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AI under scrutiny: laws, lawsuits & warnings spur corporate action

Executive Summary

From Europe to Asia to the US, the past 48 hours saw a flurry of activity tightening the governance of artificial intelligence. New regulations are coming into force, high-profile legal disputes are unfolding, and influential voices are calling for stronger oversight. For senior business leaders, these developments underscore the urgent need to manage AI risks now to stay compliant and competitive.

Europe’s AI Act: from plans to penalties

(www.techtimes.com [1])Europe’s landmark AI regulation is moving from theory to practice. On August 2, 2026, the European Union’s AI Act enters a critical enforcement phase, giving regulators new powers to investigate and penalise companies that fail to comply (www.techtimes.com [2]). From that date, any AI system interacting with EU users must meet strict transparency requirements - for example, chatbot users must be clearly informed they’re talking to an AI, and all AI-generated content (from deepfake images to synthetic text) must be properly labelled (www.techtimes.com [3]). Simultaneously, the European “AI Office” gains authority to order model providers to fix issues and can levy fines for violations.

Crucially for businesses, EU lawmakers recently adjusted the AI Act’s timeline to mitigate compliance burdens (www.consilium.europa.eu [4]). A late-June agreement - the “Digital Omnibus” package - postpones the most demanding obligations for high-risk AI systems (such as AI used in recruitment, finance, healthcare and other sensitive fields) until 2027 for stand-alone software and 2028 for high-risk AI embedded in products (www.consilium.europa.eu [5]). However, this delay does not affect the Act’s imminent provisions on limited-risk AI. The Article 50 transparency rules take effect across all 27 EU member states this summer, requiring notifications when people interact with AI systems and mandating that AI-generated content be tagged or watermarked (with a brief grace period until December for existing systems) (www.techtimes.com [6]). The EU has also moved to ban specific harmful AI uses - such as non-consensual “deepfake” pornography or AI-generated child abuse imagery - sending a clear signal that certain AI practices are strictly off-limits (www.consilium.europa.eu [7]).

For companies operating in or selling to Europe, the stakes are high. Violations of the new transparency and disclosure mandates can draw fines of up to €15 /million or 3% of global annual revenue, whichever is higher (www.techtimes.com [8]). And while providers of advanced AI models like foundation models have technically been subject to requirements for the past year, August 2 marks the first time the EU can actually enforce those rules with penalties (www.techtimes.com [9]). Yet many firms are behind on preparations - an industry survey found 38% of organisations deploying “high-risk” AI still hadn’t completed the required risk assessments as of three months before the

deadline (compliance-kit.eu [10]). This lack of readiness is a red flag for boards: with the regulatory clock counting down, companies must rapidly shore up their AI governance programmes to avoid enforcement action and protect their reputation.

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Asia: china’s AI bot ban and india’s Digital law

(www.roborhythms.com [1])In parallel with Europe’s moves, Asia’s two largest markets are escalating their own AI governance efforts. In China, a new regulation that takes effect on July 15, 2026 targets “virtual companion” chatbots - AI systems that adopt human-like personas to engage users. Beijing’s rule, officially titled the Interim Measures for AI Anthropomorphic Interactive Services, compels tech giants such as ByteDance (Doubao), Alibaba (Qwen), and Tencent (Yuanbao) to shut down their popular human-like chatbot features immediately to comply (www.roborhythms.com [2]). Authorities have portrayed this as a safety measure, aiming to prevent abuse and emotional manipulation by hyper-realistic AI agents, which hundreds of millions of users interact with daily (www.roborhythms.com [3]).

The affected companies are taking drastic steps to fall in line. Alibaba’s Qwen, for example, is reportedly deleting all existing user chat histories from its virtual companion service, while ByteDance’s Doubao is giving users only until October to export their data before these AI “friend” features go dark (www.roborhythms.com [4]). Observers note that the crackdown comes after an astonishing surge in usage of such AI companions - Doubao’s human-like chat feature saw a 1,500× increase in popularity since 2024, hitting around 180 trillion tokens of content generated per day by June (www.roborhythms.com [5]). This meteoric growth brought enormous computing costs for companies without corresponding revenue, which may have further spurred the regulators (and the firms themselves) to pull the plug on unregulated AI companion bots (www.roborhythms.com [6]).

Meanwhile, India has reached a major milestone in updating its tech governance. The Digital India Act 2026 - a sweeping overhaul of the country’s digital regulations - was officially introduced in Parliament this week to replace the 23-year-old IT Act (pressofasia.com [7]). The proposed law would impose new obligations on businesses: for instance, companies using AI or automated decision-making must

implement “algorithmic accountability,” including disclosure of how their algorithms impact users and mandatory human oversight for high-risk AI systems (pressofasia.com [8]). The DIA also explicitly criminalises the malicious creation or distribution of deepfakes and other harmful AI content, with fines up to ¹10 /crore (roughly $1.2 /million) for violations (pressofasia.com [9]). Large tech platforms will face stricter requirements - the bill creates tiered obligations with the biggest “digital intermediaries” like global social media and AI providers required to ensure greater transparency, data protection, and fairness in their algorithms and content moderation practices (pressofasia.com [10]). If passed, India’s new law would position it alongside the EU and U.S. in treating AI governance as a core part of national digital policy - meaning multinationals must track yet another jurisdiction’s rules to remain compliant.

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Corporate IP at risk: apple’s fight with OpenAI

(www.cnbc.com [1])A high-profile legal battle is highlighting the lengths companies may go in the AI arms race - and the risks of intellectual property exposure. Late last week, Apple filed a lawsuit in U.S. federal court accusing OpenAI of “systematic” trade secret theft (www.cnbc.com [2]). The suit alleges that OpenAI, best known for ChatGPT, orchestrated an aggressive campaign to poach dozens of Apple employees - including engineers and a former Apple vice president now serving as OpenAI’s head of hardware - in order to steal Apple’s confidential chip designs and other proprietary technology (www.cnbc.com [3]). Apple claims internal jokes at OpenAI referenced unauthorised access to Apple’s systems, and that job candidates were even encouraged to bring actual Apple parts to show off in interviews (www.cnbc.com [4]).

The complaint portrays OpenAI’s actions as a betrayal by a onetime partner. In 2024, Apple had entered a high-profile collaboration to integrate OpenAI’s tech (notably ChatGPT) into the iPhone (www.cnbc.com [5]). But relations soured after OpenAI decided to build its own AI hardware - underscored by its $6.4 /billion acquisition of a startup founded by Apple’s famed designer Jony Ive (www.cnbc.com [6]). Apple’s lawsuit argues that OpenAI couldn’t resist exploiting its insider connections to catch up in silicon design. The filing quotes Apple as saying the AI lab had been “stealing Apple’s trade secrets and confidential information” at all levels of the company (www.cnbc.com [7]).

For executives, this case is a stark reminder that AI initiatives can carry significant IP and talent retention risks. As tech firms race to develop AI capabilities, poaching sprees can easily cross legal and ethical lines, especially if departing employees take valuable know-how with them. Partnerships

between incumbents and AI startups also need strong governance - yesterday's collaborator might become tomorrow's competitor. Boards should ensure that robust non-disclosure agreements, oversight of sensitive projects, and clear ethical guidelines are in place to protect critical assets in this fast-moving environment.

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Societal pressure: economists call for AI oversight

(www.usnews.com [1])The drumbeat for responsible AI is not just coming from regulators and corporations - it's now echoing from the world's top economists and technologists. On July 13, an open letter from more than 200 economists and AI experts (including 16 Nobel laureates) warned that artificial intelligence could spur an economic upheaval on the scale of the Industrial Revolution, but at a vastly accelerated pace (www.usnews.com [2]) (www.usnews.com [3]). Organised by Stanford University's Digital Economy Lab, the brief statement urges global leaders to 'act now' by establishing "the incentives, guardrails, and institutions" needed to ensure that AI's growth "complements humans and benefits society" (www.usnews.com [4]). Signatories include prominent tech industry figures - with executives from Google, OpenAI, and Anthropic joining academics in a rare united front for stronger AI governance (www.usnews.com [5]).

This extraordinary call reflects a growing consensus that clearer rules are needed to manage AI's impact on jobs and inequality. Thus far, the United States has not enacted comprehensive AI legislation, leaving a patchwork of state-level laws and voluntary initiatives (www.ropesgray.com [6]). But mounting public pressure and expert appeals like this increase the odds of regulatory intervention. In the meantime, corporate leaders face rising expectations from investors and society to proactively address AI's economic and workforce ramifications. Companies that transparently manage AI risks - from workforce retraining to ethical AI use policies - will be better positioned as global norms and regulations around AI solidify.

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Data governance gets a stern warning

(techcrunch.com [1])Even as new laws emerge, tech leadership is saying governance can’t wait for regulators. Microsoft’s CEO Satya Nadella issued a public warning to fellow executives about the strategic risks of handling proprietary data carelessly in AI projects (techcrunch.com [2]). In a blunt blog post, Nadella argued that companies using external AI models are 'paying for intelligence twice' - first by paying for the service, and again by unwittingly transferring their “crown jewel” business data in the form of prompts and feedback (techcrunch.com [3]) (techcrunch.com [4]). Every correction or detailed prompt that employees feed an AI system is effectively teaching the provider’s model about the firm’s operations - sharing insights 'a competitor could never buy,' as Nadella put it (techcrunch.com [5]).

Nadella urged organisations to rethink their AI strategies to protect their information advantage. He recommends that enterprises build their own secure “proprietary learning environments” - for instance, using their cloud infrastructure to host and fine-tune AI models - so that sensitive data never leaves their control (techcrunch.com [6]). He also advocates for creating an “AI orchestration layer” that allows easy switching between different AI models (including open-source alternatives) to avoid becoming overly dependent on any single vendor (techcrunch.com [7]). By taking these steps, companies can continue reaping AI’s benefits while maintaining sovereignty over their data and reducing the risk of inadvertently empowering potential competitors (techcrunch.com [8]) (techcrunch.com [9]).

Coming from the head of one of the world’s leading AI and cloud providers, this message carries particular weight. It signals that even AI’s biggest champions recognise the need for robust data governance and supplier oversight. For boards, the takeaway is that responsible AI use is not just about regulatory compliance - it’s also about protecting competitive advantage. In practice, that means implementing policies to tightly control what internal data is shared with AI platforms, demanding transparency from AI vendors about how they use client data, and investing in internal AI capabilities where feasible. In short, responsible AI adoption has become a C-suite and board-level mandate.

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Key Statistics

- €15 /million or 3% of global annual revenue - Maximum fine for violating the EU AI Act's transparency rules from August 2026 ([www.techtimes.com](https://www.techtimes.com/articles/320101/20260710/eu-ai-act-enforcement-here-chatbot-rules-live-high-risk-ai-delay-now-binding-law.htm#:~:text=must%20disclose%20their%20nature%20to,enforcement%20is%20the%20second%20enforcement)).
- 38% of high-risk AI deployers had not completed required risk assessments by mid-2026, just months before the EU AI Act compliance deadline ([compliance-kit.eu](https://compliance-kit.eu/en/knowledge/eu-ai-act-guide#:~:text=%2A%2038%25%20of%20high,Main%20gap%3A%20publicly)).
- 200+ economists and AI experts (including 16 Nobel laureates) signed the July 13 open letter urging immediate action on AI's economic risks ([www.usnews.com](https://www.usnews.com/news/technology/articles/2026-07-13/hundreds-of-economists-say-we-must-act-now-on-ais-economic-impact-and-job-displacement-risks#:~:text=incentives%2C%20guardrails%2C%20and%20institutions%20needed,statement%20that%20based%20on%20the)).
- $6.4 /billion - Price OpenAI paid in 2025 to acquire a startup led by Apple's former design chief Jony Ive, a move that stoked Apple's concerns about its intellectual property ([www.cnbc.com](https://www.cnbc.com/2026/07/10/apple-openai-lawsuit-trade-secrets.html#:~:text=profile%20partnership%20in%202024%2C%20when,Sam)).
- 3 tech giants (ByteDance, Alibaba, Tencent) must disable their AI "companion" bots by July 15, 2026 to comply with China's new rule on anthropomorphic AI services ([www.roborhythms.com](https://www.roborhythms.com/china-ai-companion-ban/#:~:text=15%2C%20three%20of%20China%E2%80%99s%20largest,What%20the)).

KEY TAKEAWAY

New global AI rules, legal battles and expert warnings make one thing clear: boards must treat AI oversight as a top priority. To avoid hefty fines and protect competitive advantage, companies should strengthen AI governance, safeguard their data, and proactively address emerging risks.

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