

# Québec Superior Court annuls arbitral award due to fictitious authorities "hallucinated" by AI

by *Practical Law Arbitration*, with *Fasken*

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In *Association des ressources intermédiaires d'hébergement du Québec (ARIHQ) v Santé Québec – Centre intégré universitaire de santé et de services sociaux du Centre-Sud-de-l'Île-de-Montréal*, 2026 QCCS 1360, the Québec Superior Court annulled an arbitral award after finding that the arbitrator relied on non-existent jurisprudence, likely generated by AI. The court found that these "hallucinated" cases were central to the arbitrator's reasoning and that he had effectively delegated the drafting of reasons to a third party, undermining the integrity of the arbitral process.

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*David Ziegler and Sébastien Cyr, Fasken*

The Quebec Superior Court has annulled an arbitral award, finding that the arbitrator relied on non-existent case law, likely generated by AI.

The dispute arose from a payment disagreement between a health care provider (Osman) and a public health institution (CCSMTL).

Osman, through its representative association (ARIHQ), sought retroactive compensation under an agreement governing funding for intermediate care resources. The agreement required that disputes be addressed through a structured internal process and, if unresolved, submitted to arbitration before a jointly selected arbitrator.

The dispute was submitted to arbitration and, in an award, the arbitrator dismissed the application because the notice of dispute was filed outside the time limits prescribed by the agreement. Osman applied to the Quebec Superior Court to annul the award on the ground that the arbitrator relied exclusively on non-existent decisions (otherwise referred to as "hallucinations") to support his analysis regarding the validity and effect of the contractual time limits.

The court annulled the award and ordered the appointment of a new arbitrator. It held that relying on AI and "hallucinated" authorities amounted to an improper delegation of the arbitrator's decision-making authority and a serious breach of the arbitral procedure, undermining the integrity of the process and the parties' confidence in the result.

The court emphasised that the duty to provide reasons is fundamental to adjudicative legitimacy. Proper reasons ensure disciplined analysis, increase public confidence in the justice system, allow the parties to understand the outcome and permit meaningful review. Where reasoning rests on fictitious authorities, these objectives are defeated.

The court clarified that the use of AI alone does not justify annulment, especially where it is minimal or related to secondary issues. However, arbitral awards may be set aside where the use of AI leads to material breaches, including the improper delegation of decision-making authority or a failure to verify the artificial intelligence's reasoning.

Hallucinations, including fabricated legal citations or propositions generated by AI, are of increasing concern in the Canadian justice system (and in other justice systems around the world) as large language models become more accessible. This decision is the first in Canada to address the implications of the use of AI by a decision-maker rather than by the parties to a dispute, and makes clear that its use cannot displace an arbitrator's role and reasoning in deciding disputes.

Case: *Association des ressources intermédiaires d'hébergement du Québec (ARIHQ) c. Santé Québec - Centre intégré universitaire de santé et de services sociaux du Centre-Sud-de-l'Île-de-Montréal*, 2026 QCCS 1360 (22 April 2026) (Martin F. Sheehan JCS) (in French language).

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