

Are Parties Ready for Arbitration by AI?

The American Arbitration Association Thinks So—at Least for Construction Disputes.

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Since November 2025, the American Arbitration Association (the “AAA”) has given the world a glimpse into a possible future of alternate dispute resolution: a generative artificial intelligence arbitrator (the “AI Arbitrator”). The AAA claims that its AI Arbitrator tool offers robust cost savings of 35–45% and significant time savings with matters resolved up to 25% faster than traditional arbitration.¹ AAA’s marketing materials suggest its AI Arbitrator would not just make clients happy but could mean more equitable access to justice through reduced cost barriers.²

The AAA’s AI Arbitrator was launched in November 2025 as an optional tool for resolving two-party, documents-only construction disputes. In documents-only matters, the parties have agreed in a contract or at a preliminary administrative conference with AAA administrators to apply the AAA’s expedited “documents-only” ruleset, found in Section D of the AAA Construction Industry Arbitration Rules and Mediation Procedures.³ In a documents-only arbitration, the arbitrator decides the claim(s) based on the parties’ submissions, without a substantive hearing, live witnesses, or any oral presentation of evidence.⁴ AAA trained its new AI Arbitrator on case data and awards from 1,500 prior AAA construction cases.⁵ Parties must opt-in to use the tool. So far, however, it does not appear that any disputes have been resolved by the AI Arbitrator, which is still limited to construction matters.

Attorneys and clients alike are understandably skeptical of AI tools. Parties and advocates recognize the nuance in their disputes and seek a forum to help a neutral intermediary understand and appreciate that nuance. But is the current scope of the AAA’s AI Arbitrator materially changing that experience?

¹ *AI Arbitrator*, AAA (2026), webpage at adr.org/ai-arbitrator/.

² *Id.*

³ *Construction Industry Arbitration Rules and Mediation Procedures*, AAA (rev. Mar. 1, 2024), available at adr.org/industries/construction/. These rules permit documents-only arbitration to claims of any size. Rule D-1(a). When one party requests a documents-only arbitration and the other party does not respond, the arbitrator “shall have the power to determine whether to proceed under the” documents-only rules. Rule D-1(b).

⁴ The construction industry rules already presume that “cases involving \$25,000 or less will be decided on a documents only basis.” *Id.* at 10.

⁵ See *AI Arbitrator: Technical Overview*, AAA (2026); see also *AI Arbitrator FAQ & Overview*, AAA (2025) (“The AI arbitrator is trained on AAA construction awards, not generic legal text.”); available at adr.org/ai-arbitrator/.

AAA's AI Arbitrator might not operate as parties expect: it does not merely read the claimant and respondent's papers and issue an award. The process is governed by the AAA AI Led Arbitration Rules, which define roles, responsibilities, workflows, and confidentiality for all disputes administered through the AAA's Digital Dispute Resolution Center platform.⁶ Like any documents-only arbitration, the parties submit their claim, response, reply, and any counterclaims. The parties then brief their arguments and submit evidence and legal authority. Next, the AI Arbitrator provides summaries to the parties of its understanding of the parties' submissions, and the parties are given an opportunity to review and comment on those summaries of the claims, evidence, exhibits, and law.⁷

A human AAA arbitrator is selected by the AI Arbitrator and oversees the proceedings. (The parties can object to the human arbitrator, and the AI Arbitrator will appoint a new human.) After the AI Arbitrator drafts a preliminary award resolving the dispute, it is reviewed and revised as seen fit by the human arbitrator, who signs and issues the final award.⁸ Therefore, along with the cost savings, the AI Arbitrator proceeding might actually provide more opportunities for advocacy throughout than the traditional documents-only arbitration. This is because once submissions are made in a traditional documents-only arbitration, there is no mechanism for further input or confirmation of the human arbitrator's understanding of the parties' respective positions before the arbitrator issues an award.⁹ In AI led arbitration, the ability to receive the AI Arbitrator's summary of the parties' positions and evidence and opportunity to be heard to correct any misunderstandings in that summary provides an additional point of advocacy to inform the outcome of the proceeding.

Moreover, the AAA's cost estimation tool estimates a \$10,000 dispute utilizing one arbitrator and the AAA Construction Industry Arbitration Rules would cost \$2,600 in administrative fees, while a \$150,000 dispute of the same nature would cost \$7,000 in fees—before the arbitrator is compensated for their time.¹⁰ Yet the AAA's AI Led Arbitration Rules state a flat \$2,500 cost for all disputes, with an additional \$2,500 owed by a responding party that asserts counterclaims.¹¹ This cost of the AI Arbitrator “will cover the AAA's administrative fees and the human Arbitrator's compensation.”¹²

⁶ See generally AI Led Arbitration Rules, AAA (rev. Feb. 18, 2026), available at adr.org/ai-arbitrator/.

⁷ *Id.*; AI Arbitrator, AAA (2026), webpage at adr.org/ai-arbitrator/.

⁸ AI Led Arbitration Rules at R-8(a) (“The human Arbitrator reviews the draft award and can approve, edit, or rewrite any part of the draft award. After the human Arbitrator finalizes and signs the award, the DDRS will notify the parties.”).

⁹ See generally Construction Industry Arbitration Rules and Mediation Procedures at D-1 through D-4 (documents-only procedures provide for submission of documents to one arbitrator with no additional feedback mechanism).

¹⁰ Arbitration Administrative Fee Calculator, AAA (n.d.), webpage at feecalculator.adr.org.

¹¹ AI Led Arbitration Rules at page 11.

¹² *Id.* at R-4(a)(iii)

Therefore, the AI Arbitrator's flat cost removes the variable costs for human arbitrator compensation fees in traditional arbitrations, which are billed by the hour and typically dwarf the sum of administrative fees. For the document-heavy, time-sensitive construction disputes, those savings could be significant enough for clients to come forward for a resolution despite the amount in controversy.

Additional Pros and Cons of AI as the Arbitrator. An AI Arbitrator tool can meaningfully streamline the arbitration process. AI strengths include ingesting, reviewing, and analyzing large volumes of documents and data far faster than any human arbitrator. AI can quickly identify and synthesize legal authority, competing arguments, and logical gaps in parties' positions—potentially allowing for a more expedited and equitable resolution. These efficiencies coincide with the elimination of additional human arbitrator fees, as the appointed arbitrator that reviews the AI's determination spends less time on initial document review and analysis.

However, AI arbitration is not without pitfalls. AI tools carry the well-documented risk of hallucination—generating plausible but fabricated information—as well as misinterpreting, misapplying, or fully overlooking relevant legal authority. But the AAA platform and rules appear to appreciate these practical risks, as the AI Led Arbitration Rules allow parties to provide feedback and correct any misunderstanding of the evidence or argument by the AI Arbitrator in the feedback stage¹³.

Checks and balances on AI in the Profession. The AI Arbitrator tool faces another hurdle, however. Lawyers relying on AI without cite-checking have caused increasing demand to impose strict rules that limit or restrict AI use in legal proceedings. This has led lawmakers in California, for example, to consider SB 574, which would bar arbitrators from delegating their decision-making process to any generative AI tool.¹⁴ Moreover, court systems in at least 11 states have established policies or rules of conduct regarding AI usage by legal professionals.¹⁵ This creates a seeming paradox for parties who resolve disputes through an AI-assisted arbitration process and then seek to confirm or vacate the resulting award in a court that limits AI use. Judges in jurisdictions with AI-restrictive policies may certainly scrutinize whether an AI arbitrator's involvement compromises the integrity of the award, even where a human arbitrator issued the final decision. Nevertheless, unless the parties have agreed otherwise at the outset of the case, the AAA rules provide that parties are bound by the result of the AI

¹³ See AI Led Arbitration Rules at R-6(g) ("The parties will have the opportunity, in the Parties' Feedback stage, to review and comment on the AI Arbitrator's summaries of their claims, evidence, exhibits, and legal authority."); see also AI Arbitrator: Technical Overview (describing party validation of AI-generated summaries and party feedback on AI analysis as key safeguards).

¹⁴ SB-574 (2025-2026 Session), available at https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB574.

¹⁵ *States scramble to regulate AI in the legal system*, GOVERNING (Jan. 29, 2026), available at <https://www.governing.com/artificial-intelligence/states-scramble-to-regulate-ai-in-the-legal-system>

led arbitration, which can be entered by a court of proper jurisdiction.¹⁶ Thus, attorneys and their clients must balance the risk and benefits of both law firm and adjudicator AI usage against client cost-sensitivity.

Given the emerging acceptance of AI tools to assist, in part, in resolving lawsuits, it may not be long until the AAA's tool renders its first binding decision. After all, the human review and revision of the AI Arbitrator's awards may not be all that different than some litigants are getting from courts whose chambers utilize AI tools to review and resolve litigated matters.¹⁷

Other AI in alternate dispute resolution. While the AAA appears to be the only major ADR service to offer an AI arbitration tool to the public, smaller startups entirely dedicated to AI dispute resolution are beginning to pop up. For instance, Bot Mediation launched in 2025 and is purely dedicated to providing AI mediation services. This company utilizes AI tools to help recommend collaborative solutions throughout the mediation process.¹⁸ Importantly, however, the AAA's AI Arbitrator is the only tool available that can render a binding decision. Perhaps the rest of the large ADR service providers are waiting to see how the legal community reacts to the AAA's AI Arbitrator before investing heavily in their own versions of the technology.

Overall, the AI Arbitrator from AAA—and any others that are released by its competitors—are tools with great potential to change the future of arbitration through lower costs and quicker results. Skeptical clients and attorneys are increasingly willing to allow AI to assist them in other areas, especially with documentation-heavy work. However, no one—the courts, attorneys, or clients—seems ready to let AI completely usurp their role in the process. This may be due in part to persistent concerns about hallucination, the risk of misinterpreted authority, and uncertainty about how courts will treat AI-assisted awards. At some point, confidence may grow enough for clients to begin trying the AI Arbitrator tool, and we may soon be able to praise or criticize the first award made with the assistance of an AI arbitrator.

¹⁶ *AI Led Arbitration Rules* at R-12(a).

¹⁷ See Anika Jaitley, Daniel W. Linna Jr., Hon. Xavier Rodriguez, V.S. Subrahmanian & Siyu Tao, *Artificial Intelligence in Federal Courts: A Random-Sample Survey of Judges*, 27 SEDONA CONF. J. ____ (forthcoming 2026), available at <https://www.thesedonaconference.org/node/11544> (finding 22.3% of surveyed federal judges reported using an AI tool on a weekly or daily basis).

¹⁸ *Bot mediation: AI-powered mediation for efficient legal dispute resolution*, AMERICAN BAR ASSOCIATION (Mar. 31, 2025), available at https://www.americanbar.org/groups/law_practice/resources/law-technology-today/2025/ai-powered-mediation-for-efficient-legal-dispute-resolution/.