

AI REPORTER

A Publication of Benesch's AI Commission

In This Issue

AI Update 2

AI in Business

OpenAI's ChatGPT oversight policy sparks privacy debate 3

AI-powered ransomware marks a new era in cybercrime 3

AI adoption surges among New York firms, employment impact remains modest 3

AI takes the field: Oakland Ballers make baseball history 3

Showrunner launches AI platform to create TV and film 3

AI Litigation & Regulation

LITIGATION

Warner Bros. Discovery files lawsuit against Midjourney alleging copyright infringement 4

Attorneys General urge OpenAI to strengthen ChatGPT safety measures 4

Authors sue Apple over alleged AI copyright infringement 4

Anthropic to pay \$1.5B settling pirated books lawsuit 4

Judge orders OpenAI to release key documents in Musk lawsuit 5

Judge narrows copyright case against Google AI models 5

Penske sues Google over AI search summaries impacting publisher traffic 5

REGULATION

Montana's AI dilemma: Robocalls, regulation and the rise of ChatGPT in government 6

Cherokee Nation sets landmark AI policy with cultural safeguards 6

California city deploys agentic AI for permit processing 6

North Carolina launches AI governance framework 6

FTC launches probe into AI chatbot privacy, safety risks amid growing concerns 7

EU opens consultation for AI transparency guidelines 7

Utah enacts law regulating AI use in mental health 7

Benesch AI Insights

When AI Claims Cross the Legal Line: Why Legal Teams Must Treat AI Disclosures Like High-Stakes Compliance 8

Upcoming Events 8



Steven M. Selna
Partner

AI **Update**

The broader AI sector is facing further scrutiny in the courtroom. Warner Bros. Discovery sued Midjourney for using its films and TV shows in training datasets and enabling users to recreate copyrighted characters, while authors brought new lawsuits against Apple for allegedly training models on pirated books. As previously reported, Anthropic agreed to pay \$1.5 billion to settle a class action over similar practices, even after the judge deemed training on books transformative but criticized mass pirating to build permanent libraries. Google, meanwhile, continues to face narrowed but ongoing copyright claims tied to its AI models.

Elsewhere, a federal judge ordered OpenAI and Microsoft to hand over documents in Elon Musk's lawsuit, a move that could deepen scrutiny of OpenAI's governance. And Penske Media sued Google over AI search summaries that allegedly divert traffic from publishers. Questions of safety and competition are also intensifying. Attorneys General in California and Delaware urged OpenAI to strengthen safeguards for ChatGPT, citing risks to minors and OpenAI's shift to a for-profit structure.

These and other stories appear below.



Sydney E. Allen
Senior Managing
Associate

AI in Business

OpenAI's ChatGPT oversight policy sparks privacy debate

OpenAI revealed it actively monitors user conversations on ChatGPT and its human reviewers may escalate potentially harmful content to law enforcement, including threats of physical harm or plans for self-harm. This significant escalation in AI oversight aligns with broader industry efforts to prevent misuse of GenAI tools, but also raises concerns about user privacy, data security and the boundaries of corporate responsibility.

Source: Web Pro News

AI-powered ransomware marks a new era in cybercrime

Researchers identified a new ransomware called PromptLock that utilizes GenAI to autonomously generate malicious scripts and target files for exfiltration or encryption. The PromptLock malware is cross-platform, written in Golang, and uses the SPECK 128-bit encryption algorithm, marking a significant evolution in cybercriminal tactics. Its ability to scan, analyze and act on files based on AI-driven prompts demonstrates how AI/ML is lowering the technical barrier for launching sophisticated attacks. This development highlights the growing privacy and data protection risks posed by AI-powered malware, especially as states continue to address cybersecurity and data protection through their own legislation in the absence of federal law.

Source: Althority

AI adoption surges among New York firms, employment impact remains modest

The New York Federal Reserve reported a significant 25% increase in AI adoption among firms in its district, with 40% of services firms now using AI. Despite concerns about AI-driven job losses, the impact on employment has been modest thus

far, with most firms opting for retraining rather than layoffs. However, future integration of AI may lead to more significant layoffs and reduced hiring.

Source: Reuters

AI takes the field: Oakland Ballers make baseball history

The Oakland Ballers, an independent Pioneer League baseball team, will make history by playing a regular-season game managed almost entirely by AI. On Fan Appreciation Day, in-game decision-making will be managed by AI, which will set the starting lineup, manage pitcher changes, select pinch hitters and position fielders. The only exception is base-running decisions, which remain manual due to real-time communication challenges.

Source: New York Times (sub. req.)

Showrunner launches AI platform to create TV and film

Showrunner, an Amazon-backed company, revealed a new AI model capable of generating long, complex narratives for feature-length, live-action films. The platform allows users to create their own TV show episodes with minimal prompts, and it will also be used to reconstruct the lost 43 minutes of Orson Welles' *The Magnificent Ambersons*. This marks a significant advancement in AI's role in Hollywood, moving beyond production support to potentially overhauling content creation. Showrunner's CEO envisions the platform as the "Netflix of AI," enabling users to interact with and create fan fiction versions of existing intellectual property. The initiative raises concerns about IP infringement and the use of copyrighted materials in training AI models, as well as broader risks related to privacy and data security in the entertainment industry.

Source: Hollywood Reporter



Carlo Lipson
Associate

AI **Litigation & Regulation**

LITIGATION

Warner Bros. Discovery files lawsuit against Midjourney alleging copyright infringement

Warner Bros. Discovery filed a lawsuit against Midjourney, a leading AI image generator, alleging copyright infringement for using its movies and TV shows to train AI systems and allowing users to create images and videos of iconic copyrighted characters. The complaint, filed in the Central District of California, claims Midjourney is building its business on the unauthorized use of Warner Bros. Discovery's intellectual property, thus threatening the creative process and investments of the studio and its partners.

Source: Hollywood Reporter

Attorneys General urge OpenAI to strengthen ChatGPT safety measures

California Attorney General Rob Bonta and Delaware Attorney General Kathy Jennings sent an open letter to OpenAI expressing concerns about the safety of ChatGPT, especially for children and teens, following reports of inappropriate interactions and tragic incidents involving AI chatbots. The letter highlights the inadequacy of current safeguards and calls for stronger safety measures in AI product development and deployment. The attorneys general are also investigating OpenAI's proposed restructuring into a for-profit entity to ensure its safe AI deployment nonprofit mission remains intact.

Source: Tech Crunch

Authors sue Apple over alleged AI copyright infringement

Apple faces a proposed class action lawsuit from authors who accuse the company of using pirated copyrighted books to train its AI models without consent. The authors claim Apple's AI—including its OpenELM and Foundation Language Models—was trained on datasets that contain unauthorized copies of their works. The authors argue this infringes on their copyrights, threatens their income and dilutes the market with AI-generated content that mimics human writing. The suit seeks damages and a court order to stop Apple's alleged infringement.

Source: Law 360 (sub. req.)

Anthropic to pay \$1.5B settling pirated books lawsuit

Anthropic will pay at least \$1.5 billion to settle a class action lawsuit brought by authors accusing the company of copyright infringement and alleging that Anthropic used pirated books to train its AI models, including its Claude chatbot. In the Northern District of California, Judge William Alsup ruled that training AI models with books—whether purchased or pirated—was transformative enough to qualify as “fair use,” yet he nonetheless denied Anthropic's request for blanket protection, instead stating that downloading millions of pirated books to build a permanent digital library was not justified under fair use. After initially declining to approve the settlement earlier this month, Judge Alsup ultimately preliminarily approved the landmark settlement.

Source: Business Times

continued on next page

AI **Litigation & Regulation**

Judge orders OpenAI to release key documents in Musk lawsuit

A federal judge in the Northern District of California ruled that OpenAI and Microsoft must hand over internal planning documents in Elon Musk's lawsuit challenging OpenAI's shift to a for-profit model. The court rejected claims that the documents were protected under "business strategy privilege," stating the privilege only applies to active negotiations, rather than past rejected offers like Musk's \$97.4 billion bid. The judge emphasized fairness in discovery, noting that denying Musk access to documents related to the very transaction he seeks to block would be unjust. Musk alleges OpenAI violated its founding nonprofit mission and misled investors, including himself. OpenAI and Microsoft deny wrongdoing and have filed counterclaims.

Source: Law 360 (sub. req.)

Judge narrows copyright case against Google AI models

A federal judge ruled that artists and writers can pursue copyright infringement claims against six of Google's AI models—PaLM, GLaM, LaMDA, Bard, Gemini and Imagen—while dismissing claims against 10 others due to lack of specific allegations. The court also removed Alphabet from the case, stating it cannot be held vicariously liable for Google's actions based solely on its parent-subsidiary relationship. Requests for injunctive relief were allowed to proceed, given the potential for future harm.

Source: Law 360 (sub. req.)

Penske sues Google over AI search summaries impacting publisher traffic

Google is facing a lawsuit from Penske Media Corporation, which alleges that Google's AI-generated search result overviews and summaries have harmed publisher traffic by reducing user clickthroughs to original articles. Penske claims that Google's AI Overview panel displays summaries of articles at the top of search results, discouraging users from visiting publisher sites and impacting their ability to monetize content. The lawsuit further asserts that Google leverages its search monopoly to require publishers to grant permission for content use in AI summaries as a condition for being indexed, leaving them little choice if they wish to appear in search results.

Source: Gizmodo

continued on next page

AI **Litigation & Regulation**

REGULATION

Montana's AI dilemma: Robocalls, regulation and the rise of ChatGPT in government

In Montana, a recent incident involving political robocalls targeting Representative Llew Jones highlighted the state's current limitations in regulating AI-generated communications. When Jones requested a review of the robocalls, the Montana Commissioner of Political Practices (COPP) responded with an opinion authored by ChatGPT, advising that no action could be taken under existing state law. The COPP's response underscores the growing use of AI in official state processes and demonstrates the challenges that states face in addressing privacy, data protection and AI/ML-related issues in the absence of comprehensive federal legislation. This illustrates how the patchwork of state laws leaves gaps in oversight and enforcement, particularly as AI tools are increasingly used in both political campaigning and government decision-making.

Source: Montana Free Press

Cherokee Nation sets landmark AI policy with cultural safeguards

The Cherokee Nation established comprehensive AI guidelines, making it one of the first tribes to do so. Signed on August 21, 2025, the policy aims to protect Cherokee language and culture by setting responsible AI use standards across tribal government and business operations, while also embracing AI. It allows AI for tasks such as summarizing public information, brainstorming, drafting communications, and developing code, but prohibits AI use without quality review and mandates input from Cherokee language fluent speakers for any language-related applications.

Source: Tribal Business News

California city deploys agentic AI for permit processing

The city of Lancaster, California, is implementing an AI-powered permitting platform from Labrynth, making it one of the first U.S. municipalities to use agentic AI workflows for automating and optimizing permit application screening. The phased rollout will use autonomous software to validate permit requirements, flag missing components and guide applicants. The intent is to fast-track approvals, improve transparency and reduce bottlenecks in development, zoning and licensing processes. The deployment in Lancaster may raise future considerations regarding data protection and privacy under the assortment of state laws, especially as agentic AI systems handle sensitive applicant information.

Source: StateScoop

North Carolina launches AI governance framework

North Carolina Governor Josh Stein signed an executive order establishing a statewide AI framework that seeks to boost economic growth and efficiency, while ensuring responsible AI adoption. The order creates an AI leadership council, an AI accelerator within the Department of Information Technology, and oversight teams in each state agency. The council will advise on government AI use, develop training programs, and promote AI literacy and fraud prevention. North Carolina joins other states in developing their own AI rules and strategies—including Rhode Island, Virginia and Washington—reflecting the growing collection of state-level AI and data protection frameworks.

Source: State Scoop

continued on next page

AI **Litigation & Regulation**

FTC launches probe into AI chatbot privacy, safety risks amid growing concerns

The FTC will study the privacy harms and other risks associated with AI-powered chatbots. The study will examine how these services store and share user data, as well as the potential dangers users—especially children—may face when interacting with chatbots. The move comes amid growing scrutiny of whether chatbot developers are adequately ensuring user safety and preventing harmful behavior. The FTC's initiative aligns with broader government efforts to prioritize user safety in the rapidly evolving AI landscape, as highlighted by a White House statement emphasizing the importance of technological advancement without compromising public well-being.

Source: Insurance Journal

EU opens consultation for AI transparency guidelines

The European Commission initiated a public consultation to develop guidelines and a Code of Practice for AI transparency under Article 50 of the AI Act. The focus is on establishing clear standards for detecting and labeling AI-generated content, particularly for providers and deployers of GenAI systems. The consultation seeks input from stakeholders and outlines four categories of transparency obligations, including requiring providers of interactive AI systems to inform users when interacting with AI. This process directly impacts big tech companies operating in the EU as it aims to enhance transparency, accountability and data security in AI systems.

Source: PPC Land

Utah enacts law regulating AI use in mental health

Utah enacted a law regulating the use of AI for mental health purposes, reflecting a growing trend among U.S. states to address AI's role in therapeutic settings. The law is noted for its balanced approach, aiming to ensure prudent use of AI while preventing inappropriate applications in mental health guidance. This development is part of a broader pattern of state-level legislation, with similar laws recently passed in Illinois and Nevada.

Source: Forbes

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



Steven M. Selna

Partner

sselna@beneschlaw.com

T: 628.600.2261



Carlo Lipson

Associate

clipson@beneschlaw.com

T: 628.600.2247

continued on next page

Benesch
AI Insights

When AI Claims Cross the Legal Line: Why Legal Teams Must Treat AI Disclosures Like High-Stakes Compliance



Askam A. Rawoof
Partner

Benesch partner Aslam A. Rawoof and coauthor Madison Rallis highlight the increasing legal risks businesses face when disclosing their use of AI technology, particularly as regulatory scrutiny intensifies under the SEC and DOJ. Using the Saniger case as a cautionary example, the article further explains how misrepresenting AI capabilities—known as “AI washing”—can lead to both civil and criminal charges, with recent enforcement actions signaling a new era of accountability. Despite changes in political leadership, the regulatory focus on AI remains strong, and legal teams must ensure that all AI-related disclosures are accurate, clearly defined and tailored to the business, and avoid exaggeration and boilerplate language. The article provides practical guidance for crafting compliant AI disclosures, including the importance of materiality, transparency and robust internal oversight to mitigate legal exposure in this rapidly evolving landscape.

Source: Corporate Governance Advisor

UPCOMING EVENTS

SAFELY USING AI TO ENHANCE B2B MARKETING STRATEGIES & BUSINESS RESULTS

Transportation Marketing & Sales Association—2025 Executive Summit

October 22-23, 2025 | Chicago, IL



Kris Chandler
Chair, AI Commission

TMSA's Executive Summit is the premier gathering of sales and marketing leaders in the supply chain space this fall. Over an intensive day and a half, you'll engage with the industry's most innovative minds and successful growth strategists. In Kris's interactive session, attendees will discover how to effectively leverage AI to enhance their B2B marketing strategies while gaining insight into the current and future impact of AI on the industry. Participants will explore real-world applications, ethical considerations and practical strategies to integrate AI into their organizations with confidence and purpose.

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