
WHO IS THE CONTRACTING PARTY WHEN AI ACTS FOR A COMPANY? AGENCY, AUTHORITY AND LIABILITY IN AI-ASSISTED CONTRACTING

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ABSTRACT

Artificial intelligence is increasingly being incorporated into corporate decision-making and commercial transactions. AI-enabled systems can analyse offers, negotiate contractual terms, communicate with counterparties and, in some circumstances, conclude transactions with limited human intervention. This development raises a fundamental question for contract and company law: *when an artificial intelligence system acts on behalf of a company, whose act is the resulting contractual act?*

Indian law does not presently recognise artificial intelligence as an independent legal person or contracting entity. Nevertheless, the Indian Contract Act, 1872, the Information Technology Act, 2000, and the Companies Act, 2013 contain principles capable of addressing substantial parts of this problem through electronic attribution, agency, actual authority, apparent authority and corporate authorisation. *Section 11 of the Information Technology Act is particularly significant because it expressly addresses electronic records generated by information systems programmed to operate automatically¹.*

Internationally, the UNCITRAL Model Law on Automated Contracting, 2024, adopts a technology-neutral approach and provides specific rules concerning attribution of actions generated by automated systems.²

This article examines *whether India's existing legal framework can determine when an AI-generated contractual act should be attributed to a company*. It argues that AI should ordinarily be treated as a technological instrument through which a company acts, rather than as an independent contracting party. However, the increasing autonomy of AI systems exposes uncertainty concerning the limits of actual authority, apparent authority, unexpected automated outcomes, corporate responsibility and allocation of losses between companies and AI providers. The article proposes a framework based on attribution, defined authority parameters, human

¹Information Technology Act, 2000, §§ 10A, 11 <https://www.indiacode.nic.in/indiacode/home.jsp>

² UNCITRAL, *Model Law on Automated Contracting* (2024), adopted July 11, 2024. <https://uncitral.un.org/en/mlac>

oversight for significant transactions, auditability and contractual allocation of technological risk.

Keywords: Artificial Intelligence, Automated Contracting, Agency, Actual Authority, Apparent Authority, Corporate Authority, Electronic Contracts, Contract Law, Company Law, UNCITRAL.

I. INTRODUCTION

Contract law has traditionally assumed that contractual decisions are made by identifiable human actors. A director, employee, authorised representative or agent communicates an offer or acceptance and thereby creates legal consequences for the principal.

The emergence of artificial intelligence (AI) is challenging this assumption. Modern corporate systems can perform commercial tasks with increasingly limited human intervention. An AI-enabled procurement system may compare suppliers, negotiate prices and place an order. A trading system may execute transactions according to predefined or dynamically generated parameters. A corporate chatbot may communicate contractual terms to customers. An automated platform may accept or reject transactions without an employee reviewing each individual communication.

The legal question arising from these developments is not simply whether a contract formed electronically is valid. Indian law has already moved beyond paper-based contracting. *Section 10A of the Information Technology Act, 2000 ("IT Act")* recognises contracts formed through electronic means, while Section 11 addresses attribution of electronic records to an originator, including records generated by an information system programmed to operate automatically.³ The Indian legal framework therefore does not require every contractual communication to originate directly from a human hand.

The more difficult question is one of attribution: *when an AI system independently produces a contractual communication, should that communication legally be treated as the act of the company that deployed it?*

The problem becomes particularly significant where the AI acts outside an internally defined limit. Consider a company that authorises an AI procurement system to purchase goods up to ₹10 lakh per transaction. Because of an error in the system's interpretation of market data, it

³ Information Technology Act, 2000, §§ 10A–11.

accepts a transaction worth ₹20 lakh. The counterparty has no knowledge of the internal limit. The company subsequently argues that the AI exceeded its authority and therefore that no binding contract exists.

Three distinct legal questions arise. *First*, was the AI-generated communication attributable to the company? *Second*, did the AI act within the actual authority conferred upon it? *Third*, if actual authority was absent, did the company's conduct create an appearance of authority upon which the third party was entitled to rely?

These questions can largely be approached through existing doctrines of agency and corporate authority. *Section 182 of the Indian Contract Act, 1872* defines an agent and principal, while *Sections 186–188* address the creation and extent of authority. *Sections 226–228* regulate the consequences of contracts made through agents and situations in which an agent exceeds authority. *Section 237* addresses circumstances in which the principal's conduct induces a third party to believe that an agent's unauthorised act was authorised.⁴

This article argues that *AI should not ordinarily be treated as an independent legal person or contracting party*. Instead, the legal system should determine *whether the AI-generated act is attributable to the company through existing principles of electronic attribution, agency and corporate authority*. The fact that a machine produced the contractual communication should not, by itself, determine the existence or absence of contractual liability.

Recent scholarship has also begun to examine the application of traditional contract and agency principles to AI-assisted contracting. Hemant Mudhe, for instance, examines AI as a contracting agent under Indian law, particularly in relation to consent, agency and contractual liability.⁵ However, the position becomes more complex when an AI system is deployed by a company and operates within a corporate decision-making structure. This article therefore focuses specifically on the attribution of AI-assisted contractual acts to companies, the operation of actual and apparent authority, and the allocation of liability where an AI system acts beyond the authority contemplated by the company.

At the same time, traditional agency rules require adaptation. Unlike a human employee, an AI

⁴ Indian Contract Act, 1872, §§ 182, 186–188, 226–228, 237.

⁵Hemant Mudhe, *Artificial Intelligence as a Contracting Agent: Liability, Consent, and the Future of Contract Law in India* (June 22, 2026) (working paper), SSRN <https://doi.org/10.2139/ssrn.7077958>.

system may generate an output that was not specifically contemplated by the person who deployed it. Its behaviour may result from training data, system architecture, instructions, external data, integration with other software or emergent interactions. Consequently, the law must distinguish between unexpected conduct, unauthorised conduct, and fraudulent or manipulated conduct.

The 2024 *UNCITRAL Model Law on Automated Contracting* (“MLAC”) provides a useful comparative framework. Adopted on 11 July 2024, the MLAC seeks to facilitate automated contracting, including through AI, while maintaining the principles of technology neutrality and party autonomy.⁶ Its attribution provisions provide a valuable basis for considering how Indian law could respond to increasing automation.

The central argument of this article is therefore that the appropriate legal response is not to confer legal personality upon AI, but to develop a clearer *corporate attribution framework* identifying when an AI-generated act constitutes the company's act and how the resulting risk should subsequently be allocated.

II. UNDERSTANDING AI-ASSISTED CONTRACTING

AI-assisted contracting should be distinguished from ordinary electronic contracting. Electronic contracting merely changes the medium through which parties communicate. An offer may be sent by email rather than letter, and an acceptance may be communicated through an online platform rather than a physical document. The underlying decision remains substantially human.

Automated contracting goes further. An automated system may generate or process communications without a human making an individual decision at each stage. UNCITRAL describes automated contracting as the use of automated systems to generate or process data messages connected with the formation or performance of contracts.⁷ It recognises that such systems may increasingly operate with reduced human involvement and that AI may introduce more complex decision-making processes than earlier forms of automation. AI-assisted contracting may therefore exist along a spectrum.

⁶ UNCITRAL, *Model Law on Automated Contracting* (2024), adopted July 11, 2024.

⁷ UNCITRAL, *Model Law on Automated Contracting with Guide to Enactment*, paras. 8–10.

At one end is human-supervised AI, where the system drafts contractual language or recommends a transaction but a human approves the final action. At the other end is highly automated contracting, where the system can independently negotiate and conclude transactions within predetermined parameters. This distinction matters because the legal question of authority becomes more difficult as human involvement decreases.

Where a company employee reviews and approves an AI-generated contract, there is little difficulty in identifying the human act of acceptance.

The AI is essentially a drafting or decision-support tool. Where an AI system independently sends an acceptance to a counterparty, however, the company cannot rely solely upon the traditional model of human assent. The legal system must determine whether the company's prior deployment and configuration of the system constitute sufficient authorisation for the resulting communication.

The solution should not be to treat AI as possessing its own contractual intention. AI lacks independent legal personality under Indian law. The relevant legal relationship remains between the company and the third party. The AI is the mechanism through which the company's commercial activity is conducted.

This approach is consistent with the technology-neutral philosophy reflected in the MLAC. UNCITRAL does not attempt to create a separate legal status for AI⁸. Instead, it provides rules enabling legal systems to recognise automated contracting while preserving existing substantive contract law.

The conceptual shift is therefore from asking “*Did the AI intend to contract?*” to asking “*Whose legal act is the AI-generated communication?*”

Recent scholarship on autonomous contracting similarly suggests that the emergence of autonomous AI does not necessarily require the creation of a separate legal regime, but instead raises questions concerning attribution, contractual validity and the consequences of unexpected outputs. However, these difficulties do not necessarily require the creation of a separate legal regime for AI contracting.⁹

⁸ UNCITRAL, *Model Law on Automated Contracting* (2024).<https://uncitral.un.org/en/mlac>

⁹ Xiaoshui Zhai, *Autonomous Systems: How Should Contract Law Treat Such Autonomy?*, Information &

III. THE INDIAN LEGAL FOUNDATION: ELECTRONIC CONTRACTING AND ATTRIBUTION

A. Section 10A of the Information Technology Act

The first legal foundation is *Section 10A of the IT Act*, which provides that a contract is not rendered unenforceable merely because proposals, acceptances or revocations are expressed in electronic form.¹⁰

The provision is important because it rejects the proposition that contractual validity depends upon physical documentation or direct human communication.

The Supreme Court's decision in *Trimex International FZE Ltd. v. Vedanta Aluminium Ltd.* illustrates this principle. The parties exchanged commercial offers and acceptances through email concerning the supply of bauxite. The Supreme Court recognised the contractual significance of the electronic communications and held that the absence of a traditionally executed physical document did not prevent the formation of a binding agreement where the material terms had been agreed.¹¹

Although *Trimex* did not concern AI, its underlying principle is relevant. *The electronic medium through which assent is communicated does not itself prevent contractual formation.*

The challenge created by AI is therefore not principally a question of whether an electronic communication can constitute acceptance. It is whether the communication can be attributed to the company.

B. Section 11 and Automated Systems

Section 11 of the IT Act is particularly significant. It provides rules for attribution of an electronic record to an originator, including where the record was generated by an information system programmed by or on behalf of the originator to operate automatically.¹²

Communications Technology Law (published online Feb. 12, 2026), <https://doi.org/10.1080/13600834.2026.2624924>

¹⁰ Information Technology Act, 2000, § 10A, India Code, <https://www.indiacode.nic.in/indiacode/home.jsp>

¹¹ *Trimex International FZE Ltd. v. Vedanta Aluminium Ltd.*, (2010) 3 SCC 1.

¹² Information Technology Act, 2000, § 11, India Code, <https://www.indiacode.nic.in/indiacode/home.jsp>

This provision is important because it demonstrates that Indian legislation anticipated situations in which an electronic record could be generated without a person manually creating the particular communication.

The statutory approach is therefore functional rather than anthropocentric. Instead of requiring the originator personally to produce each electronic record, the law can attribute the record to the originator when the automated system operates within the statutory framework.

For AI-assisted contracting, this provides a strong foundation for treating the company as the legal actor. If the company deploys an AI system for commercial contracting and programs or authorises the system to operate automatically, the system's contractual output may be attributable to the company even though no employee manually sent the communication.

However, attribution does not automatically answer every question concerning liability. It establishes a connection between the automated output and the company, but the scope of authority and the consequences of an unexpected output must still be considered.

IV. AGENCY UNDER THE INDIAN CONTRACT ACT

Section 182 defines an agent as a person employed to do an act for another or to represent another in dealings with third persons. The person represented is the principal.¹³ *Sections 186 and 187* recognise express and implied authority, while *Section 188* determines the extent of an agent's authority.¹⁴

At first sight, Section 182 may create a conceptual difficulty because it defines an agent as a “person.” An AI system is not presently recognised as a person in Indian law. This supports the view that AI should not be treated as a statutory agent in the same manner as a human employee.

However, this does not prevent an AI system from functioning as an instrument of agency.

The company can authorise a human employee to conduct a particular class of transactions and that employee can deploy an automated system to execute those transactions. The legal agency relationship remains between the principal and the human or corporate structure exercising

¹³ Indian Contract Act, 1872, § 182, India Code, <https://www.indiacode.nic.in/>

¹⁴ Indian Contract Act, 1872, §§ 186–188, India Code, <https://www.indiacode.nic.in/>

authority; the AI is the technological mechanism through which that authority is operationalised.

This distinction avoids an unnecessary legal fiction. Creating AI personality would raise difficult questions concerning its assets, liabilities, capacity, insolvency, accountability and enforcement. None of these questions is necessary merely to recognise the validity of automated corporate transactions.

A. Actual Authority

Actual authority concerns the authority that the principal has actually conferred upon the agent.

In an AI context, actual authority may be established through:

- Board resolutions;
- employment or delegation arrangements;
- written corporate policies;
- software permissions;
- transaction-value limits;
- system instructions;
- contractual mandates; and
- technical access controls.

For example, if a company authorises an AI procurement system to conclude purchase contracts up to ₹10 lakh, an agreement within that limit would ordinarily fall within the system's authorised function.

The difficulty arises where the AI exceeds the parameter.

Section 227 of the Contract Act addresses situations in which an agent exceeds authority, while *Section 228 deals* with cases where the unauthorised portion cannot be separated from the authorised portion.¹⁵ These provisions demonstrate that an agent's authority is not necessarily

¹⁵ Id. §§ 227–228.

an all-or-nothing concept.

Applied to automated contracting, the relevant inquiry should begin with the company's authorised parameters, rather than with the AI's internal reasoning.

B. Implied Authority

Section 187 recognises implied authority. *Section 188* extends an agent's authority to acts necessary for carrying out the authorised act or business.¹⁶

This becomes important because AI systems may need operational discretion to perform the functions for which they were deployed. If a company authorises an AI procurement system to negotiate and purchase ordinary raw materials, it may be unreasonable to require a separate human authorisation for every minor adjustment in price or quantity. The system's implied operational authority should therefore be assessed in light of the nature of the business, the company's instructions, prior transactions and industry practice.

However, implied authority should not become a mechanism for giving AI unlimited discretion. The existence of implied authority must remain connected to the business and purpose for which the system was deployed.

V. APPARENT AUTHORITY AND THIRD-PARTY RELIANCE

The most difficult issue arises when an AI system exceeds its actual authority but appears to be authorised to the third party.

Section 237 of the Contract Act provides that where a principal, through words or conduct, induces a third person to believe that an agent's unauthorised acts were authorised, the principal may be bound by those acts.¹⁷ The doctrine protects third parties who reasonably rely upon the principal's representation.

The Supreme Court explained the nature of apparent authority in *Harshad J. Shah v. Life Insurance Corporation of India*. The Court distinguished actual authority from apparent authority and recognised that apparent authority arises from a representation attributable to the

¹⁶ Id. §§ 187–188.

¹⁷ Id. § 237

principal and operates primarily in the relationship between the principal and third party.¹⁸

The principle is particularly relevant to AI systems because a company may communicate externally that an AI system is authorised to transact on its behalf.

Suppose a company operates an AI procurement portal through which suppliers regularly receive automated purchase orders. The company does not disclose any internal monetary restriction. A supplier receives an automated order worth ₹15 lakh and reasonably believes that the system is authorised to place such orders.

If the company's internal instructions limited the AI to ₹10 lakh, the company may nevertheless face an argument based on apparent authority. The internal limitation may not automatically defeat a third party's reliance where the company itself created the external appearance of authority.

The Supreme Court's recent decision in *The New India Assurance Co. Ltd. v. M/s Louis Dreyfus Commodities India Pvt. Ltd.* again demonstrates the importance of distinguishing actual and apparent authority. The Court considered whether communications by an employee could bind the principal and reiterated that apparent authority depends upon a manifestation of authority attributable to the principal.¹⁹

The case did not involve AI. Its significance for automated contracting is therefore analogical, not direct. It demonstrates that the legal question of authority depends not merely upon an actor's internal instructions but also upon what the principal represents to the third party.

For AI contracting, the same principle can be formulated as follows:

A company should not ordinarily be permitted to rely upon undisclosed internal restrictions to defeat a transaction where its own conduct reasonably represented the AI system as authorised to transact.

At the same time, apparent authority should not be presumed merely because a system uses a company's name. The third party's reliance, the nature of the transaction, the company's

¹⁸ *Harshad J. Shah v. Life Insurance Corp. of India*, (1997) 5 SCC 64.

¹⁹ *The New India Assurance Co. Ltd. & Ors. v. M/s Louis Dreyfus Commodities India Pvt. Ltd.*, 2026 INSC 876, Civil Appeal Nos. 7687–7688 of 2025 (Aug. 18, 2026).<https://indiankanoon.org/doc/15991644/>

representations and the surrounding circumstances must remain relevant.

VI. WHEN AI ACTS BEYOND ITS AUTHORITY

AI creates a distinctive problem because an unexpected outcome may not result from a deliberate decision to disobey instructions.²⁰

A human employee who intentionally exceeds a transaction limit may understand that the act is unauthorised. An AI system may produce the same result because of:

- erroneous data;
- flawed instructions;
- a software defect;
- model error;
- unexpected interaction between system components;
- manipulation of input data;
- cybersecurity compromise; or
- an unforeseen interpretation of the company's instructions.

Recent scholarship on automated contracting has similarly identified attribution and knowledge as important problems where an algorithm forms a contract without direct human participation. It has been suggested that, in appropriate circumstances, knowledge of the circumstances surrounding an automated transaction may be attributed to the party deploying the system, particularly where constructive rather than actual knowledge is relevant.²¹

The legal consequences should not automatically be identical in every case.

A useful distinction is between unauthorised, unexpected, and fraudulently induced automated conduct. An *unauthorised transaction* occurs where the system acts outside the authority deliberately or technically conferred upon it. An *unexpected transaction* occurs where the system acts within the broad operational framework but produces an outcome that the company

²⁰ UNCITRAL, *Model Law on Automated Contracting with Guide to Enactment*, paras. 72–77.

²¹ *What a Party Knows: Rethinking Knowledge Assessment in Automated Contracting*, 61 Computer Law & Security Review 106336 (2026), <https://doi.org/10.1016/j.clsr.2026.106336>

did not anticipate. A *fraudulently induced* transaction may occur where an external actor manipulates the AI system through malicious inputs or other technological means. The distinction matters because the company's relationship with the third party and its relationship with the AI provider may produce different legal consequences.

UNCITRAL's MLAC recognises this distinction. Its framework contains an attribution rule and a separate rule addressing unexpected outcomes. The Guide explains that attribution and unexpected outcomes are distinct legal questions.²²

This is a particularly valuable approach for India. The fact that an AI system generated an unexpected result should not automatically determine whether the company is bound. Attribution should be considered first. The parties may then invoke applicable contractual doctrines concerning mistake, non-performance, fraud, misrepresentation or other grounds where their requirements are satisfied.

VII. CORPORATE AUTHORITY AND THE COMPANIES ACT, 2013

AI-assisted contracting is not solely a Contract Law problem. It is also a question of corporate authority. A company is a separate legal entity, and its acts are carried out through its directors, officers, employees and authorised representatives. The Companies Act, 2013 establishes important rules concerning corporate authority.

Section 21 provides that contracts made by or on behalf of a company may be signed by key managerial personnel or an officer of the company duly authorised by the Board.²³ *Section 22* similarly addresses execution of bills and other instruments by persons acting under express or implied authority.

Section 179 also recognises the powers of the Board of Directors and permits the Board to exercise and, subject to the statutory framework, delegate certain powers.²⁴

These provisions suggest that AI deployment should itself be treated as a *corporate governance decision*. A company should be able to identify:

²² UNCITRAL, *Model Law on Automated Contracting with Guide to Enactment*, arts. 7–8, paras. 72–77. <https://uncitral.un.org/sites/default/files/2424674e-mlautomatedcontracting-rev1-ebook.pdf>

²³ Companies Act, 2013, § 21.

²⁴ Companies Act, 2013, § 179.

1. who authorised the AI system;
2. the transactions it may execute;
3. the monetary ceiling applicable to it;
4. the persons responsible for supervising it;
5. circumstances requiring human approval; and
6. the procedure for suspending or revoking its authority.

The absence of such governance controls should not necessarily allow a company to deny every transaction generated by the system. Instead, inadequate internal governance should primarily raise questions of responsibility within the company and between the company and its technology provider.

This is consistent with the broader principle that a company cannot necessarily escape external legal consequences merely by pointing to an internal failure of organisation.

VIII. WHO SHOULD BE LIABLE: COMPANY, OFFICER OR AI PROVIDER?

Once an AI-generated transaction is attributed to a company, a separate question arises: *who should ultimately bear the loss?*

The answer should distinguish external contractual liability from internal allocation of responsibility.

A. Liability of the Company to the Third Party

Where the AI system acts within actual authority, the ordinary agency principle should apply. Section 226 provides that contracts entered into through an agent have the same legal consequences as if they had been entered into by the principal itself.²⁵ The company should therefore ordinarily remain responsible for the transaction.

Where apparent authority exists, Section 237 may additionally protect the third party where the

²⁵ Indian Contract Act, 1872, § 226.

company's conduct created the appearance of authority.

B. Responsibility of Directors and Officers

The company's liability should not automatically translate into personal liability of directors or employees. Separate corporate and contractual principles must determine whether an individual officer breached a duty, acted fraudulently, acted negligently, or exceeded the authority delegated to that person.

This distinction is fundamental to corporate personality. Treating every AI-related corporate error as the personal liability of a director would undermine the separate legal identity of the company. At the same time, the deployment of AI cannot become a shield against accountability. Where a director or officer knowingly permits an inadequately controlled system to conduct high-risk transactions, the relevant statutory and fiduciary obligations may become important.

C. Liability of AI Providers

An external AI provider should not automatically become a party to a contract formed between the company and its customer merely because its technology generated the relevant communication. The provider's liability should ordinarily arise from its separate contract with the company.

Commercial agreements with AI providers should therefore expressly address:

- system reliability;
- unauthorised transactions;
- data integrity;
- cybersecurity;
- audit rights;
- notification obligations;
- indemnification;
- limitation of liability;

- service interruptions; and
- termination and emergency suspension.

This contractual allocation is particularly important because AI-related risks cannot always be predicted at the time of contracting.

IX. THE UNCITRAL MODEL LAW ON AUTOMATED CONTRACTING, 2024

The most important comparative development in this area is the UNCITRAL Model Law on Automated Contracting. Adopted on 11 July 2024, the MLAC aims to facilitate automated contracting, including through AI techniques and smart contracts. It builds upon earlier UNCITRAL instruments on electronic commerce and electronic communications.²⁶

Its significance lies in its refusal to treat automation as inherently incompatible with contractual validity.

The MLAC is based upon principles of:

- technology neutrality;
- non-discrimination against electronic means;
- party autonomy; and
- legal recognition of automated contracting.²⁷

A. Attribution

Article 7 is particularly relevant. The Model Law establishes a primary rule based upon procedures agreed by the parties. In the absence of such an agreement, a fallback attribution rule applies.²⁸

This approach is significant because it places emphasis on the relationship between the parties and the automated system, rather than on the supposed intention of the machine. It also encourages businesses using automated contracting to establish contractual rules concerning

²⁶ UNCITRAL, *Model Law on Automated Contracting* (2024), adopted July 11, 2024
<https://uncitral.un.org/en/mlac>

²⁷ <https://uncitral.un.org/en/mlac>

²⁸ UNCITRAL, *Model Law on Automated Contracting with Guide to Enactment*, art. 7 (2024).

attribution. This provides an important lesson for India.

Recent scholarship similarly identifies attribution as a central principle in automated contracting. The attribution-based approach is significant because it shifts the inquiry away from whether the automated system itself possessed contractual intention and towards identifying the party to whom the system's legally relevant output should be attributed.²⁹

Companies using AI systems for commercial transactions should not leave the question of authority entirely to technical design. Contracts with counterparties and AI providers can specify:

- whether automated communications are binding;
- who is authorised to operate the system;
- what transactions require human approval;
- how system errors will be treated; and
- how disputes concerning automated outputs will be resolved.

B. Unexpected Outcomes

The MLAC also recognises that automated systems may produce unexpected outcomes.

The Model Law does not suggest that every unexpected output automatically destroys contractual validity. Instead, it treats unexpected outcomes as a separate issue from attribution.³⁰ This distinction is particularly appropriate for AI systems.

If a company has intentionally deployed an AI system to negotiate contracts, it should not necessarily be able to avoid every transaction simply because the system produced a result that management did not expect.

Conversely, a third party should not receive an unrestricted right to enforce every machine-

²⁹ Kim Hyun-Soo, *Contract Law in the Age of AI—Focusing on the UNCITRAL Model Law on Automated Contracting and the Doctrine of Attribution*, 12(1) Journal of Consumer Law 239–279 (2026), doi:10.22820/jcl.12.1.202602.239.

³⁰ Id. art. 8.<https://uncitral.un.org/sites/default/files/2424674e-mlautomatedcontracting-rev1-ebook.pdf>

generated output regardless of fraud, manipulation, fundamental error or other applicable legal principles. The appropriate approach is therefore structured attribution followed by ordinary substantive contract-law analysis.

X. TOWARDS AN INDIAN FRAMEWORK FOR AI-ASSISTED CORPORATE CONTRACTING

India does not necessarily need to create a new category of legal personality for AI. The existing legal framework can be developed through statutory clarification, contractual practice and corporate governance.

1. A Statutory Attribution Rule for AI-Assisted Contracting

Section 11 of the IT Act already provides an important foundation for automated electronic records.³¹ Parliament could clarify that the attribution framework expressly covers AI systems capable of autonomous or semi-autonomous contractual action.

The objective should be to identify the person or entity legally connected to the system rather than to confer legal personality upon the system itself.

2. Defined Authority Parameters

Companies deploying AI for contracting should establish written authority parameters.

These should include:

- maximum transaction values;
- approved categories of contracts;
- authorised counterparties;
- geographical restrictions;
- prohibited contractual terms; and

³¹ Information Technology Act, 2000, § 11.

- mandatory escalation circumstances.

The parameters should be capable of being demonstrated through an audit trail.

3. Human Approval for High-Risk Transactions

Not every transaction requires human intervention. Routine low-value procurement may safely be automated where adequate controls exist.

However, transactions involving substantial corporate assets, guarantees, mergers and acquisitions, transfer of intellectual property, related-party transactions or unusually long-term obligations should ordinarily require designated

human approval. The purpose is not to prevent automation but to establish a risk-based division between automated and human decision-making.

4. Mandatory Audit Trails

AI systems used for contracting should preserve records showing:

- the instruction supplied to the system;
- the authority under which it operated;
- the relevant data relied upon;
- the output generated;
- the time of communication;
- any human intervention; and
- the identity of the system administrator.

Such records would become particularly important in litigation concerning whether a contract was authorised.

5. Disclosure to Contracting Parties

Where appropriate, companies should consider informing counterparties that they are dealing with an automated contracting system.

Disclosure would not necessarily mean that every automated contract becomes subject to a separate legal regime. Rather, it could help establish the expectations of the parties and reduce disputes concerning apparent authority.³²

6. Contractual Allocation of AI Risk

Contracts between companies and AI providers should expressly allocate responsibility for:

- system malfunction;
- unauthorised outputs;
- cybersecurity incidents;
- data poisoning;
- third-party claims;
- intellectual property issues; and
- regulatory non-compliance.

The contractual allocation of risk is consistent with the principle of party autonomy reflected in the UNCITRAL framework.

7. Distinguishing Internal Restrictions from External Authority

Perhaps the most important rule should be that a company's internal restrictions should not automatically defeat the rights of an innocent third party.

Where a company has externally represented that an AI system has authority to conclude a category of transactions, a secret internal restriction should not necessarily protect the company from the consequences of its own representation. At the same time, third parties should not be permitted to exploit obviously abnormal AI behaviour where the circumstances provide reason to doubt authority.

The doctrine of apparent authority can therefore continue to perform its traditional protective function, but its application must be adapted to the technological context.

³² UNCITRAL, *Model Law on Automated Contracting* (2024).<https://uncitral.un.org/en/mlac>

XI. RETHINKING THE “AI AS AGENT” DEBATE

Much discussion surrounding AI contracting asks *whether AI should legally be treated as an agent*. The question may be framed incorrectly.

The statutory concept of agency under *Section 182* presupposes a “person.” AI is not presently recognised as such under Indian contract or company law.³³ Attempting to force AI into this category may create more problems than it solves. The more useful approach is to distinguish *legal agency* from *technical agency*.

Technically, an AI system may act “on behalf of” a company by performing tasks that would otherwise be performed by employees or agents. Legally, however, the relevant agency relationship remains between the company and the human or corporate structures responsible for authorising the transaction.

This distinction provides three advantages.

First, it preserves the established principle of corporate personality.

Second, it avoids granting AI an artificial legal status merely because technology has become capable of autonomous decision-making.

Third, it allows courts to apply established doctrines of authority, attribution, mistake, fraud and contractual liability without creating an entirely separate body of AI contract law.

The legal system therefore need not answer the philosophical question of whether AI can possess intention before answering the practical question of whether a company is bound by an AI-generated transaction.

XII. CONCLUSION

The emergence of AI-assisted contracting does not necessarily require a complete reconstruction of Indian contract law. The more immediate challenge is to apply existing doctrines to a new technological method of contracting.

³³ Indian Contract Act, 1872, § 182.

The Indian legal framework already recognises electronic contracting *under Section 10A of the IT Act* and provides an attribution framework for automated electronic records *under Section 11*. The Contract Act supplies detailed rules concerning agency, actual authority, implied authority, excess of authority, ratification and apparent authority. The Companies Act provides the corporate-authority framework through which companies act and delegate powers.

The central legal principle should therefore be straightforward:

AI may execute the contractual act, but the company ordinarily remains the legal actor when the AI system operates on its behalf.

The harder question is *whether the AI's particular act falls within the authority that the company actually conferred or represented to the third party*. This is where traditional agency principles acquire renewed importance. Actual authority protects the company against transactions outside the authority it has genuinely conferred. Apparent authority protects third parties where the company itself created a reasonable appearance of authority. The distinction between the two becomes particularly significant where internal restrictions are not disclosed to counterparties.

The 2024 UNCITRAL Model Law on Automated Contracting provides a useful international direction. Rather than creating legal personality for AI, it focuses on attribution, party autonomy and the treatment of unexpected automated outcomes. This approach is compatible with the underlying structure of Indian law and offers a possible model for future legislative clarification. India should therefore resist the temptation to treat every AI-generated contractual error as a reason to either invalidate the transaction or impose liability upon the AI developer. The better approach is a layered framework.

First, determine whether the automated act is attributable to the company.

Second, determine the scope of actual and apparent authority.

Third, consider whether an applicable contractual doctrine addresses the unexpected or defective outcome.

Fourth, allocate the resulting loss internally between the company, its officers, employees and technology providers according to their respective legal and contractual responsibilities.

AI-assisted contracting ultimately presents a problem of attribution, authority and risk allocation, rather than one of machine personhood. The law does not need to decide whether an algorithm can become a legal person before determining *whether a company should be bound by an algorithmic transaction*. The decisive question should remain: *who authorised the system, what authority was represented to the counterparty, and who should bear the consequences of placing that system into the stream of commerce?*

As AI becomes increasingly embedded in corporate transactions, answering those questions with clarity will be essential to maintaining both commercial certainty and accountability.

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