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ABSTRACT

Commerce is driven by business contracts. Here, each party to such a contract must be assured that it is *robust*, fulfilling its goals and avoiding undesirable outcomes. However, real-life business contracts tend to be complex and unamenable both to manual scrutiny and domain-independent scientific methods, making it difficult to provide automated support for determining or improving their robustness. As a result, establishing a contract is nontrivial and adds significantly to the transaction costs of conducting business. If the adoption of multi-agent systems approaches in supporting business interactions is to be viable, we need to develop appropriate techniques to allow such software to reason about contracts in relation to their robustness. To this end, in this paper we propose a powerful approach to assessing the robustness of contracts, and make three main contributions. First, we demonstrate a novel *commitment-based* formal model for contracts. Second, we define rules to evaluate the robustness of contracts. Third, we offer a methodology for modeling contracts to enable checking them for robustness. We validate these contributions via real-world contracts.

Categories and Subject Descriptors

I.2.11 [Artificial Intelligence]: Distributed Artificial Intelligence

General Terms

Design, Reliability

Keywords

Agent commitments, service oriented architectures

1. INTRODUCTION

Business contracts specify the terms under which different contract parties exchange services. In this context, a contract is *robust* for a party if it satisfies that party's goals and preferences. In general, practical contracts can be quite complex, usually because each party inserts clauses to protect its own individual interests. However, the question of whether such a contract is robust is an important one that is not trivial to answer. In fact, the robustness of a contract may be assessed in different ways. For example, whereas a contract may specify that a particular service will be provided, it may not specify *how* it will be provided, leaving open the possibility that the method may be inappropriate in the eyes of some

party. Alternatively, a contract may specify exactly what and how a service should be provided, but make no provision for rectifying problems when the service fails to be delivered due to accident or malice.

Two aspects of the complexity of contracts makes ensuring robustness difficult. First, traditional contracts are not explicitly structured according to a suitable high-level formal model. Second, the free text form of today's contracts complicates analyzing their content in any automated way. Multiagent systems offer promising solutions to help manage business relationships and enact business processes; however, without first assessing the robustness of contracts, agents cannot be relied upon to agree upon or execute contracts of real significance.

In this paper, we provide an approach to modeling contracts specifically in order to address the problem of unambiguously analyzing their robustness. We treat a contract as a set of interrelated *commitments* among those parties who have signed it. These commitments play differing, interconnected roles in the overall contract and support a formal analysis to determine potential threats to the robustness of the given contract. For example, robustness is enhanced when a commitment to provide a service occurs with a concomitant commitment to resolve problems in cases where that service could not be delivered.

We make three contributions that together address the problems of how to *analyze* contract robustness, and how to *design* contracts to ensure that they are robust. First, we provide a structured *model* for expressing contracts. Second, we outline a methodology for identifying the various kinds of commitments that occur in a textual contract. The methodology helps formalize contracts in terms of the structured model. Third, we specify *rules* that can be applied to the model in order to determine the robustness of the underlying contract. We motivate our approach using examples from a real contract; we validate our approach against another real contract.

The rest of the paper is organized as follows. Section 2 introduces our running example. Section 3 describes our structured, commitment-oriented model of contracts. Section 4 outlines our methodology for expressing human-oriented contracts in our model. Section 5 specifies rules governing robustness of contracts. Section 6 provides an evaluation using a second case study, and Section 7 discusses related work. Finally, Section 8 concludes with discussion of future directions for research.

2. MOTIVATING EXAMPLE

To illustrate and evaluate our approach, we adopt a real-world services contract between Advanced Semiconductor Engineering (ASE) and Motorola.¹ The contract is for the assembly and testing of semiconductor chips, and related services. To save space, we include only relevant snippets. The preamble identifies the parties entering into the contract, and *why*, as the following snippet shows.

Preamble: MANUFACTURING SERVICES AGREEMENT... WHEREAS, Motorola and ASE desire to establish a strategic supplier relationship in which ASE will utilize the capacity at its final semiconductor manufacturing operation and facilities of ASE Korea located at Paju, Korea (the "PAJU FACILITY") on a priority basis to perform the assembly, test and associated services on certain semiconductor products for Motorola;

The contract includes distinct sections, each grouping clauses that impose interrelated demands on the contract parties. ASE will use its facility in Korea to assemble and test semiconductor products (the *contract products*) for Motorola. Motorola will provide the requisite specifications and equipment to enable ASE to carry out its task. Motorola will also provide monthly forecasts to aid ASE in capacity planning. Motorola will place purchase orders with ASE for the contract products, upon which ASE will ship the products to destinations specified by Motorola. ASE will then invoice Motorola for payment according to the prices agreed upon in the contract. Clauses in the contract also cover concerns such as insurance, indemnity, liability, and so on.

3. A MODEL FOR ROBUST CONTRACTS

A contract is robust in fulfilling agents' goals under varying circumstances primarily because of the *commitments* made in the contractual clauses. It is from these commitments that we can assess what to expect from agents executing the contract. Therefore, the first step in our approach is to provide a basic model for contractual commitments. We go on to describe how robustness can be defined in terms of such commitments, and then provide an enhanced commitment model specifically designed to model contractual information relevant to analyzing robustness.

3.1 Background: Commitments

A commitment $C(\text{debtor}, \text{creditor}, \text{context}, \text{antecedent}, \text{consequent})$ corresponds to a reified directed obligation from the debtor to the creditor to bring about the consequent provided the antecedent holds. In contractual terms, a commitment represents a proposed business exchange: the antecedent and consequent represent the considerations of the creditor and debtor, respectively.

Importantly, a commitment arises within a context, which captures the legal, social, or community setting in which the commitment is enforced. A subtle feature of our approach is that here the context can correspond to either a real-life institution or organization, such as eBay or the European Union or the famous Blanes fish market [9]. A context is an active entity: it imposes regulations on the participants, and it might penalize or eject noncompliant participants. The context itself has no consideration in the business exchange; its function is regulation. Often, the context plays the role of an arbiter in disputes. Within a contractual setting, the context typically consists of the legal framework under which the contract is signed, together with the domain ontology and the contract document itself. In other words, given a certain legal system, understanding of the world, and contract (all of which make

up the context), certain commitments between the contract parties arise and are manipulated in a natural manner.

More specifically, a contract is a set of commitments, each of which has the same context. As an example, an ordering process may involve two commitments: $c_1 = C(\text{seller}, \text{buyer}, \text{Org}, \text{pay}, \text{shipGoods})$ and $c_2 = C(\text{buyer}, \text{seller}, \text{Org}, \text{buyGoods}, \text{pay})$. Here we use *Org* as the context within whose scope the contract takes place. The first commitment requires the seller to ship the goods to the buyer once payment has been made, whereas the second commits the buyer to pay for goods it has purchased. Notice that the *buyer* and the *seller* may themselves be organizations, each with its internal structure.

A key benefit of the commitments representation is that commitments can be manipulated in a perspicuous and principled manner, thus yielding the flexibility needed in automated contractual interactions. A commitment may be *created*. When its antecedent holds, it is *detached* meaning that it reduces to a commitment to bring about the consequent unconditionally. When its consequent holds, it is *discharged*—this could even happen before the commitment is detached. The creditor may *assign* a commitment to another agent (*creditor*). Conversely, a debtor may *delegate* a commitment to another agent (*debtor*). A debtor may *cancel* a commitment and a creditor may *release* the debtor from the commitment.

Note that the debtor and creditor of a commitment need not be its direct performer or beneficiary [10]. Often, each would play a role in a participating organization, and would represent the interest of the organization for the purposes of the commitment. For example, a manufacturer may commit to repairing some piece of machinery for a factory, but the repairer may be a subcontractor of the manufacturer.

3.2 Robustness of a Contract

The robustness of a contract depends on how its commitments relate to the goals of the contract parties.

Definition 1 relates each of a party's goals to commitments in the contract. It says that the fulfillment of a subset of commitments—in any manner—must lead to the satisfaction of the goal, i.e. the goal is *supported*. The set of commitments leading to fulfillment of the goals may represent either the normal way to fulfill the goals where all services are delivered successfully, or a *compensating* way to fulfill the goals where some commitments are violated but compensating commitments are fulfilled.

DEFINITION 1. A contract party's goal is supported by a contract if and only if the fulfillment of the subset of contract commitments, in which the party is the creditor, entails the goal.

Given the above definition, we can then define what it would mean for a contract to be robust for a party.

DEFINITION 2. A contract is robust for a contract party if all of the contract party's goals are supported. A contract is robust overall if it is robust for all its parties.

In order to specify how to assess robustness, we must define what it means for (1) a contract party's goals be *entailed* by the contract and (2) a commitment to *compensate* the failure of another commitment. Both of the above relate to the different types of behavior a contractual commitment can address. Therefore, it is important to model the kinds of commitments depending on the purpose they serve in the contract. Below, we enhance our basic commitment model to include the specification of commitments based on their purpose.

¹<http://contracts.onecle.com/ase/motorola.mfg-korea.1999.07.03.shtml>

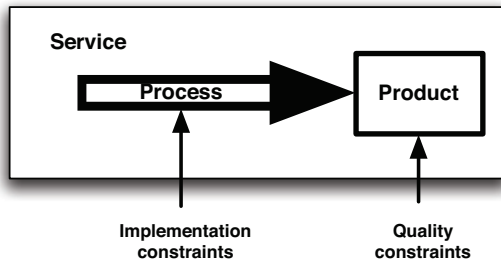


Figure 1: Control flow for the reasoning process

3.3 Enhanced Commitment Structure

From our examination of real-life contracts, we observe that the commitments occurring within them exhibit a particular structure, which we exploit to assess the robustness of contracts.

At the heart of this structure is the idea of a *service*. A service is the creation of some *product* by a *process* under *assumed circumstances*, as shown in Figure 1. The product is what an agent actually wants, whereas the process is the means by which the product is brought about. The product may be an artifact or an activity taking place or something holding true about the world. Significantly from the perspective of robustness, it is often the case that a product can be evaluated by its consumer whereas the process is usually hidden. The *assumed circumstances* constitute normal, expected operation: a contract sets up expectations about what each party will do and does so assuming the rest of the world works in a particular way. Considering these assumed circumstances allows us also to consider what should happen when they do not hold in some way.

We view contracts as inherently symmetric among the parties. Thus each party potentially provides one or more services to the others. A *service commitment* is, then, a commitment on a debtor in the role of providing a service to a creditor. It states what is to be produced by the service and under what assumed circumstances, without further describing the product or process. In terms of the overall structure of a commitment described in Section 3.1, the service product is the consequent of the commitment.

A contract contains a set of service commitments. For each service, there are then a number of other constraints and commitments that are meaningful when understood in context of the service.

- *Quality constraints*, with regard to a service, are restrictions on the debtor to ensure that the service product is of a minimum acceptable quality.
- *Implementation constraints*, with regard to a service, are restrictions on the debtor to ensure that the process used for production meets certain requirements.
- A *contingency commitment*, with regard to a service, is a commitment on the debtor or a third party to provide an *alternative service* when the assumed circumstances do not hold (and stated *contingency circumstances* hold instead).
- A *resolution commitment*, with regard to a service, is a commitment on the debtor or a third party to provide an *alternative service* when the service commitment is violated.
- An *audit commitment*, with regard to a service, is a commitment on the debtor or a third party to perform an audit of the service, the product of which is the record of the service having been conducted.

Using this enhanced structure, we model a contract as a set of such commitments. The structure for documenting one commitment is shown in Table 1. As in Section 3.1, each contract has a *Creditor* and a *Debtor* agent. The *antecedent* is divided into an *Activation* condition, which states what triggers the commitment to apply, and *Assumed* circumstances, which states what is assumed to hold when the commitment applies. Both must be true for the commitment to apply, but they are dealt with in different ways. If the *Activation* condition does not hold at some time, then the commitment simply does not apply at that time. Conversely, if the *Activation* condition holds but the *Assumed* circumstances do not, then the *Contingency* commitment applies instead (if one is given).

The *consequent* is similarly divided into parts: for the *consequent* to be true, the *Product* must have been produced such that the *Quality* properties hold true of the service product and the *Implementation* properties hold true of the service process.

Additional related commitments are also modeled. A *Resolution* commitment is applicable when this commitment is violated (this is the antecedent of the resolution commitment). An *Audit* commitment is applicable whenever this commitment's process is enacted (the same or a more general antecedent than this commitment), and produces documentation regarding the service process.

A contract modeled so as to analyze robustness then, is a set of enhanced commitments, $EC(\text{creditor}, \text{debtor}, \text{activation}, \text{assumed}, \text{product}, \text{quality}, \text{implementation})$, together with functions between commitments, *resolution*, *contingency* and *audit*, each of which maps from a commitment to a set of (related) commitments.

Table 1: Enhanced commitment structure to assess robustness

Enhanced Commitment Structure	
Reference	An identifier to refer to the commitment
Creditor	The beneficiary of the service
Debtor	The party responsible for providing the service
Antecedent	
Activation	Under what circumstances this commitment applies
Assumed	Circumstances assumed in providing service
Consequent	
Product	The product of the service
Quality	The properties that should hold for the product
Implementation	The properties that should have held for the service process
Related	
Contingency	A commitment regarding what should be done when the assumed circumstances do not hold (referred to by identifier)
Resolution	A commitment regarding what should be done when this commitment is violated (referred to by identifier)
Audit	A commitment to produce data about how this service is performed (referred to by identifier)

4. A METHODOLOGY FOR CONTRACT ROBUSTNESS

Given this structured model for expressing contracts in a way that is appropriate to analyzing their robustness, we are now able to present a methodology for determining whether a contract is robust or not. This has two stages: first, it involves mapping the contract text to the commitments model introduced in Table 1; and second it involves applying rules to this mapping to check for robustness.

The first phase of our methodology consists of a number of steps, with each step identifying certain artifacts within the contract, and

testing whether these artifacts meet some basic rules to ensure the contract is correct and robust in trivial ways. For example, this might mean ensuring that no commitment has the same creditor as debtor, and that it is clear when the contract begins and ends to *have force*. In the next section (Section 5), we introduce the more rigorous robustness rules, which may not hold even for apparently well-drafted contracts.

Our methodology consists of the following steps. For each, we give the number of the section in this paper in which the step is explained.

1. Identify the critical entities involved in the commitments (4.1)
 - (a) Identify contract parties (4.1.1)
 - (b) Identify each contract party's goals (4.1.2)
 - (c) Identify domain concepts (4.1.3)
 - (d) Identify contract scope (4.1.4)
2. Map the above entities into the commitment model (4.2)
 - (a) Model services, processes, and products (4.2.1)
 - (b) Model commitments regarding services (4.2.2)
3. Check the robustness of the commitments (5)
 - (a) Check that the contract meets each party's goals (5.1)
 - (b) Check that it is well specified how services should be provided and how to handle circumstances in which they are not (5.2)
 - (c) Check that the contract does not place conflicting demands on the parties (5.3)

We illustrate the methodology via clauses selected from the ASE-Motorola contract, especially an abbreviated form of Clause 11.

Clause 11: ASE shall ship the Contract Products to the destinations identified by Motorola. Motorola shall acknowledge to ASE the receipt of each shipment of Contract Products, stating the quantity and type of, and any damages existing at delivery to, such Contract Products within [X days] of receipt at Motorola's ultimate destination . . . ASE shall certify to Motorola with each shipment that the Contract Products contained therein have successfully passed applicable testing and meet all specifications . . . If Motorola rejects any Contract Products, Motorola and ASE shall confer to determine the reason for the rejection. ASE shall immediately exercise commercially reasonable efforts to develop and implement a corrective action plan for any errors, including manufacturing errors or defects, identified in its systems.

4.1 Entity Identification

It is crucial to identify the various artifacts referred to in the contract. These artifacts may then be used within commitments in some structured or unstructured manner. In the former case, rules may be created identifying how they may, or should, be used in order to lead to a robust contract. The following entities are of interest.

4.1.1 Contract Parties

A contract party named by the contract is an entity whose commitments and responsibilities are described by the contract, and which is a signatory to the contract. In Clause 11, ASE and Motorola are contract parties.

A contract may identify specific roles within a contract party, when it is an organization. For example, ASE is committed to providing *Motorola Employees* with office facilities according to Clause 5 (not shown). Other roles mentioned in the contract include that of a *coordinator*, and the *ASE account team*, which then includes additional roles such as *manager* and *executive*.

4.1.2 Contract Goals

Business parties adopt a contract if it is conducive to achieving their goals—if the contract is robust, then these goals will be achieved. The preamble specifies the overarching goal; here, this is the successful production and delivery of semiconductor products from ASE to Motorola. This leads to other identifiable subgoals regarding high-level concepts such as the goal of having ASE deliver the product in a timely manner, the defect rate falling below some threshold, and so on. As we discuss below, each of these goals must be satisfied by some combination of commitments specified in the contract.

4.1.3 Domain Concepts

Contracts specify what the contract parties are committed to do within some domain, specifying the relevant states of domain artifacts and how to manipulate them. Domain concepts in Clause 11 include 'products', 'rejection', 'receipt', 'destination', 'damage', among others. Although it is beyond the scope of this paper, we assume a suitable ontology for each domain.

4.1.4 Scoping

A robust contract should specify when it is in effect, and when it expires, for example via a termination clause, which specifies the conditions under which the contract ends. Clause 3 (not shown) within the Motorola-ASE contract states that the contract is effective from the signing date, and is in force for five years. It also provides alternative ways of terminating the contract early. A basic requirement of robustness is clarity of the scope.

BASIC RULE 1. *A robust contract specifies the conditions when the contract begins and ends.*

4.2 Mapping to Commitment Model

Once the critical entities have been identified, we map this information into our commitment-based model.

4.2.1 Services, Processes, and Products

Clearly, it is necessary to identify the services to which the contractual commitments apply. For each service, its product — that is, its desired outcome — must also be identified. Each service is expressed, or sometimes implied, in contract clauses using the identified domain concepts, and each party's goals are expressed in terms of the services.

The *Preamble* in our example contract describes the primary services under consideration, as follows: "the assembly, test and associated services on high quality semiconductor products in volume". This hints at a service whose product is assembled semiconductor products and a service whose product is tested semiconductor products. Later clauses identify other 'associated' services. For example, Clause 11 includes "ASE shall ship the Contract Products to the destinations identified by Motorola", the product of which is

the delivery of goods, and goes on to make statements about how this service should be provided.

4.2.2 Commitments Regarding Services

Because we view a contract as an aggregation of the commitments it imposes upon the contract parties, determining whether a contract is robust involves identifying the commitments found in the contract. The remainder of the methodology focuses on these commitments, and the relationships between them.

Each service identified in the contract has a corresponding commitment, with one identified party as debtor, and another as creditor. Since commitments are, in effect, directed obligations, it is a basic prerequisite to robust execution that any commitment *must* have a contract party (and sometimes a specific role within it) as the commitment's debtor and creditor, implying the following rule.

BASIC RULE 2. *A robust contract must ensure that every commitment within the contract will have a contract party as a debtor and a creditor.*

For the primary shipment service referred to in Clause 11, the creditor is Motorola and the debtor is ASE. Further, a valid commitment must have distinct parties as debtor and creditor.

BASIC RULE 3. *The same entity may not be named a debtor and a creditor within a single commitment.*

Finally, the given contract must translate unambiguously to our formal model, and so the following basic rule applies.

BASIC RULE 4. *A commitment must only refer to concepts that have been defined within some (domain) ontology.*

4.2.3 Example

Table 2: Service commitment to provide shipment service
Model for Commitment to Shipment Service

Reference	C11-Shipment
Creditor	Motorola
Debtor	ASE
Antecedent	
Activation	When products ready to ship
Assumed	
Consequent	
Product	Products arrived at specified Motorola site
Quality	No damage to products
Implementation	Perform applicable tests to certify products
Related	
Contingency	
Resolution	C11-Rejection
Audit	C11-Receipt
Audit	C11-Quality

We apply the above to the initial modeling of Clause 11. Table 2 expresses the commitment to perform the primary service of the clause, shipment of products to specified destinations. This commitment is given an identifier, C11-Shipment, and refers to three other commitments extracted from the clause: C11-Rejection, C11-Receipt, and C11-Quality. For brevity, we omit the models for the latter two audit commitments; those refer to Motorola's commitment to provide a timely receipt for products received, and ASE's commitment to provide a statement of quality, respectively. The resolution commitment, C11-Rejection, is invoked when the service product is not achieved, the commitment to quality (no damage) is violated, or the commitment to implementation (tests performed) is not fulfilled.

Table 3 shows the model for C11-Rejection. Here, the service performed is the correction of the cause of rejection. No further commitment is involved, as the clause does not specify what should be done to audit the commitment or in contingency situations.

Table 3: Commitment to rectify problems (rejected products)
Model for Commitment to Act in Case of Rejection

Reference	C11-Rejection
Creditor	Motorola
Debtor	ASE
Antecedent	
Activation	Motorola rejects delivered products
Assumed	Within X days of delivery
Consequent	
Product	Corrective plan of action developed and implemented by ASE
Quality	
Implementation	
Related	
Contingency	
Resolution	
Audit	

5. ROBUSTNESS RULES

Given the model of contracts in the preceding section, we now specify *rules* for determining the robustness of contracts expressed in that model. We divide such rules into:

1. those that determine whether the contract contains the content required by each party;
2. those that determine whether each contract commitment is handled robustly; and
3. those that apply to consistency between commitments.

5.1 Necessity Robustness Rules

A robust contract must ensure that each contract party's goals are satisfied when the contract executes correctly. The consequent of a service commitment may be used to capture the commitment's creditor's goals (when the commitment's antecedent holds). Therefore, the desired outcome of a contract may be captured by some subset of the contract's service commitments. A robust contract must thus satisfy the following rule.

ROBUSTNESS RULE 1. *Each goal expected to be satisfied by the contract parties should be (a necessary implication of) the consequent of a service commitment.*

Applying this to our example, the commitments shown in Tables 2 and 3 may be judged to be robust with regard to this rule: on the former's completion, Motorola will have the components it desires; on the latter's completion, any problems will have been appropriately addressed.

5.2 Coverage Robustness Rules

A service commitment can often be fulfilled in different ways, and not all are of equal value to the contract parties. In order to be robust, the contract must ensure that a commitment is met appropriately.

ROBUSTNESS RULE 2. *Each service commitment must have corresponding quality constraints that specify what it means for the service product to achieve an adequate standard.*

Table 2 shows a simple statement of the quality required of the product: no damage should have occurred. In the commitment in Table 3, no quality constraints are given. Whereas this omission may be deemed appropriate by the contract parties, the above rule highlights the fact that the contract is less robust if Motorola places no criteria on what an acceptable corrective plan can be.

Whereas the quality constraints concern the service product, we may also have criteria for judging the process by which the service is conducted, leading to the following rule.

ROBUSTNESS RULE 3. *If a service commitment may be met in a number of ways, a proper subset of which capture the creditor's goals, then the service commitment should have corresponding implementation constraints that specify what it means for the service commitment to have been achieved in a satisfactory manner.*

Table 2 shows a commitment by ASE to apply tests for damage and to ensure specifications are met prior to delivery (and therefore part of the service process). In contrast, Table 3 gives no implementation commitment. The above rule highlights the fact that the contract is less robust if Motorola places no criterion on what process is acceptable in developing a corrective plan, for example what factors ASE should take into account.

The fulfillment of service commitments and quality constraints is usually publicly observable. For example, whether ASE has manufactured the semiconductor chips up to the requisite standard is verifiable by Motorola once Motorola has received the chips. However, implementation constraints restrict the internal processes a contract party employs; compliance with such commitments is not visible outside the company. For example, Motorola cannot ascertain from outside ASE whether ASE has met the ISO 9000 standards in manufacturing the chips. Hence, implementation constraints call for audit commitments.

ROBUSTNESS RULE 4. *Each service's implementation constraints must have a corresponding audit commitment that ensures that the satisfaction or violation of the constraints is detected.*

If a commitment has been violated (for example, if the product is not available, or if quality or implementation constraints haven't been followed), then the creditors' goals may not be achieved. In order to be robust, therefore, the creditor in the commitment requires that some compensating commitment comes into force.

ROBUSTNESS RULE 5. *Each commitment must have a corresponding resolution commitment that ensures that the violation of the former commitment results in a suitable sanction on the debtor.*

Table 2 shows two commitments to ensure correct auditing by both parties involved. It is only by auditing that any violations of the implementation constraints are detected. There is also a resolution commitment, to specify what should be done when the product or process is inadequate according to the quality and implementation constraints. Table 3 shows no audit or resolution commitments are given. The above rules highlight the fact that the contract is less robust if there is no record of ASE having produced and implemented such a corrective plan, or what action to take if ASE fails to produce such a plan.

Further, for the debtors of a contract commitment, the contract is robust only if it adequately accounts for exceptional circumstances, beyond those assumed in normal operation. We ensure the robustness of the contracts in relation to these aspects, with the following rule.

Table 4: Contract Rules

Rule	Target
BASIC RULE 1	Scope of contract
BASIC RULE 2 & 3	Services and contract parties
BASIC RULE 4	Well defined contract
ROBUSTNESS RULE 1	Product
ROBUSTNESS RULE 2	Quality constraints
ROBUSTNESS RULE 3	Implementation constraints
ROBUSTNESS RULE 4	Audit commitments
ROBUSTNESS RULE 5	Resolution commitments
ROBUSTNESS RULE 6	Contingency commitments

ROBUSTNESS RULE 6. *Each commitment may have corresponding contingency commitments that ensure that, in each exceptional circumstance envisaged, the violation of the former commitment does not result in an inappropriate sanction on the debtor.*

Table 2 shows no contingency commitments because the contract fails to specify assumed circumstances. The absence of assumptions should draw the modelers' attention, but may merely indicate that there is no contingency to consider. Table 3 also states no contingency commitment, but does have assumed circumstances. The above rule highlights the fact that the contract is less robust if it is not specified what should be done if Motorola only rejects a product long after (more than X days) it has been delivered.

It might seem that, if applied recursively, the above rules could lead to an infinitely large contract; for example, each commitment requires another commitment for resolution. However, our use of the context of a contract—as in a business contract within a wider legal system—provides a natural solution. Not all of the associated commitments mentioned in the rules above need to be in the contract document itself; many may be present in the wider context. Ultimately, the audit, resolution, or contingencies of contextual commitments may be captured via general approaches, such as “file a lawsuit”.

5.3 Consistency Robustness Rules

The above rules consider the requirements of robustness on each commitment. The robustness of a contract as a whole depends in addition on whether its commitments are realizable.

It should always be clear to a contract party what to do to fulfill the contract, even in the case of multiple failures. Further, if success in one commitment prevents success in another, then the contract cannot be robust. A particular example of this is where two commitments require the same party in the same system state to do two conflicting things. A robust contract does not have such conflicts between its commitments, and the following rule expresses this constraint.

ROBUSTNESS RULE 7. *For any given contract party and applicable system state, by performing an action necessary to avoid violating one commitment, the action should not violate any otherwise nonviolated commitment.*

Taken together, the rules specified above provide us with a means of ensuring that a contract is robust at the point of specification. The full set of rules is summarized in Table 4, indicating which aspects of the contract each rule applies to.

6. EVALUATION

We used the Motorola-ASE contract as primary inspiration for our approach to modeling and assessing contract robustness (along

with our prior experience with case studies as part of electronic contracting projects). To evaluate the approach, we took an entirely independent contract and applied the methodology. Figure 2 shows an excerpt from a short contract² between a juggling society and an event organizer. We now show how our methodology applies to determine whether this contract is robust.

Contract For: Canterbury Centre Dinner 2003 (“CCD”), Friday 6 June 2003, 24 High Street, Canterbury.
This agreement is entered into between the University Juggling Club (“UJC”) and the Canterbury Center Dinner 2003 on the following terms:

1. Service Provider: University Juggling Club.
2. Employer: Canterbury Center Dinner.
3. To be provided by UJC: Performers: J Woods (juggler); one other juggler; all equipment necessary for performance.
4. To be provided by CCD: Cloakroom.
5. Venue address: 24 High Street, Canterbury.
6. CCD understands that performances are restricted in venues with ceilings of insufficient height. The ideal height is 5 meters. Outside performances are restricted in rain or strong winds.
7. Date of Performance: Friday 6 June 2003, starting at 6:30PM.
8. Duration of Performance: 1.5 hours. Short (less than one minute) breaks are part of the performance.
9. Fee: £30 per juggler + £10 expenses + £90 insurance (total £160).
10. If UJC is forced to cancel, all monies (including £90 deposit) will be refunded in full. If the Employer cancels with at least 24 hours notice, UJC will retain £90 and return any other monies.
11. Should poor weather mean that the Event takes place indoors, UJC will refund £10 expenses.
12. Performers will not consume any alcohol until after completion of services as agreed upon.
13. CCD will be responsible for compensation UJC for damage to equipment caused by those attending the Event unless damage is caused when (if) Performers have left equipment unguarded.
14. UJC will be liable for any injury sustained by a guest at the Event if such injury results from provision of services as agreed upon in this contract unless the Event fails to provide a suitable area for performance.

Figure 2: An extract from a contract to provide juggling services

6.1 Entity Identification

The two contract parties involved in this contract are the *Juggling Club (UJC)*, and the *Canterbury Centre Dinner (CCD)*. Additional roles include *performer* and *juggler*. As we see below, this contract obeys Basic Rules 2 and 3.

The CCD’s goal from the contract is to obtain performers for their dinner. The UJC’s goal is to get paid.

Apart from temporal concepts (relating to dates and times), and general concepts such as money, we may identify the domain concepts listed in Table 5. Since only these concepts are referred to within the contract, Basic Rule 4 is satisfied.

²<http://users.ox.ac.uk/juggsoc/contract.shtml>

Table 5: Domain concepts for the Juggler contract

performance	equipment	deposit	damage	venue
performance area	cloakroom	height	outside	break
poor weather	expenses	alcohol	indoors	guests
consumption	cancellation	injury	guarding	

The contract initiates as soon as it is signed and, it is implicitly *implied* that it expires at the end of the performance. Note that the lack of an explicit expiration condition suggests one problem with the robustness of the contract. One may envision a situation where some equipment is damaged, and a disagreement arises as to whether this damage falls under the contract or not (for example, when the jugglers and guests are on their way home from the dinner). Thus, Basic Rule 1 is not satisfied within this contract.

6.2 Mapping to Commitment Model

We now map clauses from the contract to the commitment model. Clauses 3 to 7 imply a service to be provided: the provision of jugglers and equipment by UJC, modeled in Table 6. UJC is the debtor, CCD is the creditor and the eventual product of the service is that the jugglers perform at the event. Implementation constraints are specified: that the jugglers remain sober (Clause 12). Where the service cannot be provided due to poor weather conditions (assumed circumstances not holding, Clause 11) or the performance is canceled by UJC (violation of commitment under assumed circumstances, Clause 10), contingency and resolution commitments apply, respectively. Clause 9 is a commitment for a separate payment-for-juggling service, and so is not modeled here.

Table 6: Service commitment: provide jugglers, equipment Model for Commitment to Provide Resources

Reference	C-ProvisionOfResources
Creditor	CCD (2)
Debtor	UJC (1)
Antecedent	
Activation	Agreement to contract
Assumed	Venue is indoor and of adequate height or outdoor and there is no rain or strong winds (6)
Consequent	
Product	C-JugglerPerform (3,4,5,7)
Quality	C-PerformanceFor1.5Hours (8)
Implementation	C-JugglersWillNotConsumeAlcohol (12)
Related	
Contingency	C-PoorWeather (11)
Contingency	C-Cancellation (10)
Resolution	C-CompensationResponsibility (13)
Resolution	C-Injury-Liability (14)

6.3 Assessing Robustness

Having identified the commitments, we may check whether they meet the appropriate robustness rules. Clearly, each desired outcome of the contract meets the commitments specified in Clauses 3, 4, 7, 8 and 9, as a performance will take place, and UJC will be paid. Thus, Rule 1 is satisfied.

According to Rule 2, each service commitment must have associated quality constraints. Whereas one assessment of quality is given for the service in Table 6, and so the clause can be judged somewhat robust, other quality measures may also be considered (for example, specifying how capable the juggler should be).

UJC agrees to implementation constraints: that the jugglers do not consume alcohol while performing. Note that although there

is no corresponding audit commitment, this is only because the performance will happen in public and CCD would easily be able to detect noncompliance. Thus Rule 4 is satisfied. The parties may consider additional implementation constraints, for example if there are any stipulations that should be made about how the product is reached, such as whether the organizers are given prior warning about when the jugglers will arrive.

There are some commitments for contingency and resolution in Table 6. Therefore, there is some robustness in this regard according to Rules 5 and 6. However, the contract can be even more robust if consideration is made of the other ways in which the assumed circumstances may not come about or the service is not provided. For example, the assumed circumstances are a conjunction of criteria and the contract does not say how to handle jugglers arriving at a venue with too low a ceiling. Similarly, the quality constraints require jugglers to remain sober, but there is no means of redress specified if this commitment is violated.

The juggling contract's inability to deal with such unexpected situations, together with its vagueness, means that it lacks robustness in several ways, and that in unexpected situations, disagreements between the parties may occur that the contract may be unable to resolve.

7. RELATED WORK

Much work has been done on using automated contracts within computer science, and particularly within the area of multi-agent systems. It is possible to categorize this work based on the contract lifecycle. Our work in this paper concerns itself with the first stage of the contract lifecycle, namely contract drafting. In this phase, issues such as the precise language used to represent the contract are important, as well as issues such as contract negotiation [2] and contract validation. Once a contract is drafted, it comes into effect, and issues such as contract monitoring and enforcement [4] become important, but are not further discussed here.

Our work also ignores the plethora of contract languages that have been proposed [1, 7, 6], instead abstracting a contract to the level of commitments. Similarly, we ignore how a contract comes into being, concentrating instead only on whether it is robust or not. Thus, our work falls into the area of contract validation.

However, most work on contract validation concerns itself with either ensuring that contract clauses are consistent [3], or ensuring that a sound legal basis exists [5]. The notion of robustness adds to, rather than replaces these concerns.

The only other large scale analysis of contractual requirements we are aware of, is the work of Daskalopulu et al., investigating how to support large engineering contracts [3]. However, their work was focused on identifying language requirements for such contracts.

8. CONCLUSIONS

In this paper we identified the notion of *robustness* as critical to a contract. Informally, a robust contract is one that meets the contracting parties' goals for the contract, and handles unexpected situations gracefully. We proposed a methodology for determining whether a contract is robust, and evaluated portions of this methodology on portions of two real contracts. Our approach models contracts such that their robustness is assessed in a structured manner. However, many open questions remain.

First, it would be interesting to map the notions of robustness into an existing contract language such as [8], and to automate the rules for robustness, creating an algorithm that may identify whether a contract is robust or not. It would also be useful to study a large

number of additional contracts, and see whether our rules for robustness are exhaustive, or should be altered in some way. Further, it may be possible to identify additional commonly occurring classes of commitments, together with associated robustness rules.

The notion of robustness becomes increasingly important as agents autonomously negotiate and create contracts between themselves. By creating a robust contract, able to state what should occur in all situations (within the context of the contract), an agent's cognitive load is reduced, as it does not need to reason about whether the contract was adhered to or not. Furthermore, robust contracts minimize the situations in which humans need to intervene in order to handle agent disagreements. While many open issues remain, we believe that this paper provides a good initial approach to identifying and creating robust contracts.

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