A Fuzzy Description Logic Approach to Bilateral Matchmaking in Electronic Marketplaces

Azzurra Ragone¹,⁲, Umberto Straccia³, Fernando Bobillo⁴, Tommaso Di Noia¹, Eugenio Di Sciascio¹, Francesco M. Donini⁵

¹ SisInfLab, Politecnico di Bari, Bari, Italy — {t.dinoia, disciascio}@poliba.it
² University of Michigan, Ann Arbor, MI, USA — aragone@umich.edu
³ ISTI-CNR, Pisa, Italy — straccia@isti.cnr.it
⁴ Department of Computer Science and Artificial Intelligence, University of Granada
  fbobillo@decsai.ugr.es
⁵ Università della Tuscia, Viterbo, Italy — donini@unitus.it

Abstract. We present a novel Fuzzy Description Logic (DL) based approach to automate matchmaking in e-marketplaces. We model traders’ preferences with the aid of Fuzzy DLs and, given a request, use utility values computed w.r.t. Pareto agreements to rank a set of offers. In particular, we introduce an expressive Fuzzy DL, extended with concrete domains in order to handle numerical, as well as non numerical features, and to deal with vagueness in buyer/seller preferences. Hence, agents can express preferences as e.g., I am searching for a passenger car costing about 22000€ yet if the car has a GPS system and more than two-year warranty I can spend up to 25000€. Noteworthy our matchmaking approach, among all the possible matches, chooses the mutually beneficial ones.

1 Introduction

In an e-marketplace, a transaction can be organized in three different stages [27]: discovery, negotiation and execution. During the discovery phase, the marketplace helps the buyer to look for promising offers best matching her request. The result of this matchmaking phase is a ranked list of offers (usually ranked with respect to buyer’s preferences). In the eventual negotiation phase, the marketplace guides the buyer and the seller to reach an agreement. With the execution of the transaction, the buyer and the seller exchange the good. Usually negotiation and matchmaking are two distinct processes executed sequentially. First, the marketplace ranks offers for the buyer taking into account her request, i.e., her preferences expressed w.r.t. some utility function, then, usually, a negotiation starts with the seller having the best ranked supply, in order to reach an agreement that satisfies both traders. That is, the marketplace try to find an agreement which is Pareto efficient ⁶, as well as mutually beneficial for both traders. In other word, the marketplace, among all the actual Pareto solutions, looks for the ones maximizing the traders’ utility value w.r.t. some criteria, e.g., the Nash bargaining solution, ⁷ [16].

⁶ An agreement is Pareto efficient when it is not possible to improve the utility of one trader, without lowering the utility of the opponent one.
⁷ We recall that the Nash bargaining solution is the one that maximizes the product of the traders’ utilities.
A typical marketplace uses only buyer’s preferences for discovery and both traders’ preferences for negotiation. In a few words we can say that discovery is “unilateral”, while negotiation is “bilateral”. Due to this difference, often it might occurs that an offer resulting promising for the buyer i.e., with a good satisfaction degree for her preferences, does not lead to an agreement because, on the other side, seller’s preferences are not adequately satisfied. The idea behind the approach we propose in this paper is to merge the discovery and negotiation phase in a bilateral matchmaking. In our bilateral matchmaking scenario given a buyer’s request and a set of supplies, the matchmaker computes for each supply a Pareto-efficient agreement maximizing the degree of satisfaction of the traders (see Section 4), and then ranks all these agreements w.r.t. the utility of the buyer.

We propose here a fuzzy Description Logic (see, [26] for an overview) endowed with concrete domains to model relations among issues and as a communication language between traders. We may represent facts such as that a Ferrari is an Italian car (Ferrari ⊑ ItalianMaker), or that a Sedan is a type of Passenger Car (Sedan ⊑ PassengerCar), or the fact that a car cannot have at the same time a Diesel and a GAS engine (Diesel ∩ Gasoline ⊑ ⊥). Such kind of relations can be expressed in a Theory (from now on an Ontology) \( T \). Furthermore, we may represent preferences, such as e.g., a seller can state that “If you want an embedded alarm system you’ll have to wait more than one month” (\( \text{AlarmSystem} \sqsubseteq (\geq \text{deliverytime} 30) \)), as well as a buyer can state that “I would like a passenger car with an alarm system if it costs more than 25000€”(\( \text{PassengerCar} \sqcap (\geq \text{price} 25000) \sqsubseteq \text{AlarmSystem} \)). In our proposal, concrete domains allow to deal with numerical features, which are mixed, in preferences, with non numerical ones. We note that in this scenario a buyer request, as well as a seller supply, can be split into two parts: one involving issues that have to be necessarily satisfied in order to accept a final agreement, which we call hard constraints, and another one involving issues buyer and seller are willing to negotiate on, we call these soft constraints. Among soft constraints there can be also fuzzy constraints, which are preferences involving numerical features. Fuzzy constraints are represented in our approach using fuzzy membership functions, see Section 2, therefore while a simple soft constraint can or cannot be satisfied, a fuzzy constraint can also be satisfied to a “certain degree”.

In our framework it is possible to model positive and negative preferences (I would like a car black or gray, but not red), as well as conditional preferences (I would like leather seats if the car is black) involving both numerical features and non numerical ones (If you want a car with GPS system you have to wait at least one month) or only numerical ones (I accept to pay more than 25000€ only if there is more than a two-year warranty).

Besides we model quantitative preferences; thanks to the weight assigned to each preference it is possible to determine a relative importance among them, rather than only a total order between them. Obviously, the whole approach holds also if the user does not specify a weight for each preference, but only a global order on preferences. However, in that case, the relative importance among preferences is missed.

The rest of the paper is structured as follows: next section discusses the fuzzy language we adopt in order to express traders’ preferences. In Section 3 we set the stage of the the bilateral matchmaking problem in fuzzy DL and then we illustrate how to compute Pareto agreements. In Section 5 the whole process is highlighted with the aid of a simple example. Related Work and discussion close the paper.
2 A Fuzzy DL to express preferences

In a bilateral matchmaking scenario traders express preferences involving numerical as well as non numerical issues, in some way interrelated. The variables representing numerical features are either involved in hard constraints or soft constraints. In hard constraints, the variables are always constrained by comparing them to some constant, like \((\leq \text{price} \: 20000)\), or \((\geq \text{month} \cdot \text{warranty} \: 60)\), and such constraints can be combined into complex requirements, e.g., \(\text{Sedan} \cap (\leq \text{price} \: 25000) \cap (\leq \text{deliverytime} \: 30)\) (representing a sedan, costing no more than 25000 euros, delivered in at most 30 days), or \(\text{AlarmSystem} \cap (\geq \text{price} \: 26000)\) (expressing the seller’s requirement “if you want an alarm system mounted you’ll have to spend at least 26000 euros”). Vice-versa when numerical features are involved in soft constraints, also called fuzzy constraints, the variables representing numerical features are constrained by so-called fuzzy membership functions, as shown below.

For instance, \((\exists \text{price} \cdot \text{ls}(18000, 22000))\) dictates that given a price it returns the degree of truth to which the constraint is satisfied. Essentially, \((\exists \text{price} \cdot \text{ls}(18000, 22000))\) states that if the price is no higher than 18000 then the constraint is definitely satisfied, while if the price is higher than 22000 then the constraint is definitely not satisfied. In between 18000 and 22000, we use linear interpolation, given a price, to evaluate the satisfaction degree of the constraint.

**Fuzzy DL syntax.** Now, we specify the syntax of our fuzzy DL for matchmaking. The fuzzy DL considers the salient features of the fuzzyDL reasoner fuzzyDL\(^8\) (see [3]). The basic fuzzy DL we consider is the fuzzy DL \(\text{SHIF}(D)\) [26], i.e., \(\text{SHIF}\) with concrete data types. But, for our purpose, we do not need individuals and assertions. So, let us consider an alphabet for concepts names (denoted \(A\)), abstract roles names (denoted \(R\)), i.e., binary predicates concrete roles names (denoted \(T\)), and modifiers (denoted \(m\)). \(R_a\) also contains a non-empty subset \(F_a\) of abstract feature names (denoted \(r\)), while \(R_c\) contains a non-empty subset \(F_c\) of concrete feature names (denoted \(t\)). Features are functional roles. Concepts in fuzzy \(\text{SHIF}\) (denoted \(C, D\)) are build as usual from atomic concepts \(A\) and roles \(R: \top, \bot, A, C \sqcap D, C \sqcup D, \neg C, \forall R.C\) and \(\exists R.C\). Now, Fuzzy \(\text{SHIF}(D)\) extends \(\text{SHIF}\) with concrete data types [1], i.e., it has the additional concept constructs \(\forall T.d, \exists T.d\) and \(\text{DR}\), where

\[
d \rightarrow \text{ls}(a, b) | \text{rs}(a, b) | \text{tri}(a, b, c) | \text{trz}(a, b, c, d)
\]

\[
\text{DR} \rightarrow (\geq t \text{val}) | (\leq t \text{val}) | ([t \text{val})
\]

and \(\text{val}\) is an integer or a real depending on the range of the concrete feature \(t\). For instance, the expression \(\text{Sedan} \cap (\leq \text{price} \: 25000)\) will denote the set of sedans costing no more than 25000 euros, while \(\text{Sedan} \cap (\exists \text{price} \cdot \text{ls}(18000, 22000))\), says informally, specifies the class of sedans with a price whose degree of satisfaction is determined by \(\text{ls}(18000, 22000)\). Finally, we further extend \(\text{SHIF}(D)\) as follows:

\[
C, D \rightarrow (w_1 C_1 + w_2 C_2 + \ldots + w_k C_k) | C[\geq n] | C[\leq n]
\]

\(^8\) [http://gaia.isti.cnr.it/ straccia/software/fuzzyDL/fuzzyDL.html]
where $n \in [0, 1]$, $w_i \in [0, 1]$, $\sum_{i=1}^{k} w_i = 1$. The expression $(w_1 C_1 + w_2 C_2 + \ldots + w_k C_k)$ denotes a weighted sum, while $C[\geq n]$ and $C[\leq n]$ are threshold concepts.

A fuzzy DL ontology (also Knowledge Base, KB) $\mathcal{K} = \langle T, R \rangle$ consists of a fuzzy TBox $T$ and a fuzzy RBox $R$. A fuzzy TBox $T$ is a finite set of fuzzy General Concept Inclusion axioms (GCIs) $\langle C \sqsubseteq D, n \rangle$, where $n \in (0, 1]$ and $C, D$ are concepts. If the truth value $n$ is omitted then the value 1 is assumed. Informally, $\langle C \sqsubseteq D, n \rangle$ states that all instances of concept $C$ are instances of concept $D$ to degree $n$, that is, the subsumption degree between $C$ and $D$ is at least $n$. For instance, $\langle \text{Sedan} \sqsubseteq \text{PassengerCar}, 1 \rangle$ states that a sedan is a passenger car. We write $C = D$ as a shorthand of the two axioms $\langle C \sqsubseteq D, 1 \rangle$ and $\langle D \sqsubseteq C, 1 \rangle$. Axioms of the form $A = D$ are called concept definitions (e.g., $\text{InsurancePlus} = \text{DriverInsurance} \cap \text{TheftInsurance}$). A fuzzy RBox $R$ is a finite set of role axioms of the form: (i) (fun $R$), stating that a role $R$ is functional, i.e., $R$ is a feature; (ii) (trans $R$), stating that a role $R$ is transitive; (iii) $R_1 \sqsubseteq R_2$, meaning that role $R_2$ subsumes role $R_1$; and (iv) (inv $R_1$, $R_2$), stating that role $R_2$ is the inverse of $R_1$ (and vice versa). A simple role is a role which is neither transitive nor has a transitive subrole. An important restriction is that functional needs to be simple.

Fuzzy DL semantics [3]. The main idea is that concepts and roles are interpreted as fuzzy subsets of an interpretation’s domain. Therefore, axioms, rather than being “classical” evaluated (being either true or false), they are “many-valued” evaluated, i.e., their evaluation takes a degree of truth in $[0, 1]$.

A fuzzy interpretation $\mathcal{I} = (\Delta^I, t^I)$ relative to a concrete domain $D = (\Delta_D, C(D))$ consists of a nonempty set $\Delta^I$ (the domain), disjoint from $\Delta_D$, and of a fuzzy interpretation function $t^I$ that assigns: (i) to each abstract concept $C$ a function $C^I : \Delta^I \to [0, 1]$; (ii) to each abstract role $R$ a function $R^I : \Delta^I \times \Delta^I \to [0, 1]$; (iii) to each abstract feature $r$ a partial function $r^I : \Delta^I \times \Delta^I \to [0, 1]$ such that for all $x \in \Delta^I$ there is an unique $y \in \Delta^I$ on which $r^I(x, y)$ is defined; (iv) to each concrete role $T$ a function $R^I : \Delta^I \times \Delta_D \to [0, 1]$; (v) to each abstract feature $t$ a partial function $t^I : \Delta^I \times \Delta_D \to [0, 1]$ such that for all $x \in \Delta^I$ there is an unique $v \in \Delta_D$ on which $t^I(x, v)$ is defined. In order to extend the mapping, the interpretation function $t^I$ is extended to roles and complex concepts, we need functions to define the negation, conjunction, disjunction (called norms), etc of values in $[0, 1]$. The choice of them is not arbitrary. Some well-known specific choices are described in the table below.

The next table highlights some salient properties of them.
It is important to note that we can never enforce that a choice of the interpretation of the connectives satisfies all listed properties, because then the logic will collapse to classical boolean propositional logic.

Now, the mapping $I^T$ is extended to roles, complex concepts and GCIs as follows:

$$
\begin{align*}
\lambda^T(x) &= 0 \\
\tau^T(x) &= 1 \\
(\neg c)^T(x) &= \ominus c^T(x) \\
(c \cap d)^T(x) &= c^T(x) \ominus d^T(x) \\
(c \cup d)^T(x) &= c^T(x) \ominus d^T(x) \\
(\exists \, t \text{ val})^T(x) &= \sup_{y \in \Delta^T} R^T(x, y) \Rightarrow c^T(y) \\
(\forall \, R . c)^T(x) &= \inf_{x \in \Delta^T} R^T(x, y) \Rightarrow c^T(y) \\
(\exists y \in \Delta^T) R^T(x, y) = C^T(x, v) &= \sup_{y \in \Delta^T} R^T(x, y) \ominus C^T(y) \\
(\exists y \in \Delta^T) R^T(x, y) \leq d^T(x) &= \sup_{y \in \Delta^T} R^T(x, y) \ominus d^T(x)
\end{align*}
$$

The notion of satisfaction of a fuzzy axiom $E$ by a fuzzy interpretation $I$, denoted $I \models E$, is defined as follows: $I \models (\tau \geq n)$ iff $\tau^T \geq n$, $I \models (\text{trans } R)$ iff $\forall x, y \in \Delta^T, R^T(x, y) \geq \sup_{z \in \Delta^T} R^T(x, z) \ominus R^T(z, y)$, $I \models R_1 \sqsubseteq R_2$ iff $\forall x, y \in \Delta^T, R_1^T(x, y) \leq R_2^T(x, y)$, and $I \models (\text{inv } R_1 R_2)$ iff $\forall x, y \in \Delta^T, R_1^T(x, y) = R_2^T(y, x)$.

For a set of axioms $E$, we say that $I$ satisfies $E$ iff $I$ satisfies each element in $E$. We say that $I$ is a model of $E$ (resp. $\mathcal{E}$) iff $I \models E$ (resp. $I \models \mathcal{E}$). $I$ satisfies (is a model of) a fuzzy KB $\mathcal{K} = \langle \mathcal{A}, \mathcal{T}, \mathcal{R} \rangle$, denoted $I \models \mathcal{K}$, iff $I$ is a model of each component $\mathcal{A}, \mathcal{T}$ and $\mathcal{R}$, respectively. An axiom $E$ is a logical consequence of a knowledge base $\mathcal{K}$, denoted $\mathcal{K} \models E$, iff every model of $\mathcal{K}$ satisfies $E$. Given $\mathcal{K}$, the best satisfiability bound of a concept $C$, denoted $\text{bsb}(\mathcal{K}, C)$, is

$$
\text{bsb}(\mathcal{K}, C) = \sup_I \sup_{x \in \Delta^T} \{ C^T(x) \mid I \models \mathcal{K} \}.
$$

Essentially, among all models $I$ of the KB, we are determining the maximal degree of truth that the concept $C$ may have over all individuals $x \in \Delta^T$.

We conclude this section with the following remark. For the sake of our purpose, for the remainder of the paper we will use Łukasiewicz Logic as the specific interpretation of the connectives. The reason for this choice is due to the nice logical and computational properties of Łukasiewicz Logic. Furthermore, note that $x \ominus_G y = \min(x, y)$ and $x \oplus_G y = \max(x, y)$ can also be defined in it by means of $x \ominus (x \rightarrow y)$ and $\ominus(x \ominus_G y)$, respectively. As a consequence, we may define the following additional macros on concepts: let $C, D$ be concepts, then $C \rightarrow D := \neg C \cup D, C \cap_G D := C \cap (C \rightarrow D)$, and $C \sqcup_G D := (\neg C \cap_G D)$ are concepts as well. A further important property for our purpose is that in Łukasiewicz Logic the conjunction function allows us to determine Pareto optimal solutions in the following sense.

**Proposition 1.** If the maxima of $x \otimes_L y$, with $\langle x, y \rangle \in S \subseteq [0,1] \times [0,1]$, where $\otimes_L$ is Łukasiewicz t-norm, is positive then the maxima is also Pareto optimal.

As we will see later on, relying on Łukasiewicz logic will guarantee that the solutions of the bilateral matchmaking process are then Pareto optimal ones. Note also that the maxima of $x \otimes_G y$, with $\langle x, y \rangle \in S$, is not Pareto optimal.
3 Multi Issue Bilateral Matchmaking in fuzzy DLs

Marketplaces are typical scenarios where the notion of fuzziness appears frequently. The concept of Cheap or Expensive are quite usual. In a similar way it is common to have a fuzzy interpretation of numerical constraints. If a buyer looks for a car with a price lesser than 15,000 € and a supplier selling his car for 15,500 €, we can not say they do not match at all. Actually, they match with a certain degree. Hence, a fuzzy language, as the one we presented in the previous sections, would be very useful to model demands and supplies in matchmaking scenarios.

Similarly to the approach proposed in [20], we propose to use our fuzzy DL to represent both buyer’s demand and seller’s supply and represent relations among issues, both abstract and numerical, by a fuzzy DL knowledge base.

As introduced in Section 1, in bilateral matchmaking scenarios, both buyer’s request and seller’s offer can be split into hard constraints and soft constraints. Hard constraints represent what has to be (necessarily) satisfied in the final agreement; soft constraints represent traders’ preferences.

Example 1. Consider the example where buyer’s request is: “I am searching for a Passenger Car provided with Diesel engine. I need the car as soon as possible, and I can not wait more than one month. Preferably I would like to pay less than 22,000 € furthermore I am willing to pay up to 24,000 € if warranty is greater than 160000 km. I won’t pay more than 27,000 €”.

Here, it is easy to see the difference between hard constraints and soft ones:

- **hard constraints**: I want a Passenger Car provided with a Diesel engine. I can not wait more than one month. I won’t pay more than 27,000 €.
- **soft constraints**: I would like to pay less than 22,000 € furthermore I am willing to pay up to 24,000 € if warranty is greater than 160000 km.

**Definition 1 (Demand, Supply, Agreement).** Given an ontology $\mathcal{K} = \langle T, R \rangle$ representing the knowledge on a marketplace domain

- a demand is a concept definition $\beta$ of the form $B = C[\geq 1.0]$ (for Buyer) such that $\langle T \cup \{\beta\}, R \rangle$ is satisfiable.
- a seller’s supply is a concept definition $\sigma$ $S = D[\geq 1.0]$ (for Seller) such that $\langle T \cup \{\sigma\}, R \rangle$ is satisfiable.
- $I$ is a possible deal between $\beta$ and $\sigma$ iff $I \models \langle T \cup \{\beta, \sigma\}, R \rangle$. We also call $I$ an agreement.

$\sigma$ and $\beta$ represent the minimal requirements needed in the final agreement. As they are mandatory the threshold value is set to 1.0, meaning that they have to be in the agreement. Obviously, if seller and buyer have set hard constrains that are in conflict with each other, that is $\langle T \cup \{\beta, \sigma\}, R \rangle$ has no models, then it is impossible to reach an agreement, i.e., the set of possible deals is empty. If the buyer is interested in a conflicting supply it is necessary a revision of her hard constrains.

In the bilateral matchmaking process, besides hard constraints, both traders can express preferences on some (bundle of) issues. In our fuzzy DL framework preferences can be represented as weighted formulae (see Section 2). More formally:
**Definition 2 (Preferences).** The buyer’s preference $B$ is a weighted concept of the form $n_1 \cdot \beta_1 + \ldots + n_k \cdot \beta_k$, where each $\beta_i$ represents the subject of a buyer’s preference, and $n_i$ is the weight associated to it. Analogously, the seller’s preference $S$ is a weighted concept of the form $m_1 \cdot \sigma_1 + \ldots + m_h \cdot \sigma_h$, where each $\sigma_i$ represents the subject of a seller’s preference, and $m_i$ is the weight associated to it.

For instance, the Buyer’s request in Example 1 is formalized as:

$$\beta \text{ is } B = (\text{PassengerCar} \sqcap \text{Diesel} \sqcap (\text{price} \leq 27,000) \sqcap (\text{deliverytime} \leq 30)) \left[\geq 1.0\right]$$

$$\beta_1 = (\exists \text{price,ls}(22000, 25000))$$

$$\beta_2 = (\exists \text{km\_warranty,rs}(140000, 160000)) \rightarrow (\exists \text{price,ls}(24000, 27000))$$

where `price` and `km\_warranty` are concrete features. We normalize the sum of the weights of both agents’ to 1 to eliminate outliers, and make the set of preferences comparable.

The utility function, that we call **preference utility**, is then a weighted sum of the preferences satisfied in the agreement.

Dealing with concrete features, we always have to set a reservation value represented as a hard constraint. If we consider Example 1 we see that the buyer expresses two reservation values, one on price “more than 27,000 €” and the other on delivery time “less than 1 month”.

Reservation value is the maximum (or minimum) value in the range of possible feature values to reach an agreement, e.g., the maximum price the buyer wants to pay for a car or the minimum warranty required, as well as, from the seller’s perspective the minimum price he will accept to sell the car or the minimum delivery time. Usually, each participant knows its own reservation value and ignores the opponent’s one. In the following, given a concrete feature $f$ we refer to reservation values of buyer and seller on $f$ with $r_{\beta,f}$ and $r_{\sigma,f}$ respectively.

Since reservation values represent hard constraints then buyer’s ones are added to $\beta$ and seller’s ones to $\sigma$ (see Example 1).

The last elements we have to introduced in order to formally define an agreement in a bilateral matchmaking process are disagreement thresholds, also called disagreement payoffs, $t_\beta, t_\sigma$. They represent the minimum utility that the agent need to reach to accept the agreement. Minimum utilities may incorporate an agent’s attitude toward concluding the transaction, but also overhead costs involved in the transaction itself, e.g., fixed taxes.

**Definition 3.** Given an ontology $K = \langle T, R \rangle$, a demand $\beta$, a set of buyer’s preferences $B$ and a disagreement threshold $t_\beta$, a supply $\sigma$ and a set of seller’s preferences $S$ and a disagreement threshold $t_\sigma$, an agreement in a bilateral matchmaking process is a model $\mathcal{I}$ of

$$\tilde{K} = \langle T \cup \{\sigma, \beta\} \cup \{\text{Buy} = (B[\geq t_\beta]), \text{Sell} = (S[\geq t_\sigma])\}, R \rangle .$$

Clearly, not every agreement $\mathcal{I}$ is beneficial both for the buyer and for the seller. We need a criterion to find the optimal mutual agreement. Given a demand and a set of supplies, for each of them we will compute the optimal agreement with the demand and we will rank them with respect to the buyer’s utility value in the optimal agreement itself.

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9 Actually, it is possible that traders know probability distributions of opponent’s reservation value.
4 Computing Pareto agreements

To compute an optimal agreement we rely on the notion of Pareto agreement. Given an ontology $\mathcal{K}$ representing a set of constraints, we are interested in agreements that are Pareto-efficient, in order to make traders as much as possible satisfied. In our fuzzy DL based framework, in order to compute a Pareto agreement we proceed as follows.

Let $\mathcal{K}$ be a fuzzy DL ontology, let $\beta$ be the buyer’s demand, let $\sigma$ be the seller’s supply, let $\mathcal{B}$ and $\mathcal{S}$ be respectively the buyer’s and seller’s preferences. We define $\bar{\mathcal{K}}$ as the ontology

$$\bar{\mathcal{K}} = (\mathcal{T} \cup \{\sigma, \beta\} \cup \{\text{Buy} = (\mathcal{B}[\geq t_\beta]), \text{Sell} = (\mathcal{S}[\geq t_\sigma])\}, \mathcal{R}) .$$

In $\bar{\mathcal{K}}$, the concept $\text{Buy}$ collects all the buyer’s preferences. Hence, the higher is the maximal degree of satisfiability of $\text{Buy}$ (i.e., $\text{bsb}(\bar{\mathcal{K}}, \text{Buy})$), the more the buyer is satisfied. Similarly, the concept $\text{Sell}$ collects all the seller’s preferences in such a way that the higher is the maximal degree of satisfiability of $\text{Sell}$ (i.e., $\text{bsb}(\bar{\mathcal{K}}, \text{Sell})$), the more the seller is satisfied. Now, it is clear that the best agreement among the buyer and the seller is the one assigning the maximal degree of satisfiability to the conjunction $\text{Buy} \sqcap \text{Sell}$ (remember we use Łukasiewicz semantics). In formulae, once we determine $v_P = \text{bsb}(\bar{\mathcal{K}}, \text{Buy} \sqcap \text{Sell})$,

we can say that a Pareto agreement is a model $\bar{\mathcal{I}}$ of $\bar{\mathcal{K}}$ such that

$$v_P = \sup_{x \in \Delta^\mathcal{I}} (\text{Buy} \sqcap \text{Sell})^\mathcal{I}(x) > 0,$$

that is the Pareto agreement value is attained at $\bar{\mathcal{I}}$ and has to be positive.

A Pareto agreement can be computed using the fuzzyDL reasoner.

5 The matchmaking process

Summing up, given a demand and a set of supplies, the bilateral matchmaking process is executed covering the following steps:

**Initial Setting.** The buyer defines hard constraints $\beta$ and preferences (soft constraints) $\mathcal{B}$ with corresponding weights for each preference $n_1, n_2, ..., n_k$, as well as the threshold $t_\beta$. The same did the sellers when they posted the description of their supply within the marketplace\(^{10}\). Notice that for numerical features involved in the negotiation process, both in $\beta$ and $\sigma$ their respective reservation values are set either in the form $(\leq f r_f)$ or in the form $(\geq f r_f)$.

\(^{10}\) An investigation on how to compute $t_\beta, t_\sigma, n_i$ and $m_i$ is out of the scope of this paper. We can assume they are determined in advance by means of either direct assignment methods (Ordering, Simple Assessing or Ratio Comparison) or pairwise comparison methods (like AHP and Geometric Mean) [19].
Find Optimal Agreements. For each supply in the marketplace, the matchmaker computes the corresponding Pareto agreement (see Section 4). Without loss of generality, here we assume there exists only one ontology. In case more than one ontology exist, before finding Pareto agreements the matchmaker has to perform an ontology matching process [17] in order to make all supplies comparable with the demand.

Ranking. Given a supply $\sigma_i$ and the corresponding optimal agreement $\bar{I}_i$, we rank $\sigma_i$ w.r.t. the value of $\text{Buy}^{\bar{I}_i}$, i.e., w.r.t. the buyer’s degree of satisfiability.

Let us present a tiny example in order to better clarify the approach. For the sake of simplicity, we will consider only one seller, clearly, in a real case scenario, the whole process will be repeated for each seller’s supply posted in the e-marketplace. Given the toy ontology $\mathcal{K} = \langle T, \emptyset \rangle$, with

$$
T = \left\{
\begin{array}{l}
\text{Sedan} \sqsubseteq \text{PassengerCar} \\
\text{ExternalColorBlack} \sqsubseteq \neg \text{ExternalColorGray} \\
\text{SatelliteAlarm} \sqsubseteq \text{AlarmSystem} \\
\text{InsurancePlus} = \text{DriverInsurance} \sqcap \text{TheftInsurance} \\
\text{NavigatorPack} = \text{SatelliteAlarm} \sqcap \text{GPS} \text{system}
\end{array}\right.
$$

The buyer and the seller specify their hard and soft constraints. For each numerical feature involved in soft constraints we associate a fuzzy function. If the bargainer has stated a reservation value on that feature, it will be used in the definition of the fuzzy function, otherwise a default value will be used.

$$
\beta \text{ is } B = \text{PassengerCar} \sqcap (\leq \text{price } 26000)| \geq 1.0
$$

$$
\beta_1 = ((\exists \text{HasAlarmSystem.AlarmSystem}) \rightarrow (\exists \text{Has Price.L}(22300, 22750)))
\beta_2 = ((\exists \text{HasInsurance.DriverInsurance}) \sqcap (\exists \text{HasInsurance.TheftInsurance}) \sqcup \\
(\exists \text{HasInsurance.FireInsurance}))
\beta_3 = ((\exists \text{HasAirConditioning.Airconditioning}) \sqcap (\exists \text{HasExColor.}(\text{ExColorBlack} \sqcup \\
\text{ExColorGray})))
\beta_4 = (\exists \text{price.ls}(22000, 24000))
\beta_5 = (\exists \text{km_warranty.rs}(150000, 175000))
\mathcal{B} = (0.1 \cdot \beta_1 + 0.2 \cdot \beta_2 + 0.1 \cdot \beta_3 + 0.2 \cdot \beta_4 + 0.4 \cdot \beta_5)| \geq 0.7
$$

$$
\sigma \text{ is } S = \text{Sedan} \sqcap (\geq \text{price } 22000)| \geq 1.0
$$

$$
\sigma_1 = ((\exists \text{HasNavigator.NavigatorPack}) \rightarrow (\exists \text{Has Price.R}(22500, 22750)))
\sigma_2 = (\exists \text{HasInsurance.InsurancePlus})
\sigma_3 = (\exists \text{km_warranty.ls}(100000, 125000))
\sigma_4 = (\exists \text{HasMWarranty.L}(60, 72))
\sigma_5 = ((\exists \text{HasExColor.ExColorBlack}) \rightarrow (\exists \text{HasAirConditioning.Airconditioning}))
\mathcal{S} = (0.3 \cdot \sigma_1 + 0.1 \cdot \sigma_2 + 0.3 \cdot \sigma_3 + 0.1 \cdot \sigma_4 + 0.2 \cdot \sigma_5)| \geq 0.6
$$

Let

$$
\bar{\mathcal{K}} = \langle T \cup \{\sigma, \beta\} \cup \{\text{Buy} = (\mathcal{B}| \geq t_\beta), \text{Sell} = (\mathcal{S}| \geq t_\sigma)\}, \mathcal{R}\rangle
$$

Then, it can be verified that the Pareto optimal agreement value is

$$
v_P = \text{bsb}(\bar{\mathcal{K}}, \text{Buy} \sqcap \text{Sell}) = 0.7625,
$$
with a Pareto agreement $\bar{I}$ that maximally satisfies
\[
 (= HasPrice 22500.0) \cap (= HasKMWarranty 100000.0) \cap (= HasMWarranty 60.0).
\]
i.e., the car may be sold with a price of 22500, 100000 km warranty and 60 month warranty.

6 Related Work and discussion

Automated bilateral negotiation has been widely investigated, both in artificial intelligence and in microeconomics research communities, so this section is necessarily far from complete.

AI-oriented research has usually focused on automated negotiation among agents, and on designing high-level protocols for agent interaction [13]. Agents can play different roles: act on behalf of a buyer or seller, but also play the role of a mediator or facilitator. Depending on the presence of a mediator we can distinguish between centralized and distributed approaches. In the former, agents elicit their preferences and then a mediator, or some central entity, selects the most suitable deal based on them. In the latter, agents negotiate through various negotiation steps reaching the final deal by means of intermediate deals, without any external help [6]. Distributed approaches do not allow the presence of a mediator because – as stated in [12, p.25] – agents cannot agree on any entity, so they do not want to disclose their preferences to a third party, that, missing any relevant information, could not help agents. In dynamic systems a predefined conflict resolution cannot be allowed, so the presence of a mediator is discouraged. On the other hand the presence of a mediator can be extremely useful in designing negotiation mechanisms and in practical important commerce settings. As stated in [15], negotiation mechanisms often involve the presence of a mediator \footnote{The most well known –and running– example of mediator is eBay site, where a mediator receives and validates bids, as well as presenting the current highest bid and finally determining the auction winner [15].}, which collects information from bargainers and exploits them in order to propose an efficient negotiation outcome. Various recent proposals adopt a mediator, including [7, 11, 8]. In [7] an extended alternating-offers protocol is presented, with the presence of a mediator, which improves the utility of both agents. No inter-dependent issues are taken into account. In [11] a mediated-negotiation approach is proposed for complex contracts, where inter-dependency among issues is investigated. The agreement is a vector of issues, having value 0 or 1 depending on the presence or absence of a given contract clauses. Only binary dependencies between issues are considered: the agent’s utility is computed through an influence matrix, where each cell represents the utility of a given pair of issues. However in this approach no semantic relations among issues are investigated.

Several recent logic-based approaches to negotiation are based on propositional logic. In [4], Weighted Propositional Formulas (WPF) are used to express agents preferences in the allocation of indivisible goods, but no common knowledge (as our ontology) is present. The use of an ontology allows e.g., to catch inconsistencies between demand and supply or find out if an agent preference is implied by a preference of its opponent, which is fundamental to model an e-marketplace. Utility functions expressed through WPF are classified in [5] according to the properties of the utility function (sub/super-additive,
monotone, etc.). We used the most expressive functions according to that classification, namely, weights over unrestricted propositional formulas.

The work presented in [29] adopts a kind of propositional knowledge base arbitration to choose a fair negotiation outcome. However, common knowledge is considered as just more entrenched preferences, that could be even dropped in some deals. Instead, the logical constraints in our ontology $T$ must always be enforced in the negotiation outcomes, and we introduce a fuzzy propositional logic with concrete domains. Finally we devised a protocol which the agents should adhere to while negotiating; in contrast, in [29] a game-theoretic approach is taken, presenting no protocol at all, since communication between agents is not considered.

We borrow from [28] the definition of agreement as a model for a set of formulas from both agents. However, in [28] only multiple-rounds protocols are studied, and the approach leaves the burden to reach an agreement to the agents themselves, although they can follow a protocol. The approach does not take preferences into account, so that it is not possible to guarantee the reached agreement is Pareto-efficient. Our approach, instead, aims at giving an automated support to negotiating agents to reach, in one shot, Pareto agreements. The work presented here builds on [21], where a basic propositional logic framework endowed of a logical theory was proposed. In [20] the approach was extended and generalized and complexity issues were discussed.

In this paper we further extended the framework, introducing the extended logic $\mathcal{P}(\mathcal{N})$, thus effectively handling numerical features involved in fuzzy constraints, and showed we are able to compute Pareto-efficient agreements, by solving an optimization problem and adopting a one-shot negotiation protocol. We are aware that there is no universal approach to automate negotiation fitting every scenario, but rather several frameworks suitable for different scenarios, depending on the assumptions made about the domains and agents involved in the interaction. Here, we have proposed a logic-based framework to automate multi-issue bilateral negotiation in P2P e-marketplaces, where agents communicate using the logic $\mathcal{P}(\mathcal{N})$, which allows to handle both numerical features and non numerical ones. Modeling issues in a $\mathcal{P}(\mathcal{N})$ ontology it is possible to catch inconsistency between preferences and then reach consistent agreements, as well as to discover implicit relations (such as implication) among preferences that do not immediately appear at the syntactic level. Moreover, thanks to fuzzy representation it has been possible to model fuzzy constraints on numerical features. Exploiting a mediator the proposed approach allows to deal with the problem of incomplete information about opponent’s preferences. We adopted a one-shot protocol, using a mediator to solve an optimization problem that ensures the Pareto-efficiency of the outcomes.

In the near future we plan to investigate other negotiation protocols, without the presence of a mediator, allowing to reach an agreement in a reasonable amount of communication rounds.

References