not designed or refined using any form of prompt engineering.¹¹⁶

The full text of the contracts written by GPT-4 and the prompts used to generate them are provided in Appendix B. A review of these contracts produces several important insights regarding the ability of LLMs such as GPT-4 to write consumer contracts.

113. See *supra* notes 96–98 and accompanying text.

114. See OPENAI, *supra* note 5. GPT-4 is available to users who subscribe to ChatGPT Plus, which cost \$20 per month at the time this research was conducted.

115. There are a variety of methods for fine-tuning LLMs to increase their performance on specific tasks. For an overview of commonly used techniques, see Sebastian Raschka, *Finetuning Large Language Models*, AHEAD OF AI (Apr. 22, 2023), <https://magazine.sebastianraschka.com/p/finetuning-large-language-models> [https://perma.cc/BGF9-MHJM]. While fine-tuning used to be slow and expensive, recent advances have substantially reduced time and cost. See, e.g., HU ET AL., MICROSOFT CORP., LORA: LOW-RANK ADAPTATION OF LARGE LANGUAGE MODELS (Oct. 16, 2021), <https://arxiv.org/abs/2106.09685> [https://perma.cc/H7HE-WGQ6] (proposing a method of low-cost fine-tuning called low-rank adaptation that is capable of reducing the number of trainable parameters by 10,000 times and GPU requirements by three times).

116. Prompt engineering is an emerging discipline for designing and refining prompts to improve the performance of LLMs. For an overview of the discipline and commonly used techniques, see PROMPT ENGINEERING GUIDE, <https://www.promptingguide.ai> [https://perma.cc/MZA6-VAT5].

First, the contracts look and read like contracts written by a human. Every sentence in every contract makes grammatical sense and clearly conveys the concept that it is attempting to convey. The contracts also make use of structural features common in modern contracts such as sections, headings, numbering, defined terms, recitals, and signature blocks.¹¹⁷ For example, the nondisclosure agreement provides a robust definition of “Confidential Information” at the beginning of the contract and then uses this defined term throughout the remainder of the contract.¹¹⁸ A reader who was unaware that these contracts had been written by a machine would likely assume that they had been written by a human.

Second, the contracts are short and simple. Most of them are only one or two pages in length, which is shorter than similar contracts. Furthermore, they tend to use simpler language and forgo large quantities of legalese. The shortness and simplicity of these generative contracts have benefits and costs. The primary benefit is that shorter and simpler contracts are easier for consumers to understand.¹¹⁹ The primary cost is that they may fail to cover topics and/or risks that would otherwise be addressed in traditional contracts.¹²⁰ For example, the commercial lease does not address subleasing, which is a common term in most lease agreements.¹²¹

Third, the contracts are enforceable. Each document contains a sufficiently definite representation of the elements needed to form a legally binding contract.¹²² For example, the residential lease contains the identity of the parties, the location of the premises, the term of the lease, and the monthly rent.¹²³ If actual consumers were to take one of these contracts, substitute their own personal information in place of the hypothetical information, and use

117. For a discussion of contract structure and common structural features, see Matthew Jennejohn, *The Architecture of Contract Innovation*, 59 B.C. L. REV. 71 (2018); Cathy Hwang & Matthew Jennejohn, *Deal Structure*, 113 NW. U. L. REV. 279 (2018); Cathy Hwang & Matthew Jennejohn, *The New Research on Contractual Complexity*, 14 CAP. MKTS. L.J. 381, 386–88 (2019); Spencer Williams, *Contracts as Systems*, 45 DEL. J. CORP. L. 219 (2021); and Spencer Williams, *Contract Maps*, 91 UMKC L. REV. 343 (2022).

118. See *infra* Appendix B.4.

119. See Arbel & Becher, *supra* note 11 and accompanying text.

120. The literature on contracts has generally conceptualized the “completeness” of a contract as the number of possible future world states (or the percentage of total possible world states) that the contract accounts for. See, e.g., Williams, *supra* note 97, at 15–16. The greater the number (or percentage), the more complete the contract. See *id.*

121. See *infra* Appendix B.6.

122. These elements are generally seen as (1) manifestation of mutual assent (often established via the process of offer and acceptance) and (2) exchange of consideration. See DOUGLAS J. WHALEY & DAVID HORTON, *CASES, PROBLEMS, AND MATERIALS ON CONTRACTS* 7, 169–70 (8th ed. 2019).

123. See *infra* Appendix B.5.

the contract to represent and effectuate a real-world transaction, the contract would almost certainly be enforced by a court.

Fourth, the contracts are functional. Each contract captures the essence of the deal described in the prompt. For example, the supply agreement describes the quantity and quality of the goods to be sold, the price to be paid, when and where the seller has to deliver the goods, and when the buyer has to pay for them.¹²⁴ Despite being short and simple, these contracts are in a form that is usable to consumers.

Fifth, the contracts are not without errors and inconsistencies. For example, the defined term “Confidential Information” in the nondisclosure agreement is capitalized in some instances and not in others.¹²⁵ Some of the contracts include unusual (or even incorrect) terms. For example, the service agreement for gardening and landscaping includes a requirement that the service provider carry workers’ compensation insurance.¹²⁶ The contracts written by GPT-4 are lower quality legal products than similar contracts written by human lawyers. Yet, as will be discussed in Section III.A, many consumers and small businesses cannot access a lawyer for their basic contracting needs. Consequently, for many potential users of generative contracts, a lawyer-drafted contract is not the correct reference point for a quality comparison. Rather, a more appropriate question is: are generative contracts of equal or superior quality to an undocumented “handshake” deal? The results of this drafting exercise suggest that the answer to this question is likely yes.

The next Section engages in a proof-of-concept case study that examines how two consumers might use a generative contracting system to write their own contract for a used car sale. The case study highlights many of the key features of generative contracts relevant to consumers.

B. Case Study: Car Sale

Recall the hypothetical consumers Alice and Bob.¹²⁷ Alice wants to sell her used car to Bob. Assume they have already agreed on a price of \$5,000. They want to create a contract to represent and effectuate their transaction,

124. *See infra* Appendix B.7.

125. *See infra* Appendix B.4.

126. *See infra* Appendix B.3.

127. *See supra* Introduction. This case study is based on a blog post. *See* Spencer Williams, Guest Post, *Generative Contracts*, LAW PROFESSOR BLOGS NETWORK: CONTRACTSPROF BLOG (May 24, 2023), https://lawprofessors.typepad.com/contractsprof_blog/2023/05/guest-post-spencer-williams-generative-contracts-.html.

but neither of them is a lawyer nor do they have any prior experience buying or selling used cars. This Section contains a proof-of-concept case study in which Alice and Bob use ChatGPT (powered by GPT-4) to write their own used car sale contract.

To figure out where to start, Alice and Bob ask ChatGPT for guidance. They use the following prompt: “I want to sell my used car to my friend in California. What kind of contract should we use?”¹²⁸

ChatGPT responds:¹²⁹

In the case of selling a used car, you’d want to use a Bill of Sale. This document acts as a legal contract between the buyer (your friend) and you (the seller). It will help to protect both parties in the event of future disputes regarding the transaction.

Here are the primary elements you should include in a Bill of Sale:

1. Detailed Vehicle Information: This includes the make, model, year, color, VIN (Vehicle Identification Number), and odometer reading of the car.

2. Sale Information: This should cover the sale price, the date of sale, and the payment method. If the payment is going to be made in installments, then these details should also be included.

3. Seller’s Information: Your full name, address, and signature.

4. Buyer’s Information: Your friend’s full name, address, and signature.

5. Terms of Sale: Any specific conditions or agreements related to the sale. If the car is being sold “as is,” this should be specified here. This generally means the seller isn’t responsible for any future issues with the vehicle.

6. Notarization: While not required in every state, having the Bill of Sale notarized can add an extra level of security to the transaction.

Please remember, every state has different regulations and requirements. In California, for instance, you are also required to complete a Notice of Transfer and Release of Liability within 5 days of the sale to ensure you are not held responsible for what happens

128. For a screen capture of this prompt and response, see *infra* Appendix A.

129. Please note that ChatGPT often includes a disclaimer at the bottom of a response dealing with legal matters. The disclaimer that accompanied this response was “Note: This advice is given based on general practices and may not include every possible legal requirement or consideration. Always consult with a legal expert or relevant authority to understand the full legal implications of selling a used car.” For ease of reading, the remainder of the Article excludes these disclaimers.

to the car after it is sold. It is recommended that you check with your local Department of Motor Vehicles (DMV) or legal advisor to ensure you have all the required documents and information.

Lastly, always keep a copy of the signed Bill of Sale for your records.

As can be seen above, ChatGPT informs Alice and Bob that they should use a bill of sale for their used car transaction, tells them the key pieces of information they need to include in the contract, and reminds Alice that in California she is required to complete a notice of transfer following the sale.¹³⁰ Based on this response, Alice and Bob use the following prompt to create a draft of their bill of sale:

Write a bill of sale in California for Alice Apple (who resides at 1234 Main Street, Anytown, California) to sell her used car to Bob Brown (who resides at 5678 First Avenue, Anytown, California) for \$5,000. The car is a grey 2014 Honda Civic, VIN #1234ABCD, with an odometer reading of 100,000 miles.

Within a matter of seconds, ChatGPT responds:

BILL OF SALE

This Bill of Sale (“Agreement”) made this 21st day of June, 2023, by and between:

Seller: Alice Apple
Address: 1234 Main Street, Anytown, California

AND

Buyer: Bob Brown
Address: 5678 First Avenue, Anytown, California

1. DESCRIPTION OF VEHICLE:

Make: Honda
Model: Civic
Year: 2014
Color: Grey
VIN: 1234ABCD
Odometer Reading: 100,000 miles

2. TERMS OF SALE:

¹³⁰. See *Notice of Transfer and Release of Liability*, CAL. DEP’T MOTOR VEHICLES, <https://www.dmv.ca.gov/portal/vehicle-registration/titles/title-transfers-and-changes/notice-of-transfer-and-release-of-liability-nrl> [<https://perma.cc/2XWH-S4A7>].

Purchase Price: The Buyer will pay to the Seller the total amount of Five Thousand Dollars (\$5,000). The payment is to be made in full at the time of sale.

Delivery: Upon receipt of the Purchase Price, Seller will provide Buyer with the Vehicle and properly endorsed certificate of title.

3. AS IS SALE: The Buyer acknowledges that the Vehicle is sold ‘as is.’ Seller expressly disclaims any implied warranty as to fitness for a particular purpose and any implied warranty as to merchantability. Seller disclaims any expressed or other implied warranties.

4. GOVERNING LAW: This Agreement is to be governed by and construed in accordance with the laws of the state of California.

5. ACKNOWLEDGEMENT OF RECEIPT: Each party acknowledges receipt of a completed copy of this Agreement.

SELLER:

Alice Apple

Signature: _____

Date: _____

BUYER:

Bob Brown

Signature: _____

Date: _____

This document does not need to be notarized according to California law.

As can be seen above, ChatGPT generates a short and simple bill of sale that incorporates all the information provided by Alice and Bob. It also informs them (correctly) that the bill of sale does not need to be notarized.¹³¹

After looking over the bill of sale, Bob realizes that he will not have the necessary funds to pay for the car until after he gets his paycheck next week. He asks Alice if she would be okay with giving him up to ten days to pay for the car but still allow him to take the car today. She agrees. They use the following prompt to modify the bill of sale: “Modify the contract to give Bob ten days to pay for the car after receiving the car.”

ChatGPT responds by modifying Section 2 of the bill of sale as follows:

131. See CAL. VEH. CODE § 1652 (West 2024).

2. TERMS OF SALE:

Delivery: The Seller will deliver the Vehicle and properly endorsed certificate of title to the Buyer upon signing of this Agreement.

Purchase Price: The Buyer will pay to the Seller the total amount of Five Thousand Dollars (\$5,000). The Buyer has ten (10) days from the date of receiving the Vehicle to complete the payment in full.

As can be seen above, ChatGPT modifies the contract to incorporate Alice and Bob's modification request.

The parties decide that they do not understand how the "as is" clause in Section 3 functions. To get clarification from ChatGPT, they use the following prompt: "Explain how Section 3 works."

ChatGPT responds:

Section 3 of the Bill of Sale is titled "AS IS SALE" and it includes a disclaimer that effectively states the vehicle is being sold "as is." This means that the seller, Alice Apple, is not offering any warranties as to the condition of the vehicle.

In other words, Alice is making it clear that she will not be held responsible for any future problems or repairs that the vehicle may need. If the car breaks down or experiences any other issues after the purchase, Bob Brown, the buyer, can't hold Alice accountable or ask her to pay for the repairs because the car was sold in its current state, regardless of what that state may be.

This is a standard clause in many used car sales because used cars often come with wear and tear, and the seller doesn't want to be held accountable for issues that they may not have been aware of. It's a way of protecting the seller from potential post-sale disputes.

However, it's important to note that an "as is" sale does not absolve the seller from all responsibilities. In some jurisdictions, if the seller knowingly misrepresents the vehicle's condition or conceals a defect, they could still potentially be held liable.

As can be seen above, ChatGPT provides a plain language explanation of Section 3.¹³² ChatGPT includes an example to help the parties understand how the "as is" clauses functions ("If the car breaks down or experiences any other issues after the purchase, Bob Brown, the buyer, can't hold Alice accountable

132. For a discussion of the ability of LLMs to provide plain language summaries of legalese in consumer contracts, see Arbel & Becher, *supra* note 11, at 95–99.

or ask her to pay for the repairs”) and notes that the clause is “standard” in used car sales.¹³³

After reading ChatGPT’s explanation of Section 3, Bob decides that he is unhappy with the “as is” clause. To find an alternative to the “as is” clause, the parties use the following prompt: “Suggest an alternative to the ‘as is’ clause in Section 3 that gives Bob more protection.”

ChatGPT responds:

An alternative to the “as is” clause could involve providing a limited warranty or guarantee. This would provide Bob with more protection as the buyer, although Alice as the seller would take on more risk.

Here’s an example of how such a clause might look:

3. LIMITED WARRANTY: The Seller hereby provides a limited warranty to the Buyer. The Seller guarantees that for a period of thirty (30) days from the date of sale, the Vehicle will be free from mechanical defects that are not disclosed at the time of sale. Should any such undisclosed mechanical defects arise during this period, the Seller agrees to pay for the cost of repairs up to a maximum of One Thousand Dollars (\$1,000). This guarantee does not extend to any defects that are disclosed prior to sale, cosmetic defects, normal wear and tear, or to any problems that arise due to misuse or failure to maintain the Vehicle on the part of the Buyer.

This kind of clause provides some level of protection to the buyer if undisclosed mechanical problems arise shortly after the purchase. However, it also puts more obligation on the seller, so it’s something that would need to be agreed upon by both parties.

As can be seen above, ChatGPT provides Alice and Bob with a sample limited warranty clause as an alternative to the “as is” clause. The limited warranty clause crafted by ChatGPT extends for a limited amount of time (thirty days) and is capped at \$1,000, twenty percent of the purchase price. ChatGPT notes that while this clause is better for Bob, it is worse for Alice.

Alice decides that she is comfortable with the limited warranty clause. The parties use the following prompt to replace the “as is” clause with the limited warranty clause: “Replace the existing “as is” clause in the bill of sale with this limited warranty clause.”

ChatGPT responds by replacing the prior Section 3 with the limited warranty clause shown above. Satisfied with their contract, Alice and Bob

133. For a discussion of the ability of LLMs to interpret consumer contracts, provide examples, and benchmark terms against other contracts, see *id.* at 104–09.

sign the bill of sale and effectuate their transaction. The full text of their final contract is reproduced in Appendix B.¹³⁴

This case study highlights several features of generative contracts that are appealing to consumers. First, generative contracts are easy to use. Every prompt that Alice and Bob used was short, simple, and in plain language. They did not need to have any prior knowledge of contracts, contract law, used car sales, or California regulations. They did not even need to know what kind of contract they should use for their transaction. Not only did ChatGPT write their contract for them, but it also provided them with the information that they needed in order to continue interacting with the AI. Generative contracts will only become easier to use as more consumers become comfortable interacting with generative AI, such as ChatGPT, in other aspects of their lives.¹³⁵

Second, generative contracts are low-cost. The advanced version of ChatGPT powered by GPT-4 that was used to conduct this case study costs \$20 per month.¹³⁶ The standard version powered by GPT-4o mini is free.¹³⁷ By comparison, consumer law attorneys typically charge hundreds of dollars an hour.¹³⁸ Even consumer-oriented legal service providers such as LegalZoom charge hundreds of dollars for certain matters.¹³⁹ As will be discussed in Section III.A, cost is a major deterrent for many consumers seeking civil law legal services.

Third, generative contracts are fast.¹⁴⁰ ChatGPT responded to Alice and Bob's questions and requests in seconds. Working with a consumer lawyer to draft a contract, on the other hand, is likely a multi-hour experience.

Fourth, generative contracts are flexible and modifiable. When Bob realized that he did not have enough money to pay for the car immediately, ChatGPT was able to easily modify the contract to give Bob some additional time to make the payment. When the parties determined that they did not

134. See *infra* Appendix B.13.

135. See Krystal Hu, *ChatGPT Sets Record for Fastest-Growing User Base*, REUTERS (Feb. 2, 2023, 8:33 AM), <https://www.reuters.com/technology/chatgpt-sets-record-fastest-growing-user-base-analyst-note-2023-02-01> [<https://perma.cc/Y944-477N>] (noting that ChatGPT is “the fastest-growing consumer application in history”).

136. See *ChatGPT*, *supra* note 5; *Introducing ChatGPT Plus*, OPENAI (Feb. 1, 2023), <https://openai.com/blog/chatgpt-plus> [<https://perma.cc/JK6R-DCAP>].

137. See *GPT-4o Mini: Advancing Cost-Efficient Intelligence*, OPENAI (July 18, 2024), <https://openai.com/index/gpt-4o-mini-advancing-cost-efficient-intelligence> [<https://perma.cc/7M9M-H723>].

138. See Burdge, *supra* note 4, at 26.

139. See *Estate Plans to Protect You and Your Family*, LEGALZOOM, <https://www.legalzoom.com/personal/estate-planning> [<https://perma.cc/6HE2-YYJJ>].

140. See Arbel & Becher, *supra* note 11, at 89 (discussing the speed of smart readers).

want to use the “as is” clause that ChatGPT originally included in the contract, the AI suggested an alternative clause, explained the key differences, and seamlessly incorporated the new language into the contract. The flexibility and modifiability of generative contracts are significant advantages over digital form contracts, which are typically rigid and difficult to change.

Fifth, generative contracts encompass much more than just drafting. In addition to drafting the bill of sale, ChatGPT: (1) recommended the type of contract that Alice and Bob should use for their deal; (2) outlined the key terms of the deal and the information needed to complete the deal; (3) notified the parties of relevant state regulations; (4) interpreted and explained a term in the contract using examples and plain language; and (5) suggested an alternative term better-suited to the parties’ needs. Taking into account this full range of functionality, ChatGPT starts to look less like a tool for generating forms and more like a consumer law attorney.

III. IMPLICATIONS

This Part discusses the implications of generative contracts (and generative AI more broadly). Section III.A discusses the implications for consumers and access to justice. Section III.B discusses the implications for lawyers and the legal profession.

A. Consumers and Access to Justice

There is a huge access-to-justice problem in the American civil legal system.¹⁴¹ According to the Legal Services Corporation’s annual Justice Gap report from 2022, 92% of low-income Americans reported that they did not receive sufficient legal assistance for civil law issues that substantially impacted them.¹⁴² This “justice gap” has contributed to a severe lack of faith

141. See Benjamin H. Barton & Deborah L. Rhode, *Access to Justice and Routine Legal Services: New Technologies Meet Bar Regulators*, 70 HASTINGS L.J. 955, 958 (2019) (“According to the World Justice Project, the United States ranks ninety-fourth out of 113 countries in the ‘accessibility and affordability’ of its civil justice system, below every other high income country”); Arbel & Becher, *supra* note 11, at 124–26.

142. See LEGAL SERVS. CORP., *supra* note 27, at 48. The report defines “low-income” as annual income below 125% of the federal poverty threshold, which in 2022 corresponded to an annual income below \$34,500 for a family of four. *Id.* at 22. The justice gap for middle-income respondents (125% to 400%) was 86%, and for high-income respondents (400% and above) it was 78%. *Id.* at 60.

in the legal system.¹⁴³ Lack of access to justice exacerbates preexisting inequalities and has a particularly serious impact on vulnerable groups such as seniors, veterans, families with children, and survivors of domestic violence.¹⁴⁴ While the access-to-justice crisis spans a range of civil legal issues, the most common area of concern among low-income Americans is consumer law.¹⁴⁵

There are three primary factors that contribute to the lack of access to justice for consumers. The first (and most significant) is cost.¹⁴⁶ Access to the legal system is very expensive. Consumer law attorneys typically charge hundreds of dollars an hour for basic consumer services, a price that is simply out of reach for many consumers.¹⁴⁷ Fewer than half of low-income consumers believe they can afford a lawyer.¹⁴⁸ While there are legal aid organizations that provide free or low-cost legal services, these organizations lack sufficient resources to meet the needs of all consumers who seek their assistance.¹⁴⁹ Furthermore, many consumers do not even attempt to seek assistance due to a belief that they will not receive help.¹⁵⁰ Consequently, many consumers are left to deal with their legal problems by themselves.

The second factor that contributes to the lack of access to justice for consumers is a shortage of lawyers.¹⁵¹ This problem is particularly acute in so-called “legal deserts”: areas with substantially fewer attorneys than are needed to meet the local demand for legal services.¹⁵² Most legal deserts are in rural communities.¹⁵³ In a landmark study in 2018, Lisa Pruitt, Amanda Kool, Lauren Sudeall, Michele Statz, Danielle Conway, and Hannah Haksgaard surveyed rural access to justice across six states: California, Georgia, Maine, Minnesota, South Dakota, and Wisconsin.¹⁵⁴ They found a significant shortage of attorneys in rural communities in all six states, going

143. *See id.* at 51 (“Only 28% of low-income Americans believe that people like them are treated fairly in the U.S. civil legal system.”).

144. *Id.* at 41.

145. *Id.* at 33.

146. *See* Arbel & Becher, *supra* note 11, at 124; Barton & Rhode, *supra* note 141, at 957; Kolt, *supra* note 34, at 92.

147. *See* Burdge, *supra* note 4, at 26.

148. *See* LEGAL SERVS. CORP., *supra* note 27, at 64. This is compared to 59% of middle-income consumers and 73% of high-income consumers. *Id.* at 64.

149. *See id.* at 71.

150. *See id.* at 62, 70–71.

151. *See* Arbel & Becher, *supra* note 11, at 124–25.

152. *See* Pruitt et al., *supra* note 28, at 16–22.

153. *See id.* at 22–23.

154. *Id.* at 16.

as far as to say that attorney shortages are “endemic” to rural areas.¹⁵⁵ The authors attributed the shortages to an attrition of rural lawyers combined with a lack of replacement by new lawyers.¹⁵⁶ They also found that lack of access to justice in rural areas was most severe in communities of underrepresented racial and ethnic groups.¹⁵⁷

The third factor that contributes to the lack of access to justice for consumers is the difficulty consumers face in reading and understanding consumer legal documents.¹⁵⁸ Studies have found that consumers rarely read consumer contracts, and when they do, they find these contracts incredibly difficult to understand.¹⁵⁹ This difficulty is due to a variety of contractual characteristics including linguistic complexity, length, structure, and the use of unfamiliar legal jargon.¹⁶⁰ The cumulative effect is that consumers are often unable to meaningfully interact with contracts and other civil legal documents.

The consumer justice gap indicates that there is a substantial unmet need for low-cost, accessible, easy-to-use consumer legal services. Generative contracts can help alleviate this justice gap by mitigating all three factors discussed above.¹⁶¹ First, as discussed in Section II.B, generative contracts are

155. *Id.* at 120 (“Rural northern Wisconsin suffers attorney-to-resident ratios as poor as 1:4,452. . . . In California, the ratio of attorneys to residents is roughly four times higher in rural areas than in urban ones. Similarly, over half of South Dakotans reside in the state’s rural areas, but only a small fraction of the state’s 1,800 active attorneys live and work there. And in Georgia, the 154 counties outside of the five-county metropolitan Atlanta area are home to 65% of the state’s population, but only 30% of its attorneys.”).

156. Pruitt et al., *supra* note 28, at 121.

157. *Id.* at 118–19.

158. See Ayres & Schwartz, *supra* note 92, at 546; Bakos et al., *supra* note 92, at 2–3; Hillman & Rachlinki, *supra* note 92, at 436, 446; Arbel & Becher, *supra* note 11, at 95–106; Kolt, *supra* note 34, at 73.

159. See Ayres & Schwartz, *supra* note 92, at 546; Bakos et al., *supra* note 92, at 3; Hillman & Rachlinki, *supra* note 92, at 436, 446; Arbel & Becher, *supra* note 11, at 95–96; Kolt, *supra* note 34, at 73.

160. See Arbel & Becher, *supra* note 11, at 95–96.

161. Other commentators have noted the potential for AI to aid consumers and improve access to justice. See, e.g., *id.* at 89, 124–26; Kolt, *supra* note 34, at 92, 132–33; Perlman, *supra* note 23 (“Less complex legal matters may see an even more dramatic shift, with AI tools helping to address the public’s enormous unmet civil legal needs. . . . Technology offers a promising way to address those needs, both through self-help resources and by enabling lawyers to reach far more clients than is currently possible.”); see also, e.g., Frank Pasquale, *A Rule of Persons, Not Machines: The Limits of Legal Automation*, 87 GEO. WASH. L. REV. 1, 7 (2019) (“The most promising versions of legal automation are targeted at people who need and deserve—but cannot afford—an attorney.”). Even ChatGPT itself believes that it can increase consumer access to the legal system. See Rupert Macey-Dare, *How ChatGPT and Generative AI Systems Will Revolutionize Legal Services and the Legal Profession* 10–11 (Feb. 22, 2023) (unpublished

much less expensive than existing options for consumer legal services.¹⁶² Second, generative contracts do not require a consumer to find a lawyer willing to write them a contract. All the consumer needs are a computer or smart phone and access to the internet. Third, generative contracts are easy to use. As was demonstrated in the case study in Section II.B, consumers can interact with generative contracts using short, plain language prompts. Consumers will likely start using generative contracts for transactions that are valuable enough to justify a written contract but not so valuable as to justify hiring an attorney.¹⁶³ For generative contracts to improve access to justice, consumers must adopt generative contracting technology.¹⁶⁴ While not guaranteed, consumer adoption of generative contracts is reasonably likely given how quickly consumers have integrated generative AI into their everyday lives.¹⁶⁵

B. Lawyers and the Legal Profession

Concern among lawyers and the legal profession regarding the threat of technological automation is not new. For decades, lawyers have worried about being replaced by new technologies capable of automating various aspects of the practice of law.¹⁶⁶ For example, when e-discovery software started to become a routine part of the discovery process, the New York Times declared that “armies of expensive lawyers” would be replaced by

manuscript), <https://ssrn.com/abstract=4366749> [<https://perma.cc/D4YV-FYN9>] (explaining that when asked how systems like ChatGPT can help ordinary people with legal problems, ChatGPT replied: “[G]enerative AI systems like ChatGPT have the potential to significantly improve access to legal information and assistance for ordinary people. By providing 24/7 access, simplified language, faster response times, privacy, and cost-effective services, ChatGPT can help individuals navigate legal issues and make informed decisions about their legal rights and responsibilities.”).

162. *See supra* notes 136–39 and accompanying text.

163. *See* Arbel & Becher, *supra* note 11, at 120–21 (“It is probable that consumers will first use smart readers in situations where the stakes are sufficiently high to make it worthwhile to use a smart reader, but not too high to make mistakes too costly. It will thus take some time before consumers use smart readers as a substitute for lawyers, but a much shorter time before they start using them as a substitute for not reading at all.”).

164. *Id.* at 109–14 (discussing consumer uptake of smart readers).

165. *See* Hu, *supra* note 135.

166. Dana Remus & Frank Levy, Can Robots Be Lawyers? Computers, Lawyers, and the Practice of Law 1 (Nov. 27, 2016) (unpublished manuscript), <https://ssrn.com/abstract=2701092> [<https://perma.cc/3FF9-K2KE>]; Williams, *supra* note 36, at 682–86; *see, e.g.*, RICHARD SUSSKIND, THE END OF LAWYERS? RETHINKING THE NATURE OF LEGAL SERVICES 1 (2010); Barton & Rhode, *supra* note 141, at 956–64.

cheaper software.¹⁶⁷ Yet for the most part, these concerns have largely proven to be unfounded. Lawyers and the legal profession have gone through each wave of innovation and emerged just as strong, if not stronger. There is reason to believe, however, that the disruptive potential of generative AI is different.¹⁶⁸ Because of generative AI's unique ability to generate human-like legal text, the technology threatens to fundamentally alter the practice of law. This Section examines the impact of generative contracts (and generative AI more broadly) on transactional lawyers.

In the short term, generative contracts are unlikely to replace transactional lawyers for two reasons. The first reason is that, for consumer contracting, most consumers who will use generative AI to draft contracts were not hiring lawyers in the first place. As discussed in Section III.A, most consumers cannot afford to hire a lawyer for basic consumer law issues.¹⁶⁹ Consequently, if these consumers adopt generative contracts, they will mostly be replacing oral handshake deals and consumer-oriented legal services such as digital form contracts. The second reason is that, as discussed in Section I.B, most business contracts are currently too long and complex to be drafted entirely by generative AI.¹⁷⁰ At least for now, these contracts will largely still be drafted by transactional lawyers, albeit with a growing amount of assistance from generative AI.¹⁷¹

In the mid to long term, generative AI will have a much greater disruptive effect on transactional lawyers and the practice of transactional law.¹⁷² This disruption will manifest in several different ways. First, generative AI will likely replace much of the low-cost, standardized contracting work that is currently performed by consumer law attorneys. As consumers become more comfortable with using generative AI tools such as ChatGPT, they will become more confident in using these tools for a larger range of consumer law services. Furthermore, consumer-oriented legal service providers such as Legal Zoom (which has already substantially disrupted the consumer law

167. See John Markoff, *Armies of Expensive Lawyers, Replaced by Cheaper Software*, N.Y. TIMES (Mar. 4, 2011), <https://www.nytimes.com/2011/03/05/science/05legal.html>.

168. Goldman Sachs estimates that 44% of legal tasks can be performed by AI. See *Generative AI Could Radically Alter the Practice of Law*, ECONOMIST (June 6, 2023), <https://www.economist.com/business/2023/06/06/generative-ai-could-radically-alter-the-practice-of-law> [<https://perma.cc/AXW6-W6LD>].

169. See *supra* notes 146–50 and accompanying text.

170. See *supra* note 97 and accompanying text.

171. See Beioley & Criddle, *supra* note 22; Press Release, PWC, *supra* note 22.

172. ChatGPT estimates that the larger effects of generative AI will take place in the next ten years. See Macey-Dare, *supra* note 161, at 6 (“ChatGPT seems to be predicting a seismic sectoral shock . . . and a technological transformation in and fundamental repricing and manpower shock for the legal sector within a timeframe of 5–10 years.”).

market) will almost certainly incorporate generative AI into their products.¹⁷³ This will allow them to provide better products to consumers at a lower cost, further displacing consumer law attorneys from the market.

Second, generative AI will reach the point where it is capable of fully drafting long, complex business contracts such as merger agreements. When this day comes, the practice of transactional law will change significantly. Business lawyers will no longer need to spend most of their time drafting, reviewing, and revising documents. Instead, the practice of transactional law will shift to a hybrid model in which AI assistants perform the bulk of the document work while business lawyers focus on creative, human-centered tasks such as advising clients, negotiating, and formulating transaction strategies.¹⁷⁴

173. See Barton & Rhode, *supra* note 141, at 960 (“For individuals with relatively routine needs, technology is opening up whole new markets and disrupting existing markets. The companies at the forefront of this revolution are not just replacing lawyers on selected tasks, or using technology as part of a team run by a lawyer. Instead, they are replacing lawyers wholesale in areas like preparing wills or forming limited liability corporations.”).

174. See Mark McKamey, *Legal Technology: Artificial Intelligence and the Future of Law Practice*, 22 APPEAL 45, 50 (2017) (arguing that lawyers will not be replaced by AI but rather will adapt to work with machines); Pasquale, *supra* note 161, at 44–54 (arguing for a complementary approach to legal automation where AI and lawyers work together); Williams, *supra* note 36, at 682–86; *Ethical Prompts*, PRACTICE (Mar.–Apr. 2023) [hereinafter PRACTICE, *Ethical Prompts*], <https://clp.law.harvard.edu/knowledge-hub/magazine/issues/generative-ai-in-the-legal-profession/ethical-prompts> [<https://perma.cc/7VXV-E9TY>] (“For Sue Hendrickson, executive director of the Berkman-Klein Center for Internet & Society, ChatGPT and AI technologies hold a lot of promise—promise that lawyers should be taking advantage of, if beneficial, as long as they are attentive to the risks and limitations. . . . Practicing lawyers can—and should—use technology in their practice to the extent that they are able to better advance the interests of their clients in ethical ways.”); *Generative Legal Minds*, PRACTICE (Mar.–Apr. 2023), <https://clp.law.harvard.edu/knowledge-hub/magazine/issues/generative-ai-in-the-legal-profession/generative-legal-minds> [<https://perma.cc/Z3CP-HY8K>] (“Like due diligence or doc review, AI tools like ChatGPT may simply supplement and bolster creative human intelligence. ChatGPT, for instance, might be used to help law students or first-year associates with first drafts.”); Jason Boehmig & David Wilkins, *Assisting Knowledge Workers*, PRACTICE (Mar.–Apr. 2023), <https://clp.law.harvard.edu/knowledge-hub/magazine/issues/generative-ai-in-the-legal-profession/assisting-knowledge-workers> [<https://perma.cc/5N8H-2BHG>] (discussing how generative AI will aid lawyers); Gabriel Pereyra & Winston Weinberg, *Sequoia and OpenAI Back Harvey to Redefine Professional Services, Starting with Legal*, HARVEY (Apr. 26, 2023), <https://www.harvey.ai/blog/sequoia-and-openai-back-harvey-to-redefine-professional-services-starting-with-le> [<https://perma.cc/LV7Y-6CVH>] (“GPT-4 marks a shift in how professional services will be provided and consumed. Large language models have the potential to give knowledge workers superpowers by solving complex tasks efficiently and accurately. The best part: these solutions don’t leave knowledge workers without work; they allow them to focus on the quintessential aspects of their professions—strategy, advice, and judgment”); Perlman, *supra* note 23 (“AI will not eliminate the need for lawyers, but it does portend the end of lawyering as

Third, generative AI will potentially alter the traditional “billable hour” business model currently used by most of the transactional law industry.¹⁷⁵ When merger agreements can be written in seconds rather than days, charging by the hour becomes much less appealing.¹⁷⁶ Consequently, lawyers and law firms may shift from a time-based “input” model to a project-based “output model” where clients are charged a flat fee for the service provided.¹⁷⁷ Moving to a project-based business model will further increase the incentive for lawyers to provide efficient legal services.

Fourth, generative AI will have two primary distributional effects within the legal industry. First, generative AI will benefit lawyers and firms who can adapt their practices to take advantage of AI. Those who cannot, however, will lose business.¹⁷⁸ Second, generative AI will diminish the power of large law firms relative to the rest of the industry.¹⁷⁹ Large firms currently enjoy an advantage in the market because they are able to handle large deals that require significant staffing and because they use data obtained from numerous transactions to improve the design of their deal documents.¹⁸⁰ Generative AI undermines both of these advantages. By automating the review and drafting of documents, generative AI reduces the need for significant staffing on large deals.¹⁸¹ AI models are also able to provide solo practitioners and small firms with insights on deal design gleaned from documents in their training sets—insights that were previously only available to large firms.¹⁸²

IV. LIMITATIONS AND RISKS

This Part discusses the limitations and risks of generative AI. Section IV.A discusses technological risks. Section IV.B discusses privacy and intellectual property. Section IV.C discusses regulatory risks.

we know it. Many clients, especially those facing complex issues, will still need lawyers to offer expertise, judgment, and counsel, but those lawyers will increasingly need AI tools to deliver those services efficiently and effectively.”).

175. See *ECONOMIST*, *supra* note 168.

176. *Id.*

177. *Id.*

178. See Perlman, *supra* note 23 (“[C]lients will not want stand-alone lawyers who eschew AI The future, at least for complex legal issues, will require the use of tech-enhanced lawyers.”).

179. See *ECONOMIST*, *supra* note 168.

180. *Id.*; Elisabeth de Fontenay, *Law Firm Selection and the Value of Transactional Lawyering*, 41 J. CORP. L. 393, 395–98 (2015).

181. See *ECONOMIST*, *supra* note 168.

182. Williams, *supra* note 36, at 682–86.

A. Technological

Generative AI poses several technological risks including inscrutability, accuracy, bias, and susceptibility to adversarial attacks.¹⁸³

First, as a form of statistical AI, generative AI models can often be inscrutable.¹⁸⁴ As discussed above, statistical AI models function by identifying statistical relationships in their training datasets and then using these relationships to produce outputs.¹⁸⁵ Models with billions (or even trillions) of parameters can therefore produce unpredictable results that are difficult for humans to explain.¹⁸⁶ These models are commonly referred to as “black box” models because their creators are not able to fully explain how they function and why they produce certain results. Many commentators have noted the potential danger of using inscrutable models in sensitive, high-risk settings such as law.¹⁸⁷ The problem of inscrutability has received substantial attention in the AI industry.¹⁸⁸ There are several ongoing areas of research aimed at improving the interpretability of statistical AI models, including how to design models to be more interpretable and how to explain seemingly inscrutable results.¹⁸⁹

Second, generative AI can produce inaccurate and sometimes even completely fabricated results.¹⁹⁰ The most serious version of this problem is a phenomenon known as “hallucination” in which a generative AI model will make up facts and then confidently present them as true.¹⁹¹ For example, an attorney recently filed a motion to dismiss that was written by ChatGPT.¹⁹² After reviewing the motion, the court discovered that ChatGPT had created and cited fake cases containing fictional precedents.¹⁹³ While still concerning, hallucination poses less of a risk in the context of transactional law than it

183. For an overview of the risks posed by LLMs, see Kolt, *supra* note 45, at 1179 n.5.

184. See Katz, *supra* note 43, at 949–50; Scholz, *supra* note 112, at 149–64; Arbel & Becher, *supra* note 11, at 120; Kolt, *supra* note 34, at 121–22; Selbst & Barocas, *supra* note 33, at 1089–99.

185. See *supra* notes 44–46 and accompanying text.

186. See Katz, *supra* note 43, at 949–50; Scholz, *supra* note 112, at 149–64; Arbel & Becher, *supra* note 11, at 120; Kolt, *supra* note 34, at 121; Selbst & Barocas, *supra* note 33, at 1089–99.

187. See Katz, *supra* note 43, at 949–50; Scholz, *supra* note 112, at 149–64; Arbel & Becher, *supra* note 11, at 120; Kolt, *supra* note 34, at 121; Selbst & Barocas, *supra* note 33, at 1089–99.

188. Selbst & Barocas, *supra* note 33, at 1089–99.

189. *Id.* at 1110–15.

190. See Arbel & Becher, *supra* note 11, at 118–24; Perlman, *supra* note 23.

191. See Chris Stokel-Walker, *Generative AI Is Coming for the Lawyers*, WIRED (Feb. 21, 2023, 10:00 AM), <https://www.wired.com/story/chatgpt-generative-ai-is-coming-for-the-lawyers>.

192. See ECONOMIST, *supra* note 168.

193. *Id.*

does in the context of litigation. AI companies are aware of the risk of hallucination and are developing methods to prevent generative AI models from fabricating results.¹⁹⁴ For example, Harvey, a leading legal AI company, fine-tunes its LLMs on datasets of legal documents which significantly reduces the likelihood of hallucination.¹⁹⁵

Third, statistical AI models can produce biased results that have a disparate impact on members of protected classes such as race and sex.¹⁹⁶ For example, Amazon was heavily criticized in 2016 when it was revealed that the algorithms the company used to determine which neighborhoods were eligible for “same-day” delivery via Amazon Prime had disproportionately excluded Black neighborhoods from eligibility.¹⁹⁷ Algorithmic discrimination often occurs when an AI model identifies biased statistical relationships in its training dataset and then incorporates those relationships into its result-producing system.¹⁹⁸ This has been referred to as the “bias in, bias out” problem.¹⁹⁹ This problem can still occur even when class status data (i.e. a person’s race or sex) are removed from the training dataset because the model can discriminate based on proxy variables that are correlated with class status (such as zip code).²⁰⁰ AI researchers are developing methods to prevent algorithmic discrimination, including techniques to “debias” training datasets, prohibit models from using biased statistical relationships, and adjust discriminatory results.²⁰¹

Fourth, generative AI models are susceptible to a form of interference known as an “adversarial attack.”²⁰² An adversarial attack is an intentional

194. See Stokel-Walker, *supra* note 191.

195. *Id.* (“Gabriel Pereyra, Harvey’s founder and CEO, says that the AI has a number of systems in place to prevent and detect hallucinations. ‘Our systems are finetuned for legal use cases on massive legal datasets which greatly reduces hallucinations compared to existing systems,’ he says.”).

196. Adam Bruckner, *The Promise and Perils of Algorithmic Lenders’ Use of Big Data*, 93 CHI.-KENT L. REV. 3, 3–5, (2018); Mayson, *supra* note 32, at 2218–22; E.R. Prince & Daniel Schwarcz, *Proxy Discrimination in the Age of Artificial Intelligence and Big Data*, 105 IOWA L. REV. 1257, 1257–67 (2020).

197. Bruckner, *supra* note 196, at 3–5.

198. *Id.* at 3; Mayson, *supra* note 32, at 2218–22; Prince & Schwarcz, *supra* note 196, at 1257–67.

199. See Mayson, *supra* note 32, at 2218.

200. This is referred to as “proxy discrimination.” See Prince & Schwarcz, *supra* note 196, at 1257.

201. See Mayson, *supra* note 32, at 2262.

202. See Nicolas Papernot et al., *Practical Black-Box Attacks Against Machine Learning*, in ASIA CCS ’17: PROCEEDINGS OF THE 2017 ACM ASIA CONFERENCE ON COMPUTER AND COMMUNICATIONS SECURITY 506, 506 (2017) (“Machine learning (ML) models, e.g., deep neural

exploitation of an AI model using fraudulent or deceptive inputs to skew outputs.²⁰³ Due to the statistical nature of AI models, adversarial attacks are typically imperceptible to humans.²⁰⁴ For example, adding statistical “noise” to an image of a panda produces an image that looks identical to the human eye, but to an AI model the new image looks like a monkey.²⁰⁵ Professors Yonathan Arbel and Shmuel Becher produced an excellent example of an adversarial attack in the context of an AI model that reads consumer contracts.²⁰⁶ In their example, the adversarial attacker inserts the word “don’t” in tiny one-point font between the words “sellers” and “waive” in a liability provision.²⁰⁷ While the word is not visible to a human, it is visible to a machine, and as a result the model misinterprets the meaning of the clause.²⁰⁸ While adversarial attacks are highly unlikely in consumer-to-consumer contracting, they are a significant concern in business-to-consumer and business-to-business contracting.

In response to the technological risks posed by AI, a subfield within AI research has started to emerge: the field of AI safety.²⁰⁹ AI safety research focuses on mitigating the risks posed by AI and aligning AI systems with prosocial goals.²¹⁰ This type of research used to be limited to universities and other nonprofits.²¹¹ As calls for AI regulation have grown, however, major AI companies have started to take safety seriously.²¹² For example, Open AI held back the release of GPT-4 for six months after it was trained to improve its safety.²¹³

networks (DNNs), are vulnerable to adversarial examples: malicious inputs modified to yield erroneous model outputs, while appearing unmodified to human observers.”); Arbel & Becher, *supra* note 11, at 121–24.

203. See Arbel & Becher, *supra* note 11, at 121.

204. *Id.*

205. *Id.* at 121–22.

206. *Id.* at 123.

207. *Id.*

208. *Id.*

209. For an overview of AI safety research, see Kolt, *supra* note 45, at 1190.

210. *Id.*

211. See, e.g., STAN. CTR. FOR AI SAFETY, <https://aisafety.stanford.edu> [<https://perma.cc/WG3X-4AGR>]; CTR. FOR AI SAFETY, <https://www.safe.ai> [<https://perma.cc/EW6V-RT9S>].

212. See, e.g., *Our Approach to AI Safety*, OPENAI (Apr. 5, 2023), <https://openai.com/blog/Our-Approach-to-AI-Safety>. For a discussion of AI regulation, see *infra* Section IV.C.

213. See *Our Approach to AI Safety*, OPENAI (Apr. 5, 2023), <https://openai.com/blog/Our-Approach-to-AI-Safety>.

B. Privacy and Intellectual Property

As previously discussed, generative AI models are trained on massive amounts of data, typically obtained from the internet.²¹⁴ How these data are obtained, and the types of information contained within, give rise to risks related to privacy, data protection, and intellectual property.

Over the past decade, several major jurisdictions have adopted laws to protect online privacy and regulate how technology companies collect, store, and use data.²¹⁵ The most significant and comprehensive of these laws is the European Union's General Data Protection Regulation ("GDPR").²¹⁶ In addition to GDPR, other major data protection laws include China's Personal Information Protection Law,²¹⁷ the United Kingdom's Data Protection Act,²¹⁸ and California's Consumer Privacy Act.²¹⁹ Privacy regulators around the world have started to take action against developers of generative AI models. For example, Italy's Data Protection Authority temporarily banned ChatGPT in Italy until OpenAI agreed to make changes to the product.²²⁰ The company is also being investigated by regulators in Germany, France, Spain, and Canada.²²¹ Data protection laws are shaping up to potentially be a major hurdle for generative AI companies.

In addition to concerns over general data protection laws, generative AI models that include legal documents in their training datasets face unique challenges related to the confidentiality of client information.²²² Lawyers are prohibited from disclosing confidential client information unless the client consents to the disclosure.²²³ Consequently, generative AI models that are trained on legal documents run the risk of violating this prohibition if those

214. See *supra* notes 43–45 and accompanying text.

215. See Kolt, *supra* note 34, at 127.

216. See Council Regulation 2016/679, 2016 O.J. (L 119) 1.

217. See Ken Dai & Jet Deng, *China's Personal Information Protection Law (PIPL)*, BLOOMBERG L. (Apr. 12, 2022), <https://pro.bloomberglaw.com/insights/privacy/china-personal-information-protection-law-pipl-faqs> [<https://perma.cc/TZX3-G8HX>].

218. See Data Protection Act 2018, c. 12.

219. See CAL CIV. CODE §§ 1798.100–.199.100 (West 2023).

220. See Jess Weatherbed, *OpenAI's Regulatory Troubles Are Only Just Beginning*, VERGE (May 5, 2023, 3:30 AM), <https://www.theverge.com/2023/5/5/23709833/openai-chatgpt-gdpr-ai-regulation-europe-eu-italy> [<https://perma.cc/RMQ8-X6R2>].

221. *Id.*

222. See PRACTICE, *Ethical Prompts*, *supra* note 174; Praful Saklani, *How Generative AI Is Changing the Game for Contract Management Teams*, LEGAL DIVE (May 4, 2023), <https://www.legaldive.com/news/generative-ai-contract-management-teams-clm-pramata/649392> [<https://perma.cc/M9ZE-KSLS>].

223. See MODEL RULES OF PRO. CONDUCT r. 1.6(a) (AM. BAR ASS'N 1983) (“A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent.”).

documents contain client information.²²⁴ One way for AI developers to avoid this problem is to “anonymize” legal documents before including them in the training dataset by removing any personal client information such as names, dates, and transaction values. Leading AI companies are also developing generative AI tools specifically designed for sensitive applications such as law with added security and safety features.²²⁵

Generative AI models also face challenges related to intellectual property infringement.²²⁶ Most models are trained on datasets scraped from the internet that contain copyrighted and trademarked works.²²⁷ Whether AI models infringe on these intellectual property rights remains an unanswered question.²²⁸ There are multiple ongoing cases testing this issue.²²⁹ For example, in *Andersen v. Stability AI Ltd.*, three artists are suing multiple generative AI companies, alleging that the companies infringed on their intellectual property rights by using their works to train AI models without their permission.²³⁰ In a similar case, Getty Images is suing the company that makes the Stable Diffusion AI model for using images from Getty’s photograph collection to train the model.²³¹ These cases will likely turn on whether an AI model is considered a “derivative work” and whether using copyrighted materials to train an AI model constitutes “fair use” under the fair use doctrine.²³² The generative AI industry will suffer a major blow if courts ultimately rule against AI developers in these cases.

C. Regulatory

Generative AI used for legal applications is exposed to regulatory risks related to the unauthorized practice of law as well as growing pressure around the world for governments to directly regulate the development and use of AI.

A key feature of the legal profession is that nonlawyers are not allowed to practice law.²³³ This prohibition against the “unauthorized practice of law”

224. See PRACTICE, *Ethical Prompts*, *supra* note 174; Saklani, *supra* note 222.

225. See Saklani, *supra* note 222.

226. See Appel et al., *supra* note 6.

227. *Id.*

228. *Id.*

229. *Id.*

230. 700 F. Supp. 3d 853, 860 (N.D. Cal. 2023).

231. Complaint at 17, *Getty Images Inc. v. Stability AI Inc.*, No. 23-cv-00135 (D. Del. Feb. 3, 2023).

232. See *id.*; *Andersen*, 700 F. Supp. 3d at 860.

233. See MODEL RULES OF PRO. CONDUCT r. 5.4–5.6 (AM. BAR ASS’N 1983).

raises concerns for AI companies that develop tools designed to automate the provision of legal services.²³⁴ A state bar regulator could reasonably argue that a generative contracting tool that writes consumer contracts based on simple prompts from the user qualifies as a nonlawyer (the AI tool) providing unauthorized legal services. While this may be true, unauthorized practice regulations are unlikely to cause much trouble for AI developers. This is because state bar regulators have largely failed to curtail prior instances of legal automation by nonlawyers.²³⁵ The most direct comparison is the rise of digital form contracts offered by consumer-oriented legal service providers such as LegalZoom. State bar regulators tried multiple times to bring down LegalZoom but were ultimately unsuccessful.²³⁶ If state bar regulators could not stymie LegalZoom, it is unlikely that they will be able to successfully challenge the much larger and better-financed providers of generative AI (OpenAI, Microsoft, Google, etc.).

In response to concerns about AI safety, governments around the world are considering regulating the development and use of AI, including generative AI.²³⁷ Several major jurisdictions are currently weighing proposed AI regulations including the European Union, the United States, China, the United Kingdom, and Canada.²³⁸ The jurisdiction that is the furthest along is the EU.²³⁹ The EU is currently in the process of adopting the EU AI Act, a comprehensive regulatory system for AI.²⁴⁰ Experts anticipate that the AI Act will have a major impact on the AI industry.²⁴¹ The AI Act has two key features. The first is that it takes a risk-based approach to AI regulation in which higher-risk applications of AI are regulated more heavily than lower-risk applications.²⁴² The second is that penalties under the AI Act are calculated as a percentage of a company's global revenue.²⁴³ Consequently, these penalties will be meaningful disincentives for the large technology companies at the forefront of AI development.²⁴⁴ Depending on how legal applications (such as contract automation) are classified from a risk perspective, the AI Act could be a large hurdle for generative AI legal tools.

234. *Id.*; see Kolt, *supra* note 34, at 131–33.

235. See Barton & Rhode, *supra* note 141, at 963.

236. *Id.*

237. See Kolt, *supra* note 45, at 1202–11.

238. *Id.*

239. *Id.* at 1203–06.

240. *Id.*

241. *Id.*

242. *Id.* at 1204.

243. *Id.*

244. See *id.* at 1203–06.

This hurdle could potentially be magnified if other jurisdictions follow in the EU's footsteps.

V. CONCLUSION

This Article examined how consumers can use generative AI to write their own contracts. Using GPT-4, the Article generated drafts of a wide variety of consumer contracts. The resulting contracts were simple, enforceable, and functional. The Article then engaged in a proof-of-concept case study that investigated how consumers might use generative contracts and highlighted the key features of generative contracts for consumers. The Article argued that generative contracts present an opportunity to improve consumers' access to justice. The Article also analyzed the likely impact of generative AI on lawyers and the legal profession as well as technological, privacy, and regulatory risks.

The intersection of generative AI and law opens several opportunities for future research. The first is to examine how generative AI can be used to design long and complex business contracts such as merger agreements and venture financings. The second is to empirically analyze how general LLMs can be fine-tuned for specific legal applications such as contracting. The third is to explore how prompt engineering can be incorporated into the practice of law to improve the performance of generative AI legal tools. Continued research on generative AI is critical to understand its capabilities and risks as it continues to be integrated into the legal profession.

APPENDIX A: CHATGPT PROMPT AND OUTPUT

I want to sell my used car to my friend in California. What kind of contract should we use?



In the case of selling a used car, you'd want to use a Bill of Sale. This document acts as a legal contract between the buyer (your friend) and you (the seller). It will help to protect both parties in the event of future disputes regarding the transaction.

Here are the primary elements you should include in a Bill of Sale:

1. **Detailed Vehicle Information:** This includes the make, model, year, color, VIN (Vehicle Identification Number), and odometer reading of the car.
2. **Sale Information:** This should cover the sale price, the date of sale, and the payment method. If the payment is going to be made in installments, then these details should also be included.
3. **Seller's Information:** Your full name, address, and signature.
4. **Buyer's Information:** Your friend's full name, address, and signature.
5. **Terms of Sale:** Any specific conditions or agreements related to the sale. If the car is being sold "as is", this should be specified here. This generally means the seller isn't responsible for any future issues with the vehicle.
6. **Notarization:** While not required in every state, having the Bill of Sale notarized can add an extra level of security to the transaction.

Please remember, every state has different regulations and requirements. In California, for instance, you are also required to complete a Notice of Transfer and Release of Liability within 5 days of the sale to ensure you are not held responsible for what happens to the car after it is sold. It is recommended that you check with your local Department of Motor Vehicles (DMV) or legal advisor to ensure you have all the required documents and information.

Lastly, always keep a copy of the signed Bill of Sale for your records.

Note: This advice is given based on general practices and may not include every possible legal requirement or consideration. Always consult with a legal expert or relevant authority to understand the full legal implications of selling a used car.

APPENDIX B: SAMPLE CONTRACTS

This Appendix contains the contracts written by GPT-4 and the prompts used to create them.²⁴⁵

*B.1. Employment Agreement***Prompt:**

“Write an employment contract for Small Corp. to employ Alice Apple in California as a Senior Engineer for a salary of \$100,000.”

Contract:**EMPLOYMENT AGREEMENT**

THIS AGREEMENT is made and entered into this 20th day of June, 2023 (the “Effective Date”), by and between Small Corp., a California corporation (the “Company”), and Alice Apple (the “Employee”).

1. POSITION AND DUTIES

Employee will be employed by the Company in the position of Senior Engineer. Employee shall perform such duties as are customarily associated with such position and as may be assigned from time to time by the Company’s Chief Executive Officer.

2. COMPENSATION AND BENEFITS

a. Base Salary: The Company shall pay Employee an annual salary of \$100,000 payable in accordance with the Company’s standard payroll policies.

b. Benefits: Employee will be eligible for the benefits made available by the Company to similarly situated employees, subject to the terms, conditions, and limitations of the Company’s benefit plans.

3. TERM

The employment under this Agreement will begin on the Effective Date and will continue until terminated by either the Employee or the Company.

245. The Article excludes the standard legal disclaimers that accompany ChatGPT responses dealing with legal matters. *See supra* note 129. Otherwise, ChatGPT’s responses are included in full, with minor formatting changes made prior to this Article’s publication.

4. TERMINATION

Either party may terminate this agreement at any time, with or without cause, upon giving the other party reasonable written notice.

5. CONFIDENTIALITY

The Employee agrees to keep all confidential information regarding the Company, its business, and its clients confidential during and after her employment with the Company.

6. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the state of California.

7. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Alice Apple

By: _____

Name: _____

Title: _____

Small Corp.

By: _____

Name: _____

Title: _____

*B.2. Consulting Agreement***Prompt:**

“Write a consulting contract for Small Corp. to hire Alice Apple in California to work as a consultant providing engineering services at a rate of \$200 per hour.”

Contract:**CONSULTING AGREEMENT**

THIS CONSULTING AGREEMENT (the “Agreement”) is entered into on this 20th day of June, 2023 (the “Effective Date”), by and between Alice Brown (the “Consultant”), an individual with her principal place of business at [Consultant’s Address], and Small Corp. (the “Company”), a California corporation with its principal place of business at [Company’s Address].

1. SERVICES AND COMPENSATION

1.1 Consultant agrees to provide engineering services to the Company on an as-needed basis. The services shall be detailed in written Statements of Work which shall be agreed upon and executed by both parties.

1.2 For services rendered by the Consultant under this Agreement, the Company shall compensate the Consultant at a rate of \$200 per hour.

2. TERM AND TERMINATION

This Agreement shall begin on the Effective Date and continue until terminated by either party upon thirty (30) days’ written notice.

3. INDEPENDENT CONTRACTOR

Consultant is an independent contractor, and nothing in this Agreement shall be construed to create an employer-employee relationship between the Company and the Consultant.

4. CONFIDENTIALITY

Consultant agrees to maintain in confidence all proprietary information received from the Company during, and subsequent to, this Agreement.

5. INDEMNIFICATION

Each Party shall indemnify, defend and hold harmless the other Party from any losses incurred as a result of a breach of its representations and warranties under this Agreement.

6. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding its conflicts of law rules.

7. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, representations, and understandings between the Parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

Alice Brown
(Consultant)

Small Corp.
(Company)

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

*B.3. Service Agreement***Prompt:**

“Write a service agreement in California for Alice Apple to provide Bob Brown with monthly gardening and landscaping services at a rate of \$400 per month.”

Contract:**SERVICE AGREEMENT**

THIS SERVICE AGREEMENT (“Agreement”) is entered into this 20th day of June, 2023, by and between Alice Apple, located at [Address], hereinafter referred to as “Contractor,” and Bob Brown, located at [Address], hereinafter referred to as “Client,” collectively referred to as the “Parties.”

1. SERVICES

The Contractor will provide gardening and landscaping services to the Client at the address provided above. Services include but are not limited to plant care, lawn maintenance, pruning, and landscape beautification.

2. PAYMENT TERMS

The Client agrees to pay the Contractor at a rate of \$400 per month for the services provided. Payment is due on the first day of each calendar month. In the event of late payment, a 10% late fee may be added to the monthly service charge.

3. DURATION

This Agreement will commence on July 1, 2023, and continue on a month-to-month basis unless and until either the Contractor or the Client terminate this Agreement with written notice.

4. TERMINATION

Either party may terminate this Agreement with a 30-day written notice. Upon termination, the Client is obligated to pay for all services rendered until the termination date.

5. INDEPENDENT CONTRACTOR

The Contractor is an independent contractor, and nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture, or employment relationship.

6. INSURANCE

The Contractor will maintain at her own expense all necessary insurance coverages, including, without limitation, liability, property, and worker's compensation insurance.

7. GOVERNING LAW

This Agreement will be governed by and construed in accordance with the laws of the state of California.

8. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the Parties relating to the subject matter herein. No modifications of this Agreement shall be valid unless made in writing and signed by both Parties.

IN WITNESS WHEREOF, the Parties hereto have executed this Service Agreement as of the date first above written.

Alice Apple (Contractor)

Bob Brown (Client)

*B.4. Nondisclosure Agreement***Prompt:**

“Write a mutual nondisclosure agreement in California between Alice Apple and Bob Brown for the purpose of sharing information related to a potential business venture.”

Contract:**MUTUAL NONDISCLOSURE AGREEMENT**

THIS AGREEMENT is made this 20th day of June, 2023, by and between Alice Apple (“Party A”) and Bob Brown (“Party B”).

WHEREAS, Party A and Party B wish to explore a potential business venture and in connection with this potential business venture, each party may disclose to the other certain confidential technical and business information which the disclosing party desires the receiving party to treat as confidential.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. DEFINITION OF CONFIDENTIAL INFORMATION

For purposes of this Agreement, “Confidential Information” means any data or information that is proprietary to the Disclosing Party and not generally known to the public, whether in tangible or intangible form, whenever and however disclosed, including, but not limited to: (i) any marketing strategies, plans, financial information, or projections, operations, sales estimates, business plans and performance results relating to the past, present or future business activities of such party, its affiliates, subsidiaries and affiliated companies; (ii) plans for products or services, and customer or supplier lists; (iii) any scientific or technical information, invention, design, process, procedure, formula, improvement, technology or method; (iv) any concepts, reports, data, know-how, works-in-progress, designs, development tools, specifications, computer software, source code, object code, flow charts, databases, inventions, information and trade secrets; and (v) any other information that should reasonably be recognized as confidential information of the Disclosing Party.

2. NONDISCLOSURE OF CONFIDENTIAL INFORMATION:

The parties agree not to disclose the confidential information obtained from the other party to anyone unless required to do so by law.

3. MAINTENANCE OF CONFIDENTIALITY

Each party agrees that it shall take all reasonable steps to ensure that Confidential Information is not disclosed or distributed by its employees or agents in violation of the terms of this Agreement.

4. NO OBLIGATION

Nothing herein shall obligate either party to proceed with any transaction between them, and each party reserves the right, in its sole discretion, to terminate the discussions contemplated by this Agreement concerning the business opportunity.

5. NO WARRANTY

ALL CONFIDENTIAL INFORMATION IS PROVIDED "AS IS." NEITHER PARTY MAKES ANY WARRANTIES, EXPRESS, IMPLIED OR OTHERWISE, REGARDING ITS ACCURACY, COMPLETENESS OR PERFORMANCE.

6. TERM

This Agreement shall govern all communications between the parties that are made from the effective date of this Agreement to any termination date.

7. GOVERNING LAW

This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of California.

8. INJUNCTION

It is agreed that any breach of this Agreement by either party may cause the non-breaching party irreparable harm and that the non-breaching party may obtain injunctive relief in addition to all other remedies available.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Alice Apple

Bob Brown

Date: _____

Date: _____

*B.5. Residential Lease***Prompt:**

“Write a residential lease agreement in California for Bob Brown to lease an apartment owned by Alice Apple located at 1234 Main Street, #1, Anytown, California for a period of one year at a monthly rental rate of \$1,500.”

Contract:**RESIDENTIAL LEASE AGREEMENT**

THIS RESIDENTIAL LEASE AGREEMENT is made and entered into this 20th day of June, 2023, by and between Alice Apple, hereinafter referred to as “Landlord,” and Bob Brown, hereinafter referred to as “Tenant(s).”

1. PREMISES

Landlord rents to Tenant and Tenant rents from Landlord the premises located at 1234 Main Street, #1, Anytown, California (the “Premises”). The premises will be used for residential purposes only.

2. TERM

The initial term of this Lease will start on July 1, 2023, and will terminate on June 30, 2024. Thereafter, the Lease will continue on a month-to-month basis until either Landlord or Tenant terminate this Lease with written notice.

3. RENT

Tenant agrees to pay Landlord as base rent the sum of \$1,500 per month, due on the 1st day of each calendar month.

4. SECURITY DEPOSIT

Upon the due execution of this Agreement, Tenant will deposit with Landlord the sum of \$1,500 as security for any damage caused to the Premises during the term hereof.

5. REPAIR AND MAINTENANCE

Tenant will keep the Premises in clean, sanitary, and good condition.

6. INSURANCE

Tenant is responsible for having sufficient insurance to cover all personal property located on the Premises. Landlord is not responsible for any damage to Tenant’s personal property.

7. QUIET ENJOYMENT

Tenant shall conduct himself, and require other persons on the Premises with Tenant’s consent, to conduct themselves in a manner that will not disturb others’ peaceful enjoyment of the Premises.

8. DEFAULT

If Tenant fails to comply with any of the material provisions of this Lease, or of any present rules and regulations governing the Premises, Landlord may terminate this Lease upon providing proper notice to Tenant.

9. GOVERNING LAW

This Lease shall be governed by and construed in accordance with the laws of the state of California.

LANDLORD:

Alice Apple

_____ Date: _____

TENANT:

Bob Brown

_____ Date: _____

*B.6. Commercial Lease***Prompt:**

“Write a commercial lease agreement in California for Alice Apple to lease retail space to Bob Brown located at 5678 First Avenue, #1, Anytown, California for a period of one year at a monthly rental rate of \$2,000.”

Contract:**COMMERCIAL LEASE AGREEMENT**

THIS COMMERCIAL LEASE AGREEMENT (the “Lease”) is entered into on this 20th day of June, 2023, by and between Alice Apple (the “Landlord”) and Bob Brown (the “Tenant”).

1. PREMISES

The Landlord hereby leases to Tenant and Tenant rents from Landlord the premises located at 5678 First Avenue, #1, Anytown, California (the “Premises”). The Premises will be used for retail purposes.

2. TERM

The initial term of this Lease will begin on July 1, 2023, and will end on June 30, 2024, unless sooner terminated as provided in this Lease.

3. RENT

The Tenant agrees to pay to the Landlord during the Initial Term rent of \$2,000 per month. The first month’s rent is due and payable upon execution of this Lease. Thereafter, the rent is due and payable on the 1st day of each calendar month.

4. SECURITY DEPOSIT

Upon execution of this Lease, Tenant will deposit with Landlord the sum of \$2,000 as security for Tenant’s faithful performance of its obligations under this Lease.

5. USE OF PREMISES

The Premises will be used for commercial retail purposes and for no other purpose without the prior written consent of the Landlord.

6. MAINTENANCE AND REPAIR

Tenant will keep the Premises in good condition and repair.

7. INSURANCE

Tenant will maintain at its expense a policy of comprehensive general liability insurance with minimum coverage as may be reasonably required by Landlord.

8. COMPLIANCE WITH LAW

Tenant will comply with all laws, rules, ordinances, statutes, orders, and regulations of all governmental entities with respect to its use of the Premises.

9. DEFAULT

If Tenant fails to comply with any of the material provisions of this Lease, or of any present rules and regulations governing the use of the Premises, Landlord may terminate this Lease upon providing appropriate notice to Tenant.

10. GOVERNING LAW

This Lease will be governed by and construed in accordance with the laws of the state of California.

LANDLORD:

Alice Apple

_____ Date: _____

TENANT:

Bob Brown

_____ Date: _____

*B.7. Supply Agreement***Prompt:**

“Write a contract in California for Bob’s Grocery LLC to purchase all the avocados it requires each week from Alice’s Avocados LLC for \$0.10 per pound up to a maximum of 1,000 pounds per week.”

Contract:**AVOCADO SUPPLY AGREEMENT**

THIS AGREEMENT (the “Agreement”), effective this ___ day of ___, 2023, is entered into by and between Bob’s Grocery LLC, a California limited liability company, located at _____ (“Buyer”), and Alice’s Avocados LLC, a California limited liability company, located at _____ (“Seller”).

WHEREAS, Buyer is engaged in the business of retail grocery services;

WHEREAS, Seller is engaged in the business of growing and selling avocados;

WHEREAS, Buyer wishes to purchase, and Seller wishes to supply, avocados on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. PURCHASE AND SALE

Subject to the terms and conditions of this Agreement, during the Term (as defined below), Buyer will purchase from Seller, and Seller will supply to Buyer, Buyer’s entire requirement of avocados up to a maximum of 1,000 pounds per week at the rate of \$0.10 per pound.

2. TERMS OF PAYMENT

Payment for the avocados delivered under this Agreement shall be made by the Buyer within 30 days of receipt of the Seller’s invoice.

3. DELIVERY

Seller shall deliver the avocados to Buyer’s location as specified by the Buyer. The costs of transportation and delivery shall be borne by the Seller.

4. TERM AND TERMINATION

4.1 The term of this Agreement will commence on the Effective Date and will continue until terminated by either party upon 30 days written notice.

5. QUALITY AND INSPECTION

5.1 The avocados supplied under this Agreement shall be of the variety, size, and quality most generally marketed in the area. The Buyer reserves the right to inspect the avocados upon delivery and, if they are not of satisfactory quality, to reject them.

6. GOVERNING LAW AND JURISDICTION

6.1 This Agreement shall be governed by and construed in accordance with the laws of the State of California, USA.

The Parties have executed this Agreement as of the Effective Date.

Buyer:

Bob's Grocery LLC

By: _____

Name: _____

Title: _____

Seller:

Alice's Avocados LLC

By: _____

Name: _____

Title: _____

*B.8. Partnership Agreement***Prompt:**

“Write a partnership agreement in California between Alice Apple and Bob Brown to form a consulting partnership named ‘A&B Consulting’ in which Alice owns 50% of the partnership and Bob owns 50% of the partnership.”

Contract:**PARTNERSHIP AGREEMENT**

THIS AGREEMENT, dated this 20th day of June, 2023, by and between Alice Apple, hereinafter referred to as “Apple,” and Bob Brown, hereinafter referred to as “Brown.”

RECITALS

The parties to this Agreement, being duly competent and able to contract, desire to establish a partnership under the laws of the State of California and set forth in writing the terms and conditions of their association.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. NAME AND BUSINESS OF THE PARTNERSHIP

The partnership shall be conducted under the name and style of “A&B Consulting.” The principal place of business shall be within the State of California, but the partners may conduct business in any location, as mutually agreed.

2. PURPOSE

The purpose of this Partnership is to engage in and conduct the business of consulting.

3. TERM

The partnership shall begin on the date hereof and shall continue until terminated as herein provided.

4. CAPITAL CONTRIBUTIONS

Apple and Brown each shall contribute to the capital of the Partnership in equal shares.

5. PROFIT AND LOSS

Net profits and losses shall be divided equally between the partners.

6. MANAGEMENT AND CONTROL

Management and control of the Partnership shall be equally shared between the partners, and each partner shall have equal voting rights on all matters relating to the Partnership's business.

7. DISSOLUTION

The partnership may be dissolved at any time by agreement of the partners, in which event the partners shall proceed with reasonable promptness to liquidate the business of the partnership. The partnership name shall be sold with the other assets of the business. The assets of the partnership business shall be used and distributed in the following order:

- (a) to pay or provide for the payment of all partnership liabilities and liquidating expenses and obligations;
- (b) to equalize the income accounts of the partners;
- (c) to discharge the balance of the income accounts of the partners;
- (d) to equalize the capital accounts of the partners; and
- (e) to discharge the balance of the capital accounts of the partners.

8. BINDING EFFECT

This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, legal representatives, successors and assigns as permitted by this Agreement.

This Agreement is made under and shall be construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the partners have executed this Agreement as of the date first above written.

Alice Apple

Bob Brown

*B.9. Limited Partnership Agreement***Prompt:**

“Write a limited partnership agreement in California for the limited partnership named ‘ABC LP’ with Alice Apple and Bob Brown as limited partners and Carl Clark as general partner. Each party owns 1/3 of the limited partnership.”

Contract:**LIMITED PARTNERSHIP AGREEMENT**

THIS LIMITED PARTNERSHIP AGREEMENT (the “Agreement”) is entered into effective this 20th day of June, 2023 by and between Alice Apple, Bob Brown (collectively, the “Limited Partners”), and Carl Clark, as general partner (the “General Partner”). Together, the Limited Partners and the General Partner are referred to as the “Partners.”

1. FORMATION OF LIMITED PARTERSHIP

1.1 The Partners hereby form a limited partnership (the “Partnership”) pursuant to the provisions of the California Uniform Limited Partnership Act (the “Act”).

1.2 The name of the Partnership shall be “ABC LP.”

2. PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Partnership shall be such place as the General Partner may from time to time designate.

3. PURPOSE OF THE PARTNERSHIP

The purpose of the Partnership is to engage in any lawful act or activity for which a limited partnership may be organized under the Act.

4. TERM

The term of the Partnership shall commence on the date of this Agreement and shall continue until terminated as provided herein.

5. CAPITAL CONTRIBUTIONS

The Partners have contributed capital to the Partnership in equal proportions. Each Partner’s capital account shall be credited with an amount equal to the capital contributed by such Partner.

6. DISTRIBUTION

6.1 Profits and losses of the Partnership shall be allocated among the Partners in proportion to their respective interests in the Partnership.

6.2 Distributions of cash or other assets of the Partnership shall be made to the Partners in proportion to their respective interests in the Partnership.

7. MANAGEMENT

The General Partner shall have full, exclusive and complete authority and discretion in the management and control of the Partnership for the purposes herein stated.

8. TRANSFER OF INTEREST

No Partner shall assign, mortgage, pledge, or otherwise transfer any interest in the Partnership without the prior written consent of the other Partners.

9. DISSOLUTION

The Partnership shall be dissolved upon the happening of any event of dissolution as set forth in the Act.

10. AMENDMENTS

This Agreement may be amended only by a written agreement executed by all Partners.

This Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, executors, administrators, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the Partners have executed this Limited Partnership Agreement as of the date first above written.

Alice Apple, Limited Partner

Bob Brown, Limited Partner

Carl Clark, General Partner

*B.10. LLC Operating Agreement***Prompt:**

“Write an LLC operating agreement in California between Alice Apple and Bob Brown for the LLC named ‘A&B LLC’ in which Alice owns 50% of the business and Bob owns 50% of the business.”

Contract:**OPERATING AGREEMENT OF A&B LLC**

THIS OPERATING AGREEMENT (the “Agreement”) is made effective this 20th day of June, 2023, by and between Alice Apple and Bob Brown, hereinafter collectively referred to as the “Members,” for the formation of A&B LLC, a California Limited Liability Company (the “Company”).

ARTICLE I. FORMATION

1.1 Formation. The Members hereby form a Limited Liability Company (“LLC”) subject to the provisions of the California Revised Uniform Limited Liability Company Act.

1.2 Name. The name of the LLC is A&B LLC.

1.3 Principal Place of Business. The principal place of business shall be decided mutually by the Members.

ARTICLE II. DEFINITIONS

2.1 Member. A Member is an owner of the Company. Members will contribute capital and own Membership Interests in the form of Units.

2.2 Units. Units represent the Member’s rights to profits and losses and rights to distributions of Company assets.

ARTICLE III. CAPITAL CONTRIBUTIONS

3.1 Initial Contributions. Alice Apple and Bob Brown have each contributed Fifty Percent (50%) of the initial capital required to commence operations of the Company. Each member’s capital account will be increased by any additional capital contributions made and decreased by any distributions to the Member.

ARTICLE IV. MEMBERSHIP INTEREST

4.1 Ownership Interest. Alice Apple and Bob Brown each hold 50% Membership Interest in the Company.

ARTICLE V. MANAGEMENT AND VOTING

5.1 Management. The Company will be managed by its Members.

5.2 Voting. All decisions regarding the management of the Company will be made by Majority Vote of the Members. Each Member shall have voting rights in proportion to their respective Membership Interests.

ARTICLE VI. PROFITS AND LOSSES

6.1 Allocation. Profits and losses will be allocated to the Members in proportion to their Membership Interests.

ARTICLE VII. DISTRIBUTIONS

7.1 Distributions. Distributions of cash or other assets of the Company shall be made to the Members in proportion to their respective Membership Interests.

ARTICLE VIII. DISSOLUTION

8.1 Dissolution. The Company will be dissolved upon the agreement of the Majority of Members.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, legal representatives, successors and assigns.

Members:

Alice Apple

Bob Brown

*B.11. Software Licensing Agreement***Prompt:**

“Write a software licensing agreement in California between Alice Apple and Small Corp. in which Alice licenses to Small Corp. the rights to use a set of software packages copyrighted by Alice (listed in Exhibit A to the contract) for a period of one-year for \$1,500.”

Contract:**SOFTWARE LICENSING AGREEMENT**

THIS AGREEMENT is made and entered into this 20th day of June, 2023, by and between Alice Apple, an individual with an address of [insert address], (hereinafter “Licensor”), and Small Corp., a California corporation with its principal place of business at [insert address] (hereinafter “Licensee”).

RECITALS

WHEREAS, Licensor is the owner of certain software, as more particularly described in Exhibit A attached hereto (the “Software”); and

WHEREAS, Licensee desires to obtain, and Licensor is willing to grant, a license to use the Software, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. LICENSE GRANT

Licensor hereby grants to Licensee, and Licensee hereby accepts, a non-exclusive, non-transferable right and license to use the Software for a period of one (1) year, commencing on the Effective Date, subject to the terms and conditions of this Agreement.

2. CONSIDERATION

In consideration for the license grant described in this Agreement, Licensee shall pay Licensor a one-time license fee of \$1,500.00, payable upon execution of this Agreement.

3. RESTRICTIONS

Licensee shall not (i) modify, translate, or create derivative works based on the Software; (ii) circumvent any user limits or other timing or use restrictions

that are built into the Software; (iii) resell, sublicense, rent, lease, or lend the Software; or (iv) reverse engineer, decompile, or disassemble the Software, except to the extent expressly permitted by applicable law.

4. OWNERSHIP

Licensor retains all right, title, and interest in and to the Software, including all related intellectual property rights. The Software is protected by applicable intellectual property laws, including United States copyright law and international treaties.

5. WARRANTY AND DISCLAIMER

Licensor warrants that it has the right and authority to grant the rights granted in this Agreement. Except as expressly provided in this Agreement, the Software is provided “AS IS,” and Licensor disclaims any and all other warranties, whether express, implied, or statutory, including, without limitation, any implied warranties of merchantability, fitness for a particular purpose, title, and non-infringement.

6. TERM AND TERMINATION

This Agreement is effective as of the Effective Date and shall continue for a period of one (1) year. Upon termination of this Agreement, Licensee shall cease all use of the Software and delete all copies of the Software.

7. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflict of laws principles.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Alice Apple, Licensor

Small Corp., Licensee

EXHIBIT A—SOFTWARE

[List of Software Packages]

The terms and conditions of this Exhibit are incorporated into the Agreement by this reference.

*B.12. Terms of Service Agreement***Prompt:**

“Write a terms of service agreement for a mobile application called ‘Fun App’ produced by a California LLC called ‘Fun App LLC.’”

Contract:**FUN APP LLC MOBILE APPLICATION TERMS OF SERVICE****1. INTRODUCTION**

These Terms of Service (“Terms”) govern your use of the mobile application Fun App (“App”) provided by Fun App LLC, a California Limited Liability Company (“we,” “us,” or “our”). By accessing and using the App, you (“you” or “User”) are agreeing to these Terms. If you do not agree to these Terms, you must refrain from using the App.

2. CHANGES TO THESE TERMS

We reserve the right to modify these Terms at any time. We will inform you of any changes by posting the new Terms on this page and updating the “last updated” date at the top of this page. Your continued use of the App following any changes constitutes acceptance of those changes.

3. PRIVACY

Our Privacy Policy describes how we handle the information you provide to us when you use our App. You understand that through your use of the App you consent to the collection and use of this information as set forth in the Privacy Policy.

4. LICENSE GRANT

Subject to your compliance with these Terms, we grant you a limited, non-exclusive, non-transferable, non-sublicensable license to download, install, and use the App for your personal, non-commercial use on a mobile device owned or otherwise controlled by you (“Device”).

5. USER RESPONSIBILITIES

You are responsible for all activity that occurs via your Device, whether or not you were aware of or intended such activities. You may not use the App for any illegal purpose or in violation of any laws or regulations. You may not distribute or make the App available over a network where it could be used by multiple devices at the same time.

6. CONTENT

You agree that all information, data, text, software, music, sound, photographs, graphics, video, messages, tags, or other materials (“Content”), whether publicly posted or privately transmitted, are the sole responsibility of the person from whom such Content originated.

7. INTELLECTUAL PROPERTY

The App, including all software, design, text, images, photographs, illustrations, audio clips, video clips, artwork, graphic material, or other copyrightable elements, and the selection and arrangements thereof, and trademarks, service marks and trade names (the “Material”) are the property of Fun App LLC and/or its subsidiaries, affiliates, assigns, licensors or other respective owners, and are protected, without limitation, pursuant to U.S. and foreign copyright and trademark laws.

8. TERMINATION

We may terminate your access to and use of the App, at our sole discretion, at any time and without notice to you. Upon any termination, discontinuation, or cancellation of Services, all provisions of these Terms which by their nature should survive will survive, including, without limitation, ownership provisions, warranty disclaimers, limitations of liability, and dispute resolution provisions.

9. WARRANTY DISCLAIMER

THE APP, ITS CONTENT, AND ITS SERVICES ARE PROVIDED “AS IS,” WITHOUT WARRANTY OF ANY KIND. WITHOUT LIMITING THE FOREGOING, WE EXPLICITLY DISCLAIM ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, QUIET ENJOYMENT, OR NON-INFRINGEMENT, AND ANY WARRANTIES ARISING OUT OF COURSE OF DEALING OR USAGE OF TRADE.

10. LIMITATION OF LIABILITY

To the maximum extent permitted by law, Fun App LLC shall not be liable for any indirect, incidental, special, consequential, or punitive damages, or any loss of profits or revenues, whether incurred directly or indirectly, or any loss of data, use, goodwill, or other intangible losses resulting from your access to, use of, or inability to access or use the App.

11. GOVERNING LAW

These Terms will be governed by and construed in accordance with the laws of the State of California, without regard to or application of conflicts of law rules or principles.

12. DISPUTE RESOLUTION

Any dispute arising from these Terms or your use of the App will be settled in the state or federal courts of California, and you agree to personal jurisdiction in those courts.

13. CONTACT

If you have any questions about these Terms, please contact Fun App LLC at [Insert Contact Information].

By using the Fun App, you acknowledge that you have read these Terms, understand them, and agree to be bound by their terms and conditions.

Last updated: June 20, 2023

B.13. Bill of Sale

The contract below is the final version of the bill of sale generated by the parties in the case study described in Section II.B:

BILL OF SALE

THIS BILL OF SALE (“Agreement”) made this 21st day of June, 2023, by and between:

Seller: Alice Apple
Address: 1234 Main Street, Anytown, California

AND

Buyer: Bob Brown
Address: 5678 First Avenue, Anytown, California

1. DESCRIPTION OF VEHICLE

Make: Honda
Model: Civic
Year: 2014
Color: Grey
VIN: 1234ABCD
Odometer Reading: 100,000 miles

2. TERMS OF SALE

Delivery: The Seller will deliver the Vehicle and properly endorsed certificate of title to the Buyer upon signing of this Agreement.

Purchase Price: The Buyer will pay to the Seller the total amount of Five Thousand Dollars (\$5,000). The Buyer has ten (10) days from the date of receiving the Vehicle to complete the payment in full.

3. LIMITED WARRANTY

The Seller hereby provides a limited warranty to the Buyer. The Seller guarantees that for a period of thirty (30) days from the date of sale, the Vehicle will be free from mechanical defects that are not disclosed at the time of sale. Should any such undisclosed mechanical defects arise during this period, the Seller agrees to pay for the cost of repairs up to a maximum of One Thousand Dollars (\$1,000). This guarantee does not extend to any defects that are disclosed prior to sale, cosmetic defects, normal wear and tear, or to any problems that arise due to misuse or failure to maintain the Vehicle on the part of the Buyer.

4. GOVERNING LAW

This Agreement is to be governed by and construed in accordance with the laws of the state of California.

5. ACKNOWLEDGEMENT OF RECEIPT

Each party acknowledges receipt of a completed copy of this Agreement.

SELLER:

Alice Apple

Signature: _____

Date: _____

BUYER:

Bob Brown

Signature: _____

Date: _____