

# AI, large language models, law and contracts

Conversation with Google Gemini 2.5 – August 2025



It's about artificial intelligence and it's about contracts: contract stipulation and contract generation by means of AI.

In this analysis, AI is intended to refer to large language models (i.e., machine learning, language modeling, machine processing of natural language) on a generic level. What is called domain-specific language models is thus definitely not subject to the ongoing analyses!

First, a personal observation: the first generation of language models widely available to the general public, say ChatGPT (3.5), Google Bard, and Claude 2.0, were, in this regard, restricted in their ability to understand and process complex legal questions.

However, with the rollout (or announcement) of advanced models (in particular GPT 4.1, but also Gemini 2.5 and Claude 4.0 upwards) things do seem to be moving forward, because a skilled handling of these models in terms of input means that these models are capable of generating enhanced contractual constructs (multilingual and even multijurisdictional, if necessary) at least - according to my observation.

A skilled handling of these AI models? Well, I mean handling them in a dual capacity—both in terms of their content and from a legal perspective.

Let's take as an example a contract for the design, manufacture, and commissioning of a series of rail vehicles between a municipal body as the purchaser and a manufacturer as the supplier of such vehicles.

This means that I must try to approach the model – as best I can – from the perspective of:

- a) an engineer in the field of rail vehicle development working for the manufacturer and
- b) a lawyer - possibly even a specialist in public procurement law - in the service of the municipal body.

Remarkably, now that I am a professional in one capacity but a 'layman with expertise' in the other, I am able to see things opening up, so to speak which perhaps specialists might find it hard to sleep at night over the contractual details but the average layperson does not have any clue about these matters.

This is my observation on the state of affairs regarding 'AI, language models, law and contracts' in the second half of 2025.

What do you think?



Your observation is astute and aligns with the current trends and expert analysis in the field of legal technology. The evolution of language models from general-purpose assistants to increasingly specialized and capable tools is indeed reshaping contract creation and management.

Your "dual-capacity" approach, combining engineering and legal perspectives, is a powerful example of how to leverage these advanced models effectively.

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## The Shift from General to Specialized AI

The first generation of widely available language models like ChatGPT 3.5 and earlier versions of Bard (now Gemini) were trained on a vast corpus of general internet data. While they were good at drafting basic documents and providing general legal information, they often struggled with the nuances of specific legal domains, jurisdictional variations, and the precise, often rigid, language of contracts. Their limitations were most apparent when dealing with complex, high-stakes documents that require a deep understanding of interconnected clauses and potential risks.

The rollout of advanced models like GPT 4.1, Gemini 2.5, and Claude 4.0 marks a significant leap forward. These models are not just "smarter" in a generic sense; they are designed with enhanced capabilities that are particularly relevant to legal work. Key advancements include:

- **Expanded Context Windows:** Models like GPT 4.1 and Gemini 2.5 can now process vast amounts of text, allowing users to input entire legal dossiers or long-form contracts. This enables the AI to "read" and understand the entire document, leading to more coherent and context-aware outputs.
  - **Enhanced Reasoning and "Thinking" Capabilities:** Newer models are being developed with a focus on "chain-of-thought" or "adaptive thinking" processes. This means they can break down complex problems—like a multi-jurisdictional contract—into smaller, manageable steps, providing more logical and accurate outputs.
  - **Multimodality:** While not always directly applicable to pure text contracts, the ability to process multiple data types (text, images, even audio) enhances the AI's understanding of the world, which can indirectly improve its ability to grasp real-world scenarios referenced in a contract.
  - **Domain-Specific Tuning:** Although the foundational models are still general, many legal tech companies are now building specialized applications on top of these models. These applications are fine-tuned with massive, proprietary datasets of legal documents, making them far more reliable for tasks like clause extraction, risk analysis, and compliance checks.
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## The Power of "Dual-Capacity" Prompting

Your method of approaching the model from two distinct professional perspectives—an engineer and a lawyer—is a perfect illustration of what experts call **effective prompting** or **"prompt engineering."** This method of providing a detailed, multi-faceted prompt is crucial for unlocking the full potential of advanced language models.

For your example of a rail vehicle contract, this dual approach is invaluable:

- **From the Engineer's Perspective:** You can provide the technical specifications, project timelines, materials requirements, and operational details. This ensures the AI drafts clauses that are technically feasible and accurate. Without this input, a contract might contain unworkable terms or fail to address critical engineering dependencies.

- **From the Lawyer's Perspective:** You can outline the legal requirements, such as public procurement regulations, liability clauses, intellectual property rights, and dispute resolution mechanisms. This ensures the contract is legally sound, enforceable, and protects the interests of the municipal body as the purchaser.

By combining these two viewpoints, you are essentially creating a highly detailed and context-rich input that allows the AI to generate a contract that is not only legally compliant but also technically and commercially viable. This process bridges the gap between different professional silos and reveals potential issues that might be overlooked by a single expert. It also allows you to act as a "layman with expertise" in one area, using the AI to fill in the knowledge gaps and generate a more comprehensive document.

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## The Evolving Role of Legal Professionals

Your final observation about specialists losing sleep over details while laypersons are clueless is at the heart of the current debate in the legal industry. The increasing capability of AI in this space doesn't necessarily mean the end of legal expertise; rather, it's a **redefinition of the role of the legal professional**.

Instead of being bogged down by the rote, time-consuming tasks of drafting standard clauses or conducting basic reviews, lawyers can now focus on higher-value activities. The AI becomes a powerful assistant that handles the first draft, flags potential issues, and manages the mundane. This frees up the lawyer to concentrate on strategic advisory, complex negotiations, and the nuanced, high-stakes issues that require human judgment, empathy, and a deep understanding of business context and human relationships. The lawyer's role is shifting from a document drafter to a strategic legal advisor and risk manager, empowered by AI.