# UK SMEs face fresh IP warning after Disney sues AI image firm



In the UK, where policymakers are positioning artificial intelligence as a beacon of responsible innovation, a landmark lawsuit in the United States has sharpened the debate over intellectual property, training data and what small firms can safely produce with generative tools.

In June 2025, Disney and NBCUniversal filed a federal copyright infringement action against Midjourney, alleging that the AI image generator was trained on protected works and produced outputs closely resembling iconic characters across Disney and Universal franchises. Filed in a Los Angeles court, the case framed the issue as more than a technological dispute—it is a test of how AI data harvesting intersects with longstanding copyright protections.

The studios’ complaint includes specific examples of allegedly infringing outputs linked to Star Wars, The Simpsons, Marvel and DreamWorks properties. They are seeking injunctive relief and damages. “We are bullish on the promise of AI technology... but piracy is piracy,” said Horacio Gutierrez, Disney’s chief legal officer. NBCUniversal’s general counsel, Kim Harris, added: “The studios are suing to protect the hard work of all the artists whose work entertains and inspires us.”

The case lands amid a wave of global scrutiny of how AI models are trained. Analysts say the outcome could shift incentives for creators and developers alike. According to CNBC, Disney and Universal accused Midjourney of “pirating the libraries” of their works to train its system and continue generating high-quality infringing images even after legal warnings—underscoring the high stakes of AI-enabled content creation.

For UK small and medium enterprises, the legal implications are immediate. What protections apply when using AI to design logos, marketing materials or social media content? A crucial difference between the US and UK lies in the treatment of fair use. While US law allows for a broader, context-driven defence, the UK’s “fair dealing” regime is more restrictive, requiring careful evaluation of the purpose, amount used and impact on the original market.

UK courts also apply a stricter test of “fairness” and proportionality, weighing whether the use is truly necessary and commercially harmless. For British businesses, that means AI-generated images resembling protected works—such as Disney or Marvel characters—can still infringe copyright if they affect the market or lack a legally justified purpose.

The government has already begun shaping policy responses. A consultation launched in December 2024 and updated in February 2025 proposed greater transparency in training data, increased creator control and clearer mechanisms for remuneration. Alongside this is a drive to build licensing frameworks and labelling requirements for AI-generated content. The goal: to foster innovation while providing legal certainty.

Real-world implications are already visible on platforms UK SMEs rely on. If an AI-generated design too closely resembles a protected work, marketplaces like Etsy, Amazon or Instagram may remove it without waiting for a legal ruling. This commercial and reputational risk makes it vital to embed IP checks in any AI workflow. The Disney–Midjourney case offers a cautionary tale. AI outputs are not automatically free of IP risk just because they are machine-made. The lawsuit underlines that mimicking recognisable characters or brands can still raise copyright issues if used commercially. Though based in the US, the case is likely to influence how courts in common-law jurisdictions, including the UK, interpret transformative use and derivative content.

SMEs can take several practical steps to reduce legal exposure. Avoid prompting AI tools to imitate known characters or franchises. Seek early legal advice. Run reverse image searches to flag similarities. Use tools and licences that provide commercial rights and clarity on training data. Treat all AI-generated content as potentially sensitive IP until confirmed otherwise.

The UK’s policy direction supports this cautious, transparent approach. Officials and commentators agree that market-based licensing systems and fair compensation channels are essential to protect rights while unlocking AI’s potential. For SMEs, this could lead to a more predictable environment in which AI supports branding, design and marketing—without breaching copyright.

As the UK continues to promote responsible AI innovation, the Midjourney lawsuit stands as a high-profile marker of the legal boundaries. It reinforces the need for a clear, enforceable framework that protects creators while enabling businesses to innovate confidently. For SMEs, the message is clear: align with UK copyright rules, understand your AI tools, and tread carefully.

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## Bibliography

1. <https://www.digit.fyi/ai-generated-content-the-hidden-legal-dangers-for-smes/> - Please view link - unable to able to access data
2. <https://www.cnbc.com/2025/06/11/disney-universal-midjourney-ai-copyright.html> - Disney and Universal filed a federal copyright infringement lawsuit against Midjourney, asserting that the AI image generator produced and distributed countless infringing outputs based on their characters and franchises. The 110-page complaint, submitted in Los Angeles, argues that Midjourney scraped and repackaged protected material to train its model and to create new images for commercial use, effectively functioning as a ‘virtual vending machine’ for piracy. The studios seek a jury trial, injunctions, and damages, warning that the case could upend copyright incentives in AI. The action spotlights the tension between rapid AI innovation and traditional IP protections for studios.
3. <https://www.npr.org/2025/06/12/nx-s1-5431684/ai-disney-universal-midjourney-copyright-infringement-lawsuit> - Disney and Universal have filed a landmark 110-page lawsuit against Midjourney in a Los Angeles federal court, accusing the company of copyright infringement and alleging it trained its AI on 'countless' protected works. The suit includes numerous visual examples, arguing that Midjourney’s outputs replicate iconic characters across franchises such as Star Wars and Marvel. The plaintiffs claim the defendant used unauthorised data scraping to fuel its image generator and to distribute infringing material, despite requests to stop. The action signals a major escalation in battles over AI training and IP rights, with significant implications for creators and model developers alike.
4. <https://www.theguardian.com/technology/2025/jun/11/disney-universal-ai-lawsuit> - Disney and Universal have brought a federal suit against the AI image generator Midjourney, alleging copyright infringement and claiming that the service copies and distributes numerous protected characters from across their franchises. The suit asserts that Midjourney scraped data online to train its model and that outputs closely resemble well-known IP, including iconic figures from Disney, Pixar, Marvel and DreamWorks. The complaint seeks injunctions and damages, emphasising the risk to both large studios and smaller creators. The case illustrates how AI's training practices intersect with enduring copyright protections, and why rights holders are pushing back against AI simplifications of authorship.
5. <https://time.com/7293362/disney-universal-midjourney-lawsuit-ai/> - Time’s analysis of the Disney–Midjourney lawsuit argues that the case could reshape AI copyright law. It notes that the plaintiffs challenge the idea that training on publicly available material should be lawful, framing the action as a test of whether existing protections can curb automated copying even when the output is novel. The article gathers quotes from industry figures and explains how a ruling could influence debates over fair use in the United States and safeguards elsewhere. By outlining outcomes, it highlights a shifting landscape where courts, tech firms and rights holders negotiate the balance between innovation, access and accountability.
6. <https://copyright.gov/fair-use/> - The U.S. Copyright Office Fair Use Index provides a searchable database of court decisions to illustrate how fair use has been applied across different genres and uses, helping readers understand what courts have deemed fair or not in cases. The index emphasises the four-factor test set out in Section 107 of the Copyright Act, including purpose and character, nature of the work, amount used, and effect on the market. While not a substitute for legal advice, the resource demonstrates the nuanced, context-dependent nature of fair use, and highlights transformative or non-commercial uses as more likely to be treated as fair.
7. <https://www.gov.uk/guidance/exceptions-to-copyright> - Exceptions to copyright on GOV.UK explain that certain uses of copyright works may be lawful even without permission if carried out as fair dealing, including research, private study, criticism, review, or reporting current events. The page notes that there is no statutory definition of fair dealing; each case depends on the facts, degree and impression. It lists key factors relevant to determine fairness, such as whether the use affects the market for the original work, the amount taken, and whether use is necessary for the permitted purpose. This resource helps businesses assess when AI-related copying might be lawful or infringing.