

# AI REPORTER

*A Publication of Benesch's AI Commission*

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**Steven M. Selna**  
Partner

## *AI* Update

August was an eventful month for AI litigation, with the action continuing into September. Elon Musk's xAI and X Corp. filed an antitrust lawsuit against Apple and OpenAI, accusing them of colluding to suppress competition in GenAI. The suit targets Apple's integration of ChatGPT into iPhones, which allegedly sidelines rivals like xAI's Grok. Elsewhere, a judge in the Northern District of California dismissed Musk's RICO claims against OpenAI and Microsoft, while allowing OpenAI's counterclaims to proceed. These ongoing court battles reflect the intensifying competition over AI dominance, where control over platforms and branding has taken on vital importance.

In the Northern District of California, Judge William Alsup postponed preliminary approval of a landmark \$1.5 billion settlement between artificial intelligence developer Anthropic and a group of authors who accused the company of illegally using their works to train its flagship large language model. If granted, this settlement would set a precedent for the dozens of class actions accusing developers of artificial intelligence systems of infringing copyright-protected materials to train the technology.

In a separate matter in the Northern District, another California federal judge denied music publishers' request for user identities tied to Anthropic's Claude AI, citing privacy concerns. Though Anthropic shared anonymized data, plaintiffs argued that more detail could reveal insider misuse. Lastly, also in California, a couple filed a wrongful death lawsuit against OpenAI, alleging that ChatGPT played a role in their 16-year-old son's suicide.

On the regulatory front, Colorado is revisiting its AI law amid industry concerns, and California's Senate Bill 53 seeks greater transparency in AI development. These efforts reflect a broader push for balanced AI regulation that protects users without stifling innovation.

These and other stories appear below.



**Sydney E. Allen**  
Senior Managing  
Associate

## *AI* in Business

### **UC San Diego AI slashes data requirements for cancer diagnosis**

Researchers at UC San Diego developed an AI tool that significantly reduces the amount of expert-labeled data needed for medical image segmentation, a key process in diagnosing conditions such as cancer. Traditional deep learning methods require large, pixel-by-pixel annotated datasets that are costly and time-consuming to produce; yet the new tool can learn from as few as one-twentieth the number of labeled images, making it more accessible and affordable. This advancement could accelerate the development of diagnostic tools, improve access to care, and help address health inequities by enabling high-quality AI-driven diagnostics in settings where large datasets are unavailable.

**Source:** UC San Diego Today

### **Uncovering AI vulnerabilities, regulatory gaps amid shifting U.S. policy**

AI researchers conducted a “red teaming” exercise in October 2024 to test the robustness of advanced language models and AI systems. The exercise uncovered 139 new vulnerabilities—including the potential for generating misinformation and leaking personal data—and exposed weaknesses in the National Institute of Standards and Technology (NIST) standard intended to guide companies in AI system testing. However, NIST did not publish the report or several other AI-related documents due to concerns about political pushback with the incoming administration. The shifting federal priorities, especially with the Trump administration moving away from studying algorithmic bias and fairness, highlights ongoing uncertainty and inconsistency in U.S. state and federal approaches to AI, privacy, and data protection regulation.

**Source:** Wired (sub. req.)

### **ElevenLabs launches AI-powered music creator with industry backing**

The Eleven Music tool enables rapid generation of music across various styles, genres, and languages. The launch comes amid ongoing debates and legal actions regarding AI-generated content and copyright, with artists and industry groups expressing concerns about IP infringement. Unlike competitors, ElevenLabs claims to have secured licensing agreements with labels, publishers, and artists, thus developing Eleven Music in collaboration with the music industry and ensuring the tool is cleared for broad commercial use.

**Source:** U.K. Tech News

### **Universal Pictures issues AI training ban in film credits**

Universal Pictures has begun explicitly prohibiting the use of Universal Pictures’ movies for AI training by adding a legal warning to the end credits of its films, including “How to Train Your Dragon,” “Jurassic World Rebirth,” and “Bad Guys 2.” The warning seeks to protect the studio’s intellectual property from being used in data mining and AI model development, and cites both U.S. and international copyright laws, including a 2019 EU directive that allows creators to opt out of AI training.

**Source:** Hollywood Reporter

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## *AI* in Business

### Leveraging AI in sports while navigating legal risks

AI is increasingly being adopted in the sports industry to enhance various aspects of the sports experience, including audience engagement, performance analysis, and content personalization. The technology presents a number of potential benefits, such as improved user recommendations and audience analysis. However, it also comes with legal and regulatory risks, including IP infringement, privacy concerns, and data security issues. Organizations are advised to identify and mitigate these risks early to ensure the responsible and effective use of AI in sports and entertainment, especially as the legal landscape continues to evolve alongside technological advancements.

**Source: Law in Sport**

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### Zenity demonstrates exploitable flaws in major AI platforms

Researchers at AI security startup Zenity demonstrated that several widely-used enterprise AI assistants—including Google Gemini, Microsoft Copilot, ChatGPT, Cursor, and Salesforce Einstein—are vulnerable to attacks that can lead to data theft or manipulation. At the Black Hat security conference, Zenity showcased how attackers can exploit integrations between these AI tools and enterprise platforms by using prompt injection attacks and specially crafted files or messages. These attacks can be executed without user interaction, further emphasizing significant concerns about data security, transparency, and the potential for abuse as big tech companies increasingly integrate GenAI into productivity tools.

**Source: Security Week**

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**Carlo Lipson**  
Associate

## AI Litigation & Regulation

### LITIGATION

#### Judge declines to sign off on Anthropic's proposed settlement

Anthropic reached a proposed settlement in the amount of \$1.5 billion to settle a case with a class of authors accusing the company of illegally downloading millions of books to train its AI model, Claude. Yet Judge William Alsup of the Northern District of California instead postponed preliminary approval of the settlement, stating that the parties would need to provide additional information, such as the list of works to be included, the class list, claim form, the process for notification, and allocation or procedures for dispute resolution, among other details. The landmark settlement followed Judge Alsup denying Anthropic's request to delay trial so that it could appeal a ruling saying a jury would decide whether damages were warranted for the company's use of pirated works.

**Source: Law 360 (sub. req.)**

#### Judge blocks request for Claude user data in AI copyright case

Also in the Northern District, U.S. Magistrate Judge Susan van Keulen denied music publishers' request for the identities of users who accessed copyrighted lyrics via Anthropic's AI tool, Claude. While Anthropic already provided anonymized data from 5 million prompts, the publishers, including Universal and Concord, sought more detailed user information, arguing that the data was essential to support their copyright infringement claims and that some users potentially were company insiders. However, the judge ruled that the privacy concerns of third-party users outweighed the need for disclosure.

**Source: Law 360 (sub. req.)**

#### Judge dismisses Musk's RICO claims against OpenAI, Microsoft

Judge Yvonne Gonzalez Rogers found that Musk's claims largely repeated earlier allegations and failed to show a pattern of racketeering activity. Additionally, Microsoft's involvement was deemed too late to support the claims. Meanwhile, OpenAI's counterclaims were not barred by litigation privilege and were allowed to proceed, alleging that Musk's \$97.4 billion bid was a disruptive stunt intended to harm OpenAI's fundraising efforts.

**Source: Law 360 (sub. req.)**

#### Getty refiles AI copyright lawsuit in California

Getty Images refiled a major copyright infringement lawsuit against Stability AI in California after voluntarily dropping the case in Delaware. The company alleges Stability used metadata and at least 12 million of its images to train its AI model, Stable Diffusion, without permission. Getty claims this misuse includes altering copyright information and generating images with distorted Getty watermarks, leading to consumer confusion and brand dilution. Some AI-generated content reportedly includes offensive or pornographic material, further damaging Getty's reputation.

**Source: Law 360 (sub. req.)**

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## *AI* **Litigation & Regulation**

### **Otter AI facing class action over alleged recording of private work conversations**

The suit claims Otter uses these recordings to train its AI systems and derive financial gain, thus potentially violating state and federal privacy and wiretap laws. The case highlights ongoing concerns about privacy and data protection in the use of AI/ML technologies, and compliance challenges for companies operating across multiple U.S. states, especially as state laws may differ in their consent and notification requirements. Otter's privacy policy states it receives "explicit permission" from users, but the lawsuit contends that meeting attendees are not properly informed or asked for consent, underscoring the absence of comprehensive federal legislation.

**Source: NPR**

### **Musk's xAI sues Apple, OpenAI over alleged AI monopoly**

Elon Musk's companies xAI and X Corp. filed a federal antitrust lawsuit accusing Apple and OpenAI of colluding to suppress competition in the GenAI market. The suit claims Apple's integration of ChatGPT into iPhones unfairly blocks rival AI products like xAI's Grok, giving OpenAI exclusive access to billions of user prompts. Musk also argues the partnership protects Apple's smartphone monopoly and stifles innovation in emerging "super apps" that could disrupt the mobile ecosystem. The complaint seeks to dismantle the deal and recover damages, citing violations of the Sherman Act and Texas antitrust laws.

**Source: Law 360 (sub. req.)**

### **Trademark clash between Ex Populus and Elon Musk's xAI**

Blockchain gaming company Ex Populus filed a lawsuit against Elon Musk's AI venture, xAI, for trademark infringement and unfair competition. Ex Populus claims that Musk's use of the "xAI" name caused widespread confusion among consumers, damaging its brand and reputation and causing leading users and AI assistants to confuse the two companies when Musk announced plans for an AI game studio. Ex Populus further alleges xAI attempted to pressure it into relinquishing rights to its trademark and threatened legal action if it did not comply. The company is seeking to block xAI from using its name and is demanding damages, arguing that the situation undermines fair competition and harms smaller innovators.

**Source: Law 360 (sub. req.)**

### **Parents sue OpenAI over teen's suicide linked to ChatGPT**

A California couple filed a wrongful death lawsuit against OpenAI, alleging that ChatGPT played a direct role in their 16-year-old son's suicide. The parents claim their son initially used the AI tool for homework before developing a deep emotional reliance on ChatGPT, which then reportedly encouraged self-harm and assisted in planning his death. The suit accuses OpenAI of designing ChatGPT to foster psychological dependency through features like persistent memory and human-like empathy, prioritizing user engagement over safety. The family alleges that despite internal warnings, OpenAI released its GPT-4o model without adequate safeguards.

**Source: Law 360 (sub. req.)**

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## *AI* **Litigation & Regulation**

### **REGULATION**

#### **SEC launches AI task force to boost internal innovation**

Led by Valerie Szczepanik, the SEC's new chief AI officer, the initiative aims to centralize and align AI efforts across the agency. The task force will support staff with AI-enabled tools to improve efficiency, accuracy, and innovation. Szczepanik brings extensive experience in fintech and digital assets oversight. SEC Chairman Paul Atkins emphasized that integrating AI will strengthen the agency's core mission of investor protection, market oversight, and capital formation.

**Source: Law 360 (sub. req.)**

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#### **House Financial Services Committee introduces bill to foster safe AI use in finance**

The Unleashing AI Innovation in Financial Services Act proposes the creation of 'AI Innovation Labs,' where financial services entities can test AI applications without immediate risk of enforcement actions. To apply, entities must specify which regulations they seek to waive or modify, propose alternative compliance methods, and justify their necessity. Approved projects can operate under these alternatives for a set period, with limitations. The bill also allows regulators to seek injunctive relief if a project poses immediate risks to consumers, investors, financial markets, or violates anti-money laundering or counter-terrorism rules.

**Source: InsideARM**

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#### **Illinois law ensures mental health decisions stay in human hands**

The Wellness and Oversight for Psychological Resources Act prohibits the use of AI for mental health and therapeutic decision-making, while permitting AI for administrative and supplementary support services in behavioral health. The law seeks to protect consumers from unregulated AI systems and unqualified providers by ensuring therapy and psychotherapy services are delivered by qualified, licensed professionals.

**Source: MobiHealth News**

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#### **Colorado's special legislative session targets AI law overhaul amid industry pushback**

Governor Jared Polis called for a special legislative session in Colorado to consider amending or delaying the implementation of Colorado's pioneering AI regulation, which is currently set to take effect in February 2026. The tech industry expressed concerns that the law, as written, could stifle innovation and negatively impact business operations.

**Source: Colorado Sun**

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## *AI* **Litigation & Regulation**

### **NIST develops cyber AI profile to guide secure integration**

The guidance will build on NIST's existing Cybersecurity Framework, which is widely used in both public and private sectors. The agency is actively seeking feedback from chief information security officers and other practitioners who expressed concern about the impact of AI but are challenged by limited resources and time. Lawmakers are also encouraging NIST to enhance AI standards and red teaming guidelines. Workshops are being held this month to further develop NIST's cyber AI profile and address the practical needs of cybersecurity professionals without overwhelming them with excessive new requirements.

**Source: Federal News Network**

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### **FTC to reassess AI oversight under new administration**

The Trump administration's AI Action Plan directs the FTC to review and potentially roll back Biden-era investigations, consent decrees, and enforcement actions, if they are deemed to "unduly burden AI innovation." Under President Biden, the FTC aggressively targeted AI misuse, including through Operation AI Comply and expanded enforcement to curb deceptive practices and protect consumer data in AI-driven platforms. The Action Plan may soften antitrust scrutiny and AI governance, reducing regulatory pressure on tech mergers and weakening oversight of chip programs, foundation model investments, and AI infrastructure.

**Source: National Law Review**

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### **Senate Bill 53: California challenges federal AI policy**

Focusing on transparency rather than liability, SB 53 would require AI companies to report their activities—including reporting problems immediately—and define and follow safety protocols. Major AI companies are lobbying for federal protection to avoid state and local oversight, and President Trump's executive order threatens financial penalties for states that regulate AI in ways seen as hindering innovation.

**Source: San Francisco Public Press**

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Benesch  
*AI* Insights

## UPCOMING EVENTS

MANUFACTURERS ASSOCIATION FOR PLASTICS PROCESSORS  
2025 Benchmarking and Best Practices Conference  
October 1–3, 2025 | Indianapolis, IN



**Kris Chandler**  
Chair, AI Commission



**Alyson Waite**  
Associate

Join Kris Chandler and Alyson Waite for their presentation *Guidance for the (Legally Compliant) Deployment of AI Tools*. This session will explore how AI tools are transforming how businesses operate—boosting efficiency, enhancing safety, and driving profitability. From streamlining workflows to preventing workplace accidents through real-time monitoring, the potential of AI is immense. However, as AI adoption accelerates, so does the complexity of the legal and ethical landscape. This session offers a practical roadmap for organizations looking to deploy AI responsibly and in full compliance with evolving regulations.

For more information or to register for the event, please click [here](#).

Are you interested in a particular topic that you would like to see covered in the Reporter? If so, please let us know.



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