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Response to the Communication and Digital Committee's AI and Copyright Inquiry

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About the Creative Industries Policy and Evidence Centre

The Creative Industries Policy and Evidence Centre (Creative PEC) works to support the growth of the UK's creative industries through the production of independent and authoritative evidence and policy advice. Led by Newcastle University Business School with the Royal Society of Arts and funded by the UKRI's Arts and Humanities Research Council, Creative PEC comprises a core consortium of Newcastle University, Work Advance, the University of Sussex and the University of Sheffield.

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The creative industries - copyright and new technology:

The creative industries are an important part of the UK's economy, contributing 2.4million jobs and £124bn in GVA in 2024 (DCMS, 2025; DCMS, 2025). They are a major export success, with UK creative services having comparative advantage versus major competitors such as the USA, France and Germany (Fazio et al, 2024). The creative industries have been recognised by the UK Government as a priority growth sector in the industrial strategy (DBT, 2024), alongside a dedicated AI sector which has been found to contribute around £1.2bn to the economy (DSIT, 2024).

Evidence consistently shows that the creative industries benefit from their technological innovation and a robust copyright framework, which can encourage sector growth. The IT, Software and Computer Services continue to make up the largest subsector of the UK's creative industries, and digital and technological innovation are particularly central to the screen, advertising and music subsectors.

Furthermore, the rise of UK CreaTech firms - which integrate creative practice with advanced technologies - further illustrates this. These hybrid businesses represent a growing part of the creative industries and have been explicitly recognised as a priority for targeted support in the UK Government's Creative Industries Sector Plan (DCMS, 2025). UKRI's £75.6mn investment into the Convergent Screen Technologies and Performance in Realtime (CoSTAR) R&D Network has been a major recognition of the role that CreaTech has across screen, videogames and live performance.

AI and other cutting-edge technologies have become an integral part of the creative industries ecosystem. Creative PEC research demonstrates that CreaTech businesses are investing in artificial intelligence (Siepel et al, 2022) and makes the case for strengthening the synergies between AI and creative subsectors (Davies et al, 2020). Across the economy, recent research from Creative PEC has shown the complementarity of creative and AI skills - our latest findings reinforce this by demonstrating that, since the public release of generative AI tools, demand for AI-skills and creativity are increasingly mentioned together in UK job adverts (Baksy et al, 2025).

Where advanced technology is core to innovation in creative industries firms today, copyright is central to creative firm business models. Copyright is a legal right that grants the creator of an original work exclusive

rights to use and distribute it for a certain period, thereby incentivising creation and circulation (WIPO, 2024). The World Intellectual Property Organisation (WIPO) sometimes treats copyright-based industries and creative industries synonymously (WIPO, 2015), though copyright's importance extends to many other crucial parts of the economy (IPO, 2022; see also the discussion in Erickson, 2018).

Drawing on WIPO's classification framework and analytical approach, the IPO's assessment indicates that copyright-intensive firms within the non-financial business economy generate approximately £156.8 billion in GVA- reflecting the economic scale of businesses that make more than average use of copyright in their operations (IPO, 2022). There is also evidence that strong intellectual property (IP) rights (encompassing copyright and other types of IP) are associated with faster economic growth (Gould and Gruben, 1996) and, at least in higher income countries, a net stimulus for innovation (Falvey et al, 2006; Hudson and Minea, 2013).

This inquiry comes at a key moment for future policymaking, given the central role that an effective copyright system and a supportive environment for technological innovation play in sustaining the UK's creative industries. Safeguarding the sector long-term is integral to the Government's broader economic growth ambitions, and it is welcome to see the commitment to 'protecting and empowering creativity' through copyright in the Creative Industries Sector Plan (DCMS, 2025).

While AI offers significant benefits for creative businesses, the speed of its development is concerning. For example, OpenAI's GPT-2 was released in 2019 as the first generative large language model made publicly accessible, leading to the widespread adoption of leading systems following over the last few years. As highlighted in recent WIPO analysis, moving too quickly to reform policy in such a rapidly evolving landscape carries a real risk of generating unintended and potentially counterproductive outcomes. (WIPO, 2024). It is for this reason that Creative PEC's current position is to urge caution before any significant change is made to UK copyright law.

Responses to key questions:

1) Are there uncertainties, gaps or barriers in the UK's current copyright framework that restrict innovation or rightsholders' ability to enforce their rights in relation to generative AI?

a) If so, how could these be addressed?

The structure of the UK's creative sector is characterised by a predominance of microbusinesses, which make up 93% of creative industries firms/organisations -compared with 86% in advanced manufacturing and 74% in life sciences (Bakhshi et al, 2025). There are also a high proportion of self-employed workers, who make up around 31.5% of the creative workforce according to the 2021 Census (Wang and Hay, 2025).

This workforce structure presents challenges in the context of generative AI and copyright: smaller firms and freelancers often operate with limited financial and legal resources, which can make it difficult for them to monitor the misuse of their work or to individually contest cases of copyright infringement. Although the sector has licensing and collection agencies, and there are resources for support in the various creative trade bodies, the provision of sector-wide practical support will be difficult.

There is also a lack of evidence around the impact of copyright legislation on the UK's creative firms. For

example, it is unclear on if the use of text and data mining (TDM) is discouraging AI firms from setting up and training their models in the UK. There is also little evidence that copyright is the main reason why dedicated AI companies or start-ups are not basing their operations in the UK. There is evidence that software firms also see copyright as a useful instrument to protect their own coding where patents are not a viable option (Enterprise Research Centre, 2023).

There are other routes to incentivising the growth of the AI sector in the UK beyond changing copyright law, including improving access to finance (which is particularly needed for small firms (Bakhshi et al, 2025; Siepel, 2024)) and developing a skilled workforce (Silver, 2025). Copyright is also of more central relevance to LLMs and other generative AI models that rely on large amounts of data to produce new content, as opposed to other AI offers that focus more on analytics, forecasting or information processing. There is evidence that generative models may have reached the point of diminishing returns in terms of the difference that expanding data sets make to their performance (Wadhwa, 2024).

Creative PEC urges a cautious forward approach to copyright reform, advocating for evidence-based policymaking that protects the creative industries while fostering AI development. For example, we have previously argued that providing a text and data mining exception with an opt-out – one of the options the UK Government has previously considered - is not only currently not technically feasible, but risks undermining the ability of creators and rights holders to commercialise their IP, which is the bedrock of the creative industries value proposition (Creative PEC, 2025).

The UK's creative industries can best capitalise on the opportunities afforded by AI. While the EU is identified as an important competitor for the UK to keep in step with, the legislative situation in the EU relating to TDM remains complex and uncertain. Changing UK copyright comes with risks and it is important that we learn the lessons of other jurisdictions that are still grappling with the aftermath of drafting legislation alongside rapidly changing technology.

There are several evidence gaps that should first be addressed through further research. We welcome that the Data (Use and Access Act) 2025 commits to publishing an economic impact assessment of the options that were laid out in the AI and Copyright consultation earlier this year (DSIT, 2025). However, further research is needed, as having the right evidence is a prerequisite for making good legislative and policy changes in this space - and to ensure that both the creative industries and AI sectors can thrive together.

We agree, therefore, with the recent Bennett Institute for Public Policy, Minderoo Centre for Technology and Democracy, and ai@cam report that there is an "urgent" need for more research on a whole host of issues on the question of AI and its impact on the creative industries, which the Government has a chance to take a leading role on (Glenster et al, 2025).

Creative PEC recommends the Government's impact assessment should consider the following areas to bolster evidence-based decision making:

- **Impact on innovation and economic growth**: a full economic impact assessment how different changes to copyright, like those outlined in the AI and Copyright consultation, would impact both the creative industries and AI sector in terms of growth, job creation and the UK's global competitiveness.
- **Evidence on copyright law as a barrier to investment**: evidence gathering on the impact of existing copyright law on the ability of AI firms to innovate and/or invest in the UK.
- **International comparators**: evidence on how AI investment and start up rates in the UK compare with major competitors in the US, EU and China, especially relating to decisions on investment. This

would be especially useful where other jurisdictions have more permissive TDM exceptions, such as Japan. Similar work could also be done on the UK's copyright system as an attractor to inwards investment.

- **Copyright vs other factors**: analysis of the extent to which Generative AI innovation is dependent on access to copyrighted data versus other factors such as access to capital, talent, computing resources or other technical solutions.

2) What practical and technical mechanisms for (a) rights reservation and (b) transparency would provide rightsholders with sufficient control over their work while being proportionate and administratively reasonable?

a) What, if any, legislative changes are needed to support rights reservation and transparency arrangements to function effectively?

Creative PEC recommends a measured, evidence-led approach to copyright reform. Our response identifies several areas where further research is needed to fill important evidence gaps. Additionally, we have previously argued that introducing a TDM exception with an opt-out mechanism is not technically viable at present and may, in practice, weaken creators' and rights holders' ability to commercialise their intellectual property, which is an essential foundation of the creative industries' economic model (Creative PEC, 2025).

The implementation of a text and data mining (TDM) exception, accompanied by an 'opt-out' and transparency measures, would be an implementation route that Creative PEC would recommend against given the concerns about enforceability, technical viability (Kretschmer et al, 2025), and the potential to undermine creators' and rights holders' ability to commercialise their IP. There are other routes to incentivising growth in the AI sector beyond changes to copyright law and suggest several policy considerations to drive more constructive policy making in this area.

One possible line of argument – raised in a Creative PEC blog (Silver, 2025) - is that the ingestion of data and the training of AI models through TDM amount to a novel form of copying, potentially warranting a new statutory IP right to ensure compliance. We do not take a position on that view; rather, we note it as a partial response to the broader question on AI. This statutory right would be an addition to (rather than transformation of) existing copyright law and would place the obligation on technology firms to reveal their sources transparently and in a way that is auditable, while also requiring them to seek permission for use. This would only be applicable to instances where TDM is used for commercial, rather than non-commercial or research, purposes.

Rights holders need to be able to trust any technical mechanism designed to let them reserve their rights (or "opt-out") under a TDM exception. At present, we are not aware that such a reliable system exists and developing one would require sustained collaboration between creative industry stakeholders and technology companies. The Government's proposal for a Creative Content Exchange (CCE) was shared in the DCMS Creative Industries Sector Plan. The CCE aims to act as a trusted marketplace, supporting the discovery and testing of new models and technologies with creative content owners. It also implies that co-development and collaboration between creative industry stakeholders and technology companies would be required to develop this (DCMS, 2025).

Significant questions around practical enforceability remain, as noted by Glenster et al. (2025). Existing tools that help creators identify potential uses of their work, such as Spawning.ai's *Have I Been Trained*, offer only partial coverage of generative AI systems and place the burden on individual rights holders to locate their own works. There are also concerns that opt-outs lose effectiveness once works are propagated downstream, even when metadata is attached, and that awareness of current rights-reservation mechanisms is extremely low (Newton-Rex, 2024).

3) What technical mechanisms or standards could support reliable (a) labelling and (b) attribution of AI-generated content?

a) What role, if any, should legislation play in promoting or requiring such measures?

The intersection of copyright law and artificial intelligence (AI) is an evolving area of policy, legal and ethical discussion. As AI tools become more technical, questions arise over authorship, ownership and protection of AI-generated or AI-assisted works. Under UK copyright law, original works - including literary, artistic, musical and dramatic works - are typically protected if they are the result of human intellectual effort. While the Copyright, Designs and Patents Act 1988 (IPO, 2021) includes provision for computer-generated works, it does not fully address scenarios where AI autonomously generates creative content or where AI-generated works are "assisted" by humans.

AI-assisted works are not protected in similar terms in the EU and the US as they are in the UK. The UK needs to ensure that it is not left behind in this area as other jurisdictions begin to clarify their own copyright regimes in this area. The US Copyright Office's recent report on AI-generated works, for example, reaffirms that copyright protection in the United States is reserved for works demonstrating human creativity (USCO, 2025). Purely AI-generated outputs, without meaningful human intervention, do not qualify for copyright. However, AI-assisted works may be protected if a human contributes sufficient creative input, such as selecting, arranging or significantly modifying AI-generated content. For example, only providing prompts to an AI system is not deemed sufficient for establishing authorship.

This US report concludes that existing copyright principles can be applied to generative AI technologies without requiring immediate legislative changes. In China, by contrast, a recent case established that sufficient curation of an AI work could be grounds for copyright protection, though the court emphasised that cases would have to be reviewed on an individual basis (Erickson, 2024). It has been argued that EU copyright law also seems to offer enough flexibility for protection of AI-assisted works without any need to change existing law (Hugenholtz and Quintais, 2021).

Creative PEC is planning to investigate the use of AI-generated and AI-assisted content and the creative industries, to address a key gap in our understanding. The Creative PEC's Creative Business Panel, a major longitudinal survey of creative firms in the UK in partnership with CoSTAR Foresight Lab, collects data on the extent to which the creative industries are adopting technology including AI. Furthermore, it looks at the impact of tech and AI adoption on firms' innovation practices and business performance, which should provide insights into the impact of tech adoption on growth. We are also planning to explore the use of AI-assisted work among the creative workforce, as well as research into how audiences perceive and value AI-generated creative content compared to work with a clear human author. These will improve our general understanding of the issue of copyright as it relates to AI-generated creative works.

4) What are the opportunities for the development of a UK licensing market that would benefit rightsholders and AI developers, and how can these be maximised?

a) What structures and safeguards would be needed to ensure that new licensing arrangements and revenue-sharing models are workable and that remuneration reaches individual rightsholders?

b) How would new licensing schemes handle complex, multi-party rights?

c) What role could the Government's proposed 'creative content exchange' play in this context?

Greater consideration is needed to assess how copyright clarifications impact original creators and rights holders differently. For instance, Silver (2025) proposes that a new AI right could help negotiate returns on intellectual property. This is not an endorsement of any specific approach but rather emphasises the importance of evidence gathering to address this issue.

Encouraging good licensing practice is also needed. Licensing is the standard industry-led model by which rights holders can exercise and exploit their rights. However, Glenster et al (2025) highlight several barriers to smooth licensing in the creative industries, especially where licensing occurs with international AI firms. This may mean that copyright holders retain little control over their terms and conditions, with the potential for legal rights being overwritten though private contracting (ibid). The report suggests that licensing agreements should acknowledge the rights of copyright holders and provide fair compensation.

Further exploration around i) small-scale licensing and ii) new markets that foster the growth of the creative industries alongside the AI sector are essential. With large-scale AI generators for text and images being widely available and hosted in the US, licensing high-quality creative content for smaller, specialised generative AI models could be an opportunity for growth.