

The Evolving Landscape of **AI Law**

Artex



Artificial intelligence (AI) deployment by businesses has accelerated in recent years, with a 2025 McKinsey study indicating that 88% of organisations are regularly using AI in at least one business function — up from 78% in 2024¹.

While the potential benefits of AI in driving efficiencies, cost savings and improved customer service have been clearly articulated, the prospective legal risks are less well documented.

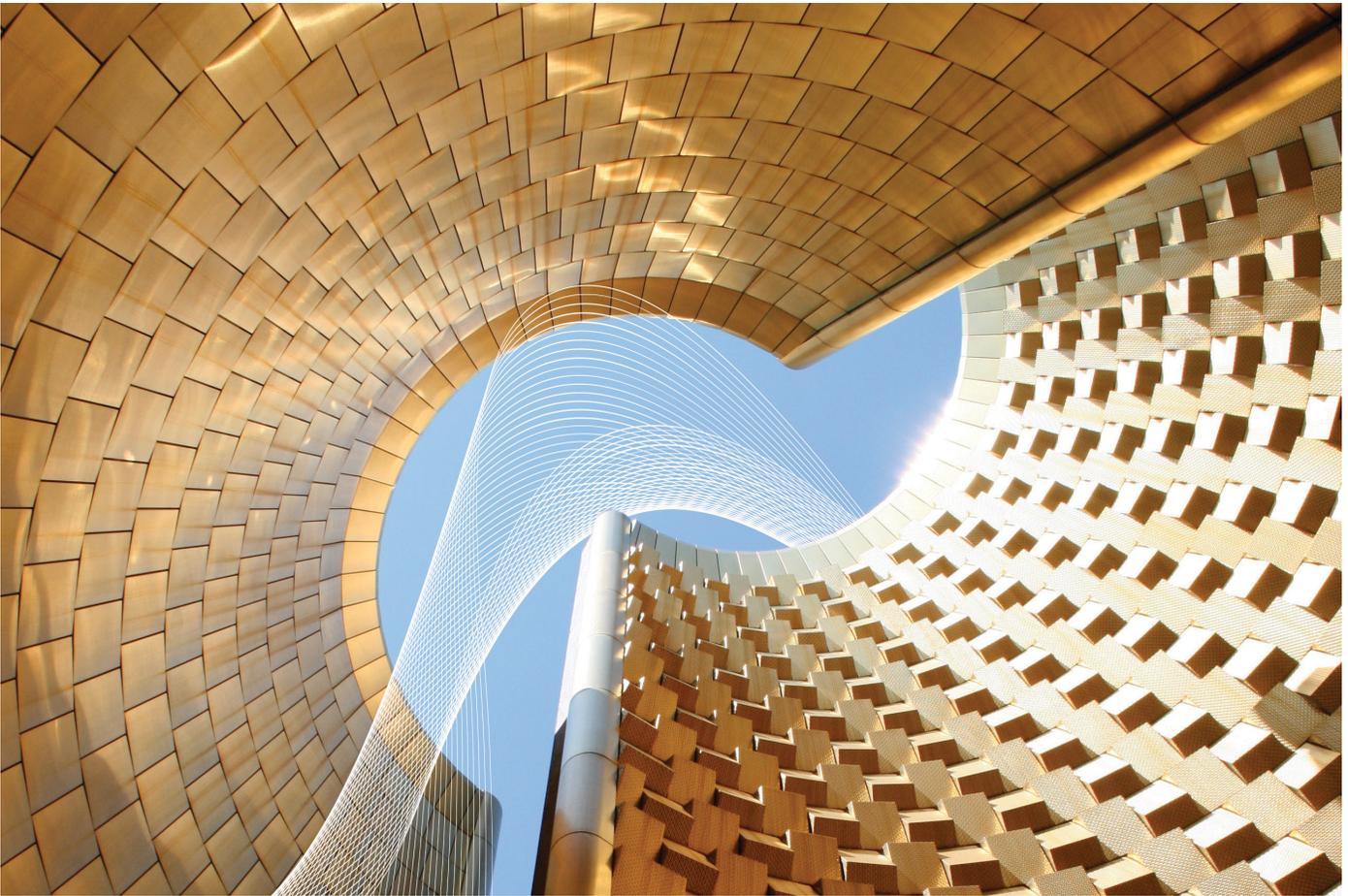
At the December Artex Annual Roundtable, in association with AIRMIC, Dr Petros Terzis, lecturer in Digital Law at King's College London, shared some insights on evolving AI law.

The EU AI Act came into force on 2 August 2024² and, alongside legislation being developed in other jurisdictions, promises a complex web of global compliance obligations for businesses, with accompanying regulatory and litigation risks.

Dr Terzis focused on key legal issues arising from the production, deployment and use of AI systems and models, with reference to the EU AI Act and EU copyright law.

¹"The state of AI in 2025: Agents, innovation, and transformation." *McKinsey & Company*, 5 Nov 2025.

²"AI Act implementation timeline." *European Commission*, PDF downloaded 16 Dec 2025.



■ COPYRIGHT ISSUES

Dr Terzis described three key areas where AI copyright issues could arise:

- The use of web crawling and scraping for the training of generative AI models;
- The ability of models to both learn patterns and replicate copyrighted data (i.e. memorisation); and
- AI reproductions of copyrighted material.

While there are exceptions under EU copyright law for purposes of text-and-data mining, there are open questions as to whether these apply to the training of generative AI systems and models and whether rightsholders can express the reservations for such processing in natural language (e.g., through their Terms of Services).

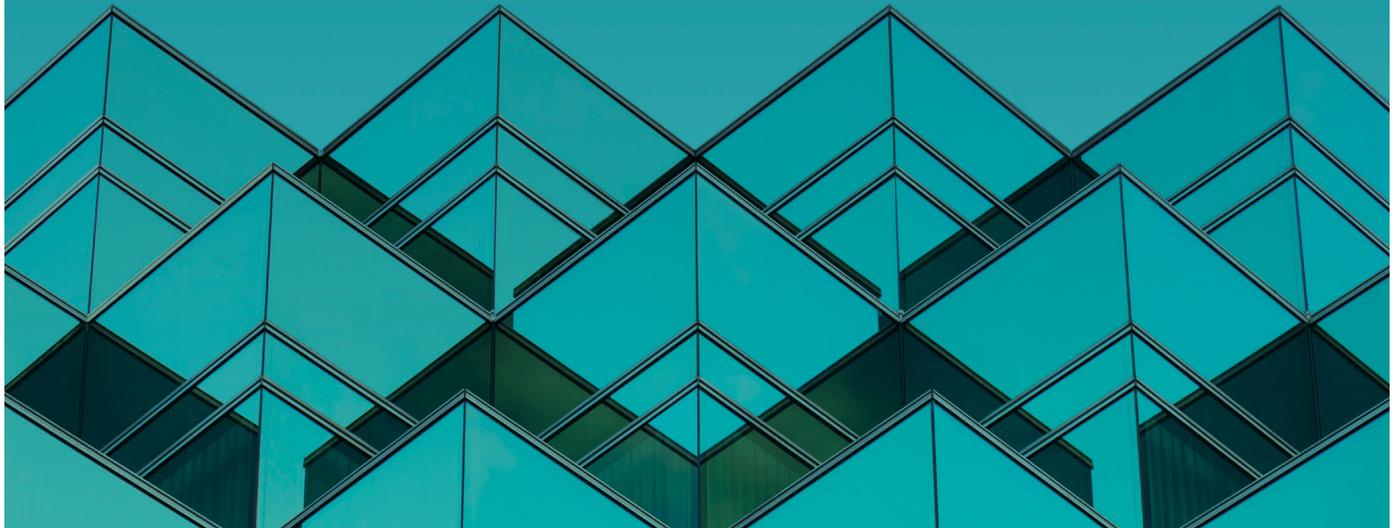
The New York Times litigation against OpenAI, which allegedly used unauthorised AI reproduction of articles supposedly behind the publication's paywall, indicates the potential for further litigation under the EU law.

OpenAI has also come under fire from a major Japanese publishing house³ and the Japanese government⁴ over AI reproductions of anime and manga characters, questioning whether AI reproductions are protected by exceptions for parody or transformative use.

³Bentley, James. "Japan's biggest publishing house and one of the world's largest manga producers takes aim at OpenAI, accusing it of 'trampling on the dignity of artists'." *PCGamer*, 4 Nov 2025.

⁴Beattie, Elizabeth. "Japan's government asks OpenAI to seek permission amid Sora 2 copyright." *The Japan Times*, 16 Oct 2025.

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■ THE EU AI ACT

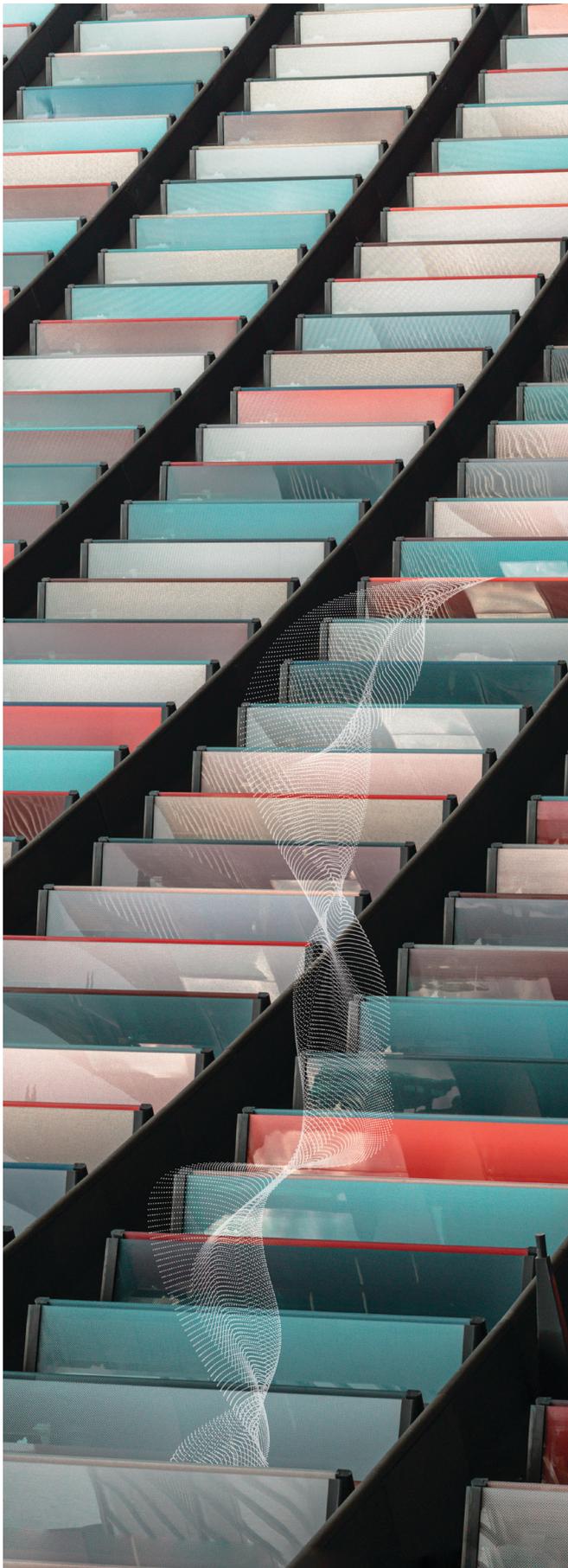
Dr Terzis believes compliance with the EU AI Act may prove simpler than many businesses assume, however:

Organisations' responsibilities are influenced by the many roles that are defined in the Act, and it may not always be clear which applies and in what circumstance. Companies must determine whether they are the designated provider and deployer of AI systems; whether the system can be designated as 'high-risk'; and whether deployment of the system involves any prohibited AI practices under Article 5 of the Act. Where organisations intend to develop or integrate a general-purpose AI (GPAI) model into an existing AI system (for example, in the deployment of chatbots or personal assistants), a structured assessment of the additional obligations set out in Articles 51-56 of the AI Act, together with the related European Commission Guidelines, is required. Early identification and evaluation of requirements

applicable to the modification or downstream use of GPAI models is a key risk-mitigation measure and may reduce future compliance costs.

For organisations deploying systems that are not high-risk, the compliance landscape is relatively straightforward, says Dr Terzis. Businesses must be mindful of the transparency requirements under Article 50 of the Act for keeping customers and users informed about any interactions with AI systems.

Annex III of the Act lists the compliance obligations for organisations deploying high-risk AI systems and details hefty fines for non-compliance or supplying incorrect, incomplete or misleading information to regulators.



AI COMPLIANCE STRATEGIES

Dr Terzis suggests the sensible approach for organisations developing a global AI compliance strategy is to model it on the EU AI Act in the first instance, potentially saving on future compliance costs as equivalent regimes come into force.

He also suggests drawing up documentation outlining the organisation's AI risk management strategy and detailing its compliance with the Act.

If an organisation has deployed a high-risk system, it may also be necessary to appoint an authorised AI representative.

CAPTIVE INSURANCE FOR AI GOVERNANCE AND COMPLIANCE

AI-related risks are not just financial – they often involve regulatory compliance, intellectual property disputes and ethical considerations that can lead to reputational harm. Captive insurance can play a strategic role by funding the cost of compliance programmes, audits and even internal risk assessments tied to AI governance. Unlike traditional insurance, which may exclude regulatory penalties or emerging tech risks, captives allow organisations to create tailored coverage for expenses such as remediation following non-compliance or defending against copyright litigation.

Beyond pure risk financing, captives can incentivise better governance by linking coverage terms to adherence with internal AI risk frameworks. This approach transforms the captive into a proactive risk management tool, supporting innovation while ensuring accountability. As global AI regulations evolve, captives provide the flexibility to adapt coverage quickly – helping businesses stay ahead of compliance challenges without stifling technological progress.



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