

THE CAMBRIDGE HANDBOOK OF AI AND CONSUMER LAW

This comprehensive handbook delves into the intricate relationship between artificial intelligence, law, and government regulations in society and business. With a particular focus on consumer-centric issues, chapters analyze the benefits and challenges of the expanding influence of AI systems on consumers, while shedding light on the psychological impact and potential harm posed by AI. Readers will navigate the complexities of tort law and its application to harm caused by AI, explore the legal conundrums arising from consumers utilizing digital delegates as agents, and uncover the innovative ways AI can be harnessed to enforce consumer law. This work is essential reading for anyone seeking to understand the implications of AI on the legal landscape, the future of the consumer marketplace, and the role of consumer law.

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The Cambridge Handbook of AI and
Consumer Law

COMPARATIVE PERSPECTIVES

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Preface

We express our warm gratitude to the colleagues who contributed to *The Cambridge Handbook of AI and Consumer Law: Comparative Perspectives* and for their perspectives and valuable insights on the legal future of consumer law in the age of advanced artificial intelligence (AI). Advanced AI systems, some allocated the power of decision-making, have disrupted and affected all segments of the economy and society. This book focuses on the impact of AI on consumers in their myriad interfaces with AI systems as purchasers and users. Consumers have long been given special status in law and regulation. This status recognizes the weakness of ordinary consumers in their dealings with businesses. The relationship between merchants and consumers is characterized by bargaining and informational disparities. Consumer law – consumer contract law and consumer protection law – is a product of a long evolution of law's intervention into free market space involving companies and consumers.

AI poses new risks and dangers due to its power to manipulate consumer-users by preying on the behavioral and cognitive weaknesses of human beings. Some suggest that the ordinary or reasonable consumer standard at the core of consumer law needs to be adjusted to a vulnerable consumer standard in the era of AI. This begs the question of whether existing consumer law is adequately adaptable to the new risks presented by AI. In some areas, the law is not fit for the purpose as currently enunciated. Thus, the question becomes whether current law can be modified to prevent consumer abuse by AI systems and in areas where consumer law is not fit for purpose what types of new specialized rules need to be created by courts and legislatures.

This book analyzes the risks as well as the benefits of AI in the consumer marketplace. It looks at the role of private and public law in its facilitation and regulation. In the area of private law (contract, tort), the core issue is the need to allocate responsibility and liability among different parties including developer-creators, platforms, and between consumer-users. The focus here is to provide protection and compensation for psychological harm. In the public realm, the focus is on existing EU consumer, digital rights, and AI laws' abilities to regulate advanced AI systems. In the end, the goal of the book is to raise awareness of the current and future dangers of AI decision-making in consumer markets. This awareness necessarily encourages preemptive regulation to prevent the worse cases of abuse from occurring in the first place.

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Statement
European Union “AI Act”

During the production process, The EU has adopted the “EU Artificial Intelligence Act” (AIA) in May 2024. The overall concept of the AI Act has not changed. The Act’s main features remain including a risk-based approach with attendant obligations; prohibitions on certain uses of AI (biometric identification systems); and ex ante mandatory requirements for high-risk AI systems. Some contentious points are different from the original proposal such as the notion of AI covered by the Act; new rules on general purpose AI systems; prohibitions of real time remote biometric systems; classification scheme of high risk AI systems; new transparency obligations; and the powers of the new AI board. The purpose of the Act remains the ensuring that AI systems are safe, respectful of fundamental rights and EU values, while encouraging AI investment in Europe. It is important to note that the majority of the Act’s provisions will apply after a two-year grace period for compliance. The analysis provided in this book remains relevant but the reader should refer to text of the AI Act available at <https://artificialintelligenceact.eu/ai-act-explorer>.