

AI REPORTER

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AI Update



Steven M. Selna
Partner

The AI sector continues to experience regulatory growing pains. Tech companies are struggling to comply with the EU's new AI laws, which require more transparency in their model training. Meta, in particular, had to halt its AI expansion due to increased EU regulatory scrutiny regarding its use of public content from social media platforms to train its AI system.

Meanwhile, the financial sector is increasingly embracing AI technology. Banking leaders are eager to adopt AI, while customers are generally open to using AI in their day-to-day banking activities, under specific conditions.

On the AI litigation front, Emory University settled a lawsuit involving the suspension of a student who developed an AI-powered study aid. Elon Musk withdrew his lawsuit against OpenAI just before a motion to dismiss hearing while at the same time facing a lawsuit from Tesla investors alleging the diversion of resources to his xAI initiative.

Elsewhere, Suno and Uncharted Labs are facing copyright lawsuits from a group of record labels for allegedly using technology to produce music that sounds like their recording artists. Microsoft and OpenAI sought to dismiss a copyright lawsuit filed by a newspaper group, arguing that ChatGPT always cited the publication name and a link when referencing copyrighted material. Finally, a California court dismissed privacy and wiretapping claims against Google over Verizon's use of its Cloud Contact Center AI platform.

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



Sydney E. Allen
Associate

AI in Business

[Landmark Partnership brings News Corp content to OpenAI](#)

Under a multi-year agreement, OpenAI has permission to display content from News Corp mastheads in response to user questions and to enhance its products in a push to bring reliable information to users. In addition to providing OpenAI with access to current and archived content from its major news and information publications, News Corp will share journalistic expertise to ensure the highest journalism standards are present on OpenAI. The partnership doesn't include access to content from any of News Corp's other businesses.

Source: OpenAI

[LLMs outperform humans in analyzing financial statements, predicting earnings changes: Study](#)

A recent study by researchers at the University of Chicago [found](#) that large language models (LLMs) trained on vast amounts of text can analyze financial statements as well as, if not better than, human analysts, while also providing more accurate earnings change predictions and more successful trading strategies. This will ultimately strengthen the argument for a passive investing approach. However, as each firm inevitably adopts the technology into their practice, the initial edge provided by AI will eventually diminish.

Source: The Globe and Mail (reg. req.)

[Google pushes for embedded protection in AI products](#)

Tech giant Google's [Generative AI and Privacy](#) policy working paper pushes for consumer safety and privacy to be prioritized in AI products through embedded protections. Google's approach to privacy in AI is guided by its longstanding data protection practices. Google uses strong privacy safeguards and data minimization techniques, provides transparency about data practices, and offers controls that empower users to make informed choices and manage their information. While the company admits to using personal data for training and development purposes, it claims this can help reduce bias in AI models (e.g., how to understand names from different cultures) and improve accuracy and performance. It is at the application level that Google sees the opportunity to implement output filters and auto-delete play to minimize privacy harms, like data leaks.

Source: Google

[AI workers warn of lack of safety oversight, demand protection for whistleblowers](#)

In an [open letter](#), current and former OpenAI and Google employees warned that "AI companies possess substantial non-public information about the capabilities and limitations of their systems, the adequacy of their protective measures and the risk levels of different kinds of harm." However, these companies have little obligation to share information with governments and none with the public, the letter states. While the authors have little faith in the companies voluntarily disclosing such information, OpenAI insisted it will continue providing the most capable and safest AI systems and touted its scientific approach to addressing risk.

Source: The Guardian

AI in Business

[Banks' reliance on Big Tech for AI services represents major risk, experts say](#)

At a gathering in Amsterdam, Fintech experts expressed concerns that the amount of computing power needed to develop AI systems would make banks more reliant on a small number of Big Tech companies. The growing reliance on big tech represents one of the biggest risks in the banking industry, and many regulators and industry experts are worried that problems at a single company could bring down services across many financial institutions.

Source: Reuters (sub. req.)

[Personal photos of children misused to train AI tools](#)

According to Human Rights Watch, personal photos of Brazilian children are being scraped off the web, without the children's knowledge or consent, into large data sets used to train AI tools. This raises many privacy risks for the subjects of the images and data, as AI models are known for leaking private information. The Human Rights Watch has already found some children's names are listed in the photo caption or URL where the image is stored and that their identities are easily traceable, including information on when and where the child was at the time their photo was taken. This information can be used to produce identical copies of the data for a number of nefarious purposes, including identity theft and the production of sexually explicit material.

Source: Human Rights Watch

[Financial CEOs pushing for AI adoption quicker than employees want](#)

An IBM survey revealed 60% of banking and financial CEOs are pushing for AI adoption at a pace that many of their employees aren't comfortable with. The survey also showed that 59% of respondents believe overcoming the cultural challenges of AI adoption is more important than the technical challenges. Additionally, 57% of respondents believe whichever institution has the most advanced gen AI system will have a competitive edge in the sector. The results underscore the urgency with which financial firms are looking to adopt the technology into their workflows.

Source: IBM

[Americans receptive to using AI for banking, with some caveats](#)

GFT's Banking Disruption [Index](#) showed 44% of Americans were happy with AI being used within their personal banking experience, as long as banks are transparent regarding which banking functions the technology is being used for. Respondents also revealed they were most interested in the practical applications of AI in banking, including:

- 35% were most interested in using AI for the purposes of real-time fraud monitoring;
- 32% were focused on using AI to help save money; and
- 28% want AI to help them manage their everyday banking tasks, such as checking balances, transferring funds and account updates.

Additionally, the Index showed respondents aged 18 to 24 were more amenable to AI in banking, while those aged 55 and older were three times more likely to be against the use of AI at banks in any form.

Source: Retail Banker International

AI in Business

AI to impact more than half of banking jobs: Citi

Research by Citi indicates that AI could lead to the automation of up to 54% of jobs in the banking sector, potentially adding \$170 billion to global banking industry profits by 2028. AI adoption may be faster among digitally native firms, with incumbent banks at risk of losing market share if they lag in adopting AI technologies.

AI Insights & Legal Implications // AI Industries & Users, Ethical & Legal Aspects

Source: Finextra

Financial services sector poised to take advantage of AI

Nash Squared's 2023 Digital Leadership Report revealed that 86% of financial services firms are considering or are already implementing AI. The technology is increasingly seen as an opportunity rather than a threat, with applications across banking, investment management, insurance, payment services and fintech.

Source: Yahoo

Apple, Meta discussing AI partnership

Meta Platforms is in discussions to integrate its generative AI model with Apple's newly announced AI system for iPhones. While discussions are still ongoing, a potential partnership could allow AI companies to distribute their products more widely through Apple Intelligence.

Source: The Wall Street Journal (sub. req.)



Carlo Lipson
Associate

AI Litigation & Regulation

LITIGATION

[Emory University settles lawsuit with student accused of using AI to cheat](#)

The settlement resolves a lawsuit filed by a student who was suspended after winning a \$10,000 prize for developing his Eightball AI study program. The university claimed the suspension was because the study program could be used for cheating. On the other hand, the student asserted that he never used the program to cheat, and that the university deviated from its honor code procedures to make a public example out of him. Details of the settlement were not disclosed.

Source: Law 360 (sub. req.)

[Microsoft, OpenAI move to dismiss newspaper publishers copyright suit](#)

Microsoft and OpenAI have moved to partially dismiss from a coalition of eight newspapers alleging that the companies used the publishers' articles, without permission or payment, to train their AI products. The motions, filed in the Southern District of New York, argue plaintiffs failed to assert a tangible copyright complaint. According to the motion, the defendants neither exploited nor replaced the protected expression of plaintiffs' digital content. Rather, they extracted and shared elements of language, culture, ideas and knowledge that belong to society in general. Defendants also argued that the plaintiffs failed to state a claim of injury because, in any instance that ChatGPT used excerpts of copyrighted articles, the publication name and a link to the original article are provided.

Source: Courthouse News

[Tesla investors suing Musk over xAI diversion](#)

The lawsuit concerns Elon Musk's efforts to develop the xAI venture by diverting talent and resources from Tesla's own AI initiative. The investor plaintiffs allege Musk has siphoned value from the automaker by poaching its talent and resources for the new AI venture. Plaintiffs contend Musk sold over \$39 billion of his Tesla shares to fund his acquisition of X (then Twitter), dropping his ownership stake in the automaker to 13%. Following the sale, Musk expressed discomfort with growing Tesla as an AI company without having at least 25% voting control in the company. According to the complaint, Tesla's stock price is closely tied to its plans for autonomous vehicles, and Musk's comments led to a 3% drop in the company's stock price. Plaintiffs are seeking damages that Tesla has sustained due to breach of fiduciary duties and unjust enrichment, as well as disgorgement of Musk's equity stake in xAI to Tesla and imposition of trust over the CEO's interest in xAI.

Source: Law 360 (sub. req.)

[Suno, Uncharted Labs face copyright claims from record labels](#)

Capitol Records, Sony Music and Atlantic Recording filed the suits in New York and Massachusetts federal court, alleging the defendants developed machines allowing users to generate digital music files resembling real human sound recordings in response to basic inputs. The suit marks the first instance of record labels suing AI companies over songs, rather than just lyrics. According to plaintiffs, defendants copied a significant number of copyrighted music recordings to input into the models. The complaint is seeking a finding of willful infringement in addition to \$150,000 in damages for any work found to be infringed.

Source: Law 360 (sub. req.)

AI Litigation & Regulation

[Elon Musk drops lawsuit against OpenAI, founders](#)

The suit was dropped just prior to a hearing where the judge was set to consider the defendants' motion to dismiss. The complaint alleged OpenAI and its co-founders, Sam Altman and Greg Brockman, breached their contract and fiduciary duty by allowing the company to become a for-profit entity largely under the control of Microsoft. According to Musk, the original intent behind the company was to develop general AI systems for the benefit of humanity. The move is not surprising, given that many experts believed the case was built on a questionable legal foundation due to the contract at issue not being a formal written agreement.

Source: CNBC

[California court dismisses Google AI chat CIPA lawsuit](#)

A California federal court granted Google's motion to dismiss a lawsuit alleging that the company used its Google Cloud Contact Center AI to illegally eavesdrop on Verizon's customer service calls. The court held that Verizon was a telephone company and that Google's platform provided a virtual agent to interact with customers on Verizon's behalf. As a result, the court granted the motion to dismiss with leave to amend, ruling that Google was acting as Verizon's agent and was exempt from liability under Section 631(b)(1) of CIPA.

Source: Law 360 (sub. req.)

REGULATION

[CFPB approves rule regarding AI use in automated home appraisals](#)

The Consumer Financial Protection Bureau (CFPB) has approved a rule that specifically targets automated valuation models (AVMs), as the agency is concerned about AI's potential biases affecting equitable home valuation. As AVMs grow more complex and incorporate numerous variables, the CFPB sees the need for a closer look at AI's role in the industry.

Source: Housingwire

[EU's AI law causing consternation among companies](#)

The EU's recently implemented AI laws requiring companies to be more transparent regarding the data used to train AI systems is causing resistance in the industry. AI companies are reluctant to reveal what their models have been trained on, calling the information a trade secret that would give competitors an edge if it were to be made public. While the details of exactly what information companies will be required to provide have yet to be announced, the EU's AI Office said it plans to release a template in early 2025 for companies to follow.

Source: Reuters (sub. req.)

AI Litigation & Regulation

Meta pauses EU AI expansion following regulatory backlash

Meta Platforms Inc. announced it is pausing plans to expand its AI offerings in Europe. The move comes following a request from the Irish Data Protection Commission (DPC), after the regulator expressed concerns about Meta's efforts to use public content posted on Facebook and Instagram to train its AI systems. While it has expressed disappointment in the DPC's request, Meta stated that it will work with regulators to address their concerns.

Source: Law 360 (sub. req.)

NAD recommends AI-Pro modify advertising to avoid confusion with ChatGPT, OpenAI

As part of its routine monitoring program, the National Advertising Division (NAD) recommended that Telecom Business Solutions (d/b/a AI_Pro.org) modify its advertising to avoid confusion regarding its relationship with OpenAI, as well as its products and services. While not affiliated with OpenAI, AI-Pro integrates the AI leader's technology into some of its applications, provides its users access to ChatGPT, and even uses the terms "ChatGPT" and "GPT4." During the proceedings, AI-Pro agreed to modify the challenged advertising to include a disclosure that AI-Pro uses ChatGPT in its product offerings but is not ChatGPT. However, NAD determined that in contexts without the disclosure or where the disclosures aren't clear, consumers could still reasonably believe that AI-Pro's products are ChatGPT or affiliated with OpenAI. As a result, NAD recommended the disclosure "AI-PRO is Powered by OpenAI. We are not affiliated nor related to OpenAI" be clear and conspicuous. Alternatively, the advertising should otherwise make clear that AI-Pro provides applications built on OpenAI's technology and that its APIs not identical to, or provided by, OpenAI or ChatGPT.

Source: BBB National Programs

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AI Insights

AI in the Supply Chain Under Government Focus

The U.S. Department of Transportation is seeking input from industry stakeholders on the role of artificial intelligence in the supply chain. The DOT's Advanced Research Projects Agency - Infrastructure is one of many federal agencies that, together with the White House, are drawing into sharp focus the risks and opportunities of artificial intelligence. This one example signals the importance of seriously examining the commercial, compliance and national security implications of technological advances.



Jonathan Todd
Partner



Kris Chandler
Senior Managing Associate



Vanessa Gomez
Associate



Megan MacCallum
Associate

SOURCE: Benesch

An introduction to Healthcare AI: Innovation in an evolving regulatory landscape

The expansion of artificial intelligence (“AI”) applications in healthcare (“Healthcare AI”) has made recent headlines, from the transformation of clinical diagnostics with increased accuracy, to use of personalized medicine with the potential for life-changing preventative care, and hope to remedy, in some degree, the pervasive healthcare workforce shortage.[i] AI is certain to continue its healthcare delivery revolution; by 2028, the growth of the Healthcare AI market share is expected to reach approximately \$102.7 billion USD. Healthcare AI presents vast opportunity for innovation, but also carries considerable risk for providers, patients and other industry stakeholders if such risks are not mitigated prior to its use.



Arielle Lester
Managing Associate



Amanda Ray
Managing Associate



Kathrin “Kat” Zaki
Associate



Vince Nardone
Partner

SOURCE: Benesch

Benesch San Francisco:

AI Corner



Ziyong "Sean" Li
Partner

Exploring First Amendment and Editorial Judgment Protections for Large Language Models

Large language model (LLM) companies are at the forefront of artificial intelligence technology. They create tools that generate and provide information through sophisticated algorithms. These companies have transformed how we interact with information, but they also face complex legal challenges. One of the significant issues they encounter involves First Amendment rights, which protect freedom of speech.

First Amendment rights play a critical role for LLM companies because they help safeguard the ability to generate and share information without undue third-party interference. These rights can arise in various circumstances, such as when LLMs produce content that some may view as controversial, biased or inappropriate. For instance, if a company decides to fine-tune its model to avoid generating harmful or offensive content, it might face accusations of censorship or bias. Furthermore, in cases where LLMs inadvertently produce false or defamatory information, especially related to public figures, First Amendment protections could be invoked to defend the company against claims of liability. These issues highlight the importance of ensuring that LLM companies can operate freely while balancing the need for responsible content generation.

To better understand how First Amendment protections might apply to LLM companies, we can look into historical precedents in the tech industry. One case that sheds light on this issue is *e-ventures Worldwide, LLC v. Google, Inc.*, Case No. 2:14-cv-646, 2017 WL 2210029 (M.D. Fla., Feb. 8, 2017). It shows how courts have interpreted the application of First Amendment rights to tech companies and their content generation practices.

SOURCE: Benesch

For more information, please contact:



Steven M. Selna
Partner

sselna@beneschlaw.com
T: 628.600.2261