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## Legal Liability for AI Decisions

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### Abstract

Artificial Intelligence (AI) is now deeply embedded in decision-making processes across diverse fields such as healthcare, banking, transportation, and even judicial systems. While this integration has improved efficiency, it has also generated unprecedented legal challenges regarding liability when AI-driven decisions cause harm. Traditional liability frameworks, which rest on human fault or intent, are ill-suited to address autonomous and opaque AI systems. This paper examines the inadequacies of existing doctrines, surveys international approaches, and evaluates new proposals such as the European Union's AI Liability Directive. It further explores theoretical models, debates on digital personhood, and the role of corporate governance. The study concludes that an effective legal regime for AI must balance innovation with accountability through strict liability mechanisms, risk-based regulations, and enhanced oversight, ensuring both victim protection and technological advancement.

**Keywords:** Artificial Intelligence, Legal Liability, AI Governance, Autonomous Systems, Strict Liability, Digital Personhood, AI Accountability, Comparative Jurisprudence

### 1. Introduction

The accelerated adoption of Artificial Intelligence has shifted crucial decision-making from humans to machines. This transition raises pressing legal questions about accountability when AI systems cause harm. Conventional liability concepts-tort law, contract law, and product liability-focus largely on human action or negligence. However, AI systems, which often operate autonomously and through non-transparent processes, challenge these doctrines. As a result, legal scholars and policymakers are exploring alternative frameworks that ensure justice for victims while promoting responsible AI innovation.

### 2. Legal Challenges in AI Liability

AI decision-making is often described as a 'black box,' making it difficult to trace or explain outcomes. Unlike humans, AI lacks consciousness or intent, both of which are central to traditional liability frameworks. Furthermore, the collaborative ecosystem behind AI-developers, manufacturers, deployers, and end-users-complicates the

allocation of responsibility. The absence of clear fault lines leads to uncertainty in assigning liability when harm occurs.

### 3. Comparative Legal Perspectives

- **United States:** Relies heavily on product liability and vicarious liability doctrines, holding manufacturers and operators accountable for AI-related harms.
- **European Union:** Moving towards a strict liability regime, supported by the AI Liability Directive (2022) <sup>[2]</sup> and the AI Act, which reduce the burden of proof for victims and strengthen transparency in high-risk AI systems.
- **Germany:** Considers extending corporate liability principles to address AI-driven harms.
- **Iran and Similar Jurisdictions:** Depend on traditional notions of human and corporate responsibility but lack explicit AI-specific provisions, leading to legal ambiguity.
- **India (emerging perspective):** While India has no dedicated AI liability law, discussions under NITI

Aayog and consumer protection frameworks highlight the need for tailored regulation.

- **China:** Emphasizes algorithmic accountability, data transparency, and platform liability in its AI governance approach.

These examples reveal a gradual global trend toward strict liability combined with risk-based regulation, ensuring that victims are not burdened with proving fault in highly complex AI cases.

#### 4. Legislative and Regulatory Developments

The EU AI Liability Directive (2022) <sup>[2]</sup> represents one of the most advanced regulatory frameworks. It modernizes liability rules by lowering the evidentiary burden on victims, facilitating claims, and encouraging risk management in high-risk AI systems. Complementary instruments such as the AI Act adopt a risk-based approach, imposing stricter compliance requirements for AI in sensitive domains such as biometric surveillance and critical infrastructure.

Other international initiatives, including OECD AI Principles (2019) and UNESCO's AI Ethics Framework (2021), emphasize transparency, accountability, and human oversight, guiding states toward harmonized governance.

#### 5. Theoretical Approaches to AI Liability

Scholars have proposed various models:

- **Innocent Agent Model (Hallevy):** AI acts as an agent, but liability rests with human programmers, operators, or users.
- **Natural Probable Consequence Doctrine:** Human facilitators are accountable for foreseeable harms resulting from AI actions.
- **Digital Personhood Debate:** Some suggest granting AI limited legal status to assign responsibilities directly, though most legal systems currently favor keeping accountability human-centered.

A hybrid approach that combines distributed accountability with strict liability for high-risk AI applications appears most practical.

#### 6. Corporate Governance and AI Accountability

As corporations increasingly deploy AI in decision-making, boards of directors must ensure ethical use, risk assessment, and regulatory compliance. Failures in oversight may expose corporations to liability under fiduciary and statutory obligations. Sound governance frameworks-embedding AI ethics committees, algorithmic audits, and compliance mechanisms-are essential for mitigating risks.

#### 7. Conclusion

Legal liability for AI remains an evolving domain where traditional doctrines prove insufficient. A balanced framework must combine strict liability for high-risk AI systems, mandatory insurance schemes, and regulatory oversight with transparency and human accountability mechanisms. Policymakers should avoid extremes-either stifling innovation through overregulation or leaving victims unprotected. Instead, a multi-stakeholder model, involving governments, corporations, and civil society, is needed to reconcile innovation with justice and societal trust.

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