

# AI REPORTER

*A Publication of Benesch's AI Commission*

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**Steven M. Selna**  
Partner

## *AI* **Update**

The FDA began integration of generative AI across all its centers, a project that should be completed by the end of June. Newly appointed chief AI officer, Jeremy Walsh, and Office of Strategic Programs at CDER, Sridhar Mantha, intend to accelerate the review for new therapies. Walsh also began talks with OpenAI about developing a ChatGPT offshoot for the FDA. AI integration aligns with President Trump's push to position the U.S. as an AI hub with development of the multi-billion-dollar Stargate Project.

On the litigation front, a D.C. circuit court held that copyright protections only apply to works created by humans, stating the term "author" has consistently been defined as human. This comes as a win in the arts industry as artists continue to fight for federal protection, while generative AI models consistently become more proficient in creating art.

As to state regulatory efforts, while California rolled back its AI privacy rules to be more cost-efficient for businesses, Arizona limited AI from being used by health insurance companies, prioritizing the public over the organizations. AI's use by such companies has led to an increase in claim denials that have appeared to be unsupported by proper reasoning. Arizona lawmakers are seeking to reduce AI's involvement in the process.

These and other stories appear below.



**Sydney E. Allen**  
Associate

## *AI* in Business

### **Zocdoc launches voice AI agent to streamline phone bookings**

The Zo AI agent is designed to eliminate wait times for patients and providers by handling an unlimited number of scheduling calls 24/7, thus allowing call centers and practice staff to focus on inquiries requiring human interaction. The tool offers a pay-per-appointment model with no upfront fees, making it a cost-effective solution for healthcare providers.

**Source: Fierce Healthcare**

### **TransGlobal Assets acquires controlling stake in Incued**

The acquisition will see TransGlobal leverage AI-driven tools to modernize private market intelligence and capital allocation. The platform will enhance investor relations, risk assessment, and predictive analytics through AI systems, offering advanced capabilities like conversational AI interfaces and automated due diligence. Financial details of the transaction were not disclosed.

**Source: Trans Global Assets**

### **IBM, Box AI collaborate on real-time anomaly detection**

The collaboration enables financial firms to extract patterns from transaction data for real-time anomaly detection while ensuring compliance. IBM's enterprise AI studio, watsonx.ai, offers AI models-including IBM's Granite and Meta's Llama models-for customization by Box AI users.

**Source: American Banker**

### **Google faces safety challenges with Gemini 2.5 AI model**

The recent model showed regressed safety guideline metrics compared to its predecessor, Gemini 2.0 Flash, including a 4.1% drop in text-to-text safety and a 9.6% drop in image-to-text safety. Google acknowledged the surprising decline in safety performance regarding these benchmarks, which arises as AI companies like Google, Meta, and OpenAI aim to ensure compliance and make their models more flexible and less likely to refuse to respond to controversial or sensitive subjects.

**Source: Tech Crunch**

### **Governor Newsom unveils AI tool to speed up building permits in LA**

Governor Gavin Newsom announced a new AI tool to expedite the building permit approval process in Los Angeles County. Developed by Archistar, the AI-powered e-check software uses computer vision, machine learning, and automation to assess building designs against local zoning and building codes. The tool is expected to reduce delays and expedite the review process, helping communities rebuild after the Eaton and Palisades wildfires.

**Source: StateScoop**

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## *AI* in Business

### OpenAI reaffirms nonprofit control amid legal, public scrutiny

The move follows legal pressure from Elon Musk's lawsuit and discussions with California and Delaware attorney general. OpenAI will restructure its for-profit arm into a public benefit corporation—still overseen by the nonprofit—and aim to balance mission and shareholder interests. CEO Sam Altman emphasized OpenAI's commitment to democratizing artificial general intelligence and ensuring alignment with the nonprofit's founding mission.

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

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### FDA launches aggressive AI integration across all centers

The FDA completed its first pilot using GenAI to assist scientific reviewers, significantly accelerating the review process for new therapies. The pilot demonstrated that tasks previously taking days could now be completed in minutes, freeing scientists from repetitive administrative work. Following this success, the FDA Commissioner announced an agency-wide rollout of AI tools, aiming for full integration across all FDA centers by June 30, 2025. The rollout emphasizes speed, usability, and strict compliance with FDA policies, with ongoing improvements planned based on user feedback and evolving requirements.

**Source: FDA**

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### FDA to deploy GenAI across all centers by June

The FDA is integrating generative AI across all its centers by the end of June to enhance the efficiency of scientific reviews and reduce non-productive tasks. The initiative—led by the FDA's newly appointed chief AI officer and its director of the Office of Strategic Programs—looks to accelerate the review process for new therapies and expand AI applications to meet specific needs. The integration will involve a secure GenAI system connected to the FDA's internal data platforms.

**Source: Fierce Biotech**

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**Carlo Lipson**  
Associate

## AI Litigation & Regulation

### LITIGATION

#### Judge allows key claims in Musk's lawsuit against OpenAI, Microsoft to proceed

While the court dismissed some allegations, including breach of contract, false advertising, and RICO violations, it upheld Musk's claims of implied-in-fact contract, unjust enrichment, constructive fraud, and breach of fiduciary duty. Musk alleges OpenAI and its CEO misled him and other investors by promising to keep the company nonprofit, only to later transition it into a for-profit venture. Musk also accused Microsoft of encouraging this shift and attempting to suppress AI competition.

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

#### California bar sues vendor over exam issues

The lawsuit alleges that ProctorU, the vendor responsible for the problematic February launch of the state's remote and hybrid bar exam, committed fraud and made false promises, in addition to claims of negligent misrepresentation and breach of contract. The lawsuit, filed in Los Angeles Superior Court, claims Measure Learning's systems failed to meet the needs of up to 25,000 test-takers as promised. The California Senate Judiciary Committee voted to conduct an audit to investigate the exam's administration issues.

**Source: ABA**

#### SEC closes Upstart AI disclosure probe

The SEC probe, initiated by a November 2023 subpoena, focused on the company's disclosures about its AI models. Upstart, which automates over 90% of its personal loan approvals, stated it fully cooperated with the inquiry. Despite the SEC's closure of the case in March 2025, Upstart still faces ongoing shareholder lawsuits alleging it misrepresented the capabilities of its AI technology. These suits remain in early stages across multiple jurisdictions.

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

#### D.C. Circuit upholds human authorship requirement for copyright

The D.C. Circuit reaffirmed that copyright protection applies only to works created by humans, rejecting Stephen Thaler's attempt to secure copyright for an artwork generated by his AI system, the Creativity Machine. Thaler argued the Copyright Act does not explicitly require human authorship, but the court maintained that the term "author" has consistently been interpreted to mean a human. Thaler's requests for both a panel rehearing and a full en banc review were denied.

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

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

### **AI-powered finance app accused of predatory lending to U.S. service members**

Cleo is facing a proposed class action for allegedly violating the Military Lending Act by issuing high-interest loans to active-duty service members. U.S. Army Staff Sergeant Terrance Moss claims Cleo charged him exorbitant fees under the guise of “no interest” loans, with effective annual percentage rates reaching up to 652%. The complaint further argues that Cleo’s practices resemble payday lending by targeting financially vulnerable users with short-term, high-cost loans. Moss also alleges the company failed to verify military status or provide required disclosures and protections under the law. The lawsuit seeks accountability for what it describes as systematic exploitation of service members through deceptive and unlawful lending practices.

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

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### **REGULATION**

#### **NSF seeking public comments on AI development plan**

The 2025 National Artificial Intelligence Research and Development Strategic Plan emphasizes defining the federal government’s role in AI R&D over the next three to five years, focusing on areas where private sector investment is lacking. The request for information seeks input from AI researchers, industry leaders, and stakeholders on R&D priorities, including AI algorithms, architectures, and next-generation AI hardware.

**Source: R&D World**

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### **Colorado leaders seek delay in AI law implementation**

Colorado state leaders, including the governor and attorney general, are requesting a delay in the implementation of the state’s groundbreaking AI law until January 2027, in order to develop a framework that balances privacy and innovation. The law affects companies with over 50 employees using software for decision-making, impacting both tech companies and businesses in other industries.

**Source: CBS News**

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### **AI leaders urge senators to speed AI power supply to boost government data access**

Microsoft and other AI leaders are urging U.S. lawmakers to streamline federal permitting for AI energy needs and to open more government data sets for AI training. Microsoft President Brad Smith highlighted the outdated infrastructure unable to meet AI-driven electricity demands, while OpenAI CEO Sam Altman emphasized the need for more chips, training data, energy, and supercomputers as AI systems improve. CoreWeave CEO Michael Intrator also noted that AI computation demands could increase data centers’ electricity consumption to 12% by 2028.

**Source: Reuters**

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

### Arizona passes bill to curb AI-driven health insurance denials, mandates human oversight

State lawmakers passed a bill that requires medical directors to review denials individually, thus limiting health insurance companies from using AI to deny claims. Many physicians note that the rise in claim denials frequently bear the hallmarks of AI, as the denials often appear nonsensical and incorrect. This legislation is supported by the Arizona Medical Association and seeks to address the increasing use of AI by insurance companies in decision-making.

**Source: KJZZ**

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### California eyes AI limits in hiring to protect civil rights

The California Civil Rights Department is considering regulations limiting employers' use of AI and automated decision-making systems in employment decisions, such as recruitment and promotion. If adopted, these regulations would ensure that AI use does not violate existing anti-discrimination laws, like the Fair Employment and Housing Act. The regulations define AI broadly and include machine learning systems that generate outputs from data analysis.

**Source: Monterey Herald**

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### California scales back AI privacy rules amid economic concerns

The California Privacy Protection Agency scaled back its proposed regulations on AI and computer automation following cost and innovation concerns from business groups, lawmakers, and Governor Gavin Newsom. The revised rules significantly reduce compliance costs for businesses, with an estimated drop from \$834 million to \$143 million in the first year. This decision highlights the ongoing debate over the agency's role, which was established following state privacy legislation in 2018 and 2020.

**Source: Governing**

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### New York expands Empire AI

Governor Kathy Hochul signed new legislation in New York to expand Empire AI, invest in AI research, and establish safeguards for AI companion systems. The legislation includes \$90 million in funding to enhance Empire AI—a first-of-its-kind independent consortium—and support SUNY researchers, including by adding new members like the University of Rochester and the Icahn School of Medicine at Mount Sinai. These initiatives are intended to position New York as a leader in AI innovation and accountability, while also modernizing laws to protect children from AI-generated abuse material.

**Source: Governor of New York**

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Benesch  
*AI* Insights

**Kristopher Chandler Publishes Article in Columbus Bar Lawyers Quarterly—  
AI Governance Practical Advice for Companies Developing and Implementing AI  
Use Policies**

This edition of the Columbus Bar Lawyers Quarterly explores the intersection of the law with artificial intelligence and other emerging technologies, as well as articles about e-filing in probate court, FMLA compliance, optimizing your mental health through nutrition, and more. Kris's article, *AI Governance—Practical Advice for Companies in Developing and Implementing AI Use Policies*, talks about “Crafting an AI Governance policy best suited for your business requires careful consideration of the types of AI, how AI will be used, current and future legislation, and a group of individuals specifically designated to oversee implementation of AI.”



**Kris Chandler**  
Chair, AI Commission  
Source: Issuu

**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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