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WILSON SONSINI

AI/ML

ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING

ALL EYES ON AI: REGULATORY, LITIGATION, AND TRANSACTIONAL DEVELOPMENTS

In This Issue

Commerce Proposes New Reporting Requirement for Advanced AI Developers and Cloud Computing Providers

On September 11, 2024, the U.S. Department of Commerce's (Commerce) Bureau of Industry and Security (BIS) released a Notice of Proposed Rulemaking (NPRM) outlining a new mandatory reporting requirement for large-scale AI developers and cloud computing providers that provide compute to AI model developers. The NPRM stems from requirements issued under the Biden Administration's October 2023 Executive Order on "Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence" (Biden's EO) which directed Commerce to collect certain information on dual-use foundation models and large-scale computing clusters.

The NPRM proposes a new reporting requirement for U.S. companies, individuals, or other organizations or entities, that engage or plan within six months to engage in "applicable activities" involving dual-use AI models, specifically, by meeting either of the following two technical specifications: i) conducting any AI model training run using more than 10^26 computational operations (e.g., integer or floating-point operations); or ii) acquiring, developing, or coming into possession of a computing cluster that has a set of machines transitively connected by data center networking of over 300 Gbit/s and having a theoretical maximum performance greater than 10^20 computational operations (e.g., integer or floating-point operations) per second (OP/s) for AI training, without sparsity.

Commerce has already collected initial responses to a similar mandatory survey issued pursuant to Biden's EO from major AI developers and compute providers; this new NPRM will systematize that data collection process. Major AI developers and computer providers that did not receive this survey and become subject to the reporting requirements must notify BIS of their engagement in the "applicable activities" via email at ai_reporting@bis.doc.gov. Such developers and providers will then receive an initial questionnaire from BIS requesting information about the company's AI models and/or compute capacity, cybersecurity resources and practices, and performance and safety issues, and must respond within 30 calendar days. Under the preliminary NPRM rules, once initial responses are provided to BIS, companies must file quarterly reports as long as they continue to engage in applicable activities, describing any changes or new covered activities.

For additional information about whether these new reporting requirements may apply to you, please see our recent Client Alert.

Proposed "Outbound Investment" Regulations Target Transactions Involving PRC Semiconductor, Quantum, and AI Businesses

On June 21, 2024, the U.S. Treasury Department (Treasury) issued a Notice of Proposed Rulemaking (NPRM) to implement the "Outbound Investment" Security Program. This program was mandated by President Biden's Executive Order on August 9, 2023. The NPRM eventually—but likely not for at least several months—will be followed by final rules that bind U.S. persons with potentially significant civil penalties and even criminal penalties of up to 20 years imprisonment.

These new rules will have significant implications for conducting diligence across a broad array of technology transactions. In particular, these rules will restrict certain U.S. persons from engaging in equity, debt, and other transactions that provide resources to businesses active in the semiconductor/microelectronics, quantum information technology, and AI areas, i.e., businesses that are engaged in "covered activity" in the lingo of the NPRM. The restrictions only apply if the businesses engaged in covered activity also have certain significant ties to the People's Republic of China (including Hong Kong and Macau) (the PRC). However, the restrictions may apply even if the business that is engaged in the covered activity is a business in the United States or anywhere else in the world—if, for example, a California AI company is majority-owned by PRC citizens, a U.S. person's investment may be prohibited or require notification to Treasury. As a result, even parties to U.S.-to-U.S. transactions will need to perform diligence, at a minimum, to rule out the applicability of the regime.

To determine when and to whom this rule may apply, parties should consider the following conjunctive test:

1. Does the transaction involve a "U.S. person" (e.g., a U.S. company or fund)?
2. Is the U.S. person engaging in a type of transaction covered by the rule (e.g., an investment into an AI company)?
3. Is the target of the transaction engaged in a "covered activity" (e.g., working on AI in certain sectors or with certain capabilities)?
4. Does the target have the requisite ties to a "country of concern" (i.e., the PRC)?

All four of these tests must be met before a transaction is covered. If diligence can rule out any one of the four tests, the restrictions and/or prohibitions contemplated by the NPRM should not apply. However, if a U.S. person cannot obtain comfort that the counterparty is either i) not engaged in a covered activity or ii) not a covered foreign person, then the U.S. person may face a notification obligation or a prohibition on the transaction.

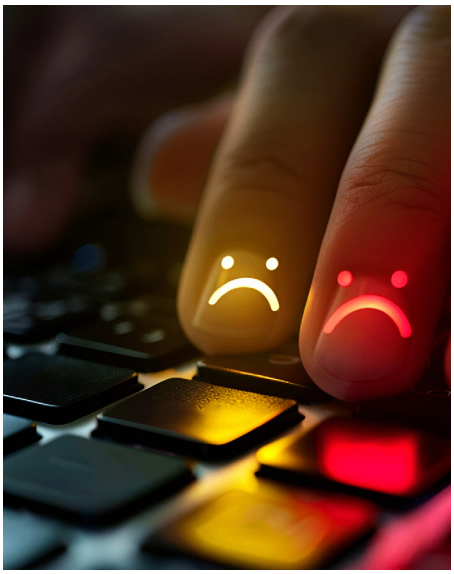
The effect of this rule goes far beyond potential U.S. investments into China. Under the Outbound Investment Security Program detailed in the NPRM, before a U.S. person engages in certain transactions covered by the rule, that U.S. person will need to obtain comfort that the transaction counterparty is either not engaged in "covered activity" or else is not a "person of a country of concern" or otherwise a "covered foreign person." Failing to do so could result in significant penalties.

As many companies working on AI technologies may be engaged in "covered activity," the focus in investment rounds for such companies will likely turn to either a) requesting proof that the investor is not a "U.S. person" or b) requesting proof the target does not have the necessary ties to a "country of concern." It seems likely that representations by the counterparty often may provide sufficient comfort, though the NPRM includes a discussion of when a U.S. person might be deemed to have knowledge that the counterparty is engaged in covered activity and/or is a covered foreign person. Basic due diligence on the counterparty in any transaction involving an AI business will be strongly advisable as soon as the rules take effect.

FTC Settles Case Against Company for AI Content Moderation Claims

On July 9, 2024, the FTC entered into a stipulated order with NGL Labs and its founders to settle claims that the company, among other things, made misleading representations about its use of AI for content moderation. NGL Labs publishes the NGL app, an anonymous messaging app that targets children and teenagers. While NGL Labs claimed that it used "world class AI content moderation" to filter out harmful language and bullying, the FTC alleged in its complaint that harmful language and bullying was commonplace on the NGL app. For example, media outlets reported that the app allowed common bullying phrases such as "you're fat" and "everyone hates you" and allowed the use of knife and dagger emojis.

Among other things, the order prohibits the defendants from misrepresenting the capabilities of AI or machine learning technology, and more specifically from misrepresenting that cyberbullying will be completely or mostly filtered out through the use of content moderation or AI.



CPPA Board Discusses Draft CCPA Rulemaking Package Including New Requirements for Automated Decision-Making Technologies

On July 16, 2024, the California Privacy Protection Agency (CPPA) Board met to discuss advancing a substantial draft California Consumer Privacy Act (CCPA) rulemaking package to formal proceedings. The proposed regulations would implement significant new obligations, including for "automated decision-making technologies" (ADMT) such as AI.

Key ADMT provisions in the proposed regulations would require covered businesses to:

- Provide pre-use notices for ADMT informing consumers about the business's use of ADMT, offer consumers the ability to opt out of the use of ADMT (subject to certain exceptions), and allow consumers to access information about how the business used ADMT with respect to that consumer.

- Undertake risk assessments prior to engaging in processing that poses a "significant risk" to consumers and submit abridged assessments to the CPPA. Among the activities that pose a significant risk to consumers are a) using ADMT for a significant decision concerning a consumer or for extensive profiling (including behavioral advertising); and b) processing personal information to train ADMTs that are "capable of being used" for significant decisions concerning a consumer, to establish individual identity, physical or biological identification or profiling, generating deepfakes, or operating generative models (e.g., large language models). Businesses would be barred from engaging in high-risk processing where the risk assessment finds that the risks outweigh the benefits.

In addition to ADMT-related provisions, the proposed rulemaking would also update a number of existing regulations and require covered businesses to complete robust annual cybersecurity audits. Together, the proposed regulations are preliminarily estimated to generate a staggering $4.2 billion in compliance costs for California businesses in their first year alone (not including businesses outside of California that are subject to CCPA). The CPPA Board signaled it might reconvene in September 2024 to initiate formal rulemaking after receiving requested updates from CPPA staff and additional information about the anticipated economic impact. Once this happens, members of the public will have the opportunity to formally comment on the proposed regulations and urge the CPPA Board to make changes. Entities subject to the CCPA should familiarize themselves with the draft regulations now so that they are prepared to comment when the regulations enter formal rulemaking. A more detailed analysis of the proposed regulations' key components is available in our client alert here and our *Data Advisor* blog post here.

U.S. Copyright Office Recommends a New Federal Law Addressing Deepfakes and Other Unauthorized Digital Replicas

In its first report on copyright and AI since kicking off a formal Notice of Inquiry (NOI) in August 2023, the U.S. Copyright Office has called on Congress to create a federal law governing "digital replicas." The report defines a "digital replica" as "a video, image, or audio recording that has been digitally created or manipulated to realistically but falsely depict an individual."

While the Copyright Office acknowledges that authorized digital replicas may have beneficial uses, unauthorized digital replicas open the door to a wide range of commercial, privacy, election interference, and other harms. Citing widely reported instances of unauthorized AI-generated music, deepfake pornography, and credible impersonations of political candidates, the Copyright Office concluded that existing federal and state statutory and common law protections are too "narrow" or "inconsistent and insufficient" to adequately combat such harms.

As a result, the Copyright Office proposed the creation of a federal law addressing unauthorized digital replicas, informed by the over 10,000 comments it received to its NOI. The Copyright Office suggests that a federal statute should include the following key attributes:

- *Subject Matter*: The statute should narrowly apply to digital replicas "that are so realistic they are difficult to distinguish from authentic depictions," regardless of whether they are AI-generated or not. The protections should be narrower than "name, image, likeness" protections available in many states.
- *Persons Protected*: The statute should apply to all individuals, not just celebrities or people whose identities have commercial value.
- *Terms of Protection*: Protections should extend for the life of the individual, with any postmortem protections limited in time but possibly extendible if the individual's persona continues to be exploited.
- *Infringing Acts*: Liability should arise from distributing (but not creating) the digital replica, where the distributor had actual knowledge that the representation was a digital replica and that it was unauthorized.
- *Secondary Liability*: Tort principles of secondary liability should apply. Safe harbor protections should be available to incentivize online service providers to remove unauthorized digital replicas after receiving effective notice or otherwise learning they are unauthorized.
- *Licensing and Assignment*: Individuals should be able to license and monetize their digital replica rights (with guardrails) but not assign them entirely. Licensing minors' rights should require additional safeguards including court review, holding income in a trust, and requiring licenses involving minors to expire when they turn 18.
- *First Amendment Concerns*: The statute should use a balancing framework to weigh First Amendment concerns against restrictions on the use of unauthorized digital replicas. The framework could, for example, call on courts to review the purpose of the use, including whether it is commercial; its expressive or political nature; the relevance of the digital replica to the purpose of the use; whether the use is intentionally deceptive; whether the replica was labeled; the extent of the harm caused; and the good faith of the user.
- *Remedies*: The statute should offer injunctive relief, monetary penalties (including compensation for lost income, damage to reputation, and emotional distress), and statutory damages or prevailing party attorney's fees to enable individuals with limited resources to pursue suits. Criminal penalties would also be appropriate in certain circumstances, including sexual deepfakes and other harmful or abusive imagery.
- *Relationship to State Laws*: A federal law should not preempt state laws, many of which have developed over several decades. Instead, the federal law would "fill in the gaps" of existing state laws.

The Copyright Office will continue to publish additional parts of this report, focusing on topics including the copyrightability of works created using generative AI, training of AI models on copyrighted works, licensing considerations, and allocation of potential liability.

NIST Releases New Framework on AI Risk Management

In July 2024, NIST issued a framework on AI risk management related to the use of generative AI. This framework is intended to supplement NIST's larger AI risk management framework that was published in January 2023.

The July framework lays out 12 risks that it says are "unique to or exacerbated by" the development and use of generative AI and outlines recommended actions to mitigate these risks. While these are recommendations, not requirements, for the industry, this framework can provide important insights into how companies can identify and address the risks associated with this developing technology.

FCC Issues Notice of Proposed Rulemaking Regarding the Use of AI-Generated Technologies for Consumer Communications

The Federal Communications Commission (FCC) recently issued a unanimous Notice of Proposed Rulemaking and Notice of Inquiry targeting the use of AI-related technologies for communicating with consumers. This proposal is the latest move by the FCC to tackle its largest source of consumer complaints: unwanted and illegal robocalls and robotexts. The proposed new rule may require companies to modify their current approach in engaging with consumers through AI-generated calls and/or texts, including potentially altering their current practices in collecting consent where necessary.

To better establish the scope of the FCC's new proposed disclosure requirements, the FCC proffered a definition for what types of AI technologies would be covered by the Telephone Consumer Protection Act (TCPA). Under the proposed rule, an "AI-generated call" is one "that uses any technology or tool to generate an artificial or prerecorded voice or a text using computational technology or other machine learning, including predictive algorithms, and large language models, to process natural language and produce voice or text content to communicate with a called party over an outbound telephone call." For calls or texts qualifying as an "AI-generated call," the FCC proposes the following disclosure requirements:

1. Disclosures required when seeking prior express consent. When obtaining prior express consent, callers making non-telemarketing calls or texts using AI-related technologies will now be required to provide "clear and conspicuous disclosure" that such consent includes authorization to receive AI-generated calls or text messages.

2. Disclosures required when seeking prior express written consent. For telemarketing calls and texts requiring prior express written consent, callers must include "clear and conspicuous disclosure" in the written agreement informing the party that they are authorizing the caller to communicate via AI-generated technology.

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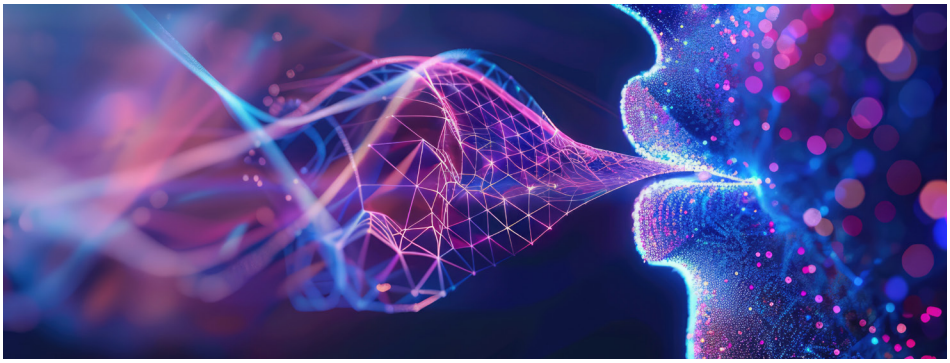
FCC Issues Notice of Proposed Rulemaking Regarding the Use of AI... *(Continued from page 5)*

3. Disclosures required when using AI-generated voices. Callers using AI-generated voices must clearly disclose at the outset of a call that the call is made using AI technology. Additionally, those callers must also provide "certain information that would enable the called party to identify the person or entity initiating the call."

The FCC proposed certain limited exemptions to the above disclosure rules. For example, the FCC's proposed rule would exempt individuals with hearing and/or speech disabilities who utilize AI-related technologies for non-telemarketing calls from the applicable provisions of the TCPA. The FCC's proposed disclosure rules would also not apply to certain calls already partially exempted by the TCPA, such as i) calls to residential landlines containing "healthcare" messages made by or on behalf of a HIPAA "covered entity" or its "business associate" and ii) certain specific types of calls made by, or on behalf of, healthcare providers (whether or not covered by HIPAA) such as appointment and exam confirmations and reminders, wellness checkups, and hospital pre-registration instructions; provided that certain other conditions are met.



The FCC is seeking comments on its proposed new rules, including, for example, whether the FCC should grandfather existing consent for automated calls, or whether callers should be required to obtain separate consent. Additionally, in its Notice of Inquiry, the FCC also sought comment for the implications of technologies capable of detecting and/or blocking AI-generated voice calls.

Public comments are due 30 days after the Notice of Proposed Rulemaking is published in the Federal Register, and reply comments are due 45 days after publication.

USPTO Issues Guidance on Patent Subject Matter Eligibility

On July 17, 2024, the United States Patent and Trademark Office (USPTO) published the 2024 Guidance Update on Patent Subject Matter Eligibility, Including on Artificial Intelligence (the "July Guidance") in response to President Biden's October 30, 2023, Executive Order calling for guidance toward resolution of open questions on patent eligibility of inventions related to AI technology (AI inventions). The July Guidance provides a framework for integrating recent case law in evaluating subject matter eligibility of claims directed to AI inventions under the U.S. Supreme Court's *Alice/Mayo* test. In addition, the July Guidance includes examples of patent-eligible and patent-ineligible claims in various fields covering technology and the life sciences.

As an initial matter, the July Guidance clarifies that the *Alice/Mayo* test for analyzing subject matter eligibility has not changed. The USPTO recognizes that while it is common for claims to AI inventions to involve abstract ideas, a distinction should be drawn between claims that recite an abstract idea versus claims that do not recite an abstract idea.

A claim that does not recite an abstract idea is subject matter eligible under Step 2A, Prong One of the *Alice/Mayo* test. Accordingly, no further analysis is necessary to evaluate subject matter eligibility of such a claim.

A claim that recites an abstract idea under Step 2A, Prong One will proceed to be analyzed under Step 2A, Prong Two of the *Alice/Mayo* test. Such a claim may be subject matter eligible if the claim as a whole integrates the judicial exception (e.g., abstract idea) into a practical application. The USPTO recognizes that many claims to AI inventions are eligible as improvements to the functioning of a computer or improvements to another technology or technical field, which demonstrates integration of the judicial exception into a practical application.

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USPTO Issues Guidance on Patent Subject Matter Eligibility *(Continued from page 6)*

For example, an AI invention may provide a particular way to achieve a desired outcome when it claims, for example, a specific application of AI to a particular technological field (i.e., a particular solution to a problem).

The July Guidance reinforces the need for strategic claim drafting. For example, a claim that merely recites implementing a judicial exception on a computer using AI, or generally linking a judicial exception to a particular technology using AI, may not be subject matter eligible. Patent eligibility requires more than merely claiming the idea of a solution or outcome. Rather, the extent to which a claim covers a particular solution to a problem or a way to achieve a desired outcome, is assessed to determine whether the claim is directed to a technology improvement sufficient to confer subject matter eligibility.

The July Guidance further clarifies that whether an invention is created with the assistance of AI is not a consideration when applying the *Alice/Mayo* test to assess subject matter eligibility. In other words, the patent eligibility inquiry does not consider the manner in which an invention has been developed. Instead, the inquiry focuses on the claimed invention itself, and whether it is the type of innovation eligible for patenting.

The USPTO contrasted the July Guidance with an earlier USPTO guidance issued in February 2024 on inventorship for AI-assisted inventions (the "February Guidance"). The February Guidance clarified that while AI systems cannot be recognized for inventorship purposes, AI-assisted inventions are not categorically unpatentable. In the February Guidance, a framework was proposed by the USPTO for analyzing inventorship of AI-assisted inventions, in which an invention is eligible for patent protection if one or more persons had made a significant contribution to the claimed invention.

While the July Guidance sets out the USPTO's policy and interpretation of the statutes and U.S. case law concerning patent eligibility of AI-related inventions, the July Guidance does not constitute substantive rulemaking. The USPTO may issue supplemental guidance or revise the July Guidance, as well as the February Guidance and other USPTO AI-related guidance, in response to future changes in legislation or jurisprudence as AI technology continues to evolve. The USPTO is currently soliciting comments directed toward the July Guidance.

SEC Potentially Rethinking Investment Adviser and Broker-Dealer Rules for Using AI

In June 2024, SEC Chair Gary Gensler indicated to a Senate appropriations subcommittee that the U.S. Securities and Exchange Commission (SEC) is considering rewriting its proposed rule regarding broker-dealers' and investment advisers' use of "predictive data analytics," including AI. Gensler said that the SEC received "robust" feedback in response to the proposed rule and that he has asked staff to consider whether to reopen or re-propose the rule.

The original version of the proposed rule would have imposed new standards for the use of a broad range of technologies, including analytical, technological, or computational functions, algorithms, models, correlation matrices, or similar methods or processes that optimize for, predict, guide, forecast, or direct investment related behaviors or outcomes of an investor. The rule would require advisers or broker-dealers to eliminate or neutralize any conflicts of interest arising from use of these technologies. Many of the comments on the rule noted its expansive reach, which would include algorithmic tools that have been used in the industry for decades, and the inability of broker-dealers or advisers to approach conflicts of interest through disclosure, which has historically been permissible in many cases.

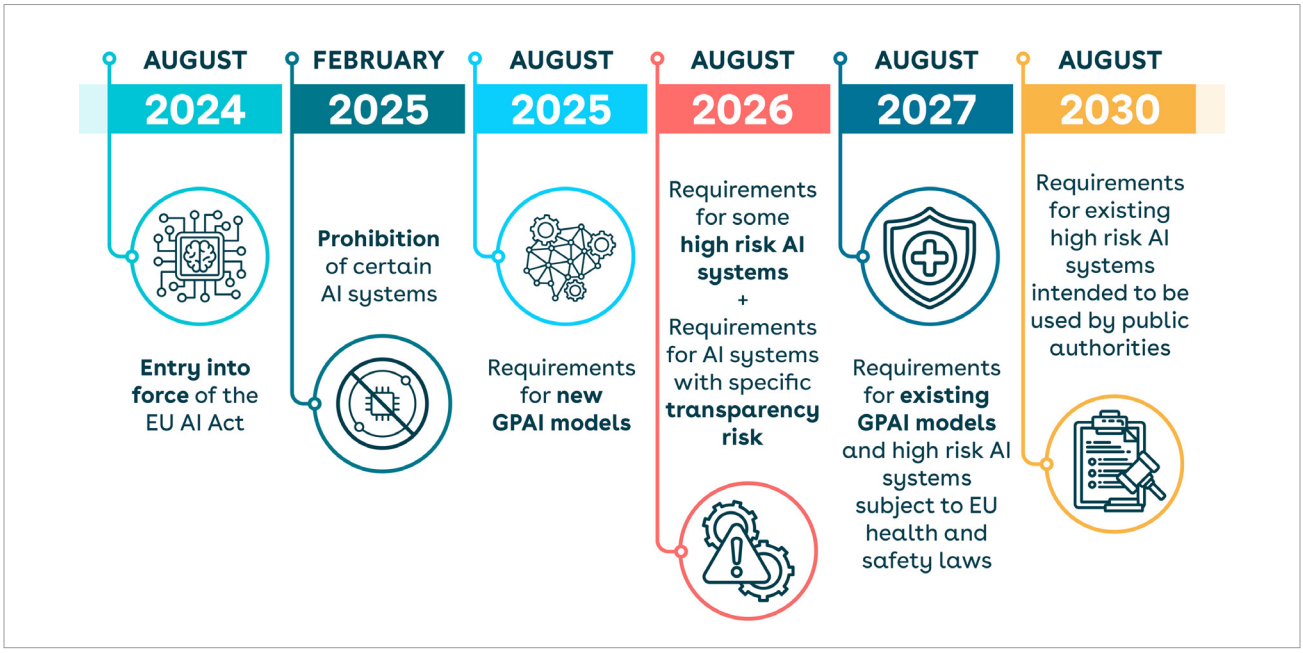
New Rules: Tracking AI Standing Orders in the Courts

In June 2024, the Central District of California issued an order requiring lawyers to attach a separate declaration to certify the accuracy of "any portion" of a brief, pleading, or other filing generated by AI. In comparison (and also in June), a judge in the Western District of North Carolina issued a standing order requiring lawyers to certify that AI was not used to prepare briefs or memoranda submitted to the court and that the statements and citations in those documents were checked for accuracy.

Those are just two of the most recent developments in this space. Since June 2023, federal district and magistrate judges have issued 28 orders related to the use of generative AI in court filings. However, some courts have instead affirmatively declined to adopt AI-specific rules. For example, the U.S. Court of Appeals for the Fifth Circuit recently declined to adopt a proposed rule that would require attorneys to verify that they prepared court documents without the assistance of generative AI after review of the public comments it received.

EU AI Act Entered into Force in August

On August 1, 2024, the European Union's (EU) Artificial Intelligence Act (AI Act) entered into force. It introduces a swathe of new obligations for companies providing, distributing, importing, and using AI systems and general purpose AI (GPAI) models in the EU, subject to hefty fines of up to EUR 35 million or seven percent of the total worldwide annual turnover, whichever is higher. The AI Act will apply in phases:



For more information about the scope and requirements in the AI Act, please see our FAQ on 10 Things You Should Know About the EU AI Act.

Treatment of AI Partnerships in Europe

On May 21, 2024, the UK's Competition and Markets Authority (CMA) published its decision on the partnership between Microsoft and Mistral AI, a French Foundational Model (FM) developer. The CMA highlighted that Microsoft's investment was less than one percent, that it would be a minority investor unable to block special resolutions, and that it lacked particular rights enabling it to exercise substantial influence and that it did not receive board representation. Considering these factors, the CMA found that Microsoft and Mistral AI had not "ceased to be distinct" and therefore that it did not have jurisdiction to investigate the partnership. Consequently, like the European Commission (EC) earlier this year, the CMA did not further review the partnership. However, the CMA emphasized, in what may be regarded as a cautionary remark for future cases, that such compute or distribution agreements with an FM developer can result in material influence if they create a dependency on the compute supplier, with factors such as exclusivity and restrictions on the IP commercialization decisions being relevant as well.

On September 4, 2024, the CMA announced that its review of Microsoft's hiring of former employees of, and related arrangements with, Inflection AI confirmed that the CMA did have jurisdiction as the parties had ceased to be distinct. However, the CMA found no competition issues and cleared the transaction. The CMA's assessment of Alphabet's partnership with Anthropic is still pending. On July 17, 2024, it was publicly reported that the EC asked Generative AI industry participants for input on the agreement of Google and Samsung to pre-install Google's Gemini Nano Generative AI chatbot on the Samsung Galaxy S24 Series of high-end smartphones. The EC is assessing whether this default inclusion may restrict competition with other chatbots for Samsung smartphones.

EC High-Level Group Issues Statement on AI and the DMA

On May 22, 2024, the EC High-Level Group for the Digital Markets Act (DMA) issued a statement on AI and the DMA. It highlighted issues of access to cloud infrastructure and services, access to data (including training and testing and validation data), standardization, and interoperability, as well as the influence that incumbent undertakings may exert on innovative start-ups through cooperative agreements. The High-Level Group agreed to exchange enforcement experience and regulatory expertise as relevant to the implementation and enforcement of the DMA, as well as with regard to AI. The High-Level Group seeks to develop means to ensure effective cooperation, leading to a consistent regulatory approach across the DMA and other legal instruments. The High-Level Group is composed of the Body of the European Regulators for Electronic Communications, the European Data Protection Supervisor and European Data Protection Board, the European Competition Network, the Consumer Protection Cooperation Network, and the European Regulatory Group of Audiovisual Media Regulators.

French Authority Publishes Report on Generative AI and Competition and Confirms Its Nvidia Investigation

On June 28, 2024, the French Competition Authority (FCA) published a report on Generative AI and competition. The FCA reiterated its view that there are high barriers to entry, including a shortage of specialized AI chips, the necessity of cloud computing services to train Generative AI models and serve them to users, the need for large, high-quality datasets to train new models, talented developers, and significant funding needs. The FCA identified numerous risks related to potentially anticompetitive conduct of chip providers, cloud service providers, and vertically integrated players. The FCA noted that investments and partnerships of large tech companies with start-ups could have both procompetitive and anticompetitive effects.

Joint Statement by U.S., EU, and UK Competition Authorities on Competition Risks in Generative AI and Other Markets

On July 23, 2024, the U.S. Department of Justice as well as the Federal Trade Commission, the EC, and the CMA released a joint statement highlighting competition risks in Generative AI and other markets. They identified three competition risks for AI: the concentrated control of key inputs, the entrenching or extension of existing market power, and arrangements involving key players that could coopt competitive threats. The statement also notes that there are other competitive and consumer risks involving AI, including algorithms that enable competitors to fix prices or engage in unfair price discrimination and the risk that firms will "unfairly use consumer data to train their models."

To combat the aforementioned competition risks, the competition authorities set forth several common principles to enable competition: fair dealing, interoperability, and choice. For fair dealing, the statement warns that firms with market power who engage in exclusionary tactics can discourage investment and innovation by other parties. Under interoperability, the competition authorities state that competition in AI is likely to increase if AI products, services, and inputs are interoperable. Finally, concerning choice, the statement notes that scrutinizing how companies use lock-in mechanics as well as investments and partnerships between incumbents and newcomers can foster a competitive process that provides choices among business models and products.

For more information, see Wilson Sonsini's Client Alert.

Deal Highlights

Wilson Sonsini Advises Armada on $40 Million Funding Round

On July 11, 2024, edge computing company Armada announced a $40 million funding round led by M12 (Microsoft's Venture Fund), raising its total to over $100 million. This funding comes as all Armada products are now available in the Microsoft Azure Marketplace, with Azure customers able to use pre-committed Azure spend on Armada products. Customers have brought Armada's technology to 43 countries. These customers include global oil and gas conglomerates, CPG and entertainment companies, state government agencies, and more. In addition to Armada's deep collaboration with Starlink, the company has recently signed partnerships with Halliburton, Edarat Group, Skydio, and many others to enhance offerings and distribute Armada's solutions globally. This global presence is a testament to Armada's robust and scalable solutions, which can transform

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industries ranging from defense and mining to healthcare and education. Wilson Sonsini Goodrich & Rosati represented Armada in the transaction.

Wilson Sonsini Advises Regard on $61 Million Series B Financing

On July 11, 2024, Regard, an AI-powered clinical insights platform, announced the close of a $61 million Series B financing round, led by Oak HC/FT, with participation from Cedars-Sinai Health Ventures, as well as existing investors TenOneTen Ventures, Calibrate Ventures, and Techstars. The investment will enable the company to accelerate product development with their core clinical insights platform, invest in fundamental research in large language models (LLMs), and expand beyond inpatient facilities. Wilson Sonsini Goodrich & Rosati represented Regard in the financing.

Wilson Sonsini Advises Seismos on $15 Million Growth Investment Led by Edison Partners

On July 10, 2024, Seismos, Inc., a leader in AI-powered Acoustic Sensing, and growth equity firm Edison Partners announced a $15 million growth investment to enable and accelerate the energy industry's shift from analog-focused exploration and production to technology-driven, digital infrastructure, and autonomous production operations. Wilson Sonsini Goodrich & Rosati advised Seismos on the transaction.

Wilson Sonsini Advises Entrata on Acquisition of Colleen AI

On June 20, 2024, Entrata®, a leading AI-enabled Operating System (OS) for multi-family communities worldwide, announced its acquisition of Colleen AI, a fully integrated, AI-powered platform optimizing payment collections. By incorporating Colleen AI into Entrata OS, operators can move towards autonomous property management, signaling a new era for the industry. Wilson Sonsini Goodrich & Rosati advised Entrata on the transaction.

Wilson Sonsini AI Advisory Practice Highlights

Wilson Sonsini continued to host its series of AI-related webinars this quarter, discussing the various ways in which AI presents new legal and ethical challenges:

- On July 9, Laura De Boel, Maneesha Mithal, Rossana Fol, Tom Evans, and Marie Catherine Ducharme explored how companies should navigate new AI legal requirements and how compliance efforts can be streamlined with a global approach in mind.

Wilson Sonsini attorneys also provided AI-related guidance at the following events:

- On June 4, Barath Chari spoke on a panel at the Talk Gen AI summit about how to navigate the legal landscape related to generative AI.
- On June 10, Yann Padova spoke at Privacy Symposium 2024 and analyzed the relationship between generative AI and the GDPR, in addition to presenting pathways for using generative AI while highlighting best practices, legal considerations, and ethical applications.
- On June 21, Laura De Boel spoke at a roundtable at the L Suite AI Conference about the EU AI Act.
- On June 25, Raj Mahapatra spoke on a panel about the impact of generative AI and how in-house lawyers can leverage AI for efficiency, collaboration, strategic advantage, and mental wellbeing.
- On July 10, Scott McKinney joined the AI Risk Reward podcast as a guest speaker to discuss the use of AI in the legal field, including Wilson Sonsini's development of an AI tool for contract writing and negotiation.

Newsletter Contributors

- Laura Ahmed
- Ali Alemozafar
- Hin Au
- Christine Au-Yeung
- Liam Boylan
- Amy Caiazza
- Deirdre Carroll
- Barath Chari
- Jess Cheng
- Laura De Boel
- Erin Delaney
- Yeseul Do
- Lizzy Doctorov
- Allie Fellows
- Julius Giesen
- Nicolette Gregor
- Joshua Gruenspecht
- Jordan Jaffe
- Jindrich Kloub
- Scott McKinney
- Hale Melnick
- Kara Millard
- Maneesha Mithal
- Ava Munson
- Chris Murray
- Karol Piwonski
- Hayden Smith
- Kennedy Ukelegharanya
- Jing Xu
- Hattie Watson
- Dawson Wong
- Alyssa Worsham

The following attorneys have editorial oversight of Wilson Sonsini's All Eyes on AI: Regulatory, Litigation, and Transactional Developments.

Laura De Boel
ldeboel@wsgr.com

Jordan R. Jaffe
jjaffe@wsgr.com

Scott McKinney
scmc@wsgr.com

Maneesha Mithal
mmithal@wsgr.com

Manja Sachet
msachet@wsgr.com

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650 Page Mill Road, Palo Alto, California 94304-1050 | Phone 650-493-9300 | Fax 650-493-6811 | www.wsgr.com

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