

AI Regulation Report – How U.S. Courts Are Shaping the Legal Framework for AI

Andre Chelle and Eshan Ahmad

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This report analyzes and extrapolates details from major U.S. court cases involving Artificial Intelligence to construct legal categorization, geographical enforcement trends, and emerging implications for regulation and markets. The upshot is that AI litigation reveals that courts are relying on traditional doctrines, but the further cases move from familiar areas like discrimination and copyright into speech, privacy, and authorship, the more doctrinal instability appears. This reveals an adherence to stare decisis but also a strain in adapting to new autonomous systems.

In the current legal landscape, copyright and intellectual-property disputes fall into two major categories: cases focused on inputs and cases focused on outputs. Input-focused cases challenge the use of copyrighted material to train AI systems. Output-focused cases, by contrast, examine whether an AI system’s generated content is substantially similar to a protected work. High-profile cases include *Andersen v. Stability*,¹ which remains ongoing and challenges the use of copyrighted images to train generative AI models; *Thomson Reuters v. ROSS Intelligence*,² where the court rejected a fair-use defense in the context of a non-generative legal research AI system that relied on copyrighted Westlaw headnotes; and *NYT v. OpenAI*,³ which remains pending and addresses alleged unauthorized use of news content for generative AI training. Across both categories, plaintiffs frame AI training as infringement undermining creative markets and original works, while defendants argue it is transformative, elaborative, and acts not as a replicator, but as a knowledge-based creator. Courts have not yet reached a consistent interpretation of this issue, and industries are moving towards establishing licensing and settlement as a medium.

However divided Copyright cases may be, employment discrimination cases establish the clearest liability constraints. Specifically, in cases like *EEOC v. iTutorGroup*,⁴ AI hiring systems participating in unintentional hiring discrimination resulted in monetary settlements and mandatory reforms. Overall, cases have reflected the idea that employers remain fully liable for discriminatory outcomes produced by AI systems, even if not intended. These outcomes imply that the use of AI is not altering accountability under discrimination law—employers remain liable for biased results, even when produced by automated systems.

An emerging section of cases includes defamation, free speech, and privacy claims. In *Walters v. OpenAI*⁵, the Superior Court of Gwinnett County, Georgia granted summary judgment to OpenAI in 2025, holding that ChatGPT’s erroneous output could not reasonably be understood as asserting facts and that OpenAI neither acted negligently nor with actual malice toward a public-figure plaintiff. The court emphasized the product’s repeated disclaimers and the user’s obligation to evaluate accuracy, signaling judicial reluctance to impose defamation liability for AI hallucinations absent human intent or human

¹ *Andersen et al v. Stability AI Ltd. et al*, No. 3:2023cv00201 (N.D. Cal. filed Jan. 13, 2023).

² *Thomson Reuters Enterprise Centre GmbH et al. v. ROSS Intelligence Inc.*, No. 1:20-cv-00613-SB (D. Del. Feb. 11, 2025).

³ *The New York Times Co. v. Microsoft Corp. & OpenAI, Inc.*, No. 1:23-cv-11195 (S.D.N.Y. filed Dec. 27, 2023).

⁴ *Equal Employment Opportunity Commission v. iTutorGroup, Inc., et al.*, No. 1:22-cv-02565 (E.D.N.Y. filed May 5, 2022).

⁵ *Walters v. OpenAI, L.L.C.*, No. 23-A-04860-2 (Ga. Super. Ct. May 19, 2025)

republication. Additionally, *Garcia v. Character AI*,⁶ a wrongful-death action arising from allegations that the Character AI chatbot encouraged self-harm without adequate safety safeguards, has already produced a federal ruling. In March 2025, the U.S. District Court for the Middle District of Florida denied in part and granted in part the defendants’ motion to dismiss, allowing the negligence and failure-to-warn claims to proceed while expressing caution about extending First Amendment protections to chatbot outputs at this early stage of litigation. The parties have since agreed to settle the case, though the settlement has not yet been finalized and the court has extended the deadline for dismissal. These developments underscore that First Amendment questions surrounding generative-AI outputs remain unresolved, particularly whether such outputs constitute protected speech and, if so, under what limits. Beyond these, privacy cases centered on data-scraping consent and biometric collection are gaining traction as plaintiffs argue that large-scale model training implicates statutory privacy rights. These disputes collectively reveal that unlike discrimination law, where liability rules are well-established, defamation, speech, and privacy claims are forcing courts to confront doctrinal gaps around authorship, intent, and informational harm in AI-generated content.

Heatmap analysis reveals a strong regional concentration of legal pressure. Based on our compiled case set, California and New York account for the majority of major AI-related lawsuits, with California hosting at least six to eight high-profile copyright and liability cases.⁷ This concentration is unsurprising, given that California is home to major tech and entertainment firms, and New York anchors the publishing industry and organizations such as the Authors Guild. Both the 2025 Kadrey and Bartz rulings are significant because they represent the first detailed judicial analyses of whether using copyrighted books to train large language models qualifies as fair use. New York similarly anchors the East Coast cluster with four to five major publishing and media-driven cases.⁸ While more than 45 states have introduced AI bills, legislative follow-through remains limited: in 2025 alone, 1,080 AI-related bills were introduced nationwide, but most did not progress to enactment.⁹ With relatively few AI-specific statutes enacted, courts are addressing these disputes through traditional common-law reasoning, allowing legal rules to evolve incrementally as new fact patterns arise.

There are a few implications. Federal preemption is increasingly discussed in legal commentary as a potential response to state legislatures choosing different paths for regulating AI and to divergent court opinions. The Telecommunications Act of 1996 provides a potential precedent for this situation. The Act preempted states to make competition in telephony a national policy. It also included Section 230, which provided interactive computer services protections from litigation, establishing protection of free speech on these platforms even though the principles might have eventually emerged through the courts. Second, ad hoc licensing of copyrighted training data might require overly costly case-by-case negotiations for some developers and copyright holders. The development of these agreements illustrates

⁶ *Garcia v. Character Technologies, Inc.*, No. 6:24-cv-01903, 2025 WL 1111 (M.D. Fla. Mar. 10, 2025)

⁷ These include *Andersen v. Stability*; *Kadrey v. Meta Platforms, Inc.*, No. 3:23-cv-03417 (N.D. Cal. June 25, 2025); *Lyon v. Adobe Inc.*, No. 3:23-cv-04625 (N.D. Cal. filed Sept. 8, 2023); *Doe v. GitHub, Inc.*, No. 4:22-cv-06823 (N.D. Cal. filed Nov. 10, 2022); *Silverman v. OpenAI, Inc.*, No. 3:23-cv-03416 (N.D. Cal. filed July 7, 2023); *Tremblay v. OpenAI, Inc.*, No. 3:23-cv-03223 (N.D. Cal. filed June 28, 2023); and *Bartz v. Anthropic PBC*, No. 24-cv-05417 (N.D. Cal. June 23, 2025).

⁸ These include *NYT v. OpenAI* and *Authors Guild v. OpenAI, Inc.*, No. 1:23-cv-08292 (S.D.N.Y. filed Sept. 19, 2023).

⁹ Fatima Palacios Figueroa et al., (2026). Mapping State AI Regulation in 2025, Project Navigate working paper, Public Utility Research Center, University of Florida
https://bear.warrington.ufl.edu/centers/purc/docs/papers/2602_Mapping_State_AI_Regulation_2025.pdf.

how market practices evolve in the absence of preset legal standards, emphasizing the interests of the parties in the case, applicable statutes, and court precedent.

The bottom line is that at least some legal frameworks for AI are being established through litigation processes. This is adaptive in nature, meaning that it emphasizes testing and learning as markets and technologies evolve, providing a dynamic balancing of various interests, although at a cost of legal uncertainty.

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