

Developing a Corporate AI Policy

Managing Risk Through
Responsible Use and Best
Practices



Matt Kohel, Partner – Saul Ewing
(410) 332-8710
Matthew.kohel@saul.com



**Terri Doud, Managing Legal Counsel and
Vice President, Intellectual Property &
Commercial Contracts – T. Rowe Price**
(410) 577-5057
Terri.doud@troweprice.com

A New Paradigm



The Motley Fool

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Artificial Intelligence

...ing in elementary schools a lot

The next

TECHNOLOGY WORLD

Artificial Intelligence is Slowly Taking over the World and Humans Are Unaware of It

Management

AI is expected to take over many jobs which are performed by humans

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Artificial Intelligence

- 1950's – emergence of use of machines for reasoning, problem-solving, etc.
- Use of AI already widespread in everyday life:
 - Siri, Alexa
 - Search engines
 - Deepfakes
 - Google translate
 - Spyware
 - Self-driving cars
 - Strategic games
- Common corporate uses:
 - Fraud detection
 - Facial or voice recognition
 - Robotics
 - Process automation
 - Data management
 - Targeted advertising
 - Consumer behavior forecasting
 - Customer service (e.g., chatbots)

Terminology

- AI – “Intelligence” of machines or technology (as opposed to human intelligence)
- Generative AI (GenAI) – a subset of AI that can produce “new” content in a manner that mimics human output
- GPT – Generative Pretrained Transformer
- LLM - Large Language Model – Based on a “neural network” with millions or billions of parameters
- NLP/NLU – Natural Language Processing/ Understanding
- Hallucination – Generating fictitious data
- API – Application Programming Interface - a connection point between tools/resources
- Copilot – An AI “plug-in” for...everything

Generative AI

- Generative Pretrained Transformer
 - Looks for the next likely word in a series/phrase, using predictive analytics
 - ChatGPT (and similar tools) is optimized for fluency NOT accuracy
 - GenAI is best for repetitive language (not computational) tasks and phraseology
- What can you do with GenAI?
 - Create content (text, images, audio, video, code, etc.) that mimics human output
 - Classify content
 - Characterize content (sentiment, etc.)
 - Summarize
 - Paraphrase
 - Translate
 - Transcribe
 - Knowledge retrieval

GenAI Examples

- Examples of the GenAI Landscape
 - OpenAI - ChatGPT (3.5 & 4.0)
 - Meta (Facebook) LLAMA
 - Microsoft (Copilot and AI-Enhanced Bing/Edge)
 - Midjourney (images from text)
 - Jasper (Marketing)
 - Synthesis AI (Data/Image/Video Generation)

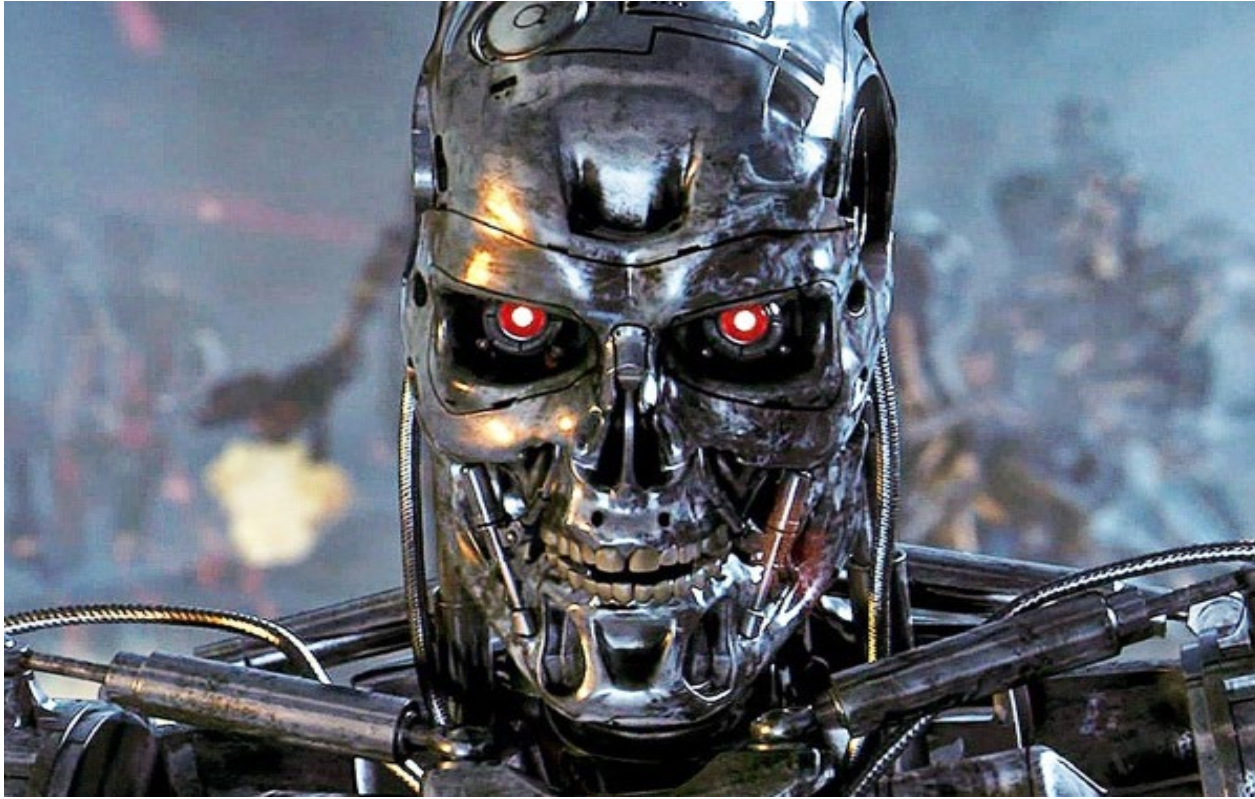
GenAI – Risk Analysis Framework

- Method of access to the GenAI tool (consider controls and impact of terms of use)
- Data used to train GenAI tool - the Internet, licensed data, your data
- Prompt guidelines – confidentiality, data loss prevention
- Intended output use cases – content development, decision-making, content consumption, knowledge retrieval, etc.
- Intended users – employees, suppliers/ contractors, contingent workers, your customers

GenAI Cases to Watch

- *Andersen, et al. v. Stability AI Ltd., et al.*
 - Copyright infringement from use of training data taken from the internet and output
- *P.M., et al. v. OpenAI LP, et al.*
 - Privacy violations and other torts arising from the use of OpenAI users' personal information, such as login credentials and payment information
- *Sarah Silverman, et al. v. Meta Platforms & Open AI*
 - Copyright infringement from use of books as training data
- *Perry v. Shein Distribution Corp.*
 - Copyright and TM infringement from use of AI to create art based on online trends

Who Are The AI Actors?



- Employees
- Third-party Suppliers of AI Products and Services
- Third-party Suppliers Who May Use Your Data
- Regulators

Developing a Corporate AI Policy

- Risk Management – be proactive, not reactive
- Govern when and how employees can use AI to perform their work
- Context specific – policy by design, tailored to your organization's needs
- Executive Level/C-Suite Buy-In
- Cross-functional with different stakeholder needs addressed (e.g., IT, HR, Legal, Sales & Marketing)

AI Policy Considerations

- A policy should be clear and easy for employees to understand and follow
- A policy should be transparent and explain the risk
 - Caveat – an organization that uses AI may not fully understand the risk (e.g., what's in the algorithms and training data)
- A policy should be realistic and reflect company culture and practice
- AI use requires employee monitoring, training, and awareness
- Responsible AI use involves developing and periodically measuring metrics

AI Audit

- Identify the AI already being used by your company
- Identify the users
 - Third-party licensed technology
 - Publicly-available websites
- Discuss the use cases
 - Is the AI tool being used the best tool for the work at hand?

Risk Management Considerations

- Identify the risks [by type of AI]
 - Risks to your organization
 - Business operations
 - Monetary losses
 - Security breaches
 - Reputational damage
 - Regulatory scrutiny
 - Litigation
 - Risks to people
 - Misuse of intellectual property
 - Misuse of sensitive, personal information
 - Conflicts of interest
 - Discrimination and violations of civil rights
 - Disclosure obligations
 - Broader Risks
 - ESG considerations

AI Policy Considerations

- AI Risk Management – “safety first” or just “do no harm”?
 - AI risks should not be considered in isolation
 - Integrated into an organization’s larger risk management strategy
 - How does your organization quantify and prioritize the risks?
 - e.g., tradeoffs between AI use for business operations versus privacy risks
 - Bias and discrimination
- Consideration of applicable laws and regulations
- Accountability Framework
 - Make clear that non-compliance may result in disciplinary action, including termination

AI – Establish Governing Principles

- When can your company use AI?
 - AI for automated decision-making
 - AI for generation of content to be used externally or internally
 - Intellectual property concerns
 - Quality control concerns
- How can you control for bias inherent in AI?
- Do you have requirements of user understanding of the underlying technology?
- Do you have data security concerns/obligations?
- Establish Recordkeeping/Retention guidelines
- Understand disclosure obligations
- Consider scope of required training

AI Policy Considerations (cont'd)

- WHO: AI User Scope
 - Who does the policy apply to?
 - All employees, contractors, and other third-parties that use AI on behalf of an organization and/or its data
- WHAT & HOW: Terms of AI Use
 - Which AI applications can be used?
 - Evaluation of AI tools before usage (e.g., security, terms of service, training data, producer use of output)
 - Permitted use cases
 - What are employees uploading and disclosing?
 - Quality control of output before use
 - Define responsible AI use
 - Compliance with laws and regulations
 - Security and confidentiality are key considerations
 - Respect for privacy and intellectual property rights

AI Policy Considerations (cont'd)

- Documentation of AI usage
 - Electronic record-keeping is important
 - Should not rely on employee disclosures
- AI Policies are “living documents”
 - Review and update regularly
 - Communicate changes throughout the organization

AI Policy Considerations (cont'd)

- Access and Security
 - Multi-factor authentication
 - Prior approvals process or post-usage reporting
 - Certification
 - Logging and auditing of AI use
 - Incident identification, reporting, and response
 - Incident management must be a high priority
 - Well-defined lines of communication
 - Response team of cross-functional experts
 - How to handle previously unidentified risks?

Thank you!



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