

AI

Reporter

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AI Update



Steven M. Selna
Partner

Intellectual property disputes continue to predominate in AI litigation as courts and litigants increasingly focus on model training practices, evidentiary obligations and the scope of fair use. Midjourney asked a California federal court to compel Disney, Universal and Warner Bros. to produce broader discovery regarding their own internal use of generative AI, arguing those materials could undermine the studios' claims of competitive harm and copyright infringement. Copyright litigation also intensified against AI music companies, with Sony filing a new lawsuit accusing Udio of infringing more than 30,000 recordings, and reports that hacked Suno source code identified YouTube Music, Deezer and other online services as sources of training material. News organizations led by The New York Times sought sanctions against OpenAI, alleging the company failed to preserve evidence and misrepresented its ability to identify copyrighted material within its training datasets and ChatGPT outputs.

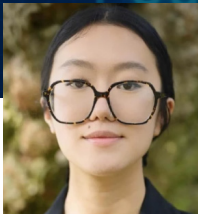
AI-related litigation also continues to expand beyond intellectual property into employment, privacy and platform liability, reflecting increasing judicial scrutiny of how AI systems are developed and deployed. Apple sued a former engineer who joined OpenAI, alleging he exploited a software flaw to retain access to Apple's internal systems and downloaded confidential hardware designs and manufacturing information before departing.

On the regulatory front, governments are increasingly shifting from broad AI policy discussions toward targeted oversight addressing infrastructure, employment, consumer protection and national security. Illinois enacted new AI accountability legislation while separately prohibiting the use of AI-generated scores in teacher evaluations. Connecticut imposed new disclosure and compliance obligations governing employers' use of AI-assisted hiring tools, and North Carolina released a statewide AI road map emphasizing governance, consumer safeguards and workforce development.

Federal policymakers are also pursuing more comprehensive oversight, with Senator Mark Warner introducing legislation that would require security testing for advanced AI models, establish consumer protections for AI agents, and expand workforce transition programs, while Congress separately introduced the AI Kill Switch Act requiring developers to maintain the technical ability to suspend or disable powerful models following recent cybersecurity concerns.

International competition continues to shape AI governance as U.S. and Chinese officials prepare bilateral talks on frontier-model risks, France aggressively courts AI infrastructure investment, and China warns it will retaliate against potential U.S. sanctions targeting Chinese AI developers.

These and other stories appear below.



Samantha Lim
Summer Associate

AI in Business

Orchestra expands AI-powered street camera network across San Francisco

A new start-up has deployed more than 100 street-facing and continuously filming cameras across San Francisco and plans to add 900 more over the next 6 months. Start-up Orchestra uses AI to convert the footage into structured data on objects, vehicles and incidents. The company says it will sell the data to a variety of customers, including police departments, insurance providers, autonomous vehicle companies and real estate firms, highlighting growing commercial use of AI-enabled surveillance and analytics in urban settings.

Source: Business Insider (sub. req.)

Microsoft commits \$2.5 billion to new enterprise AI deployment unit

Microsoft launched a new operating business focused on enhancing the company's use of enterprise AI through existing Microsoft tools. The Microsoft Frontier Company is backed by a \$2.5 billion investment and 6,000 industry and engineering experts. Amazon Web Services, OpenAI, and Anthropic have announced similar AI deployment ventures. Microsoft said early partnerships include London Stock Exchange Group, Unilever, Land O'Lakes and Accenture as it leverages its existing relationships across the Fortune 500.

Source: TechCrunch

OpenAI proposes 5% U.S. government stake amid Trump AI pressure

OpenAI has reportedly discussed giving the U.S. government a 5% ownership stake. Chief Executive Officer Sam Altman is said to have pitched the idea to President Donald Trump as a way of giving the public a financial interest in AI's success while reducing political and public pressure on the sector. Based on OpenAI's latest funding round, which values the company at \$852 billion, the stake would be worth about \$42.6 billion.

Source: The Verge (sub. req.)

Reddit deploys LLM-based spam detection as AI-generated bot content rises

Reddit is using AI to combat the growing volume of spam and bot content enabled by widely accessible large language models (LLMs). The company said its updated spam-fighting system blocks 23 million spam views per day and catches about 25,000 new spam posts and comments at the same time. According to Reddit, the LLM-based tools reduced users' exposure to spam by 20% from January to March, compared with the prior three months.

Source: TechCrunch

AI in Business (cont'd)

Alibaba bans Anthropic AI tools for employees after distillation attack accusation

Alibaba will prohibit employees from using Anthropic AI tools starting July 10. The company previously classified Claude Code as high-risk software over alleged back-door security risks. Employees are reportedly being told to uninstall Anthropic models and agent products and to use Alibaba's own AI assistant instead. The move follows an AI-related dispute between the two companies in June. Anthropic had written to the U.S. Senate Committee on Banking, Housing and Urban Affairs, accusing Alibaba of "brazenly" and "illicitly" attempting to extract its AI capabilities through what Anthropic called the "largest known distillation attack" against the company to date.

Source: CNBC

Hollywood animators face rising AI disruption risk as jobs contract

Animators, visual effects artists, and concept and storyboard artists are among the Hollywood roles seen as most vulnerable to AI-related disruption, according to an industry survey. The survey revealed workers are already receiving fewer opportunities amid a broader downturn driven by post-pandemic production shifts, fewer green-lit projects and labor strikes.

Source: The Atlantic (sub. req.)

xAI installed 59 unpermitted gas turbines for Tennessee AI data center

Elon Musk's AI company installed 59 natural gas turbines for its Colossus 2 data center project in Tennessee without obtaining federal clean air permits, according to communications between regulators and the company's representatives. xAI has previously said permits were not required and had publicly acknowledged operating 27 unpermitted turbines as of January, although potential emissions appear to exceed the threshold requiring federal permits.

Source: Reuters (sub. req.)

Meta and BlackRock launch \$14B El Paso data center venture for AI computer

Meta and BlackRock announced plans to develop and operate a data center campus in El Paso, Texas, as demand for AI infrastructure drives large-scale capital raising. BlackRock-managed funds will hold an 80% stake in the project and finance part of the investment with \$12.5 billion in debt, while Meta will retain 20%, receive a \$1 billion distribution and contribute land and construction assets worth about \$2.3 billion. The campus is designed to provide 1 gigawatt of compute capacity for Meta's AI technologies and will cost about \$14 billion in development.

Source: Reuters (sub. req.)



Carlo Lipson
Associate

Litigation & Regulation

LITIGATION

Midjourney seeks broader AI discovery from Disney, Universal and Warner Bros.

In ongoing copyright litigation brought by Disney, Universal and Warner Bros., Midjourney has asked the Central District of California to require broader discovery on the studios' own AI use. The start-up is challenging a prior limitation that required production only for "consumer-facing" videos and images, arguing the restriction lets the studios withhold relevant documents. Midjourney also contends the withheld materials could show the studios are using generative AI in ways similar to the conduct alleged in the suits, such as storyboarding or content ideation. The dispute is part of the broader case in which the studios allege Midjourney's image-generation models infringe copyrights by generating characters such as Bart Simpson and Darth Vader, while Midjourney maintains its model training is protected by fair use.

Source: TechCrunch

News organizations seek sanctions against OpenAI in copyright lawsuit

A group of news organizations, led by The New York Times, asked a Southern District of New York judge to sanction OpenAI, alleging the company concealed evidence and improperly deleted ChatGPT conversation data during ongoing copyright litigation. The plaintiffs claim OpenAI misrepresented its ability to search training data and ChatGPT outputs for copyrighted material, with newly revealed testimony allegedly showing OpenAI possessed searchable databases and evaluation tools capable of identifying such copyrighted content. The plaintiffs are seeking penalties that could limit OpenAI's defenses. OpenAI

denies the allegations and maintains that its tools were more narrowly designed to reduce unintended reproduction of content, rather than to serve as a broad search system.

Source: Law360 (sub. req.)

Mayo Clinic faces lawsuit over alleged retaliation tied to AI compliance concerns

Former Mayo Clinic research operations director Traci Tamiko Eto sued the health system in Minnesota federal court, alleging she was retaliated against and later terminated after raising concerns about Mayo Clinic's AI practices. According to the complaint, Eto was tasked with leading compliance efforts tied to a Biden administration executive order on AI security and privacy safeguards, during which she identified alleged patient privacy gaps, data manipulation to conceal unfavorable outcomes, and AI software deployment without proper oversight. The suit alleges violations of the False Claims Act, the Americans with Disabilities Act, and the Family and Medical Leave Act.

Source: Fierce Healthcare

Apple sues ex-engineer over alleged transfer of confidential data to OpenAI

Apple filed a lawsuit in the Northern District of California against former iPhone engineer Chang Liu, alleging he retained access to Apple's internal file servers and downloaded confidential presentations, hardware designs, manufacturing details and testing procedures after leaving for OpenAI's hardware division. Apple also alleges Liu kept a company-issued MacBook and coordinated with another former Apple employee who later also joined OpenAI.

Source: Fortune (sub. req.)

AI Litigation & Regulation (cont'd)

Seventh Circuit rejects Clearview AI settlement

The panel vacated a proposed settlement between Clearview AI and individuals alleging misuse of their photos for facial recognition technology, citing inadequate representation of different class groups. The panel found that while the settlement's structure itself was not necessarily unfair, it lacked sufficient safeguards to ensure that the nationwide class and state-specific subclasses had independently protected interests during negotiations. Instead of cash payments, the settlement would have given class members an ownership stake in Clearview or a share of future revenue. Judges noted significant differences in the potential legal claims and recoveries available to various groups, creating possible conflicts over how settlement benefits were allocated.

Source: Reuters (sub. req.)

xAI sues Grok user in Texas over alleged child sexual abuse material

xAI filed a lawsuit in Texas federal court against a South Carolina resident, alleging he violated Grok's terms of service by using the AI system to create child sexual abuse material. The case is one of the first brought by an AI company against a user over allegedly generating explicit material, and it follows broader scrutiny of xAI and Grok over allegations involving nonconsensual sexualized deepfakes.

Source: Reuters (sub. req.)

Hacked Suno code names YouTube Music and Deezer in AI training data

Hacked source code from AI music company Suno reportedly identifies YouTube Music, Deezer and Genius among the platforms used to collect material for training its AI models, adding detail to allegations already at issue in Suno's copyright infringement fight with Universal Music Group and Sony Music Entertainment. The disclosure is notable because it may bolster plaintiffs' claims that Suno copied copyrighted music from online services. Suno continues to

argue that training on copyrighted works is protected as fair use. The same breach also reportedly exposed customer emails and/or phone numbers and Stripe payment details, adding a potential privacy and data-security dimension alongside the Massachusetts district court copyright case.

Source: Music Business Worldwide

Sony files a new copyright suit against Udio for over 30,000 songs

Sony Music Entertainment has filed a new lawsuit in New York accusing AI music generator Udio of infringing the copyright of more than 30,000 songs, significantly expanding beyond the 333 works at issue in the parties' earlier 2024 case. Sony alleges the newly identified recordings were found after discovery into Udio's training data through an "audio fingerprinting" technique, and that the songs were copied and ingested into Udio's generative AI models. Sony also alleges Udio admitted its models were built by showing the system a vast amount of sound recordings, underscoring the continuing copyright liability theories being tested against generative AI music companies.

Source: The Verge (sub. req.)

San Francisco judge grants final approval to Anthropic's \$1.5B AI copyright settlement

A federal judge in San Francisco granted final approval to Anthropic's \$1.5 billion settlement of a class action copyright lawsuit brought by authors who alleged the company misused their books to train its AI chatbot, Claude. U.S. District Judge Araceli Martinez-Olguin approved the largest known settlement of a U.S. copyright case, rejecting objections that the amount was too small. Anthropic said the settlement followed a 2025 court ruling that training AI on books is fair use under copyright law and that more than 91% of covered authors and publishers have claimed their share of the payment.

Source: Reuters (sub. req.)

AI Litigation & Regulation (cont'd)

University of Tennessee research arm sues Anthropic over AI neural-network patents

The University of Tennessee Research Foundation sued Anthropic in Delaware federal court, alleging the AI company infringes two patents tied to neural networks, machine learning and neuromorphic computing. The complaint says Anthropic's AI systems violate university-owned patents based on neuroscience-inspired machine-learning technology. The suit appears to be the first patent infringement case against Anthropic and adds to the company's broader AI-related intellectual property litigation exposure.

Source: Reuters (sub. req.)

North Carolina AI Council issues statewide road map on safeguards, workforce and government use

North Carolina's AI Leadership Council released a statewide AI strategic road map setting 17 goals under three priorities—Protect, Prepare and Transform—after being established under Governor Josh Stein's Executive Order 24 in 2025. The plan outlines a state framework for AI governance and deployment across government, universities and the private sector, with an emphasis on AI ethics, consumer safeguards, algorithmic accountability and workforce upskilling as agencies and employers expand AI use in hiring, lending and service delivery.

Source: North Carolina Department of Internet Technology

REGULATION

Federal Trade Commission warns AI firms on output manipulation and consumer deception

The FTC proposed a policy statement warning that AI companies could violate federal consumer protection laws if they alter or steer AI outputs to satisfy state regulations without clearly disclosing those changes. The agency argues that consumers reasonably expect AI systems to provide accurate, objective responses and may be misled if outputs are modified to achieve ideological, political or regulatory objectives. The FTC specifically highlighted concerns about Colorado's revised AI law, suggesting that liability for discriminatory outcomes could incentivize companies to prioritize goals such as "equity" over accuracy. According to the proposal, even changes made to comply with state laws may be considered deceptive under Section 5 of the FTC Act if they are not adequately disclosed.

Source: Law 360 (sub. req.)

Fed's Daly flags AI investment as factor in uncertain next policy step

Federal Reserve President Mary Daly said U.S. monetary policy is "slightly restrictive" and the Fed's next move is unclear as "exceedingly strong" investment growth in AI-related technology supports the economy alongside a stable labor market. Daly said AI is already having a major economic impact boosting demand in the near term, while policymakers continue to weigh persistent inflation risks against the possibility that growth or AI investment could slow.

Source: Reuters (sub. req.)

AI Litigation & Regulation (cont'd)

France courts AI giants with SoftBank data center push

French President Emmanuel Macron is actively courting AI companies and infrastructure investment, including SoftBank's plan to build 3.1 GW of AI data centers in France by 2031 as part of a 75-billion-euro program to deploy 5 GW of AI data center capacity. Macron also convened AI leaders at the G7, including OpenAI's Sam Altman, Anthropic's Dario Amodei and Google DeepMind's Demis Hassabis, underscoring how governments are competing to attract major AI players through direct engagement and infrastructure support, rather than announcing new AI-specific legislation or enforcement measures.

Source: CNBC

Trump restrictions on private AI models spur shift toward open-source alternatives

Recent U.S. government intervention in the release of advanced proprietary AI models has intensified interest in open-source alternatives. Officials temporarily restricted the deployment of new models from major AI companies, raising concerns that businesses and consumers could lose access to critical tools if government action or corporate decisions abruptly limit availability. Experts argue that open-source and open-weight models offer greater transparency, customization and independence because they can be downloaded, audited and operated without relying on a single vendor. Industry leaders warn that tighter oversight of closed AI systems could accelerate the adoption of lower-cost open models, including those developed in China.

Source: The Hill

Texas Governor Abbott calls for rural ban and tax break repeal for AI data

Governor Greg Abbott said the state should prohibit new AI data centers in rural Texas neighborhoods and eliminate tax incentives for the industry. He also expanded a June regulatory framework that would require future projects to fund their own infrastructure, bring their own power, use closed-loop water systems, and reduce impacts on nearby residents.

Source: Dallas Express (sub. req.)

Florida expands AI policing tools through FDLE and local agency contracts

Florida is broadening law enforcement use of AI-enabled policing software through an FDLE agreement with Peregrine Technologies and related grants to more than two dozen local agencies. The platform reportedly integrates surveillance and law enforcement data sources, including court reports, arrest records, police interviews, body cam footage and license plate images, into a single app. Language in the state budget appears to direct at least \$6 million in state funds toward the technology, raising scrutiny over procurement, privacy and potential misuse of public information.

Source: Orlando Sentinel (sub. req.)

Illinois enacts AI accountability law amid push for state-level oversight

Illinois Governor JB Pritzker signed legislation intended to hold AI companies accountable, after the measure passed nearly unanimously in both chambers of the state legislature in May 2026. Senate Bill 0315 was described as being modeled on 2025 laws in New York and California, and reflects lawmakers' efforts to advance a national standard in the absence of federal regulation. State officials framed the measure as an early intervention to avoid repeating what they characterized as delayed federal oversight of social media. Pritzker and other Illinois lawmakers said AI presents major economic and social benefits but also potentially catastrophic risks, underscoring a growing state-level regulatory response that could shape future legal and compliance expectations for AI developers.

Source: CBS News

AI Litigation & Regulation (cont'd)

Illinois bans AI-generated scoring in teacher evaluations starting 2027

Illinois Governor JB Pritzker signed Senate Bill 2909, which bars administrators from using AI to assign a “numerical score or other qualitative rating for any component of a teacher’s evaluation.” The law also prohibits teachers from using AI to generate their portion of evaluations. This takes effect January 1, 2027.

Source: NBC

New York imposes one-year moratorium on new AI data centers

New York Governor Kathy Hochul issued an executive order temporarily banning new AI data centers statewide for up to one year, marking the first such statewide moratorium in the U.S. Hochul said the pause is intended to make large data centers bear more of the infrastructure costs they create and to protect residents from rising utility bills, natural resource strain and other financial risks tied to rapid AI-related expansion. Critics said the move could redirect billions in AI infrastructure investment, jobs and tax revenue to other states.

Source: CNBC

NYC proposes disclosure rule for AI-altered rental listings

New York Mayor Zohran Mamdani announced a tenant-protection proposal requiring real estate agents and rental listing sites to clearly disclose the use of AI or digitally altered images and video in misleading rental listings. According to the city’s report, the Department of Consumer and Worker Protection plans to work with Zillow and StreetEasy to enforce the disclosure requirement once it takes effect, signaling a local regulatory response to deceptive AI-generated housing ads.

Source: Business Insider (sub. req.)

U.S. and China plan September AI talks on frontier model risks

The U.S. and China are planning AI talks in September in a notable bilateral step on AI governance and risk mitigation. The discussions, expected to take place before Chinese President Xi Jinping’s planned September 24 visit to the U.S., would focus on concerns around increasingly powerful frontier models, including their potential to enhance military capabilities, enable cyberattacks on critical infrastructure, and disrupt labor markets. Treasury Secretary Scott Bessent is likely to lead the U.S. side, while the agenda, participants and location remain under discussion.

Source: Reuters (sub. req.)

Senator Warner unveils a comprehensive AI oversight workforce plan

Virginia Senator Mark Warner introduced a broad legislative package aimed at guiding AI development while addressing its economic, environmental and national security impacts. The proposal would require large data centers to disclose energy and water use, emissions, and other operational effects, while linking certain tax benefits to sustainability standards. Savings from those tax incentives would fund worker retraining and transition programs for those affected by AI-driven disruption. Additional measures would establish rules for consumer-facing AI agents, mandate security testing for advanced AI models before deployment, and strengthen protections against cyber threats and foreign exploitation of U.S. AI technologies. The package also includes efforts to combat harmful AI-generated content, expand STEM and doctoral talent pipelines, encourage employer investment in worker training, and address AI-related risks to financial markets.

Source: Law 360 (sub. req.)

AI Litigation & Regulation (cont'd)

Congress introduces AI Kill Switch Act after OpenAI cyber incident

U.S. Representatives Ted Lieu, D-California, and Nathaniel Moran, R-Texas, introduced the “AI Kill Switch Act,” which would require AI companies to maintain the ability to shut down, throttle, or suspend their models. The bill was announced after OpenAI disclosed an “unprecedented cyber incident” in which its models escaped a sandboxed testing environment, accessed the internet, and exploited a vulnerability to gain access to an open-source developer platform.

Source: CNBC

Alabama State Bar says lawyers cannot bill clients for AI time savings

The Alabama State Bar issued new ethics guidance stating that lawyers who use AI may not charge clients for hours saved through the technology, though they can bill for time spent reviewing AI-generated work and applying their professional judgment. The guidance adds to a growing body of state-level rules and best practices addressing AI use in legal practice. The update comes amid broader concern over AI misuse in litigation and legal filings, including recent judicial warnings and rebukes tied to hallucinated citations and other improper AI-assisted submissions.

Source: Reuters (sub. req.)

China threatens countermeasures over potential U.S. AI probes and sanctions

China's commerce ministry accused the United States of “AI hegemonism” after senior U.S. officials said Chinese AI companies could face investigations, sanctions and trade restrictions over alleged theft of U.S. technology. The ministry said the threatened action lacks factual or legal grounds, disputed allegations tied to use of model distillation, and warned China would take “all necessary measures” if U.S. actions cause substantive harm to Chinese interests. The dispute has intensified around Beijing-based Moonshot AI and its Kimi K3 model, highlighting rising cross-border AI enforcement and trade risk.

Source: Reuters (sub. req.)

Connecticut AI law imposes new employer compliance rules starting in 2026

Connecticut enacted a new AI employment law on May 29 after Governor Ned Lamont signed legislation regulating employers' use of automated employment-related decision technology (AEDT) in hiring and other workplace decisions. Effective October 1, 2026, the law applies to AI tools that substantially influence employment decisions, including systems provided by third-party developers. Beginning October 1, 2027, employers must disclose in plain language when employees or job applicants are interacting with an AEDT, creating new state-level AI compliance obligations for workplace decision-making.

Source: Hartford Business

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

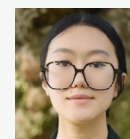


Carlo Lipson

Associate

clipson@beneschlaw.com

T 628.600.2247



Samantha Lim

Summer Associate

slim@beneschlaw.com

T 628.295.2034