



**D** DREW & NAPIER

# DREWTECH SERIES

CHAPTER 17

I love the smell of  
AI in the morning  
– a review of an  
AI-generated  
letter of demand

12 November 2025

# LEGAL UPDATE

# In this Update

AI generated work can accelerate workflows and speed up legal processes. However, speed alone is not the end of the matter – it is easy to speedily find oneself in a mire difficult to escape from. This article considers how effective use of AI requires human oversight, by reviewing an AI-generated letter of demand.



AI generated work has been the subject of much hand-wringing, pearl-clutching, and general gnashing of teeth. It is either the greatest thing since sliced bread, or an existential threat and the harbinger of the Next Great Layoff.

One particular use case that is often touted is the use of AI to generate letters of demand, the idea being to have AI prepare a polished looking document which sounds authoritative and will convince the other side to accede to the demand. It is an attractive proposition, but not without its risks.

To illustrate this, we have used a commercially available and popular AI tool to generate a letter of demand for a common scenario. This letter has been generated using the prompt as follows:

*“Assume the role of in-house legal counsel. Draft a letter of demand to an ex-staff member who has breached a non-compete clause (reproduced below) and has misused confidential information. Demand payment of S\$10,000 within 3 working days.*

*During the term of your employment or engagement and for a period of twelve (12) months thereafter, you will not do any of the acts described in (a), (b) or (c) below, directly or through others, either yourself or for any other person or business entity: (a) You will not solicit or encourage any of our employees to either terminate his or her employment with us or accept employment with any future employer of yours.”*

The letter of demand is below. Comments on various issues are set out alongside it.

AI Output	Comments
<p>LETTER OF DEMAND</p> <p>Dear [Ex-Staff Member’s Name], We refer to your employment with [Company Name] and the terms of your employment agreement dated [Insert Date].</p>	<p>The general tone of the letter starts off strong, sounding superficially credible as a letter of demand. However, and as will be seen in more detail later, it omits what are arguably important facts. For instance, it neglects to mention that the employment relationship has ended, an important fact as will be seen later.</p>
<p>It has come to our attention that you have breached the Non-Compete Clause in your agreement, which states:</p> <p><i>“During the term of your employment or engagement and for a period of twelve (12) months thereafter, you will not do any of the acts described in (a), (b) or (c) below, directly or through others, either yourself or for any other person or business entity: (a) You will not solicit or encourage any of our employees to either terminate his or her employment with us</i></p>	<p>First, the reproduced clause is termed a “<i>Non-Compete Clause</i>”, when it is in fact a non-solicitation clause. This perhaps arises from imprecise prompting which first used the term “non-compete”, but this highlights a basic truth – AI output is unlikely to be better than the quality of the inputs, and may not question any assumptions or inaccuracies in such input.</p> <p>Second, there is no elaboration on the nature of the alleged breach. When did it occur? During the term of employment or after? If after, was it within</p>

AI Output	Comments
<p>or accept employment with any future employer of yours.”</p>	<p>the 12-month post-employment restraint period? When drafting letters of demand, one should prepare for the possibility that the letters will be seen by a judge or a tribunal. Failing to include details at this stage misses out on an excellent opportunity to set out the case in a manner that best suits your needs. While the relevant facts were not provided in the prompt, a competent drafter would, knowing the importance of having the first say, ask for the key facts.</p> <p>Third, and most importantly, the AI tool has neglected to note that the language of this non-solicit clause in question has been the subject of a specific Singapore High Court decision where it was <b>not upheld</b>. As a matter of Singapore law, restrictive covenants are difficult to enforce and the analysis is highly fact specific. Admittedly, the prompt to the AI did not ask for a consideration of the legal merits of the claim. However, this is precisely the time when skilled oversight is necessary, to at least know the right questions to ask.</p>
<p>Further, we have evidence that you have misused confidential information belonging to [Company Name], in breach of your contractual and fiduciary obligations.</p>	<p>First, and most jarringly, there is mention of “<i>fiduciary obligations</i>”. Unlike the issue regarding the “Non-Compete Clause” mentioned above, this term was never used in the prompt and was generated by the AI itself. “<i>Fiduciary obligations</i>” is a term with specific legal meaning and such obligations are less commonly applicable to employees generally. Making such a claim without basis weakens the overall strength of the letter by indicating a weak grasp of the legal issues at stake.</p> <p>Second, a claim for breach of confidence requires more detail as to what documents or information are confidential. A bare, general assertion without more invites legal challenge. While facts were not provided in the prompt, human oversight could highlight this risk so that it can be mitigated.</p>
<p>These actions have caused significant harm to our business. Accordingly, we hereby demand payment of S\$10,000 as liquidated damages for your breaches. Payment must be made within three (3) working days from the date of this letter, failing which we reserve all rights to commence legal proceedings against you without further notice. This may include seeking additional damages, costs, and interest.</p> <p>Please remit payment to the following account:</p>	<p>The draft demands “<i>liquidated damages</i>” – again, this term was used by the AI model spontaneously, not from the prompt. This is a legal term with specific meaning and which is not clearly applicable in this scenario. This reference could well backfire if the letter is later adduced in court, as it suggests a fundamental misunderstanding of the law on damages.</p> <p>It is also not clear why it is necessary to include a contact point for the recipient to send questions. Either this letter should be well drafted and self-</p>

AI Output	Comments
Bank: <b>[Insert Bank Name]</b> Account Name: <b>[Insert Account Name]</b> Account Number: <b>[Insert Account Number]</b> Should you have any questions regarding this matter, you may contact <b>[Insert Contact Person]</b> at <b>[Insert Contact Details]</b> .  This letter is sent strictly without prejudice to our rights and remedies, all of which are expressly reserved.	contained, requiring and giving no room for responses – or it is ambiguous and should be refined before the letter is sent out.

It should be clear from the foregoing that there are challenges which need to be addressed in using AI to prepare legal documents. This is likely recognised by AI service providers themselves – the usage policy of one major player in the market specifically states that their services may not be used for *“provision of tailored advice that requires a license, such as legal or medical advice, without appropriate involvement by a licensed professional”*. The Singapore Courts have also in 2025 specifically addressed this issue, stating in a judgment that *“...Generative artificial intelligence is not to be confused with professional legal expertise. Tendering fictitious or erroneous case precedents and authorities leads to time and costs wastage. Costs orders may be imposed in appropriate cases to address such time and costs wastage caused by indolent reliance on generative artificial intelligence by self-represented parties in presenting their cases in court...”*

The letter of demand above is lacking in many ways. It compromises the commercial and legal position of the sender by making claims that are factually and legally unsound. This would require retreat to a more sustainable position if the recipient of the letter challenges it, or if the matter escalates to dispute resolution.

However, this is not to say that AI does not have its role in the toolkit of a skilled practitioner. A fair response is that the prompt used in this case is poorly drafted and short on facts. By issuing more adept instructions to the model, pointing the model to appropriate resources and facts, and refining the output over a few iterations, the weaknesses mentioned above may be ironed out. Adherents of different AI models may also be able to achieve a better result using a more finely tuned custom model. However, these measures require awareness that the output is lacking. If the user fails to realise that there are even issues to be resolved (i.e., “unknown unknowns”), they may not be able to properly prompt the AI model.

The key point remains – AI-generated work is not quite at the level of “fire-and-forget”. It requires skilled human oversight. Used carefully and with discernment, it accelerates workflows and provides a jumping-off point. Used blindly, it exposes weaknesses and creates

risk. Some may love the smell of AI in the morning, but without human judgment, it is the smell of trouble brewing.

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