Benesch

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AI REPORTER
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In This Issue

AI **Update**

Steven M. Selna
Partner

Google removed its organizational ban on the use of AI for weapons and surveillance systems. The change eliminates key portions of the tech giant's AI Principles that banned such uses. These principles, established in 2018, had set an industry benchmark for responsible AI development. As AI continues to advance, the industry is looking to see if this shift will influence the broader landscape of AI development and regulation.

Elsewhere, OpenAI rebuffed Elon Musk's advances as its board rejected the billionaire's recent buyout offer. The drama extended to the courtroom as Musk amended his ongoing lawsuit against the AI pioneer to name Microsoft as a defendant. The ongoing feud between Musk and OpenAI CEO Sam Altman reflects a deep tension regarding the control and future direction of AI development.

On the regulatory front, both Texas and New York implemented policies preventing government workers from using AI applications with connections to China. Texas Governor Greg Abbott issued a ban on any AI or social media app affiliated with the Chinese Communist Party. Meanwhile, the Empire State's ban was more focused, barring workers from downloading the DeepSeek app onto government devices and networks.

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

AI in Business

Sydney E. Allen
Associate

LinkedIn member drops data use claims against AI training

The plaintiff had alleged LinkedIn improperly used their personal data without consent for AI training purposes. However, the case was voluntarily dismissed without prejudice for undisclosed reasons. This development highlights ongoing concerns and legal challenges surrounding the use of personal data in AI training, as companies increasingly rely on vast amounts of user data to develop and refine their AI technologies. The resolution of this case may influence future disputes and regulatory approaches to data privacy and AI development.

Source: Law 360 (sub. req.)

Meta assessing, mitigating risks of advanced AI systems

Meta released a policy document called the Frontier AI Framework, outlining scenarios where it may not release certain AI systems due to their potential risks. The document categorizes AI systems into 'high risk' and 'critical risk' based on their capability to aid in cybersecurity, and chemical and biological attacks. Critical risk systems could lead to catastrophic outcomes that cannot be mitigated, while high risk systems might facilitate attacks but not as reliably.

Source: Tech Crunch

DragonGC introduces AI-Powered tools for corporate governance

The tools are designed to assist legal and finance executives, boards, and advisors by automating critical workflows. Key features include generating clear and compliant shareholder communications, automating regulatory filings and disclosures, and providing real-time insights from verified data sources. Additionally, the AI tools offer streamlined compensation advisory, enabling faster and more transparent executive compensation planning.

Source: Morningstar

Google revises AI principles, lifts ban on AI for weapons, surveillance

Google has removed its previous commitment not to use AI for weapons and surveillance systems, signaling a shift in its AI principles. The company faced backlash in 2018 for its involvement in Project Maven, a U.S. Department of Defense initiative using AI for drone imaging. Google's updated AI principles now emphasize 'Bold Innovation,' focusing on AI that empowers people, drives economic progress and addresses global challenges.

Source: Gizmodo

AI in Business

Algebrik AI, Carleton partner to elevate lending accuracy, compliance

The partnership will see Carleton's payment calculation APIs integrated into Algebrik's AI-powered Loan Origination Platform. This collaboration aims to enhance accuracy, compliance, and operational efficiency in consumer lending by providing precise loan calculations, real-time compliance validation, and expanded product support across various loan types. The partnership also underscores Algebrik's commitment to innovation in AI-driven consumer lending solutions.

Source: Algebrik AI

U.K. MPs to probe AI use in finance industry

The U.K. House of Commons Treasury Select Committee is investigating the use of AI in financial services, focusing on innovation opportunities and consumer protection. The inquiry will assess AI's impact on employment, financial stability, and cybersecurity risks. A Bank of England survey revealed that 75% of U.K. financial firms are already using AI, with an additional 10% planning to adopt it within three years. The committee aims to understand AI's role in transforming the financial sector and to ensure adequate safeguards for consumers.

Source: The Actuary

OpenAI rejects Elon Musk's buyout offer

Musk's attempt to acquire OpenAI was unanimously rejected by the company's board, marking a significant moment in the ongoing rivalry between Musk and the AI pioneer. Musk, who co-founded OpenAI with Sam Altman in 2015, left the company in 2018 due to disagreements over its direction. OpenAI has since secured major funding from Microsoft and developed products like ChatGPT and DALL∑E. Musk's bid, if successful, could have merged OpenAI with his own AI venture, xAI, creating a tech giant with significant resources and talent.

Source: Forbes

AI **Litigation & Regulation**

Carlo Lipson
Associate

LITIGATION

Perplexity AI faces TM infringement lawsuit

The lawsuit, filed in the U.S. District Court for the Northern District of California, alleges that Perplexity AI infringed on Perplexity Solved Solutions' trademark rights. The complaint highlights similarities between the two companies' products, such as Perplexity Solved Solutions' "Perplexity Meet" and Perplexity AI's "Perplexity Spaces," both of which facilitate communication and collaboration. Despite receiving a cease and desist letter, Perplexity AI hasn't withdrawn its pending trademark application and continues to use the disputed branding.

Source: Law 360 (sub. req.)

Texas court reporter allowed to pursue AI complaint

The Texas Supreme Court ruled a court reporter can continue with an administrative complaint against a digital reporting firm using AI technology. The complaint alleges the firm's AI-powered transcription services violate state regulations governing court reporting. The Texas Court Reporters Certification Board previously dismissed the complaint, but the court's decision allows the reporter to challenge this dismissal.

Source: Law 360 (sub. req.)

Musk expands lawsuit against OpenAI, Microsoft

Elon Musk broadened his federal lawsuit against OpenAI to include Microsoft and board member Reid Hoffman as defendants. The lawsuit claims OpenAI CEO Sam Altman and Microsoft conspired to transform OpenAI into a for-profit entity, violating antitrust laws. Musk, a co-founder of OpenAI, parted ways with the organization and later launched a competing AI venture, xAI. He initially sued OpenAI, accusing it of breaking its commitment to remain a nonprofit. The amended complaint also highlights concerns from OpenAI employees about the company's ethical direction.

Source: Law 360 (sub. req.)

OpenAI faces TM confusion claim

A California federal court ruled OpenAI can't dismiss a reverse trademark confusion claim brought by Open Artificial Intelligence. The plaintiff alleges OpenAI's use of a similar name for its products confused consumers, potentially harming the smaller company's brand and business. The court's decision allows the case to proceed, highlighting the importance of trademark protection and the potential legal challenges faced by larger companies in the tech industry.

Source: Law 360 (sub. req.)

AI **Litigation & Regulation**

FTC charges DoNotPay $193K over deceptive AI lawyer claims

The FTC finalized an order requiring online legal services provider DoNotPay to stop making deceptive claims about the abilities of its AI chatbot and to stop advertising that its service performs like a real lawyer without the necessary substantiation of such representations. According to the FTC, DoNotPay did not test whether its AI "robot lawyer" chatbot functioned at the same level as a human attorney when generating legal documents and providing legal advice. Furthermore, DoNotPay failed to hire or retain attorneys to assess the quality and accuracy of its legal services. Under the order, DoNotPay will pay $193,000 in monetary relief and also notify consumers who subscribed to the service between 2021 and 2023 about the FTC settlement.

Source: FTC

REGULATION

EU's AI Act hits first major enforcement milestone, impacting both tech giants, startups

The EU's AI Act reaches its first major enforcement milestone upon passing the first compliance deadline for companies operating within the EU. The regulation imposes stringent rules on high-risk AI applications and requires transparency from general-purpose models. Major technology companies committed to compliance, but smaller startups expressed concerns about meeting the demands. The Act, approved by the European Parliament in June 2023, bans certain AI applications and mandates disclosure of AI model training methods.

Source: Tech

Texas Governor cracks down on Chinese AI

Governor Greg Abbott of Texas issued a ban on the use of AI and social media apps affiliated with the People's Republic of China and the Chinese Communist Party (CCP) on government-issued devices. The move is part of a broader directive to protect Texas' critical infrastructure, intellectual property, and personal information from potential espionage by the CCP. Texas state agencies are required to divest from China and safeguard against foreign influence operations.

Source: State of Texas Governor

California senator introduces bill safeguarding children from predatory chatbot practices

Senator Steve Padilla introduced SB243, aiming to protect children from the potentially harmful effects of AI chatbots. The bill mandates developers to implement safeguards against the addictive and influential nature of AI chatbots, which have been shown to pose risks to children. The legislation highlights the need for regulation as AI technology continues to evolve, especially in the absence of comprehensive federal laws.

Source: California Senator Steve Padilla

Vermont lawmakers propose bill limiting AI use in election ads

The bill requires any AI-altered video or audio of a candidate to include a disclaimer stating it was created or manipulated by digital technology or AI. The legislation aims to ensure fair and honest elections by addressing the potential misuse of AI in political campaigns. The bill has bipartisan support and backing from Vermont Secretary of State, Sarah Copeland Hanzas, who highlighted concerns about AI-generated media being used nefariously.

Source: NBC 5

AI **Litigation & Regulation**

Arkansas Governor receives AI policy report

Governor Sarah Huckabee Sanders received a report from the AI and Analytics Center of Excellence, which recommends policies for adopting AI across state government. The focus is on protecting data, improving services, and preparing for AI's future impact. The initiative aims to balance AI's benefits in government efficiency with safeguarding citizens from misuse. Secretary of Transformation and Shared Services Leslie Fisken emphasized the importance of responsible AI adoption to enhance government services and security.

Source: Arkansas Governor

Trump's AI deregulation could spark federal-state tensions

President Trump began dismantling Biden-era AI regulations, including revoking a landmark Executive Order on artificial intelligence. The move towards deregulation may conflict with state-level legislation, particularly in blue states, where friction is already emerging. Trump's administration issued two executive orders related to AI: one revoking Biden's mandate for federal agencies to engage in AI rulemaking and risk assessments, and another promoting AI development free from ideological bias. These actions highlight the tension between federal deregulation and state-level privacy and data protection laws.

Source: CCN

New York Governor enforces statewide ban on DeepSeek AI platform

Governor Kathy Hochul announced a statewide ban on the DeepSeek AI application, preventing it from being downloaded on government devices and networks managed by New York's Information Technology Services. DeepSeek, owned by the Chinese firm High-Flyer, raised concerns over potential foreign government surveillance and data harvesting. This move aligns with the state's policy on the responsible use of AI technologies, aiming to protect New Yorkers' privacy and data security.

Source: New York State Governor

Benesch
AI Insights

No 'Fair Use' Defense for Using Copyrighted Works for Training AI Models

On February 11, 2025, the U.S. District Court for the District of Delaware granted summary judgment in favor of Thomson Reuters in Thomson Reuters Enterprise Centre GmbH v. Ross Intelligence Inc. holding that use of copyrighted works to train AI models does not fall under the 'fair use' exception. Although the ruling sent shockwaves through the AI industry, it offers only a preliminary indication of the legal landscape rather than a definitive roadmap for future cases.

Shivdutt Trivedi
Associate

Daniel S. Marks
Associate

Source: Benesch

UPCOMING EVENTS

TIA CAPITAL IDEAS CONFERENCE
The Rise of Machines: Practical Legal Solutions for AI & Logistics

April 11, 2025
8:30 a.m. - 9:30 a.m.
JW Marriott San Antonio Hill Country
Resort & Spa

Join this expert panel, featuring Benesch AI Commission Chair Kris Chandler, for an in-depth discussion on leveraging Artificial Intelligence (AI) in transportation and logistics. This session will guide you through the critical considerations for integrating AI into your business, from navigating evolving regulations to implementing effective governance and minimizing liability. Hear from top legal experts, including representatives from Waabi, Truckstop.com and leading transportation lawyers, as they share practical advice on responsible AI usage and strategic contracting.

BENESCH
AI **INSIGHTS**

AMBA CONFERENCE
Artificial Intelligence and Cybersecurity

May 7-9, 2025
Amway Grand Plaza Hotel, Grand Rapids, MI

AMBA Conference 2025 will drive off-the-chart value for conference attendees as mold manufacturers engage with peers and industry suppliers to identify new business opportunities, profitability and growth strategies, new technologies and more. Benesch's AI Commission Chair, Kris Chandler, will speak on the topic of Artificial Intelligence and Cybersecurity.

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