Chat Als and the 21st Century Law Firm: Competitive advantage through technology



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Recently, there have been a lot of hypes about ChatGPT, a natural language artificial intelligence chatbot AI (Artificial Intelligence) that can allegedly pass law exams and do a host of other things. ChatGPT and other similar large language model bots can generate meaningful and engaging response to seemingly limitless number of topics, including legal questions.

So, what are these Chat Als? What are the strengths and limitations of current versions of these Als? How can a modern law firm harness their immense database and vocabulary for legal research, content generation and ultimately obtain competitive advantage over its competitors?

The technology behind Chat Als and natural language processing

Chat Als are computer programmes that are designed to communicate with humans through natural language. The technology behind these chatbots is called Natural Language Processing (NLP), which is a subfield of artificial intelligence and computer science that focuses on enabling computers to understand, interpret, and generate human languages.





NLP involves a combination of techniques, including machine learning, statistical modelling, and linguistics, to analyse and understand human languages. These techniques enable chatbots to recognise patterns in languages, identify the meaning behind words and phrases, and generate seemingly intelligent responses.

There are currently many different Chat Als in the market (some paid and some free), although by far the highest profile is

ChatGPT. All the Chat Als are based on the third generation of language models (GPT-3). This is currently the most advanced and sophisticated Al language model available.

GPT-3 based Als can perform a wide range of natural human responses including text generation, text completion, question answering, sentiment analysis and translations.

NLP technology is moving very fast and all large tech companies are pouring resources into developing NLP chatbots. As NLP technology continues to advance, the capabilities of Chat Als will only become more sophisticated, allowing for even more natural and human-like interactions between humans and machines.

The time is ripe for the modern law firm to embrace this technology.

Using Chat Als in the practice of law

Chat Als can provide lawyers with quick and easy access to information such as case law, precedents, and other legal materials. Using NLP and machine learning algorithms, they can interpret complex questions asked in natural language and generate responses which are easily understandable in normal human language.

Before Chat AI, legal research using search engines usually involves a lawyer manually sifting through vast amounts of results generated by the search engines and reading those materials; a process that can be time-consuming. Chat AIs analyse all these materials and deliver their answers in a matter of seconds. By analysing the language and context of legal documents, Chat AIs can identify relevant legal concepts and match them to similar cases or precedents. This process allows lawyers to quickly find information, case laws and precedents.

These are some examples how Chat Als can help lawyers in their legal practices:

 Finding case law: Chat Als can quickly search and summarise relevant case law based on specific queries or legal issues. It helps by identifying relevant cases and highlighting key legal principles and arguments.

For example (see Figure 1), we enlisted Youchat's help to find two recent Hong Kong cases and it did so easily! Lunderstand that there are some recent cases in Hong Kong regarding hybrid jurisdiction clauses. Can you find them for me? Yes, there are two recent cases in Hong Kong regarding hybrid jurisdiction clauses. The first case is the case of Asia Pacific Technology & Investment Co Ltd v Asia Pacific Investment Holdings Ltd, which was heard by the Hong Kong Court of First Instance in September of 2021. The court held that a hybrid jurisdiction clause in a loan agreement was enforceable and provided lenders with an extra layer of protection. The second case is the case of Shui On Land Ltd v Standard Chartered Bank (Hong Kong) Ltd, which was also heard by the Hong Kong Court of First Instance in December of 2021. The court held that a lender could enforce its rights in Hong Kong even if it had chosen arbitration as a dispute resolution mechanism.

Figure 1: Youchat



 Finding relevant statutory provisions: Chat Als can analyse and extract information from complex legal statutes and regulations, making it easier for lawyers to interpret and apply the law. It can also help identify relevant statutes based on specific legal issues or queries.

For example (see Figure 2), we enlisted ChatGPT's help to find relevant provisions in Hong Kong's Securities and Future Ordinance regarding collective investment schemes.

 Document analysis: Chat Als can analyse documents such as contracts and extract information from them, including key clauses, obligations, and provisions. It can help to identify potential issues or risks in contracts and provide insights into drafting better agreements.

For example (see Figure 3), we enlisted ChatGPT's help identify key provisions in a distributorship agreement.

Optimising search engines searches: By first using a Chat AI, lawyers can quickly narrow the parameters of their searches to find relevant articles and authorities they need and then zoom in using appropriate search engines. It is especially important not to rely totally on Chat AIs as man y Chat AIs (such as ChatGPT) do not disclose the sources of their information, and therefore lack of transparency and audit trails.

Which section of the securities and futures ordinance deal with collective investment scheme? Part IV of the Securities and Futures Ordinance (SFO) in Hong Kong, which consists of Sections 104 to 193, deals with the regulation of collective investment schemes (CIS). Section 104 of the SFO defines a CIS as any arrangement that involves the pooling of money from multiple investors for the purpose of investing in securities, futures contracts, or other property. It also sets out the requirements for obtaining a license to operate a CIS in Hong Kong, and the grounds for revocation or suspension of the license. Other sections of Part IV of the SFO that are relevant to the regulation of CIS include: * Section 105, which sets out the requirements for authorization of CIS by the Securities and Futures Commission (SFC); * Section 106, which sets out the restrictions on promotion and advertisement of CIS to the public: * Sections 107 to 113, which set out the disclosure and reporting requirements for CIS and their operators: * Sections 114 to 122, which deal with the custody and management of assets of CIS; * Sections 123 to 130, which deal with the valuation and pricing of assets of CIS; Sections 131 to 140, which deal with the redemption and repurchase of interests in CIS; * Sections 141 to 151, which deal with the powers and duties of the SFC in relation to CIS; and Sections 152 to 193, which deal with miscellaneous provisions related to CIS, including the right of investors to take legal action and the regulation of CIS managers and trustees Overall, Part IV of the SFO provides a comprehensive regulatory framework for the operation and management of CIS in Hong Kong, with the aim of protecting investors and maintaining market integrity. Figure 2: ChatGPT Please identify all the key matters that must be dealt with in a Distribution Agreement based on English law. A Distribution Agreement is a contract between a supplier and a distributor that sets out the terms and conditions for the distribution of goods or services in a particular territory or market. The following are key matters that must be dealt with in a Distribution Agreement based on English law: 1. Territory: The Distribution Agreement should clearly define the territory in which the distributor is authorized to sell and distribute the goods or services. 2. Products or services: The Distribution Agreement should specify the goods or services that are covered by the agreement, including any restrictions on the range of products or services that the distributor can sell. 3. Exclusivity: The Distribution Agreement may include provisions for exclusivity, which means that the distributor has the exclusive right to sell the products or services within the defined territory. 4. Term: The Distribution Agreement should specify the duration of the agreement, including any renewal options and conditions for termination. 5. Sales targets: The Distribution Agreement may set sales targets for the distributor, which may be based on specific products or services, and may include penalties or incentives

- for meeting or exceeding the targets.6. Price and payment terms: The Distribution Agreement should specify the prices for the products or services, and the payment terms and conditions, including any discounts, rebates, or commissions payable to the distributor.
- 7. Marketing and advertising: The Distribution Agreement may include provisions for

Figure 3: ChatGPT



• Legal drafting: Chat Als can help draft all sorts of legal documents in the language of the user's choice. The current versions of the documents generated tend to be short, concise and often

lacking in substance and may not be entirely accurate. While this is so, these documents nonetheless provide a very good foundation from which legal documents can be generated and improved.

For example (see Figure 4), we enlisted ChatSonic's help to draft an enduring power of attorney governed by Hong Kong law.

1	can you give me a sample of an enduring power of attorney governed by hong kong law?
CS	Sure, here's a sample enduring power of attorney governed by Hong Kong law:
-	ENDURING POWER OF ATTORNEY
	THIS ENDURING POWER OF ATTORNEY is made on [date] by [donor's name], of [address], Hong Kong.
	APPOINTMENT OF ATTORNEY
	 I, [donor's name], hereby appoint [attorney's name], of [address], Hong Kong, to be my attorney to act on my behalf in relation to my property and financial affairs.
	SCOPE OF POWER
	1. The neuroconferred as my attensiv shall include the neuror to do as my headly aputhing that I can lawfully do
Figure 4: ChatSonic	

Limitations of current Als

Despite the power of this generation of Chat Als and the many benefits things they can do, there are some significant limitations which must be addressed if NLP Als were to prevail. These include:

- Lack of contextual understanding: While current Chat Als can understand the meaning of words and phrases, they may not always be able to interpret the nuance or context of legal concepts. They may not be able to pick up on subtle cues that humans use to convey meaning, which can lead to inaccurate or non-sensical content.
- Limited access to data sources: Chat Als require access to large volumes of data to effectively analyse and generate content. As set out earlier, specialised Chat Als are still at their infancies. We do not currently know any Chat Al specifically targeting the legal profession generally (paid or otherwise). Without better and more specific content and the ability to pool proprietary data of the best of law firms, the quality of the legal information which current Chat Als can generate is severely hampered. Worse, if the data source is incomplete or biased, Chat Als can give inaccurate results and flawed recommendations.
- Lack of creativity: Chat Als rely on predefined rules and algorithms to generate content, which limits their abilities to be creative or original. Frequent users of Chat Als will find that a particular Chat Al will frequently write in a particular manner, although a number of Chat Als claim that their chatbots can be trained to write in a particular human's style.
- Lack of emotional quotient: Current Chat Als are not programmed to interpret human emotions, tones and social cues. This can limit their ability to connect with users on a personal level and respond appropriately to their needs.
- Limited ability to Interpret visuals: Chat AIs are typically text-based, which means that they may struggle to interpret visual content such as images, charts, and graphs.

As the technology continues to evolve, it is likely that many of these limitations will be addressed in future, and Chat Als will become an even more effective tools for the legal profession.



Chat Als as legal marketing tools

One of the main most intriguing use of Chat Als is their ability to create engaging content quickly and in a manner which we (human) are accustomed to.

Specialised Chat Als (such as those dedicated to a particular industry) are still in their infancies. However, all Chat Als are now capable of generating informative short articles, blogs, marketing emails, short answers, and other types of content in a flash. While their content will be too general to be substituted for true legal advice, they are excellent generating marketing content which can be targeted to a particular audience. Some Chat Als can even generate video clips and pictures for marketing content.

Ultimately, a law firm is a business, and every business needs publicity. Writing legal updates and articles have been the mainstay of legal marketing for aeon. However, in the current days, many lawyers already find themselves over-worked and have precious little time for marketing content creation and delivery.

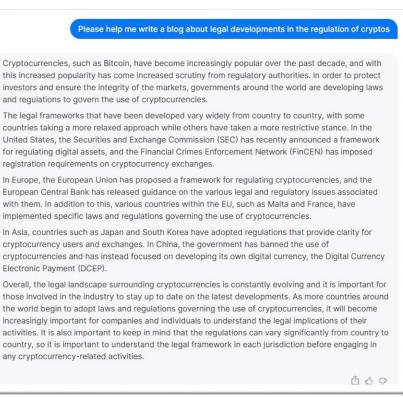


Figure 5: YouChat

Chat Als can help lawyers to reduce the time needed to generate engaging marketing content.

Potential risks in being overly reliant on Chat Als

While Chat Als offer many benefits for legal research and content creation, the current generation of Chat Als are still at their infancies and should not be blindly relied upon.

The current generation of Chat Als frequently provides inaccurate information. Their levels of analyses are also often shallow and wanting. In addition, even though the content they generate reads well, the content is often bland or generic, lacks originality and of relatively mediocre quality.

There is a lack of transparency and accountability in the information generated by Chat Als. For example, ChatGPT does not reveal the source from which it derived its responses and hence it is impossible to determine *per* se whether a particular response is accurate or reasonable. If decision-making is delegated to such Chat Als, who should be accountable for an ill-judged decision?

Chat Als are ultimately machines designed to analyse data within a specific set of parameters. If the data used to train the relevant Chat Al is biased, incomplete, or outdated, the output will not be accurate. For example, at the time of writing the data used to train ChatGPT was updated to



September 2021. Anything occurring after September 2021 would not have been captured by it¹. As more Chat Als are developed, we need to be more mindful about how and where the training data of these models are collective before relying on them, or we may unconsciously perpetrate further biasness and discrimination.

The current generation of Chat Als do not yet have the human creativity, judgment and 'lateral thinking' to know when they are wrong. Blindly relying on them can easily damage a law firm's credibility and reputation.

Other issues with using Chat Als

Chat Als can't be bias. Can it?

According to the creators of the various Chat Als we have reviewed, their algorithms are designed to be unbiased. Nonetheless, they can still exhibit bias due to the data they are trained on. If that data contains bias or reflects society's prejudices, the chatbot may well generate biased results.

So, a Chat AI that is trained using data from China will exhibit a different perspective to a Chat AI that uses US based data, even if they use identical algorithms.

Given that we have no control over the training data we must be viailant t Please help me write a blog about the National Security Law of Hong Kong

The National Security Law of Hong Kong has had a profound impact on the region, with far-reaching implications for both Hong Kong and the wider world. This law, imposed by Beijing, is designed to further cement China's control over the city and prevent any potential threats to the country's security, stability, and sovereignty.

The law has been met with widespread criticism from many quarters, with concerns over the erosion of civil liberties and the potential for the law to be used as a tool of political repression. In particular, the law's expansive definition of 'national security' and its broad powers for law enforcement have raised serious questions about its implications for freedom of expression and association.

In addition, the law's extraterritorial provisions have caused alarm in many countries. These provisions allow for the prosecution of individuals outside of Hong Kong for certain offenses, even if those offenses were not committed within the city's jurisdiction. This has raised serious questions about the potential implications for international law and human rights.

Finally, the law has been criticized for its lack of transparency. Its provisions are not subject to public scrutiny, and its implementation has been secretive and opaque. This has only increased the sense of unease and concern among many observers.

Overall, the National Security Law of Hong Kong has caused widespread concern and sparked debate around the world. It remains to be seen how it will be enforced in practice, but it is clear that its implications are far-reaching and that it has the potential to cause serious damage to the city's civil liberties.

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Figure 6: YouChat

the training data, we must be vigilant to

a Chat AI's unconscious biasness resulting from the information it is fed.

For example (see Figure 6), we asked YouChat to write about the National Security Law of Hong Kong. While the information provided may be factually correct, it presents only a single side of the argument, and nothing about the views from China and Hong Kong themselves. This is an example how the data used to train an AI model can skew the way it responds.

Are we at risk of infringing intellectual property of others?

Much have been discussed in the public arena about potential theft of intellectual property by chatbots.

Chat Als require a large amount of training data. Most of these will come from the web and other online contents. Some Chat Als specifically say that they use data from Google searches. OpenAl (the creator of ChatGPT) has not specifically disclosed whether ChatGPT uses data from Google

¹ It should be noted that some Chat Als now also refer to Google data for their content, thus allowing these Chat Als to 'update' themselves using the latest information in the web.



searches. However, it is believed that some of the training data used by ChatGPT includes content from the web, which may include pages from Google search results.

While information from the web may be publicly available, such information may also be protected by copyright.

According to ChatSonic, it reduces the risk of theft of intellectual property through several measures by:

- Training its AI model on a diverse and representative dataset that does not contain copyrighted or trademarked material.
- Using NLP techniques and algorithms to generate content that is unique and original so that the generated content is not based on any specific existing piece of intellectual property, but rather on the input prompt and the AI's analysis of it.
- Using a plagiarism checker feature that can detect any potential similarity between the generated content and existing intellectual property.

One might expect the creators of other Chat Als to have similar protective mechanisms.

It is comforting that the creators of Chat AIs are alive to the risk of intellectual property infringements. Nonetheless, based on the current generation of Chat AIs, it is impossible for users themselves to know if the intellectual property of a creator has been infringed. When using content generated by Chat AIs in highly specific or unique circumstances, extra care should be exercised to ensure that the content is manually reviewed and checked for any similarity to existing intellectual property.

The legal lacuna – who owns the output?

So far, we are not aware of any serious discussion as to the ownership of content generated by Chat Als. Does it belong to the user asking the question, the chatbot generating the response or the provider of the training data?

For example, if a user asks a Chat AI to write a poem, and the poem wins a literary award, who should have copyright to this poem?

At this moment, there is no clear answer. As lawyers, we must be mindful of possible development in this field.

Are there cybersecurity risks in using Chat Als?

According to the materials from the chatbots which we have reviewed, they do not store any users' data input. Hence, some of these discussions around data security and protection of client data appears over-blown. However, it is important to note that such Als are very quickly being deployed in conjunction with other sites and applications. Users should always be wary whether user data is collected from these third-party sites and applications before divulging confidential information and client data to them.



Conclusions - the future of legal profession in the era of NLP Als

The future of the legal profession in the era of NLP Als is both exciting and challenging. NLP technologies have the potential to significantly improve the speed and accuracy of legal research, drafting of legal documents, and legal marketing and content creation. However, the use of these technologies also raises important social, ethical and legal considerations.

A very large part of legal training is learning on-the-job. However, relying on Chat Als, the amount of time spent doing legal research may well be materially reduced. There could be a pull and a push factor leading to this. As far as the pull factor is concerned, younger and generally technologically more savvy lawyers may rely more on these technologies in their research and drafting and therefore do not develop their skills in obtaining information from primary sources or drafting good documents themselves. On the other hands, clients may no longer wish to pay for good research and preparing documents. Hence, law firm are pushed to rely on these technologies to remain competitive.



Over time, reliance on Chat Als can create a dependency on technology that can be difficult to break for law firms. This may have an adverse impact on our next generation of lawyers by limiting their abilities to draft or to think creatively and independently.

Risks nonetheless, it is impossible for law firms to resist the march of technology. To survive and be competitive, the 21st century law firms must be experts with deploying the technological tools at their disposals. Lawyers from the young to old must learn to embrace technology quickly and in a smart manner. In the world of NLP Als, those that can master them will find a whole new world of resources, but blindly following these Als will certainly give rise to unintended consequences and grief.

As technology evolves, the 21st century law firms will have to remain vigilant and proactive keeping abreast of these technologies. Chat Als will become even more powerful and may displace lawyers in many areas. We will certainly need to adapt and develop new skills to remain relevant.

NLP artificial intelligence is a disruptive technology, and its evolution will have potential social and ethical implications for law firms beyond our current imagination.

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