



## Importance of Artificial Intelligence in Amicable Dispute Resolution of Consumer Disputes

Sree Krishna Bharadwaj H

Vijayanagara Sri Krishnadevaraya University, Ballari

Corresponding Author: Sree Krishna Bharadwaj H [sreekrishna3@gmail.com](mailto:sreekrishna3@gmail.com)

---

### ARTICLE INFO

*Keywords:* Artificial, Intelligence, Dispute, Resolution, Consumer, Business

*Received :* 1 April

*Revised :* 23 May

*Accepted:* 23 June

©2024 Bharadwaj: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



### ABSTRACT

With the evolution of e-commerce and digital marketing, the business marketplace has grown exponentially in the last decade. When the sales increase, the number of disputes also increases. The present judicial system is already burdened with the backlog of cases and it may be difficult for businesses and consumers to get quick remedy. There are many alternatives such as mediation, arbitration and others which aim to provide quick and cost-effective remedies. However, the use of technology can further ease the stress on existing dispute resolution mechanisms across the country for those who find it easier to access technology. Such a system is called Online Dispute Resolution (ODR) which uses traditional alternatives delivered online. Artificial Intelligence is a step above the ODR which removes certain elements such as bias, and difficulty in scheduling sessions. Artificial Intelligence can be the future of dispute resolution across the globe as it does not have a boundary and passes jurisdictional enforcement of agreement issues if it is voluntarily entered into. This paper explores the importance of Artificial Intelligence in amicable dispute resolution

## **INTRODUCTION**

The resolution processes differ based on the type of dispute. Business-to-business (B2B) disputes have a higher stake than business-to-consumer (B2C) or Consumer-to-consumer disputes (C2C). B2B disputes are generally handled using classical arbitration processes and technological tools are typically used for communication. Only some B2B disputes like disputes among insurers can be settled exclusively online. A dispute involving a service bought by a business for its own use can be treated as a consumer dispute and resolved using simple online processes (Brett, 2007). On the other hand, B2C and C2C disputes are straightforward small-value claims as compared to B2B disputes. Consumer disputes are important for consumers and are about personal needs as opposed to the commercial nature of B2B disputes. Thus, they need to be handled differently.

## **LITERATURE REVIEW**

Online Dispute Resolution or ODR originally referred to the resolution of conflicts arising online like the e-commerce setting, social forums etc. Over time, ODR processes have expanded and technological tools and systems are now used for resolving offline disputes as well. The growth and development of ODR is evident as apart from private online entities, ODR has been adopted by government agencies, several international bodies and the European Union (Calliess, 2001).

Unique features of ODR can be broadly classified as: communication over long distances and the intelligence of the machine. Online communication is data-driven and provides new tools for managing interactions. As digital tools grow stronger and parties become familiar with such tools, they are likely to engage in resolution processes that do not require physical meetings. Technological development also provides for face-to-face communication if required where the parties are at a distance and the communication happens over fine resolution screens. It is expected that intelligent software will provide tools that were not present with courts or other alternatives such as mediation. Thus, the barriers of courts and other alternatives like mediation will face new challenges (E Katsh, 2006).

The advantages of the application of ODR tools for offline disputes are fast communication and low cost. Tools exist to facilitate several aspects of traditional alternatives. ODR tools conduct automated negotiation, online mediation and technology-assisted arbitration. Over the last few years, coordinated collections of tools and resources have created an ODR system that is increasingly distancing itself from traditional alternatives by breaking down several barriers (Zelevnikow, 2010).

## **METHODOLOGY**

Although many disputes can be resolved online by using emails and customer chat support, there is a need for the evolution of AI in the area of dispute resolution for the following reasons:

### **1. Perception Towards the Online Medium and Digital Communication**

Modern-day people heavily rely on digital communication. In the early days, digital tools were used for shopping and communicating with strangers online. Today, we use digital platforms to communicate with those closest to us, spanning from mundane to sensitive. The lines separating online from offline are being blurred, and our idea of what we can do online is changing, thus increasing the appeal of ODR processes for dealing with complex and intimate offline disputes (Schultz, 2019).

### **2. Development of Powerful Software**

Methods of how data can be used are ever-evolving and accelerating. Big Data is collected and examined like it was never done before, and the focus is on finding relevant meaning from the same. Once a dispute was resolved, data was routinely discarded, and there was almost no data present in the field of dispute prevention. However, processing information is the key to dispute prevention and resolution. Software that stores and processes data can be expected to become an integral part of dispute-resolution processes (Visser, 1998). Software is to become the 'fourth party' of dispute resolution.

### **3. Ongoing Dissatisfaction with Courts and Alternatives**

Technology has the potential to remedy several persistent problems of the judicial system. It was hoped that informal justice and 'multi-door courthouse' would improve court efficiency, but institutionalized alternatives came with their own disadvantages, like curtailment of precedent-setting and law development. Technology can enhance the efficiency of alternatives as well as court processes by providing 24/7 access to files from afar and automation of procedures. ODR can help alternative processes achieve a higher degree of transparency by providing better monitoring and quality control (Bhat, 2020).

A common question is whether AI devices may advance to such an extent that they are so effective and efficient that attorneys would not be ethical for them to not utilize them. In today's professional standards, the use of technology does not necessarily need the use of law in practice, but when the use of AI technologies would lead to considerable savings in time and money, the ethical argument for the use of AI is more convincing.

Keeping all these in mind, it can be safe to say that artificial intelligence can remove some of the barriers which may be beyond the ordinary scope of ODR. Once the relevant data is fed, AI can be used to come out with terms which will be agreeable to both parties. AI ensures a lack of human bias and also ensures the whole process is fair for both parties. Seeking the trust of both

parties involved is difficult in ordinary ODR platforms. There will always be an element of suspicion of collusion by one party to a dispute. This can be avoided by the use of Artificial Intelligence in the area of dispute resolution.

## **RESULTS**

Businesses will benefit largely from the use of artificial intelligence for the resolution of disputes for the following reasons. Firstly, the burden of waiting for years to achieve a resolution is removed by quick resolution by Artificial Intelligence. Secondly, periodical payment of fees to courts and advocates will also be eliminated if artificial intelligence is used wisely. The use of AI which is technology based attracts the youth of the country who are restless in getting quick resolution of disputes and thereby gaining more popularity and reputation for the businesses. Also, trust and long-term relationships are developed if the consumer disputes and B2B disputes are resolved quickly at low cost and effectively. Thus, it improves the company's business and generates a long-term reputation. AI if used voluntarily can solve other problems such as jurisdiction and enforcement of agreements.

Other uses of Artificial Intelligence in law include:

### **1. AI as an Instrument for Risk Management**

AI appears to be the answer to enable future attorneys and companies to take more knowledgeable and accurate risks. In reality, in legal departments, including e-discovery, contract review and legal research, there are already numerous methods to use AI successfully.

### **2. Enabling Improved Judicial Access**

With tools to better avoid controversy and evaluate the validity of one's arguments, court backlogs can be lowered and access to justice increased. The most positive impact of AI on the conflict resolution might be the enhanced access to justice.

### **3. AI's Influence on Legal Practise**

AI will have a major influence on the various positions in the legal arena may it be a lawyer or a judge and will continue to do so. However, attorneys should not be afraid to lose their employment. AI will generate and not only eliminate legal employment, as is often feared. Individuals with new talents will evolve and existing lawyers need to make the most of AI technologies by getting trained and moving ahead with time. At the same time, attention must be given to guaranteeing that AI instruments are equitably available to all stakeholders.

## DISCUSSION

Mediation is the preferred mechanism for straightforward, low-value consumer disputes whereas business dispute resolution can be addressed using both mediation and arbitration. In B2B, an arbitration institution like the International Chamber of Commerce (ICC), with its own set of rules and mechanisms can be used to resolve. Businesses may choose an institution beforehand where potential disputes may be submitted when they arise. They can also choose to submit disputes to arbitral tribunals. The arbitration process can be expensive and long drawn over years involving several lawyers. The award is rendered at the end of the arbitration process similar to courts (Cona, 1997).

Consumers on the other hand seek redress when a product or service purchased by them is unsatisfactory or the product delivery is late or they do not receive the product altogether. Such redressal procedures need not be long and complicated. It is difficult for state courts to handle consumer disputes as the cases are low value and the cost of litigation is high as compared to the actual transactional value. There needs to be a simple, fast and effective online mechanism for addressing consumer disputes at low or possibly zero cost. Such online platforms should cover cross-border transactions and offer a user-friendly interface that can guide a consumer through redressal even if he/she is unfamiliar with the dispute resolution system (Katsh, 2005).

If the consumer redress system is a complicated arbitration procedure then the consumer might withdraw the complaint. In such cases, the redress system would actually be of no use and consumers would lose faith in online merchants. Mediation is a suitable method for consumer disputes. Consumers are not likely to have lawyer support while making case submissions. The consumer will prefer to express the dispute in his/her own words and will want the resolution provider to understand the issue and provide a solution using a simple mechanism. The consumer does not want an award and thus does not need an enforcing body. It is therefore hard to apply arbitration to consumer disputes.

There was a case where a consumer bought some software and a dispute arose. The general conditions of purchase imposed on the buyer included that disputes needed to be submitted to the ICC for resolution. But, a state court ruled that arbitration clauses in consumer contracts were unconscionable and could not be imposed on buyers. Small-value and straightforward consumer disputes should be resolved swiftly and preferably without using arbitration. However, the arbitration option should remain open. If arbitration needs to be used then the procedure can follow the same rules established by already existing arbitration institutions. However, if there is demand for a centralized

online system where consumers can file their claims and conduct the resolution procedure such that the said system provides both mediation and arbitration services to consumers then specific generic rules can be established for such mediation and arbitration processes. The arbitration rules can be inspired by the rules of arbitration institutions that provide services for small claims. The system can also offer a two-tiered procedure that starts with mediation. The European Union suggests that the system be a house that transfers disputes to ODR providers who follow standard rules of mediation and arbitration (Abernethy, 2017). Therefore, there are no set standards for effective online dispute resolution mechanisms without an element of bias, suspicion or the like. Artificial intelligence can ensure an unbiased and lowest human involvement based on amicable terms for dispute resolution of both B2C and B2B disputes.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

Online dispute resolution is no doubt the immediate future of dispute resolution but the use of artificial intelligence will be the most effective way of resolving disputes amicably in the future. Artificial intelligence has a huge potential for business in resolving both B2C and B2B disputes. Effective dispute resolution through AI means cost, time and unbiased resolution which can be guaranteed by the use of Artificial Intelligence. But AI cannot run parallel to the existing judicial system but it should supplement it and the regulation of AI systems also needs to be done in a liberal manner. The government and private dispute resolution providers must develop adequate measures to develop a robust artificial intelligence system which is secure and trustworthy for both businesses and consumers.

### **Recommendation**

The following recommendations can be made:

- a. There is requirement of complete agreement on use of AI at the global level as there is a risk involved in the use of AI.
- b. The parties involved and all the other stakeholders need to be appraised of the AI systems and also their consent over the use need to be obtained.
- c. The use of AI implicates risks for the public, especially from hacking and other computer-related offences. The security of systems needs to be of paramount consideration while designing.
- d. The AI Systems need to be developed in both English and local languages for use by those who are not proficient in the English language.

## **FURTHER STUDY**

This research still has related limitations, so it is necessary to carry out further research on the topic Importance of Artificial Intelligence in Amicable Dispute Resolution of Consumer Disputes in order to improve this research and increase insight for readers.

## **REFERENCES**

- Abernethy, S. (2017, January 17). Proceedings of the UNECE Forum on ODR. Retrieved from Building Large-Scale Online Dispute Resolution & Trustmark Systems: <http://www.odr.info/unece2003>
- Brett, J. M. (2007). Sticks and Stones: Language, Face, and Online Dispute Resolution. *Academy of Management Journal*(50), 85.
- Calliess, G. (2001). Online Dispute Resolution: Consumer Redress in a Global Market Place. *German Law Journal* , 26.
- Cona, F. A. (1997). Application of Online Systems in Alternative Dispute Resolution. *Buffalo Law Review*, 47, 975.
- E Katsh, L. W. (2006). Ten Years of Online Dispute Resolution (ODR): Looking at the Past and Constructing the Future. *U Tol L Rev.*, 19.
- Katsh, E. (2005). *Online Dispute Resolution: Some Implications for the Emergence of Law in Cyberspace*. New York: Wolf Legal Publishers.
- Visser, P. B.-C. (1998). A Comparison of Four Ontologies for the Design of Legal Knowledge Systems. *Artificial Intelligence and Law*, 6(1), 27-57.
- Zelevnikow, A. L. (2010). *Enhanced Dispute Resolution Through the Use of Information Technology*. Cambridge: Cambridge University Press.
- Schultz, G. K.-K. (2019, February 21). Online Dispute Resolution: Challenges for Contemporary Justice. Retrieved from <https://books.google.com/books?hl=en&lr=&id=2iQzMpktq-8C&oi=fnd&pg=PR5&dq=online+dispute+resolution&ots=eldL4MJILY&sig=1J99e0Nwo1twIlnW>

Bhat, P. (. (2020, February 18). REPORT OF THE RESEARCH PROJECT ON Alternative Dispute Resolution (ADR) Mechanism and Legal Aid in the Settlement of Disputes: A Case Study of State of West Bengal. Retrieved from [www.doj.gov.in](http://www.doj.gov.in)