

DeepSeek hit with regulatory scrutiny, training violation claims

Article

The news: A few days into [DeepSeek's global discovery and meteoric rise](#), the Chinese company is facing backlash on multiple fronts.

- The White House announced a probe from the **National Security Council (NSC)** to evaluate DeepSeek's potential effects on national security. The US Navy banned its use in any capacity.

- **Italian and Irish authorities started an inquiry into its data storage practices**, and Italy removed it from its local **App Store** and **Play Store**.

In addition, **OpenAI and Microsoft said that DeepSeek used OpenAI's models** and APIs for training, which violates OpenAI's terms of service.

International risks: DeepSeek's security concerns will challenge its adoption.

- **DeepSeek stores all user data on servers in China**, which can make it easier for the government to demand user data from the company.
- In addition to text and audio input, **it tracks and saves users' key-stroke patterns**, device models, IP addresses, and system settings.
- **DeepSeek's policies allow it to save data** for "as long as necessary to provide services," but that open-ended language could allow indefinite retention.

By contrast, **Google's Gemini** saves user data for up to three years and OpenAI saves **ChatGPT** data for 30 days.

Forty-eight percent of IT decision-makers say increased data security risks are a potential consequence of not delivering AI responsibly, per Rackspace Technology and AWS.

Copycat: OpenAI says it has evidence that DeepSeek built models upon OpenAI's technology using distillation, a technique that transfers knowledge from a larger AI model to a smaller one.

- Microsoft, which is OpenAI's largest shareholder and **exclusive licensee of its APIs**, is investigating whether a large distillation move took place in the fall of last year.
- **OpenAI's terms of use explicitly prohibit using its output to train a new AI model that can compete with OpenAI.**

Our take: DeepSeek's sudden rise to the top of app download charts with potentially market-changing products comes with heightened scrutiny, which the company may not have been prepared for.

With some countries already barring its app, the startup's credibility in the market could be shaken, no matter the quality of its products.

Dive deeper: Read our report [Evaluating DeepSeek: The Dual Edge of Affordable AI and Data Privacy in Marketing.](#)

Potential Consequences of Not Delivering Responsible AI According to IT Decision-Makers Worldwide, Feb 2024

% of respondents



Source: Rackspace Technology and Amazon Web Services (AWS), "The Impact of AI on Business" conducted by Coleman Parkes Research, March 26, 2024

285387

EM | EMARKETER

This article is part of EMARKETER's client-only subscription Briefings—daily newsletters authored by industry analysts who are experts in marketing, advertising, media, and tech trends. To help you start 2025 off on the right foot, articles like this one—delivering the latest news and insights—are completely free through January 31, 2025. If you want to learn how to get insights like these delivered to your inbox every day, and get access to our data-driven forecasts, reports, and industry benchmarks, [schedule a demo with our sales team.](#)