LUMO INSIGHTS

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AI governance pressure mounts amid lawsuits and new rules

Executive Summary

Major AI governance flashpoints in the past two days underscore how quickly rules and risks are evolving. Tech giants are facing new legal battles over AI misuse, regulatory crackdowns on data practices, and even government plans to vet advanced algorithms as potential threats. For corporate leaders, these events reinforce the urgent need to strengthen AI oversight, compliance, and risk management at the highest levels.

Tech giants in court over AI use

A landmark copyright case hit Meta this week, as five major publishing houses - along with bestselling author Scott Turow - filed a class-action lawsuit against the social media giant (www.cbsnews.com [1]). The suit alleges Meta “scraped millions of copyrighted works” from illicit online sources to train its Llama AI model without permission (www.cbsnews.com [2]). Notably, the complaint names CEO Mark Zuckerberg as having personally authorised the mass infringement (www.cbsnews.com [3]) (www.cbsnews.com [4]) - a rare instance of a tech CEO being directly implicated in AI wrongdoing. Meta has vowed to fight the case, arguing that using public data to train AI constitutes fair use and that it will defend its innovations vigorously.

Legal accountability for AI outputs is also being tested. In Canada, Juno Award-winning musician Ashley MacIsaac filed a defamation lawsuit against Google after an AI-generated search summary falsely labelled him a convicted sex offender (www.hollywoodreporter.com [5]) (www.hollywoodreporter.com [6]). The suit seeks at least $1.5 million in damages and pointedly argues that Google should not escape liability simply because the statements were produced by its software (www.hollywoodreporter.com [7]). This case - one of the first to tackle AI “hallucinations” causing real-world reputational harm - could set an important precedent for content liability.

These lawsuits are part of a broader wave as courts grapple with AI-related harms. Over 160 such cases are active against companies like OpenAI, Meta, Google, and others, spanning issues from copyright and privacy to bias and defamation (ailawsuittracker.com [8]). Early outcomes have been mixed, but the stakes are rising: in one notable example, AI firm Anthropic agreed last year to a record $1.5 /billion settlement with authors over its data practices (www.cbsnews.com [9]). The sheer volume and scale of litigation make clear that companies deploying AI must rigorously assess how their systems use data and content. Boards should expect that “moving fast and breaking things” with AI can now lead straight to courtroom battles - and they should proactively review their AI development and deployment policies to mitigate legal risk.

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Privacy regulators turn up the heat

Data privacy enforcement is catching up with AI. In a joint investigation published Wednesday, Canada's federal and provincial privacy commissioners concluded that OpenAI violated the country's privacy laws when training its popular ChatGPT system (www.cbc.ca [1]). The report found OpenAI had collected masses of personal information - including sensitive details about individuals' health, political views, and even children - without proper consent or safeguards in place (www.cbc.ca [2]). Although OpenAI has agreed to make improvements rather than face immediate penalties, Canadian officials used the case to highlight gaps in current laws and called for "urgently" modernising privacy rules to address AI technologies (globalnews.ca [3]).

This Canadian finding marks one of the first major regulatory actions against generative AI outside Europe, and it aligns with growing global scrutiny of how AI systems handle personal data. European regulators have already signalled similar concerns; Italy's data protection authority briefly banned ChatGPT in 2023 over privacy issues, and other EU privacy watchdogs have ongoing inquiries. Looking ahead, the EU's forthcoming AI Act will impose explicit data governance requirements on AI providers - reinforcing that companies must build privacy compliance into AI development from the outset. In the United States, the Federal Trade Commission has also warned it will not hesitate to police unfair or deceptive data practices by AI firms (www.ftc.gov [4]).

The enterprise takeaway is clear: AI models trained on personal data are under the regulatory microscope. Organisations need to audit their AI training and deployment pipelines to ensure they are not indiscriminately scraping or sharing personal information in violation of privacy laws. Regulators worldwide are steadily asserting that fundamental rights to privacy apply to AI applications, and firms that ignore data protection obligations do so at their peril.

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AI safety fears trigger government action

Escalating concerns over AI safety and national security are spurring direct government intervention. In the United States, alarm bells rang after revelations about an experimental AI known as “Claude Mythos,” developed by startup Anthropic, which reportedly could autonomously find and exploit software vulnerabilities at an unprecedented scale. The model’s offensive cybersecurity capabilities - identifying thousands of zero-day computer bugs and executing high-success cyberattacks in testing - have rattled policymakers. This week, multiple sources report that the White House is now considering a significant policy reversal: an executive order to mandate pre-release government vetting of the most powerful AI systems (www.politico.com [1]). Under the proposed regime, AI developers would be required to obtain a federal “green light” before deploying advanced models, and officials could halt any AI deemed a national security risk until it is proven safe - much like an FDA process for new drugs (www.politico.com [2]) (www.politico.com [3]).

The move marks a sharp shift for an administration that until recently favoured a hands-off, innovation-first approach to AI regulation. It underscores that even in a pro-business climate, the potential for AI to be misused - whether to generate cyberattacks, disinformation, or other harms - is prompting stronger oversight. Other governments are taking similar steps. In China, authorities reportedly imposed the country’s first emergency pause on a major AI rollout due to security worries, reflecting a shared global anxiety about uncontrollable AI behaviour. And in Europe, officials are finalising the details of the AI Act’s new compliance mechanisms: an EU “AI Office” will soon supervise the biggest AI models, and high-risk AI systems will need to pass conformity assessments before they can enter the market (ppc.land [4]) (ppc.land [5]).

The upshot for companies developing or deploying advanced AI is that regulators are no longer willing to rely on voluntary guidelines - mandatory requirements are emerging. Firms should anticipate more government requests for information about their AI systems’ capabilities and safety measures. At a minimum, businesses building cutting-edge AI should conduct thorough red-team testing and documentation of risk mitigations in case regulators come knocking. Waiting for clear laws is no longer an option; preparing for a stricter AI safety regime now will reduce friction with authorities and prevent costly delays or restrictions on product launches.

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Boards & shareholders demand AI accountability

AI governance is becoming a focal point in boardrooms, driven not only by regulators but by investors themselves. A coalition of institutional investors and shareholder advocates has filed a proposal for Alphabet’s June 2026 annual meeting that, if approved, would update the company’s Audit Committee charter to explicitly oversee “the responsible development and deployment of AI” and related risks (share.ca [1]). In effect, Google’s parent company could soon have formal board-level responsibility for AI ethics and risk management. Meanwhile, at Meta’s upcoming May 27 shareholder meeting, investors will vote on a proposal sponsored by the National Legal and Policy Centre (NLPC) that calls on the company to publish an annual report on the operational and reputational risks of how it uses

external data in AI development (nlpc.org [2]). Both initiatives reflect a growing insistence from the market that corporate boards must play a more active role in guiding and monitoring AI.

Even when such shareholder proposals don't pass, their support levels are sending strong signals. Last year, a similar resolution at Meta addressing AI and privacy earned nearly 47% support from independent shareholders - the highest proportion for any human-rights-related proposal that proxy season (www.financialcontent.com [3]). That near-success has already prompted more transparency efforts and internal oversight discussions. Companies are taking note that investors and proxy advisory firms are closely scrutinising how well management is controlling AI risks, from bias and misuse to data security and societal impact.

Proactive organisations are moving to get ahead of these pressures. Some enterprises have voluntarily established AI ethics committees, appointed chief AI ethics or AI risk officers, and instituted strict internal policies on generative AI usage. Such steps are not just about avoiding scandals - like the recent incident where a rogue AI agent at Meta exposed sensitive data to unauthorised employees (techcrunch.com [4]) - but also about preserving trust and competitive advantage. The message for C-suites and boards is clear: demonstrating robust AI governance and accountability is increasingly tied to investor confidence and long-term business value. Forward-looking leadership will ensure they have the oversight structures, expertise, and transparency in place to meet rising expectations.

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Key Statistics

- 166 active AI-related lawsuits are ongoing against 55 organisations as of May 2026 ([ailawsuittracker.com](https://ailawsuittracker.com/#:~:text=AI%20Lawsuit%20Tracker%3A%20166%20Cases,Anthropic)).
- EU AI Act violations can draw fines up to €35 million or 7% of global annual turnover ([theradarai.com](https://theradarai.com/eu-ai-act-news-2026/#:~:text=Violation%20Type%20Maximum%20Fine%20Examples,turnover%20False%20declarations%20to%20regulators)).
- Nearly 47% of Meta's independent shareholders supported an AI risk oversight proposal in 2025 ([www.financialcontent.com](https://www.financialcontent.com/article/bizwire-2026-5-4-jlens-urges-meta-shareholders-to-vote-for-proposal-8-at-the-companys-annual-meeting-on-may-27-2026#:~:text=Meta%E2%80%99s%202025%20Annual%20Meeting%20received,supported%20by%20leading%20independent%20proxy)).
- Three authors' lawsuit against Anthropic over AI training data was settled for $1.5 /billion - the largest AI copyright settlement to date ([www.cbsnews.com](https://www.cbsnews.com/news/meta-ai-lawsuit-copyright-scott-turow-publishers-llama/#:~:text=plaintiffs%20in%20Tuesday%27s%20suit%20said,5%20billion)).

KEY TAKEAWAY

From lawsuits naming CEOs to new regulations and investor demands, this week's rapid developments confirm that AI governance is a board-level imperative, not optional. Enterprises must act now to strengthen oversight and compliance or risk legal, financial and reputational damage.

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