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WHEN THE MACHINE ACTS, WHO ANSWERS? REIMAGINING LIABILITY, ACCOUNTABILITY AND INTELLECTUAL PROPERTY IN THE AGE OF AUTONOMOUS AI

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ABSTRACT

Artificial Intelligence no longer serves only as a simple tool in humans' hands but has transformed into a technology that defines the future of communication and also performs functions like generating information, storing information, and creating something new. The issue that arises during this transformation and leaves open many concerns is who will pay for any wrongdoings of artificial intelligence in the case something goes wrong. For instance, in case of the generation of misleading information (which causes some financial loss or injury), it is still unclear who might be responsible in such situations- the user, developer, deployer, or even intelligence itself. Moreover, in the case when a self-driving vehicle causes an accident, it would also be hard to find out who should take responsibility for it.

What these dilemmas show to us is that there is a problem concerning the liability law. In spite of the fact that people and juridical entities are responsible for violations of the law, artificial intelligence cannot belong to either group in a legal sense. At the same time, the situation with intellectual property is quite the opposite, if AI creates something on its own, who will be able to own this result?

In this paper, the author argues that artificial intelligence should not currently be regarded as an independent legal entity. Rather, the author claims that responsibility should take the form of a risk control model where the liability is apportioned based on the level of control, predictable output, design responsibility, deployment responsibility, and the profits received from the AI system. The author further states that intellectual property matters should also be settled in accordance with this statement. For instance, if the AI is merely helping humans with their creativity or inventiveness, there is no need for any radical changes to the current law. However, if the AI system produces outputs autonomously, there is a gap in patent and copyright law since existing laws do not apply.

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I. INTRODUCTION

Since centuries, law has been based on a very basic premise: human beings do deeds, and it is law that establishes who is liable for such deeds. Corporations and regulatory authorities make this premise more complicated, but they are still judicially significant entities that can have property, enter into contracts, sue and be sued and be held under juridical sanctions. Artificial Intelligence disrupts this architecture. A user provides a mere prompt in a generative- AI system and receives legal advice, medical advice, financial report, defamatory statement, code, painting, song, or business plan. The complexity of the problem increases significantly when the consequences of the AI output go beyond the computer screen. Imagine a person requesting an AI system for an answer: "Can I legally do X?"

Then the AI system gives a wrong answer. The person relies on that answer and engages in the deed that constitutes a crime.

Who is accountable?

One cannot simply assert that, "It was the AI's fault." But it does not mean that the developer should be held liable for any fault in the system's operation.

Let's see different scenarios.

Imagine that a passenger boards an autonomous vehicle, chooses a destination, and does not perform any additional action. The vehicle's AI makes the decisions: it finds the way, speeds up, brakes, and swerves. The vehicle makes a mistake and kills a pedestrian.

Who is responsible then?

Is it the driver's fault?

There may be no driver at all.

Is it the manufacturer's fault?

What if the physical side of the vehicle was produced according to the required standards but the driving software failed?

Is it the software developer's fault?

But what if the software acted the way it was meant to, but couldn't cope with an unexpected obstacle?

Is it the owner's fault?

What if the owner was just a passenger?

Is it the insurance company's fault?

But what if the insurance policy excludes software failures?

The questions raised are no longer hypothetical legal curiosities. The courts are already dealing with cases involving disputes resulting from AI-generated fake news and self-driving

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technology. For example, in the case of *Moffatt v. Canada Air*,[1] Canadian authorities ruled that Canada Air was liable for providing erroneous information via its chatbot. In Mata v. Avianca, a federal court in the USA punished lawyers who relied on fictitious cases created by the ChatGPT source, establishing that the assistance provided by technology doesn't relieve a person of their responsibility to verify legal claims.

A similar intellectual property problem exists.

If AI creates a piece of art, who is the author of it?

If the AI discovers a new molecule on its own, who is to be considered the inventor of this molecule?

If the AI creates an apparatus independently, can it be called the inventor of it?

In fact, courts have usually answered the last question negatively. The US Federal Court determined in the *Thaler v. Vidal*[2] case that an inventor under the US Patent Act[3] is a naturally occurring individual. The UK Supreme Court has delivered a similar verdict in the case of *Thaler v. Comptroller-General of Patents, Designs and Trademarks*.[4]

At present, the law has a peculiar challenge to deal with. While AI is becoming more capable of overseeing responsibilities that would normally fall on human beings, it does not meet the classic definition of the same. The key question to focus on here is whether the AI's behavior should be blamed on it. Rather, it should be a question of who developed or applied the technology in a responsible manner.

II. THE FIRST PRINCIPLE: AI IS NOT PRESENTLY A LEGAL PERSON

The notion that "AI is accountable" must first overcome an important legal hurdle.

In most instances, an AI program is not recognized as a legal entity. It cannot go to prison. It cannot be penalized financially. It cannot sign a contract in its own name. Ownership of property cannot be transferred to the program. It cannot be tried in court as a defendant. For this reason, other parties must bear the responsibility according to the law. This aspect is especially important with regard to the criminal law.

Criminal liability usually requires proving all elements of the crime and the mental element, if required. An output produced with the help of machines does not lead to proving a person's

[1] *Moffatt v. Air Canada*, 2024 BCCRT 149.
[2] *Thaler v. Vidal*, 43 F.4th 1207 (Fed. Cir. 2022).
[3] United States Patent Act of 1952, 35 U.S.C. Sections 1- 390.
[4] *Thaler v. Comptroller-General of Patents, Designs & Trademarks*, [2023] UKSC 49.

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culpability.

For instance, if an AI system gives erroneous advice stating that an act is permitted by law, this alone does not relieve the person from responsibility. Depending on the type of crime, there may be statutory provisions concerning mistake of fact, good faith, intention, or due diligence, etc.

On the contrary, the developer should not be held liable just because the model has produced an erroneous response. In general, in order to bring a criminal charge there must be some additional element, such as knowledge, intention, involvement, or recklessness, ignorance of when such an offence is determined as such, or any specific breach of statutory duty. The differentiation between contribution to the offence and liability is very important. AI can cause an offence without legal committal of it.

III. WHEN GENERATIVE AI GIVES FALSE OR MISLEADING INFORMATION

Generative AI tools are particularly likely to so called "hallucinate" by creating information that may seem plausible but is actually incorrect. From the legal standpoint, this may have serious implications. Let us consider four scenarios:

A. When the individual asks for information and checks it semiautomatically

In this case, responsibility would normally lie with the entity that actually uses the information, if verification is required.

B. When the user intentionally requests the AI to generate falsehoods

In this scenario, the user can be held much more liable because the AI is clearly being used for the purposes of deception or fraud.

C. When a company uses an AI chatbot for customer communication

In this situation, the company may have far greater legal ramifications since the AI is utilized in its business sphere.

D. When the provider knows its AI is regularly creating dangerous misinformation and does not do anything about it

That presents a much more complicated issue regarding the liability of the developer.

The *Moffatt v. Air Canada*[5] case in Canada is a vital one. Here, a customer failed to get accurate information about bereavement fares from the Air Canada chatbot, and the airline tried to defend itself, saying that this source cannot be considered reliable. However, the British

[5] *Moffatt v. Air Canada*, 2024 BCCRT 149.

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Columbia Civil Resolution Tribunal did not accept this argument and found the airline liable for the misinformation published on its own website. The meaning of Moffatt goes well beyond receiving a refund from an airline. It suggests a powerful rule: "A company cannot escape liability simply because the message was produced automatically rather than by a human being." This rule has special significance for those Indian firms that use customer support chatbots.[6]

If a bank chatbot gives wrong information about an account, if an insurer gives inaccurate data about the insurance coverage, or if an online store gives false information about a product, it cannot simply say that "the algorithm was wrong." The algorithm operates within the company's business infrastructure.

IV. THE LAWYER WHO BLAMED CHATGPT: *MATA v. AVIANCA*

Mata v. Avianca Inc.[7] illustrates the other side of the equation.

One lawyer uses ChatGPT in their search for legal information and in the process generates false case law and citations, which were nevertheless presented in the court. Sanctions were imposed. What matters is not that ChatGPT was punished. Not at all. It was the lawyers who were punished. The court said that lawyers have the obligation to verify their submissions regardless of whether or not they were using some technology. That makes important distinction: "AI does not take responsibility away from professionals."

In other words, the question is not whether ChatGPT generated the false citation but whether a lawyer has checked it before submitting to the court. The same reasoning may apply to doctors, accountants, financial advisers, engineers, and other professionals.

AI can be viewed as a tool. However, it does not mean that the responsibility can be passed on to the tool.

V. WHEN AI OUTPUT BECOMES DEFAMATORY

This issue is exacerbated by the fact that, at times, AI creates inaccurate information regarding a person.

In *Walters v. OpenAI, L.L.C.*,[8] the plaintiff claimed that ChatGPT produced incorrect statements implying that he had committed a financial crime and/or that he had been convicted

[6] Lisa R. Lifshitz & Roland Hung, *BC Tribunal Confirms Companies Remain Liable for Information Provided by AI Chatbot*, American Bar Association (2024).
[7] *Mata v. Avianca, Inc.*, No. 22-CV-1461 (PKC), 2023 WL 4114965 (S.D.N.Y. June 22, 2023).
[8] *Walters v. OpenAI, L.L.C.*, No. 1:23-cv-03122 (N.D. Ga.).

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of a crime. The case sheds light on the potential application of conventional defamation laws in relation to AI-generated statements. Importantly, the main legal question of interest is not only whether AI can "hallucinate." In this regard, the key question is the follow-up:

Who published the defamatory statement, to whom, under what circumstances, and what level of fault was present?

As it has been noted above, conventional defamation laws do not consider probabilistic language models. However, there are chances to adapt core principles of defamation laws (publication, falsehood, identification, harm, and fault standard). This proves a wider point. AI does not require the development of a new set of laws. In a lot of situations, existing laws can be used in relation to AI, although new laws may be elaborated for some spheres where the adaptation of existing laws seems impossible.

VI. THE AUTONOMOUS CAR PROBLEM: WHEN THERE IS NO DRIVER

As an example of autonomous vehicle, the example of driverless car shows that in case of vehicle accident without human involved, it is difficult to determine who is accountable for damage caused.

Classic model of vehicle accident assumes that: Vehicle → Driver → Accident → Obligation

However, in case of autonomous car, it would look just as follows:

Vehicle → Programs → Sensors → Machine learning model → Decision → Accident

Now where is a person to be found?

This is particularly actual case with Tesla as it is mentioned above.

Nevertheless, it is necessary to differentiate Tesla's Autopilot and Full Self Driving systems from true driverless car. Historically, Tesla systems have been depending on human operator so any accident with Tesla cannot be considered accident with true driverless car. The recent information indicates that Tesla Full Self Driving does still need human operator while other autonomous systems are operating at higher automation level. Nevertheless, the disputes of Tesla show that it is not easy from the legal point of view.

A Florida jury rendered a decision in August 2025 in *Benavides v. Tesla, Inc.*,[9] determining the automotive manufacturer liable in a lawsuit regarding the 2019 Autopilot accident. The jury found that 67% of the blame falls on the driver and the remaining 33% on Tesla and decided on compensatory as well as punitive damages. Tesla contested the decision. This is of great

[9] *Benavides v. Tesla, Inc.* (S.D. Fla. 2025).

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importance. There was no need for the court to choose:

driver NOR manufacturer.

Instead, it could be shared.

That is the approach that should be used in future AI liability law.

VII. WHO SHOULD BE LIABLE FOR AN AUTONOMOUS-VEHICLE ACCIDENT?

The conclusion should not be fixed beforehand. Instead, liability should depend on the origin of the failure.

1. The Human Driver or Operator

In cases where the vehicle is supposed to be under human supervision to operate legally, the operator may get blamed for the following cases:

a) Ignoring warnings;
b) Disabling safety systems;
c) Failing to check the system;
d) Driving with the vehicle outside approved parameters; or
e) Using the autonomous system intentionally in the wrong way.

In these kinds of situations, the person still creates risks. But the law needs to change as we increase the level of autonomy. It is unfair to treat a human passenger in a real driverless Level 4 or 5 system in the same way as a human driver supervising Level 2 system.

2. The Manufacturer of the Vehicle

The manufacturer should still be blamed in cases where the accident is a result of:

a) Bad design of the vehicle.
b) Faulty sensors.
c) Malfunctioning brakes.
d) Unreliable safety systems.
e) Failure to inform the user.

Software and hardware incompatibility that is easy to predict or negligent implementation of autonomous technology in the vehicle. This is basically an application of product liability rules in the field of self-driving cars.

3. The AI/Software Developer

The software developer could be held accountable for the incident if it is caused by:

a) faulty coding ;

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b) improper testing;
c) obvious failure of the models;
d) overlooked appropriate training;
e) unacceptable safety mechanisms;
f) not recognizing existing weaknesses in the system; or
g) inaccurately explaining the abilities of the system.

This is particularly crucial after we realize that autonomous vehicles are more than just devices. These are cyber-physical devices. The safety thereof is determined simultaneously by hardware and software.

4. The Owner

Ownership does not automatically impose liability. A person in possession of an autonomous vehicle shall not be liable just for having owned the car. Liability may arise when the owner has:

a) failed to maintain the vehicle properly;
b) used software which was not authorized;
c) neglected necessary updates;
d) changed safety measures; or
e) allowed the vehicle to operate even though he/she knew that it was unsafe.

5. The Insurer

Insurance raises a separate concern. Insurance should generally be perceived as a risk-transfer mechanism, rather than a party at fault. Insurance may provide compensation to the injured party even in situations where it is unclear who is responsible for the accident under the law. However, with autonomous vehicles, it may be necessary to move from traditional driver insurance towards product-and-systems-based insurance. In future, the policy might specify the following components of premiums:

Driver's risk + Vehicle's risk + Software's risk + Manufacturer's risk + Operational risk.

The European Union has already taken some steps towards addressing the risks posed by software and artificial intelligence in its updated product-liability legislation.[10]

[10] European Commission, *EU Adapts Product Liability Rules to Digital Age and Circular Economy* (2024).

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VIII. THE SECOND GREAT QUESTION: IF AI INVENTS SOMETHING, WHO IS THE INVENTOR?

The issue of intellectual property creates confusion when it comes to liability standards. In the case of accidents, the core issue is that the AI may perform an action but is not liable for doing so. In terms of inventions, the opposing problem is that AI performs the act of creation but does not get the formal recognition of being an inventor. In global civil litigation, the most famous case is related to DABUS-: AI invented by Stephen Thaler.

Thaler's objective was to identify DABUS in his patent applications and claim the invention made by the AI as belonging to it. In the case of *Thaler vs. Vidal*, the court declared that it is stated in the law that inventor should be a human being. The UK Supreme Court made the same findings as the US Court stating that according to law the inventor must be a human being and thus DABUS cannot be recognized as an inventor. Particularly, the court rejected the claim that ownership of the AI gives the right to own the inventions made by it.[11]

This makes for an important distinction:

The ownership of an AI machine does not imply ownership of all automatic outputs created by that machine. This idea requires much more deliberation about future AI public policy.

IX. THE INDIAN POSITION ON AI-GENERATED INVENTIONS

Currently, India offers quite an intriguing setup.

Section 6 of the Patents Act, 1970 allows the "true and first inventor" to file a patent application for an invention, or the application can be made by an assignee or a legal heir of a person who has passed away. In *Section 2(1)(y)*, the expression "true and first inventor" is defined.[12]

The 2025 Guidelines for copyright office Examination of Computer Related Inventions issued by the Indian Patent Office are specifically meant for patenting of AI inventions. According to the Guidelines, AI inventions can be classified into the following two categories:

a) AI inventions made independently or with very little human help; and
b) AI-facilitated inventions in which AI is just a tool used in the human creative process.[13]

As per Guidelines, if AI is the inventor of the invention, it cannot be patented now since AI cannot be termed as a "person" under Section 6 of the Act as it cannot be considered as a "true and first inventor". However, AI facilitated inventions are not completely excluded as they are capable of being patentable if they fulfill the conditions mentioned in the provisions of law.

[11] *Thaler v. Vidal*, 43 F.4th 1207 (Fed. Cir. 2022).
[12] The Patents Act, 1970 (India).
[13] Indian Patent Office, *Guidelines for Examination of Computer Related Inventions (CRIs), 2025*.

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X. COPYRIGHT: WHO OWNS AN AI-GENERATED PAINTING, SONG OR ARTICLE?

In terms of Copyright issue, India has made a unique provision.

The Indian Copyright Act defines author in Section 2(d)(vi) as the person who causes a literary, musical or artistic work to be created. This provision does apply to AI art creations. One can argue that the person responsible for creating a work using AI might also fulfill the definition of author. However, it becomes difficult to define 'causing creation' when working with a fully functioning AI system.[14]

For example: Let's say A gives a very specific prompt to an AI and the AI creates an entire painting; B simply chooses one of the 100 created images.

Is A now called as the author?

Now consider a different example: Let's imagine that B simply types 'create something beautiful' as an instruction and the AI creates the work without any human intervention.

In this case, is B an author?

The distinction between being the cause of creation and simply requesting something is important.

XI. THE U.S. COPYRIGHT OFFICE AND THE HUMAN-AUTHORSHIP PRINCIPLE

According to The United States Copyright Office's report dated 2025, copyright protection is possible for outcomes of an AI if there is enough contribution of expressiveness by a human in the creation of the outcome. However, simply triggering an AI would not be sufficient for granting copyright in the work.[15]

This is a conceptually significant distinction.

The law is changing to make distinctions between both cases of:

Human creativity assisted by AI

Vs

Machine-generated creations that do not possess customers' creativity.

The former falls inside the scope of traditional copyright laws. The latter creates a gap in the law. The U.S. Copyright Office insists on the fact that the copyright is for the human creativity alone.

[14] The Copyright Act, 1957 (India).
[15] U.S. Copyright Office, *Copyright and Artificial Intelligence, Part 2: Copyrightability* (2025).

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XII. DOES THE PERSON WHO WRITES THE PROMPT OWN THE OUTPUT?

The response should not always be "yes."

An instruction can be as simple as one asking "to write a poem on rain" to one asking "to write a poem of 2000 words in this form; the poem should have these characters; these metaphors; these narrative transformations; these rhymes and patterns; and these stylistic rules." The second instruction uses a lot of human creativity. Nevertheless, even in this case, the AI would still make thousands of creative decisions. Hence, a more appropriate threshold would be the level of human creative involvement.

The four levels may include the following:

Level I: AI as a Tool

In this case, human creates the work with the help of AI.

Copyright: Strong claim from the human.

Level II: AI Assisted Creation

In this case, human decides the basic expressive components but AI implements it.

Copyright: Some human contribution that might be protectable.

Level III: Prompt Directed Generation

In this case, human gives instructions to the AI but AI generates other expressive components.

Copyright: Uncertain.

Level IV: Autonomous AI Creation

In this case, AI creates a work completely independently with negligible human creative contribution.

Copyright: Unprotected with current human authorship ideas.

This system could equally be adapted for the purposes of patent law. However, one would make a mistake to think that a solution to the AI copyright issue automatically resolves the issue of the AI patent law.

Note: Copyright protects expression. Whereas, Patent law deals with inventions.

XIII. THE DEEPER PROBLEM: OWNERSHIP WITHOUT INVENTORSHIP

The DABUS case reveals an extraordinary possibility in law. In theory, AI systems can create inventions completely on their own. In such a case, four people could claim inventorship:

a) the AI itself;

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b) the AI programmer;
c) the person who owns the AI;
d) the operator of the AI.

Current patent law systems do not recognize the first option. But the second, third, and fourth cannot be considered inventors merely because they own or use the AI. This leads to the question of policy.

Should patent law reward the creator, the owner, or the person who made it work?

One suggestion is to separate inventorship from ownership. It is possible to recognize AI as a source of invention and not grant it legal status. In this situation, the inventor could be a human being or corporation.

XIV. CAN AI ITSELF BE LIABLE?

Today, acknowledging AI as a legal entity may cause worse issues than any benefits. Let's say autonomous AI gets fined for ₹10 million. How would it pay the fine? Let's say it is sentenced to prison. What would that mean? If it is ordered to compensate the victim, does AI own any assets? All these issues state that we can't treat a device as a legal personality just because it makes decisions. Corporate personality exists because the law recognizes a certain machine as having rights, obligations, possessions and liabilities. If AI personhood is to be accepted, a lot of laws will have to be introduced. Otherwise, the responsibility should still be rightfully put on at least humans and companies, which contributed to the creation of this AI.

XV. A PROPOSED "AI ACCOUNTABILITY CHAIN"

The most viable approach is not the personhood of AI, but rather the idea of distributed accountability.

1. Developer's liability

The developer might be held responsible for:

a) negligent design;
b) inadequate testing;
c) existing dangerous defects;
d) not taking adequate steps for safety guarantee;
e) intentionally hiding existing risks; and
f) the potential harmful behavior of the system.

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2. Deployer's liability

The company using AI should take responsibility for:

a) selecting the right model;
b) monitoring its outputs;
c) ensuring safety guarantees are in place;
d) carrying out risk assessments;
e) educating its employees; and
f) preventing potential misuse.

3. User's liability

The user will be considered responsible in case the user:

a) intentionally misuses AI;
b) ignores warnings;
c) uses extremely wrong information;
d) commits a crime with the help of AI; or
e) breaks a certain duty of a professional.

4. Manufacturer's liability

Manufacturers of autonomous vehicles and other cyber-physical goods should be responsible for the malfunctioning of their devices in relation to:

a) hardware;
b) sensors;
c) integration;
d) safety measures; and
e) warnings.

5. Insurer's liability

Insurance serves as a perfect mechanism for liability compensation, but it does not need to change the insurer into the guilty party. It gets us to the idea of:
Liability based on control and contribution, instead of being close to artificial intelligence (AI).

XVI. A NEW LEGAL PRINCIPLE: THE HUMAN-IN-THE-LOOP PRINCIPLE

One possible regulatory measure is the classification of AI systems based on the amount of human intervention involved.

a) **Human-in-the-loop:** Here, a human makes or verifies the final decision. Responsibility

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usually stays with a human.

b) **Human-on-the-loop:** AI takes charge of the decision-making process while a human monitors the system functioning. Responsibility has to be shared based on the monitoring responsibility.

c) **Human-out-of-the-loop:** The system carries out its tasks without significant human involvement. More liability must be taken by designers, producers, and users for expected risks. This may be the most relevant case for autonomous vehicles.

The less human involvement the regulations demand, the less reasonable it is to hold any drivers liable according to the existing laws.

XVII. PROPOSED AI RESPONSIBILITY MATRIX

S.No.	EVENT	PRIMARY RESPONSIBILITY	SECONDARY RESPONSIBILITY
1.	User intentionally misuses AI	User	Developer, if negligent safeguards contributed
2.	AI provides ordinary misinformation	Deployer/user depending on context	Deployer/user depending on context
3.	Corporate chatbot misleads consumer	Deploying Company	Developer
4.	AI generates defamatory statement	Context dependent	AI provider/ Deployer
5.	Lawyer submits fabricated AI-generated case	Lawyer	None merely because AI generated it
6.	Autonomous vehicle software defect	Manufacturer	Owner/ Operator
7.	Autonomous vehicle software defect	User	Autonomous vehicle software defect
8.	Autonomous vehicle software defect	Human Inventor	Autonomous vehicle software defect
9.	Autonomous vehicle software defect	Current law uncertain / potentially unpatentable	Legislative solution required
10.	AI-generated artwork with substantial human	Human Creator	AI-generated artwork with substantial human

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	contribution		contribution
11.	Fully autonomous AI artwork	Current law uncertain	Fully autonomous AI artwork

XVII. CONCLUSION

A key legal question of the age of AI is whether the law can retain accountability when decision-making is divided between people and machines and not whether machines are becoming smart. When AI disseminates false information, it does not mean that the developer must bear responsibility. If a user deliberately uses AI to commit fraud, he or she may not be liable for this, and the developer should not bear the responsibility in such cases. Similar to this is the case of an autonomous car causing an accident. Here, the liability cannot be attributed to the person inside the car.

The law should instead ask the following questions: Who caused this risk? Who has control of this risk? Who was able to foresee this risk? Who derived benefits from it? Who could have prevented this harm?

This is how the AI accountability chain should be formed, wherein the accountability is tied to the control, foreseeability, cause of risk, and contribution to risk.

The same principle works with intellectual property. When AI helps people, then traditional principles of human authorship and inventorship can apply. Nevertheless, authentic innovations independently produced by AI reveal a flaw in current patent law. The DABUS case shows that, under the present laws, AI cannot be acknowledged as an inventor.

As things stand, the future may call for a novel system for dealing with AI-generated inventions, which would not grant AI legal personality but would introduce clear criteria for establishing ownership and compensation and ensuring disclosure, while still attributing the responsibility to people.