

Vijay Ghanshyam Gadiya

v.

Union of India & Anr.

(Civil Appeal No. 12155 of 2026)

02 September 2026

[Dipankar Datta* and Sheel Nagu, JJ.]

Issue for Consideration

Issue arose as regards the Artificial Intelligence generated judgments and articles cited/relied upon by the second respondent in the order passed by the Additional Commissioner.

Headnotes[†]

Artificial Intelligence-AI – Use of AI in adjudicatory process – Hallucination of AI – Reliance on fake AI generated judgments and articles – Additional Commissioner of Customs passed an order imposing a penalty of Rs.425 crores on the appellant, for misdeclaring a consignment – Appellant challenged the penalty, however, the High Court dismissed the same – Appeal before this Court – Plea of the appellant that several judgments and articles cited by the second respondent in the Order passed by the Additional Commissioner are generated using AI – Interference:

Held: Called for – Upon verifying the judgments and articles cited by the second respondent, it does appear that the second respondent has relied upon case laws that are either non-existent or have fake citations – Investigation also revealed that some of the case laws relied upon by the second respondent, which do exist, do not lay down the ratio deduced therefrom and it appears to be a hallucination of AI – Use of AI in the process of adjudication is not foreign – Notwithstanding the Regulations for Use of Artificial Intelligence in Courts, 2026, which is yet to be finalised, use of AI as an assistive tool to speed up the decision making process cannot be denied – However, a note of caution must be sounded, assistance can never be substituted

* Author

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for adjudication – AI may well serve as training wheels but entrusting it with the pilot's seat would be both imprudent and dangerous – On facts, use of AI, resulting in reliance placed by the second respondent on material which is dubious, proves fatal to the sustainability of the order imposing penalty on the appellant – Matter to be remanded back – Impugned order of the High Court set aside along with the order passed by the Additional Commissioner – Furthermore, left to the wisdom of the appointing authority to initiate action against the said Additional Commissioner, as may be warranted in the circumstances. [Paras 4, 6-8, 11]

Case Law Cited

Pooja Ramesh Singh v. Jammu & Kashmir Bank Ltd. [2026] 7 SCR 571 : 2026 SCC OnLine SC 1258 – referred to.

List of Acts

Customs Act, 1962.

List of Keywords

Artificial Intelligence-AI; Use of AI in adjudicatory process; Hallucination of AI; Reliance on fake AI generated judgments and articles; Misdeclaration of consignment; Penalty.

Case Arising From

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 12155 of 2026

From the Judgment and Order dated 20.01.2026 of the High Court of Gujarat at Ahmedabad in SCA No. 611 of 2026

Appearances for Parties

Advs. for the Appellant(s):

Paresh M. Dave, Shamik Shirishbhai Sanjanwala, Aditya Tripathi, Ms. Shubhangi Agarwal.

Advs. for the Respondent(s):

Raghvendra P Shankar, A.S.G., Gurmeet Singh Makker, Karan Lahiri, Ishaan Sharma, Ms. Rajeshwari Shankar, B.K. Satija.

Vijay Ghanshyam Gadiya v. Union of India & Anr.**Judgment / Order of the Supreme Court****Order****Dipankar Datta, J.**

1. Leave granted.
2. The Additional Commissioner of Customs, Surat¹ passed an Order-in-Original dated 8th October, 2025 imposing a penalty of Rs. 425,27,99,100/- on the appellant, under Section 114 of the Customs Act, 1962, for mis-declaring a consignment of natural diamonds as lab-grown diamonds to pay a lower tariff. The challenge laid to the said penalty by the appellant before the High Court of Gujarat² failed, as his appeal stood dismissed *vide* order dated 20th January, 2026. This order of High Court is impugned before us.
3. Entering into the merits of the challenge is unnecessary, since it has been contended on behalf of the appellant that several judgments and articles cited by the second respondent in the Order-in-Original dated 8th October, 2025 are generated using Artificial Intelligence³.
4. We have made the effort to individually verify whether such contention of the appellant is true. Upon verifying such judgments and articles, it does appear that the second respondent has relied upon case laws that are either non-existent or have fake citations. A further investigation has also revealed that some of the case laws relied upon by the second respondent, which do exist, do not lay down the ratio deduced therefrom and it appears to be a hallucination of AI.
5. Such a discovery compels us to refer to the decision of this Court in ***Pooja Ramesh Singh v. Jammu & Kashmir Bank Ltd.***⁴. It happens to be a precedent dealing with the use of AI in judgments. Excerpts therefrom read:

7. It is necessary for courts to adopt a zero-tolerance mode for producing, citing or using artificial intelligence-

1 second respondent

2 High Court

3 AI

4 2026 SCC OnLine SC 1258

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generated precedents without verification. It is a misconduct on the part of an advocate to cite such judgments without verification. Equally, it is a serious lapse if a judge relies on such a fake or hallucinated artificial intelligence-generated material as precedents in support of the determination. We have no hesitation in declaring that such a decision is no decision in the eyes of the law, irrespective of whether such material had a direct or indirect bearing on the decision-making. Such decisions are to be set aside even if an iota of fake or hallucinated material enters the decision-making process, as it would violate the sanctity of adjudication. It is absolutely necessary to maintain integrity in decision page making, and we reiterate and declare zero tolerance for the Bar as well as the Bench to cite, refer to, or rely on such material. It is also clarified that our judgment shall have no bearing on the rightful use of artificial intelligence, but on the presentation or reliance on fake or hallucinated material as if it were a court precedent.

6. At this juncture, we may also add a comment on the use of Artificial Intelligence in adjudicatory processes. While this issue incidentally falls upon us to be considered, use of AI in the process of adjudication is not foreign. Quite the contrary, this Court has recently released draft Regulations for Use of Artificial Intelligence in Courts, 2026, calling for comments and suggestions. Notwithstanding that the regulations are yet to be finalised, use of AI as an assistive tool to speed up the decision-making process cannot be denied. However, a note of caution must be sounded: assistance can never be substituted for adjudication. AI may well serve as training wheels but entrusting it with the pilot's seat would be both imprudent and dangerous.
7. The use of AI in this case, resulting in reliance placed by the second respondent on material which is dubious, proves fatal to the sustainability of the order imposing penalty on the appellant. Such circumstances compel us to interfere and remand the case. Learned Additional Solicitor General has not joined issue.
8. For the foregoing reasons, the impugned order of the High Court confirming the penalty is consequently set aside together with the Order-in-Original, with the result that the proceedings against the

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appellant before the second respondent shall stand revived for being decided afresh by an officer of the same rank other than the one who passed the order dated 8th October, 2025.

9. The civil appeal stands allowed.
10. Pending application(s), if any, stand disposed of.
11. We leave it to the wisdom of the appointing authority to initiate such action against the author of the order dated 8th October, 2025, as may be warranted in the circumstances, in accordance with law.

Result of the case: Appeal allowed.

**Headnotes prepared by:* Nidhi Jain