

THE CHICAGO BAR ASSOCIATION PRESENTS:

**AI 2035: The Legal Profession and the
Law in the Age of Artificial Intelligence**

AI, Regulation, and the Law
*What Lawyers Need to Know About
Emerging Federal, State, and Global
Frameworks*



Scan for CLE (Feinberg Theater)



THE
**CHICAGO
BAR
ASSOCIATION**



Timed Agenda

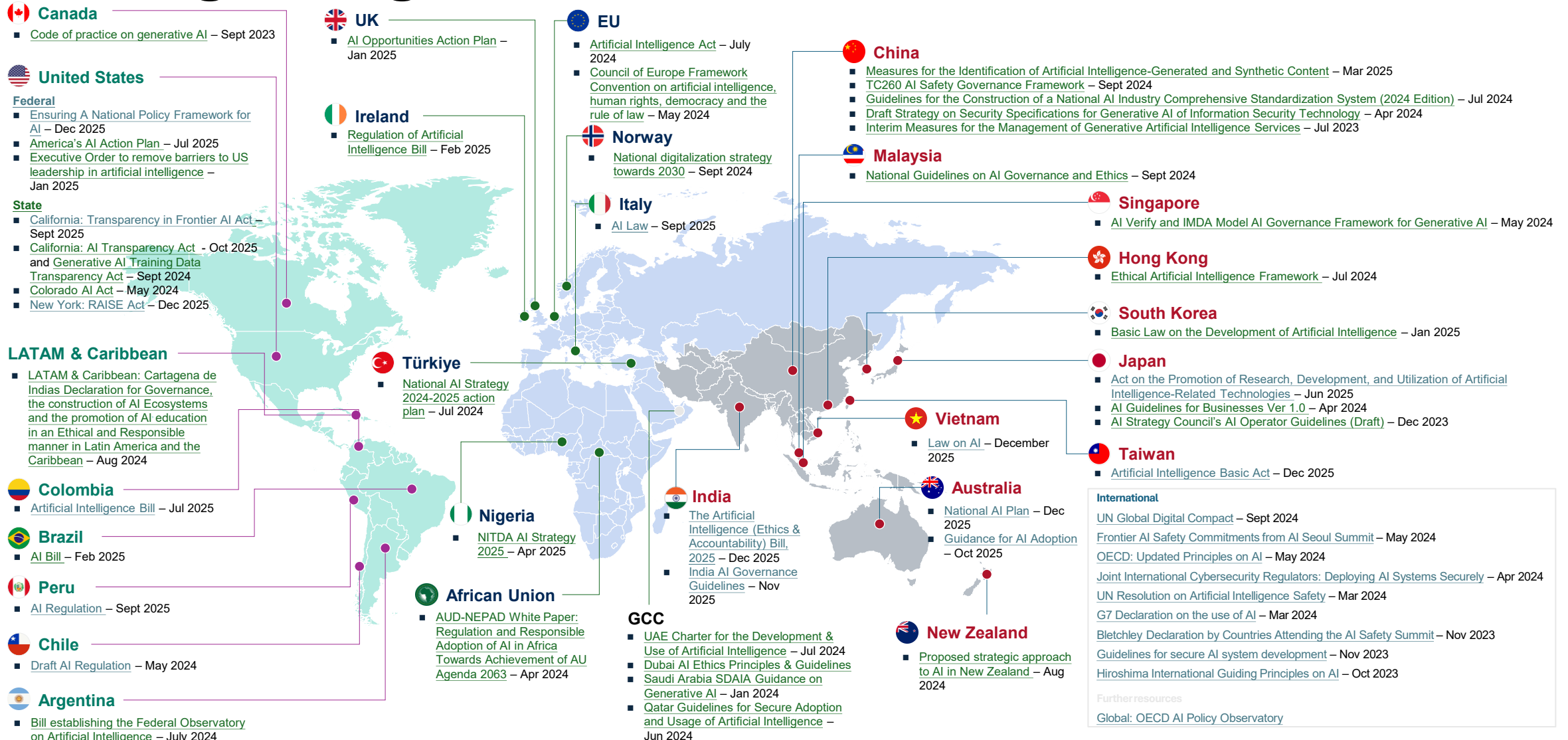
- **AI Laws and Regulation**
- **AI and Courts**
- **AI Governance**



01 AI Regulatory Landscape, Key Themes, and Hot Issues

This map shows only some of the key AI-specific regulation that is emerging around the globe, last updated **15 January 2026**. Other existing regulation (adjacent legislation), such as discrimination legislation and data privacy, also applies to AI.

Evolving AI Regulation Across the Globe



Trends in AI legislative and regulatory proposals

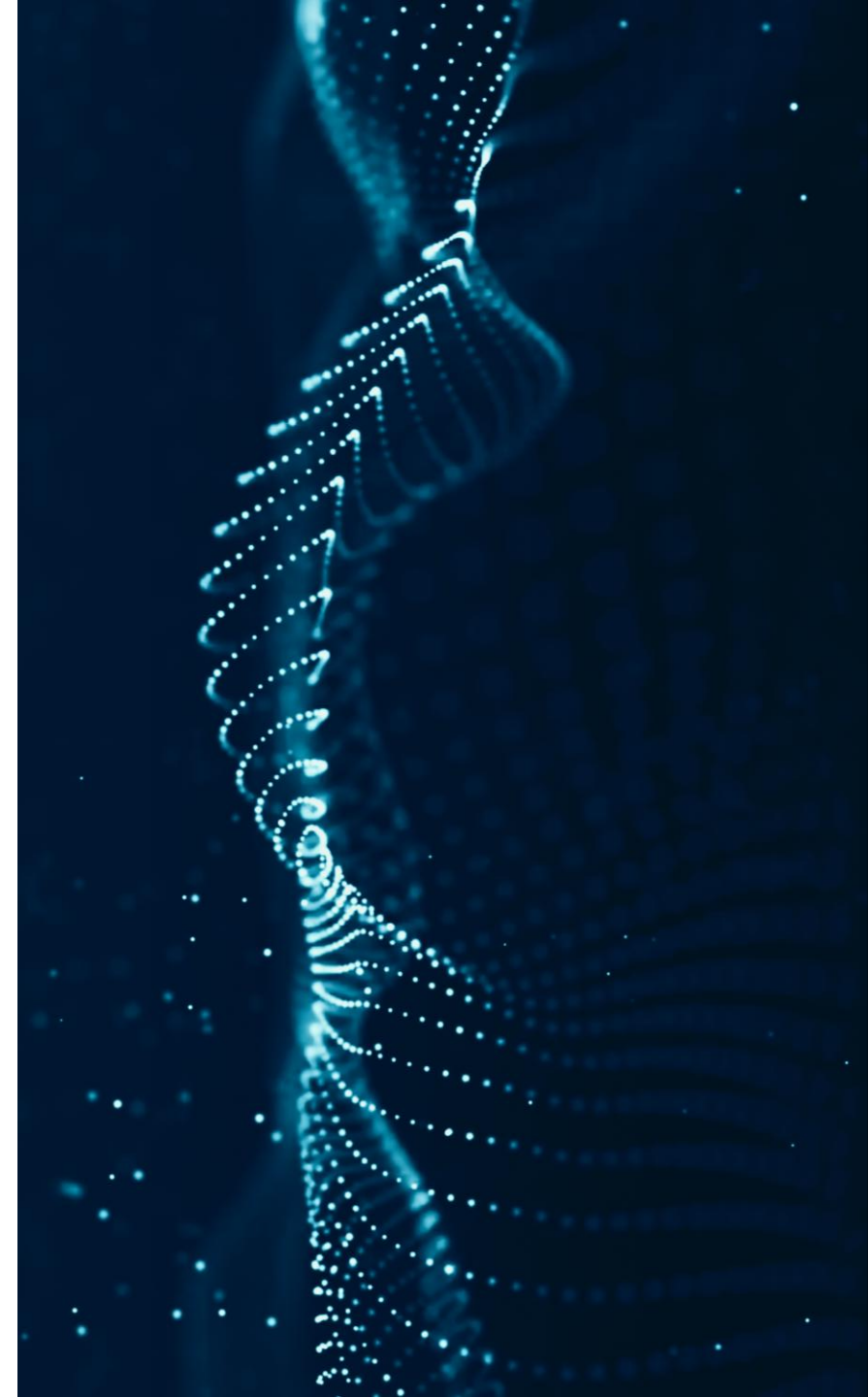


Trend toward deregulation?

- EU Digital Omnibus Package Simplification (Pending)
- Focus on: (i) EU GDPR, ePrivacy and Data Act; and (ii) EU AI Act
- Unification of breach reporting (one duty for GDPR, NIS2, and other; 96 hours; single incident reporting form; high risk)
- Processing personal data to train AI models as legitimate interest
- Grace period for developers of high-risk AI systems
 - White House National Policy Framework for Artificial Intelligence / AI Action Plan / Federal Focus on State AI Laws
- Building AI Infrastructure: Streamlining semiconductor manufacturing, fortifying critical assets against cyber threats, and expanding cybersecurity intelligence sharing.
- Accelerating AI Innovation: Limiting regulation, promoting workplace readiness, investing in open-source models and quality datasets, and boosting federal AI adoption.
- International AI Diplomacy & Security: Strengthening export controls on advanced AI, preventing adversary access, and collaborating with allies on tech regulation.

Colorado AI Law Injunction

- Colorado AG agrees to stay enforcement of law pending potential legislative changes (new bill proposed on Friday).
- Law had previously been delayed from February to June 2026.



Key legal and ethical issues related to AI

- **Governance** – how do we decide what we should do?
- **Quality and accuracy** – what is the risk of tool getting it wrong? Does it matter?
- **Confidentiality** – what data are we putting in it?
- **Privilege** – are we waiving privilege by using it?
- **Security** – does it create a vulnerability in our systems?
- **Regulatory** – are there regulatory implications for us using it?

- **Third Party IP** – do we infringe third-party IP (input or output)?
 - **IP (defensive)** – do we risk our IP by using it?
 - **IP (offensive)** – is there IP in our prompts or the output? If so, who owns the IP?
 - **Privacy** – do we infringe third-party privacy rights (input or output)?
 - **Bias** – do we have appropriate controls in place?
 - **Transparency** – who needs to know what?
-
- **Tool restrictions** – does our use comply with the contract for the tool?



02 Litigation and Enforcement Trends

AI litigation & enforcement trends

- **AI-Washing & Securities Fraud**

The FTC launched **Operation AI Comply** in September 2024 to crack down on deceptive practices AI. The sweep began with five enforcement actions against companies that misused AI or exaggerated its capabilities, including firms promoting “AI lawyers,” selling AI-generated fake reviews, and marketing AI tools as guaranteed paths to wealth through online businesses – employing existing consumer protection frameworks (e.g., Section 5 of the FTC Act).

- **US FTC & State AG Enforcement**

In September 2024, the Texas AG settled with **Pieces Technology** over false claims about the accuracy and safety of its healthcare AI tools. The company advertised extremely low “hallucination rates, claims that the state found likely misleading. The settlement requires five years of disclosure standards, independent audits, and bans on unsubstantiated claims.

- **EU Regulatory Enforcement**

The Italian DPA (Garante) fined **Luka Inc.** €5 million for privacy violations – including lack of legal basis for data processing, inadequate privacy policy, and insufficient age verification mechanisms – related to its chatbot Replika.

AI litigation & enforcement trends

■ Antitrust & Algorithmic Pricing

- In *Duffy v. Yardi* plaintiffs claimed that landlords shared sensitive pricing data with Yardi Systems, whose RENTmaximizer software used this data to recommend rental rates, leading to supracompetitive prices. The Western District of Washington denied Yardi's motion to dismiss in December 2024, but a California state court granted summary judgment to Yardi in a similar case in October 2025.

■ Discrimination

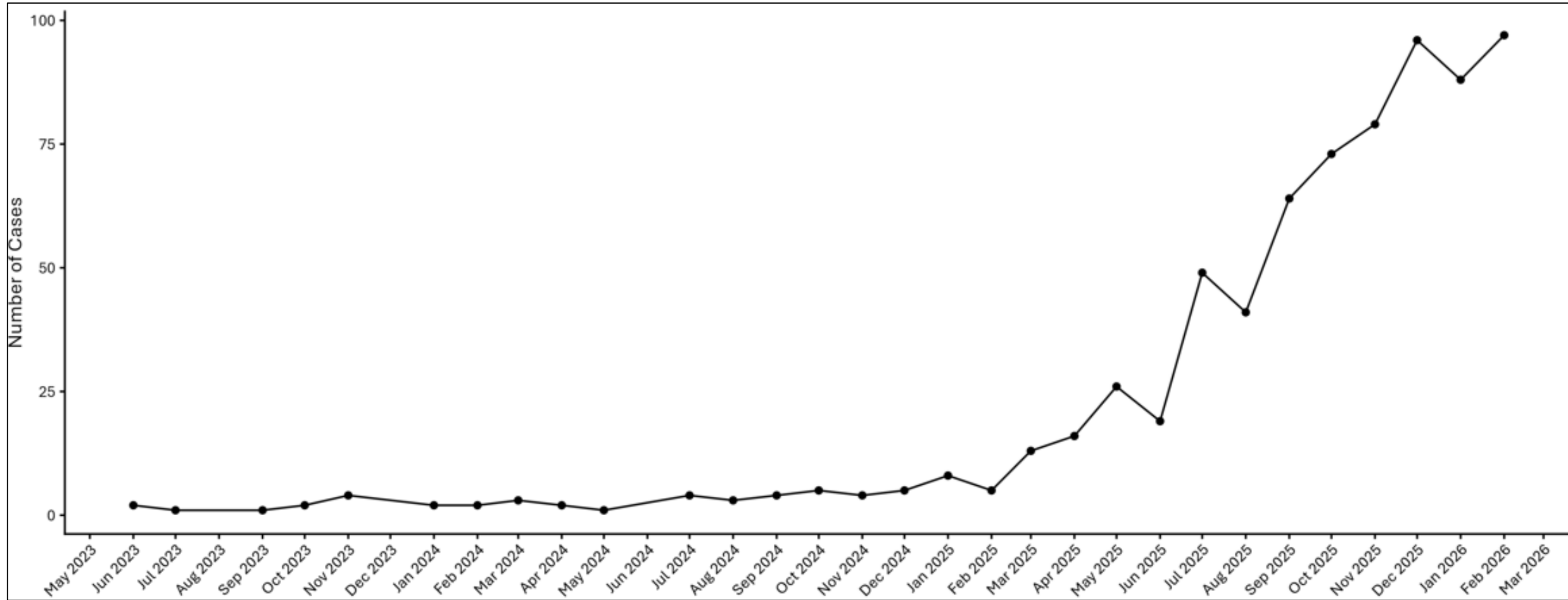
- In July, Massachusetts AG announced a USD 2.5 million settlement with *Earnest Operations*, a student loan company, over alleged discriminatory impacts of its AI underwriting models on Black, Hispanic, and non-citizen applicants. The settlement mandates a robust AI governance framework, including policies, risk assessments, testing, and oversight.

■ Training Data IP Infringement

- *Bartz v Anthropic*: In August 2025, Anthropic settled a litigation brought by a class of authors who alleged that the AI company had infringed the authors' copyrights by using their literary works to train the Claude LLM. The court had previously determined on summary judgment that training AI with lawfully acquired works was protected fair use, but preserved the issue of pirated works for trial. The USD 1.5 billion settlement fund represents the largest award ever in a copyright case.
- *Getty Images v Stability AI*: In November 2025, the UK High Court rejected Getty Images' secondary copyright infringement claims against Stability AI, because the model does not store or reproduce copyrighted works. The Court did, however, find limited instances of trademark infringement pertaining to Getty's watermarks that were reproduced in Stability AI outputs.

AI in the Courts

Cases with AI hallucinations



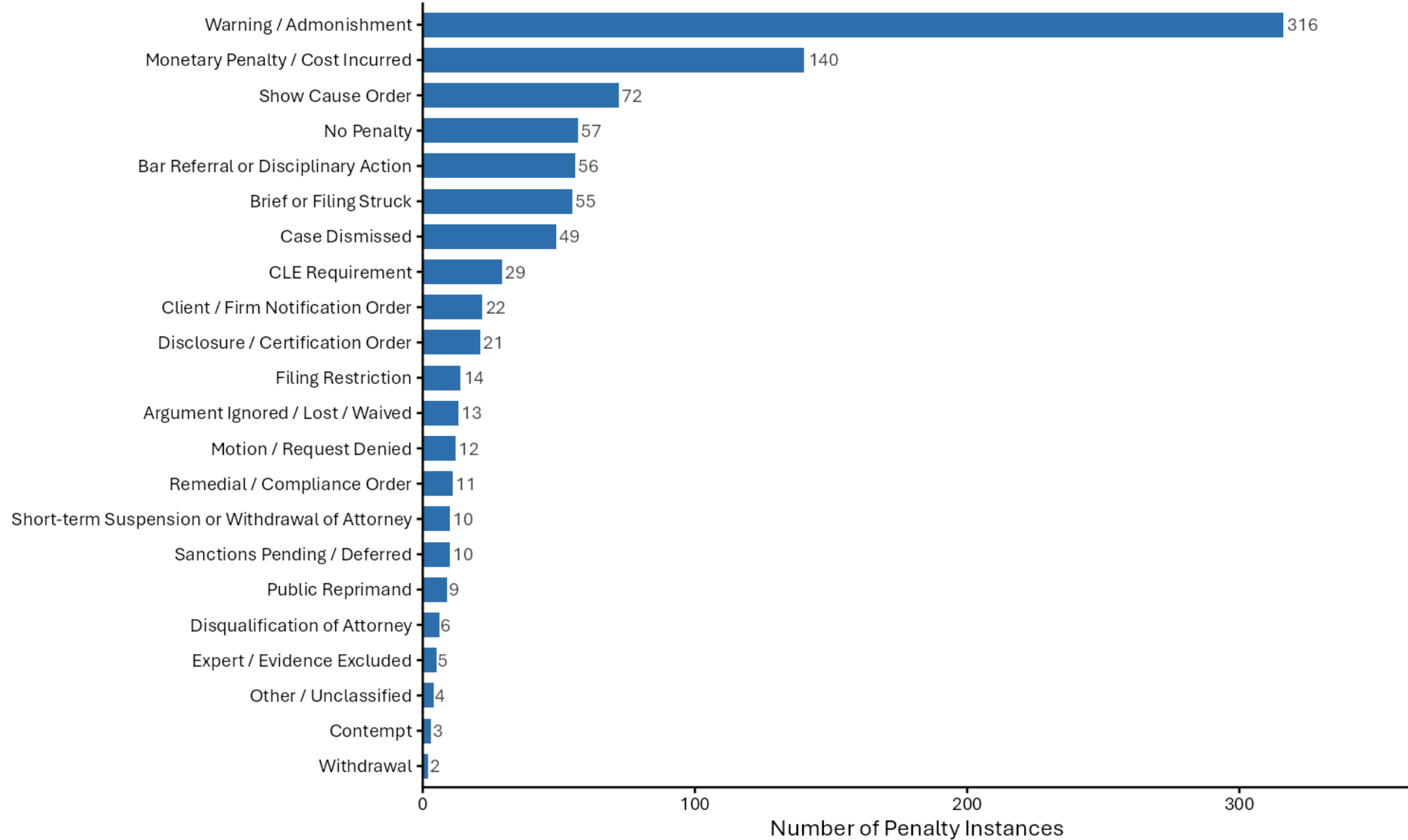
Source: <https://www.damiencharlotin.com/hallucinations/>

Hallucination Types

Type	n	%
Fabricated: Case Law	617	46.8%
Misrepresented: Case Law	288	21.8%
False Quotes: Case Law	244	18.5%
Misrepresented: Legal Norm	38	2.9%
Fabricated: Legal Norm	26	2%
Misrepresented: Exhibits & Submissions	26	2%
Fabricated: Exhibits & Submissions	19	1.4%
False Quotes: Exhibits & Submissions	13	1%
Other	48	3.6%

Penalty Breakdown — AI Hallucination Cases

787 cases | 916 total penalty instances





Majority of US federal judges are using AI, study finds

By Karen Sloan

March 30, 2026 4:48 PM EDT · Updated March 30, 2026



Aa



Snell v. United Specialty Insurance Company (11th Cir., 2024) (Judge Newsom, concurring)

Does “landscaping” include
the installation of an in-
ground trampoline?





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Clauses



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Fast, cost-effective, and trusted dispute resolution
within an intuitive, easy-to-use platform.

The AI Arbitrator blends cutting-edge AI-powered technology with
time-tested judgment to help parties transform how disputes are
handled.

AI Arbitrator

My Cases

Case ID ↕

012345678901

Parties' Information

Name, address, telephone number
and their known representatives (if any)

Dispute Information

Brief statement setting forth the
dispute, including the amount of damages

Arbitration Agreement

Applicable agreement which provides

Academic Research

- Quality of off-the-shelf LLMs for legal analysis
 - Legal research/hallucinations
 - Legal writing
 - Interpretation of legal texts
 - Judicial decision-making
- Quality of “legal” LLMs

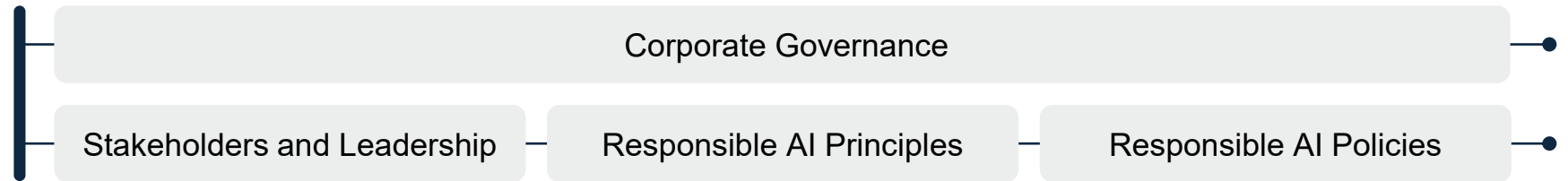


03 AI Governance

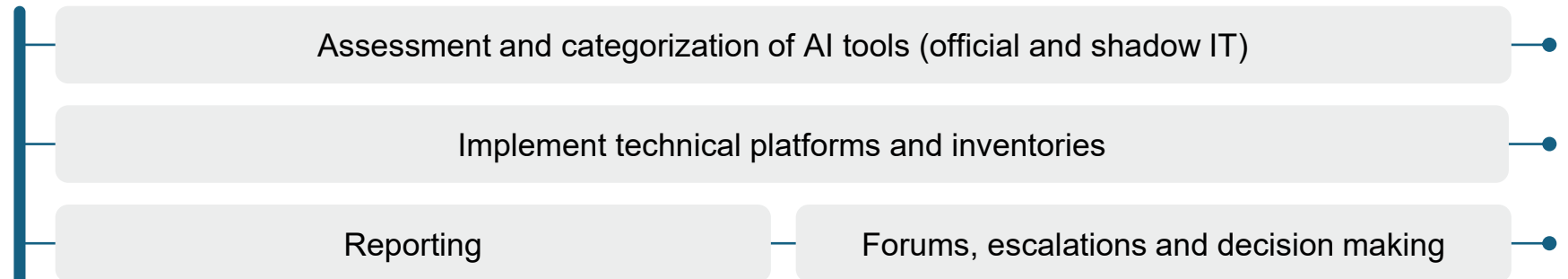
Responsible AI governance



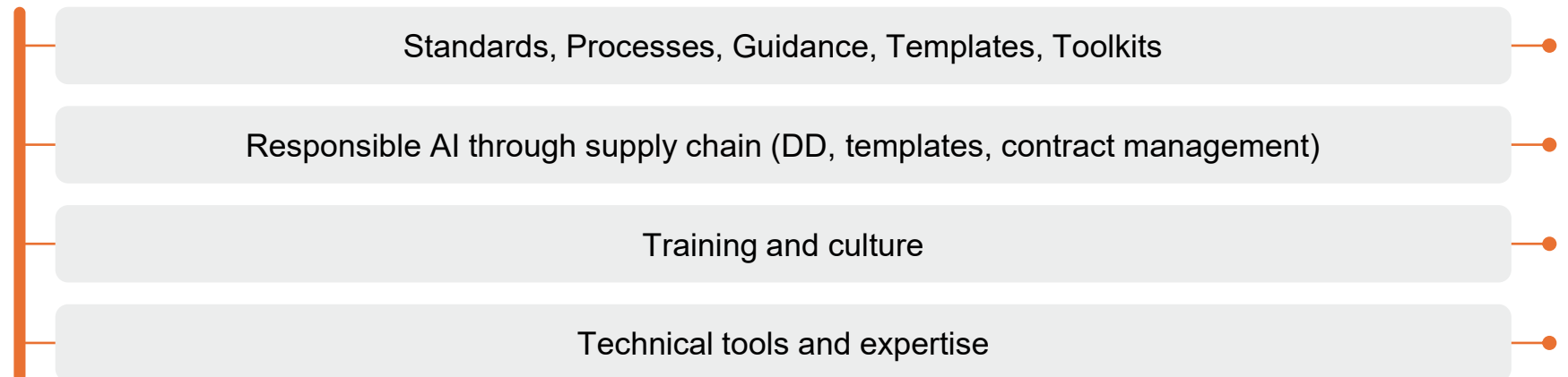
Enterprise Governance



Implementation-AI Lifecycle Management



Building Best practice



AI governance structure

AI Governance Team

Cross-functional
governance team

Individual Business Units

Risk Ranking and Management

Process to address
risk-ranking for AI use cases (e.g.,
AI Risk Assessments, Vendor Risk
Assessments))

Policies and Procedures

Policies and procedures
to address AI governance
and related actions, including
publicly-facing AI principles

Exceptions

Process to address
exceptions for
high-value use cases

Engagement and Training

Engagement of key
stakeholders and
enterprise-wide training

AI use case review

