Report on

Round Table Conference

Artificial Intelligence, Entrepreneurship, and Law

Organised By:

Centre on Law, Regulation, and Technology at School of Law at BML Munjal University (BMU) in association with the Atal Community Innovation Centre at BMU

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* The Report has been prepared in accordance with the Chatham House Rules that governed the Round Table discussions.

Round Table Conference

Artificial Intelligence, Entrepreneurship, and Law

22nd August 2024

Qutab Golf Course, New Delhi – 110003.

Agenda

Panel 1: Artificial Intelligence and Entrepreneurship: Strengthening Innovation & the Fostering of Commerce Globally

This panel discussion will delve into the world of artificial intelligence (AI)-powered ventures. We will hear first-hand experiences from entrepreneurs who have successfully integrated AI into their products and services. They will share insights on how AI has transformed their businesses and the challenges they have overcome. On the other hand, we will also hear from entrepreneurs building such disruptive technologies, as to the stories of their struggles in conceiving and launching their AI products and platforms (whether it is truly ground-breaking), as well as their journeys in commercializing and building a growing and sustainable business on the bedrock of such continuing technological innovations. This panel will then seek to reveal how AI (in both its innovation and adoption aspects) amongst entrepreneurs is helping build a new paradigm in cross-border business and commerce, and what the impact of the cutting-edge innovations in the former will be on deepening and growing the latter.

Panel 2: Artificial Intelligence and the Law: Bridging the Gap Between Innovative AI and its Regulation

Segueing well from the previous panel, we will explore the specific legal challenges encountered by entrepreneurs, along with broader legal compliances entrepreneurs must consider when innovating or implementing AI. This panel, consisting of (amongst others) legal experts specialising in AI and technology law in India, will unpack the existing and emerging legal

landscape surrounding AI. The discussion will tackle the central challenge: the dichotomy of fast-moving innovation and the inability of legal frameworks to catch up. The panellists will explore the key challenges of regulating rapidly evolving AI technologies, focusing on how to bridge this gap. The conversation will then shift towards the future direction of legal frameworks, all viewed through an entrepreneurial lens (whether in the hands of those deploying such new technologies or from the perspective of those offering such avowedly revolutionary AI). This will offer a well-rounded understanding of how regulations can foster responsible AI development while empowering businesses to flourish, as well as enabling the rapid growth and acceptance of AI of all types in general.

Executive Summary

The Round Table Conference on Artificial Intelligence, Entrepreneurship, and Law was held at Qutab Golf Course, New Delhi, on 22nd August 2024. The event was jointly organised by the Centre on Law, Regulation, and Technology and the AICIC-BMU Foundation in partnership with Vertices Partners. The Conclave dealt with the following two major issues.

1) AI and Entrepreneurship: Strengthening Innovation & the Fostering of Commerce Globally

Artificial Intelligence has tremendous growth potential in the realm of entrepreneurship, innovation, and global commerce, which is a statement that is backed by statistics. Startups in the recent past have been focussing largely on AI technology. This is majorly due to the potential of the technology to act as a significant market disruptor in the future. While there are high expectations from the technology, there are certain India-specific hurdles that require deliberation. These issues revolve around the issues of funding, computing, data, talent, and successful adoption. While these are the overarching issues, one also has to keep in mind that with growth comes competition. Therefore, it would be necessary for market players to innovate and come up with novel AI models that have actual use for the users. While we already have generative AI which has made the technology more accessible for everyday users, strides should be made to

improve the efficiency of work through AI. The legal field is one such domain where AI has the potential to promote efficiency.

2) AI and the Law: Bridging the Gap Between Innovative AI and its Regulation

In the Indian scenario, AI technology is a double-sided coin. While it brings about opportunities, it also brings along certain challenges. While AI is a promising technology to foster efficiency in the realm of law, it raises concerns regarding adoption, privacy, and regulation. While the apex court has the resources and training to keep itself equipped with the latest technology, the same cannot be said for the lower courts in India. In addition to this, given that AI technology relies heavily on data as its fuel, it gives rise to privacy concerns, which can ultimately flow into issues about bias if adopted by the courtrooms. Effective regulation must focus on AI models dealing with sensitive data, their applications, user interactions, and accountability to ensure innovation while mitigating risks. An effective regulatory model would be one that tactfully deals with the concerns of the technology while allowing enough leeway to innovate.

PANEL 1: AI AND ENTREPRENEURSHIP: STRENGTHENING INNOVATION & THE FOSTERING OF COMMERCE GLOBALLY

INTRODUCTION

AI technology has been the talk of the town for quite some time now. With its growth propensity, it becomes essential to understand the trajectory of the technology and the hurdles that are presented by the Indian scenario. To get a holistic view, the theme is discussed with entrepreneurs involved with AI technology to scrutinise the ground realities from their lens. The discussion aims to delve into an understanding of the AI market in India and the essentials for survival in this market. In addition, the shortcomings presented by our markets and what ramifications are expected in cross-border commerce with the introduction of AI Technology are also explored.

DISCUSSION

Artificial Intelligence (AI) is playing a transformative role in entrepreneurship, innovation, and global commerce. It can be examined from 2 key perspectives: those who adopt AI technologies into their operations and others who build AI technologies. While its adoption is still in its early stages, it is poised for massive growth, with an increasing enterprise focus on AI solutions. 2023 statistics show global technology spending reached 4.5 trillion dollars, growing at 4 per cent annually. AI spending has seen a substantial increase of 30%, reaching around 100 to 150 billion dollars. This highlights the rapid expansion of AI compared to other technologies, positioning AI as a General-Purpose Technology (GPT) that will permeate various sectors much like the steam engine, internet, and personal computer did in the past. This growth is causing other technology markets to be overshadowed by AI. Although, in certain sectors, despite widespread discussion of AI, actual adoption remains low. It is also interesting to note here that there is now a distinction between traditional AI and newer forms like Generative AI. Given that no specialised knowledge is required to access AI anymore with this advent, it now caters to a broader audience, promoting novel applications.

Entrepreneurship in the realm of AI has been booming in India, with 86% of startups raising funding last year focusing on AI models, emphasizing its critical role in the future of business. However, some challenges still need to be addressed, particularly around cost, data management, and ensuring the quality of AI models to be good. From a commercial point of view, the risks associated with adopting AI technologies developed externally force companies to face the dilemma of either building AI models in-house that are costly or relying on external partners for the same, which could expose them to various business risks. Concerns are also being raised about the quality and control of data used for AI decision-making.

Speaking of organisations, the adoption of AI is maturing at different levels in an organisation setting, from operational skills to decision-making. Unfortunately, many AI implementations today may be shallow or lack context, leading to ineffective outcomes. There is an underscored need for structured data and subject matter expertise to fully leverage AI's potential in solving real-world problems. In conclusion, organisations must invest time and resources in AI

initiatives to ensure successful outcomes. They should also focus on building a strong foundation of data and subject matter expertise to ensure long-term success.

Generative AI is another facet of this technology that is starting to make an impact on society. There is a growing impression that Generative AI is overhyped, but in reality, workers rather than decision-makers are the primary users of this technology. It has been seen that Generative AI is gradually taking the place of some talents, even though it is still not a true tool for making decisions. Generative AI and predictive AI systems have massive potential as they can develop language models that support the growth of new ways of utilising AI in our daily lives. There are, however, difficulties in developing these fundamental AI models because of the lack of resources, skills, and data, particularly in places like India. Even then, AI development is competitive, and there is a need for differentiation to be able to survive in a global market. Therefore, from an investment perspective, there are a lot of questions that need to be asked before one can invest in fields as unpredictable as AI.

This naturally raises further questions, such as what would constitute a unique AI model and what would be the potential of such an idea in the markets today. To answer these questions, it is necessary to look at the application of AI in layers.

The top layer, which is the application, horizontal or vertical, there will be tens of thousands of companies that will make use of Generative AI, and one will need the combination of adopting generative AI or large, medium, or small models along with that domain expertise to succeed, but it will be these large number of companies (including those competing with existing early adopter incumbents) who will embrace the generative models and convert themselves into superior, cutting-edge entities.

For instance, Salesforce, in the sales domain, is a cloud sales platform providing enterprise resource planning (ERP) and Customer relationship management (CRM) services. They will adopt AI and make it AI-enabled, but there could be a brand-new AI company or sales AI company that could re-imagine how sales can be done. Therefore, the top layer is exciting as it has a massive opportunity, but it is also extremely competitive, and to be globally competitive, one will have to figure out niches, with every company having to find their specific edge and their differentiating factors.

The bottom layer consists of what OpenAI has built with the large GPT models, then Llama, and moreover all the large language models (LLMs). Not a lot of companies follow/develop these models as they face constraints regarding capital, data, computing power, and talent required. At this level, there is possibly a disadvantage, especially in India, as the capital required for computing and talent puts it at a disadvantage when compared to global giants.

To get a better idea of the limitations, one can look at the following data. When we talk about companies such as Llama and other OpenAI software, they had around 400 billion parameters of data at one point, now going to a trillion parameters. For this, one needs data on a scale that can support such growth. Second, computing is required to train and build these models, which are in the tune of billions of dollars now. OpenAI was able to raise the required capital privately. Similarly, all the hyper-scalers have cash, which a young start-up can barely aspire to have, so that is the play. In addition to all this, there is immense deep engineering prowess required in consuming, engineering, plumbing, and pipelining the data that go into these models and then building these algorithms.

The above discussion highlighted the possibilities of innovation in the AI paradigm itself. It is also essential to understand how the innovation in AI differs from the innovation that we have seen in the past vis-à-vis older technologies and how such innovation would or could be adopted.

Given that AI is a relatively new phenomenon, it is extremely difficult to accurately highlight such differences. There are various views on this topic. Founders and organisations acknowledge that they don't want disproportionate power in a very small set of people or entities. It will be very dangerous if, five years down the line, OpenAI controls ninety per cent of the models that are there, running the world. That would be a very dangerous place to be in or get to.

One balancing force that is being seen is open-source models. But even they need data and computing power. Llama is one of the bigger names that is being spoken about but backed by META. Though Mark Zuckerberg says that it is an open platform, those tuning parameters are not actually open, so they also have some incentive to do an open-source approach. It's almost like the Android vs IOS history, which is a 10 to15 year old story. Google promoted Android because they wanted to make sure that Apple was not in complete control of the mobile ecosystem, and therefore META is attempting to do the same. A third story is brought to light by an Indian academic along with a couple of academics in the US, and they've recently raised a lot of money on a company to

say that Llama may not be truly open-source, and we still need a purely community-driven open-source approach to be a counterweight to the Llamas and the other OpenAI's in the world. What is fundamental in all of these things is a lot of data is still needed, as is computing power and talent. The power to bring out alternatives lies with organisations that have talent along with funding from venture capital, community, crowd, or the government.

Thinking of innovation in AI from an entrepreneurial perspective, rather than creating infrastructure from scratch, it is crucial to concentrate on the demands of the client and make use of already-existing core concepts. Thinking of building an AI from the perspective of infrastructure versus application is thinking about it from a very abstract lens and not thinking about it from the lens of what people need today. Rather than focusing on questions such as, what am I? It is important to think about who one is serving and how one is serving them because, at the end of the day, to build something useful for ones target audience, companies must listen to their audience and think about what they need.

Furthermore, to gain clarity on the needs of the current market, one must make comparisons to previous market trends. Technology, for example, has 3 phases: the first one is the technology itself, where that's the novelty. The second is the "value-added" stage, and the third is the "fade into the background" stage, where technology is a given and its presence assumed, virtually unnoticeable, and all-pervading.

In the first stage, people are incredibly enthusiastic about the technology itself, even though there might not be a direct value that is added, or a change to how one may go about ones day. Take the example of a mobile phone, when the iPhone was released back in 2007, it was incredibly expensive compared to everything else on the market by at least 4-5 times. At that time, the early adopters were buying it because it was a novel technology. As time progressed, it moved into the next phase, which is the value-added phase. People started having email, phones, and different media consumption applications. Videos could be watched on the go with applications such as Netflix. Things that one couldn't do before started appearing, and it began changing the way people lived, and then finally, it faded into the background. Today, nobody thinks of mobile phones as advanced, high-tech, groundbreaking stuff; it's a part of ones lives!

However, while generative AI is still in its early stages of development, its full transformational potential has not yet been realised. This can be seen in earlier technologies, such as blockchain,

which never reached maturity. It is extremely important to think about the problem you are solving when creating or launching a product into the market.

Not every piece of technology crosses all three stages. Blockchain, for example, was all the hype in the technology phase, every single company in the world was building blockchains and blockchain applications, but blockchain never graduated onto the value-added stage. If you take the currency aspect of it, or the element of creating and maintaining immutable records, something that can never be modified by anybody, nobody is really using it for those purposes. With Artificial Intelligence, and generative AI in particular, today we're in the technology phase and that's what everybody is talking about. The deep tech building that we're doing, the companies are using. The majority of applications that companies are using today are just generative AI for the sake of generative AI, and there is not much thought that is being put into the creation of value for the customers. The general consensus is that, although generative AI has great potential, its actual use and broad influence are still being determined. This is because there are substantial obstacles to overcome in the fundamental model creation process, and there may be intense rivalry in application domains.

Through this discussion, it is clear that the world of AI is constantly evolving, and this space is getting increasingly commoditised. Today, there is very little difference between the top players. A year ago, companies like Open AI were considered to be the best, having an unbeatable interface, but now that is clearly not the case. With newer companies entering the market, like Facebook with Meta, Mistral, Anthropic, etc, this sphere is booming with potential. When looking at "The India Story", the focus has to shift from building in-house models to leveraging existing technologies to achieve practical outcomes. Despite the push for developing deep technology in-house, there are substantial challenges. Competing with established technology giants is difficult due to their deep pockets, access to talent, and well-established infrastructure. So, rather than competing with these technology giants in trying to create AI models, the emphasis should now be on identifying specific, value-added tasks that AI can simplify or automate.

For instance, understanding the day-to-day activities within the legal profession that consume lawyers' time and cause burnout, such as document review and due diligence. By seamlessly integrating AI tools into such legal workflows, such software can be made part of routine legal practice. This would allow lawyers to perform important real-world tasks instead of

manual, repetitive work. While there is still a significant amount of ideation and development required, the future of AI in the legal industry is promising. The hope now is that, much like common office tools today, AI will soon become an invisible yet integral part of legal work, fundamentally changing how the profession operates.

The question then arises, is that of efficiency. This can be illustrated through a real-life example, where it took a team of 5-7 lawyers two weeks to go through 2,000 documents while it takes only half a day at most for the AI model. In terms of return on investment, while such manual work does generate billable hours for the lawyers, they do not provide real value to clients or enhance job satisfaction. The use of AI, therefore, is not just about the returns but also about improving quality of life and retaining talent within the profession. The purpose of such AI models is not to replace lawyers but to replace those who do not adapt to using AI tools. There is a likelihood that law firms may resist inculcating these AI practices due to concerns about lost billable hours. However, the value of increased efficiency, enabling them to take on more work and move up the value chain, will become substantial. And that is where the future lies: more AI adoption leading to increased efficiencies in and the quality of existing work, engendering a greater and deeper range as well as unlocking vastly enhanced areas of new and other work.

Another ailment in the Indian chapter is the lack of domestic investors focusing on deep technology. Another such problem is that while significant investment is being made in AI education, in terms of developing AI models, the users' perspective is being ignored. Most people are not going to be building AI, however they will be using it. Therefore, courses should start including all such aspects.

Technological transformations take time; however, AI has been developing at a fast rate, adapting and evolving quickly. In the past year, the number of generative AI startups has jumped from 60 to 260, and there are likely even more that haven't been counted yet. Similarly, India had no local large language models (LLMs) a year ago, but now there are over 17, with more in development. Additionally, the percentage of generative AI startups generating revenue increased from 5% last year to 40-45% this year. The proportion of companies aiming for commercialisation also grew dramatically, from around 20% last year to 70-80% this year. While these rising numbers are a good sign, some experts express concerns regarding the mortality rate of such startups. By improving the practical, real-world use cases and leveraging genuine data rather than synthetic

data, such concerns may be mitigated to a large extent. Moreover, there are many micro-use cases for AI, creating scope for such a commoditised market. Developing effective workflows and interfaces should be the biggest priority. There is a growing need for collaboration between AI experts and domain specialists to tackle significant industry challenges because AI's potential extends beyond just software solutions. There is a multidisciplinary aspect that should be improved upon.

When working on a legal AI model, interdisciplinary knowledge is crucial for making informed decisions when integrating legal and technological solutions. Successful solutions require a deep understanding of both legal interpretation and technology. Despite the potential for automation, the challenge lies in effectively combining these fields. There is immense potential within the legal technology industry. While the global legal industry is valued at around a trillion dollars, the legal technology sector is much smaller, at around 25 billion dollars annually. There remains substantial untapped value, and advancements in generative AI could unlock opportunities, moving beyond mere workflow management to deliver real, impactful solutions.

Question:

There are two key issues that must be addressed when discussing the adoption of AI models within the legal sphere. First is identifying the relevancy of documents with respect to a specific case, and the second is the very prevalent problem of fraudulent documents being submitted. How can AI models overcome these issues?

Answer:

The idea of such AI models is not to replace lawyers altogether, and so the answer to the question lies in the importance of keeping humans in the loop when using AI. AI is a tool that complements human expertise rather than replacing it. While AI is being developed to solve problems related to accuracy, relevance, and document authenticity, the need for human supervision cannot be replaced.

PANEL 2: AI AND THE LAW: BRIDGING THE GAP BETWEEN INNOVATIVE AI AND ITS REGULATION

INTRODUCTION:

Following a comprehensive analysis of AI technology from the perspective of entrepreneurs, we find ourselves at a juncture where it is imperative to deliberate upon the interaction of AI with regulations. Given that AI technology has a significant influence on commerce and the Indian market in general, it becomes necessary to first understand what are the challenges this new technology poses from a regulatory perspective and how the regulators should proceed. The technology being novel, it is natural that adoption issues will surface. At the same time, it is apparent that data being the fuel of AI technology, privacy and bias issues will arise. Keeping these issues in the background, the regulators must also appreciate the efficiency offered by AI Technology. Hence, deliberation is essential as to how the rule-makers should tread in this uncharted territory of AI.

DISCUSSION

AI presents both significant challenges and promising opportunities for the judiciary, especially within lower courts. While higher courts like the Supreme Court have begun adopting AI tools, its integration into district courts remains limited due to several barriers. The COVID-19 pandemic pushed courts to adopt virtual hearings, but despite these advancements, lower courts have reverted to traditional practices post-pandemic. A few initiatives, such as processing check-bouncing cases online, hint at the potential for AI and digital tools to streamline judicial processes, but these remain the exception rather than the norm.

One of the most significant challenges is the lack of infrastructure and expertise in lower courts. While higher courts may have access to more advanced technology, many district and subordinate courts lack the basic resources to implement AI systems effectively. Furthermore, capacity building and training programs, especially for lawyers and court officials, have not kept pace with technological advancements. The knowledge gap is particularly acute among older legal professionals, who may be resistant or struggle to adapt to new digital tools and AI-driven processes. This highlights the need for an inclusive, community-based approach to AI adoption

rather than top-down mandates. Without grassroots efforts to familiarise practitioners with AI's capabilities, lower courts will continue to lag behind.

A common obstacle to AI adoption in both the judiciary and broader industries is the slow pace of technological adoption. Often, the required infrastructure for digital transformation is in place, but the key issue is a lack of training or willingness among senior stakeholders and the workforce to use these tools effectively. This inertia prevents AI from achieving its full potential. To overcome this challenge, early intervention at the grassroots level is essential. Introducing AI at the university level, where future lawyers and judges are trained, can help bridge this gap, ensuring that the next generation of legal professionals is well-equipped to use AI in their practice. District courts should also be prioritised for AI integration to democratise access to these advanced technologies.

In addition to capacity-building challenges, India's data landscape presents its own complexities. As a country with vast amounts of data, India stands at a critical juncture where it must balance innovation with privacy concerns. The recently enacted Data Protection Act (DPDP) seeks to address these issues, but it raises important questions about the trade-offs between innovation, privacy, and potential overregulation. Striking the right balance is crucial. Overregulation could stifle innovation, but under-regulation might lead to violations of citizens' rights. A significant concern with AI in this context, is bias. In a diverse country like India, where pre-existing social and cultural biases are prevalent, there is a risk that AI systems could perpetuate these biases, leading to discriminatory outcomes in judicial processes. This concern is particularly relevant in sensitive areas like criminal justice, where biased outcomes could have severe consequences for individuals. If AI systems reinforce systemic biases in areas like sentencing or bail decisions, the damage could be profound. As AI continues to evolve and integrate into society, ensuring transparency and fairness in how it handles data will be paramount. Only by addressing these issues can AI be responsibly integrated into the judiciary, enhancing efficiency without compromising justice.

In addition to the above, the debate surrounding the definition and regulation of AI is a complex and ongoing issue with several layers that need careful examination. One of the primary challenges with AI lies in its lack of a single, universally accepted definition. Typically, new laws and regulations begin by attempting to define key concepts; however, AI, with its vast and rapidly

evolving landscape, makes this task particularly daunting. It is difficult to fit AI into a neatly defined category because its functionalities and applications are so diverse, spanning fields like healthcare, finance, manufacturing, and beyond.

Defining AI is critical from commercial, user, and regulatory perspectives, but it is also challenging due to the contextual and broad nature of the term. Much of what is described as AI today is, in reality, machine learning (ML) or deep learning (DL) subsets of AI. These technologies rely on feeding vast amounts of data into algorithms to produce results that mimic human-like reasoning, such as identifying patterns in data, generating text, or recognising images. Referring to this process as "artificial intelligence" might be misleading because, at its core, it is not intelligence in the human sense but an advanced form of data processing.

Central to AI's functionality are foundational models, large-scale systems trained on extensive datasets to generate outputs like text, images, or predictions. These models, often created by major technology companies, form the bedrock of various applications that utilise AI, from facial recognition systems to language generation platforms like ChatGPT. It is crucial to distinguish between the foundational model and the applications built on top of it, as each presents unique risks and requires different regulatory considerations. Applications can take the raw output of AI models and use it in various real-world contexts, sometimes producing unintended or harmful results. For instance, an AI model designed to identify potential candidates for a job might unintentionally exhibit bias if its training data is skewed. Understanding where such errors arise, at the model level, the application level, or the user level, is critical for developing effective regulations.

A valuable analogy is the idea-expression dichotomy often seen in intellectual property law. In this context, an idea or concept without its expression is not considered a legal liability. Similarly, an AI model, by itself, does not pose significant risks until its output is applied in real-world situations. This distinction is essential because, while the model may generate raw data or suggestions, it is the applications that act on that data and cause real-world effects. Failures can occur at multiple levels: a model may generate inaccurate or biased results, the application might not properly account for context or ethical considerations, or the user may misinterpret or misuse AI's output.

At the most fundamental level, bias in a model can evolve from the data itself. If the data itself is not vetted properly, the model will display a bias in its functioning. Therefore, the simple parallel we can draw here is of garbage in, garbage out. Hence, while we strive to identify the level at which the bias has entered the model. It must be of utmost priority to understand the importance of the data vetting.

There is also another dimension to data with AI, which touches upon privacy. Illustratively, we can look at generative AI models working with images. They offer us revolutionary technology, but you also have to consider the other side of the coin, that is the issue of deepfakes. From the regulatory perspective, it is essential with such issues to have a robust privacy protection framework in place. At the same time, it is also important to advocate for privacy literacy amongst the population. It is only when the general public understands the ramifications of parting away with data so easily that they become more cautious.

In the end, a conversation revolving around regulations remains unadorned without considering the question of accountability. As it has already been established that AI is a layered concept, it is essential to understand who holds responsibility for an AI model at a particular level. Once we have clarity on that, depending on the situation, it would become possible to attach it to a particular stakeholder. From an ex-ante perspective, accountability should be imposed at different layers of the AI model. For instance, the people who are choosing the data, the people processing it, and the people supervising the final outputs of the model.

While this is a thought-provoking model of regulating AI, the application of it in the real world would be another story. We already have intermediaries who utilise AI summarisation of their search results, for instance. In such a scenario, if the AI model is showing bias or making defamatory statements, it would again bring us back to the question of who to hold accountable. Therefore, in practice, it might be beneficial for intermediaries to clearly highlight what is AI and what is not.

The above discussion points us in a direction where the regulation of AI demands a multi-faceted approach that clearly delineates responsibilities among the creators of the foundational models, the developers of AI applications, and the end users. A principle-based regulatory framework may be the most effective approach to balance innovation with accountability. Overregulating could stifle technological advancements, but under regulation risks allowing

harmful consequences to proliferate unchecked. Human oversight and accountability must be central to any regulatory framework, ensuring that while AI systems continue to develop and benefit society, the potential for harm is carefully mitigated.