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U.S. COMMERCIAL SERVICE
United States of America Department of Commerce

Cyber Summit Budapest 2025

Legal Traps in AI

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Legal Traps in AI

What Every Company Needs to Know

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LEGAL SERVICES
EST. 2019

“AI told me to do it.”
Sounds ridiculous?
Not in 2025.

AI Risk Isn't Always Where You Expect

Special attention to the high-risk layer (conformity assessment, certifying etc.)

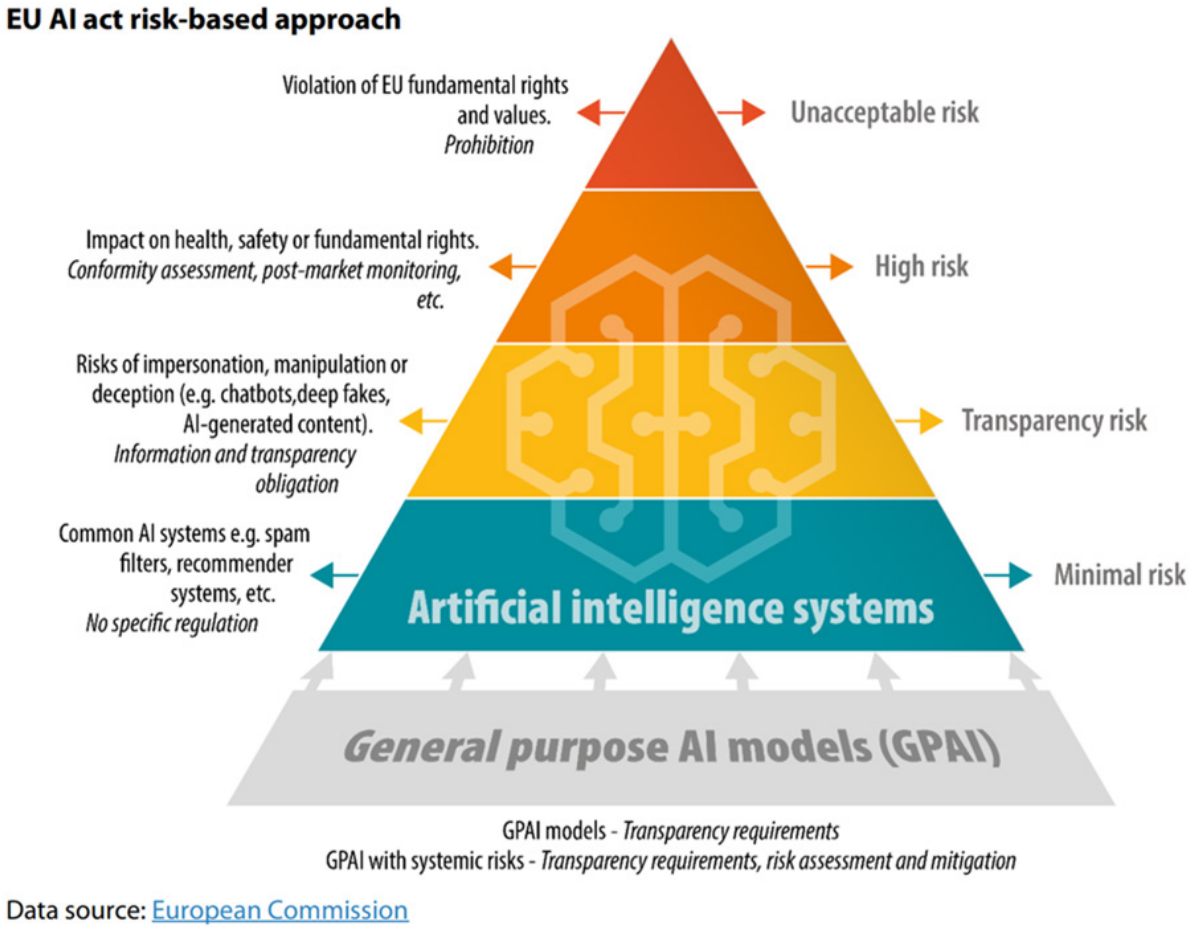
But some AI systems are just… **talking**

Minimal Transparency

Still cause real-world harm:

- Dangerous suggestions
- Hallucination
- Misinformation

Strict Product Liability?



Data source: European Commission

AI Systems Fall Under the New EU Product Liability Directive

1. **New Technology, Same Liability**
   AI systems + software are treated like traditional products.
   If defective and harmful → **strict liability** applies

2. **Wider Scope of Compensable Damage**
   Covers not only death, injury, and property damage, but also **medically certified psychological harm** (e.g. AI-driven emotional distress).

3. **Black-Box Presumption**
   If the provider can't explain how or why the system caused harm, courts may **presume defectiveness and causation**.

AI Defamation Can Cause Psychological Harm

“Turley case”:

“False accusations, reputational harm, emotional damage — caused by a product on the market.”

Under EU product liability rules, when an AI system causes harm, it’s treated like any other defective product — regardless of whether it’s made of code or metal.

AI Misrepresentation Triggers Corporate Liability

"Air Canada Voucher Case"

When your AI gives wrong instructions, it's not just a glitch — it's your liability.

In this case, it was a refund. Next time, it could be thousands in free tickets.

AI Impersonation of Expertise Creates Legal Risk

“DoNotPay case”:

The moment your AI acts like a licensed expert — you’re on the hook for its mistakes.

Presenting it as professional creates professional-level responsibility.

DoNotPay

Copyright infringement with AI

- **AI Training Needs Data — Publicly available ≠ Public domain**

- **Copyright protection**
  - Original works: texts, images, photos, videos, music, code, articles, designs, etc.
  - Protected regardless of whether they are publicly available online.
- **Sui generis database protection (EU)**
  - Database structures that required substantial investment in obtaining, verifying or presenting the data.
  - Protection applies even if the individual data points are not protected.

- **Key point:**
  - Using protected content for AI training may require licenses or fall under limited exceptions.

Scraping Third-Party Content: A Costly Shortcut?

Using protected datasets without proper rights — even at startup or internal development stage — can lead to costly copyright and database disputes.

AI Use and Data Leaks: Business Secrets at Risk

Sensitive company data often feeds AI tools:

- internal emails
- salary structures
- financial models
- product roadmaps
- client contracts

The Risk:

If AI tools store data for further training or processing, business secrets may leak — even violating NDAs or trade secret protections.

Preventing Data Leaks in AI Usage

Safe vs risky scenarios:

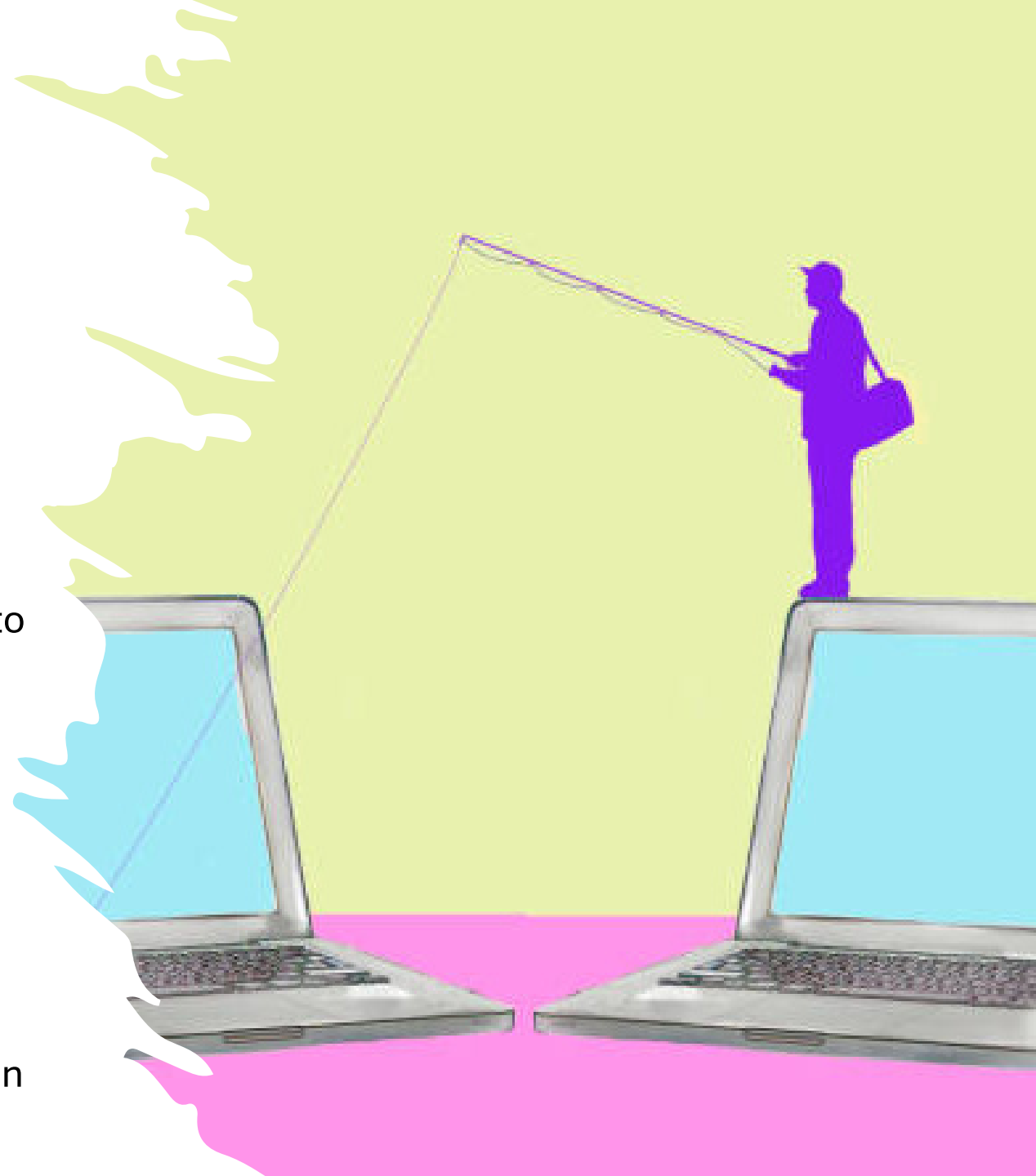
✅ Copilot for Microsoft 365 (Enterprise), ChatGPT Teams: enterprise-level isolation, no training on customer prompts

❌ Personal/free AI accounts: potential data exposure to provider's model training or 3rd parties

Key takeaway:

Internal AI policies must clearly regulate:

- which AI tools are approved
- which data may be shared
- how employees should handle confidential information



Best Practices to Minimize AI Risk

1) **Visibility & Inventory**
Maintain a clear overview of all AI tools in use (AI Tool Repository).

2) Risk Classification
Assess and classify AI systems based on:

- EU AI Act risk levels.
- Internal business risks (e.g. pricing decisions = high risk even if not high-risk under AI Act).

3) Contractual Safeguards
Include proper liability allocation and limitation clauses depending on your role

- AI developer → limit liability.
- AI user/client → ensure sufficient vendor accountability.

4) AI Usage Policy
Clear internal guidelines:

- What is allowed? Vs What is restricted or prohibited?

5)AI Awareness & Training
Regular training to ensure employees understand risks, rules, and responsible AI use.

Let’s continue!

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