AI Landscape in the United States

- Global leader in AI

- 2024 survey shows more than 75% of companies surveyed use AI in at least one business function (McKinsey, The State of AI, March 12, 2025)

- Same survey shows while AI use is increasing, companies are more likely to actively manage risks associated with AI

AI Regulations in the United States

- No federal law, though many bills have been proposed

- Impact of Executive Orders

- At the state level, Colorado has enacted the most comprehensive AI regulations

- Other states have passed more limited AI laws (UT, CA) and many states have AI legislation pending

- Trend to focus on transparency and high-risk systems, such as employment, housing, education, credit, and health care

AI Case Trends in the United States

- FTC Enforcement Actions
  - Operation AI Comply

- Copyright Infringement Cases
  - Thomson Rueters v ROSS

Canada's AI Landscape

- Canada is a leader in AI with strong public and private investment

- $2.4B federal AI strategy to boost AI research, commercialization and adoption

- 850+ startups, major research labs, innovation hubs

- Early regulatory frameworks emerging to balance trust and growth

Emerging AI Regulation in Canada

- Bill C-27 and the *Artificial Intelligence Data Act* (AIDA) under review
  - Risk-based, principles-driven federal AI regulation
- Provincial AI laws emerging in Ontario, Quebec and Alberta
  - Focus on data privacy, cybersecurity and transparency
- Sector-specific guidance
  - Privacy Commissioner, Competition Bureau

Legal Risks and Compliance Strategies

- Duty of good faith and fair dealing = transparency in AI-driven decisions (Canada)

- Disclosure and accountability frameworks

- Strong data governance and vendor oversight

- IP risks by using proprietary and third-party data

- Mitigating algorithmic bias through audits and ensuring fairness and accountability

Preparing Franchise Systems for an AI-Driven Future

- Embed AI governance directly into operations

- Update franchise agreements and disclosure documents

- Train franchisees on AI, privacy and compliance

- Responsible AI = brand protection and strong franchisee relationships

- Be proactive to ensure compliance and success

AI Integration in Franchise Systems: Franchisor Use

- Compliance:
  - Review POS data and customer reviews to identify non-compliance

- Business intelligence:
  - Trend forecasting, resource optimization, territory planning

- Customer experience:
  - Personalized engagement to drive sales and boost customer loyalty

- Franchisee support:
  - Smarter recruitment, adaptive onboarding and training

AI Integration in Franchise Systems: Franchisee Use

- Operations:
  - Automating inventory, scheduling, reporting

- Customer engagement:
  - Systems to handle routine inquiries, greet customers and upsell

- Localized marketing:
  - Social media content, email campaigns and event promotions

- Smart hiring:
  - Screen applicants for schedule fit, job skills and predicted turnover

AI Integration in Franchise Systems: Supplier Use

- Franchise Brokers:
  - Evaluate prospect profiles; lead scoring tracking to predict lead conversion
- Accounting/Financial:
  - Financial forecasting and benchmarking; identify performance risks
- Legal:
  - Monitor use of trademarks, assist in due diligence, and flag issues in registration and negotiations
- Marketing
  - Optimize digital ad performance and test messaging