

California's AI Transparency Act

Publications

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California recently enacted a law that sets disclosure requirements for generative AI (GenAI) companies. The California AI Transparency Act, SB 942, (the Act) applies to persons that create, code, or otherwise produce a GenAI system that has over one million monthly visitors or users and is publicly accessible within California (Covered Providers). The Act defines AI as a system that “varies in its level of autonomy” and that can infer from the input it receives how to generate outputs. GenAI is AI that generates “derived synthetic content” that emulates the structure and characteristics of the AI system’s training data.

The Act imposes several disclosure requirements on Covered Providers. First, they must offer users the option to include a “manifest” disclosure in content created or altered by GenAI. The disclosure must clearly and conspicuously identify the content as AI-generated and must be permanent or extraordinarily difficult to remove. Second, Covered Providers must include a “latent” disclosure in AI-generated content that, among other requirements, identifies which parts of the content were created or altered by the GenAI system and includes a “unique identifier.”

The Act also requires that Covered Providers make available to users a free AI detection tool. The tool must allow users to assess whether and to what extent digital content was created or altered by the Covered Provider’s GenAI system. The Covered Provider must not share or retain provenance data that includes personal information or device, system, or service data that can be associated with a particular user.

Failure to comply with the Act’s requirements can expose Covered Providers to steep penalties. The Act imposes civil penalties of \$5,000 for each day that the Covered Provider is noncompliant, as well as attorney’s fees and costs. The law goes into effect on January 1, 2026.

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