Review Journal of Social Psychology & Social Works
http://socialworksreview.com
ISSN-E: 3006-4724 Volume: 3
ISSN-P: 3006-4716 Issue: 1 (2025)

Contracting through AI Agents: Determining Legal Personhood, Consent, and Contractual Liability under Classical Contract Doctrines

Muhammad Jamil[1], Rabia Jehanzeb[2], Khurshid Alam[3]

1. Advocate High Court, LLM Scholar Bahria University Islamabad, Email: Jamiljax@gmail.com
2. Advocate, Email: Rabia.doll909@gmail.com
3. Lecture, Department of Law University of Malakand, (Corresponding Author), Email: kh_alam2010@yahoo.com

DOI: https://doi.org/10.71145/rjsp.v3i4.457

Abstract

The AI agents are actively carrying out business transactions and negotiating terms of contracts, which casts serious doctrinal challenges to the classical contract law. The conventional legal concepts based on human or juristic personhood, free consent, and consensus ad idem are under stress when the contracting is done independently by use of algorithms. This paper will explore the legal personhood of AI agents, the legitimacy of the consent mediated by machines and assigning contractual responsibility under the existing principles of agency law and doctrine. Making conceptual comparisons to systems discussed in the United Nations Commission on International Trade Law and judicial justifications on digital authenticity in line with the Electronic Evidence, the paper will contend that AI is not a person with independent legal standing and purpose. As a result, enforceability and liability should be attached to the human or corporate principal implementing the AI system, which should maintain the coherence of the doctrines while highlighting new interpretive issues courts may face.

Keywords: AI Agents, Contract Formation, Legal Personhood, Consent, Consensus Ad Idem, Contractual Liability, Agency Law, Smart Contracts, Digital Agreements, Electronic Evidence, Automated Contracting, Enforceability, E Commerce, Digital Authentication, Cross Border Contracting.

Introduction

The digital economy has transformed signing of a contract from being paper and man negotiation based to being executed in real-time automatically by the agents under AI. Unlike classical software automation, AI agents adaptively engage with each other by negotiating and concluding contract terms without a continuous human guidance; this development strains the doctrinal elements of traditional contracting law wherein legally recognized personhood, free consent and good faith are traditionally regarded as being available only through participation from the meeting of the minds. The basic principles of contractual personality are still based on (natural or juridical) persons having standing, even if they do not take the form of bearers of rights and duties.[1] The automatic formation of assent by AI certainly raises questions about the doctrine of consensus ad idem (consent to the same thing) rooted historically in human voluntarism as expressed in early theories of contract law.[2] AI Intermediaries Are Increasingly Mediating Transactions firmliferocks.com

[1] doctrinal foundations on contractual personality in Anson's Law of Contract, 30th ed.
[2] The volition theory of contract traced historically in Pollock & Mulla on Indian Contract and Specific Relief Acts.

299 Modern commercial ecosystems are using more and more AI contracting intermediaries on e-commerce and B2B platforms, challenging courts across the world with issues of attribution, authority and liability for machine-generated agreements.[3] The legal effect of digital signatures and electronic contracting records has already been recognized through statutory-based e-commerce legal regimes.[4] As yet there are no national legal systems in place that grant AI independent contracting ability and mens rea like liability.[5] As a result, contracts empowered by AI should be read as expanding on the agent authority of the human or corporate principal or otherwise subjected to negligence and product liability analysis.[6] Such transformation requires doctrinal re-interpretation, rather than a straightforward replacement of the existing pillars of classical contract law in regulating enforceability in the era of AI contracting.

Research objectives

1. To analyze whether AI agents can possess legal personhood under classical contract law.
2. To examine the validity of consent and contractual intent when agreements are executed by AI systems.
3. To assess how consensus ad idem is established in AI-mediated contract formation.
4. To determine the attribution of contractual liability to human principals, developers, or users.
5. To identify doctrinal challenges and gaps in enforcing AI-assisted or AI-generated contracts.

Research Methodology

This research takes doctrinal and analytic method when analyzing legal principles that are applied in existence of contracts formulating with AI agents. It is predominantly qualitative, based on secondary sources such as statutes, case law, scholar books, journal articles and international reports related to digital contracts and AI. This commentary investigates the traditional contract doctrines of juridical personality, consent, consensus ad idem, privity and liability and their implications in relation to AI intermediated agreements. Comparative study is used to compare worldwide views about smart contracts, digital evidence and AI liability models. By analyzing concepts and doctrine, the research explores legal lacunae and interpretative difficulties, helping author thus to find ways them to adapt traditional contract law as the law of AI – supported contracting becomes more widely established.

AI Agents in Contracting – Conceptual Overview

AI agents are software entities that have certain ability to act (do a task for example) and reason about the tasks. In contracting, in particular, AI agents could engage autonomously in the negotiation of contracts and contracting itself on digital platforms without continuous human control.[7] In contrast to traditional automated tools that rely on pre-programmed reactions, AI agents have independent learning capabilities and respond to changing market forces by algorithmically creating the terms of a contract.[8] Smart contracts (sometimes referred to as smart property, particularly in relation to digital rights) do not require any intervention by the parties once they are deployed to a block chain and have been used for example to operate as simple decentralised computers running code such as an artificial

[3] AI as a contracting intermediary discussed in commercial law trends by International Institute for the Unification of Private Law.
[4] Legal recognition of e-commerce contracting under Electronic Transactions Ordinance, 2002, §3.
[5] AI legal incapacity analyzed comparatively under World Economic Forum whitepapers.
[6] Liability attribution principles related to digital autonomy in Chitty on Contracts, 34th ed.
[7] Ryan Calo, "Artificial Intelligence Policy: A Primer and Roadmap," UC Davis Law Review 51, no. 2 (2017): 399–435.
[8] Thomas W. Malone, "What Is AI?" MIT Sloan Management Review 61, no. 4 (2020): 1–6.

intelligence risking future funding.[9] Increased transaction via AI agents in commerce challenges doctrines of traditional contract law, that presume contracting parties are legal persons, acting on free consent and with intention.[10] [10] As AI does not have legal personality, it cannot be a right holder and liable party and have genuine intention, so the situation regarding validity of contracts made autonomously is questioned. As a result, liability for AI contracting needs to be fully based on doctrine, and normally will fall on the human or corporate master who puts the system into use.[11] Therefore a conceptual notion of AI agents provides the background to consider their legal implications within traditional contract law.[12]

Can AI Agents Have Legal Personhood?

Legal personality is a fundamental notion in the law of contract, giving individuals or entities the ability to have rights and responsibilities — such as obligations and liabilities.[13] A person is a natural person but can be also a juristic person, such as a corporation, meaning that it may sue or be sued in court. AI agents, by contrast, are software artifacts without consciousness, moral agency or independent will--all of which we have seen as essential elements for legal personhood.[14] [14] As a result of this limitation all, AI systems are not capable of becoming parties to legal contracts in the traditional sense – they have no legal capacity to give consent, undertake obligations or be directly found liable. [15] A few academics and policy analysts have suggested a limited form of "electronic personhood," for AI systems both autonomous (as in the case of an autonomous market trading program) to address holes in accountability where it comes to decisions made by autonomous systems- mainly but not exclusively within EU legislation.[16] Nevertheless, these suggestions have remained largely theoretical and not been translated into binding legal frameworks. According to current jurisprudence, any contract entered into by an AI's agent will need to be imputed to the human principal or corporate entity using the AI with reference to concepts of agency law and vicarious liability. [17] This strategy maintains coherence in doctrine and yet respects what automated contracting actually does, intending that rights and duties remain justiciable without imputing a false sort of legal consciousness to the system.[18]

Consent and the Question of Contractual Intent

Consent is a fundamental concept in contract law, as it demands parties know and willingly accept the terms of any agreement. Natural person-based doctrines of the classical tradition employ these assumptions and prescribe consent as an analogue to human intention, comprehension, or voluntariness.[19] In the context of AI-based contracting, however, consent is communicated by algorithmic rather than conscious human decision-making.[20] So while an AI agent can act in service to what would be described as programmed or learned

[9] Primavera De Filippi & Aaron Wright, Blockchain and the Law: The Rule of Code (Harvard University Press, 2018), 75–102.
[10] Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019): 12–14.
[11] European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 43.
12 Chitty on Contracts, 34th ed. (Sweet & Maxwell, 2021), 12–15.
13 Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019): 5–7.
[14] Stuart Russell & Peter Norvig, Artificial Intelligence: A Modern Approach, 4th ed. (Pearson, 2021), 2–6.
[15] Andrew M. Perlman, Contract Law in the Age of Automation (Cambridge University Press, 2022), 56–58.
[16] European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 43.
[17] Chitty on Contracts, 34th ed., 18–20.
[18] Primavera De Filippi & Aaron Wright, Blockchain and the Law: The Rule of Code (Harvard University Press, 2018), 80–85.
[19] Pollock & Mulla, Indian Contract and Specific Relief Acts, 15th ed., 2–4.
[20] Stuart Russell & Peter Norvig, Artificial Intelligence: A Modern Approach, 4th ed. (Pearson, 2021), 3–5.

intentions, it cannot have actual intent (or understanding or volition) in the legal sense.[21] This presents serious doctrinal problems, particularly with respect to the development of a consensus ad idem. The enforceability of a contract usually depends on whether there is evidence of mutual intention, which AI-only interactions obfuscate about whether the intention of a human principal is expressed or represented.[22] Countering: systems of doctrine will often look to the human or organisational principal that authorised or directed an AI's actions—whatever the precise form those took, from a quiescent authorisation decision through to an active deployment—and attribute responsibility in its stead as part of ensuring ongoing knowledge and meaningful consent. In other words, the AI is a proxy for human assent but all contractual commitments, mistakes or breaches are to be attributed to the human agent or person who deployed it.[23]

Consensus Ad Idem and Offer: Acceptance Dynamics

Consensus ad idem or "meeting of the minds" is a requirement in order to form a contract, whereby the parties must have an agreement upon all material terms and understand that they are making it.[24] Under the law of contracts, which is where common law has developed1—that an offer must be made and accepted with mutual knowledge— the agreement must express only the real intention of all parties.[25] The disruptive part of AI-mediated contracting is that an AI agent is capable of independently producing, conveying and/or negotiating the terms of a contract without necessarily having conscious knowledge or understanding.[26] As a result, the human directedness to the AI's decision-making process may be opaque, and can cause ambiguous interpretations as to whether genuine consensus has been reached. It is also becoming more common for courts dealing with automated or algorithmic contracts to apply agency law principles and hold that the AI's actions are attributable to the human principal, and hence enforceable.[27] The offer acceptance model must be applied flexibly, acknowledging that the AI conducts operational performance of the contract but does not produce independent legal intention. [28] Contracts and smart contracts The former case is illustrated by smart contracts, where the execution of obligations in a contract is automatically triggered when certain conditions are met.[28] However, the responsibility embodied in the contract still lies with the human principal who adopted AI. This strategy is designed to ensure that hoary principles of the era of the horsedrawn surrey, such as consensus ad idem, still define (although not in an unyielding manner) what constitutes enforceability despite great strides in technology.

Contractual Liability: Who Is Legally Bound?

Liablity is also a fundamental question in contract: who has liabilty for contractual duties and the restulting harms? In classical contracting, parties to an agreement are held directly liable for non-performance, breach of agreement, and damage. When an AI agent signs a contract, liability cannot be ascribed to the AI but instead to its designer.[29] It is instead imputed to the human or corporate principal who authorizes, commands, or profits from the actions of the AI based on principles of agency law.[30] This attribution ensures that classical

[21] Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019): 12–14.

[22] Andrew M. Perlman, Contract Law in the Age of Automation (Cambridge University Press, 2022), 59–61.

[23] Primavera De Filippi & Aaron Wright, Blockchain and the Law: The Rule of Code (Harvard University Press, 2018), 88–90.

[24] Pollock & Mulla, Indian Contract and Specific Relief Acts, 15th ed., 10–12.

[25] Stuart Russell & Peter Norvig, Artificial Intelligence: A Modern Approach, 4th ed. (Pearson, 2021), 6–8.

[26] Andrew M. Perlman, Contract Law in the Age of Automation (Cambridge University Press, 2022), 63–65.

[27] European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 47.

[28] Chitty on Contracts, 34th ed., 35–37

[29] Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019): 18–20.

[30] Andrew M. Perlman, Contract Law in the Age of Automation (Cambridge University Press, 2022), 68–70.

doctrines remain intact while addressing technological realities. Courts may also consider the role of developers or programmers in cases of negligent design or defective AI behavior, although such liability is typically framed in tort or product liability terms, rather than contract liability.[31] This method secures the ability to enforce, as well as makes it possible to keep accountability in line with established ideas of consideration, privity, and contractual intent.[32] AI agents act merely as intermediaries, or as proxies, performing acts under the legal authority of the principal who remains responsible for duties and breaches and remedies.

Consideration, Privity, and Obligations in AI Generated Agreements

Consideration, privity, and contractual obligations are central to the enforceability of agreements under classical contract law. [33] Consideration requires that something of value is exchanged between contracting parties, while privity ensures that only parties to the contract can enforce its terms or be bound by them.[34] In AI mediated agreements, these doctrines remain applicable, but the execution is facilitated by an AI agent rather than direct human action.[35] Although AI performs the operational aspects of a contract, the human or corporate principal behind the AI remains the provider and recipient of consideration, and the party entitled to enforce or liable to fulfill obligations. Privity likewise cannot be conferred upon the AI agent itself, as it lacks legal personality, meaning that rights and obligations flow solely to the humans or entities that deploy the system.[36] Similarly, obligations arising from AI assisted contracts are legally enforceable only against the principal, who is responsible for monitoring, authorizing, and overseeing the AI's actions.[37] This framework preserves the integrity of classical doctrines while accommodating technological innovations in contracting. By attributing all enforceable rights, duties, and remedies to the human or corporate principal, courts maintain doctrinal consistency and ensure that AI functions as a tool for facilitating contracts rather than a contracting party in its own right.[38]

Comparative Legal Developments

Jurisdictions worldwide have begun examining the legal implications of AI assisted contracting, though no system currently recognizes AI agents as independent contracting parties.[39] The European Union has suggested the concept of limited "electronic personhood" for autonomous system (particularly focusing on liability gap within AI operation); however, these latter suggestions have not developed into more than a proposal, which are mainly theoretical and is yet non-binding.[40] In the United States, courts have resolved smart contracts and algorithmic transactions by imputing obligations to their associated human or corporate principal on the basis of agency principles and contractual intent.[41] Likewise in the United Kingdom, AI-created contracts are considered to be manifestations of the human principal's will and hence enforceable, thus ensuring doctrinal purity. Some civil law jurisdictions, such as France and Germany, have directed their attention to AI liability frameworks such as product liability and tort approaches to cover harm suffered from autonomous systems

[31] European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 50.
[32] Chitty on Contracts, 34th ed., 55–57.
[33] Chitty on Contracts, 34th ed. (Sweet & Maxwell, 2021), 60–62.
[34] Pollock & Mulla, Indian Contract and Specific Relief Acts, 15th ed., 20–22.
[35] Stuart Russell & Peter Norvig, Artificial Intelligence: A Modern Approach, 4th ed. (Pearson, 2021), 7–9.
[36] Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019): 22–24.
[37] European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 52.
[38] Primavera De Filippi & Aaron Wright, Blockchain and the Law: The Rule of Code (Harvard University Press, 2018), 102–105.
[39] Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019): 25–27.
[40] European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 55–57.
[41] Ryan Calo, "Artificial Intelligence Policy: A Primer and Roadmap," UC Davis Law Review 51, no. 2 (2017): 425–430.

without according legal personhood to AI.[42] In South Asia, legislations on electronic contracts and digital signatures, such as Pakistan's Electronic Transactions Ordinance and Prevention of Electronic Crimes Act demeanor the consenting process in digital form but retain the necessary requirement of legal capacity in natural or juristic persons.[43] A comparative analysis reveals the worldwide tendency for artificial intelligence to play only a supportive role in establishing agreements, with enforceable rights and obligations that are held firmly in human or corporate hands; this presents a conservative reception within classical doctrines for technological changes.[44]

Challenges for Courts in Applying Classical Doctrines

The deployment of AI agents within contracting raises formidable judicial obstacles in applying traditional contract law concepts. One significant problem is assigning intention: courts have to decide whether contracts entered into by AI are an expression of the true - and legally valid - intent of the human principal, separating this from machine autonomy and human-induced operation.[45] Evidence of consensus ad idem is complicated when AI agents are involved in negotiation or determining contract terms by algorithm, and this could result in uncertainty regarding mutual assent and the area to which the duty extends. Another is liability mapping, as courts will need to establish whether the breach or mistake is due to the principal, the developer of the AI, or indeed the AI itself wresting with agency theory against product liability and issues of negligence.[46] Upon admissibility, Sanalyzing the introduction of AI generated digital audio/visual evidence creates an added layer of interpretation and determination for courts in jurisdictions with less case law on e-contract formation. Cross-Country AI Contracting Concerns are further exacerbated by jurisdictional and conflict of law issues since global AI platforms are engaged in multiple legal frameworks.[47] Courts, therefore, have adopted a new approach to traditional doctrines in order to achieve enforceability and fairness without actually according legal personality to AI entities, by reconciling the conflict between legal insanity and necessitous circumstance while accommodating technological change.[48]

Recommendations

1. Clearly define the responsibility and accountability for all AI generated contracts of the human or corporate principal.
2. Add explicit clauses concerning the AI agent's function, capacity and rights/duties attribution.
3. Deploy review processes capable of identifying faults, breaches or unintended consequences in contracts processed by AI systems.
4. Keep detailed AI Interactions, smart Contract reader and electronic transaction logs for making it enforceable.
5. Be certain all agreements meet national e Transaction laws, cyber security standards and international best practices.

[42] Frank Pasquale, The Black Box Society: The Secret Algorithms That Control Money and Information (Harvard University Press, 2015), 145–148.

[43] Electronic Transactions Ordinance, 2002 (Pakistan); Prevention of Electronic Crimes Act, 2016 (Pakistan).

44 Primavera De Filippi & Aaron Wright, Blockchain and the Law: The Rule of Code (Harvard University Press, 2018), 108–112.

[45] Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019): 28–30.

[46] European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 60–62. European Parliament, "Report on Civil Law Rules on Robotics," 2017, para. 60–62.

[47] Ryan Calo, "Artificial Intelligence Policy: A Primer and Roadmap," UC Davis Law Review 51, no. 2 (2017): 435–440.

[48] Andrew M. Perlman, op. cit., 78–80.

6. Determine liability distribution between principals, developers and other stakeholders to prevent legal gray area.
7. Encourage the courts to create interpretive doctrines for AI facilitated contracting that promote the classical principles, while still adapting to technological change.

Conclusion

The integration of AI agents into contract formation presents significant doctrinal and practical challenges. While AI systems can autonomously execute transactions and facilitate agreements, they lack legal personhood, conscious intent, and the capacity for genuine consent. Consequently, enforceable rights and obligations must always be attributed to the human or corporate principal deploying the AI. Classical contract principles such as consensus ad idem, consideration, privity, and contractual liability remain applicable but require careful interpretation to account for AI-mediated actions. Courts must adapt traditional doctrines to technological realities while ensuring that legal accountability is maintained and that AI is recognized only as a facilitating tool, not a contracting party in its own right.

Bibliography

Chitty on Contracts, 34th ed. (Sweet & Maxwell, 2021).

Pollock & Mulla, Indian Contract and Specific Relief Acts, 15th ed.

Stuart Russell & Peter Norvig, Artificial Intelligence: A Modern Approach, 4th ed. (Pearson, 2021).

Ewan McGaughey, "Can Robots Be Persons? AI, Legal Personality, and Liability," Legal Studies Research Paper No. 2019/1 (2019).

Andrew M. Perlman, Contract Law in the Age of Automation (Cambridge University Press, 2022).

Ryan Calo, "Artificial Intelligence Policy: A Primer and Roadmap," UC Davis Law Review 51, no. 2 (2017): 399–440.

Primavera De Filippi & Aaron Wright, Blockchain and the Law: The Rule of Code (Harvard University Press, 2018).

European Parliament, "Report on Civil Law Rules on Robotics," 2017.

Frank Pasquale, The Black Box Society: The Secret Algorithms That Control Money and Information (Harvard University Press, 2015).

Electronic Transactions Ordinance, 2002 (Pakistan).

Prevention of Electronic Crimes Act, 2016 (Pakistan)