

**Morgan Lewis**

**REPORT**

# **THE NEW RULES OF AI**

## **A GLOBAL LEGAL OVERVIEW**

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## NAVIGATING THE AI LEGAL LANDSCAPE: TRENDS, CHALLENGES, AND SOLUTIONS

### FOREWORD

The rapid advancement of artificial intelligence technologies has prompted a global response in the form of evolving legal frameworks aimed at regulating their use and impact. Entering 2026, jurisdictions worldwide continued to grapple with the complexities of AI regulation, striving to balance innovation with the need for oversight.

As AI continues to transform industries, businesses must navigate a complex regulatory environment in which change must fall into step with compliance. In this report we highlight current legal frameworks and offer strategic insights for companies seeking to leverage AI responsibly. By understanding the regulatory landscape and implementing robust compliance measures, organizations can harness the potential of AI while safeguarding against legal and ethical pitfalls.

#### *European AI Regulatory Updates*

The key AI legal development in the EU in the first half of the year was the proposed Digital Omnibus legislative proposal. The European Commission intends for the Digital Omnibus to loosen regulatory requirements under the EU General Data Protection Regulation and the EU AI Act with respect to the development and use of AI across the European Economic Area.

If enacted into law, the Digital Omnibus would, among other proposals, extend the August 2026 deadline under the EU AI Act for companies to comply with rules relating to “high-risk” AI systems. However, as the legislative proposals remain subject to considerable debate among different EU legislative bodies, it cannot be said for certain that the Digital Omnibus will be enacted.

EU and UK regulators and courts have also intensified their focus on competition, intellectual property, and data-driven AI activity. EU and UK antitrust authorities have elevated algorithmic pricing to an enforcement priority, heightening attention on shared tools, competitively sensitive data inputs, and software-provider facilitation theories.

The UK Supreme Court reset the patentability test for computer-implemented inventions, aligning with European Patent Office practice and confirming that claims referencing technical means can clear the eligibility hurdle, with technical contribution assessed at patentability stages.

#### *US AI Regulatory Updates*

In the United States, federal and state activity is reshaping risk across IP, platform safety, competition, civil rights, and trade controls. The administration has released a national AI legislative framework urging the US Congress to preempt portions of state AI regimes, favor existing agency oversight, and focus on areas including child protection, IP, speech, education, and energy.

The US Supreme Court left in place the human authorship requirement for copyright, reinforcing that works created solely by autonomous AI are not registrable under current rules. State attorneys general have escalated scrutiny of CSAM and AI-generated sexual content, including platform-level investigations and multistate coordination.

At the state level, California’s Cartwright Act now creates liability for coercing adoption of prices recommended by common pricing algorithms and lowers pleading thresholds for conspiracy claims,

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heightening exposure for algorithmic pricing practices. New Jersey codified disparate-impact rules and signaled enforcement focus on AI-driven hiring and other automated screening tools.

## *Middle East AI Regulatory Updates*

Across the Middle East, courts and markets are pairing rapid digital growth with accountability for AI use. The Abu Dhabi Global Market Court issued a costs judgment sanctioning counsel for unverified AI-generated research, setting a clear professional benchmark and echoing similar warnings from other regional and global courts.

Concurrently, the UAE and Saudi Arabia are positioning themselves as AI-ready digital hubs, driven by data localization policies, government programs, hyperscale expansion, and sovereign capital, with growing demand for AI-optimized, high-density data centers, and sustainability-linked infrastructure.

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## EU AND UK REGULATORY UPDATES

### *Navigating AI M&A Risks and Compliance in Europe*

With future AI assets such as generative AI and foundation model developers, AI-enabled cybersecurity platforms, and businesses whose value is driven by proprietary data, algorithms, and specialist talent—which are expected to come to market over the next few months—European players should be mindful of the unique challenges posed by the acquisition of AI companies.

“Buyers should consider issues relating to the rights to use critical IP, how the target’s AI systems are trained, the use and transfer of data, and compliance with regulatory obligations under the GDPR and the EU AI Act. Buyers should also be mindful of foreign direct investment and merger control filings that may affect timing.” – [Luciana Griebel](#), [Vishnu Shankar](#), [Dr. Chloé Lignier](#), [Dana Anagnostou](#), [Mathilde Carle](#), [Timothy J. Corbett](#), [Dr. Florian Harder](#), [Paul Johnson](#)

- For more information: [How to Navigate AI M&A Risks, Compliance in Europe](#), *Law360*

### *EU and UK Antitrust Regulators Prioritize Enforcement Against Algorithmic Pricing*

Antitrust laws across the European Union and United Kingdom prohibit agreements or concerted practices that restrict competition. Under long-established EU and UK competition law, parties to such agreements may face severe penalties, including fines of up to 10% of global turnover. Individuals involved in the infringement also may be subject to personal fines, director disqualification, and in some jurisdictions imprisonment. Algorithmic pricing is relevant in this context where interoperable or shared software can potentially serve as a conduit for anticompetitive price coordination.

“While any business will have to analyze how the relevant laws apply to their own particular circumstances and activities, companies using or contemplating adopting algorithmic pricing tools in the European Union and United Kingdom should consider whether it is appropriate to take proactive steps to manage risk.” – [Dr. Michael Masling](#), [Leonidas Theodosiou](#), [Minna Lo Naranjo](#)

- For more information: [When Machines Decide the Price: Algorithmic Pricing Emerges as Enforcement Priority for EU & UK Antitrust Regulators](#), *The AI Journal*

### *French Courts See Increase in Cases Involving Misuse of Generative AI*

As with many other jurisdictions worldwide, French courts are starting to be confronted with hallucinations created by AI, which take the form of erroneous caselaw references produced in the parties’ pleadings, or misuse of AI for their claims. While to this point no sanctions have yet been imposed in France, in contrast with numerous rulings rendered in the United States, the irresponsible or unreasonable use of AI can nonetheless have significant consequences for lawyers and their clients.

“Lawyers who use AI tools must therefore, to remain in compliance with their ethical and professional duties and avoid liability, remember that while AI is an effective tool, it can never completely replace human beings.” – [Alexandre Bailly](#), [Xavier Haranger](#), [Ari M. Selman](#), [Scott A. Milner](#), [Ines Chaudonneret Oudelette](#)

- For more information: [The Risks of Hallucinations and Misuse of Generative Artificial Intelligence Before French Courts](#), *Morgan Lewis LawFlash*

### *UK Supreme Court Shifts Approach to Patenting Computer-Implemented Inventions*

The UK Supreme Court issued a landmark decision on February 11, fundamentally shifting the approach to patenting computer-implemented inventions—including those concerning AI—in the UK. In doing so,

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the UKSC unanimously held that the Aerotel four-step test should be abandoned in favor of aligning with the European Patent Office's approach in G1/19.

"By abandoning Aerotel and confirming that computer software claims referencing hardware are not necessarily excluded from patentability, the UKSC provides welcome alignment with the EPO case law. This decision will be positive news to companies operating within the AI sector of the UK, who should carefully assess how these changes affect their intellectual property strategies going forward." – [Hiroshi Sheraton, Kristjan Bloudoff, Ph.D.](#)

- For more information: [UK Supreme Court Resets Approach to Patentability of Computer-Implemented Inventions](#), *Morgan Lewis LawFlash*

## US REGULATORY UPDATES

### *White House Issues National AI Legislative Framework*

The administration issued a national AI legislative framework on March 20 that, while not creating immediate compliance obligations, signals a growing push to replace the emerging patchwork of state AI laws with a more uniform federal approach. Companies should prepare for continued overlap between state requirements and potential federal legislation and monitor how the US Congress responds to this evolving policy direction.

"Companies should watch three near-term developments: whether congressional committees begin converting the White House framework into legislative text, whether the preemption concept narrows as lawmakers respond to bipartisan resistance, and whether Senator Blackburn's discussion draft becomes a vehicle for combining child safety, digital replica, censorship, and broader AI governance provisions into a single federal package." – [Dion M. Bregman, David B. Mendelsohn](#)

- For more information: [Prepping for White House's Proposed AI Framework](#), *Law360*

### *US Supreme Court Declines to Consider Whether AI Alone Can Create Copyrighted Works*

The US Supreme Court has declined to consider the copyrightability of artwork generated purely autonomously by AI, leaving in place the "human authorship requirement" for copyright protection. In the below LawFlash, we break down the case, the statutory and judicial frameworks governing copyright in autonomously created works, the Copyright Office's stance, and the practical implications for companies navigating copyright in the age of autonomous AI creation.

"For now, businesses and creators using AI should continue to rely on the longstanding human authorship requirement. Under current law, works made solely by autonomous AI are not eligible for copyright protection in the United States. Ongoing cases also consider the amount of human input, including prompting or post-generation editing, required to register copyright in an AI-generated work." – [Megan C. Kilduff, Zachary Messick, Joshua M. Dalton, Benjamin B. Anger](#)

- For more information: [US Supreme Court Declines to Consider Whether AI Alone Can Create Copyrighted Works](#), *Morgan Lewis LawFlash*

### *State AGs Increase Scrutiny Over CSAM and AI-Generated Sexual Content*

Nationwide, state attorneys general are increasing enforcement activity focused on online child sexual abuse material and the use of AI tools to generate, manipulate, or distribute sexually explicit content, including nonconsensual deepfakes involving minors. Recent high-profile investigations underscore a broader and accelerating trend that technology companies, platforms, and AI developers should take seriously.

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“State AG enforcement in this area is no longer speculative. Investigations and public statements make clear that online child safety and AI-generated sexual content are top enforcement priorities. Companies that take proactive, documented steps now will be better positioned to manage regulatory risk and respond effectively to inquiries when they arise.” – [Ashley R. Lynam](#)

- For more information: [State Attorneys General Escalate Online Platform Scrutiny Over CSAM & AI-Generated Sexual Content](#), *Morgan Lewis LawFlash*

## *Final Rule Updates Export Review Policy for AI Chips Destined for China and Macau*

The licensing review policy has shifted from a presumption of denial to case-by-case licensing with strict conditions. This new export policy occurred in parallel with an increase in US tariffs on semiconductors with the same performance thresholds.

“As 2026 unfolds, US semiconductor policy continues to evolve, seeking to balance national security concerns with economic and trade considerations. Companies will need to monitor these changes closely to maintain compliance.” – [JiaZhen Guo](#), [Michael H. Huneke](#), [Casey Weaver](#), [Katelyn M. Hilferty](#)

- For more information: [BIS Revises Export Review Policy for Advanced AI Chips Destined for China and Macau](#), *Morgan Lewis LawFlash*

## *California’s Algorithmic Pricing Antitrust Amendments to Cartwright Act Take Effect*

AB 325, which amends California state antitrust law the Cartwright Act, went into effect on January 1. The amendments are significant as they create a new basis for liability for parties that “coerce” the adoption of prices recommended by common pricing algorithms used by multiple persons.

“With the potential for increased liability for certain conduct involving pricing algorithms under California’s new laws, companies using or considering adopting algorithmic pricing tools should monitor ongoing developments in this space and weigh the benefits of designing and implementing an antitrust compliance program that is attentive to these evolving laws.” – [Minna Lo Naranjo](#), [Rishi P. Satia](#), [William T. McEnroe](#), [Joshua M. Goodman](#), [J. Clayton Everett, Jr.](#)

- For more information: [California’s Algorithmic Pricing Antitrust Amendments to the Cartwright Act Take Effect](#), *Morgan Lewis LawFlash*

## *New Jersey: AI and Automated Tools Likely to Draw Enforcement Scrutiny*

New Jersey’s Division on Civil Rights adopted regulations to codify the state’s longstanding disparate-impact framework under the New Jersey Law Against Discrimination, effective as of December 15, 2025. While the rule largely codifies existing law, it also signals areas in which the division may intend to focus enforcement efforts, such as AI-driven hiring tools, criminal history, and credit screens as well as other automated screening practices.

“While the DCR’s enumeration does not alter the governing legal standard, it identifies where the DCR may allocate enforcement resources going forward. To that end, employers should audit their screening tools and selection criteria and be prepared to explain, for example, why they use the screening methods they do, what alternatives they considered, and how they evaluated any AI or algorithmic tools for bias before using them.” – [August W. Heckman III](#), [Michelle Seldin Silverman](#), [Richard G. Rosenblatt](#), [Christian A. Zazzali](#)

- For more information: [New Jersey Codifies Existing Disparate-Impact Rules](#), *Morgan Lewis LawFlash*

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## MIDDLE EAST REGULATORY UPDATES

### *ADGM Court's Judgment Serves as Warning Regarding Proper Use of AI*

The Abu Dhabi Global Market Court has issued a detailed costs judgment that doubles as a practical guide for lawyers on the responsible use of AI in litigation.

"AI can be a useful tool, but unverified outputs are a professional hazard. It therefore remains the obligation of anyone using AI for research purposes to ensure that the relevant cases exist, support the proposition advanced, and are correctly cited." – [Rebecca Ford](#), [Lisa Merod](#)

- For more information: [ADGM Court's Judgment Serves as a Warning Regarding Proper Use of AI, Shifting Sands of Labor Law](#)

### *UAE and Saudi Arabia: Powering the Global Digital Future*

As the global digital economy accelerates, data centers have moved from being a back-office necessity to a strategic national asset. Nowhere is this shift more evident than in the Gulf, where the United Arab Emirates and Saudi Arabia are rapidly positioning themselves as global hubs for cloud computing, AI, and digital infrastructure.

"For investors, operators, and technology companies, the Gulf offers a rare combination of demand growth, government support, and strategic relevance. Those who understand the regulatory landscape, build strong local partnerships, and approach the market with a long-term perspective will find opportunities that extend well beyond individual projects." – [Ayman A. Khaleq](#), [Barbara Murphy Melby](#), [Ksenia Andreeva](#)

- For more information: [The Gulf's Data Revolution, The Oath](#)

## AI FUNDAMENTALS

### *AI Firms' Collaboration Can Potentially Heighten Antitrust Risks*

AI's rapid development and high input costs are accelerating collaboration among AI firms through research consortia, compute-pooling arrangements, cloud-model partnerships, safety initiatives, platform governance, and standards setting.

These types of collaborations can promote competition and generate substantial efficiencies, enabling access to data, specialized talent, and scarce computing resources; reducing duplication; and improving security and interoperability. At the same time, collaboration among competitors can potentially raise heightened antitrust risk under Section 1 of the Sherman Act, particularly where coordination among competitors includes restraints that resemble noncompetes, customer or market allocation, output limits, or price-related terms.

"Firms pursuing AI collaborations should therefore consider defining the collaboration goal clearly, ensuring it is efficiency-enhancing and procompetitive, tailoring restraints to what is reasonably needed to make the collaboration work, implementing reasonable governance and information-exchange safeguards, and documenting the procompetitive rationale contemporaneously. Done correctly, AI collaborations can preserve innovation-driving efficiencies while reducing Section 1 exposure." – [Minna Lo Naranjo](#), [Rishi P. Satia](#), [Nicholas Pfeiffer](#)

- For more information: [Competitor Collaborations in the Age of AI: Ancillary Restraints and Practical Antitrust Guardrails, CPI Antitrust Chronicle](#)

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## *Recent Court Decisions Address AI and Attorney-Client Privilege*

Two recent decisions—*United States v. Heppner* and *Warner v. Gilbarco*—have addressed whether materials generated or influenced by AI tools are protected by the attorney-client privilege or work product doctrine. These rulings clarify how privilege claims should be managed when AI is involved, providing key insights for litigants, in-house counsel, and businesses adopting AI in legal workflows.

“Organizations using AI tools in litigation or internal investigations should be mindful that use of consumer AI platforms may risk waiver of privilege as at least one court has treated public AI tools as third parties for privilege purposes. To minimize risk, organizations should consider using enterprise-grade AI tools with appropriate confidentiality measures and under the direction of counsel (keeping in mind even this does not guarantee protection).” – [Scott A. Milner](#), [Matthew J. Hamilton](#)

- For more information: [When AI Meets Privilege: Early Court Decisions](#), *Morgan Lewis LawFlash*

## *Using AI in Tax Workflows*

The *Heppner* ruling marks an early and consequential development in how courts may evaluate privilege when AI tools are incorporated into legal, tax, and business operations.

“As courts begin to address how traditional privilege doctrines apply to generative AI, uncertainty will persist. *Heppner* represents a cautionary application of established rules to a rapidly developing technology. Because the protections afforded by the attorney-client privilege, Section 7525 privilege, and work product doctrine are all based on a facts-and-circumstances analysis, it is particularly prudent to assess each issue on a case-by-case basis and in light of the court’s rationale in *Heppner*.” – [Drew A. Cummings](#), [Jennifer Breen](#), [Maya A. Hairston](#), [Joy Howard](#)

- For more information: [Using AI in Tax Workflows? What Heppner Means for Tax Departments](#), *Morgan Lewis LawFlash*

## *Copyright and AI: Controlling Rights and Managing Risks*

As companies expand their use of AI, copyright law has become a central area of risk and uncertainty. The landscape is shifting quickly, and technology lawyers should be prepared to help clients evaluate AI-related rights and manage risks in transactions. We highlight key takeaways from recent court decisions testing fair use in AI training as well as legislative proposals on copyright disclosure and digital replicas.

“The law on copyright and AI is still developing, with courts and policymakers testing the limits of authorship, infringement, and fair use. Companies should expect continued uncertainty and rapid change in this space.” – [Joshua M. Dalton](#), [Colleen Ganin](#), [Michael R. Pfeuffer](#)

- For more information: [Copyright and AI: Controlling Rights and Managing Risks](#), *Publish*

## *AI in M&A Strategy*

AI is no longer a fringe capability or experimental tool. It is rapidly becoming a core pillar of corporate strategy, with its influence now extending across the entire deal lifecycle, from sourcing opportunities and shaping valuations to conducting diligence and driving post-transaction integration. Against this backdrop, AI readiness is emerging as a decisive factor in both competitive positioning and transaction value.

“What is most apparent of this emergent sector is that AI is not a substitute for judgment, but rather a force multiplier for it. Effective deployment requires a strong governance framework grounded in transparency, accountability, and human oversight. When applied thoughtfully, AI can significantly enhance both speed and precision; when applied carelessly, it introduces risk at scale.” – [Donald G. Shelkey](#), [A. Benjamin Klaber](#)

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- For more information: [AI in M&A: The Shift from Competitive Advantage to Governance Imperative](#), *Morgan Lewis Insight*

## *Building Exit Rights and Portability into AI Deals*

With the pace of new product releases and market buzz, AI has crossed a threshold in many organizations from an experimental tool to an embedded business function. Companies are increasingly relying on third-party AI offerings to support core processes, streamline operations, automate customer support, and perform other back-office and customer-facing tasks.

“AI contracting is moving quickly from ‘license terms’ toward an operating model that requires that the contract anticipate regulatory change, model updates, and vendor transitions as normal lifecycle events. Planning for exit at the start is one of the most practical ways to protect continuity while still capturing the benefits of rapid innovation.” – [Jonathan D. Traub](#), [Christopher C. Archer](#)

- For more information: [Building Exit Rights and Portability into AI Deals](#), *Tech & Sourcing @ Morgan Lewis*

## *Navigating AI in Technology Transactions*

As AI continues to reshape technology transactions, deal lawyers have been compelled to revisit longstanding allocations of risk, reassess boilerplate, and develop new contracting mechanics to address novel uncertainty.

“While the core goals of technology deals remain the same—facilitating commercial outcomes and protecting the business—AI introduces distinctive pressure points across intellectual property, data, regulatory exposure, and liability frameworks.” – [Barbara Murphy Melby](#), [Adia Brantley](#)

- For more information: [What’s New and What’s Next: Navigating AI in Technology Transactions](#), *Tech & Sourcing @ Morgan Lewis*

## *Key Outsourcing Trends for 2026: AI, Global Capability Centers, and Global Delivery Models*

Outsourcing models are entering a more complex and strategic phase as companies accelerate digital transformation, embed AI into core business processes, and reassess global delivery strategies amid heightened regulatory, geopolitical, and operational pressures. What were once primarily cost-driven, labor-based arrangements are increasingly becoming integrated operating models that combine technology deployment, analytics, compliance, and resilience.

“Outsourcing in 2026 will continue to evolve from a transactional cost-saving tool into a strategic lever for digital transformation, AI adoption, and global growth. As these relationships become more complex and regulated, early and coordinated legal involvement is critical.” – [Barbara Murphy Melby](#), [Christopher C. Archer](#)

- For more information: [Outsourcing Trends for 2026: AI, GCCs, and Global Delivery Models](#), *Morgan Lewis Insight*

## *How AI Will Fundamentally Reshape Work in Labor Relations*

AI is rapidly evolving from a productivity tool to an operational decision-support system with direct implications for labor relations strategy, collective bargaining, and workforce governance. AI is no longer limited to chat interfaces and document summaries, now increasingly being embedded in workflows, analytics platforms, and decision-making processes that affect employee relations, bargaining dynamics, and compliance risk.

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“AI will not replace labor negotiators, employee relations professionals, or in-house counsel. It will, however, materially change the speed, scale, and analytical depth of labor strategy.” – [Harry I. Johnson, III, Nicole A. Buffalano, Kelcey J. Phillips, John F. Ring](#)

- For more information: [How AI Will Fundamentally Reshape Work in Labor Relations](#), *Morgan Lewis Insight*

## *Using AI to Improve Workplace Safety*

While AI is becoming a powerful tool in workplace safety programs, its use also raises complex legal and governance questions. We examine how employers can integrate AI into safety decision-making while preserving human judgment, meeting regulatory obligations, and managing enforcement and litigation risk.

“AI offers powerful tools to enhance construction safety, but its use reshapes the legal landscape in ways that require deliberate governance and oversight. Companies that deploy AI thoughtfully—preserving human judgment, documenting decision-making, and anticipating post-incident scrutiny—can improve safety outcomes without increasing legal exposure. Companies should strike that balance, ensuring that innovation strengthens safety programs rather than undermining their defensibility.” – [Brandon J. Brigham, Mitchell A. Knafo](#)

- For more information: [Using AI to Improve Safety: Managing the Legal Risks Alongside the Benefits](#), *Morgan Lewis Insight*

## *Current Trends and Concepts for AI Usage Policies*

AI usage policies have become the new norm as businesses across industries adopt various AI technologies in hopes of enhancing productivity and staying competitive, with many companies now revisiting and updating their AI usage policies to become more permissive while aiming to meet any transparency requirements.

“Many companies’ AI policies require a manual human verification, review, and documentation process, noting that users are ultimately responsible for all content produced with AI assistance. A common theme in AI policies is that AI tools should not be used as a replacement for human expertise and creativity.” – [Marina G. Aronchik](#)

- For more information: [AI Usage Policies Revisited: Structure, Trends, and Transparency](#), *Tech & Sourcing @ Morgan Lewis*

## *Key eDiscovery Areas: Preservation of Data, New Data Sources, Expanding Role of Information Governance, and More*

As companies adopt innovative data sources, including AI systems, specific preservation protocols and strategies may be needed. For instance, will the company preserve its AI model training data and prior versions? Will any AI model testing be needed?

“As we navigate the complexities of the new year, staying informed and consulting the right professionals is more crucial than ever. Organizations should continue to prioritize data preservation, especially with evolving IT systems and AI technologies.” – [Tara S. Lawler, Jennifer Mott Williams, Matthew J. Hamilton](#)

- For more information: [Navigating the Evolving World of eDiscovery, Information Governance and Artificial Intelligence](#), *Reuters*

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## INDUSTRY FOCUS

### Data Centers

#### *Key US Export Controls Considerations for Global Data Center Projects*

Data centers, their customers, and their suppliers find themselves on the front lines of national security laws, expected to maintain US national security guardrails through risk-based compliance and due diligence in exchange for accessing export-controlled items and technology. Through connecting the dots between current regulations, geopolitics, and enforcement trends, some practical steps emerge to help data centers meet these expectations by identifying, assessing, and effectively managing their compliance and enforcement risks under US export controls.

“For global data centers to walk a path through these turbulent geopolitical times, it is necessary to design and implement an export controls compliance program that expects, rather than merely reacts to, risk and grounds inherently subjective assessments of risk in a repeatable, documented, and defensible process for decision-making. Doing so is the only way to gain a sense of agency—even without any illusion of control or consistency—and empower the business to achieve commercial objectives while maintaining a deliberate compliance footing.” – [Michael H. Huneke](#)

- For more information: [Key US Export Controls Considerations for Global Data Center Projects](#), *Morgan Lewis Insight*

#### *Investing in Data Center-Focused HVAC Businesses*

The continued expansion of data centers—driven by cloud adoption, AI, and high-performance computing—is reshaping how investors evaluate infrastructure risk and opportunity. Among the most critical, and often underestimated, components of this ecosystem is heating, ventilation, and air conditioning (HVAC) and related thermal-management infrastructure.

“As data centers continue to scale, HVAC and thermal-management infrastructure is likely to remain a gating factor for capacity growth and a focal point for capital deployment. The sector offers investors exposure to the backbone of the digital economy, with demand supported by long-term secular trends rather than short-term technology cycles.” – [John J. Sheehan](#), [Mark L. Opitz](#), [Barbara Murphy Melby](#)

- For more information: [Investing in Data Center-Focused HVAC Businesses: An Increasingly Strategic Asset Class](#), *Data Center Bytes*

#### *California Takes a Closer Look at Data Center Regulation*

California lawmakers have recently focused renewed attention on the rapid growth of data centers, driven in large part by cloud computing and AI capacity demands. Concerns about grid reliability, electricity costs, and environmental impacts prompted a flurry of legislative proposals in the 2024–2025 session. The result, however, is a more incremental regulatory approach than many industry participants initially expected.

“California remains a bellwether for data center regulation nationally. While the state has stopped short of imposing binding requirements in the current cycle, the conversation is far from over. Stakeholders should expect continued legislative and regulatory attention—particularly as AI-driven electricity demand accelerates and as the CPUC’s findings come into focus.” – [Marc A. Liverant](#), [Barbara Murphy Melby](#)

- For more information: [California Takes a ‘Study First’ Approach to Data Center Regulation](#), *Data Center Bytes*

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## Healthcare

### *FDA Efforts to Decrease Animal Testing and Usher in New Technologies*

Following its release of a roadmap for phasing out animal testing, FDA released on March 18 a draft guidance on General Considerations for the Use of New Approach Methodologies in Drug Development. This guidance signals a willingness by FDA to consider the use of new technologies for drug development. Technology developers should pay special attention to this evolving and growing area of FDA opportunity and regulation as it creates openings for new entrants into the drug development ecosystem as well as new requirements.

“Current and future uses for new technologies include the integration of artificial intelligence and machine learning into early-stage drug development and target and compound selection as well as in clinical trials, such as to facilitate enrollment, clinical trial design, detection of clinical trial issues, and even to substitute for at least some subjects through the use of digital twins.” – [Jacqueline R. Berman](#), [Ariel Z. Seeley](#)

- For more information: [Innovation at the FDA: Efforts to Decrease Animal Testing and Usher in New Technologies](#), *Morgan Lewis LawFlash*

## Sports

### *Sports Sponsorships Are Now Data Deals*

Sports sponsorship agreements were once relatively straightforward: brand visibility in exchange for fees. This is no longer the case. Today, most meaningful sponsorships involve significant data components, whether fan engagement platforms, digital activations, or, increasingly, AI-driven analytics. As a result, these agreements are starting to look much more like technology and data contracts.

“One of the more consistent themes we are seeing is that many sponsorship agreements still do not fully account for their data and technology components. The traditional focus on branding and visibility often leaves gaps in areas that ultimately carry significant value and risk.” – [Doneld G. Shelkey](#)

- For more information: [Sports Sponsorships Are Now Data Deals \(Whether the Contract Says So or Not\)](#), *Tech & Sourcing @ Morgan Lewis*

## Airlines

### *Top 10 Considerations for the Airline Industry in 2026*

Global airlines entered 2026 facing converging pressures across cybersecurity, AI, labor, trade policy, sustainability, regulatory enforcement, consolidation, and data governance—all within a complex and rapidly evolving geopolitical context. This Insight highlights the legal, regulatory, and operational developments most likely to shape airline strategy in 2026.

“Airlines that align legal, compliance, operational, and technology functions and invest early in governance, documentation, and risk-based decision-making will be better positioned to navigate regulatory uncertainty, manage cost and operational pressures, and maintain resilience in a rapidly changing environment.” – [Jennifer Trock](#), [Brendan T. Killeen](#)

- For more information: [Top 10 Considerations for the Airline Industry in 2026](#), *Morgan Lewis Insight*

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