

# Concern from the startup ecosystem regarding the EDPB's position on the use of personal data for AI model training

Many startups in our community have voiced significant concerns regarding the forthcoming opinion of the European Data Protection Board (EDPB) on the use of personal data for AI model training. Startups across various sectors — many of which are not AI-native — are worried that stringent restrictions on AI training could hinder their growth and limit their ability to innovate. There is a widespread perception that while GDPR enforcement, particularly concerning first-party data, is aimed primarily at large tech companies, such regulations could unintentionally place a heavy burden on startups and scaleups. These companies, looking to integrate AI tools like chatbots or similar technologies, may find their unique needs stifled by complex compliance requirements.

## **The importance of EDPB's position for AI development in Europe**

This comes at a crucial time for Europe's AI industry. As Mario Draghi pointed out in his report on Europe's competitiveness, we are on the brink of an AI revolution, and Europe cannot afford to lag behind. To remain competitive, we must unleash our innovative potential and integrate AI into our industries. However, with Europe investing only \$8 billion in AI in 2023, compared to \$68 billion in the U.S. and \$15 billion in China, it's clear that we are falling behind. The EDPB's position could either support AI innovation or place new hurdles in front of European businesses trying to keep pace.

## **Consequences of a restrictive approach**

Our biggest concern is that a restrictive approach to AI training could harm innovation and Europe's competitive edge. We're already witnessing a trend where companies leave Europe in favor of more AI-friendly environments like the U.S. and China. Danish unicorns such as Unity Technologies, Tradeshift, SteelSeries, and Bending Spoons have shown that European scaleups often seek more favorable conditions abroad, taking with them jobs, growth, and future innovation.

## **Impact on future development**

If EDPB's stance prevents companies and startups from training on their own data, we risk losing out on future technological advancements. The development of AI models could shift outside Europe, to regions where data protection laws are less stringent, potentially undermining Europe's democratic values. And AI is not just crucial for tech companies — it's essential for the macroeconomic landscape, affecting sectors like healthcare, social services, and overall economic growth. Startups, the future leaders of European innovation, must have the right conditions to grow. We have seen too many instances where regulations aimed at large companies end up stifling startups. This leads to significant resource drains and limits their ability to scale.

## **Illustrating the challenge with startup cases**

The concerns expressed by the startup ecosystem are not abstract—they reflect the practical challenges faced by companies across various sectors. Startups are particularly vulnerable when it comes to complying with complex regulations like GDPR, which often place a disproportionate burden on smaller businesses. To understand the concrete impacts of the EDPB stance on AI training, we can look at real-world scenarios from startups.

A conversation agenda chatbot is something many smaller companies want to incorporate in their services in order to facilitate smooth communication with customers in a commercially efficient way. However, in order for a chatbot to be effective and serve its purpose in relation to the company that wants to use it, it must be fine-tuned with the help of high-quality and relevant data as well as a sufficient amount of data.

If the bot has not been trained on relevant data, it will not be effective as it has not learned how customers communicate, ask questions, or even how the language used by the customers should be understood and how it is used. If the AI model cannot be created or for that matter refined with the help of EU citizens' data, these smaller organizations will not be able to use these types of chatbots in an efficient manner, which will mean that it will be harder to compete as an actor operating in the European market.

As long as the DPAs do not manage to agree on how to interpret the GDPR in connection to AI model training, EU startups cannot develop and fine-tune these AI models due to the looming risk of acting in breach of the GDPR. In order for startups within the EU to have the same opportunities to train AI models as those outside the EU, we need clarity to avoid a complete stalemate across the market. It is not reasonable to ask startups to invest time, money, and resources if the legal framework does not clearly and explicitly allow their work to be carried out. This, in turn, risks driving startups to seek opportunities outside the EU.