THE BKCG BULLETIN

SUMMER 2026 EDITION

BKCG
BURKHALTER KESSLER CLEMENT & GEORGE LLP

AI And The Law: Innovation Meets Exposure

Artificial intelligence is reshaping how legal work gets done and how legal disputes arise. Courts are sanctioning attorneys who use it carelessly, employers are facing class action exposure from AI-driven hiring tools, and regulators have moved to hold businesses accountable for algorithmic decisions they thought were objective. At the same time, AI used responsibly is a genuine advance. Here is what your business needs to understand.

I. Fake Citations, Real Consequences

AI "hallucinations" – fabricated case citations, invented quotations, fictional legal holdings – have resulted in sanctions against attorneys in dozens of reported cases over the past two years. In June 2026, the Ninth Circuit sanctioned two California attorneys $2,500 each, suspended them from practice before the court for six months, and required them to notify clients and judges in every other pending matter. The briefs had been drafted by an unlicensed law school graduate using unauthorized AI, and contained citations to cases that simply did not exist.

A California appellate court followed shortly after–in what it described as the first California decision to directly address AI hallucinations in filings–imposing a $10,000 sanction where 21 of 23 cited case quotations were fabricated. The court also raised, without yet resolving, whether opposing counsel may have an affirmative duty to detect and report an adversary's fake citations. That question is now live in California practice.

The lesson for clients: AI-assisted legal work is only as reliable as the attorney reviewing it. Unverified AI output is professional misconduct – and courts are treating it that way.

II. Algorithmic Employment Decisions and Discrimination Liability

Employers using AI tools for hiring, performance management, or terminations face a rapidly shifting liability landscape. The May 2025 collective action certification in *Mobley v. Workday, Inc.* established that an AI hiring vendor can be treated as an "agent" of the employers who use its platform – meaning vendor liability and employer liability may both be in play when an algorithm produces discriminatory outcomes. This means employers are responsible for discriminatory outputs of automated tools even when those tools are provided by a third party. Outsourcing the decision to an algorithm does not outsource the discrimination claim.

Businesses relying on AI to screen applicants, evaluate performance, or select employees for layoff should audit those tools for disparate impact and ensure meaningful human review at key decision points. (continued on page 6)

Your Conversations With AI About Your Litigation May Not Be Privileged

It seems that everywhere you turn today, the mantra is the same: AI, AI, AI. People turn to AI for assistance to verify information, create daily exercise regimens or double-check a doctor's diagnosis. Therefore, it is of little surprise that an increasing number of people are also using AI to assist with their legal issues. Without a doubt, AI, when used properly, is an incredibly powerful tool. It should be understood, however, that the technology is still in its infancy. AI is not yet infallible and the risks of using AI are still shaking out – especially in the area of litigation. A recent opinion out of the Southern District of New York highlights a potential risk of using AI in your own defense.

In *United States v. Heppner (2026 WL 436479)*, the District Court was faced with the issue of whether the Defendant's AI searches of various legal issues and theories was privileged or whether the prosecutors were entitled to a copy. In the case, the government executed a search warrant at the Defendant's house. Federal agents seized electronic devices containing Defendant's AI research that he saved on his computer. Defendant used "Claude," Anthropic's AI research tool, to assist in understanding issues pertaining to the government's on-going investigation into his activities. Defendant had asked Claude a number of questions concerning the government's anticipated case and saved Claude's responses. Defendant shared the AI documents with his attorney. (continued on page 2)

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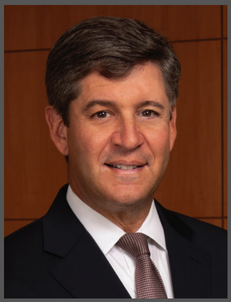
Further, some of the information Defendant used in his searches was information that Defendant's attorney had provided. The documents Defendant created had an outline of a defense strategy and arguments that could be made with respect to facts and law. In other words, Defendant was doing his own research using Claude and helping his attorney with his defense. Defendant was eventually indicted on criminal charges that included securities fraud, wire fraud, and making false statements to auditors.

The Government sought production of the AI generated documents ("AI Documents"). Defendant's counsel opposed the Government's position arguing that the AI Documents fell within the attorney-client and work product privileges and were confidential. The Court found in favor of the Government and ordered disclosure of the AI Documents.

The Court held that the AI Documents were not attorney-client communications. To summarize, the attorney-client privilege protects from disclosure confidential communications between a client and his/her attorney regarding legal advice. While the Defendant's AI searches did use information taken from his communications with his attorney, Claude (i.e., the AI tool) is not an attorney. Further, the information inputted into Claude was not confidential. The privacy policy for Claude contains a disclosure that Anthropic (the owner of Claude) collects data on a user's inputs and Claude's outputs. Consequently, the Defendant put the information into the public domain which can then be shared with third parties so there is no privacy expectation. In addition, the Defendant did not communicate with Claude for the purpose of talking with an attorney. In fact, the AI search was not run at the direction of the attorney but, rather, Defendant used Claude as a search engine for himself and to then share with his attorney. It is simply not an attorney-client communication. According to the Court, it would have been a closer call had counsel directed Defendant to conduct the search.

The Court also held that the AI Documents did not constitute "work product." The work product privilege shelters the mental processes of the attorney, providing a privileged area within which the attorney can analyze and prepare the client's case. According to the Court, even assuming the AI Documents were prepared in anticipation of litigation, they were not prepared at the direction of counsel; that is, the Defendant prepared the documents on his own volition. Again, the Court sided with the Government and ordered production of the AI documents.



While the principles of law are fairly well settled, the Court acknowledged generative AI presents a "new frontier in the ongoing dialogue between technology and the law." AI's novelty does not change the settled legal principles.

What does this mean for litigants? It means that care should be taken before conducting AI legal research about issues embroiled in litigation. Taking information discussed with your attorney and then conducting research through AI tools which generate a report might lead to the inadvertent waiver of a privilege that requires the production of the AI generated document. Until the law becomes more settled in its application to AI generated materials, it is best to proceed with caution.

Please contact Keith Butler at kbutler@bkcglaw.com or (949) 975-7500 if you have any questions about this article, or any other related matter.

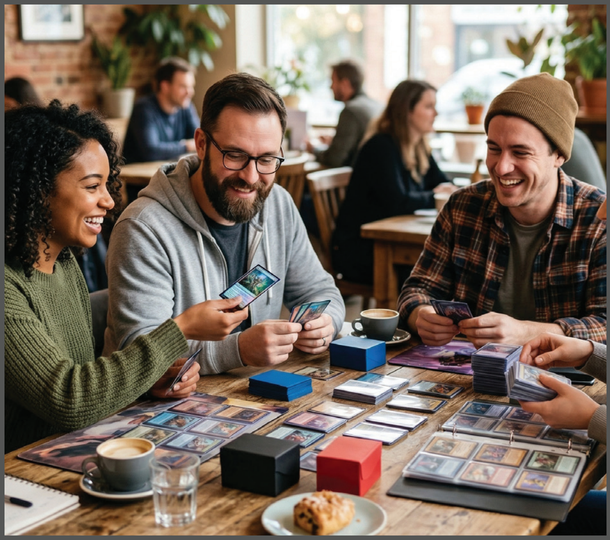
California Heats Up On Cooling-Off Periods

The newly enacted CARS Act represents the largest change in California's automotive dealer landscape in fifty years. The Act, which goes into effect on October 1, 2026, introduces a suite of consumer protection and transparency requirements that affect dealership sales, F&I practices, advertising, and compliance programs. At its core, the Act targets add-on products and fees, price disclosures, and contracting processes, with the stated aim of curbing deceptive practices, improving clarity for buyers, and encouraging a more competitive marketplace. Dealers should expect heightened documentation burdens, revised sales processes, and expanded training needs.

For instance, the Act introduces a consumer's right to cancel a used car contract. Under the CARS Act, consumers purchasing used vehicles under $50,000 are afforded a right to cancel within three days, provided that the vehicle is driven less than 400 miles and only has "reasonable wear and tear." Dealers may charge a restocking fee but may not condition the exercise of the right on the purchase of additional products or services.

Further changes focus on add-on limitations and contracting and disclosure requirements. First, the Act mandates clear, standardized disclosures of the full, out-the-door price, inclusive of mandatory fees and dealer-imposed charges, presented prior to negotiation and again at contracting. This includes a requirement to itemize optional add-ons and to obtain separate, affirmative consent for each nonessential product or service. Second, the Act restricts the sale of add-on products that confer no real benefit to the consumer or duplicate existing coverage, and it requires dealers to disclose the availability of financing or insurance alternatives when applicable. Third, the Act tightens truth-in-advertising rules by prohibiting advertisements that omit material fees or condition advertised prices on the purchase of optional add-ons, and it requires advertised pricing parity across online listings and in-store offers. Fourth, the Act enhances contract clarity and cooling-off protections by requiring plain-language summaries of key terms, delivery timing, and any conditional features of the transaction, with prescribed formatting and font-size standards. Fifth, the Act expands recordkeeping obligations, including retention of pricing quotes, add-on consent forms and disclosure acknowledgments. It also authorizes enhanced administrative penalties for noncompliance. (continued on page 6)

A High-Stakes Lawsuit Shakes Up The Billion-Dollar Card Grading Empire



The trading card world—spanning everything from Pokémon and Magic: The Gathering to classic baseball and basketball cards—is experiencing an explosive renaissance. In 2025 alone, over 28 million collectors and investors poured more than $52 billion into cards, a remarkable jump from $46 billion in 2024. Ultra-rare "1 of 1" cards, autographed by superstars like Shohei Ohtani, Aaron Judge, and Michael Jordan, are fetching millions at auction and making headlines with each record-breaking sale.

Last year, 26.8 million cards were professionally "graded"—a process where expert third-party companies authenticate and assess a card's condition, assigning it a score from 1 to 10 based on centering, corners, edges, and surface. Once graded, the card is sealed in a protective "slab" with its grade displayed. A coveted Gem Mint 10 grade can send a card's value skyrocketing, often making it worth several times more than a Mint 9. For collectors, that single point can mean the difference between a prized keepsake and a life-changing windfall.

At the heart of this booming industry sits Collectors Holdings, Inc. (Collectors), based in Orange County, and its flagship brand, Professional Sports Authenticator (PSA). PSA graded a staggering 72% of all cards last year and commands the highest grading fees—over $35 per card. In a bold move, Collectors recently acquired two major rivals: Sports Card Guaranty Corporation (SGC) and Beckett Grading Services (BGS), which previously held 5% and 3% of the market, respectively. Now, Collectors controls more than 80% of the market, with CGC as its primary remaining competitor at 18%.

Collectors' aggressive expansion hasn't escaped the attention of lawmakers and legal experts. In December 2025, U.S. Congressman Pat Ryan (D-NY) called for a Federal Trade Commission (FTC) investigation into Collectors, citing concerns over potential monopoly practices in the card grading industry. Ryan argues that Collectors' takeover of SGC and BGS—giving it control over 80% of the market—has led to higher prices, less competition, and vertical integration that ultimately hurts collectors.

What's at Stake: The Claims

In April 2026, the first major legal challenge to Collectors' dominance landed in the U.S. District Court for the Central District of California, Southern Division. The case, *Rasmussen v. Collectors*, is a proposed class action in which plaintiff Michael Rasmussen alleges that Collectors, SGC, and BGS violated the Sherman and Clayton Acts through their acquisitions and subsequent conduct in the grading services market.

According to the complaint, Collectors acquired SGC in February 2024 and BGS in December 2025, having already owned PSA since 2021. These moves boosted Collectors' market share from 72% before the acquisitions to 77% after SGC and 80% after BGS. The plaintiff claims SGC had been gaining ground by offering lower prices and faster service compared to PSA's higher fees and longer waits. After the SGC acquisition, the complaint alleges, SGC raised prices, slowed turnaround times, and shifted staff and resources to PSA, with plans to turn SGC into a boutique, vintage-focused brand. The complaint also points to PSA's price hikes and service changes in late 2025 and early 2026—including increased rates and the elimination of bulk deals for certain submissions—as further evidence of harm to consumers.

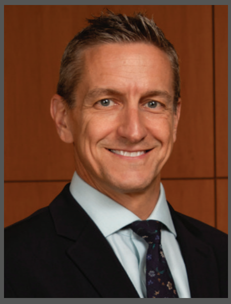
In antitrust cases, the plaintiff must define the "Relevant Market" the defendant is accused of dominating. Here, Rasmussen claims the Relevant Market is grading services for individual trading cards—both sports and character—in the United States, arguing that only recognized third-party grading with market acceptance counts. The complaint highlights high barriers to entry, such as brand trust and the need for expert graders. In practice, a PSA-graded card almost always commands a higher price and greater demand than the same card graded elsewhere. Rasmussen seeks classwide damages and court-ordered remedies, including breaking up Collectors' acquisitions, alleging that consumers have paid more and received lower-quality service due to reduced competition.

The lawsuit invokes Section 7 of the Clayton Act, arguing that both acquisitions substantially lessened competition by removing key rivals that kept PSA's prices and services in check, shrinking the field from four major competitors to just two. Under Section 2 of the Sherman Act, Rasmussen claims Collectors unlawfully maintained monopoly power by absorbing up-and-coming competitors and weakening their ability to compete, while simultaneously raising prices and extending turnaround times across its brands.

The Defense Responds

The case is just getting started, and the Defendants haven't yet revealed their official defense. However, they're likely to argue several key points. First, they may challenge the plaintiff's narrow definition of the Relevant Market, suggesting that alternatives like raw card trading, other authentication services, or acceptance of non-major graders dilute Collectors' market power . They might also argue that consumer preferences vary widely and that competitors like CGC and smaller niche graders keep prices in check.

Defendants are also expected to argue that the acquisitions brought real benefits. Collectors' public statements emphasize efficiencies—such as better integration, economies of scale, improved fraud detection, and more consistent grading. They may claim that price changes reflect higher quality or necessary costs, ultimately benefiting consumers. Additionally, they'll likely point to independent business factors—like labor costs, security, insurance, supply chain issues, or demand spikes—to justify any repricing or service adjustments.



While the plaintiff points to Collectors' statements about "scaling down" SGC and shifting its focus to vintage cards, along with staff transfers, the defense may frame these moves as legitimate business strategies to serve different collector segments more effectively—not as attempts to stifle competition. If SGC's boutique approach improves quality for vintage collectors, the defense can argue that these changes actually benefit consumers in those niches, offsetting broader claims of harm.

Ultimately, the outcome of this case may hinge on how the court defines the market, whether the plaintiff can prove that price and service changes were caused by reduced competition rather than business realities, and if the defense can show that their actions benefit consumers. For investors and hobbyists, the stakes are high—the verdict could reshape the landscape of card collecting and impact the value of prized collections across the country.

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5 Things To Look For In The Business Contracts You Receive

Obviously, as a business lawyer, I strongly prefer it when my clients send me business contracts they have received from their vendors, suppliers, landlords, service providers and other third parties to review, rather than trying to handle the matter themselves. As I often tell people, given the subtleties of legal language, and the fact that seemingly benign clauses can potentially have very dire legal consequences, the ability to speak, read and write in English definitely *does not* automatically qualify someone to be their own contract lawyer!

Having said that, I appreciate that most business owners want to at least look through the agreements they receive before sending them off to a lawyer, or deciding whether to do so. Accordingly, what follows is, in no particular order, a list of 5 things to focus on when reviewing that contract.

1. Do the Business Terms Match What You Expected Or Have They Been Craftily Altered?

While this might seem like a very obvious point, the fact remains that many business owners just assume that the contract they receive will match their expectations, but never bother to confirm it. Even if the "numbers" match, the other party (or their lawyers) may well have added terms that differ from (or significantly alter) what was previously discussed, or inserted new qualifiers or caveats that may significantly change the economics of the transaction. Examples include such things as pricing that is contingent upon minimum purchase quantities; the other party's sneaky ability to increase prices upon a specified amount of notice or upon the occurrence of a certain event; automatic renewal clauses; the right to subcontract the work to an unknown third party; or the right to receive "most favored nation" pricing, i.e., the lowest pricing you offer to *any* other customer. Accordingly, it is very important that you carefully read the contract and not get caught unawares.

2. Do the Term and Termination Clauses Align With Your Business Goals?

In short, the issues here are the following: (1) what is the duration (typically referred to as the "Term") of the agreement?; (2) can you or the other party terminate the agreement for any reason at all before the end of the Term?; (3) if "no", on what grounds *can* either side terminate the agreement early?; and (4) what are the consequences of terminating the agreement early if the agreement does not expressly permit it but you need to do so? A few general principles apply here. If you want the certainty of a stable, long-term contract, ensure that the other party does **not** have an early termination right, or the ability to increase pricing in an unforeseeable or unacceptable way. Conversely, if you are unsure about the long-term viability, pricing or desirability of the contract, make sure you *do* have a concrete right to terminate the agreement early, before it expires, either without a penalty or, if that is not feasible, on terms that you can live with, such as a reasonable, clearly stated early "buyout" payment. The unpleasant result of failing to do this can be having to pay an excessive amount, for possibly several years, for a good or service you no longer need or want, or a significantly above market price for a suboptimal product.

3. Dispute Resolution, Governing Law and Litigation Venue Provisions.

Contractual provisions with these types of headings are generally found in the final third of a contract and are often completely overlooked by business owners, even though they are critical in the event that a dispute arises between the parties. In a nutshell, these provisions specify how a dispute will be resolved, which state's law will apply in determining the parties' respective rights under the contract, and where, geographically, the dispute resolution takes place. Your ability to potentially negotiate these terms will ultimately depend on such factors as the amount of leverage you have and the size and clout of the other contracting party. Generally speaking, the larger and more powerful the other contracting party, the less likely it is that you will be successful in negotiating changes to these provisions - but that still does not mean you should ignore them altogether. Will California law or the law of another state apply? Does the contract provide for litigation in Orange County or in another county (or state)? Does the agreement require all disputes to be mediated before a lawsuit can be filed, or arbitrated by a private dispute resolution service? If arbitration is required, will it be conducted by a single arbitrator or a panel of three arbitrators (50% of the cost of which could easily top $1,000 per hour)? Who is the proposed dispute arbitration service and is that company reputable, affordable, and even qualified to adjudicate a dispute regarding the subject matter in question? A related issue is whether the contract contains a prevailing party's attorneys' fees provision. Our view is that the inclusion of an attorneys' fees provision in a business contract is almost always appropriate, since its absence can drastically affect the economics and financial viability of pursuing a legal claim against the other party, if litigation is needed to resolve a dispute.

4. Indemnification Provisions.

Indemnification is defined as a contractual agreement where one party (the "indemnitor") agrees to compensate or defend another party (the "indemnitee") for (or against) specific losses, damages, or legal liabilities incurred, often acting as a risk-shifting tool. It ensures that if one party suffers a loss due to the other's actions, breach of contract, or negligence, the party not at fault is made whole. This generally entails providing a legal defense to any lawsuit or other legal action brought against the party not at fault by the other party whose actions caused the innocent party to be sued. Many non-lawyers do not understand the meaning or significance of an indemnification clause but, from the definition I have provided, the importance of these clauses is obvious, whether your company is the recipient or the provider of the goods or services in question. However, recipients of others' goods or services often either do not spot the complete absence, or inadequacy, of an indemnity clause in their favor, or unreasonable provisions that can be included in an indemnification clause. For example, as I have discussed in prior articles here, we increasingly see attempts to cause our clients to waive the legal protections afforded to them under California's workers' compensation statutes if an employee is injured on the job and brings a personal injury claim against the other contracting party. The corresponding contractual waiver language often appears quite innocuous but its legal consequences can be disastrous. Conversely, indemnification clauses drafted for providers of goods or services by their recipients can often be unreasonably one-sided, for example, requiring the provider to wholly indemnify the recipient even if the recipient is also as much as 99% at fault. As should be apparent from the above, the issue of indemnification is complicated and important and there are many potential pitfalls for a non-lawyer who tries to ensure that the indemnification clause in a contract is fair and even-handed without the assistance of legal counsel.

5. Ambiguity and Legal Jargon.

If you read something in your agreement that you don't fully understand, or which appears to be unclear, that issue needs to be addressed, either to make sure that you *do* understand it, or to convey the meaning of the language in question in a way that is straightforward and unambiguous. For example, textual descriptions of how a figure, such as a price, a payment amount or a profit calculation is to be arrived at can often be confusing, or even susceptible to more than one, quite objectively reasonable interpretation. In such a case, the addition of an illustrative numerical example of how the figure in question should be calculated can make the difference between a harmonious business relationship and ugly lawsuit. Furthermore, many non-lawyer business owners often assume that, even if they do not comprehend something in an agreement, it's not a concern because the lawyer who drafted the agreement must have known what he or she was doing, and has accurately conveyed the parties' intent, just in legal jargon. Not surprisingly, such an assumption is often very misguided, since lawyers *do* tend to slant things in their clients' favor, and can – perish the thought – be sneaky or disingenuous – or may simply misunderstand their client's business terms and therefore express it incorrectly or inaccurately in the corresponding agreement that they draft. So, if in doubt, or if something in your agreement seems confusing, unclear, or is conveyed in terms you do not understand, you should seek guidance from your lawyer on those issues.

In conclusion, this article is definitely **not** intended to be a guide as to how to be your own business lawyer! Rather, my goal is really to point out that even a highly intelligent business person who is not a lawyer can be lulled into thinking that a business contract they receive is straightforward, fair and properly drafted when, in fact, it is not. I have lost count of the number of times, over the years, that clients have told me they wish they could go back in time to have me review and revise the contract that is now causing them serious and expensive legal problems. Please do not become one of those clients!

Please contact Greg Clement at gclement@bkcglaw.com or (949) 975-7500 if you have any questions about this article, or any other related matter.

Clicks, Carts, And The Courts: Keeping Your E-Commerce Site California-Clean

If your website reaches California, be mindful that California's laws reach back.

California has more consumer protection laws than most countries, and e-commerce businesses are squarely in the crosshairs. Here's a plain-English tour of what you need to consider before a demand letter arrives threatening legal action.

Post a Privacy Policy That Actually Says Something

California's Online Privacy Protection Act (CalOPPA) applies to every commercial website operator that collects personally identifiable information (PII) from California residents, regardless of company size or revenue. Any commercial website collecting PII from California residents must prominently post a privacy policy containing six specific disclosures. And "prominently" means a clearly labeled link on every page, not a footnote nobody clicks. The policy needs to: (1) identify the categories of PII collected and the categories of third parties with whom it may be shared; (2) describe any process by which consumers may review or request changes to their PII; (3) describe how the operator notifies consumers of material changes to the policy; (4) identify the policy's effective date; (5) disclose how the website responds to browser "do not track" signals or other consumer choice mechanisms; and (6) disclose whether third parties may collect PII about consumers' online activities across different websites when using the operator's site. Fortunately, a 30-day cure window exists after notice of noncompliance, but it's a safety net, not a strategy.

Does the CCPA Apply to You?

California's comprehensive privacy law kicks in if your business exceeds certain revenue thresholds, processes data on 100,000 or more consumers or households, or derives at least half its revenue from selling or sharing personal information. If that's you, the obligations go deeper: notice at the point of collection, annual privacy policy updates, working systems for access, correction, and deletion requests, and – if you sell or share data – a "Do Not Sell or Share My Personal Information" link on your homepage that actually works, including honoring browser opt-out signals automatically.

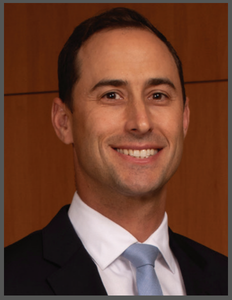
Sharing Customer Data for Marketing? Tell People.

California's Shine the Light law requires businesses that share customer information with third parties for direct marketing to disclose, upon request, exactly what was shared and with whom. Add a "Your Privacy Rights" link to your homepage and designate a contact for inquiries. Respond within 30 days. Businesses with fewer than 20 employees are exempt but, if you're not sure where you fall, check. The easier path for many businesses is simply adopting a policy of not sharing data for third-party marketing without explicit opt-in consent.

Subscriptions: No Fine Print, No Runaround

California's Automatic Renewal Law (ARL) requires that renewal terms be front and center before checkout and not buried behind a link. You need express affirmative consent before charging, a retainable confirmation with cancellation instructions, advance notice before annual renewals or long trials renew, and clear fee-change notice before it hits the card. Most importantly: cancellation must be simple, online, and one click. If a retention offer pops up, the cancel button must be right there alongside it. Keep records of consent for at least three years. Bonus points if you include a link to cancel any subscription within your emails to subscribing customers.

Because your business accepts online enrollment, it must also permit consumers to cancel exclusively online, at will, and without obstructive steps. This must be accomplished through either: (A) a prominently located direct link or button within the customer's account/profile or device/user settings; or (B) an immediately accessible termination email formatted by the business that the consumer can send without providing additional information. The ability to cancel must be available in the same medium the consumer used to enroll. The business must maintain verification of the consumer's affirmative consent for at least three years, or one year after the contract is terminated, whichever is longer.



Security and Breach Response: Have a Plan

California requires "reasonable" security practices scaled to the sensitivity of the data you hold and your vendors must meet the same standard by contract. If there's a breach of unencrypted personal data, the clock starts immediately: notify affected residents within 30 days, alert the Attorney General if 500 or more Californians are affected, and offer at least 12 months of free identity-theft protection if sensitive financial or ID data was exposed and your business was the source. Build the incident response plan now. You don't want to be drafting it at 2 a.m. after a breach.

The Bottom Line

California compliance isn't a one-time project; it's ongoing. Audit your privacy notices, test your cancellation flows, lock down your vendor contracts, and pressure-test your breach playbook before regulators or opportunistic plaintiffs do it for you.

Please contact Joshua Malter at jmalter@bkcglaw.com or (949) 975-7500 if you have any questions about this article, or any other related matter.

California Heats Up On Cooling-Off Periods (continued from page 2)

Operationally, dealers will need to update deal documents , menu presentations, and DMS/website integrations to ensure that the all-in price and optional product menus are consistently displayed online and in-store, and that separate opt-ins are captured and stored. Sales and F&I staff training should be revised to reflect prohibited statements, required scripts for disclosures, and the distinction between mandatory charges and elective products. Advertising processes should be reviewed to verify that any promoted price includes unavoidable dealer charges and full disclosure of required terms. Contracting procedures should incorporate the new plain-language summary and confirmation steps, including time-stamped customer acknowledgments for each add-on accepted or declined. Compliance teams should implement audit trails and exception reporting to confirm alignment between digital ads, price quotes, and final contracts.

Despite the substantial regulatory burden, there are also potential benefits to both dealers and customers under the Act. Clear, standardized disclosures can reduce customer confusion, rescission risks, and post-sale disputes, while curbing unfair competition from noncompliant operators advertising artificially low teaser prices. Uniform opt-in requirements for add-ons may improve product acceptance quality and chargeback performance, as customers have clearer expectations about coverage and cost. Over time, streamlined, compliant digital pricing may shorten negotiations and increase customer trust.

From a consumer-protection perspective, the Act aims to ensure that buyers understand the total cost, distinguish mandatory from optional charges, and only pay for add-ons that deliver value. By standardizing disclosures, restricting low-value products, and aligning advertised and transacted prices, the Act seeks to reduce deceptive practices, promote fair competition, and enhance overall market transparency. For the industry, the near-term challenge is implementation; the long-term opportunity is a more trusted retail environment that rewards dealers who deliver transparent pricing and compliant F&I practices.

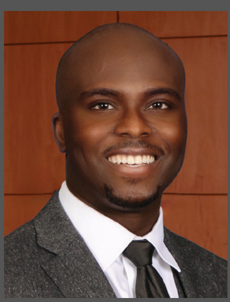
If you have any questions about this article or any other related matter, contact BKCG at (949) 975-7500.

AI And The Law: Innovation Meets Exposure (continued from page 1)

III. How BKCG Uses AI–and Why It Matters

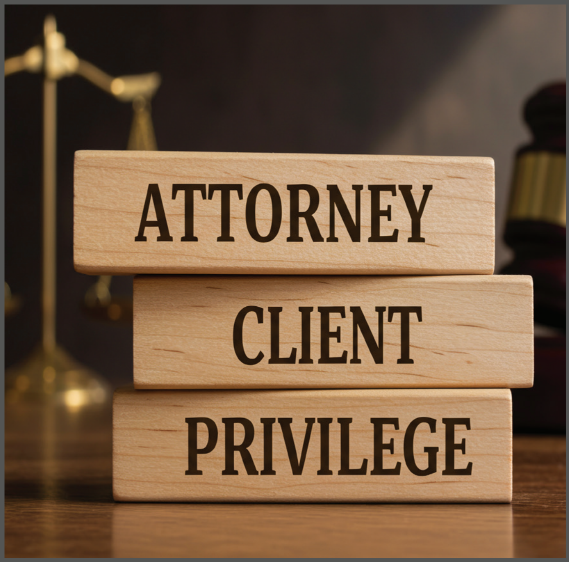
Our firm uses Westlaw CoCounsel as part of our research and case preparation workflow. We selected it for a specific reason: unlike general-purpose AI, CoCounsel draws exclusively from the Westlaw legal database and Practical Law's resources–maintained by over 1,200 full-time attorney-editors – rather than the open internet. Its outputs link directly to verifiable primary authority. Client data and queries are never used to train the underlying model and are not retained by third parties.

That said, we treat every AI output as a starting point. Every citation is verified. Every legal conclusion is checked against the primary source. AI makes our research faster and more thorough; the analysis and judgment remain ours.



AI is not going away – and businesses that learn to use it responsibly will have a meaningful advantage. Our role is to help you do that without creating the next set of problems. If you have questions about AI's impact on your litigation or employment practices, feel free to contact our civil litigation team.

Please contact Tesleem Azeez at tazeez@bkcglaw.com or (949) 975-7500 if you have any questions about this article, or any other related matter.



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