AI Litigation, Enforcement and Compliance Risk:
A Structured Response Framework

As companies integrate artificial intelligence (AI) more deeply into their operations, communications and product delivery, regulators and plaintiffs are paying closer attention to how companies describe, govern and deploy AI systems. From investor disclosures and marketing claims to backend model behavior, the gap between how companies describe AI tools and what those tools actually do has become a growing source of legal and regulatory scrutiny.

At the same time, the broader policy landscape is rapidly evolving. Companies that overstate their AI capabilities or maintain weak internal controls could face increased exposure due to potential violations of overlapping U.S. and international requirements. The EU Artificial Intelligence Act (EU AI Act)[1], adopted in 2024, begins to take effect this year. The U.S. legal landscape is also in flux: In early 2025, President Trump issued an executive order (EO) withdrawing the prior administration's AI guidance, which primarily emphasized transparency, risk management and human oversight. The EO directs key U.S. federal advisors and agencies to develop a new national AI action plan, with formal guidance expected by mid-July. The new direction radically shifts the regulatory approach and introduces short-term uncertainty around compliance expectations for organizations marketing, using and selling AI.

Government-led and private litigation also reflects a shifting enforcement environment in which legal risks are materializing in real time. U.S. regulators such as the SEC and FTC have already asserted that inaccurate or misleading statements about AI may violate existing laws, including securities regulations, consumer protection statutes and unfair practices provisions. Meanwhile, consumer-filed class actions have begun targeting algorithmic bias, misuse of training data, lack of model transparency and unregulated outputs that could harm consumers or employees. In parallel, some state attorneys general have launched investigations and enforcement efforts aimed at deceptive AI practices and algorithmic harm.

In this evolving environment, organizations manufacturing, selling, using and marketing AI tools need more than good intentions. They need a clear, well-documented and defensible framework, to evaluate AI-related risk, respond to legal or regulatory inquiries and prepare for possible litigation.

---

1 "Up-to-date developments and analyses of the EU AI Act," The EU Artificial Intelligence Act, Accessed May 22, 2025, https://artificialintelligenceact.eu/

ALVAREZ & MARSAL

LEADERSHIP. ACTION. RESULTS.℠

Alvarez & Marsal's AI Litigation, Enforcement and Compliance Services

Alvarez & Marsal (A&M) provides end-to-end support for organizations navigating legal, regulatory and reputational risks tied to artificial intelligence. Our team brings together deep technical and investigative capabilities, combining the expertise of AI developers, forensic technologists, data scientists, former regulators and prosecutors and compliance professionals. We support clients in both proactive risk assessments and reactive responses — often operating under privilege in coordination with counsel.

Our services are structured around four core areas:

1. AI Claims and Disclosures Risk Review (Proactive)

We assess public-facing statements about AI — whether in investor disclosures, marketing campaigns, websites or earnings calls — for alignment with the underlying technology and internal documentation. Our reviews focus on identifying overstatements, mischaracterizations or gaps in disclosure, particularly related to autonomy, intelligence and functionality.

2. Governance and Control Evaluation (Proactive)

We review internal AI governance structures, documentation protocols and oversight mechanisms to identify regulatory, operational and reputational risks. Our assessments include mapping training-data sources; reviewing use-case inventories (e.g., listing of AI applications, purpose, status); reviewing potential AI bias; assessing AI "hallucinations;" evaluating policies, controls and risk classification tools; and benchmarking against evolving expectations. Where appropriate, we provide strategic recommendations to strengthen governance maturity and prepare for anticipated regulatory scrutiny.

3. Investigation and Regulatory Response (Reactive)

We assist clients in responding to subpoenas, Civil Investigative Demands (CIDs) and informal regulatory inquiries involving AI-related conduct. Often working under privilege, we help define scope, identify and analyze relevant data sources, validate system behavior and develop regulator-facing findings grounded in technical and documentary evidence.

4. Litigation and Class Action Support (Reactive)

We support legal teams in evaluating and defending against AI-related claims, including those involving misrepresentation, consumer harm or automated decision-making. Our services include validating technical functionality, analyzing model behavior and documentation, developing a damages strategy and calculating damages and preparing structured work product to support litigation strategy. When our clients require fact and expert testimony, we offer a deep bench of professionals experienced in testifying on complex technical, financial and data-driven issues across litigation, arbitration and regulatory proceedings.

A Coordinated and Defensible Approach

U.S. regulators are actively applying existing laws to AI-related conduct, while international frameworks (most notably the EU AI Act) introduce new obligations for providers, deployers, importers, distributors and AI technology product manufacturers. With new risks bringing potentially material impacts, companies must ensure that internal governance, public claims and technical documentation are consistent, accurate and able to withstand legal or regulatory scrutiny.

A&M helps clients manage these risks with discretion, speed and credibility. Whether assessing disclosure accuracy, supporting litigation strategy, or preparing a privilege-protected response to government inquiries, we provide a coordinated approach tailored to the demands of AI-related scrutiny.

FEATURED EXPERTS

Brooke Hopkins
Managing Director

brooke.hopkins@alvarezandmarsal.com

Jonathan Marshall
Managing Director

jmarshall@alvarezandmarsal.com

Joe Shepley
Managing Director

jshepley@alvarezandmarsal.com

Dan Simion
Managing Director

dsimion@alvarezandmarsal.com

Laura Gibbs
Senior Director

lgibbs@alvarezandmarsal.com

Cameron Radis
Senior Director

cradis@alvarezandmarsal.com

Follow A&M on:

ABOUT ALVAREZ & MARSAL

Founded in 1983, Alvarez & Marsal is a leading global professional services firm. Renowned for its leadership, action and results, Alvarez & Marsal provides advisory, business performance improvement and turnaround management services, delivering practical solutions to address clients' unique challenges. With a world-wide network of experienced operators, world-class consultants, former regulators and industry authorities, Alvarez & Marsal helps corporates, boards, private equity firms, law firms and government agencies drive transformation, mitigate risk and unlock value at every stage of growth.

To learn more, visit **AlvarezandMarsal.com**.

ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.℠