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ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING

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

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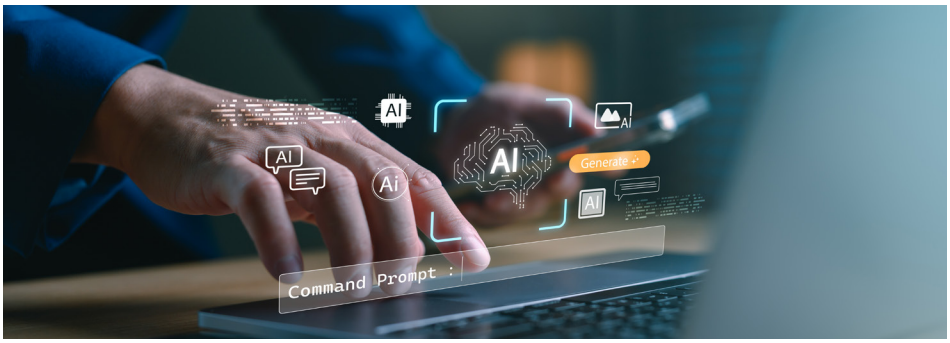
STATE

Illinois Enacts Law Restricting Artificial Intelligence (AI) Use in Therapy and Psychotherapy Services



On August 1, 2025, Illinois enacted the Wellness and Oversight for Psychological Resources Act (WOPR Act), which regulates the use of AI in therapy and psychotherapy services.

The WOPR Act specifically prohibits individuals, corporations, and other entities from providing, advertising, or offering any therapy or psychotherapy services in Illinois—including through the use of internet-based AI—unless those services are performed by licensed professionals (e.g., psychologists, social workers, professional counselors, etc., but not physicians). The WOPR Act's prohibition applies to autonomous AI systems—such as mental health chatbots—that operate in Illinois and provide recommendations related to diagnosing, treating, or improving an individual's mental, emotional, or behavioral health condition.

Additionally, the WOPR Act limits how licensed professionals may use AI in their practices. Specifically, the law prohibits licensed professionals from allowing AI to 1) make independent therapeutic decisions; 2) directly engage in any form of therapeutic communication with clients; 3) generate therapeutic recommendations or treatment plans without the professional's review and approval; or 4) detect clients' emotional or mental states.

The WOPR Act allows licensed professionals to use AI for administrative support services (e.g., scheduling appointments, processing billing and insurance claims, and sending general logistical messages that do not contain therapeutic advice) and supplementary support services (e.g., preparing and maintaining records, analyzing anonymized data to track client progress, and identifying external resources or referrals for clients). Licensed professionals may only use AI for supplementary support services after obtaining the patient's written consent.

Finally, the WOPR Act includes three exceptions, where the law does not apply to 1) religious counseling

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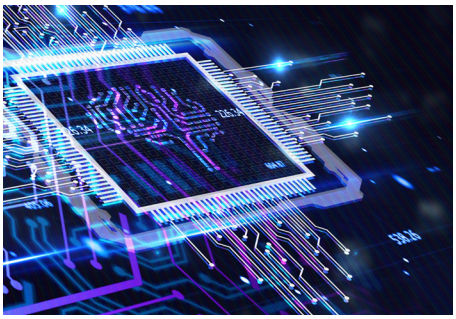
Illinois Enacts Law Restricting Artificial Intelligence (AI) Use in Therapy and Psychotherapy Services *(Continued from page 1)*

(e.g., faith-based counseling provided by religious leaders within their scope of religious duties that is not presented as clinical mental health services, therapy, or psychotherapy); 2) peer support (e.g., counseling provided by peers with lived experiences without clinical intervention); and 3) self-help materials and educational resources that are available to the public and do not purport to offer therapy or psychotherapy services.

Ensuring compliance with the WOPR Act will be critical for individuals and corporations operating AI in the mental health space, as violations of the law are subject to civil penalties of up to $10,000 per violation. The WOPR Act came into effect on August 1, 2025. For more information, see here.

Legal Framework for the Use of AI in Mental Health

On October 9, 2025, Wilson Sonsini Goodrich & Rosati published an advisory of the legal framework governing AI applications in mental healthcare. AI is increasingly being used in mental healthcare for functions such as clinical decision support, notetaking and transcription, symptom screening and triage, administrative and operational improvements, augmenting the provider-patient relationship, post-visit remote monitoring, and companionship. The advisory outlines key laws and regulations that may be applicable when using AI in mental healthcare, including scope of practice restrictions, U.S. Food and Drug Administration (FDA) regulations, and data privacy obligations. For more information, see here.



U.S. Federal Court Allows CIPA Class Action Against AI Customer Service Provider to Proceed

On August 11, 2025, the U.S. District Court for the Northern District of California denied a motion to dismiss a California Invasion of Privacy Act (CIPA) class action lawsuit filed against ConverseNow Technologies, Inc. ConverseNow offers restaurants an AI-powered virtual assistant to process and manage customer phone calls, drive-thru orders, and text messaging conversations. In January 2025, plaintiff Eliza Taylor, a California resident, initiated a putative class action against ConverseNow alleging that the company violated CIPA's wiretapping and call recording prohibitions found in California Penal Code sections 631 and 632 when it intercepted and recorded a call that she had placed to Domino's Pizza, where her name, address, and credit card details were recorded without her knowledge or consent. All businesses developing or deploying AI-powered customer service agents or other AI services that take part in customer communications should take heed of the court's decision to allow the plaintiff's claims to proceed. For more information, see here.

California Enacts Major AI Safety Legislation for Frontier AI Developers

On September 29, 2025, California Governor Gavin Newsom signed into law Senate Bill 53, the Transparency in Frontier AI Act, the first-of-its-kind AI legislation in the U.S. that will require "large frontier developers" that train frontier models using computing power exceeding 10^{26} Floating-Point Operations Per Second (FLOPs) and have, together with their affiliates, $500 million in annual gross revenue in the preceding calendar year, to publicly

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California Enacts Major AI Safety Legislation for Frontier AI Developers *(Continued from page 2)*

disclose how they plan to mitigate potentially "catastrophic risks" posed by advanced frontier AI models. SB 53 also requires "frontier developers," developers that train models using computing power exceeding 10^{26} FLOPs without regard to annual revenue, to publish transparency reports and implement whistleblower protections. The law builds on recommendations from the June 2025 report from the Joint California AI Policy Working Group and is a pared-back successor to last year's unsuccessful Senate Bill 1047, which was vetoed amidst industry opposition. Most provisions of SB 53 will be effective starting January 1, 2026. For more information, see here.

Federal Court Preempts California Deepfake Election Law

On August 20, 2025, U.S. District Judge John A. Mendez permanently enjoined California's new law targeting AI-generated election "deepfake" content, ruling that the state measure violates and is preempted by federal law. Judge Mendez held that Assembly Bill 2655 (the Defending Democracy from Deepfake Deception Act of 2024) violates Section 230 of the Communications Decency Act. The law, which had been challenged by social media platforms including X Corp. and Rumble, would have required platforms to remove or label "materially deceptive" AI-generated political content in the lead-up to elections. The court found that imposing such content-moderation mandates on platforms forces editorial judgment in contravention of Section 230.

In the same case, Judge Mendez struck down a companion statute, AB 2839, on First Amendment grounds. That law sought to ban the distribution of materially deceptive content in advertisements or other election communication, including AI-generated political "deepfakes" in the months around an election. The court deemed it an overbroad, content-based restriction on speech.

California Attorney General Banta appealed the decision in September 2025.

Colorado Delays Enforcement of the State's AI Act

On August 28, 2025, Colorado Governor Jared Polis signed Senate Bill 25B-004 into law, delaying the implementation of the Colorado Artificial Intelligence Act (CAIA) from February 1, 2026, to June 30, 2026. The bill did not provide substantive amendments to CAIA. For more information about CAIA's scope, obligations, and enforcement, see here.

California Courts and the Ninth Circuit Raise the Bar for Algorithmic Pricing Claims

The U.S. District Court for the Northern District of California, the U.S. Court of Appeals for the Ninth Circuit, and a California state court have all recently rejected antitrust claims against companies that provide or use pricing algorithms—raising the bar for such claims.

A. Ninth Circuit Opinion Affirming Dismissal of Claims in *Gibson, et al. v. Cendyn Group, LLC, et al.*

On August 15, 2025, the U.S. Court of Appeals for the Ninth Circuit raised the bar for bringing antitrust claims against companies that provide or use pricing algorithms, affirming a lower court decision to dismiss class action claims that five Las Vegas hotel entities ("Hotel Defendants") conspired to artificially inflate hotel room prices via the use of a common pricing algorithm. The plaintiffs brought two claims under Section 1 of the Sherman Act, which prohibits agreements

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California Courts and the Ninth Circuit Raise the Bar for Algorithmic Pricing Claims

(Continued from page 3)

"in restraint of trade." First, the plaintiffs claimed that the Hotel Defendants restrained trade by agreeing among themselves to subscribe to the algorithms (provided by Cendyn Group, LLC and The Rainmaker Group, Unlimited, Inc., collectively, "Cendyn") and abide by the pricing recommendations set by those algorithms (the "hub-and-spoke" price-fixing claim). Second, the plaintiffs claimed that the subscriptions between Cendyn and the individual Hotel Defendants "in the aggregate" restrained trade as they effectively inflated hotel rates. The plaintiffs abandoned the appeal of the first claim ("hub-and-spoke" price-fixing claim), and therefore, the Ninth Circuit's decision focused only on whether plaintiffs adequately stated the second claim regarding the subscription agreements.

The Ninth Circuit held that the plaintiffs failed to state an antitrust claim when alleging that competing Hotel Defendants *independently* subscribed to the same algorithm for setting hotel rates, even when the Hotel Defendants knew that each was subscribing. The court focused on the lack of allegations that the subscriptions by themselves changed the incentive or ability of the Hotel Defendants to compete in the supply of Las Vegas hotel rooms. The Ninth Circuit pointedly stressed that the case would be much different if the plaintiffs had adequately alleged that the Hotel Defendants agreed *among each other* to subscribe to the algorithms (i.e., a horizontal agreement among competitors to use a pricing service). The court also noted that its analysis might have been different if the plaintiffs had alleged that the algorithm pooled, shared, or used the information provided by competing hotels when generating price recommendations for each Hotel Defendant. The plaintiffs alleged only that the algorithms might have relied on the subscriber's *own* confidential information in providing rate recommendations, and did not allege that any pooling of competitor data occurred.

While a win for defendants in this case, the Ninth Circuit's decision here is unlikely to change either private plaintiffs' or the government's appetite for scrutinizing and/or challenging the use of pricing algorithms by market competitors across various industries. That said, this decision will make it more challenging for such plaintiffs to bring a case that relies principally on the theory that such pricing algorithms facilitate information-exchanges of competitively sensitive information among competitors merely because they use the same third-party service/software to make independent business decisions.

B. District Court Opinion Dismissing Claims *Dai v. SAS Institute*

On July 18, 2025, the U.S. District Court for the Northern District of California dismissed a class action complaint against six nationwide hotel operators alleging that the hotels' common use of revenue management software to set their room prices constituted an illegal "hub-and-spoke" conspiracy to fix hotel room prices in violation of Section 1 of the Sherman Act. The court found that the plaintiffs' allegations were analogous to the price-fixing allegations that were dismissed in *Gibson, et al. v. Cendyn Group, LLC, et al.*—discussed above, and later affirmed by the Ninth Circuit.

C. State Court Opinion Granting Summary Judgment for Defendants in *Mach v. Yardi et al.*

On February 8, 2024, a class action lawsuit called Mach was filed in California state court against Yardi, a revenue management software provider, and some of its customers. The lawsuit alleged that Yardi conspired with its clients to exchange competitively sensitive and nonpublic information in order to illegally inflate rent prices and suppress the supply of leases. On October 6, 2025, the California state court granted summary judgment in favor of the defendants, holding that Yardi's software does not violate California's antitrust laws because plaintiffs did not present evidence that Yardi's software uses customer data to inform pricing decisions for its other customers. The court concluded that "Yardi's forthright decision to produce its source code and related evidence in the initial phases of discovery was critical to answering key questions concerning the sharing and use of rental price information to generate price recommendations," finding that, considering the evidence, plaintiffs had not identified a viable theory of horizontal or vertical price-fixing.

California Gets Tough on Algorithmic Pricing and Lowers Conspiracy Pleading Standards

On October 6, 2025, Governor Gavin Newsom expanded the scope of California's antitrust laws by signing Assembly Bill 325, an amendment to the Cartwright Act, California's primary antitrust statute. AB 325 prevents the use of algorithms to coordinate pricing among competitors, creates liability for efforts to coerce compliance with pricing tool recommendations, and significantly lowers the bar for plaintiffs pleading conspiracies under the Cartwright Act. AB 325 prohibits competitors from using or distributing "common pricing algorithms" to restrain trade. A common pricing algorithm is defined as software or other technology that uses "competitor data" (a term not defined in the statute) to "recommend, align, stabilize, set, or otherwise influence a price or commercial term." Notably, "price" includes not only payment for goods and services but also compensation paid to employees or contractors, reflecting California's focus on labor markets as well as consumer markets. The bill also makes it unlawful for algorithm users or distributors to coerce others to adopt prices or commercial terms recommended by the algorithm, allowing liability even in situations where there was no agreement or understanding among the parties using the tool.

Significantly, AB 325 also amends the pleading threshold for private plaintiffs alleging Cartwright Act violations (even beyond the use of algorithms). A plaintiff now merely needs to allege "plausible" facts showing the existence of a contract, combination, or conspiracy to restrain trade, and no longer is required to plead facts that exclude the possibility of independent action. This change significantly lowers the bar for plaintiffs to file antitrust claims under California state law, potentially increasing costs and litigation risks for companies. In addition to amending the Cartwright Act, AB 325 can also be expected to expand liability under the California Unfair Competition Law (UCL). The UCL, in general terms, prohibits business conduct that is "unlawful," "unfair," or "fraudulent." Violations under AB 325 would generally violate the "unlawful" prong of the UCL and may also lead to liability under the "unfair" prong even where AB 325 is not itself violated. Given the quickly evolving technology and policies in this space and its political salience, firms should expect private plaintiffs, and possibly the California Attorney General, to probe the limits of "unfair" use of algorithm pricing tools under the UCL.

New York Enacts the First Statewide Law Limiting Algorithmic Rent Pricing

On October 16, 2025, Governor Kathy Hochul signed into law Senate Bill 7882, which amends New York's antitrust law, the Donnelly Act, to prohibit the use of pricing algorithms by residential landlords to set rent prices. The legislation is one piece of a broad legislative package signed by the Governor that centered on housing policies in New York State. S.7882 specifically prohibits the operation or licensure of any software, data analytics service, or algorithmic device that performs a coordinating function on behalf of, or between and among, residential property owners or managers. A software, service, or device performs a "coordinating function" if it does all three of the following: 1) collects historical or contemporaneous prices, supply levels, or lease or rental contract information and renewal dates of residential dwelling units from two or more residential rental property owners or managers (that are not wholly-owned subsidiaries of the same parent entity or managed by the same residential rental property owner or manager); 2) analyzes or processes the information described in the first category using a system, software, or process that uses computation, including by using that information to train an algorithm; and 3) recommends rental prices, lease renewal terms, ideal occupancy levels, or other lease terms and conditions to a residential rental property owner or manager.

The law not only prohibits the use of algorithmic pricing software itself, but also creates a distinct violation for property owners who each collectively use the software to assist in rent-setting: a decision to use the same software as another property manager will be considered, under New York's antitrust laws, a choice to not compete with each other—whether the choice was

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New York Enacts the First Statewide Law Limiting Algorithmic Rent Pricing *(Continued from page 5)*

made "knowingly or with reckless disregard." New York is the first state to outlaw the use of pricing algorithms by landlords that use such programs as tools to assist in setting rental prices. The enactment follows several city-wide bans across the country, including in Seattle, Philadelphia, San Diego, San Francisco, Jersey City, N.J., Minneapolis, and Providence, R.I. S.7882 is set to take effect on December 15, 2025.

S.7882 is New York's second statewide law regulating algorithmic pricing this year. Earlier this year, the State enacted the Algorithmic Pricing Disclosure Act, which requires that companies that use "personalized algorithmic pricing," or dynamic pricing derived from algorithms that use consumer data, disclose their use of these tools to consumers. On October 8, 2025, Judge Jed Rakoff of the U.S. District Court for the Southern District of New York dismissed a constitutional challenge to the law, stating that its "compelled disclosure is not rendered 'controversial' merely because the regulated entity does not wish to make [the] disclosure or because they would prefer to make a different statement on that same topic."

FEDERAL

Federal Government Revamps Its AI Procurement Process

Earlier this year, the federal government launched a coordinated effort to align agencies' procurement and use of AI with federal policy changes under the AI Action Plan and associated memoranda, such as M-25-21 and M-25-22, which seek to build governance, risk management, and public-trust safeguards. As part of this effort, the General Services Administration (GSA) issued a Request for Information (RFI) seeking input from suppliers and industry associations on building a single, end-to-end integrated, and highly-efficient procurement ecosystem that incorporates AI. In addition, federal agencies are to form cross-functional working groups consisting of a variety of experts, including privacy experts, to inform decisionmakers during AI acquisitions. In furthering federal directives, these agencies' efforts signal a move to modernize acquisition processes; give more decision-making authority to agencies; and allow for greater flexibility to work with operators and vendors to achieve compliance, risk management, and accountability, particularly when handling data.

In parallel, a separate Executive Order, "Preventing Woke AI in the Federal Government," imposes "truth seeking" and "neutrality" standards on AI models used by the government, requiring models to avoid "ideological dogmas such as DEI," prioritize historical accuracy, and acknowledge uncertainty where reliable information is incomplete. The Office of Management and Budget and other agencies are still developing evaluations for measuring ideological bias. The dual pressures of compliance modernization and ideological neutrality signal a more politically charged federal AI contracting environment.

FTC Files Complaint Against AI Company for Alleged Deceptive Marketing

On August 25, 2025, the Federal Trade Commission (FTC) filed a complaint in the U.S. District Court for the District of Arizona against Air AI Technologies (Air AI) and its owners for allegedly deceiving small businesses with false promises about AI-powered business growth, earnings potential and refund guarantees. According to the complaint, since at least February 2023, the company marketed "conversational AI" services that could replace human customer service representatives and make business owners significant sums of money. Despite Air AI's promises, the FTC alleges that small businesses do not earn the profits promised or recoup money paid to Air AI. As a result, they lose as much as $250,000 and are often left in debt while relying on these representations.

The FTC alleges four counts against the company: 1) false and unsubstantiated claims in violation of the FTC Act; 2) misrepresentations regarding refund or buy-back guarantees in violation of the FTC Act; 3) misrepresentations regarding their services' performance, efficacy, and profitability in violation of the Telemarketing Sales Rule; and 4) violations of the Business Opportunity Rule by failing to provide required disclosure documents and earnings claims statements.

President Trump Signs Technology Prosperity Deal with United Kingdom

On September 18, 2025, President Donald J. Trump and Prime Minister Keir Starmer signed the Technology Prosperity Deal (TPD), a landmark science and technology agreement between the U.S. and the UK aimed at strengthening cooperation across multiple technology sectors: artificial intelligence, civil nuclear energy, and quantum computing. Michael Kratsios, Assistant to the President and Director of the White House Office of Science and Technology Policy, described the deal as "game-changing" for American technology leadership and international relations.

The TPD deepens U.S.–UK collaboration across AI, nuclear energy, and quantum technologies. It expands the partnership between the U.S. Center for AI Standards and Innovation and the UK AI Security Institute, to enhance AI safety, standards, and research talent exchange, while launching a joint AI for Science initiative focused on biotechnology and precision medicine research. The deal is likely to have far-reaching implications for global AI development. By setting a precedent for international collaboration, it may encourage other nations to pursue similar agreements, leading to a more interconnected global AI ecosystem. The focus on ethical standards and regulatory alignment could also influence global norms and practices in AI development, promoting responsible innovation.

GSA Launches USAi to Advance White House "America's AI Action Plan"

On August 14, 2025, the United States GSA announced the launch of USAi, a "secure generative artificial intelligence evaluation suite that enables federal agencies to adopt artificial intelligence at scale." Available at USAi.gov, the platform provides tools for chat-based AI, code generation, and document summarization within a standards-aligned environment.

The initiative supports the White House's AI Action Plan announced in July 2025 and is another step in the current administration's whole-of-government approach to AI adoption. The platform also provides insight into how the administration is thinking about its role as a customer of AI solutions. GSA's announcement emphasized that USAi allows agencies to "explore capabilities, measure performance, and identify strengths and limitations across different AI systems" to make "responsible" adoption decisions. The platform functions as a shared federal service, reducing resource duplication and accelerating AI experimentation in a secure, cloud-based environment. It also enhances workforce readiness through analytics and dashboards that support performance tracking and strategic adoption of AI across government operations.

As Congress Advances a Formal U.S. Outbound Investment Control Framework, Treasury Enforcement Is Underway

Media reporting indicates that the U.S. Department of the Treasury (Treasury) has begun enforcement under its new Outbound Investment Security Program (OISP). The OISP is a set of regulations that currently derive from a Biden Executive Order but that might soon have a statutory basis. Legislation currently under discussion in Congress might also yield changes to the regulations in addition to providing statutory footing.

The OISP restricts certain U.S. investments in, and other forms of collaboration with, China-linked companies involved in advanced technology sectors, particularly semiconductors, quantum computing, and AI. The OISP took effect in January 2025 and is currently operating under an Executive Order issued by President Biden.

According to media reporting, Treasury initiated an OISP review in May 2025 to assess whether a particular investment fell within the program's notification requirements, signaling that OISP enforcement activity has begun.

Congress is now seeking to codify and potentially change the OISP regulations. On October 9, 2025, the Senate passed the Foreign Investment Guardrails to Help Thwart (FIGHT) China Act as an amendment to the Fiscal Year 2026 National Defense Authorization Act (NDAA). The FIGHT China Act has bipartisan support and was introduced by Senators John Cornyn (R-TX) and Catherine Cortez Masto (D-NV). If included in the final NDAA, the FIGHT China Act would provide a statutory footing for outbound investment screening, akin to the way the Defense Production Act provides statutory footing for the regulations administered by the Committee on Foreign Investment in the United States regime, which covers inbound investment.

Depending on the final language of any enacted legislation, significant changes to the OISP may be required. Relatedly, the Trump Administration has flagged additional advanced technology sectors to consider and evaluate for potential inclusion in future OISP restrictions, and the pending legislative effort might provide a further spark for some of the potential changes referenced by the Trump Administration. In particular, in its America First Investment Policy Memorandum issued in February 2025, the Trump Administration specifically foreshadowed potential restrictions on U.S. investment in China in "biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and other areas implicated by the PRC's national Military-Civil Fusion strategy."

With Congress advancing efforts to formalize OISP authorities, the technology areas covered by the OISP might expand, and further enforcement activity—whether under the current OISP regulations or a more expansive set of regulations—seems likely.

GLOBAL

European Commission (EC) Proposes Draft Amendments to the European Union's (EU) Digital Regulatory Framework, Including the AI Act

On November 19, 2025, the EC published a set of legislative proposals to introduce more flexibility into a number of EU digital regulations, including i) the Digital Omnibus, which amends a number of provisions of the General Data Protection Regulation (GDPR) and the ePrivacy Directive, as well as the Data Act; and ii) the AI Omnibus, which focuses on the AI Act (jointly, the Omnibus Proposals).

The Omnibus Proposals aim to simplify the legal framework for data processing and AI to encourage innovation, and, if enacted in their current form, would make several important changes to the legal framework for providing and deploying AI in the EU. Key proposed changes relevant to AI include:

- confirming a stronger legal basis for companies to process personal data and sensitive personal data under the GDPR for AI training;
- extending for the date of applicability of the rules on high-risk AI systems (HRAI) from August 2, 2026, to December 2027 at the latest; and
- broadening cases in which information would count as "anonymous" and therefore not in scope of the GDPR.

These amendments are at the first stage of a long process and must be approved by the European Parliament and the Council of the EU before they become law. This process could reach well into 2026, and further changes will likely be made. For more information on the EC's proposals, see here.

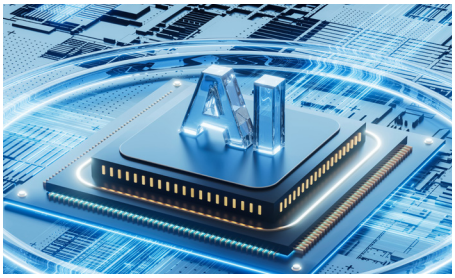
AI Act Continues to Be Implemented in the EU Despite Proposed Amendments in the Works

The EC and EU countries continue to implement the provisions of the AI Act that are already applicable and prepare for the next wave of requirements to become applicable. Since August 2, 2025, all new general purpose AI models (GPAI) released in the EU must comply with the AI Act and AI systems with specific transparency requirements, and certain types of HRAI systems will need to comply by August 2, 2026.

On September 26, 2025, the EC published draft guidance on incident reporting and a draft reporting template for providers of HRAI to report serious AI incidents. The draft guidance clarifies definitions, provides practical examples, and explains how these new rules relate to other legal obligations. The EC has also begun drafting the Code of Practice on transparent generative AI systems, which will help providers and deployers demonstrate compliance with the AI Act's specific transparency obligations.

Other developments from the EC include seeking feedback on a draft law to establish AI regulatory sandboxes under the AI Act and launching a consultation on protocols for reserving rights from text and data mining under the AI Act and the GPAI Code of Practice (see here for further details on the GPAI Code of Practice). Further guidance on the practical application of many AI Act requirements and on the AI Act's interplay with EU data protection law is expected in 2026. To support companies to comply with the AI Act, the EC launched an AI Act Service Desk for stakeholder questions and a Single Information Platform featuring a compliance checker and interactive AI Act explorer.

At the national level, many EU countries missed the August 2, 2025, deadline to appoint and empower the authorities to enforce the AI Act in their jurisdiction. Italy was one of the first countries to pass



legislation implementing the provisions of the AI Act into national law. Other countries, such as France, have recently announced which authorities they plan to appoint but have not yet formalized the appointments in an implementing law. Implementing laws can also introduce country-specific nuances to be aware of (e.g., while Italy's AI law, which entered into force on October 10, 2025, is closely aligned with the AI Act, it contains some Italy-specific nuances such as additional protections for children under 14).

UK Government Announces Plans for a New Framework for AI Regulation Based on Sandboxes

On October 21, 2025, the UK government announced its blueprint for AI regulation that focuses on AI sandboxes, AI Growth Lab. The proposal is to allow innovators to test emerging AI technologies subject to more relaxed regulatory rules but under strict supervision. It has been reported that the AI sandboxes will initially target sectors including healthcare, professional services, robotics, and transport. The UK government has launched a public consultation for companies to express interest and provide views on how the AI Growth Lab should be structured and implemented. The consultation is open until January 2, 2026.

European Developments in Algorithmic Pricing and Competition

European competition authorities continue to signal their strong interest in algorithmic pricing cases. However, cases in Europe are at most in the investigation phase with few details known.

At an event on July 9, 2025, an EC senior official confirmed that several investigations into algorithmic pricing are currently underway at the EU level. The official did not disclose specific cases or sectors, but the message was clear that algorithm-driven pricing strategies are on the EC's radar. On September 17, 2025, Emanuele Tarantino, the EC's chief competition economist, expressed concern about AI agents potentially becoming capable of colluding on prices without human instruction, which requires "serious reflections."

On September 8, 2025, the president of Polish competition authority UOKiK stated in an interview that it was conducting investigations into banks for possible collusion using pricing algorithms based on credit data. The president stated that UOKiK is also probing major pharmaceutical wholesalers over IT systems that track drug prices and volumes, which raises concerns about anticompetitive practices.

EC Launches Review of the Digital Markets Act (DMA) with Emphasis on AI

On July 3, 2025, the EC launched a first public consultation on the DMA. The consultation aims to assess the DMA's impact since its application as of May 2023 and to evaluate whether it remains fit for purpose to address emerging digital challenges, particularly in light of the rapid rise of AI-powered services. Interested stakeholders could provide input to the EC on the readiness of the DMA until September 24, 2025. The EC's review of the DMA is expected to be completed by May 3, 2026.

On August 26, 2025, the EC further specified the scope of its consultation by publishing a survey for business users and consumers seeking feedback on the DMA and specifically on the implications for the AI sector. The EC was particularly interested in potential barriers to entry in the development of AI models, and the impact of gatekeepers' AI models on their activities and whether the DMA could address these concerns.

Portuguese Competition Authority (AdC) Highlights Labor Competition Concerns for AI

On July 25, 2025, the AdC published a study which highlights that restrictions to labor mobility hamper competition in AI. The report comes against the backdrop of a global shortage of qualified talent in the field.

The AdC outlined that the competitive effects of strategies such as acquihires and agreements between firms not to hire each other's employees falls under the scrutiny of competition policy. The study also notes that practices such as "reverse acquihires," whereby a company hires part of the team of another firm without acquiring its formal structure may qualify as concentrations under merger control rules. In addition, the AdC expressed that labor mobility plays a key role in the dissemination of knowledge and the promotion of innovation, in particular in an emerging, knowledge-intensive sector such as AI.

Italy Investigates Meta over Preinstalling AI Service on WhatsApp

On July 29, 2025, Italy's competition authority AGCM launched an investigation of Meta Platforms Inc., (Meta) and conducted an inspection at the premises of Meta's Italian subsidiary Facebook Italy S.r.l. concerning a suspected abuse of a dominant position in violation of Article 102 of the Treaty on the Functioning of the European Union (TFEU).

The AGCM's investigation concerns Meta's alleged pre-installation of its AI service (Meta AI) in its WhatsApp service without any prior request from users. The AGCM is concerned that by combining Meta AI with WhatsApp, Meta could expand its customer base through "imposing" the availability of the two distinct services upon users, potentially harming competitors. Meta has 60 days to reply to the AGCM, which has said its probe is scheduled to conclude by December 2026.

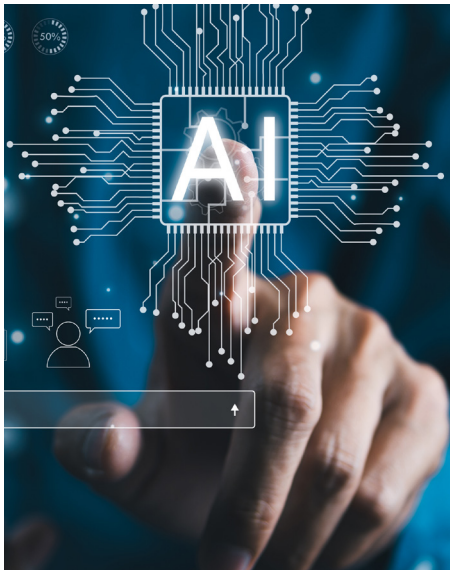
Singapore Launches AI Compliance Toolkit

On September 24, 2025, Singapore's competition authority released the AI Markets (AIM) Toolkit to help businesses self-assess their AI models for compliance with competition and consumer protection rules. The tool combines checklists and technical tests to flag risks, such as potential abuse of dominance, and offers actionable recommendations. Companies using the toolkit may benefit from reduced penalties under a voluntary compliance program.

Indian Antitrust Enforcer Prefers Self-Regulation over Enforcement in AI

In September 2025, Ravneet Kaur, Chair of the Competition Commission of India (CCI), stated at a conference that the CCI intends to refrain from imposing regulations on the AI sector. Instead, the CCI recommends that companies act responsibly by self-regulating their use of AI, for instance through self-auditing of AI systems to ensure competition compliance. Kaur said that "this is not a stage when the CCI as a regulator would like to come out [with regulation], because we feel that we are at the stage where we first need to understand the dynamics of the AI, how the ecosystem is playing out," given the "huge amount of benefits." As a next step, the CCI intends to set up a think tank focused on AI in digital markets.

On October 6, 2025, the CCI published its Market Study on Artificial Intelligence and Competition. The report concludes a sector inquiry launched in 2023 exploring the implications of AI markets for competition, investigating potential anticompetitive behavior such as algorithmic collusion, and reviewing the existing regulatory frameworks governing AI systems. The report proposes strengthening the technical capabilities of the CCI and increasing the CCI's engagement with international competition authorities. The CCI's report emphasized scrutinizing transactions involving hyperscalers, particularly those supplying compute inputs such as AI chips and cloud services.



Deal Highlights

Wilson Sonsini attorneys advised on the following AI-related transactions:

- Wilson Sonsini Advises Perle on $9 Million Seed Round
- Wilson Sonsini Advises Dealops on $7 Million Financing
- Wilson Sonsini Advises Eight Sleep on IP Matters Related to $100 Million Financing
- Wilson Sonsini Advises Uniphore on Orby AI and Autonom8 Transactions
- Wilson Sonsini Advises Lila Biologics on IP Matters Related to Eli Lilly Collaboration
- Wilson Sonsini Advises SCOREalytics on over $3 Million Seed Funding
- Wilson Sonsini Advises Observo AI on Acquisition by SentinelOne
- Wilson Sonsini Advises Runware on $13 Million Seed Financing
- Wilson Sonsini Advises GreenLite on $49.5 Million Series B
- Wilson Sonsini Advises Scientist.com on Acquisition by GHO Capital
- Wilson Sonsini Advises Netskope on IPO
- Wilson Sonsini Advises Vibranium Labs on $4.6 Million Seed Round
- Wilson Sonsini Advises Anysphere on Acquisition of Koala
- Wilson Sonsini Advises AmplifAI on $33.7 Million Series B
- Wilson Sonsini Advises Manas AI on $26 Million Seed Extension
- Wilson Sonsini Advises Kodiak AI on Completed Business Combination with Ares Acquisition Corporation II
- Wilson Sonsini Advises Assort Health on $76 Million Series B
- Wilson Sonsini Advises Periodic Labs on $300 Million Seed Round
- Wilson Sonsini Advises Zania on $18 Million Series A
- Wilson Sonsini Advises Viaduct on Acquisition by Sumitomo Rubber Industries
- Wilson Sonsini Advises Datacurve on $15 Million Series A
- Wilson Sonsini Advises Reflection AI on $2 Billion Funding Round
- Wilson Sonsini Advises Fivetran on Merger with dbt Labs
- Wilson Sonsini Advises Sage Care on $20 Million Funding as Company Emerges from Stealth
- Wilson Sonsini Advises Uniphore on $260 Million Series F Financing
- Wilson Sonsini Advises Phare Health on Acquisition by R1

Wilson Sonsini AI Advisory Practice Highlights

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

- On September 9, Laura De Boel participated in a panel at the Thoma Bravo's Legal Leaders Summit titled, "Beyond the Hype: The Legal Realities of AI in Business."
- On September 24, Jeff VanHooreweghe, Brian Smith, and Jindrich Kloub participated in the webinar titled, "Algorithmic Pricing Litigation and Enforcement Update." The program provided a comprehensive update on antitrust litigation and enforcement related to algorithmic pricing. Panelists discussed key legal frameworks, the status of ongoing cases, and the evolving regulatory landscape in the U.S. and EU, equipping attendees with the knowledge to navigate potential risks when using or developing algorithmic pricing tools.
- On October 7, Laura De Boel discussed the AI Act's implications for banking and financial services companies at the Wintegrity's Reshaping Banking and Financial Services Conference titled, "AI in Banking and Insurance: Aligning Innovation & Data Protection."
- On October 8, Lester Ang gave opening remarks for a panel at San Francisco Tech Week 2025 titled, "Future of Creation & AI," in which participants discussed collaborative relationships between tech, creativity, and venture communities, and how AI advancements are unleashing the imaginative power of music, cinema, art, and design.
- On October 8, Maureen Ohlhausen, Taylor Owings, and Deirdre Carroll participated in the webinar titled, "Global Transactions Involving AI Assets." The program focused on global transactions involving AI assets, emphasizing lessons learned from recent deals and practical considerations for businesses. Panelists discussed the antitrust implications of acquiring or selling AI capabilities and inputs, the importance of due diligence, and strategies for ensuring compliance with competition laws across jurisdictions.
- On October 10, Lianna Whittleton spoke at the San Francisco Tech Week 2025 event, "Women in AI Coffee and Breakfast with InstaLILY AI," where participants discussed new developments in AI, including founder challenges, technical ideas, and opportunities for cross-functional collaboration.
- On October 15, Jonathan Chan participated in a private founder-first session at Los Angeles Tech Week 2025 titled, "Scaling AI—Capital, Legal & GPU," in which he advised founders and early team members building model-centric or AI-enabled products who are preparing to fundraise or scale infra in the next six-to-12 months.
- On October 16, Rezwan Pavri and Jordan Jaffe participated in an event that explored how developments in intellectual property litigation are increasingly impacting boardroom decisions at fast-growing technology companies.
- On October 17, Barath Chari, Layan Khrais, and Daniel Chen discussed how AI is reshaping the landscape—from start-up funding and intellectual property to compliance, ethics, and the emerging regulatory frameworks defining the future as part of an event co-hosted by Wilson Sonsini and Women Defining AI.
- On October 18, Gary Greenstein presented at the Federal Bar Council's 2025 Fall Bench and Bar Retreat on the legal and policy challenges of applying copyright law to AI-generated music.
- On October 18, Barath Chari led a roundtable at the 2025 MIT AI Conference on how evolving regulations, IP law, and compliance shape AI deployment across industries.
- On October 27, Eva Yin discussed where healthcare spending is most inefficient and how AI is reshaping drug discovery with other panelists at the 2025 Seattle AI Week.
- On October 29, Eddie Holman joined industry speakers at the National Society of Compliance Professionals National Conference on a panel in which they summarize the regulations that apply to the use of AI in financial services and offer strategies and best practices for promoting the compliant uses of AI.
- On October 31, Nick Sidney and Rosalind Schonwald conducted a panel as part of the University of Washington Fundamentals for Startups series on the risks, legal challenges, and ethical dilemmas that start-ups and technologies must consider when building and deploying AI.

In addition, Wilson Sonsini attorneys provided AI-related guidance in the following publications:

- 2026 Year in Preview: U.S. Data, Privacy, and Cybersecurity Predictions
- 2026 Year in Preview: Global Minors' Privacy and Online Safety Predictions
- ASTP/ONC Issues an RFI Seeking Input on How HHS Can Accelerate Adoption and Use of AI in Clinical Care
- Trump Administration Issues Executive Order on National AI Policy and Deregulation
- DOJ Settles Its Algorithmic Price-Fixing Case Against RealPage

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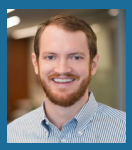

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