Benesch

AI REPORTER

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In This Issue

AI Update

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The use of AI in banking was a topic in April, as Bank of America revealed it will spend $4 billion on AI initiatives in the coming year. The bank cited AI's usefulness in reducing IT support calls and the over 90% usage rates for its internal AI assistant. Wells Fargo's AI assistant is also seeing increased use, with the bank revealing the Fargo AI system handled 245.5 million interactions in 2024. AI is continuing to transform the banking sector by improving efficiency while also protecting highly sensitive data.

On the litigation front, the plot thickens in the ongoing saga of Elon Musk vs. OpenAI. The AI pioneer filed a countersuit against Musk, alleging his legal antics were part of a harassment campaign to gain a competitive advantage for his competing xAI company. Elsewhere, Microsoft and OpenAI suffered a setback when a U.S. district court judge upheld direct and contributory copyright infringement claims against both companies in the copyright infringement lawsuit brought by the New York Times.

In regulatory news, two democratic senators are seeking information from Google and Microsoft about their cloud computing partnerships with AI companies, expressing concern that those relationships could hinder competition in the AI industry. In the House, a bipartisan group of lawmakers reintroduced the NO FAKES Act, a bill sponsored by both the entertainment and tech industries, that seeks to protect creators and vulnerable individuals from online harms while maintaining free speech protections.

These and other stories appear below.

AI in Business

Sydney E. Allen
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AI investments dominate venture capital in Q1

The U.S. market is split between a few firms raising large sums and others struggling through a capital shortage. In Q1 2025, AI startups attracted 71% of U.S. venture capital, totaling $65 billion out of the $91.5 billion raised. Even excluding OpenAI's $40 billion funding round, artificial intelligence still secured 48.5% of investments.

Source: Law 360 (sub. req.)

Federal Reserve urges for embracing GenAI in banking

Federal Reserve Governor Michael Barr emphasized the need for banking regulators to explore GenAI to better understand its implications for banks. At a San Francisco conference, Barr highlighted the transformative potential of the technology, offering several recommendations and urging regulators to stay informed. He noted that while banks are cautious due to regulatory constraints, fintech firms could drive AI adoption and accelerate banks' integration of GenAI or lead to partnerships. Barr also advised banks to carefully manage privacy and security risks when collaborating with fintechs and urged developers to address biases in AI models.

Source: Law 360 (sub. req.)

Metro Bank, Ask Silver partner on AI scam detector via WhatsApp

The AI detector allows customers to send screenshots of suspicious emails, websites, or letters to the "Metro Bank Scam Checker," which uses AI to assess and report fraudulent activity to authorities. The tool aims to enhance customer security and reduce fraud, as over £1 billion was lost to scams in the U.K. in 2023. Additionally, Lloyds Bank secured a cybersecurity patent to minimize false positive alerts, further emphasizing the importance of AI's role in protecting financial transactions.

Source: Tech Informed

Bank of America to spend $4 Billion on AI initiatives in 2025

Bank of America's AI-powered virtual assistant has enhanced efficiency in development, training, customer service, and client engagement. The bank saw significant gains from its AI tools used by more than 90% of its employees, such as reducing IT support calls by over 50%. Further, the bank's developers using a GenAI-based coding assistant experienced a 20% efficiency gain, and employees saved significant time preparing materials for business client meetings.

Source: PYMNTS

AI in Business

Wells Fargo's AI assistant crosses 245M interactions without exposing data

The Wells Fargo AI system, Fargo, handled 245.4 million interactions in 2024 without exposing sensitive customer data. Fargo assists customers with banking needs like bill payments and fund transfers through a privacy-first pipeline. The system transcribes speech locally, scrubs and tokenizes text for personally identifiable information detection, and uses Google's Flash 2.0 model to extract user intent, ensuring no sensitive data reaches the model.

Source: Venture Beat

Instagram using AI to ID teenagers posing as adults

Meta, Instagram's parent company, is utilizing AI to identify accounts operated by individuals under 18 to reduce underage use. This AI-driven approach aims to enroll teenagers in "Teen Accounts," providing parents with stricter content moderation. Meta enrolled 54 million teenagers in these accounts, with 90% of parents finding it beneficial. The company emphasizes the accuracy of its technology and offers users the option to change settings if misidentified. Meta also suggests that app store companies like Google and Apple-and not social media companies-should be responsible for age verification.

Source: Washington Examiner

AI **Litigation & Regulation**

Carlo Lipson
Associate

LITIGATION

NY Times challenges OpenAI's deposition limits

The New York Times asked a federal judge to mandate OpenAI president Greg Brockman to undergo a standard deposition in ongoing copyright lawsuits. The Times and other news company plaintiffs insist that Brockman should sit for 12 hours like other OpenAI witnesses, and should not be considered an "apex" witness, which would limit his deposition time. Conversely, OpenAI proposed that Brockman be deposed for eight hours in one day, covering multiple lawsuits. The parties also dispute whether OpenAI CEO Sam Altman qualifies as an apex witness.

Source: Law 360 (sub. req.)

AI avatar attempts to argue in New York Court

In a groundbreaking yet controversial event, an AI avatar attempted to present a legal argument before a New York appeals court. The AI, designed to simulate a human lawyer, was quickly identified by the judges as lacking a law degree and not being a real person. This incident highlights the growing integration of AI in the legal field, raising questions about the ethical and practical implications of AI in courtrooms.

Source: Associated Press

Court rules on Microsoft, OpenAI copyright claims

A U.S. District Judge upheld direct and contributory copyright infringement claims against Microsoft and OpenAI, brought by The New York Times Co., the Center for Investigative Reporting Inc. (CIR), and regional newspapers owned by Alden Global Capital, including the New York Daily News. Judge Stein dismissed claims under the Digital Millennium Copyright Act (DMCA), citing deficiencies in the news organizations' arguments. Specifically, the judge held that claims against Microsoft under the DMCA's copyright management information provision were insufficient, while the CIR and Daily News claims against OpenAI were valid. The judge also rejected OpenAI's time-barred defense and allowed contributory infringement claims to proceed. Trademark dilution claims by the Daily News also survived.

Source: Law 360 (sub. req.)

Perplexity AI countersues over TM dispute

Perplexity AI's counterclaims allege Perplexity Solved Solutions' trademark registration was obtained fraudulently by submitting a sham specimen to the U.S. Patent and Trademark Office. The countersuit claims Perplexity Solved Solutions did not have a legitimate business or genuine offerings at the time of the trademark application and used a fake website to secure the registration. In its January complaint, Perplexity Solved Solutions asserted that Perplexity AI's use of the trademark caused consumer confusion. Despite requests to cease usage, Perplexity AI continues to use the trademark, leading to the ongoing legal battle.

Source: Law 360 (sub. req.)

AI **Litigation & Regulation**

AI copyright dispute heads to Third Circuit

The Third Circuit will address a dispute over using copyrighted material to train AI systems, following a Delaware federal court's approval of ROSS Intelligence's interlocutory appeal. U.S. Circuit Judge Stephanos Bibas certified two questions: the originality of Thomson Reuters' Westlaw headnotes and number system, and whether ROSS' use of the headnotes was fair use. Judge Bibas also upheld his February ruling favoring Thomson Reuters on copyright infringement and fair use, but acknowledged differing opinions on key legal issues. Thomson Reuters opposes the appeal, emphasizing the importance of copyright in AI development.

Source: Law 360 (sub. req.)

OpenAI countersues Elon Musk over alleged harassment campaign

The countersuit accuses Musk of attempting to disrupt OpenAI's operations and undermine its success. OpenAI claims Musk's legal actions and a recent bid for its assets are part of a long-term effort to harm the company. Musk, who co-founded OpenAI in 2015, is alleged to be trying to gain a competitive advantage for his own AI company, xAI. The countersuit follows a judge's denial of Musk's request to stop OpenAI from converting into a for-profit entity. OpenAI seeks to prevent Musk from further interference and hold him accountable for damages.

Source: Law 360 (sub. req.)

Judge strikes class definition in Google copyright case

A California federal judge struck down the plaintiffs' proposed class definition in a consolidated lawsuit by artists and authors against Google for copyright infringement. In claiming that Google used their copyrighted works to train AI models without permission, the plaintiffs proposed a new class definition based on ownership of copyrighted works. Judge Eumi K. Lee provided the plaintiffs with 14 days to amend the class definition, ruling that the proposed class definition improperly tied membership to the merits of each claim, making it a "fail-safe" class. The lawsuit, originally filed in 2023 and amended most recently in June 2024, alleges Google's AI tools infringed on copyrighted works and seeks damages, destruction of infringing copies, and other relief.

Source: Law 360 (sub. req.)

AI **Litigation & Regulation**

REGULATION

AI regulation debate: Balancing innovation, oversight

Lawmakers on the House Judiciary Committee debated how antitrust regulators should approach the AI industry, with industry executives describing a competitive AI sector with disruptive startups not needing additional enforcement. Republicans and industry advocates warned heavy-handed enforcement could hinder America's leadership and innovation in AI, with Republicans praising America's lax regulatory regime for fostering global AI leaders. Conversely, Democrats questioned the shift from AI leaders previously seeking more governmental oversight and argued for more balanced regulation, highlighting threats to workers and data privacy. Other points of discussion included real-world scenarios where AI practices may violate antitrust and privacy laws, and concerns about job losses and intellectual property exploitation.

Source: Law 360 (sub. req.)

Senators demand safety practices from AI companion companies amid Character.AI Lawsuits

Following lawsuits against chatbot startup Character.AI, Senators Alex Padilla (D-California) and Peter Welch (D-Vermont.) sent a letter to AI companion companies requesting information about their safety practices. In light of the lawsuits accusing Character.AI of facilitating the abuse of minors, the senators' letter highlights concerns for minors' safety and demands details on internal safety assessments and guardrail implementations.

Source: CNN

U.K. urged to form AI crime task force amid rising threats

The National Crime Agency will examine recommendations from the Alan Turing Institute following a report by the Centre for Emerging Technology and Security highlighting the U.K.'s lack of preparedness for AI-enabled crime. The report suggests forming a task force to tackle AI crime within five years, as criminals are advancing their use of AI faster than law enforcement can respond. The report emphasizes the need for law enforcement to integrate AI into their operations to combat sophisticated crimes like cybercrime and fraud, as demonstrated by recent incidents like the $25 million Deepfake CFO fraud. The report also warns of the increasing difficulty in detecting AI-driven crimes as technology evolves.

Source: Dig Watch

Senate investigates AI nonprofit over potential misuse of funds

U.S. Senate Commerce Committee Chairman Ted Cruz is questioning the Future of Privacy Forum (FPF) for using federal grants to promote AI regulations aligned with the Biden administration's agenda. FPF played a significant role in drafting the Texas Responsible AI Governance Act, which initially mirrored strict EU-style AI regulations. These regulations could increase compliance costs for businesses using AI and stifle innovation.

Source: U.S. Senate Committee on Commerce, Science & Transportation

AI **Litigation & Regulation**

Democratic senators investigating Google, Microsoft AI deals

U.S. Senators Elizabeth Warren (Mass.) and Ron Wyden (Ore.) requested information from Microsoft and Google regarding their cloud computing partnerships with AI companies, expressing concerns that these partnerships may hinder competition in the AI industry. The senators are particularly interested in the details of Google's partnership with AI startup Anthropic and Microsoft's collaboration with OpenAI, the creator of ChatGPT. They are seeking to understand the financial arrangements, exclusivity rights, and potential impacts on competition and pricing for AI tools.

Source: Reuters

OpenAI, Google reject UK government's AI copyright proposal

The UK government's proposal mandates transparency on the materials used and requires AI developers to use creators' content, unless rights holders opt-out. OpenAI argues that opt-out models are challenging to implement and that transparency obligations should not exceed those in other jurisdictions. Instead, OpenAI supports a text and data mining exception to use copyrighted material for training without permission, claiming it will boost AI innovation and investment in the U.K.

Source: Tech Republic

Lawmakers reintroduce NO FAKES Act to combat deepfakes

A bipartisan group of U.S. lawmakers reintroduced the NO FAKES Act, which would give individuals control over the use of their voice and visual likeness in AI-generated deepfakes. The bill, supported by both the entertainment and tech industries, seeks to protect against online harms while maintaining free speech protections. It introduces a "digital replication right" that is licensable but not assignable during a person's life, and valid after death under specific conditions. The bill also provides a cause of action against unauthorized deepfakes and includes safe harbor provisions for online service providers.

Source: Law 360 (sub. req.)

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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