

AI REPORTER

A Publication of Benesch's AI Commission

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AI Update



Steven M. Selna
Partner

Much like it did with its landmark privacy legislation, California is once again leading the pack on AI legislation after recently passing more than a dozen AI-related bills. While the bills cover a variety of topics, elections were a major focus. They included bills mandating disclosures for use of AI in political ads and prohibiting distribution of AI-altered election ads.

Things have also been busy for Meta, as the tech giant announced plans to continue using Facebook and Instagram posts to train its AI models in the U.K. Since Meta raised privacy concerns in other jurisdictions, most notably Ireland, for the practice, it stated that only public posts will be used in the training. U.K. regulators have yet to approve the project.

Nvidia's legal troubles continue as the company faced a pair of patent lawsuits filed in Texas federal court. The first lawsuit alleges the GPU maker, along with Microsoft, infringed on Xockets' data processing technology, used in both companies' AI products. The second suit was filed by Neural AI and alleges Nvidia infringed on several machine learning patents.

Also in the courtroom, ElevenLabs was sued by two professional audiobook narrators, alleging the speech synthesis company used its AI technology to mimic their voices without permission. Elsewhere, a North Carolina man was indicted for using AI to generate thousands of songs and distributing them on streaming sites, earning over \$10 million.

Details on these and other developments appear on the following pages.



Sydney E. Allen
Associate

AI in Business

Majority of banks to use GenAI for instant payments

RedCompass Labs research indicates that 54% of banks plan to use GenAI for instant payments and payments modernization, with 42% considering it. The research highlights the importance of AI in these projects, which could have implications for transactional services, documentation, contracts and data security in the banking and financial services sectors.

Source: Fintech Finance News

Chipmakers integrating AI technology into new CPUs

Chipmakers Qualcomm, Intel and AMD are advancing AI technology by integrating powerful neural processing units into PCs, marking one of the largest upgrade cycles in PC history. The shift is expected to enhance productivity and innovation, with AI PCs being compared in significance to Windows 95. Microsoft introduced a category of AI-integrated PCs with GenAI tools built into Windows, aiming to transform user interaction with computers.

Source: Forbes (sub. req.)

Meta to proceed with AI training in U.K.

Meta is set to resume using Facebook and Instagram user data to train its GenAI models in the U.K., despite a pause in the EU due to privacy concerns raised by the Irish Data Protection Commission. The training will only use public posts, comments, photos and captions, and it will exclude private messages and data from British users under 18. Meta aims to reflect British culture, history and idioms in its AI and plans to launch in more countries later this year. The U.K.'s Information Commissioner's Office hasn't formally approved the project but is monitoring it closely.

Source: Infosecurity Magazine

AI tool reduces unexpected hospital deaths

CHARTwatch, an AI-based system that monitors real-time data from electronic medical records to identify patients at risk of unplanned ICU admission, has been shown to reduce unexpected deaths in hospitalized a general internal medicine patients by 26%. The system sends real-time alerts to doctors, twice-daily emails to nurses and daily emails to the palliative care team. Dr. Amol Verma, MD, the lead author and a clinician-scientist at St. Michael's Hospital, sees the benefits in using AI tools to improve the quality of healthcare by improving the accuracy and efficiency of diagnosis, personalizing treatment decisions, and enhancing ability to predict and prevent future health event, but he emphasizes the importance of careful research to ensure safety and effectiveness. The study's findings were published in CMAJ.

Source: Medscape

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AI in Business

Legal industry divided on AI regulation

The International Bar Association and The Center for AI and Digital Policy's [The Future is Now: Artificial Intelligence and the Legal Profession](#) report revealed law firms are increasingly integrating AI into their practices, utilizing it for tasks such as legal research, document review and contract creation. Larger firms recognize AI's potential to provide a competitive edge. However, there is a significant divide within the industry regarding the regulation of AI. Nearly half (48%) of legal professionals support establishing regulations, emphasizing the need for consistent rules across different jurisdictions. Despite this, many firms lack internal policies on AI use, and a substantial number of professionals (69%) are unaware of how AI regulations might impact their practices.

Source: Law 360 (sub. req.)

Microsoft signs PPA for Three Mile Island nuclear power for AI data centers

Microsoft signed a deal with Constellation Energy to help restart a unit of its Three Mile Island nuclear plant in Pennsylvania, which was shut down due to economic conditions in 2019. The deal is driven by Microsoft's need for clean and sustainable energy to power its AI technology and data centers. Analysts estimate that Microsoft may pay a premium of about \$110 - \$115 per megawatt hour (MWh) for the 20-year fixed price power purchase agreement (PPA), which would be a significant premium over market expectations.

Source: Reuters



Carlo Lipson
Associate

AI Litigation & Regulation

LITIGATION

[ElevenLabs faces lawsuit alleging unauthorized voice cloning](#)

Speech synthesis software company ElevenLabs Inc. is facing a lawsuit in Delaware federal court which alleges the company is profiting from using generative artificial intelligence to clone the voices of a pair of professional audiobook narrators without consent or compensation. According to the complaint, Plaintiffs are seeking a permanent injunction to enjoin the company from using the unauthorized voice clones.

Source: Law 360 (sub. req.)

[Nvidia, Microsoft facing patent lawsuit over AI technology](#)

Nvidia and Microsoft are facing a lawsuit filed by Xockets, a Texas-based company, for alleged patent infringement and antitrust violations related to data processor technology used in AI products. Xockets claims that its technology, which is crucial for data processing units in Nvidia and Microsoft's systems, has been undervalued due to a conspiracy to fix and drive down licensing prices. The lawsuit also names RPX, a patent risk management firm, as a defendant.

Source: Reuters

[N.C. man indicted for AI-generated music fraud scheme](#)

Michael Smith was indicted for allegedly using AI to generate hundreds of thousands of songs and an army of bots to stream them, earning over \$10 million in royalties. The scheme involved partnering with an AI music company and a music producer since 2018, creating fake accounts to distribute the music, and circumventing streaming services' fraud detection systems. Smith is charged with wire fraud conspiracy, wire fraud and money laundering conspiracy.

Source: U.S. Attorney

[Google voluntarily discontinues Gemini AI video in response to NAD challenge](#)

Following a challenge as part of NAD's routine monitoring program, Google voluntarily unlisted a video demonstrating the capabilities of its Google Gemini AI tool, posted on YouTube and the Gemini landing page. NAD questioned whether the video accurately depicted Gemini's performance in responding to user voice and video prompts. In response, Google agreed to remove the video so that it no longer appeared in search results and to not post the video on other channels on YouTube. However, the video will remain viewable as part of a blog post explaining how the demonstration in the video was created.

Source: BBB National Programs

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AI Litigation & Regulation

[Nvidia facing lawsuit over patent infringement claims for AI technology](#)

Nvidia is facing a lawsuit filed by Neural AI in Texas federal court, alleging infringement of several machine learning technology patents by Nvidia's suite of software, including AI tools. Neural AI is seeking damages for past and future infringement, based on the allegation that Nvidia was aware of and knew it was infringing upon three patents.

Source: Bloomberg Law (sub. req.)

[Irish privacy watchdog investigating Google AI model](#)

The Data Protection Commission is investigating Google Ireland's AI model, the Pathways Language Model 2, to determine if it complies with the GDPR. The inquiry will assess whether Google conducted a necessary data protection impact assessment before processing EU citizens' personal data.

Source: The Irish Times

REGULATION

[Navigating AI governance: Global challenges and solutions](#)

A study published in the Humanities & Social Sciences Communications journal emphasizes the need for an internationally coordinated response to govern AI effectively. In discussing the framework for developing international laws and regulatory authorities to enforce these laws, the authors argue that, despite current efforts, many obstacles remain before achieving effective AI governance. The study also suggests a global framework to harmonize regulations and ensure equitable benefits from AI development, as developing countries may lag in AI advancements.

Source: Humanities & Social Sciences Communications

[EPO appeal board denies Bosch's machine-learning patent](#)

The Technical Board of Appeal at the European Patent Office rejected Bosch's bid to resurrect the patent application for its machine-learning technology. Bosch argued that their technology, which involves a method for training a machine learning model, was innovative and non-obvious. However, the board disagreed, stating that the method was a straightforward application of existing machine-learning techniques. The ruling is a significant setback for Bosch, as it limits the company's ability to protect and commercialize its machine learning innovations in Europe.

Source: Law 360 (sub. req.)

[FTC condemns Big Tech AI practices](#)

An FTC report scrutinized the data collection methods of nine major platforms, including Amazon, Facebook and YouTube. The report condemned the use of personal information for AI systems without meaningful user control. The agency also emphasized the need for better regulation to address the vast amount of personal data collected by tech companies, which includes sensitive information about individuals' lives and habits.

Source: Diginomica

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AI Litigation & Regulation

[U.S. forms \\$100M partnership with Big Tech to expand global AI use](#)

The U.S. State Department will provide \$100 million in funding and private sector commitments to expand global access to AI technologies. The initiative, in partnership with USAID, is part of the State Department's Partnership for Global Inclusivity on AI and aims to make AI tools more globally accessible. Executives from OpenAI, NVIDIA, Amazon, Microsoft, IBM, Anthropic, Jacaranda Health, Google and Meta discussed their firms' initiatives to spread AI use globally, with OpenAI introducing the OpenAI Academy to enable developers in developing nations to access the latest AI tools.

Source: U.S. Department of State

[Meta opts out of EU AI Safety Pact to focus on compliance](#)

Meta Platforms opted not to join the EU's voluntary AI safety pledge, which serves as a temporary measure before the AI Act takes effect in 2027. The company is prioritizing compliance with the upcoming AI Act, which will regulate AI development and require companies to disclose data used to train their models. The "AI Pact initiative" aims to set standards for AI regulation and encourage companies to follow practices aligned with the AI Act's principles, such as assessing the risks of their AI tools in high-risk situations.

Source: Bloomberg Law (sub. req.)

CALIFORNIA REGULATION ROUNDUP

[2023-2024R Cal. A.B. 2013 \(Enrolled\)](#)

[A.B. 2013](#) was introduced on Jan. 31 by Asm. Jacqui Irwin (D-District 42) and enrolled on Aug. 27. The bill would require companies that make generative AI systems and services publicly available to Californians to post documentation on their website about the data used to train such AI systems and services. This documentation would need to be posted by Jan. 1, 2026.

[2023-2024R Cal. A.B. 1831 \(Enrolled\)](#)

[A.B. 1831](#) was introduced on Jan. 12 by Asms. Marc Berman (D-District 23) and Kate Sanchez (R-District 71) and enrolled on Aug. 31. The bill would expand the scope of laws prohibiting the creation or distribution of media depicting a person under 18 years of age engaging in or simulating sexual conduct to include matter that is digitally altered or generated by the use of AI.

[2023-2024R Cal. A.B. 2355 \(Enrolled\)](#)

[A.B. 2355](#) was introduced on Feb. 12 by Asm. Wendy Carrillo (D-District 52) and enrolled on Aug. 28. The bill would require a person, committee or other entity that creates, originally publishes or originally distributes a qualified political advertisement to include a specified disclosure that the advertisement was generated, in whole or in part, using AI.

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AI Litigation & Regulation

[2023-2024R Cal. A.B. 2885 \(Enrolled\)](#)

[A.B. 2885](#) was introduced on Feb. 15 by Asm. Rebecca Bauer-Kahan (D-District 16) and enrolled on Aug. 31. The bill would define the term “artificial intelligence” to mean an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments.

[2023-2024R Cal. S.B. 892 \(Enrolled\)](#)

[S.B. 892](#) was introduced on Jan. 3 by Sen. Steve Padilla (D-District 18) and enrolled on Aug. 31. The bill would require the Department of Technology to establish safety, privacy and non-discrimination standards relating to AI services. The bill would also prohibit a contract for AI services from being entered into by the state unless the provider meets those standards.

[2023-2024R Cal. S.B. 896 \(Enrolled\)](#)

[S.B. 896](#) was introduced on Jan. 3 by Sen. Bill Dodd (D-District 3) and enrolled on Aug. 28. The Artificial Intelligence Accountability Act would require certain government agencies to produce a State of California Benefits and Risk of Generative Artificial Intelligence Report. The bill would also require the California Cybersecurity Integration Center and the State Threat Assessment Center to perform a joint risk analysis of potential threats posed by the use of generative AI to California’s critical energy infrastructure.

[2023-2024R Cal. S.B. 942 \(Enrolled\)](#)

[S.B. 942](#) was introduced on Jan. 17 by Sen. Josh Becker (D-District 13) and enrolled on Aug. 29. The California AI Transparency Act would require a person who creates, codes or otherwise produces a GenAI system to include a latent disclosure regarding the provenance of the content.

[2023-2024R Cal. S.B. 1120 \(Enrolled\)](#)

[S.B. 1120](#) was introduced on Feb. 13 by Sen. Josh Becker (D-District 13) and enrolled on Aug. 31. The bill would require a healthcare service plan or health insurer to ensure that a licensed physician supervises the use of AI decision-making tools, if used to inform decisions regarding the provision of healthcare services.

[2023-2024R Cal. S.B. 1381 \(Enrolled\)](#)

[S.B. 1381](#) was introduced on Feb. 16 by Sens. Rosilicie Ochoa Bogh (R-District 23) and Aisha Wahab (D-District 10) and enrolled on Sept. 12. The bill would expand the scope of existing child pornography laws to include matter that is digitally altered or generated using AI technology.

BENESCH
AI INSIGHTS

Developing a Smart Corporate AI Policy

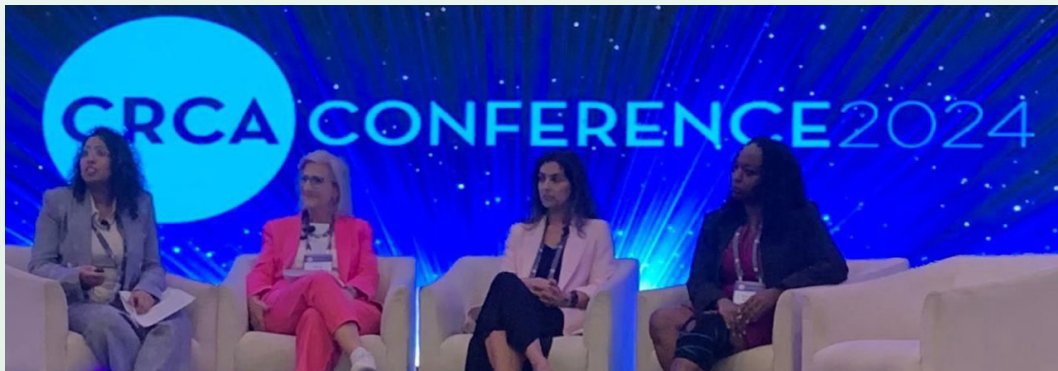
In collaboration with Crain's Content Studio, Benesch AI Commission attorneys and in-house counsels provide their guidance on steps every company should take to establish and maintain clear and relevant governance of artificial intelligence in the workplace.



SOURCE: Benesch

TAKING AIM: AI and Compliance

Benesch White Collar, Government Investigations & Regulatory Compliance Partner Shanedea Jaffer was honored to participate in a panel at the recent **Caribbean Regional Compliance Association (CRCA) Conference**. Her panel, "TAKING AIM: AI and Compliance," explored the role of artificial intelligence as it enables and disrupts the compliance space. She was joined by Roshni Ganpat from Corpag, Simone Martin with the BVI Financial Services Commission and Alma Angotti of Guidehouse.



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UPCOMING EVENTS



Kris Chandler
Chair, AI Commission

**Business Volunteers Unlimited
AI for Social Impact | BVU's Civic Leadership Summit**

Oct. 24, 2024
8:00 a.m. – 12:00 p.m.
Case Western Reserve University

AI is everywhere. As the world adapts to this emerging technology, nonprofits and the people who care about them must not be left behind. Join BVU and local experts, including Benesch AI Commission Chair Kris Chandler, to go beyond the theory of AI and learn practical, real-world applications that will advance your organization's mission through increased efficiency and impact.

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