

# Legal Personality of AI: Challenges and Opportunities

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**Abstract:** *The researcher in this paper discussed the emerging concept of AI and its role in daily life of the people. The computing technological innovation in the form of AI leads opens the vista of opportunities and challenges. One of the challenges is the questions of accountability. The AI technology is expanding like a cob web in every walk of life, from governance to healthcare, diagnostics to education to the predictions of weather and many more, the list is ever expanding. While using AI if anything goes wrong who will be responsible, the software developer, the owner, or the user. Hence from the perspective of this liability perspective the discussion is opened in international and national regime that, whether the AI can be eligible to be recognised as legal personality like corporation? The Concept of giving legal Status of Artificial Personality (AP) is vehemently debated topic in legal, ethical, and technological circles. It involves determining whether AI systems should be recognized as legal entities with rights, duties, and liabilities, akin to corporations or humans. Legal personality is the capacity of an entity to have legal rights and obligations. There are two main types of legal persons: Natural Persons: Human beings with inherent rights and responsibilities. Artificial Persons: Entities like corporations, which are treated as separate legal entities. Now the growing technological interventions in human life and combination of human with computing technology a new personality has emerge as Artificial Intelligence (AI). This AI is doing work independently with efficiency and perfection like humans. Hence the issues of recognitions of a third category of personality i.e. AI and its legal rights and liabilities are in the discussion in across world forums. The Proposed AI Legal Personality: A new category for intelligent systems capable of independent decision-making. Now the moot question is why Discuss Legal Personality for AI? The answer is 1. Autonomous Decision-Making: Advanced AI can act independently, making decisions without human intervention (e.g., self-driving cars, AI financial traders).2. Accountability Gaps: When an AI causes harm, in that case who is liable? Should it be the developer, user, or the AI itself?3. Economic Role: AI systems increasingly influence global markets, raising questions about their legal status in contracts, intellectual property, and ownership. In this paper the researcher analysed the arguments for & against Granting Legal Personality to AI, also analysed the Government's National Strategies for AI.*

**Keywords:** AI, Legal Personality, Accountability, Technological Innovation

## I. INTRODUCTION

### Research Objectives:

1. What constitutes legal personality?
2. How does AI compare to traditional natural and juridical persons in legal theory?
3. Can AI meet the criteria for legal personality under existing legal frameworks?
4. How have different jurisdictions (e.g., EU, USA, India, China) approached the idea of granting legal personality to AI?
5. What are the ethical and philosophical implications of granting AI legal status?
6. How can accountability and liability be assigned if AI is given legal personality?
7. What risks could arise from granting AI autonomy in contractual obligations, decision-making, and criminal liability?
8. Would granting AI legal personality affect human rights, employment, and data privacy laws?

9. Can AI legal personality enhance innovation and economic growth by clarifying liability in AI-driven industries?
10. How can lawmakers balance technological progress with regulatory safeguards?

### Research Methodology

AI is new emerging and evolving concept in this hi-tech world of advance computing. The researcher has relied on the secondary sources of data, while writing this paper; it includes the Jurisprudence, Constitution of India, Webpages related to the AI, Newspaper Articles etc.

### Introduction

In recent years, India has introduced initiatives and guidelines for the responsible expansion and positioning of AI technologies. However, there are currently no specific laws regulating AI in India. While India lacks a formal legal definition or specific legislation for AI, it is actively developing frameworks and guidelines to promote the ethical and responsible use of AI technologies. In 2018, the Indian government released the National Strategy for Artificial Intelligence, emphasizing the importance of responsible AI development. The two major initiatives taken by Government of India which are as stated, 1. *NITI Aayog's discussion paper on National Strategy for Artificial Intelligence (AI for ALL)* and, 2. Task Force on AI by the Ministry of Commerce and Industry are the positive steps to face the challenges in technological intelligence for the benefits of humans. This strategy underscores the need to be conscious of factors that may undermine ethical conduct, impinge on privacy, and compromise security protocols. Recently the AICTE declares 2025 as the year of AI with an aim to integrate AI into Higher Education across over 14,000 AICTE approved institutions, impacting approximately 40 million students including AI affirmation Pledge, Comprehensive AI integration, AI awareness Campaigns, Faculty Development and Industry Partnership & Recognition of Excellence. Apart from this central initiative the State of Maharashtra, as 16 members Committee has been established to draft recommendations for AI policy 2025. This Policy aligns with the Government of India's India AI Mission and seeks to leverage Maharashtra's entrepreneurial energy to drive industrial development and economic growth.

The proactive steps taken by the Government of India to be in tune with AI as the other advance countries are doing. In the era of OPEN AI and DEEPSEEK technologies where this AI technologies are doing its work independently & intelligently, be it in education, trade & Commerce, in Medical field, finance & many more areas of Human concerns. In this backdrop why not be recognised AI as independent Legal personality like corporation, that debate and discussion is on forefronts.

The arguments in favour and against is a buzz words at national and internationally. Those are in favour of recognising AI as Legal personality saying that from the point of;

- Accountability: -If AI systems have legal status, they can be held directly liable for their actions (e.g., paying damages through insurance or funds).
- Encourages Innovation: Protecting developers from full liability might encourage AI innovation without fear of excessive legal risk.
- Precedent of Corporations: Just as corporations are legal entities, AI could function as autonomous legal entities operating within predefined rules.

Those who are against the recognitions of AI as legal personalities put forth their argument that, AI has missing of consciousness, accountabilities aspects are missing and ethical parameters are at forefront.

- Lack of Consciousness: AI lacks moral agency, emotions, and consciousness, which are typically prerequisites for legal rights and responsibilities.
- Complex Accountability: Introducing AI legal personality might complicate accountability by shifting blame away from humans or organizations.
- Ethical Concerns: Granting rights to AI might dilute the concept of legal rights, especially if human rights are still not universally protected

In all this discussion the arguable question is what are the attributes of legal personalities? The attributes are established by years of efforts of law commissions and legal precedents, during the evolutions of laws and principles. Can this attributes will be applicable to the recent development of AI technology which was invented by human intelligence and now working independently and sometimes giving the excellent results by going beyond and surpasses the human intelligence.

Before venture into the comparative analysis of AI with traditional natural and juridical persons in legal theory, lets us know the concept of AI and its definitions

### **Meaning & Definition and trends toward recognitions of Legal Personality of AI:**

AI refers to software based intelligence that enables machines to learned, reason and make decisions. So in nut shell AI refers to the simulation of human intelligence in machines that can perform tasks requiring learning, reasoning, problem-solving, perception, and decision-making.

John McCarthy (1956) has defined AI as “AI is the science and engineering of making intelligent machines, especially intelligent computer programs.”

European Commission (2021) also laid down the meaning and concept of AI as “AI is a system designed to operate with varying levels of autonomy and that can generate outputs such as predictions, recommendations, or decisions influencing real or virtual environments.”

OECD (2019) has aptly explained AI as “AI is a machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real-world environments.”

### **Types of AI (Based on Functionality) can be broadly classified into 3 category;**

- Narrow AI (Weak AI) – Performs specific tasks (e.g. Siri, Google Assistant).
- General AI (Strong AI) – Can perform any intellectual task a human can do (still theoretical).
- Super AI – AI surpassing human intelligence (a future concept).

Artificial Intelligence (AI) is defined differently across various jurisdictions, reflecting diverse legal and regulatory perspectives. Here’s an overview of AI definitions in key regions:

United States: In the USA, there is not a comprehensive federal statute exclusively governing AI, several legislative measures and framework have been established to address various aspects of AI development and deployment

In the U.S., AI is legally defined in National Artificial Initiative Act of 2020 (NAIIA). According to 15 U.S. Code § 9411-9416, AI is described as; “*A machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments.*”

In the United States, AI is not recognized as having legal personality. The U.S. legal system emphasizes human accountability, assigning responsibility for AI actions to developers, operators, or users. For instance, the U.S. Patent and Trademark Office (USPTO) has consistently held that only natural persons can be named as inventors in patent applications, thereby excluding AI systems from being recognized as inventors.

The European Union’s proposed Artificial Intelligence Act provides a comprehensive definition of AI systems: “*Software that is developed with one or more of the techniques and approaches listed in Annex I and can, for a given set of human-defined objectives, generate outputs such as content, predictions, recommendations, or decisions influencing the environments they interact with.*” This definition highlights the methods used in AI development and its capacity to produce various outputs impacting its surroundings.

The European Union has been proactive in considering the legal implications of AI. In 2017, the European Parliament proposed exploring a specific legal status for the most advanced autonomous robots, potentially classifying them as “electronic persons” to ensure accountability for their actions. However, this proposal has not been adopted into binding law. The EU’s current regulatory focus is on the Artificial Intelligence Act, which aims to establish a risk-based framework for AI systems, emphasizing human mistake and accountability without granting AI systems independent legal personality.

Canada’s Artificial Intelligence and Data Act (AIDA) defines AI systems as: “*Technological systems that autonomously process data related to human activities and can generate content or make decisions or predictions.*” This definition focuses on AI’s autonomous data processing capabilities and its potential to produce content or make determinations.

United Kingdom: The United Kingdom Information Commissioner's Office (ICO) describes AI as: *"Technologies and approaches that use computers to perform tasks commonly associated with intelligent beings."* This broad definition encompasses various technologies enabling machines to execute tasks typically requiring human intelligence.

In other advanced jurisdictions, the approach to AI and legal personality varies:

In 2017 Japan granted official residency status to an AI chatbot named "Shibuya Mirai," symbolizing a form of recognition, though not equating to full legal personality.

In 2017, Saudi Arabia granted citizenship to a humanoid robot named "Sophia," a move that sparked global discussions on the rights and status of AI entities.

In India at present does not have a specific legal definition or dedicated legislation governing Artificial Intelligence (AI). However, it has initiated several frameworks and advisories to guide the responsible growth and disposition of AI technologies.

Principles for Responsible AI: *"A constellation of technologies that enable machines to act with higher levels of intelligence and emulate the human capabilities of sense, comprehend, and act. Computer vision and audio processing can actively perceive the world around them by acquiring and processing images, sound, and speech. The natural language processing and inference engines can enable AI systems to analyse and understand the information collected. An AI system can also take decisions through inference engines or undertake actions in the physical world. These capabilities are augmented by the ability to learn from experience and keep adapting over time."* A comprehensive understanding of AI has not been codified into law in India.

These varying definitions reflect each jurisdiction's approach to regulating and understanding AI, considering factors like technological advancement, ethical considerations, and societal impact.

### **AI and Present Society**

Artificial Intelligence (AI) is rapidly transforming the life of humans by influencing industries, governance, and daily life. Its impact is visible in various fields, from healthcare and education to law enforcement and business. While AI offers numerous benefits, it also raises ethical, social, and legal challenges. Following are the areas wherein the AI playing very important role for providing accurate information, which are as below;

#### **1. AI in Governance and Public Administration**

- E-Governance & Public Services: AI improves efficiency in government operations, such as automated document processing and predictive analytics for policy-making.
- Smart Cities: AI-driven traffic management, waste management, and public safety systems optimize urban living.
- AI in Law Enforcement: Predictive policing and AI-powered surveillance help authorities detect and prevent crimes.
- But this involvement in Challenges may be raising a concern of Data privacy concerns, algorithmic bias, and ethical dilemmas in law enforcement.

#### **2. AI in Healthcare**

- Medical Diagnostics: AI-powered tools like IBM Watson Health and Google DeepMind analyze medical data to detect diseases like cancer and Alzheimer's.
- AI in Surgery: Robotic-assisted surgery enhances precision and reduces recovery time.
- Drug Discovery: AI accelerates the process of developing new medicines and vaccines.
- Ethical concerns over AI decision-making in medical procedures and data security issues are the biggest challenges.

#### **3. AI in Education**

- Personalized Learning: AI-powered platforms adapt lessons to student needs.
- Automated Grading: AI reduces the burden on teachers by grading assignments and exams.
- Virtual Tutors: AI chatbots provide real-time academic assistance.

- AI cannot replace human emotional intelligence in teaching; concerns about over-reliance on technology leads to knowledgeable fools. A person with intelligence and without emotions leads to become a more like human machines missing of humanness

#### 4. AI in Business and Economy

- Financial Forecasting: AI analyses stock markets and economic trends for better investment decisions.
- Automation in Jobs: AI-driven automation enhances productivity but may also lead to job displacement

#### Concept of Legal Personality and its significance in law:

It is proven facts that Legal personality refers to the recognition of an entity whether a natural person (human being) or a juridical person (such as corporations, states, and organizations) as having rights and duties under the law. This concept allows entities to enter contracts, sue and be sued, own property, and be held accountable for legal obligations.

#### Types of Legal Persons

1. Natural Persons – Human beings who are recognized as legal persons from birth until death. They enjoy fundamental rights and bear legal responsibilities.
2. Juridical (Artificial) Persons – Entities created by law, such as corporations, government bodies, and international organizations. These entities have specific legal rights and duties separate from those of their members.

#### Significance of Legal Personality in Law

1. Legal Rights and Duties – It enables individuals and entities to exercise rights, such as owning property, entering contracts, and accessing legal remedies.
2. Corporate Functioning – It allows businesses and organizations to operate independently of their owners, ensuring continuity beyond the lifespan of their founders.
3. Liability and Accountability – Establishing legal personality ensures that entities can be held accountable for actions, such as corporations being liable for debts or wrongful acts.
4. Protection of Rights – Recognizing legal personality provides individuals with protections under the law, including fundamental rights and freedoms.
5. Legal Identity for Non-Human Entities – Certain non-human entities, such as environmental features (e.g., rivers) or artificial intelligence (a subject of legal debate), may be granted legal personality to protect their interests.

The legal personality of Artificial Intelligence (AI) is an emerging issue, raising questions about whether AI systems should be granted limited or full legal status to manage liability, accountability, and decision-making responsibilities.

#### Can AI be recognized as a legal person like Corporations?

The recognition of Artificial Intelligence (AI) as a legal personality is a complex legal, ethical, and philosophical issue. While AI systems are currently not recognized as legal persons in most jurisdictions, the growing autonomy and decision-making capabilities of AI raise debates about whether they should be granted some form of legal personality.

- Liability and Accountability: -Technology is systems, especially autonomous ones (e.g., self-driving cars, AI decision-makers), can act independently of human control. Assigning legal personality to AI could help determine liability when AI causes harm, preventing gaps in legal responsibility.
- Economic and Contractual Participation AI is increasingly involved in commercial transactions (e.g., algorithmic trading, contract execution). Recognizing AI as a legal entity could enable it to enter contracts, own intellectual property, and pay taxes.
- Precedents for Non-Human Entities: Corporations, trusts, and even some non-human entities (e.g., rivers in some jurisdictions) have been granted legal personality.
- A limited legal personality for AI, similar to corporate entities, could allow AI to function as a separate legal entity.

### **Arguments against AI as Legal Personality**

- Lack of Consciousness and Moral Responsibility:-Unlike humans and even corporations (which have human representatives), AI lacks consciousness, emotions, and moral reasoning.
- Granting legal personality without accountability could lead to ethical and legal dilemmas.
- Existing Legal Frameworks Suffice Current laws already allocate liability to AI developers, manufacturers, or users. Instead of granting AI legal personality, laws could be updated to regulate AI through strict liability or corporate structures.

### **Control and Ethical Concerns**

Recognizing AI as a legal person could blur the distinction between human and machine rights. There is a risk that AI systems could be exploited by corporations to avoid legal responsibility.

### **Can AI Meet the Criteria?**

AI does not fully meet the established criteria for legal personality. However, AI could be given a limited legal status, similar to corporate personhood or electronic personhood, for specific purposes (e.g., liability management, contract enforcement). No country has granted full legal personality to AI. The EU AI Act and other regulations focus on accountability frameworks rather than legal personhood. Some legal scholars propose AI legal personhood for specific cases, such as intellectual property ownership. For AI to be granted legal personality it would need to meet the established criteria for legal personhood. In legal theory, legal personality is typically granted based on certain attributes.

### **At this instant the question arose whether AI can meet the basic criteria for attributing Legal Personality as compare to Corporations?**

1. Independent Existence: Corporations and states have legal personality because they exist independently of individual members. AI, however, lacks true autonomy since it is created, maintained, and controlled by humans. Even the most advanced AI operates within predefined parameters.
2. Rights and Duties: Legal persons (humans and corporations) have rights (e.g., owning property, entering contracts) and duties (e.g., paying taxes, following laws). AI cannot take on duties in the same way humans or corporations do. It lacks moral responsibility and cannot be punished for wrongdoing.
3. Ability to Sue and Be Sued: Corporations, trusts, and even non-human entities (like rivers) have been granted legal personality to sue and be sued. AI cannot meaningfully participate in legal proceedings. Even if it is sued, enforcement of judgments (e.g., paying fines) would require human intervention.
4. Accountability and Liability:- For legal personality to work, there must be mechanisms for liability (e.g., corporations can be fined, executives can be held accountable). AI lacks the ability to be held accountable for its actions. If AI is given legal personality, who would be responsible when it causes harm? Would an AI pay damages?
5. Human-Like Consciousness or Intentionality:- Natural persons (humans) have consciousness, intentions, and the ability to make ethical choices. AI operates based on algorithms and data it does not possess self-awareness, emotions, or moral reasoning.

With this comparative discussion it could be said that AI does not currently meet the full criteria for legal personality, but legal frameworks might evolve to recognize a limited form of legal status for AI in specific contexts. The key challenge remains ensuring accountability and liability while preventing legal loopholes. Granting legal status to AI raises significant ethical and philosophical concerns, challenging fundamental notions of responsibility, personhood, and rights. Below are some key implications:

### **Ethical Implications**

a) Accountability and Liability Gaps: If AI is granted legal personality, who is responsible when AI causes harm? Would AI be punished, fined, or held accountable like corporations, or would liability still fall on developers and owners?

Ethical Dilemma: Recognizing AI as an independent legal entity could allow corporations or individuals to escape responsibility, using AI as a legal shield. If AI is held accountable, how would it “repay” or “correct” its mistakes? AI cannot experience guilt or make moral reparations.

b) Human Rights vs. AI Rights: If AI is granted legal personality, should it be entitled to rights? Could AI demand fair treatment, protection from harm, or even “AI rights” similar to human rights?

Ethical Dilemma: Would recognizing AI’s legal status dilute human rights, making it harder to distinguish between machines and people? If AI can own property, create art, or participate in the economy, should it have intellectual property rights or be taxed?

c) Risk of AI Exploitation: AI could be used as a legal puppet by corporations, shielding them from responsibility. AI lacks free will and moral agency—would giving it legal personality enable unethical human actors to misuse it?

2. Philosophical Implications: Redefining “Personhood” Traditionally, personhood has been linked to consciousness, emotions, and moral reasoning. AI lacks subjective experience, should it be considered a legal person without consciousness?

Philosophical Dilemma: If AI is granted personhood, could other non-human entities (e.g., animals, nature) also qualify? Could advance AI in the future demand “human-like” recognition if it passes the Turing Test or demonstrates creativity?

b) Autonomy vs. Instrumentality: AI is a tool created by humans—granting it legal status challenges the idea that tools remain instruments rather than independent entities. Should legal personhood be reserved for entities with self-awareness and autonomy, or can it be assigned based on function and usefulness?

c) The Danger of Anthropomorphism: People tend to humanize AI, attributing emotions and intelligence where none exist. Granting AI legal personality might be a reflection of our bias rather than AI’s actual capabilities.

Philosophical Dilemma: If AI is legally recognized, would people start treating it as truly “alive” or “conscious,” even if it isn’t? Could this create a false equivalence between AI and humans, undermining ethical concerns about real human suffering?

### Challenges and Opportunities:

The debate over granting legal personality to AI presents both challenges and opportunities, requiring a careful balance between innovation, accountability, and ethical considerations.

#### Challenges

1. Lack of Consciousness and Moral Agency: AI lacks self-awareness, emotions, and the ability to make moral judgments. Granting legal personality to AI could lead to confusion between human responsibility and machine operations.
2. Accountability and Liability Issues: If AI is given legal status, who bears responsibility for its actions? There is a risk that companies or individuals could use AI as a legal shield to escape liability.
3. Human Rights and Ethical Concerns: Would AI be entitled to legal rights, and if so, how would they be enforced? Recognizing AI as a legal person could blur the distinction between human and non-human entities.
4. Legal Precedents and Uncertainty: Current legal systems do not recognize AI as an independent entity. Granting AI legal personality would require significant legal reforms, with unclear long-term consequences.

#### Opportunities

1. Better Liability Frameworks Limited legal personality for AI could help establish clearer liability rules, ensuring responsibility is assigned fairly.
2. Innovation and Economic Growth AI systems capable of executing contracts or managing assets could lead to more efficient business models.
3. Legal Consistency a well-defined legal status for AI could prevent legal loopholes, ensuring AI-related disputes are resolved more effectively.

4. AI in Governance and Decision-Making AI with legal status could participate in legal and economic systems as a recognized entity, facilitating autonomous decision-making in areas like finance, administration, and healthcare.

#### End Note

The legal personality of AI is a rapidly evolving issue that requires a balanced approach. While full legal personhood for AI may not be appropriate due to its lack of consciousness and moral intervention, a limited or functional legal status could be explored to address liability and accountability challenges.

#### Alternative Approaches Instead of Full Legal Personhood

Granting AI full legal personality is ethically and philosophically problematic it lacks consciousness, responsibility, and moral agency. However, a limited legal status (like corporate personhood or electronic personhood) might be justified for accountability purposes. The challenge is ensuring legal responsibility remains with humans while managing AI's growing influence in society.

Following may be the possible areas where AI can impose liabilities if something goes wrong

Agency based liability like Partnership Firm: AI could function as an agent, but ultimate responsibility would remain with a human or corporate entity.

Become Corporate Personality: AI could operate within a corporate framework where a company takes responsibility for its actions.

Strict Liability and/ or absolute liability: Instead of granting AI legal personhood, laws could assign liability directly to manufacturers, owners, or users either with some exceptions or absolutely

Electronic Personhood (EU Proposal): The European Parliament has suggested a possible "electronic personhood" for highly autonomous AI systems, allowing limited legal rights and responsibilities.

So future legal framework could be focused on following points

- Ensuring human lapse in AI decision-making.
- Developing AI-specific liability laws to prevent misuse.
- Encouraging ethical AI innovation while protecting human rights and human values.

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