

# Artificial Intelligence 101

Mike Burshteyn, Shareholder

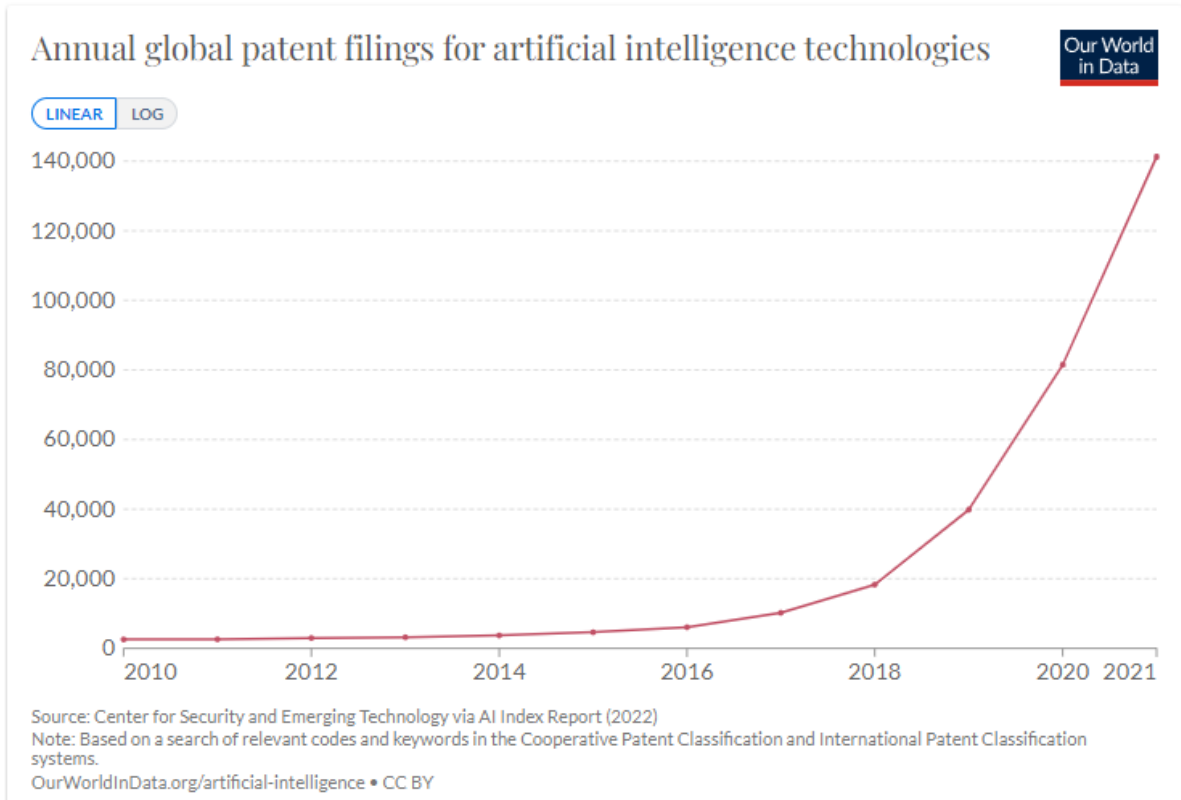
## What is Artificial Intelligence?

“The science and engineering of making intelligent machines”

- John McCarthy 1956

“Machine-based system that can, for a given set of objectives, generate outputs such as predictions, recommendations, or decisions influencing real or virtual environments.”

- NIST AI RMF 2023



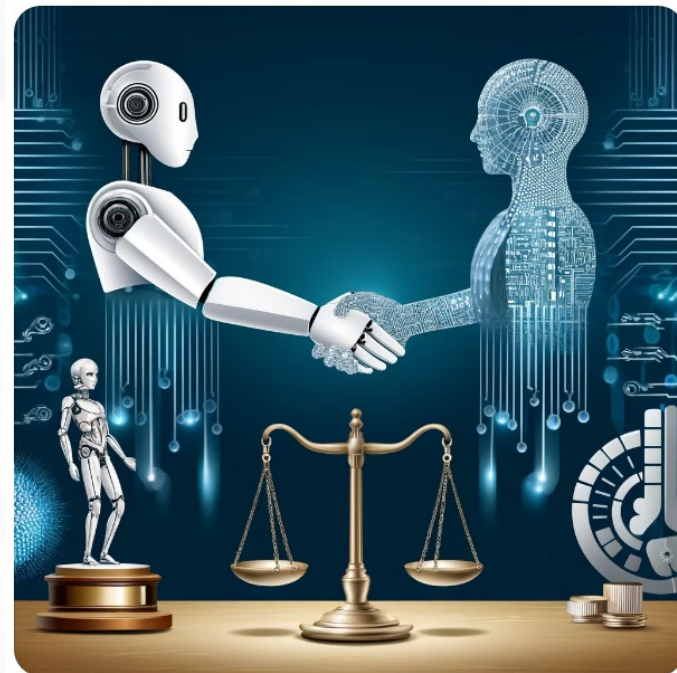
## AI Legal Lifecycle

1. Ethics & Framework
2. Data Collection
3. Training
4. Output



## Ethics & Framework

1. Consent
2. Fairness (based on data quantity)
3. Benchmarking
4. Quality standards
5. Geographic distribution
6. Use case distribution
7. Accuracy





## Data Collection

- Licensed datasets
- Public domain
  - (copyright vs AI meaning)
- Scraping issues
  - Copyright
  - Contract
- Consent
- Privacy issues
- Transparency

## Training

- Pre-processing
- Labeling & annotation
- Model selection
- Iterative training
- Validation
- Testing



## Output

- Acceptable Use
- Accuracy
- Safety
- User experience



**APPENDIX / MISC SLIDES FROM PRIOR PRESENTATIONS**

- **Training Data** – the data set used to train an AI model
  - Dataset of labeled images – “car,” “cat,” “elbow”
  - Text classification – labeling language as “positive,” “negative”
  - Financial analysis – historical market data or credit risk assessment
- **Input Data** – information or dataset provide to AI as input for processing analysis, learning or decision-making –
  - Text data – articles, emails, social media posts
  - Image data – photos, drawings, diagrams
  - Audio data – sound recordings, music files

# 3. Current Privacy Laws (US)

		California Consumer Protection Act (CCPA) <i>Eff. Jan. 1, 2020</i>	California Privacy Rights Act (CPRA) <i>Eff. Jan. 1, 2023</i>	Virginia Consumer Data Protection Act (VCDPA) <i>Eff. Jan. 1, 2023</i>	Colorado Privacy Act (CPA) <i>Eff. Jul. 1, 2023</i>	Connecticut Data Privacy Act (CTDPA) <i>Eff. Jul. 1, 2023</i>	Utah Consumer Privacy Act (UCPA) <i>Eff. Dec. 31, 2023</i>	Washington My Health My Data (MMD) <i>Eff. Mar. 31, 2024</i>	Florida Digital Bill of Rights (EDBR) <i>Eff. Jul. 1, 2024</i>	Texas Data Privacy and Security Act (DPSA) <i>Eff. Jul. 1, 2024<sup>4</sup></i>	Montana Consumer Data Privacy Act (MCDDPA) <i>Eff. Oct. 1, 2024</i>	Iowa Consumer Data Protection Act (IPA) <i>Eff. Jan. 1, 2025</i>	Tennessee Information Protection Act (IIPA) <i>Eff. July 1, 2025</i>	Indiana Consumer Data Protection Act (ICDPA) <i>Eff. Jan. 1, 2026</i>
Scope	Consumer Data	✓	✓	✓	✓	✓	✓	✓ / ✗ <i>(Only Consumer Health)</i>	✓ / ✗ <sup>ii</sup> <i>(only certain businesses see §6)</i>	✓ / ✗ <sup>iii</sup> <i>(only certain businesses see §6)</i>	✓	✓	✓	✓
	HR Data	<i>deferred</i>	✓											
	B2B Data	<i>deferred</i>	✓											
Ability to Process Data	Consent for Processing Sensitive Data		<i>Notice &amp; Opt-out Reqmt</i>	✓	✓	✓	<i>Notice &amp; Opt-out Reqmt</i>	✓ <sup>iv</sup>	✓ <sup>v</sup>	✓	✓	<i>Notice &amp; Opt-out Reqmt</i>	✓	✓
	Data Minimization		<i>(Retention)</i>	<i>(Collection)</i>	<i>(Collection &amp; Retention)</i>	<i>(Collection)</i>			<i>(Collection &amp; Retention)<sup>vi</sup></i>	<i>(Collection &amp; Retention)<sup>vi</sup></i>	<i>(Collection)</i>	✓ / ✗ <sup>vii</sup>	<i>(Collection)</i>	<i>(Collection)</i>
Individual Rights	Notices to Data Subjects	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Financial Incentive Disclosure	✓	✓		✓ <sup>x</sup>									
	Right to Access	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / ✗ <sup>z</sup>	✓
	Right to Correction (aka Right to Fix Errors)		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
	Right to Deletion (aka Right to Be Forgotten)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Right to Opt-Out of Behavioral Advertising		✓	✓	✓	✓	✓	<i>Opt-in with right to withdraw consent</i>	✓	✓	✓	✓ <sup>1</sup>	✓	✓
	Right to Opt-Out of Sale	✓	✓	✓	✓	✓	✓	<i>Opt-in with right to withdraw consent</i>	✓	✓	✓	✓	✓	✓
	Right to Opt-Out of Profiling & Automated Decision Making		<i>To be addressed by regulations</i>	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
	Right to Limit Use of Sensitive Information <sup>8</sup>		✓					✓	✓	✓	✓	✓	✓	✓
	Right to Appeal			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Right to Nondiscrimination		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Honor opt-out signals (E.g., GPC)	✓ <sup>iii</sup>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Accountability & Governance	Data Protection Assessment		<i>To be addressed by regulations</i>	✓	✓	✓			✓	✓	✓		✓	✓
Security	Appropriate Data Security to Safeguard Information	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Breach Notification	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>	✓ <sup>9</sup>
Transfers to Third Parties	Contractual Requirements in Service Provider Agreements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

## 4. New AI Laws



### Insurance

CO Protecting Consumers from Unfair Discrimination in Insurance Practices



### Employment & Hiring

IL Artificial Intelligence Video Interviewing Act

NY Automated Decision Tools law



### Investments

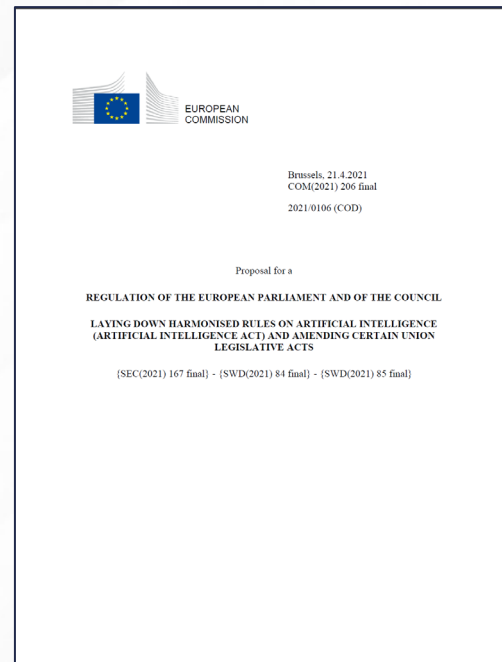
SEC Proposed Rule on Use of Predictive Data Analytics for Broker-Dealers and Investment Advisors



## 4. AI Act - EU

### Massive Scope

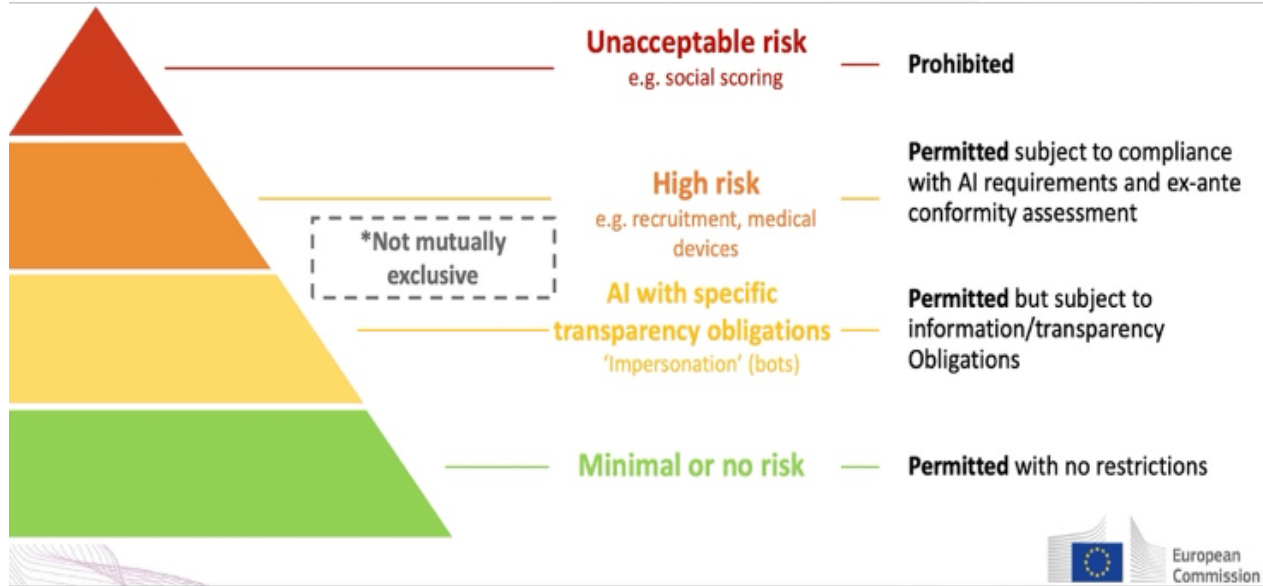
- Art. 2: Jurisdictional Scope ~ GDPR
- Art. 3: Covered Entities:
  - 1. Providers (broadest set of duties)
  - 2. Users
  - 3. Importers
  - 4. Distributors
  - 5. Operators





# 4. AI Act - EU

## Risk-based Approach





## 4. AI Act - EU

### High-risk Systems in Annex III

1. Biometrics
2. Critical infrastructure management
3. Education
4. Employment
5. Essential public/private services (includes financial services)
6. Law enforcement
7. Immigration
8. Justice and democratic process



## 4. AI Act - EU

### **Technical Documentation**

- Describes the system's design, operation, and performance
- Must be updated regularly
- Must be made available to relevant authorities upon request
- Information on the data used by the AI system
- Potential risks associated with use



## 4. AI Act - EU

### Risk Management

OPENAI / JOBS

#### Killswitch Engineer

San Francisco, California, United States

\$300,000-\$500,000 per year

#### About the Role

Listen, we just need someone to stand by the servers all day and unplug them if this thing turns on us. You'll receive extensive training on "the code word" which we will shout if GPT goes off the deep end and starts overthrowing countries.

#### We expect you to:

- Be patient.
- Know how to unplug things. Bonus points if you can throw a bucket of water on the servers, too. Just in case.
- Be excited about OpenAI's approach to research

- Put system into place to identify, assess, and mitigate potential risks
- Ongoing monitoring and review of the system performance on market
- Human-in-the-loop oversight to ensure safety and ethical use - including fail-safe and emergency shut-off

# 4. AI Act - EU

## Risk Management



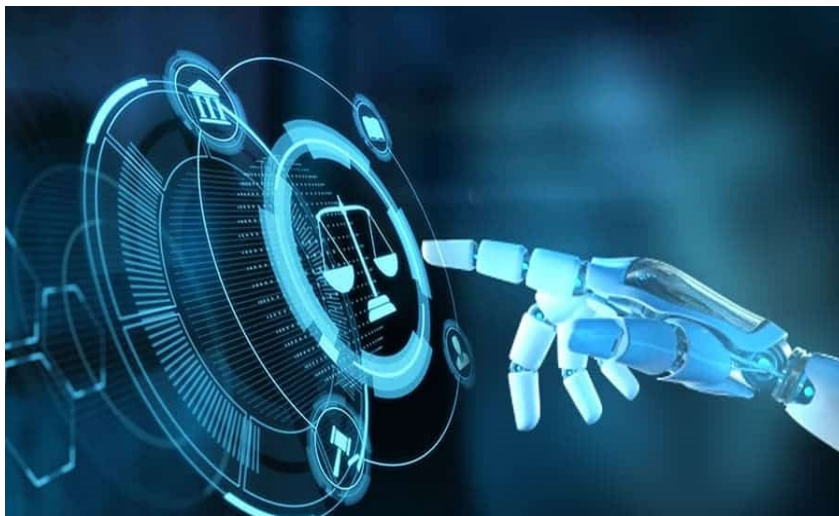
Overview  
**Four Layers of Defense**



## 4. AI Act - EU



### Massive Penalties + AI Police



- Penalties
  - Art. 63 and 71: Penalties even higher than GDPR = 1-7% of annual revenues
  - Art. 65-68: Biggest Hammer = market ban (same as GDPR)
- Enforcers
  - EU Commission budget asking for **600** new enforcement personnel
  - By way of comparison, FTC has around 50