

CREATE RESPONSE TO THE DIGITAL REGULATION COOPERATION FORUM (DRCF)

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# Priorities for Generative Al Regulation in the UK: CREATe response to the Digital Regulation Cooperation Forum (DRCF)

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#### Introductory note

In July 2023 the UK Digital Regulation Cooperation Forum (DRCF) issued a request for comment<sup>1</sup> on the status of generative AI and priority regulatory concerns. The DRCF is comprised of four of the UK's major regulators: the Competition and Markets Authority (CMA), the Financial Conduct Authority (FCA), the Information Commissioner's Office (ICO) and Ofcom. As a research centre with a focus on technology regulation and evidence-based policy making, CREATe is undertaking research that addresses the specific questions raised by the DRCF.<sup>2</sup> As we lay out in our response (reproduced in its entirety below), the challenges posed by generative AI will be complex, imposing a need for regulators to actively engage with evidence on these dynamic and multifaceted effects.

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<sup>&</sup>lt;sup>1</sup> DRCF. Maximising the benefits of Generative AI for the digital economy. (July 2023). https://www.drcf.org.uk/publications/blogs/maximising-the-benefits-of-generative-ai-for-the-digital-economy.

<sup>&</sup>lt;sup>2</sup> Margoni, T., & Kretschmer, M. (2022). A Deeper Look into the EU Text and Data Mining Exceptions: Harmonisation, data ownership, and the future of technology. GRUR International, 71(8), 685-701; Luca, Stefan, Schlesinger, Philip, Iramina, Aline, McCluskey, Ann, & Gizem Yasar, Ayse. (2023). Policy Futures for the Digital Creative Economy, Proceedings of the University of Glasgow/University of Sydney Symposium, March 2023. Zenodo. <a href="https://doi.org/10.5281/zenodo.8013438">https://doi.org/10.5281/zenodo.8013438</a>; Li, Z. (2023). Why the European Al Act transparency obligation is insufficient. Nature Machine Intelligence, 1-2; Noto La Diega, G., Cifrodelli, G. and Dermawan, A. (2023). Sustainable patent governance of artificial intelligence: recalibrating the European patent system to foster innovation (SDG 9), In: Amani, B., Ncube, C. and Rimmer, M. (eds.) Elgar Companion on Intellectual Property and Sustainable Development Goals (Edward Elgar); Kretschmer, M., Meletti, B. and Porangaba, L. H. (2022). Artificial intelligence and intellectual property: copyright and patents - a response by the CREATe Centre to the UK Intellectual Property Office's open consultation. Journal of Intellectual Property Law & Practice, 17(3), 321-326; Cifrodelli, G. (2021). Patent System and Artificial Intelligence: Towards a New Concept of Inventorship? CREATe Working Paper 2021/12. Zenodo. https://doi.org/10.5281/zenodo.5720649; Kretschmer, M., Kretschmer, T., Peukert, A., Peukert, C. (2023 forthcoming). The risks of risk-based AI regulation: Policy should focus on inputs, not outputs. Under review, contact authors for pre-print.

A range of regulatory concerns has emerged since generative Al became more visible with the launch of ChatGPT in November 2022. They include (1) Safety: outputs may be plausible and apparently well-grounded but wrong, dangerous or fraudulent; (2) Bias: output reflects input (e.g. from Internet scrapes, such as Common Crawl); (3) Black boxes: sources of information and how models were trained and aligned is often unknown; (4) Personal data: implicated both with respect to input and output; (5) Intellectual Property: training data may include content that is copyright protected; (6) Impacts on inter-firm competition and industry structure.

Addressing these issues requires an interdisciplinary approach. Regulatory approaches will need to be cross-domain, adaptable, and scalable to confront these multi-faceted challenges, supported by independent research.<sup>3</sup>

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<sup>&</sup>lt;sup>3</sup> Kretschmer, M., Furgał, U., & Schlesinger, P. (2022). The Emergence of Platform Regulation in the UK: An empirical-legal study. *Weizenbaum Journal of the Digital Society*, 2(2). <a href="https://doi.org/10.34669/wi.wjds/2.2.4">https://doi.org/10.34669/wi.wjds/2.2.4</a>; Schlesinger, P. (2022). The neo-regulation of internet platforms in the United Kingdom. Policy & Internet 14(1). <a href="https://doi.org/10.1002/poi3.288">https://doi.org/10.1002/poi3.288</a>.

#### CREATE Response to the DRCF Questions on Generative Al

# How is this technology likely to change in the coming months? What new capabilities can we expect, and where are the breakthroughs likely to land?

Our tracking of industry trends suggests that generative AI (henceforth GenAI) systems will rapidly improve in terms of capability, verisimilitude, resolution, and speed.<sup>4</sup> These improvements will be primarily driven by larger models and more capable processing architecture. Following advances in text, images and sound, the next frontier for significant improvement is likely to be video. Industry experts expect to see verisimilar AI-generated video becoming more widespread, first in digital entertainment and then in live-action TV and film.<sup>5</sup>

An increasing number of online applications will integrate GenAl as part of their services, commonly known as Al-as-a-Service (AlaaS).<sup>6</sup> It will shift our way of interacting with online services in myriad ways. Apart from Large Language Models (LLMs), exemplified by ChatGPT, we will also see deployment of localised and smaller-sized models, designed with specific attributes and features that suit the needs of individual device deployment, small businesses and use-cases.

In the medium term, the scope of AI technology will broaden to encompass full-mode foundational models. These models will transcend the conventional single task-based AI systems (e.g., text-to-text) and evolve into more comprehensive models that can process and generate not only text, but also visual, audio, and various other multimedia formats together. This shift denotes a significant enhancement in AI's ability to interact and engage with a diverse range of data types. For example, the interactive games industry anticipates cross-disciplinary application of AI to create characters that speak, move, and behave more fluidly and unpredictably. These developments are expected to extend to television and other formats. We may begin to see more AI-scripted and generated characters appearing alongside human actors in TV and film. Deep fakes of major figures may intervene adversely in the political process and

<sup>&</sup>lt;sup>4</sup> Erickson, K. (2023 forthcoming). All and the creative industries: digital continuity or discontinuity? In progress; Shao, Z., Zhao, R., Yuan, S., Ding, M., & Wang, Y. (2022). Tracing the evolution of Al in the past decade and forecasting the emerging trends. *Expert Systems with Applications*, 11822.

<sup>&</sup>lt;sup>5</sup> Gozalo-Brizuela, R., & Garrido-Merchan, E. C. (2023). ChatGPT is not all you need. A State of the Art Review of large Generative AI models. *arXiv preprint arXiv:2301.04655;* Leffer, L. (2023) Can AI Replace Actors? Scientific American. Accessed 26 July 2023: <a href="https://www.scientificamerican.com/article/can-ai-replace-actors-heres-how-digital-double-tech-works/">https://www.scientificamerican.com/article/can-ai-replace-actors-heres-how-digital-double-tech-works/</a>.

<sup>&</sup>lt;sup>6</sup> Tianxiang Sun et al. (2022). 'Black-Box Tuning for Language-Model-as-a-Service', *Proceedings of the 39th International Conference on Machine Learning* (PMLR 2022). Accessed 10 February 2023 <a href="https://proceedings.mlr.press/v162/sun22e.html">https://proceedings.mlr.press/v162/sun22e.html</a>. Li (n 1).

<sup>&</sup>lt;sup>7</sup> Lamerichs, N. (2018). The next wave in participatory culture: Mixing human and nonhuman entities in creative practices and fandom. *The Future of Fandom*, (28).

destabilise the democratic expectations of citizens. Al will increasingly mediate between legacy media properties and online fan culture. Fans and communities will use Al to build upon and interact with the stories and products that they enjoy.

The main trends for GenAl technological roll-out are likely to include cross-media integration, device interoperability, increased ubiquity, further automation of tasks, and increased volume of outputs.

### How are consumers and citizens engaging with Generative Al tools? How do they make use of them in their daily lives, and how does that vary across demographic groups?

GenAl tools are widespread in the production of online content. Users and content creators are employing GenAl tools to craft online responses, generate memes, power chatbots<sup>8</sup> and summarise content. These practices introduce uncertainty about who we are interacting with online and pose new challenges for content moderation on platforms.<sup>9</sup> Detecting and flagging Al-generated content is likely to become a major preoccupation of online platforms such as YouTube, Facebook, Instagram and Twitter/X. Online platforms will have to decide whether to ban or allow Al-generated content and under what circumstances. The economic imperative to provide a safe environment for users and advertisers is likely to lead commercial platforms to restrict use of GenAl, however the ability to detect such content will remain a rapidly moving target.

Micro-enterprises are leveraging AI tools such as ChatGPT to write code, generate advertising copy, and quickly launch information products. An industry of micro-entrepreneurs has sprung up around a perceived gold rush in AI-generated business. Some of this activity presents risk to consumers in the form of fraudulent or deceptive information. The scalability of these business models poses a challenge to platforms seeking to limit spam and low-quality content.

Members of the broad public (especially marginalised or less-frequent internet users)<sup>10</sup> may be less aware of GenAl tools and the opportunities and risks they present. In addition to digital divides, CREATe is conducting research to examine private-ordering norms of Al products,

<sup>&</sup>lt;sup>8</sup> Harbinja, E., Edwards, L., & McVey, M. (2023). Governing ghostbots. *Computer Law & Security Review, 48*, 105791.

<sup>&</sup>lt;sup>9</sup> Hacker, P., Engel, A. & Mauer, M. (2023). Regulating ChatGPT and other Large Generative AI Models. *ACM Conference on Fairness, Accountability, and Transparency* (FAccT '23). Accessed 31 July: https://dl.acm.org/doi/10.1145/3593013.3594067.

<sup>&</sup>lt;sup>10</sup> Büchi, M., & Hargittai, E. (2022). A need for considering digital inequality when studying social media use and well-being. *Social Media + Society*, *8*(1), 20563051211069125.

which include Terms of Service and privacy policies. <sup>11</sup> Indeed, users need to know whether and how their personal data are processed, and in general what their rights and duties are when using Al products. Our research identifies the following key knowledge requirements: age and content restrictions, enforcement procedures, dispute resolution mechanisms, and copyright regulation for the input (i.e. the datasets on which these models are trained) and output (i.e. the content that is generated by the models themselves based on the training data and the user prompt). Although many models are offered as platforms (and often they are understood as such by the companies that develop them), they are potentially more complex since GenAl tools combine third-party inputs via training sets as well as outputs and data provided by users. Therefore, addressing the private (contractual) regulation of this new technology will be helpful in order to properly understand and publicly regulate GenAl, and protect consumers in their everyday uses.

# How are our regulated services making use of Generative Al? How do they access those capabilities (e.g., by using open-source models or proprietary systems)?

Research by the CREATe centre has shown that many UK firms are experimenting with GenAl in localised and bespoke product development applications. Firms are using a combination of proprietary code and off-the-shelf open-source solutions. However, there are barriers to commercialisation. Legal uncertainty and access to training datasets are two potential inhibitors of innovation. Firms we studied reported altering product designs and investing significant resources to avoid legal uncertainty in upstream training data for Al products. Following the launch of a new product, the potential emergence of a rights claimant could prove costly for firms that invest in obtaining proprietary datasets and developing systems.

The number of regulated services may be vast. It was estimated that 25,000 services fall under the scope of the online safety legislation but a revised view is that there will be in excess of 100,000 online services to regulate.<sup>13</sup> Therefore, it is important for regulated firms and organisations to understand who their interlocutor is, and that obligations and guidance do not conflict.

<sup>&</sup>lt;sup>11</sup> Thomas, A. (2023). Merit and monetisation: A study of video game user-generated content policies. *Internet Policy Review, 12*(1).

<sup>&</sup>lt;sup>12</sup> Erickson, K. (2023 forthcoming). All and the creative industries: digital continuity or discontinuity? In progress.

Ofcom (2022) Online Safety Bill: Ofcom's roadmap to regulation. Accessed 26 July: <a href="https://www.ofcom.org.uk/\_\_data/assets/pdf\_file/0016/240442/online-safety-roadmap.pdf">https://www.ofcom.org.uk/\_\_data/assets/pdf\_file/0016/240442/online-safety-roadmap.pdf</a>; National Audit Office (2023) Preparedness for online safety regulation: Report. Accessed 17 July 2023: <a href="https://www.nao.org.uk/wp-content/uploads/2023/07/preparedness-for-online-safety-regulation-summary.pdf">https://www.nao.org.uk/wp-content/uploads/2023/07/preparedness-for-online-safety-regulation-summary.pdf</a>.

It is also important to note that GenAl appears on the cusp of transitioning from a cloud-based service to a locally-run tool: text to image (Stable diffusion) and text to voice (Tortoise) tools can already be run locally and large language models are getting there, based on Meta's Llama model release and weights leak. Similarly, new techniques significantly decrease the computational demands of fine-tuning Al models.<sup>14</sup>

While discussions<sup>15</sup> of these developments have focused mostly on Google and OpenAl's competitive moat, they are also relevant to innovation policy and regulatory approaches. Whether generative Al is available as a local tool or a cloud service significantly changes who its gatekeepers may be. For instance, watermarking initiatives are unlikely to be effective in a highly distributed environment. Innovation may come from many more sources rather than a few companies, as will the challenges.

Customisable locally-run tools significantly complicate the enforcement of deployment-stage obligations. Whether synthetic CSAM or deep fakes, the challenge will be at the distribution level, facing services such as broadcasters or digital platforms that fall within the DRCF's remit, and Ofcom already has some guidance for broadcasters in this respect.<sup>16</sup>

### To what extent are these regulated services aware of how existing regulation applies to Generative AI? Where could this be clearer?

Two important areas of concern for AI practitioners and regulated services are personal data and intellectual property rights (discussed further in the section, 'gaps in regulation').

In terms of regulatory awareness, many regulated services have demonstrated a basic understanding of data protection law, particularly as they pertain to GenAl. Basic understanding is exemplified by their privacy policies and Terms and Conditions. However, when it comes to the deeper legal implementation questions, several uncertainties demand more clarity. For example, whether GenAl models themselves could constitute use of personal data is still questionable. Such ambiguity is caused by the broad interpretation of the criteria for relatability and identifiability in defining personal data. <sup>17</sup> Moreover, when it comes to the exercise of the right

<sup>&</sup>lt;sup>14</sup> Low-rank Adaptation of Large Language Models (LoRA). Hugging Face. Accessed 27 July: <a href="https://huggingface.co/docs/diffusers/main/en/training/lora">https://huggingface.co/docs/diffusers/main/en/training/lora</a>.

Patel, N. (2023). Inside Google's big Al shuffle. The Verge. Accessed 27 July 2023: <a href="https://www.theverge.com/23778745/demis-hassabis-google-deepmind-ai-alphafold-risks">https://www.theverge.com/23778745/demis-hassabis-google-deepmind-ai-alphafold-risks</a>.

Ofcom (2023). Note to Broadcasters. Accessed online 27 July 2023: <a href="https://www.ofcom.org.uk/\_data/assets/pdf\_file/0028/256339/Note-to-Broadcasters-Synthetic-media-including-deepfakes-.pdf">https://www.ofcom.org.uk/\_data/assets/pdf\_file/0028/256339/Note-to-Broadcasters-Synthetic-media-including-deepfakes-.pdf</a>.

<sup>&</sup>lt;sup>17</sup> Zihao Li, 'Affinity-Based Algorithmic Pricing: A Dilemma for EU Data Protection Law' (2022) 46 Computer Law & Security Review 1.

to be forgotten (RtbF) and right to rectification, more uncertainties emerge. For instance, if an individual exercises their right to rectification or RtbF, the question arises of how to rectify or remove inputs to a model if some problematic personal data has been used in training. In what circumstances might removal and re-training of models be justifiable? If it is deemed necessary, how should we balance our fundamental rights (e.g., RtbF) with commercial and public interest concerns, given that model training consumes substantial resources? Moreover, RtbF necessitates an undue delay (commonly interpreted as one month) for data controllers to erase the personal data. However, given the complexity and technical capabilities of pruning the model, it is unlikely for controllers to be compliant. Therefore, new interpretations of data protection laws related to the cases of GenAl may be required and may have to make trade-offs regarding definitions and requirements.

## How do we work with the government to address any potential gaps in the regulation of Generative AI, in line with the proposals set out in the government's AI White Paper?

The Al White paper describes physical risks to health and property, and mental health risks. <sup>19</sup> In our view, the White Paper does not adequately account for risks that arise from or reproduce social inequality. For example, when considering economic opportunity stemming from access to new GenAl tools, the role and potential of continuing digital divides should be a major focus of policy attention. Digital divides describe not only access to IT but also encompass the skills and capabilities required to make effective use of technology. <sup>20</sup>

Societal risks such as information harms from fake news might be unequally distributed along lines of social exclusion. Importantly, the impact of AI on society is not only centred on use vs. non-use. For example, consider a scenario where job applicants employ AI tools to help craft cover letters and CVs because they believe it will improve their credibility. Some employers could seek to identify and penalize AI-generated applications because they are seen as inauthentic. GenAI may be perceived as a "fast track" to success or a technological fix that inadvertently disadvantages those who use it. Consequently, we foresee a situation of a dynamic and continually challenging regulatory and commercial landscape, akin to an arms race to confront harms arising from novel uses.

We broadly support the recommendation to adopt regulatory experimentation tools. These can help in testing different legal, institutional and technological approaches, while simultaneously

<sup>&</sup>lt;sup>18</sup> Zhang, H. et al. (2023). 'A Review on Machine Unlearning'. 4 SN Computer Science 337.

<sup>&</sup>lt;sup>19</sup> UK Office for Artificial Intelligence (2023). A Pro-innovation approach to AI regulation (at 9).

<sup>&</sup>lt;sup>20</sup> Hargittai, E. (2010). Digital na (t) ives? Variation in internet skills and uses among members of the "net generation". *Sociological inquiry*, 80(1), 92–113.

fostering innovation and shaping the new regulatory approaches outside of prevailing regulatory frameworks.<sup>21</sup> A regulatory sandbox could serve as an effective mechanism, establishing a controlled environment in which participants can obtain waivers from certain legal provisions and compliance processes. This arrangement, coupled with tailored legal support, can significantly foster the development of emerging technologies. However, the establishment of comprehensive eligibility and testing criteria for experimental regulation is of paramount importance. Factors such as testing parameters, durations, entry requirements, and termination conditions must be carefully designed, harmonised and standardised.

An important aspect of GenAl regulation is copyright law and its impact on the development, use and study of Al technology. The questions posed by the DRCF are complex and require research. However, restrictions deriving from copyright law and risk-averse institutional policies are currently preventing or limiting the work of independent researchers in this area.<sup>22</sup>

The UK Copyright, Designs and Patents Act (CDPA 1988) provides several exceptions allowing the use of copyright works without permission for purposes considered to be socially, culturally, politically or economically beneficial. Since 2014, these have included an exception for text and data mining (Section 29A of the CDPA 1988, the TDM exception), which explicitly allows anyone with *lawful access* to copyright works to 'carry out a computational analysis of anything recorded in the work for the sole purpose of research for a non-commercial purpose'. Yet, in practice, copyright law acts as a major barrier to independent non-commercial research on protected works such as broadcasts. Despite being explicitly permitted by law, the computational analysis of the information recorded in copyright works for non-commercial research does not eliminate the risk of litigation. As a result, a vast amount of independent non-commercial research on Al or based on Al technology is either not happening or is being substantially limited.

Research has shown that the development of codes of best practice on copyright and reuse can help address these issues.<sup>23</sup> Such codes can encourage positive 'change in practice and

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<sup>&</sup>lt;sup>21</sup> Organisation for Economic Co-operation and Development (OECD) (2023). 'Regulatory Sandboxes in Artificial Intelligence' (Organisation for Economic Co-operation and Development (OECD). Accessed 23 July 2023: <a href="https://www.oecd-ilibrary.org/science-and-technology/regulatory-sandboxes-in-artificial-intelligence\_8f80a0e6-en">https://www.oecd-ilibrary.org/science-and-technology/regulatory-sandboxes-in-artificial-intelligence\_8f80a0e6-en</a>.

<sup>&</sup>lt;sup>22</sup> The UK government's instruction to the Intellectual Property Office to produce a "code of practice" (or licensing arrangement) between Al firms and creative industry right holders should be brought within the remit of the DRCF. Such a code will have a profound effect on innovation and industry structure: HM Government Response to Sir Patrick Vallance's Pro-Innovation Regulation of Technologies Review (March 2023, at 5). Accessed 27 July 2023: <a href="https://www.gov.uk/government/publications/pro-innovation-regulation-of-technologies-review-digital-technologies">https://www.gov.uk/government/publications/pro-innovation-regulation-of-technologies-review-digital-technologies</a>.

<sup>&</sup>lt;sup>23</sup> Meletti, B., & van Gompel, S. (2022). Codes of best practices in creative reuse: making copyright flexibilities a viable option for creators. In Rethinking copyright flexibilities: Conference organized by the Department of Law of the University of Cyprus, Scuola Superiore Sant'Anna (Pisa) and the H2020 project

behaviour, as a result of changed understanding of what the law permits'.<sup>24</sup> While the UK government should pursue more systemic solutions to the problems outlined above, it would be advisable to identify and establish best practices regarding the computational use of large amounts of copyright works for non-commercial research. Enabling researchers to use and experiment with AI technology is an essential precursor to developing a rigorous understanding of the technology's effects.

### How could the way we regulate Generative Al impact competition, innovation, consumer wellbeing and people's rights and freedoms?

GenAl is likely to further lower barriers to entry and facilitate market access for a wide range of participants, although as noted its growing use does not level the playing field. Consumer protection is particularly implicated by the proliferation of GenAl tools that assist in rapid product development, regulatory compliance and marketing. A relatively small team can now design and market an information product that is indistinguishable from competing offers made with human skill and judgment. This may present significant risks. In respect of a product category like financial services, the proliferation of GenAl products could introduce specific harms of far-reaching significance. Whereas savvy consumers could previously rely on signals to identify low-quality goods and providers, GenAl could flood certain markets with low-quality products, introducing confusion.

At the same time, regulation must balance safety with rights and freedoms. Regulators should be sensitive to unintended consequences. For example, de-anonymising and monitoring internet interactions to facilitate detection of Al bots might have unintended chilling effects on freedom of expression.

As outlined in the introduction, we recommend a holistic, cross-domain approach. The activities by the different regulators will undoubtedly affect the conduct of regulated services, including companies, in a manner which may make this conduct fall within the remit of another regulator. Regulators, through their regulation activities, 'make markets'. They therefore ought to carefully consider each other's regulatory activities. The activities within the scope of the CMA are a particular example. One of the UK Government's 'Five Principles' is 'Fairness'. This principle is pertinent to the work of the CMA, and to consider how the work by all regulators within the DRCF

reCreating Europe. Project documentation available at: <a href="https://www.create.ac.uk/project/creative-industries/2022/12/07/developing-best-practice-codes-for-creative-audiovisual-re-use/">https://www.create.ac.uk/project/creative-industries/2022/12/07/developing-best-practice-codes-for-creative-audiovisual-re-use/</a>.

<sup>&</sup>lt;sup>24</sup> Aufderheide, P., & Jaszi, P. (2018). *Reclaiming fair use: How to put balance back in copyright*. University of Chicago Press.

impacts on competitiveness and innovation. It has a clear relationship with the CMA (DMU)'s ongoing and future work within digital markets.

As the CMA knows, although (Generative) Al may lower barriers to entry, some existing challenges may be exacerbated, and new challenges may emerge. First, incumbent market participants may be able to leverage or entrench existing market power, through tying practices (integrating GenAl in their own services/ecosystem) or refusals to supply, entrenching their ecosystem power by bolstering their positions as gateways to information. This is clearly at the forefront of the CMA's ongoing work, as it is a crucial part of the themes it identifies in its Al Review Launch Document. If GenAl/foundation models are adopted within existing ecosystems, this may therefore entrench existing power. Crucially, this goes beyond 'market power' in a strict sense and narrowly conceived sense, but may require different or broader notions of economic power. This perspective makes it all the more important to consider the meaning and scope of a 'Strategic Market Status' within the work of the DMU. As previously explained in our Response to the public consultation by the UK Government on 'A new pro-competition regime for digital markets', 25 the current scope of the SMS does not clearly articulate the varying types and sources of economic power. This position has not changed with the current version of the Digital Markets, Competition and Consumers Bill. This power may, in turn, enhance political influence over policy debate over how that is tackled, and therefore require the application of broader notions of economic power and the policy influence this entrenches.

We note that the CMA cannot consider this in isolation, as it is inextricably linked to intellectual property, data protection, and the regulation of content online. Access to the requisite data may take on less traditional forms, with increased reliance on synthetic data (namely, data which is not collected from real world actors and events -'collected data'- but data which is constructed artificially, derived from, mimicking and entirely or partially replacing collected data). Regulatory approaches should be conscious of the needs of potential competitors when it comes to accessing data - not just collected data but also the ability to generate synthetic data - when establishing rules and principles. This is particularly pertinent when assessing property rights over existing information online (including IP rights) and derived rights over synthetic data derived from that information.

<sup>&</sup>lt;sup>25</sup> Eben, M. (2021). The interpretation of a 'Strategic Market Status': A Response to the public consultation by the UK Government on 'A new pro-competition regime for digital markets". CREATe Working Paper 2021/10. (doi: 10.5281/zenodo.5575183).

<sup>&</sup>lt;sup>26</sup> For an introduction to this concept, see Gal, M. and Lynskey, O. (2023 forthcoming). 'Synthetic Data: Legal Implications of the Data-Generation Revolution'. Forthcoming 109 Iowa L Rev. Accessed 27 July 2023: <a href="https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=4414385">https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=4414385</a>.

The CMA rightly identifies that the scope of its work on AI is limited, excluding 'Compliance with the forthcoming online safety regime, in relation to harmful content and misinformation unrelated to a transactional context; Compliance with intellectual property laws, and the potential impacts on intellectual property rights holders and the sustainability of publishers and other content creators; Compliance with data protection laws and privacy harms.'<sup>27</sup> However, as these areas will undoubtedly impact on the industry structures and market conduct which *are* within the CMA's remit, there is a need to consider these relationships holistically. Given the range of regulatory expertise it an muster, the DRCF seems like the best forum to do so.

Moreover, the Government's 'pro-innovation approach' to regulation, as set out in its March White Paper, comes with its own challenges. Although an approach which promotes innovation is to be welcomed, this principle cannot be effectively applied without knowing what type of innovation we mean. Whose innovation matters and counts in such a pro-innovation approach? As is well known, innovation may take various forms, and come both from incumbent market participants as well as including follow-on innovation from smaller players or new entrants. It is not a given that both types of innovation can co-exist; at all events the different interests they represent should be taken into account. This is particularly important for the creative industries - an area of strategic priority for the United Kingdom. A synthesis of the empirical evidence, catalogued in CREATe's Copyright Evidence Portal, 28 indicates that intellectual property, industry structures, and competition are intrinsically linked, yet there is insufficient consideration of the diverging understandings of innovation and product quality objectives.<sup>29</sup> CREATe's existing<sup>30</sup> and ongoing<sup>31</sup> research broadly considers innovation and its relationship with creativity/creative output, and the incentives and opportunities for creators (particularly small or independent creators) to participate in the development and/or commercialisation of products. In the regulatory sphere, the DRCF may be the ideal forum to take forward these discussions.

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<sup>&</sup>lt;sup>27</sup> Launch Doc p.7.

<sup>&</sup>lt;sup>28</sup> Available at <a href="https://www.copyrightevidence.org/">https://www.copyrightevidence.org/</a>.

<sup>&</sup>lt;sup>29</sup> Eben, M. (2022). 21 for 21: Copyright and Competition Law, CREATe blog, available at <a href="https://www.create.ac.uk/blog/2022/10/07/21-for-21-copyright-and-competition-law/">https://www.create.ac.uk/blog/2022/10/07/21-for-21-copyright-and-competition-law/</a>.

<sup>&</sup>lt;sup>30</sup> Erickson, K. (2018). Can creative firms thrive without copyright? Value generation and capture from private-collective innovation. *Business Horizons*, *61*(5), 699-709.

<sup>&</sup>lt;sup>31</sup> Thomas, A., Gizem Yasar, A., Barr, K. and Eben, M. (2023 forthcoming). Gaming Without Frontiers: Copyright and Competition in the Changing Video Game Sector. CREATe Working Paper.



In collaboration with:

