

AI REPORTER

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AI Update



Steven M. Selna
Partner

Google and Microsoft are spearheading the Coalition for Secure AI, focusing on supply chain security and mitigation strategies. Whether this attempt at self-regulation will ultimately succeed is unknown, as it overlaps with existing organizations, and bias concerns could impact its success.

Big tech's concerns about coming regulatory enforcement may be well-founded. The FCC is seeking public comment on a proposed rule requiring robocallers to disclose their use of AI to contact recipients. Additionally, the Senate introduced the bipartisan COPIED Act, which would protect content creators from unauthorized AI use of their work. The House Financial Services Committee met to discuss the use of AI in the banking sector, prompting a response from the financial industry extolling the technology's virtues in preventing financial crimes and fraud. This is another sign that the financial and banking sectors are going all-in on AI.

In the courtroom, a California federal court partially dismissed a \$1-billion copyright suit against Microsoft and OpenAI regarding the companies' unauthorized use of human-generated coding fragments to train the CoPilot AI platform. OpenAI isn't out of the litigation woods as it is facing yet another copyright lawsuit—this time from the Center for Investigative Reporting.

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



Sydney E. Allen
Associate

AI in Business

[Striking video game actors hit picket lines over AI](#)

The Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) called a strike on behalf of 2,600 performers in the video game industry after negotiations with various video game companies broke down over concerns about artificial intelligence. Some performers at the strike expressed that they were okay with AI as a tool, but not a replacement, for their work. Others believe they are in a unique and vulnerable position as video game performers because it would be difficult to prove a company used AI to replicate their voice or movements due to the invisible nature of the job. SAG-AFTRA seeks to strike a deal that requires companies to provide notice and obtain prior consent from performers when planning to use AI to replicate their voices, movements or likeness, inform performers about how they plan to use their work, and provide fair compensation.

Source: Los Angeles Times

[Healthcare industry all-in on AI: Survey](#)

The John Snow LABS 2024 [Generative AI in Healthcare Survey](#) showed generative AI budgets in the healthcare industry are increasing, with 34% of respondents reporting a 10% to 50% budget increase for GenAI, and 22% reporting a 50% to 100% rise. Other findings include:

- Healthcare-specific small models were used by 36% of respondents, reflecting a trend towards targeted solutions over general-purpose large language models (LLMs);
- GenAI applications were diverse, with answering patients' questions (21%) being the most common use, followed by medical chatbots (20%) and information extraction/data abstraction (19%); and

- In addition to healthcare-specific models, respondents rated accuracy, security and privacy as the most important criteria. Cost was rated as the least important criteria.

Source: CIO

[Cloudflare launches free anti-AI scraping tool](#)

Cloudflare has released a new tool that is available to all of Cloudflare's customers, including those on free plans, that prevents AI companies' bots from scraping its clients' websites for content to train large language models. The tool will be regularly updated to counter new bot signatures. Cloudflare's data shows that 85.2% of its customers have chosen to block AI bots, even if they properly identify themselves. The most active bots that attempted to access websites under Cloudflare's purview include Bytedance-owned Bytespider, OpenAI's GPTBot, Amazonbot and ClaudeBot. Consistently blocking AI bots is a significant challenge as companies rush to develop AI models, sometimes bypassing rules on scraping content.

Source: Engadget

[AI powering increased interest in contract management software](#)

The market for contract lifecycle management software is gaining traction due to its AI-driven capabilities for managing legal documents such as supply deals and non-disclosure agreements. The market has seen a surge in M&A and partnerships between established legal tech suppliers and smaller companies that use advanced AI in drafting and managing contracts.

Source: Financial Times

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AI in Business

[Banks, fintechs looking to AI for KYB solutions](#)

In June, the U.S. observed more than 430,000 business applications. This statistic demonstrates a growing market for Know Your Business (KYB) solutions. Banks are looking for automated methods to verify legitimate businesses, identify beneficial owners, and screen for sanctions and negative media. The increase in business applications and the necessity for efficient KYB processes underscore the potential for AI-driven tools to improve banking and financial services.

Source: American Banker (sub. req.)

[Senate bill to allow artists, journalists more control over content](#)

A bipartisan group of senators introduced a bill called the Content Origin Protection and Integrity From Edited and Deepfaked Media Act (“COPIED Act”) that seeks to protect artists, songwriters and journalists from the unauthorized use of their work to train AI models or generate content. The bill also seeks to make it easier to identify AI-generated content and combat harmful deepfakes. The bill requires AI developers to enable users to attach content provenance (i.e., machine-readable information that documents the origin of the content) to their content within two years. Works with content provenance information could not be used to train AI models. The bill also enables content owners to sue platforms that use their work without permission or tamper with provenance information.

Source: TechCrunch

[BofA to spend \\$4B on AI technologies](#)

Bank of America is investing \$4 billion in new technologies this year to enhance its AI tools for clients and advisors. The number represents a quarter of the bank’s annual technology spend. Bank of America hopes to improve on its 15th-place ranking on the Evident AI Index, which assesses the AI preparedness of the world’s biggest banks.

Source: Quartz

[DOE publishes AI adoption road map](#)

The Department of Energy (“DOE”) created a road map to advance artificial intelligence within the agency’s national laboratories under the Frontiers in Artificial Intelligence for Science Security and Technology initiative. The initiative aims to establish AI-ready scientific data repositories at DOE facilities and develop AI supercomputers to create trustworthy AI models to achieve technological breakthroughs in scientific and energy applications. Advancing AI could lead to new battery material discoveries and smart grid infrastructure, as well as the development and implementation of new and affordable clean energy technologies.

Source: ExecutiveGov

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AI in Business

[Anthropic, Menlo Ventures partner on \\$100M AI startup fund](#)

Amazon-backed Anthropic announced it is partnering with Menlo Ventures to launch the Anthology fund, a \$100 million fund focused on artificial intelligence. The partnership could bolster Anthropic's position in the AI race. The fund will support startups that could advance Anthropic's technology and expand the use of Claude, offering AI-first applications and infrastructure solutions that leverage Anthropic's technology and AI models.

Source: Investopedia

[Google, OpenAI, Microsoft form coalition for secure AI](#)

The Coalition for Secure AI (CoSAI), led by Google and including founding members Amazon, Cisco, Microsoft, OpenAI, Intel, Paypal and more, aims to create a framework for AI security, focusing on software supply chain security and mitigation strategies. While CoSAI's initiative is commendable, the overlap with existing organizations and potential bias concerns may affect its effectiveness.

Source: Android Police

[Financial firms tout AI's utility to Congress](#)

At a House Financial Services Committee hearing, representatives from the financial services and housing sectors emphasized the importance of high-quality data and auditability in the application of AI. They discussed AI's role in financial crime risk management and detecting insider trading and market manipulation. The representatives also suggested the adoption of AI technology might not require significant regulatory changes.

Source: American Banker (sub. req.)



Carlo Lipson
Associate

AI Litigation & Regulation

LITIGATION

[California court partially dismisses \\$1B copyright lawsuit against MS, OpenAI, GitHub](#)

A California federal court dismissed in part a \$1 billion class action lawsuit alleging Microsoft, OpenAI and GitHub used human-generated coding fragments without authorization to train the Copilot AI platform. The Northern District of California held that the developer plaintiffs failed to allege that their code was reproduced identically, as required for a claim under Section 1202(b) of the Digital Millennium Copyright Act. The dismissal could have implications for transparency and data security in AI development by big tech companies.

Source: Law 360 (sub. req.)

[Elon Musk revives lawsuit against Sam Altman and OpenAI, filing shows](#)

Elon Musk has renewed claims against OpenAI and two of its founders, Sam Altman and Greg Brockman, again alleging that the ChatGPT-maker puts profits and commercial interests ahead of the public good, contrary to its founding aims. This complaint, filed in the Northern District of California, marks Musk's latest attempt to bring claims against the startup he co-founded in 2015, and is similar to his prior state court lawsuit filed earlier this year, which he ultimately withdrew without explanation.

Source: Reuters (sub. req.)

REGULATION

[Republican lawmakers concerned over Microsoft-G42 AI deal](#)

Republican lawmakers are requesting an intelligence briefing regarding Microsoft's \$1.5 billion investment in UAE AI firm G42, before the transfer of sophisticated data that can improve an AI model's ability to emulate human reasoning. The Republicans are concerned about the potential technology transfer-including export-restricted semiconductor chips and model weights-and G42's connections to China, in addition to the ongoing lack of regulations around the export of sensitive AI models.

Source: Reuters (sub. req.)

[SEC urged to investigate OpenAI over anti-whistleblower NDAs](#)

The SEC received a letter alleging that OpenAI is requiring employees to sign agreements discouraging them from reporting potential wrongdoing to regulators. According to the whistleblower, the AI pioneer requires the signing of an NDA, mandating prior consent before handing confidential information over to federal authorities and barring employees from receiving any whistleblower compensation from the government.

Source: Law 360 (sub. req.)

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AI Litigation & Regulation

[FCC proposes rules curtailing AI-generated robocalls](#)

The Federal Communications Commission issued a [Notice of Proposed Rulemaking](#) seeking public input on rules requiring robocallers to disclose the use of AI to contact recipients. The proposed rule would also grant state attorneys general with the authority to crack down on businesses using AI-generated robocalls, as the commission continues to gather more information on technologies that can alert consumers to unwanted and illegal AI-generated calls and texts.

Source: Law 360 (sub. req.)

[FTC investigating Amazon, Adept partnership agreement](#)

The Federal Trade Commission initiated an informal inquiry into Amazon's deal with AI startup Adept, which includes hiring key executives and licensing technology. The agency is seeking more information regarding the agreement, which saw Amazon hire Adept's co-founder and CEO David Luan to its own AI team and agree to license the startup's multimodal models and datasets. The FTC's interest stems from the trend of large companies making so-called "acquihires" to circumvent antitrust scrutiny.

Source: CNBC

[U.K. regulator investigation into Microsoft, Inflection AI partnership](#)

The U.K.'s Competition and Markets Authority is launching a formal merger [inquiry](#) into Microsoft's relationship with Inflection AI. The initial Phase 1 investigation will examine the tech giant's agreement with Inflection-announced in March 2024-involving the hiring of two of the startup's co-founders and Inflection hosting its technology on Microsoft's cloud platform. The agreement at issue also involved other related financial arrangements, such as a reported \$650 million licensing payment from Microsoft.

Source: Law 360 (sub. req.)

[House issues report on AI regulations in banking sector](#)

The House Financial Services Committee's task force on AI released a report discussing the use of AI in the banking sector. The bipartisan task force is exploring the implications of AI in banking, such as the need for legislation, the potential benefits of a chief AI officer at financial regulators, and the impact on privacy and data security. The report indicates that while some agencies do not see the need for federal legislation, others believe it could be helpful as AI adoption grows.

Source: American Banker (sub. req.)

Benesch San Francisco:

AI Corner



Sydney E. Allen
Associate

From Scarlett Johansson to Tupac: AI is Sparking a Performer Rights Revolution

With artificial intelligence (AI) taking the world by storm and generative AI making content creation easier than ever, legal problems regarding intellectual property and rights to publicity have inevitably started popping up, most notably in Hollywood regarding Scarlett Johansson and the late rapper Tupac Shakur.

Given AI's growing capabilities to produce realistic digital replicas of an individual's likeness, voice and bodily movement, there are concerns that this technology could be used to create content without a performer's knowledge or consent.

California lawmakers, with the support of SAG-AFTRA and the California Labor Federation, seek to provide greater protections to performers and their heirs by enacting new legislation to regulate the use of AI.

SOURCE: Benesch

For more information, please contact:



Steven M. Selna
Partner

sselna@beneschlaw.com
T: 628.600.2261