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The Dual Dimensions of Legal Personhood: AI and Avatars in the Material World and The Metaverse

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The rapid evolution of artificial intelligence (AI) and the emergence of the metaverse have blurred the boundaries between human agency and machine autonomy, and the same has prompted critical legal and philosophical questions about personhood. This paper examines whether AI systems and avatars, which now interact with real-world legal systems, should be given some form of legal personhood. Existing legal frameworks, which are based on anthropocentric models, fail to adequately address the accountability and rights of non-human actors. The issue is further complicated in virtual environments where avatars engage in transactions, speech, and interactions that mirror or even replace human behaviour. This paper analyses the implications of extending limited or restricted legal personhood to such entities, evaluates comparative legal developments across jurisdictions, and also explores how legal recognition in one sphere (real or virtual) could influence the other. At the end, this paper recognises that the challenges of granting full-fledged legal personhood to AI surpass the favourable outcomes that could be derived from the same, and there is a need to address these challenges on an urgent basis.

Keywords: *metaverse, legal personhood, liability.*

INTRODUCTION

Legal personhood is essentially a fictional legal personality given to a non-living entity in order to confer upon it certain rights and duties. For a very long time, humans were considered the only subjects of law; however, this position changed when various inanimate entities like corporations, rivers, the environment, and idols began to be conferred legal status. However, it is true that conferring legal status on any entity still largely depends upon the objectives that it seeks to fulfil. Humans remain the primary beneficiaries of law, as any decision conferring legal status to an entity is based upon the benefits and risks of this action for the human race. For example, Corporations were given legal status in order to prevent personal liability of the directors and to encourage people to engage in commercial activities. The same promoted economic development of the nations, employed a larger number of people and increased the standards of living for the society as a whole. Similarly, the Ganga and Yamuna rivers in Uttarakhand[1] have been conferred with the status of legal persons to preserve the environment for our future generations. Hence, any question involving the granting of legal personhood to Artificial Intelligence would first have to take into consideration the rights of human beings and whether this action would benefit or harm them in any manner.

THE CASE FOR AI AS LEGAL PERSONS: A FAVORABLE PERSPECTIVE

Looking at it from a favourable perspective, it is true that the granting of legal personhood to Artificial Intelligence would benefit the human race to a large extent. It is an indisputable fact that AI has deeply penetrated into our society and will keep doing so in the coming years. However, various concerns have surfaced over AI's civil and criminal liability in cases of deaths caused by self-driving cars, negligence by AI systems, breach of contract, data privacy issues, and copyright and intellectual property rights violations by AI, etc. Under our current legal framework, the developers or deployers are held liable in cases of any violation of the law committed by the AI systems. However, this legal practice seems to be arbitrary, unfounded and is in complete ignorance of the workings of AI machines.

To begin with, AI is a wide term that in itself involves various other systems like Machine learning and deep learning. Any act committed by a simple AI system that works on the algorithm

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[1] 'Legal Rights to Ganga and Yamuna' (*Shankar IAS Parliament*, 12 May 2017) <https://www.shankariasparliament.com/current-affairs/legal-rights-to-ganga-and-yamuna> accessed 01 June 2025

provided to it by the developer without any independent application of mind may justify imposing liability on the developer.[2] However, most of the AI systems in the present day are advanced and are based on Machine Learning. This means that although algorithms and data are fed into the machine, the system keeps on improving itself on the basis of its interactions with other humans and keeps learning from our inputs as well as its outputs. For instance, in 1997, Chess grandmaster Gary Kasparov was defeated by IBM's Deep Blue, even though its developers would stand no chance in defeating the world champion. This depicts that these systems learn from their surroundings and apply this knowledge while making any decision. In such a case, where the machine is learning on its own without any active involvement of the developer, it would be completely unjustified to make the developer liable.

Hence, granting legal status to AI would help in fixing responsibility and accountability for the AI systems, instead of making the developers liable. This will encourage the development of more advanced AI systems in the future, which will assist humans in all important spheres of society, like education and the health industry, the criminal justice system, content creation, the construction industry, etc. It will ensure that innocent developers and owners are not made liable in cases of any violations, especially when they do not have any mens rea (guilty mind). Therefore, a comprehensive analysis of the issue reveals that the ultimate objective of granting personhood to AI is to promote development and advancements in Artificial Intelligence in the coming times.

LEGAL DILEMMAS OF GRANTING PERSONHOOD TO AI IN THE REAL WORLD

However, various legal dilemmas arise as to how to make AI liable for the acts committed by it. For instance, if a self-driving car kills a person on the road or if an AI system violates any copyright, then how do we punish it? This is also one of the reasons why many scholars argue against the grant of legal personhood to AI, since the same would prevent the legal systems from attributing liability to natural humans, and this would cause great injustice to the affected parties since AI systems could not be punished. Furthermore, fines cannot be imposed upon AI till the time they do not have the right to hold any property or assets. This roadblock compels us to think beyond the traditional punishments like imprisonment and fines towards more creative

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[2] Anulekha Nandi, 'Artificial Intelligence and Personhood: Interplay of Agency and Liability' (*ORF,* 04 March 2024) <https://www.orfonline.org/expert-speak/artificial-intelligence-and-personhood-interplay-of-agency-and-liability> accessed 01 June 2025

forms of punishments for AI systems like shutdown or suspension of the system, restricting its capabilities to avoid any further harm, revoking licenses and reprogramming of the systems.[3] However, such punishments would defeat the very objective of granting legal personhood to Artificial Intelligence, that is, for promoting their use and development.

Another issue associated with granting legal personhood to AI is the misuse of this status by many individuals for their agendas.[4]. Robots could be used by humans to evade punishments since AI would now be liable for its acts. For instance, if a developer makes an AI program designed to commit theft or stalking, then in such a case, the developer may simply defend himself by applying the principle of "separate legal entity" and say that some virus or malfunction occurred in the system. However, in such instances, a corporate law concept called "lifting the corporate veil" can be applied, which says that the directors can be held personally liable in case they use the company for certain illegal or improper activities. Similarly, the developers can also be made personally liable for any improper use of the systems.

However, it would be upon the court to determine whether the system was made in such a way by the developer or the act was committed due to some malfunction in the system. This again would require deep knowledge and understanding of the systems before resorting to any decision. Moreover, if we assign the status of a legal person to AI, it would further raise questions as to whether AI can own property, enter into contracts, own intellectual property, or engage in commercial activities. It has been observed that many countries, including America and the European Union, are not in favour of giving personhood to AI. In October 2020, the European Parliament issued three resolutions on ethical and legal aspects of Artificial Intelligence software systems.[5] These resolutions reflect the EU's stance on not providing any legal status to AI software. Furthermore, it has been clearly said that no intellectual property rights can be granted to AI as it has no legal status.[6]

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[3] Ryan Benjamin Abbott and Alex F Sarch, 'Punishing Artificial Intelligence: Legal Fiction or Science Fiction' (2019) SSRN Electronic Journal <http://dx.doi.org/10.2139/ssrn.3327485> accessed 01 June 2025

[4] Simon Chesterman, 'Artificial Intelligence and the Limits of Legal Personality' (2020) 69(4) International & Comparative Law Quarterly <https://doi.org/10.1017/S0020589320000366> accessed 01 June 2025

[5] 'White paper on artificial intelligence including follow-up' (*European Parliament*, 20 June 2025) <https://www.europarl.europa.eu/legislative-train/theme-a-europe-fit-for-the-digital-age/file-white-paper-artificial-intelligence-and-follow-up> accessed 01 June 2025

[6] 'AI and intellectual property rights' (*Dentons*, 28 January 2025) <https://www.dentons.com/en/insights/articles/2025/january/28/ai-and-intellectual-property-rights> accessed 01 June 2025

This not only depicts the EU's stance, but it is also a reflection of how our society has still not accepted AI completely due to various insecurities that may exist in our minds. Social recognition is the first step before granting legal status to any entity. All the non-living entities that have been granted legal status command respect from society and are usually treated as members of society. For example, the Whanganui River in New Zealand, which has been accorded legal personhood, is treated as a living being by the local community of New Zealand.[7] However, this aspect of establishing emotional and social connection with human beings is missing in the case of Artificial Intelligence, leading to difficulty in its recognition as a person.

HOW DOES THE PRESENCE OF AI IN THE REAL WORLD JUSTIFY OR NEGATE ITS CASE FOR GRANTING LEGAL PERSONHOOD?

In the real world, interactions between human beings and artificial intelligence (AI) have increased significantly. Today, AI is integrated into daily life through robot vacuum cleaners, self-driving cars, space rovers, automated machines in factories, and personal assistants like Siri and Alexa. AI has also made its way into industries such as finance, healthcare, national security, transportation, and even criminal justice. The increasing role of AI in diverse domains necessitates a discussion on whether AI should be granted legal personhood or some form of liability, considering its pervasive impact and potential risks. However, many scholars argue that since AI does not possess any consciousness, emotions, and rationality like humans, it should not be granted the status of legal personhood by applying the Entity-Centric Methodology. However, this argument does not hold any water, especially as many other non-living entities like rivers and corporations have been awarded the same status without taking into consideration the essential aspects of rationality and consciousness. Therefore, this article argues that AI systems must be held liable in some instances, if not all and must be granted limited legal personhood, especially given their increasing presence.

In today's real world, many legal challenges ranging from trivial contract issues to murders related to AI have popped up in front of us. AI has stepped into the courtroom,[8] and it is only a matter of time before it also starts demanding its rights. There have been many real-life

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[7] Jeremy Lurgio, 'Saving the Whanganui: can personhood rescue a river?' *The Guardian* (29 November 2019) <https://www.theguardian.com/world/2019/nov/30/saving-the-whanganui-can-personhood-rescue-a-river> accessed 01 June 2025

[8] Paul W. Grimm et al., 'Artificial Justice: The Quandary of AI in the Courtroom' (*Judicature*) <https://judicature.duke.edu/articles/artificial-justice-the-quandary-of-ai-in-the-courtroom/> accessed 01 June 2025

instances that justify imposing liability upon AI systems. On July 4, 1981, Kenji Udara, an engineer at Kawasaki Heavy Industries, was accidentally killed by a robot while performing maintenance. The robot, perceiving him as an obstacle, used its hydraulic arm to push him into a machine, resulting in his instant death. This case highlights the dangers of AI operating without clear liability frameworks.[9] In the case of Klein v USA,[10] an aeroplane pilot relied on an autopilot, which performed a faulty landing, causing severe damage to the aircraft. Despite the autopilot's error, the pilot was held liable. This case underscores the ongoing debate about whether AI should bear responsibility for its actions.

Many countries, too, have started recognising the implications of AI systems in the legal world and are taking steps to accommodate these changes in their legal systems. In December 2019 when a Chinese district court ruled that an article produced by an algorithm could not be copied without permission.[11] The court reasoned that protecting the upfront investment in AI-driven creative processes was necessary to sustain innovation. Similarly, in April 2020, the European Parliament released a draft report arguing that AI-generated works should be regarded as 'equivalent' to intellectual works and thus eligible for copyright protection.[12] These cases reflect the increasing recognition of AI as a significant contributor in creative and legal spheres. Many states in the United States have categorised self-driving cars as traditional human drivers under the law[13], demonstrating a shift towards AI accountability.

AI IN THE VIRTUAL WORLD

Charlie Brooker's Black Mirror, through its episodic display of Striking Vipers, made us all envision a metaverse as a simulated real world where all of us can exist in a parallel sense in the

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[9] Robert Whymant, 'Robot Kills Factory Worker: From the Archive, 9 December 1981' *The Guardian* (09 December 2014) <https://www.theguardian.com/theguardian/2014/dec/09/robot-kills-factory-worker> accessed 01 June 2025

[10] *Ibid*

[11] ZHOU Bo, 'Artificial Intelligence and Copyright Protection – Judicial Practice in Chinese Courts' (*WIPO,* 13 July 2020) <https://www.wipo.int/export/sites/www/about-ip/en/artificial_intelligence/conversation_ip_ai/pdf/ms_china_1_en.pdf> accessed 01 June 2025

[12] 'Intellectual Property Rights for the Development of Artificial Intelligence Technologies' (*European Parliament*, 20 October 2020) <https://www.europarl.europa.eu/doceo/document/TA-9-2020-0277_EN.html> accessed 01 June 2025

[13] 'Autonomous Vehicle Statutes and Regulations Across the 50 States' (*Baker Donelson*, 20 September 2024) <www.bakerdonelson.com/autonomous-vehicle-statutes-and-regulations-across-the-50-states> accessed 01 June 2025

form of Avatars.[14] While some of us may make attempts to relate the concept of metaverse to a video game, which might even work to some extent, we must not forget to also relate it to the real world, as we know it to be, in terms of its trait of persistence. To put it in simple terms, unlike the world of a video game, we have unlimited scope of making choices to enter, play and log out leading to a revert to its default stage until the next time we enter it, the world of metaverse would be persisting, and our virtual embodiments in the form of Avatars would continue to exist in it, even making their own decisions and living with absolute autonomy, socializing, learning, interacting, responding, developing, reacting and growing, if based on deep and machine learning. While the virtuality of the metaverse might coax us into taking it less seriously, and the consequent discourse on giving our avatars legal personhood a bit frivolous and originated out of idleness, it is to be noted that the lines between our versions of reality and virtuality might not be that concretely etched, and the two worlds may not be this strictly compartmentalized. This is because the metaverse, with all its real-world-like traits, would be a space of persistence, economy, interoperability and decentralisation, and would have the potential of impacting us in the real world.[15]

To explain this, let's go back to the show to recall how the device fixed on the temple of the player helped her to form a neural link with the happenings of the world. As social media users, not much needs to be said about the unique blend of psychological association and dissociation that the virtual world provides.[16] The blend of psychological association and dissociation in terms of invoking a gamut of emotions within us by the content they entail and the convenient space they provide for us to channel our filth behind the learned sophistication and civility in the veil of anonymity that these spaces provide, along with the rising discourses on mental health and well-being in the world today, it should not be very difficult for us to understand the far widened scope for the people to do anything and everything they want, especially given decentralization and non-regulation. Elon Musk's Neuralink, claimed to be a brain-computer interface, is also a step in a direction where real and artificial intelligence would blend.[17] Therefore, with the talks

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[14] Matt Reynolds and Victoria Turk, 'Black Mirror, *Striking Vipers* Review: VR Sex Should Be More Fun Than This' *Wired* (05 June 2019) <https://www.wired.com/story/black-mirror-season-5-striking-vipers-review-episode-1/> accessed 01 June 2025

[15] B. Ch. Cheong, 'The Rise of AI Avatars: Legal Personhood, Rights and Liabilities in an Evolving Metaverse' (2024) 2(4) Journal of Digital Technologies and Law <https://www.lawjournal.digital/jour/article/view/485> accessed 01 June 2025

[16] *Ibid*

[17] Jon Christian, 'Elon Musk Compares Neuralink to a Black Mirror Episode' (*Futurism*, 09 February 2020) <https://futurism.com/elon-musk-neuralink-black-mirror> accessed 01 June 2025

about installation of such wireless chips and gadgets that would provide a real and surreal experience of connectivity and immersion in the parallel world, it is reasonable to expect that there would be a trifurcation of the incentive to commit crime with an ever-existing escape, commission of the wrong, and the reasonable expectation of the aggrieved or the victim to have a recourse or protection against those wrongs. For people who might think that this is too much to think, or is a wild assumption, the alleged rape of the girl in the metaverse might be the apt example to recall at this juncture;[18] and while some people might defend it for the 'non-reality' of it, there is a need to revisit the words of and quote Hon'ble Justice Krishna Iyer, who beautifully said, that 'rape is not a wrong against body, but against soul.'[19] Given the state of affairs in the society, and the 'rarest of rare' premise our criminal jurisprudence operates on, (that can be said to have contributed more ambiguity and respite to the culprits), it should not be difficult for us to envision the absolute absence of any balance of interests of the accused and the victim, and an anarchic state of affairs, with the brutality and insensitivity that these spaces would prove for the victims in the absence of any rights and liabilities, and an appropriate redressal mechanism.

The scope of wrongs for which the metaverse can be a haven is not just restricted to sexual or mental wrongs or nervous shock, but is also extended to monetary crimes, again blurring the lines between the reel and the real. To explain it further, the virtual currency of the metaverse when bought with the real world currency would wreak havoc in the real world if there is no legal personhood given to our virtual embodiments, because a theft occurring thereafter in the metaverse would either have no way to be addressed or redressed, or would go to the person behind the thief avatar, or would be traced back to the developer; and while this would lead increase litigation, chances are bleak that the issue would be easily resolved because in case the avatars would function on deep and machine learning, where they would interact with their environment and would be autonomously functioning, imposing the liability upon either person would be grossly unfair.

To again clothe the idea with practicality, Robux, the virtual currency of Roblox, has been bought

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[18] 'Virtual Gang Rape Reported in the Metaverse, Probe Underway' *The Hindu* (04 January 2024) <https://www.thehindu.com/sci-tech/technology/virtual-gang-rape-reported-in-the-metaverse-probe-underway/article67705164.ece> accessed 01 June 2025

[19] Priyanka Singh and Anjali Dixit, 'Comparative Study of Rape Legislation for Men and Women in India' (2023) 5(6) International Journal For Multidisciplinary Research <https://doi.org/10.36948/ijfmr.2023.v05i06.9914> accessed 01 June 2025

by the people with the real currency, which was used by the players to buy fashion accessories in the 'Gucci Garden Experience'.[20] Therefore, there would be an increased scope for economic and mental crimes, where there would be only human victims, one termed as the accused and the victim in the 'real' terminology, and there would be AI autonomous doers, who would be untouched, unrestrained and would have all the chances to do anything. Thus, giving them legal personhood is a discussion that is called for. From the discourse so far, we can understand that when it comes to metaverse and avatars, there can be numerous scenarios that we need to envision; there can be humans taking advantage of their unregulated selves, there could be avatars with varying degrees of intelligence where could be varying permutations of distributed responsibility, and there could be autonomous AI putting the human users in peril.

The avatars constitute a realm somewhere between the natural persons as we understand them on the basis of a conventional understanding of consciousness and a company or a corporation, and occupy a spectrum between the two ends based on the level of advancement and machine learning. Therefore, in the interest of justice, giving them legal personhood is important, and has to be done in a way that the interests of all the stakeholders are rightly placed and find a balance. According legal personhood to avatars based on the level of intelligence and the category of AI, and making laws for the metaverse in a way that there is a way to expand the horizon of rights and liabilities for it in a way that it is sync with the way it functions or the extent of autonomy it can exercise has to be the fundamental aim. To do justice to the developer, user and the avatars, legal personhood to them is the first step which will lay the ground further, since only then would we be able to decide the kind of sanctions that would be needed to be imposed, empathising with the avatar, user owning it and the developer. Subjecting the avatars to virtual penal prisons or capital punishment in the metaverse can be thought of as some ways to punish the psychological wrongs, and in case the wrongs cause any material losses in the real world, in case of any economic crimes, reprogramming or eliminating them can be some ways of redressal.

WHAT IF THERE IS NO LEGAL PERSONHOOD?

In the absence of legal personhood, the repercussions that would follow would be many. Firstly, virtual crimes would be rampant with no redressal. Secondly, even if we were to rely on the

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[20] Natalie Clayton, 'Someone spent over $4,000 on this Gucci bag in Roblox' (*PC Gamer*, 07 June 2021) <https://www.pcgamer.com/someone-spent-over-dollar4000-on-this-gucci-bag-in-roblox/> accessed 01 June 2025

general principle of veil piercing wherein the user owning the avatar would be sought to be penalised, that would also be problematic since the metaverse is a decentralised boundaryless space, tracing the user or the developer might also have its own practical and jurisdictional challenges. Therefore, making adequate provisions for an avatar's registration and granting it juristic personality is important.[21]

TIERED OR DISTRIBUTED RESPONSIBILITY: PANACEA FOR THE ILL[22]

Deciding culpability in the metaverse would always be rooted in one of the major fundamental questions, i.e., 'Who was the final decision-making authority?' As far as we have been able to understand the metaverse, this 'who' can range from one to multiple, and there has to be imposition of liability by a careful assessment of the extent of contribution of each to the harm caused. A tiered system of legal personhood for the AI avatars would ensure that there are different levels of rights and liabilities granted to each avatar based on its sophistication and the capability to exercise autonomy. Under this approach, 'weak' AI avatars with limited decision-making capabilities could be granted a basic form of legal personhood, with limited rights and liabilities, while more advanced 'strong' AI avatars could be granted a higher level of legal status, with correspondingly greater rights and responsibilities.

In a ruling in the case of *B2C2 Ltd. v Quoine Pvt. Ltd.,[23]* where monetary losses accrued to a user when the software malfunctioned due to the involvement of real money in those trades, the Singapore court emphasised the mindset of the programmer and the level of 'mind' exhibited by the algorithm. Since the algorithmic trading software functioned as it was programmed, the liability of the developer was upheld, but had the algorithm involved machine learning, reprimanding the programmer would not have been feasible. Similarly, in a metaverse, if a third party engages in a harmful or wrong activity, and that engagement is learned by another avatar, which then commits it, gauging the extent of liability of the developer, the avatar, and the user becomes imperative. For a crime that transpired in the metaverse, one side of the table would constitute the avatar, the natural person behind the avatar and the developer, while the other would constitute avatar, natural person behind him, and the third party or some infrastructure in the metaverse which would have to be scrutinized to determine the actual and precise

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[21] Cheong (n 15)
[22] *Ibid*
[23] *Quoine Pte Ltd v B2C2 Ltd* [2020] SGCA (I)

culpabilities.

Furthermore, much like the distinction that is drawn between acts done in individual and corporate capacity by persons, the distinction would also have to be drawn in the case of actions of an avatar and the real person behind it and their respective contributions. The genuineness of the avatar would also have to be inquired to know whether it has been used by the person behind it in the real world to escape liability after entering into contractual and monetary obligations using its autonomy as a protective shield, or is it a genuine embodied self of that person in the virtual space that has come to do some wrong. Therefore, 'lifting the avatar veil' would be another principle that would have to be considered by the courts.[24] Assessing this would also require an inquiry into the independence of the avatar in the metaverse, the transactions that it usually makes, and the role that it fulfils in the space. Registering the avatar and granting it personhood would also make this inquiry and the subsequent calling out relatively easy, as the deviances could then be easily checked from the list of rights and liabilities, and could also be traced to the owner via the registration details, if a mandate is made to disclose it to be able to enter the metaverse.

The existence of the metaverse and avatars would reasonably allow all the crimes and menaces that thrive on anonymity. Therefore, it is not impractical to imagine the unregulated metaverse replete with crimes of defamation, identity theft, assault, stalking, etc., in case there are no provisions made to adequately address the same. There is further need to address the same since once these transpire, they would not only cause metaverse pollution, but would even cause internal disruption within the natural persons indulged in the immersion of the virtual space, and would have a drastic and tragic impact on their mental health, that can be easily go unaddressed, and might even take much longer to be accepted as a loss and harm in the society we inhabit that has not a very while ago risen from the slumber to realize the importance of mental health repercussions from the crimes and losses in the real world, from natural persons as perpetuators, and is yet to destigmatize the same, if not much in letter, way more in spirit.

Granting legal personhood to avatars would reinforce the much-needed accountability within them and the users, deterring crimes and making avenues for redressal. The imposition of strict liability upon the users and the developers would fetter innovation and would also not deter

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[24] Cheong (n 15)

crimes. With the advent of Language Learning Models (LLM), which are AI systems trained on vast amount of text data, enabling the AI to be conversational and intuitive, it is of prime importance that we acknowledge and make ways to legally acknowledge, by giving them legal personality, the relative contributions and the complexity of interactions that AI and humans, or non-human and human actors have, generating accountability in both of them.[25] Henceforth, legal personhood, tiered personhood, and distributed responsibility are the path for us to tread, so that the liabilities can be allocated based on the relative contributions of the parties, including the developers, deployers, operators, providers, users and the avatars.

CONCLUSION AND THE WAY FORWARD

We are all well aware that granting legal personhood to AI is a radical step that will affect a lot of institutions, principles, etc. Moreover, in our present form, we are not well-equipped to deal with matters involving the liability and rights of AI systems and software. Hence, instead of granting full legal personhood to AI, what is needed is to establish a mechanism to allocate liability in a manner that ensures accountability without disrupting the existing legal order. A significant challenge in this regard is the knowledge gap among legal professionals. Judges and lawyers who lack technical expertise in AI systems will require the assistance of specialists to navigate complex issues such as determining whether an AI malfunctioned due to a virus, whether it was intentionally designed to commit a wrongful act, or whether it operated autonomously beyond its original programming. It has to be identified whether the AI system qualifies as a Weak AI or a Strong AI, depending on which, the liability can be imposed on either the developer or the system itself. In cases where the system functioned completely based on an algorithm without any capability to think of its own would essentially require us to impose the liability on the developer. However, on the other hand, liability could be imposed upon AI if it learnt things on its own, like in the case of Machine Learning models. However, this would require a system-by-system analysis in order to decide the liability. Given the complexities, absolute legal personhood for AI is neither desirable nor viable. Instead, liability should be assigned depending on the nature and configuration of the AI system. This approach would strike a balance between ensuring accountability and preventing the risks associated with granting AI full personhood. Moreover, assigning limited legal status to AI systems would also

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[25] Sean Michael Kerner, 'Large Language Model (LLM)' (*TechTarget*, 03 May 2024) <https://www.techtarget.com/whatis/definition/large-language-model-LLM> accessed 01 June 2025

require us to provide adequate relief and compensation for those who are harmed, and this can be done through insurance models, compensation funds or strict liability principles applied to developers or deployers. Such a regulatory approach would help in resolving the ethical and legal dilemmas arising from the question of granting legal personhood to AI systems.