

WHAT ARE THE BOUNDARIES FOR THE USE OF AI IN ARBITRATION?

Artificial Intelligence (“AI”) is infiltrating all facets of the legal system and arbitrations are no exception. When used properly, AI can be an effective tool to increase efficiency and enhance presentations. However, if applied without proper guidelines, it can undermine the credibility of its users and even improperly influence the outcome of a proceeding.

AAA AI Standards

In an attempt to address these concerns, the American Arbitration Association International Centre for Dispute Resolution® (“AAA-ICDR”) recently published its AAAi Standards for AI in Alternative Dispute Resolution (“AAA AI Standards”) to provide a framework to address six core standards when using AI in Alternative Dispute Resolution (“ADR”).

Standard 1: Ethical & Human-Centered Values

Standard 2: Privacy & Security

Standard 3: Accuracy & Reliability

Standard 4: Explainability & Transparency

Standard 5: Accountability

Standard 6: Adaptability

Each standard is broken down into three subcategories to address how they apply to the key parties in the ADR process:

ADR Administrators – the AAA and its case managers.

Neutrals – the arbitrators and mediators that preside over the alternative dispute resolution proceedings.

Advocates – the parties and their representatives.

Although the new standards provide valuable guidance regarding the acceptable use and limits of AI in ADR, they do not provide any insight regarding the repercussions if the standards are not followed. Most of the AAA Rules, such as those for Commercial, Consumer, and Construction Industry Arbitrations, provide authority for arbitrators to issue sanctions against advocates and parties when appropriate.¹ However, the ability to issue sanctions is conspicuously absent from the AAA Rules for International, Labor, and Home Construction disputes. Even when the ability to impose sanctions is provided by the arbitration rules, it is limited to the arbitrators imposing them against the parties, but what happens if an arbitrator violates the AI standards? If it happens before the award is entered, the Commercial, Consumer, Construction Industry, and Home Construction Arbitration Rules provide an avenue for the disqualification of an Arbitrator for, among other things, “a lack of independence,” “inability or refusal to perform his or duties with

diligence and good faith,” and “any grounds for disqualification provided by applicable law.”² However, they do not provide any real mechanism for the parties to challenge an arbitrator’s potential misuse of AI when drafting an award.

Indeed, the AAA rules only provide for the modification of an award to “clarify the award or correct any clerical, typographical, technical, or computational errors in the award.”³ The rules go on to specifically state that in clarifying or correcting errors, “the arbitrator is not empowered to redetermine the merits of any claim already decided.”⁴ Consequently, even if it can be established that an Arbitrator improperly relied upon AI to determine a claim and the determination was erroneous, the parties are essentially powerless to correct it.

It would appear then that a party that is the subject of an arbitrator’s improper use of AI in the preparation of an award would be limited to trying to vacate the award under the Federal Arbitration Act, 9 § USC 1-16 (“FAA”), or the Florida Arbitration Code, Chapter 682, Florida Statutes (“FAC”). However, the grounds for vacating an award under either law is limited to situations where the award was procured by corruption, fraud, or undue means;⁵ there was evident partiality or corruption of the Arbitrators;⁶ there was Arbitrator misconduct;⁷ or where the Arbitrators exceeded their powers.⁸

Test Case for Potential Misuse of AI in Arbitration

In a recent case filed in the United States District Court for the Southern District of California (the “District Court”), *LaPaglia v. Valve Corp.*,⁹ a claimant in an arbitration administered by the AAA, John LaPaglia (the “Claimant”), petitioned to vacate an arbitration award that was entered in favor of the respondent, Valve Corp. (the “Respondent”). Among the grounds asserted to vacate the award under the FAA, was a claim that the arbitrator relied on AI to such an extent that he “outsourced his adjudicative role.”¹⁰ While the outcome of the case remains uncertain, and the entry of the Award at issue predated the publication of the AAA AI Standards, it presents an interesting test case for determining the limits of an Arbitrator’s reliance on AI when issuing an award.

In his Petition to Vacate the Award (the “Petition”), the Claimant asserted, among other things, that (1) the underlying arbitration hearing was held over the course of 10 days before a single arbitrator (the “Arbitrator”) in December 2024;¹¹ the Arbitrator told the parties that he wanted to issue a decision quickly because he had an upcoming trip scheduled to the Galapagos;¹² and the 29-page Final Award (the “Award”) was issued on January 7, 2025, which was a little over two weeks later after the final post-hearing brief was submitted, and the same time the Arbitrator was allegedly scheduled to leave on his trip.¹³

In support of his contention that the Arbitrator used AI to draft his award, the Claimant provided the following key facts and allegations:

- The Arbitrator admitted that he used ChatGPT to write articles and during a break, *“he told a story about how he had been assigned to write a short article on an aviation club he was part of, and that he had used ChatGPT to write it to save time.”*¹⁴
- The Arbitrator told the parties, *“he was leaving for a trip to the Galapagos soon and wanted to get the case done before then.”*¹⁵
- The Award allegedly contains *“telltale signs of AI generation”* and purportedly cites facts that *“are both untrue and not presented at trial or present in the record”* without any relevant citations.¹⁶
- When ChatGPT was asked whether it believed a certain paragraph of the Award was written by humans or AI, ChatGPT stated that *“the paragraph’s awkward phrasing, redundancy, incoherence, and overgeneralization ‘suggest that the passage was generated by AI rather than written by a human.’”*¹⁷

The Claimant argued that the Award must be vacated because, *“by relying on AI to reach his ruling, [the Arbitrator] exceeded his authority bound by the scope of the parties’ arbitration agreement,”* which *“empowers a ‘neutral arbitrator’ to resolve disputes between them”* and binds the Arbitrator to *“provide ‘a written decision’ and a ‘statement of reasons’ for their holding.”*¹⁸ The Claimant then asserted that cases in which an arbitrator relies on AI, *“betrays the parties’ expectations of a well-reasoned decision rendered by a human arbitrator.”*

In response, the Respondent moved to dismiss the Petition on jurisdictional grounds.¹⁹ More specifically, the Respondent asserted that because there was no federal question or diversity jurisdiction in the underlying arbitration claims, the FAA would not apply.²⁰ On December 9, 2025, the Court agreed with the Respondent’s position and granted the motion to dismiss on the grounds that the Court lacked subject matter jurisdiction.²¹ Consequently, the Court was never faced with addressing the merits of the claims asserted in the Petition.

How Would the AAA AI Standards Apply in *LaPaglia*?

If the AAA AI Standards were in effect when the Arbitrator in *LaPaglia* rendered his decision and all the Claimant’s allegations regarding the Arbitrator’s reliance on AI to render the Award were determined to be true, the Award could be considered to have been entered in violation of multiple standards for neutrals. For example, AAA AI Standard 1 includes the requirement that neutrals “[p]reserve human perspective and judgment when using AI” and “rely on direct review of evidence and reasoned deliberation in reaching conclusions.”²² Standard 3 states that “[o]utputs from AI tools should be reviewed to verify accuracy against trusted source materials, including evidence, party filings, and legal authorities.”²³ Standard 5 provides that neutrals must “[m]aintain a working knowledge of AI capabilities, avoid shortcuts that could compromise quality, and understand risks, benefits, and ethical considerations for AI tools.”²⁴ Finally, Standard 6 requires Neutrals to “[c]ontinually update knowledge about AI technologies,” incorporate AI-assisted tools, “but evaluate every dispute according to its unique context.”²⁵ If it were found that some or all

these standards were violated, it could arguably open the door to vacating the Award under the FAA based on “misbehavior by which the rights of any party have been prejudiced”²⁶ or under the FAC for “misconduct by an arbitrator prejudicing the rights of a party to the arbitration proceeding.”²⁷

Analysis

Based on the high burden required to overturn an arbitration award under both the FAA and the FAC, determining whether an AI assisted award is subject to being vacated would likely boil down to how much the arbitrator relied upon AI to make the decision. For example, if an arbitrator prompted AI to examine all the evidence and submissions and generate a ruling on its own without any further input from the Arbitrator, it would likely be considered an improper outsourcing of the decision to someone or, as the case may be, something else. If, however, the Arbitrator were to simply prompt AI to draft an award based on his or her predetermined findings of fact and conclusions of law, then it would likely fall into the category of a typical award, which would be enforceable even if it contained errors or flawed reasoning.

Conclusion

The issues raised in the *LaPaglia* case highlight potential concerns with the use of AI in the arbitration decision-making process. Even with the additional guidance provided by the AAA AI Standards, questions remain as to what happens if an arbitrator violates one or more of the standards? How can a party prove an arbitrator violated the standards or otherwise misused AI? If there is a suspected violation, will the parties be provided access to the arbitrator’s AI prompts and search histories? At what point will an arbitrator’s improper use of AI rise to the level of disqualifying the arbitrator or vacating his or her award? As the use of AI becomes more prevalent and pervasive in ADR, these questions will become even more important to answer. It would appear then that the next logical step for the AAA, legislators, and courts will be to provide more guidance as to how these critical questions should be addressed when a misuse of AI is suspected in the decision-making process.

¹ *Construction Industry Arbitration Rules and Mediation Procedures*, AM. ARB. ASS’N, construction-industry-arbitration-rules-and-mediation-procedures-2024.pdf (last visited Oct. 6, 2025) (see specifically R-61) [hereinafter *Construction*]; *Commercial Arbitration Rules and Mediation Procedures*, AM. ARB. ASS’N, 2025_commercialrules_web.pdf (last visited Oct. 6, 2025) (see specifically R-60) [hereinafter *Commercial*]; *Consumer Arbitration Rules and Mediation Procedures*, AM. ARB. ASS’N, 2025_consumer_arbitration_rules.pdf (last visited Oct. 6, 2025) (see specifically R-57) [hereinafter *Consumer*].

² *Commercial*, *supra* note 1 (see specifically R-19) ; *Construction*, *supra* note (see specifically R-20); *Consumer*, *supra* note 1 (see specifically R-17); *Home Construction Arbitration Rules and Mediation Procedures*, AM. ARB. ASS’N,

home_construction_arbitration_rules_and_mediation_procedures.pdf (last visited Oct. 6, 2025) (See Specifically ARB-19) [hereinafter Home Construction].

³ Commercial, *supra* note 1 (see specifically R-52); Construction, *supra* note 1 (see specifically R-52); Consumer, *supra* note 1 (see specifically R-49); Home construction, *supra* note 2 (See Specifically ARB-46).

⁴ Home Construction, *supra* note 2 (see specifically ARB-46); Construction, *supra* note 1 (see specifically R-52).

⁵ 9 U.S.C. § 10(a)(1); FLA. STAT. § 682.13(1)(a) (2025).

⁶ 9 U.S.C. § 10(a)(2); FLA. STAT. § 682.13(1)(b)(1)–(2) (2025).

⁷ 9 U.S.C. § 10(a)(3); FLA. STAT. § 682.13(1)(b)–(c) (2025).

⁸ 9 U.S.C. § 10(a)(4); FLA. STAT. § 682.13(1)(d) (2025).

⁹ Xinlin Li Morrow, Petition to Vacate Arbitration Award; Memorandum of Points and Authorities in Support Thereof at 2, *LaPaglia v. Valve Corp.*, No. 3:25-cv-00833 (S.D. Cal. Apr. 8, 2025).

¹⁰ *Id.* at p. 1.

¹¹ *Id.* at p. 2.

¹² *Id.* at p. 3.

¹³ *Id.*

¹⁴ *Id.* at p. 8.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at p. 9.

¹⁸ *Id.*

¹⁹ Virginia F. Milstead, Respondent’s Memorandum of Points and Authorities in Support of Motion to Dismiss Petition to Vacate Arbitration Award at 5, *LaPaglia v. Valve Corp.*, No. 3:25-cv-00833 (S.D. Cal. Apr. 29, 2025).

²⁰ *Id.* at p. 5–6.

²¹ Order Granting Motion to Dismiss the First Amended Petition to Vacate Arbitration Award, *LaPaglia v. Valve Corp.*, No. 3:25-cv-00833 (S.D. Cal. December 9, 2025).

²² *The AAAi Standards for Use of AI in ADR*, AM. ARB. ASS'N (May 9, 2025), <https://www.adr.org/news-and-insights/the-aaai-standards-for-use-of-ai-in-adr/> (citing to AAAi Standards for AI in ADR, AM. ARB. ASS'N, [aaai_standards_for_ai_in_adr_.pdf](#) (last visited Oct. 6, 2025)).

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ 9 U.S.C. § 10(a)(4).

²⁷ FLA. STAT. § 682.13(1)(b)(3) (2025).