

The background of the slide is a dark, abstract digital space. It features a complex network of glowing lines in shades of blue, green, and orange, creating a sense of depth and movement. In the upper right corner, there are several out-of-focus, circular bokeh lights in warm tones like orange and yellow. The overall aesthetic is high-tech and futuristic.

**Quisumbing  
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Member Firm of Baker & McKenzie International

# Deploying AI in the Philippines? 10 Things You Need to Know



## **Are you ready to revolutionize your business with the power of artificial intelligence (AI)?**

The Philippines is quickly emerging as a hub for AI innovation, offering exciting opportunities for businesses looking to harness this transformative technology. Before you dive in, there are ten essential things you need to know when deploying AI in your business operations. Let's explore how you can leverage AI to drive growth, enhance efficiencies, and stay ahead in the competitive market.



## AI legal framework

While the Philippines has yet to enact a specific law regulating AI, there is an existing body of statutes that already apply to AI in a general manner. Existing legal frameworks such as the Data Privacy Act, the Consumer Act, the Cybercrime Prevention Act, and the Intellectual Property Code, provide foundational rules that can govern AI-related risk – particularly in the areas involving data processing, automated-decision making, deceptive commercial practices, cybersecurity, and ownership of AI-generated content. At the same time, various government bodies have provided definitions of AI in different contexts, and several pending bills in Congress propose statutory definitions for AI.

The country has also adopted several policies and international instruments on AI, including the UNESCO Recommendations on AI Ethics, the ASEAN Guide on AI Governance and Ethics, and the Organization for Economic Cooperation and Development's AI Principles. The Philippines is also a signatory to the Bletchley Declaration, committing itself to identifying AI risks and developing risk-based policies to ensure safety in light of these risks.

# #1





## Disclosure Considerations

There is no AI-specific law requiring businesses to disclose the use of AI, but transparency obligations under data protection regulations may apply when AI systems process personal data. By making disclosures as a best practice, businesses can foster trust and empower individuals to make informed decisions about whether to use AI-enabled systems.

# #2





## Contractual Safeguards

Businesses deploying AI applications cannot assume they are shielded from liability simply because they rely on third-party AI providers.

It is important for businesses integrating AI into their systems and services to ensure that their contracts with third-party AI vendors include clear and enforceable safeguards, such as representations and warranties on the quality, accuracy, and lawful deployment of the AI system, indemnities covering liabilities arising from bias, IP infringement, and legal non-compliance, and audit and data use rights, among others.

# #3



## Confidentiality Issues

Businesses should be aware of the risks associated with inputting confidential information into AI systems. Unvetted AI usage may inadvertently lead to breaches of contractual confidentiality obligations, exposure of privileged information, or loss of control over proprietary data.

To address these risks, contracts should incorporate certain safeguards and include AI-specific confidentiality clauses to guard against these risks.

# #4





## AI in Employment

Ensure that AI algorithms used in recruitment and performance management comply with labor laws prohibiting discrimination in hiring, promotion, discharge of employees, employee compensation, job training sessions, and other conditions of employment.

It is crucial that any process or method adopted by the employer for performance management is fair, reasonable, and not prejudicial to the employee. Employers must adopt these methods in good faith, as failure to ensure the impartiality and fairness of the algorithm used in performance management may result in disgruntled employees filing illegal dismissal suits and other potential legal actions.





# Intellectual Property

The implications of AI-generated inventions on intellectual property in the Philippines are significant and multifaceted. Under the current legal framework, the Philippine Intellectual Property Code (**IP Code**) does not specifically address the ownership and patentability of AI-generated inventions, attributing patent ownership to natural or juridical persons, not AI systems. This means that patents for AI-generated inventions can only be owned by the person who created, owns, or guided the AI system.

For copyrights, original works created with AI assistance can be protected if there is human intervention, as the IP Code requires human authorship. Purely AI-generated works without human involvement are not protected. In terms of trademarks, AI-generated marks that are confusingly similar to existing brands may lead to trademark infringement, with liability typically falling on the entity that commercializes or uses the mark. Moreover, AI tools used for trademark searches may not catch all potential conflicts, necessitating thorough clearance searches by professionals.

These implications highlight the need for businesses to navigate the intellectual property landscape carefully when using AI technologies, ensuring compliance with existing laws and preparing for potential legal challenges.

# #6







## Data Privacy and Security

To the extent that an AI system processes personal data, the Data Privacy Act (**DPA**) and its implementing regulations will apply. Businesses must therefore ensure transparency by informing data subjects about the nature, purpose, and extent of data processing involving AI systems, maintain accountability for AI processing outcomes, implement fairness by monitoring and mitigating biases, ensure data accuracy, and adhere to data minimization principles, among other privacy requirements. The use of AI for automated decision-making or profiling also triggers additional obligations, such as specific disclosures, obtaining express consents, and mandatory registrations of data processing systems. Anonymization is recommended as a risk mitigation measure to exclude personal data from the scope of the DPA, provided the process is irreversible.



## Dispute Resolution

The absence of AI-specific laws means that general Civil Code provisions on obligations and torts apply, requiring parties to act fairly and in good faith. AI developers, deployers, and users must guard against AI bias and ensure human oversight to supplement AI-generated decisions. Damages caused by AI can be classified as torts or quasi-delicts, with liability extending to multiple actors involved in the AI system, such as developers, data providers, and users.

# #8





## Allocation of Damages

Businesses should recognize the challenges in determining fault or negligence in AI-related damages due to multiple actors involved in an AI system. The "black box problem" where the decision-making process of AI is not transparent and the rapid development of AI complicates the process of proving causation and responsibility for damages.

Moreover, the Consumer Act may govern liability for AI systems used as consumer goods or services, although there is no specific legislation classifying AI as such. The burden of proof varies depending on whether the case is criminal, civil, or administrative, with challenges arising from the opaque nature of AI decision-making.



## The Road Ahead

AI is transforming businesses and reshaping the way we work by integrating its technologies into society. As generative AI tools become more accessible, the legal framework is expected to evolve to ensure vendor responsibility and consumer protection. The rapid development of AI across sectors such as healthcare, education, and finance presents both opportunities and risks, including privacy and security concerns. It is crucial for AI deployers and developers to address regulatory issues across multiple areas of law.

To leverage AI's potential and manage its pitfalls, companies must understand its legal implications and stay updated on developments.

# #10





Understanding the complexities of AI necessitates a deep understanding of its legal implications. Our AI Primer, [From Code to Consciousness: Understanding Artificial Intelligence in the Philippines Primer 2025](#), offers valuable insights into AI technology in the context of disputes, employment, corporate practice, intellectual property, and data privacy. By delivering clear and actionable guidance, this primer aims to empower businesses to harness AI responsibly and effectively in their operations.



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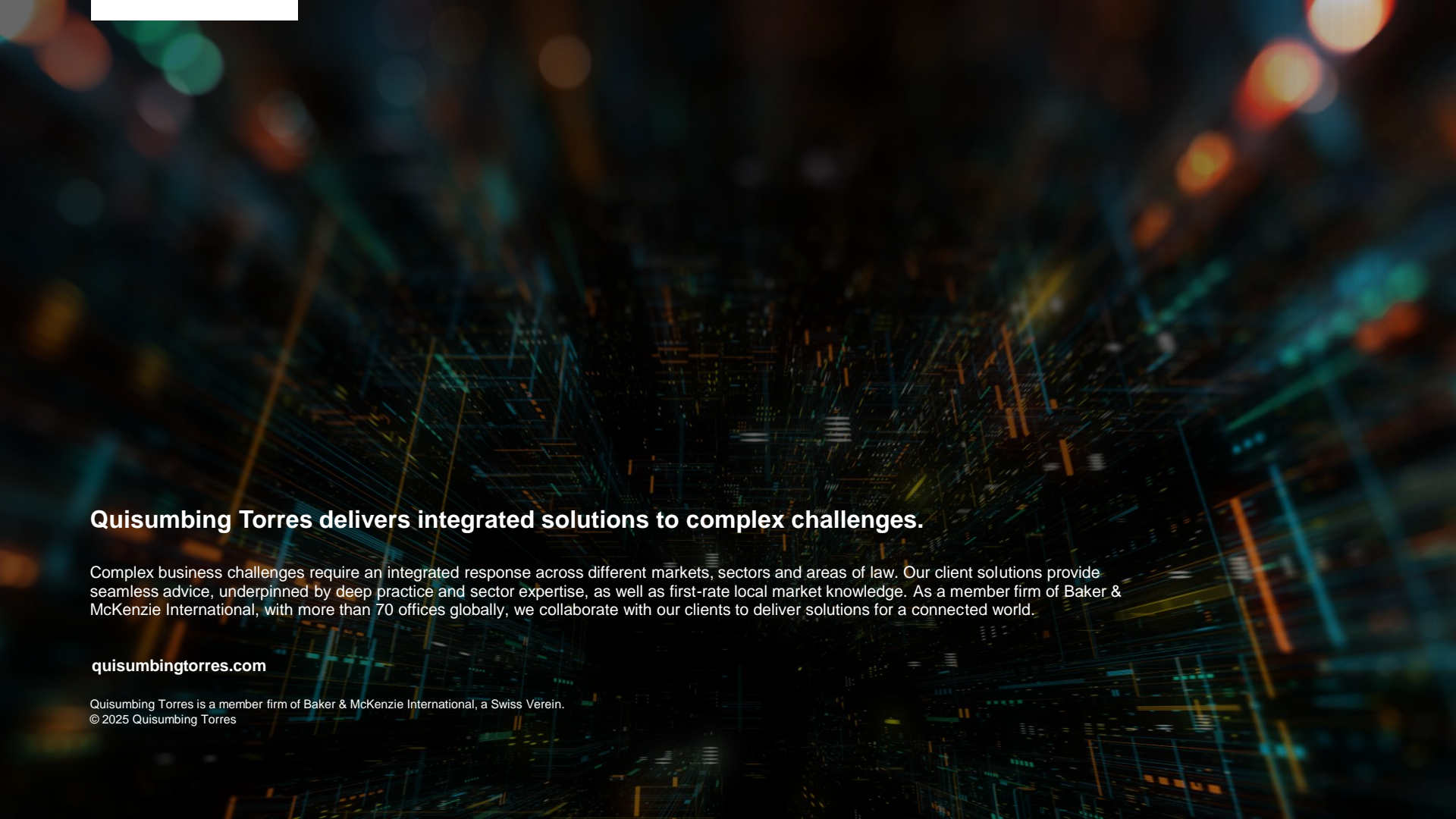
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