ACC-NYC
General Counsel Toolkit

AI Deconstructed – Understanding the IP Risks and Protections for AI Assisted Technology

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ACC Association of Corporate Counsel
NEW YORK CITY

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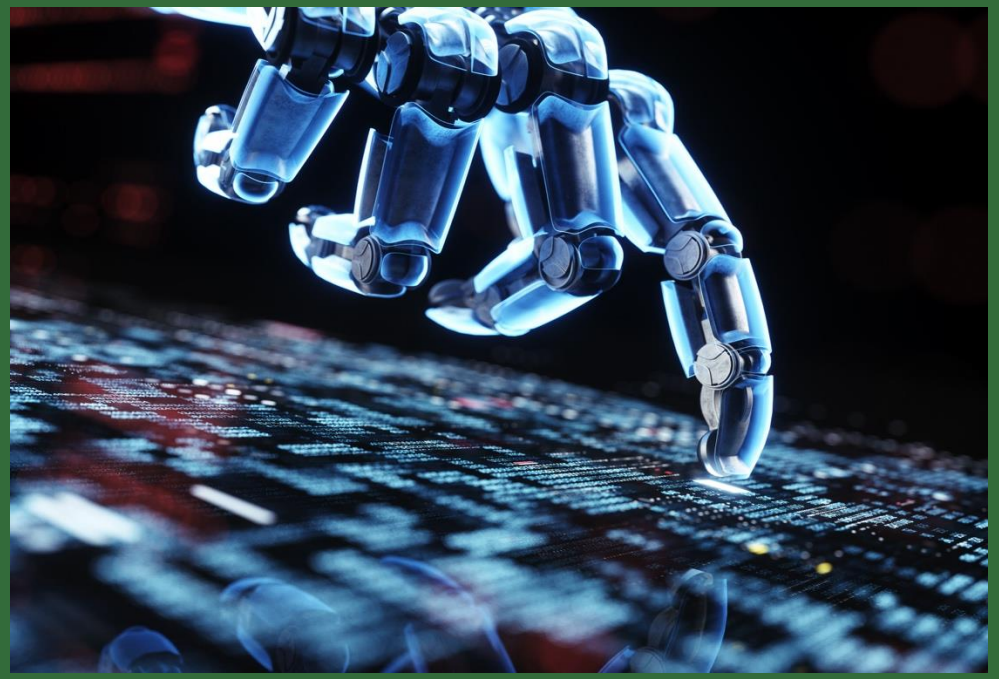
Artificial Intelligence



Introduction to Artificial Intelligence

- What is Artificial Intelligence? Pop Culture
    - Hal 9000 – Space Odyssey
    - Terminator
    - Blade Runner - Replicants

Global Panorama (CC / Flickr)

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Introduction to Artificial Intelligence

- Foundation of AI technology is the design of the brain
  - Deep learning is in fact a new name for an approach to artificial intelligence called neural networks, which have been going in and out of fashion for more than 70 years. Neural networks were first proposed in 1944 by Warren McCullough and Walter Pitts.
  - Interest in the technology has ebbed and flowed over the years.

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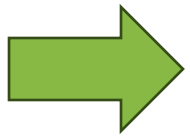
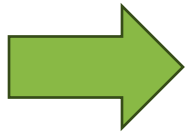
Introduction to Artificial Intelligence

- Why AI is different from software in general
  - Traditional Rule Based Software: Must explicitly instruct the computer on what it is to do, step by step



Is this an image of a cat:
- Locate portions of image that are shaped like a cat eye
- Locate nose
- Locate ear
- Apply rules to determine if these are cat features

  - Neural Networks: Train by examples and it can extrapolate beyond the examples



Train:
- Give it (many) example images of cats;
- It will be able to determine if it is an image of a cat even if never seen before

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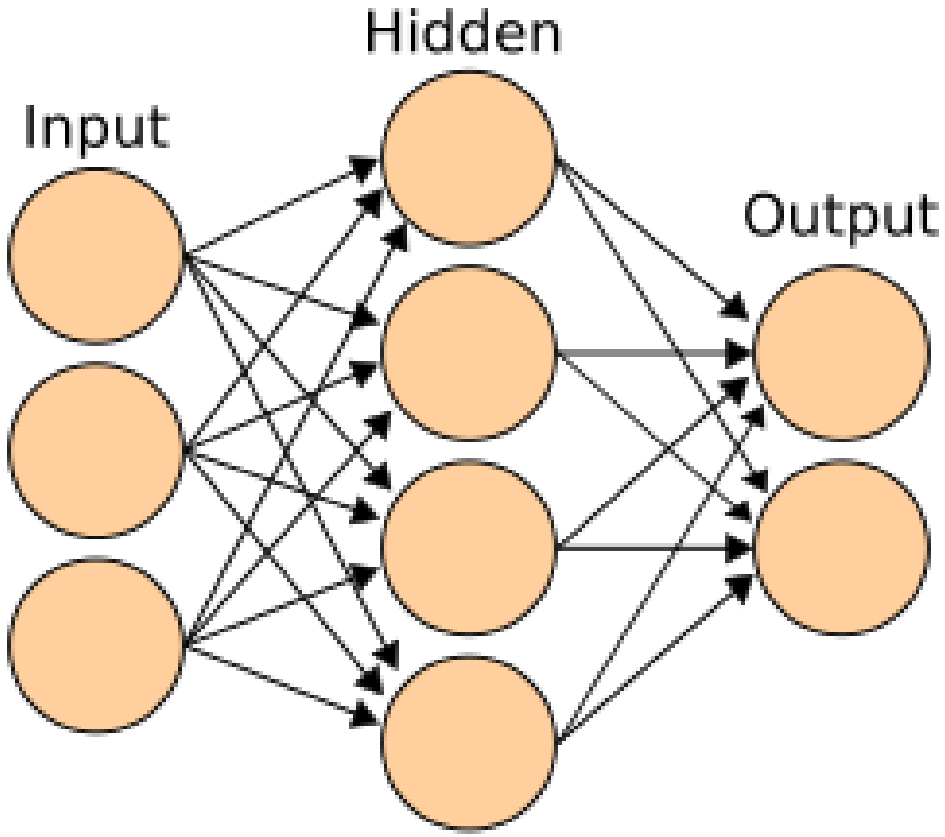
Introduction to Artificial Intelligence

- The core of it, neural network (simple one):



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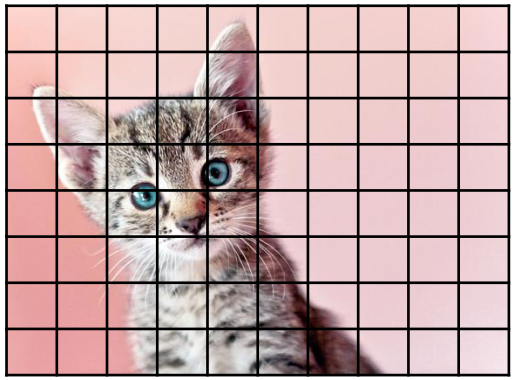
Introduction to Artificial Intelligence



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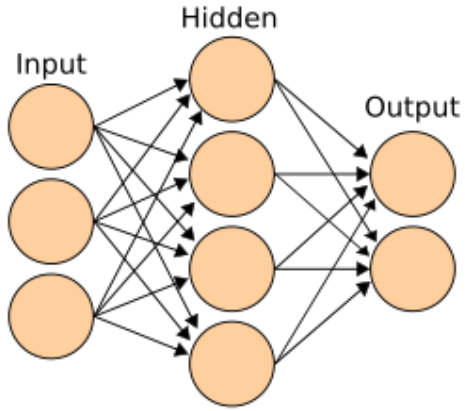
1	1	3	6	4	1	1	1	1	1
1	1	2	3	2	1	1	1	1	1
1	1	2	3	3	2	1	1	1	1
1	1	2	3	3	3	2	1	1	1

- 80 points of data
- Each is an input to a neuron of the neural network



- Trained neural network generates an output: is it a cat?

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Introduction to Artificial Intelligence

- Generative AI – Ability to generate content
- Large Language Model (LLM)
  - Receives as input vast amounts of data
  - 175B neurons versus 100B in human brain
  - Learns associations ("meaning") from context – relationship to other words
    - "What is a cat?" (LLM learns through association that "what" and "cat" should prompt a response.)
    - A cat is _____ (LLM uses combination of digested text that describes cats to generate a sequence of words in accordance with the digested text and collected relationship between words)

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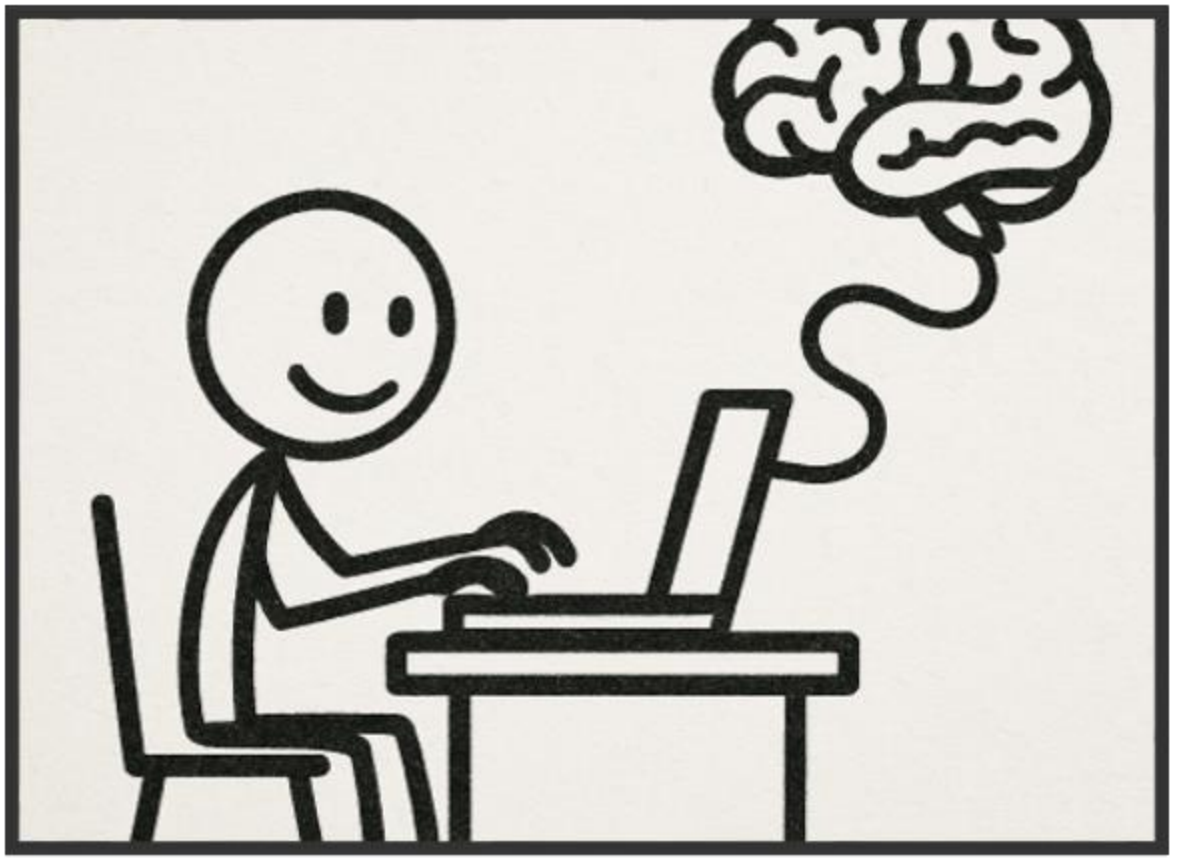
Introduction to Artificial Intelligence

- Generative AI
  - Write a prompt (e.g., a question)
  - Receive AI generated content in response
  - Potential additional interaction building on the prompt



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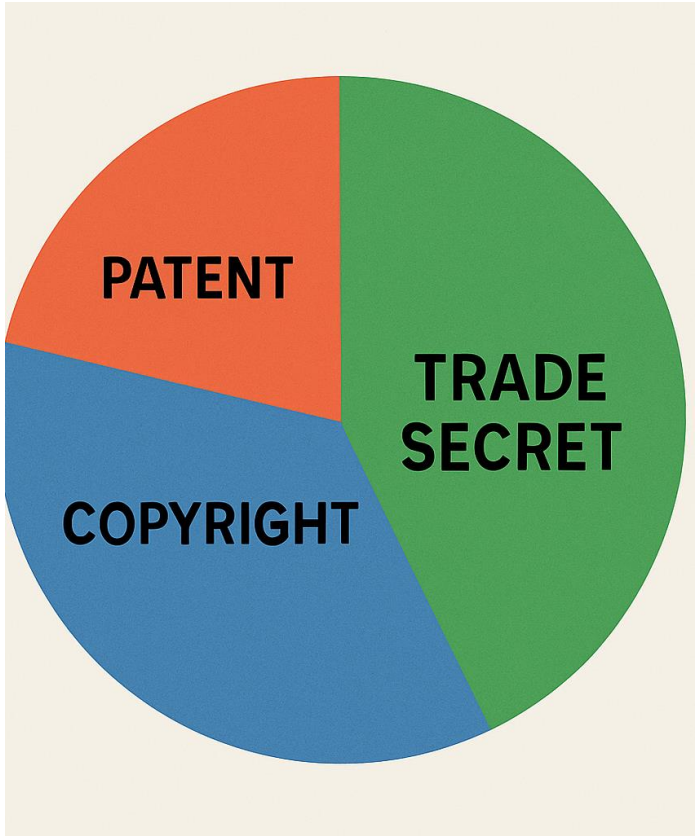
Intellectual Property Protection (and therefore if protected by someone – risk!)

- **Patents** – Technology Improvements
- **Copyright** – Use of content to create content
- **Trade Secret** – Trained models, technology improvements (e.g., particular designs)



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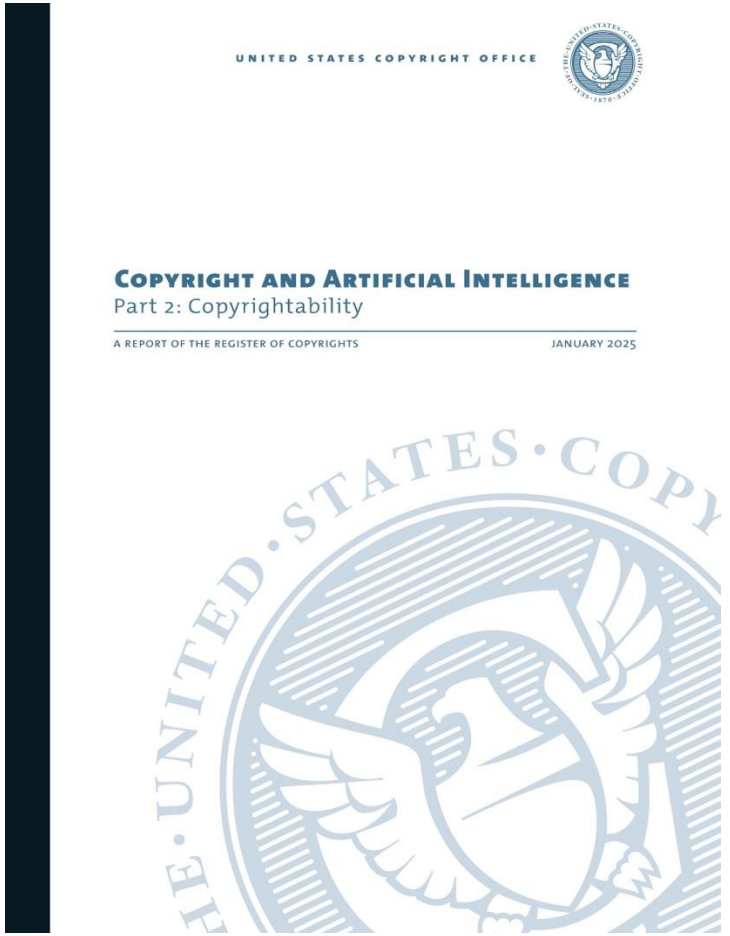
Copyright

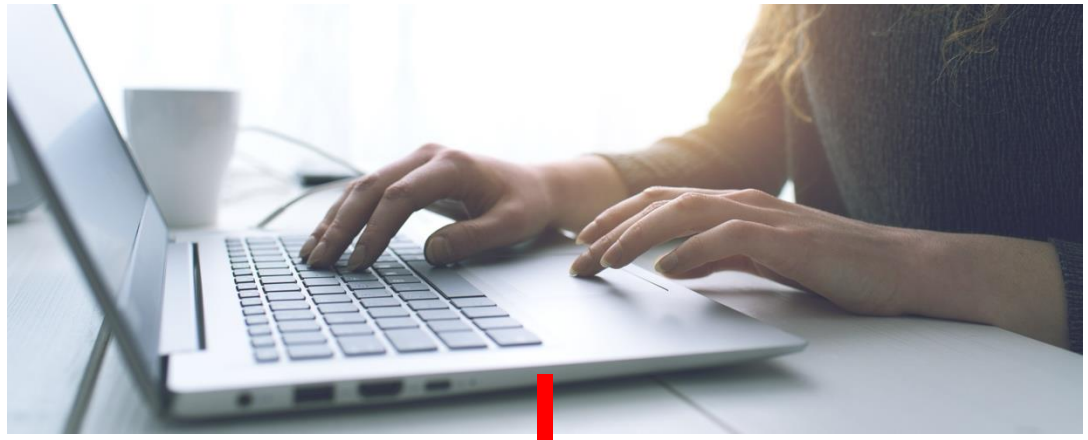
U.S. Copyright Office

- Report on Copyright and Artificial Intelligence
  - Part 1 – Digital Replicas (July 31, 2024)
  - Part 2 – Copyrightability of Generative AI Outputs (January 29, 2025)
  - Part 3 – Generative AI Training (May 9, 2025 pre-publication version)
  - Forthcoming part to address the allocation of any potential liability



Copyrightability

- Prompts
  - Prompts themselves vs. Output
    - Prompts may be copyrightable if sufficiently creative
    - Now, prompts alone do not provide sufficient human control over how the idea is expressed for authorship of the output
    - AI systems may evolve to allow sufficient human control



Copyrightability

- Expressive Inputs
  - Output may be copyrightable
    - Expressive inputs limit the outputs, providing sufficient human contribution
  - Analogous to derivative works
    - Protecting only the author's creative expression
    - Disclaim any non-human expression
    - Expressive elements must be clearly perceptible in the output

Prompt

"a young cyborg woman (((roses))) flowers coming out of her head, photorealism, cinematic lighting, hyper realism, 8k, hyper detailed."

Input

Output

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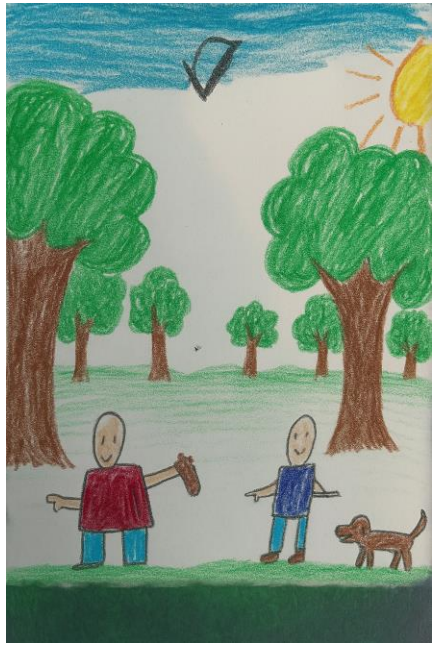
Copyrightability

Prompt

"add trees in the background and a dog"

Input

Output



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Copyrightability

- Modifying or Arranging AI-Generated Content
  - May be copyrightable
  - Selection or arrangement of AI-generated material
  - Sufficiently modifying AI output
    - Similar to derivative work, protecting only human contribution and not underlying AI-generated content

Liability

Potential Liability From AI Training

- Exclusive right to reproduce copyrighted works, 17 U.S.C. § 106(1), and to prepare derivative works based upon copyrighted work,17 U.S.C. § 106(2)
  - Fair use exception
- Fair Use
  1. The use's purpose and character, including whether it is commercial or nonprofit
  2. The copyrighted work's nature
  3. How much of the work was used and how substantial a part it was relative to the copyrighted work's whole, and
  4. The effect of the use upon the potential market for or value of the copyrighted work
- Justification for why copying is reasonably necessary to achieve new purpose is relevant to fair use. *Andy Warhol Found. For the Visual Arts, Inc. v. Goldsmith,* 598 U.S. 508, 532 (2023)

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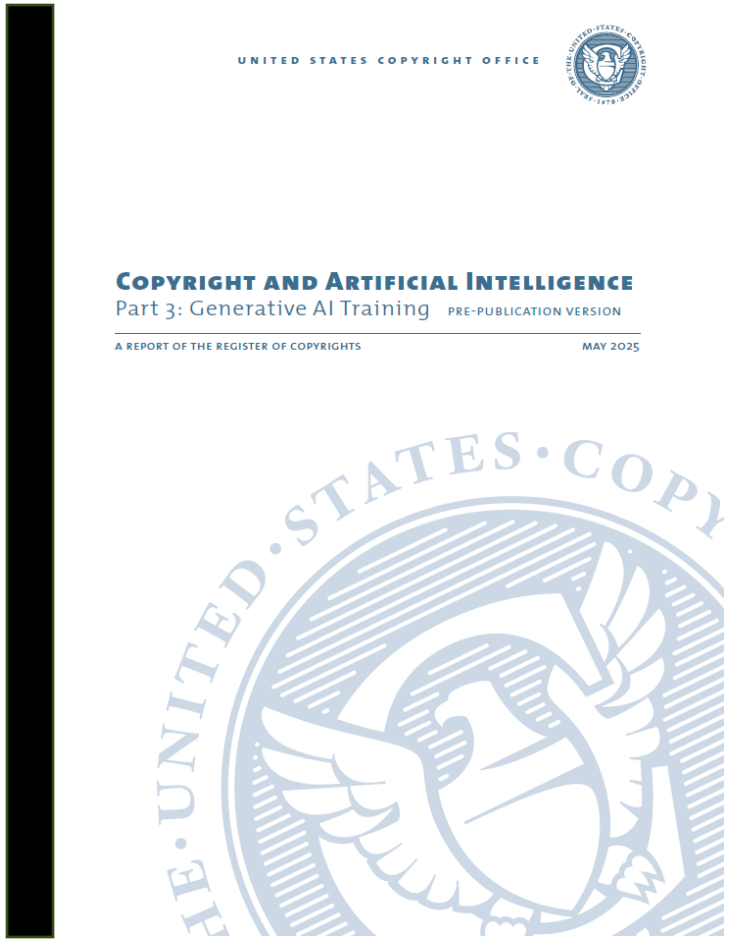
Potential Liability From AI Training

- Part 3 – Generative AI Training (May 9, 2025 pre-publication version)
  - Balance competing interests
  - Training → Right of Reproduction
  - Outputs → Rights of Reproduction, to Prepare Derivative Works, Public Display, Public Performance
  - Using copyrighted material to train generative AI systems may not always be protected by fair use
    - Separate analysis for training and outputs
    - Training can be transformative, which can justify mass copying
    - Consideration of potential lost sales, market dilution, lost licensing opportunities
- Termination of Director, Shira Perlmutter



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Potential Liability From AI Training

- *Thomson Reuters Enterp. Centre GmbH v. Ross Intelligence Inc.*, No. 1:20-cv-00613 (D. Del.)

  - Ross trained its AI on LegalEase's Bulk Memos, which are lawyer compilations of legal questions with good and bad answers made using Westlaw headnotes
  - Partial summary judgment in favor of Thomson Reuters, including on fair use
  - Certified interlocutory appeal 25-8018 (3d Cir.) on:
    1. Whether the West headnotes and West Key Number System are original, and
    2. Whether Ross's use of the headnotes was fair use

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Potential Liability From AI Training

- *Concord Music Grp. Inc. v. Anthropic PBC*, No. 5:24-cv-03811 (N.D. Cal.)
  - Anthropic allegedly used copyrighted song lyrics to train its large language model, Claude
  - Infringement claims on inputs and outputs
    - Stipulation with safeguards to address outputs
  - Preliminary injunction denied (March 25, 2025)
    - Distinguished *Thomson* (SJ, not generative AI, competitors)
  - Motion to dismiss granted (March 26, 2025)
    - Indirect infringement claims dismissed, with leave to amend
  - Amended complaint filed (April 25, 2025)
    - Anthropic moved dismiss May 9, 2025

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Potential Liability From AI Training

The New York Times Co. v. Microsoft Corp., No. 1:23-cv-11195 (S.D.N.Y.)

Daily News LP v. Microsoft Corp., No. 1:24-cv-03285 (S.D.N.Y.)

Center for Investigative Reporting Inc. v. OpenAI, No. 1:24-cv-04872 (S.D.N.Y.)

- Microsoft/OpenAI accused of using copyrighted content to train generative AI models (e.g. GPT-1, ChatGPT)
- Indirect and direct copyright infringement claims relating to training and outputs
- Dismissal of some DMCA claims relating to removal of copyright management information
- Preemption of common law unfair competition claims
- *Warhol* justification for copying?

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Considerations

- **Ownership**
  - Human contribution
  - Scope of protection
- **Potential Liability**
  - AI generated works (output)
  - AI Training (input)
  - Statute of limitations (3 years)
  - Development guardrails
- **Contractual Updates**
  - Indemnification provisions
  - AI-related use restrictions in NDAs, vendor agreements, outside counsel
  - Output safeguards
  - Licensing

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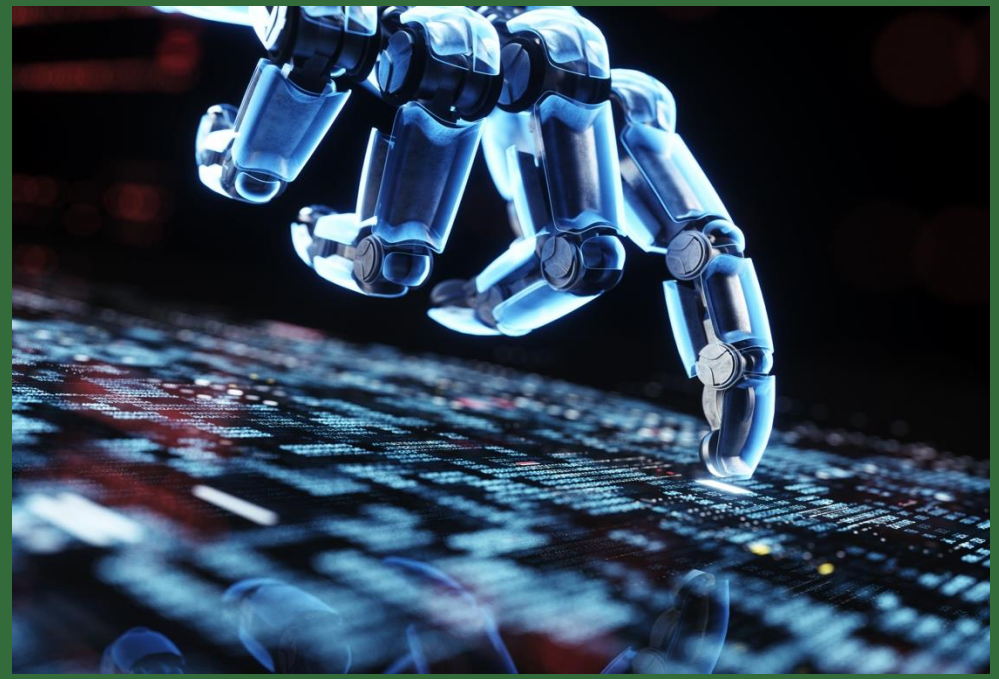
Patent



Infringement/Value

- Finding infringement can be difficult since many details will not be visible, and in many cases, not likely possible to reverse engineer.
- Conversely – Value of patent can be lower since you may not be able to determine who is infringing.
- Many companies are relying on existing generative AI providers
  - Indemnification from AI provider
  - Assess whether to perform a freedom to operate investigation
- Risk higher - Publishing information about the structure/implementation
  - Proving infringement - A published Patent Application describing a system/method can be used as circumstantial evidence that a company uses that system/method, and thus can support a claim of infringement against the company.

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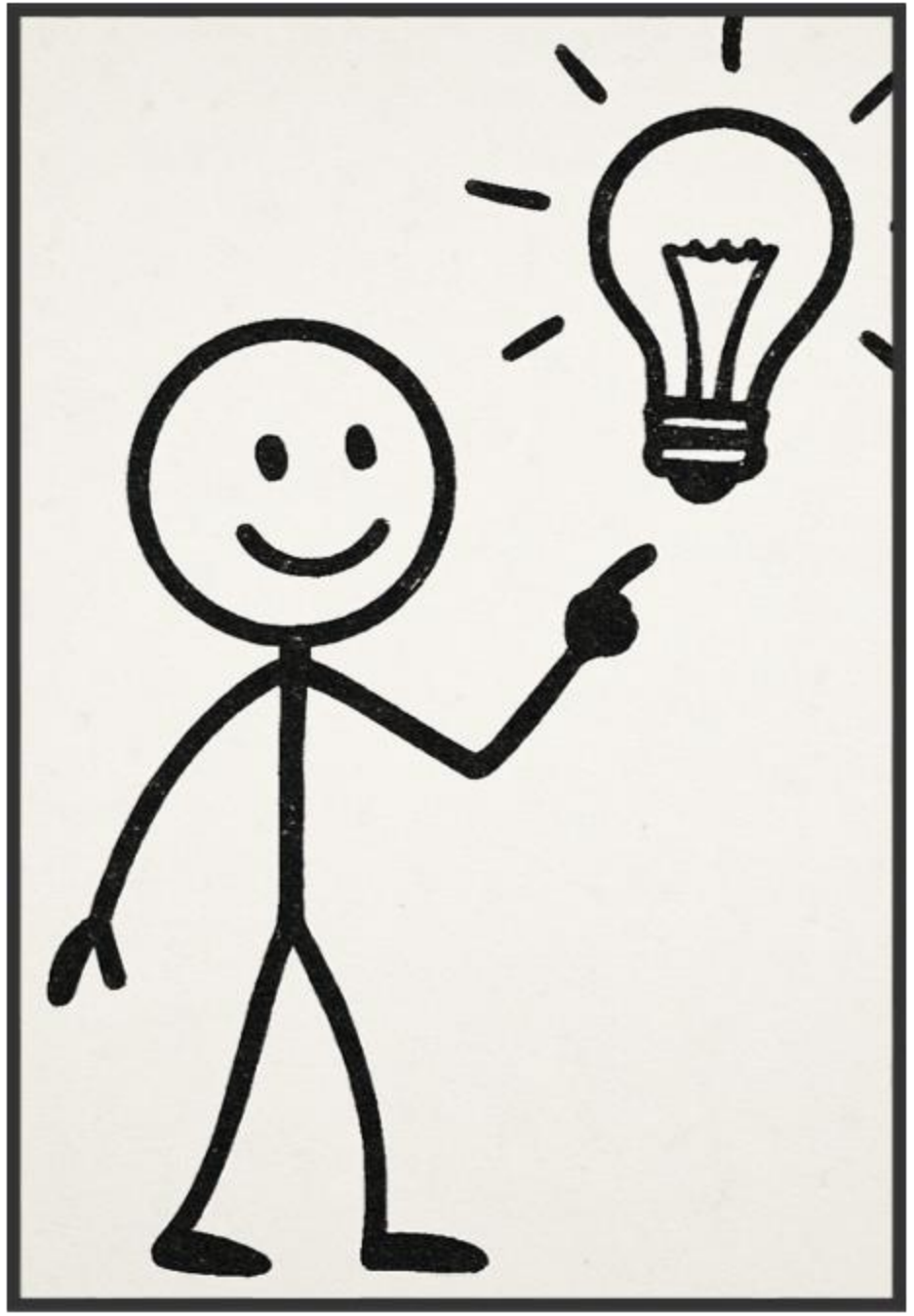
Patents

- Practical focus is to reward Technical Innovation
- In general, did you invent something that makes artificial intelligence faster, more accurate, lighter in size, etc.
- Is it new and non-obvious? 35 U.S.C. § 102 and 35 U.S.C. §103
- Other statutory requirements
  - E.g., enablement – described at an appropriate level of detail



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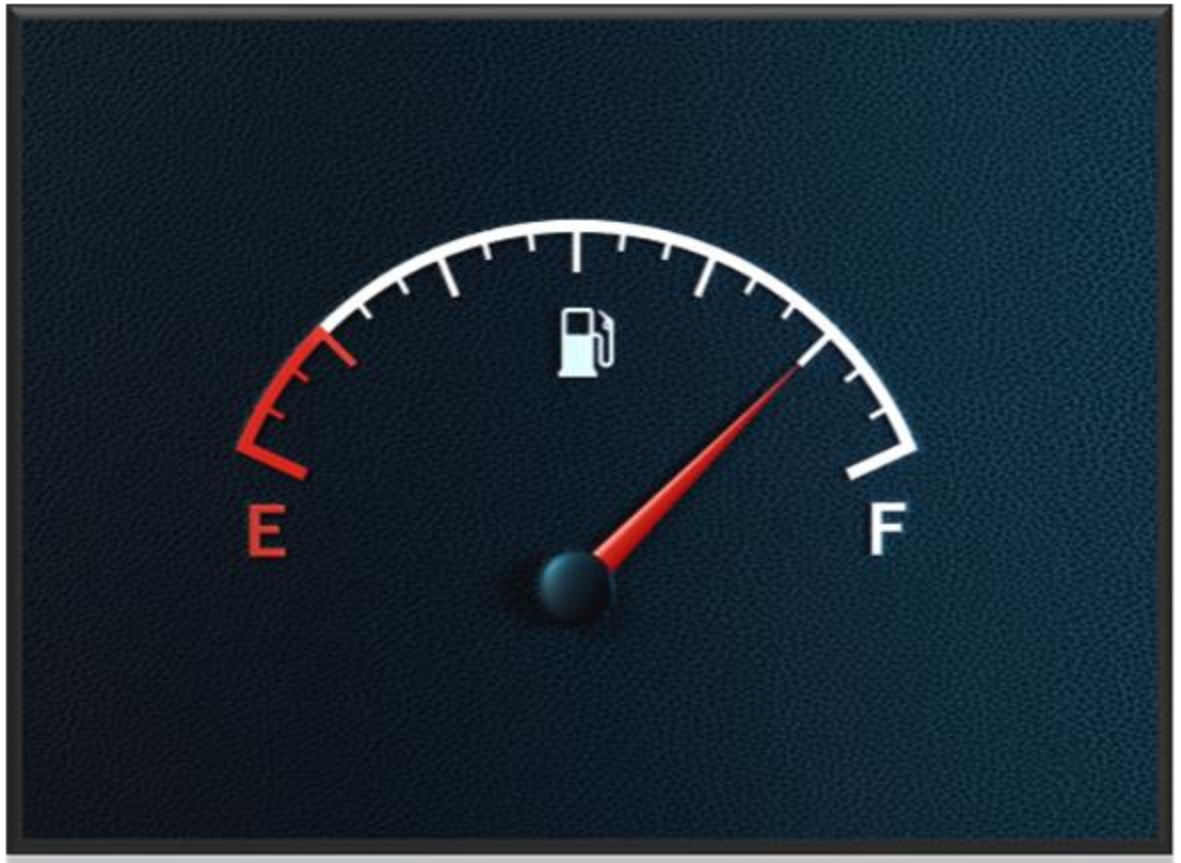
Patents

- Patentability – Patent Eligibility
- Applicable case law in the field of computer implemented inventions
- Patent eligibility – a spectrum:
  - At one extreme, a broad idea, or a broad idea implemented on a computer or in a computer environment – essentially just the idea – is not patent eligible
  - At the other extreme, it may be patent eligible if there is something in the implementation that is deemed "significantly more."



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Patents

- What is "significantly more"? (*Consult a Patent Attorney!*)
  - Improvements in the functioning of a computer.
  - An improvement in a field of technology (evidenced by comparing a current solution with the improvement)
  - Solves a technical problem with a technical solution (e.g., not a business advantage, not managing human activity, not something that a person can do using human mind and pencil/paper).

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Patents

- Patent Office issued specific guidance on AI and patent eligibility on July 16, 2024.
- Feedback from Examiners is that the Patent Office interpretation makes it difficult to meet the patent eligibility requirement. In most cases, they classify the invention to be simply collecting and processing information, which all computers routinely do.
- Practical Application – The Patent Office looks at tangible use (e.g., controlling a car, real time detection and removal of potentially malicious packets).

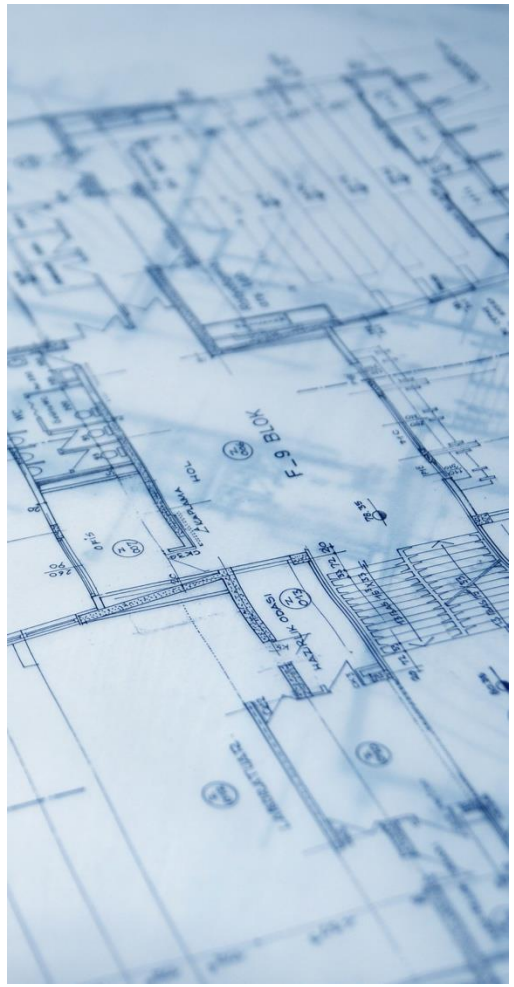
Patents

- Generic or general implementation of artificial intelligence technology to a new use is not patent eligible – ***Recentive Analytics, Inc., v. Fox Corp.*, Appeal No. 2023-2437 (Fed. Cir. Apr. 18, 2025)**

> Instead of disclosing "a specific implementation of a solution to a problem in the software arts," *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1339 (Fed. Cir. 2016), or "a specific means or method that solves a problem in an existing technological process," *Koninklijke*, 942 F.3d at 1150, the only thing the claims disclose about the use of machine learning is that machine learning is used in a new environment. This new environment is event scheduling and the creation of network maps.
>
> (internal citation omitted); *Customedia Techs., LLC v. Dish Network Corp.*, 951 F.3d 1359, 1365 (Fed. Cir. 2020) (holding claims abstract where "[t]he only improvements identified in the specification are generic speed and efficiency improvements inherent in applying the use of a computer to any task"); *compare McRo*, 837 F.3d at 1314–

Patents

- Practical Notes
  - Evaluate when the project is at or beyond a point where there is material depth to the actual implementation
  - The system can involve using AI in a “non-technical” field, a mixed situation. Non-technical field does not disqualify an invention, but patent eligibility requirement must be met.



Patents

- Potential areas to explore:
  - The particular architecture of the AI.
  - Evaluate prompt generation systems.
  - Navigation of information using AI and interactive displays.
  - Additional technology developed to work with the AI.
  - Particular hardware (specialized machine) implementation of AI elements or system.
  - Practical application.

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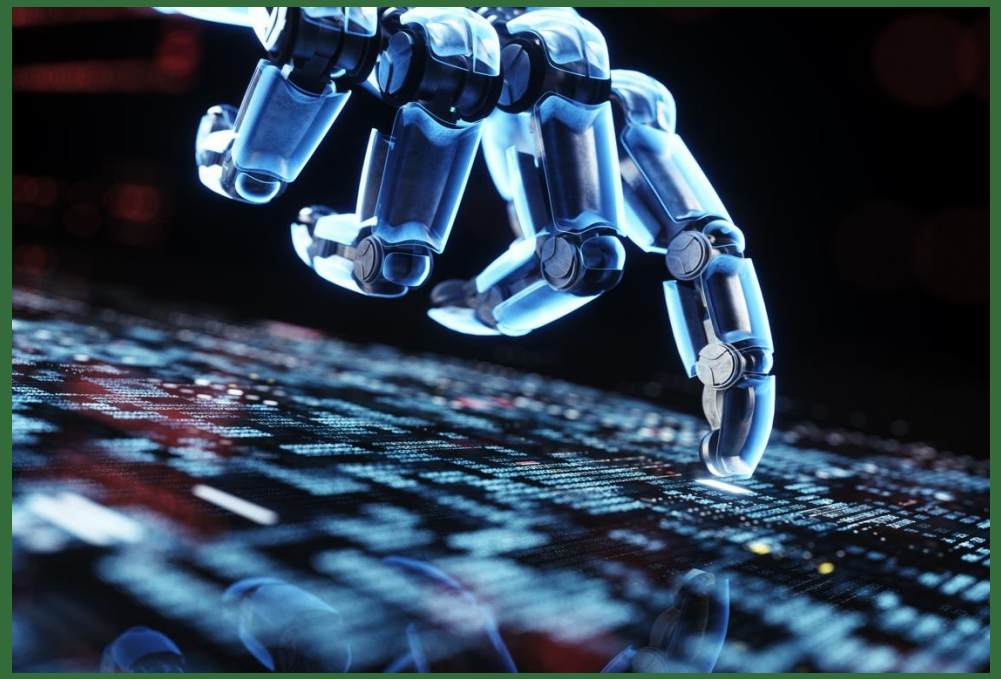
Trade Secret



Trade Secret

- Trade Secret Protection
  - Inventions that can be used and maintained under confidentiality; must decide between patent v. trade secret.
  - Elements that by their nature are not patentable:
    - The data used to train the model.
    - The weights or other settings in the neural network.

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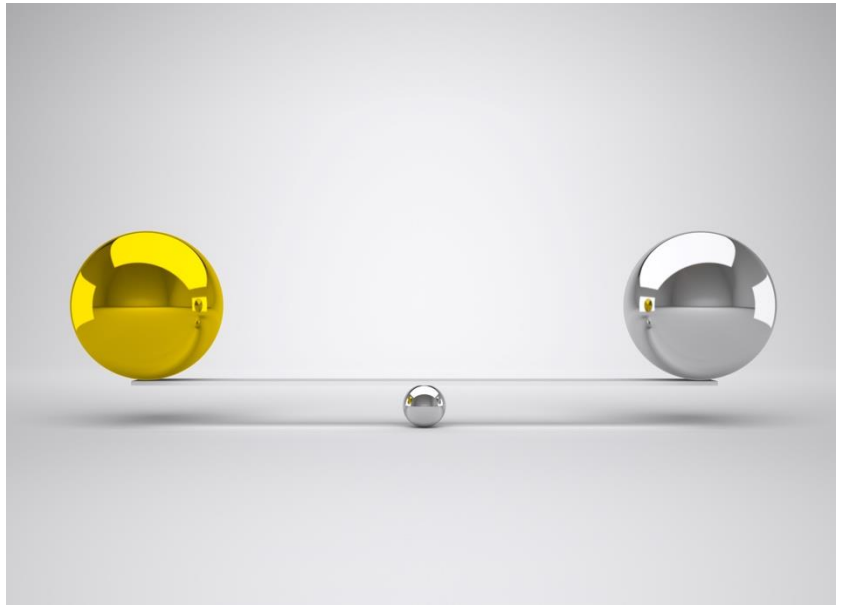
Trade Secret

- Trade Secret Protection
  - Can you use a strategy involving both Patent and Trade Secrets to protect an AI invention?
  - Be careful – Duty of Disclosure to the Patent Office
    - If one of your trade secrets is material to the examination of the invention filed in the patent application, it will need to be disclosed.
      - E.g., first version held as trade secret and second version (two years later) is pursued for patent protection. Is the first version prior art to the second version?
  - Potential licensing value is higher in licensing trade secret and other types of IP together. Patents have an expiration date while trade secrets do not.



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QUESTIONS?

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