

# ***Towards a Balanced Legal Framework of AI Distillation***

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Model distillation—the practice of training a compact “student” system on the inferences of a larger “teacher” model—sits at the epicenter of artificial-intelligence competition yet remains largely uncharted by U.S. law. Copyright’s human-authorship axiom removes most model outputs from § 102(a); trade-secret doctrine is punctured by the reverse-engineering safe harbor; patents seldom survive Alice–Mayo or enablement scrutiny; contract covenants bind only where privity, consideration, and pre-emption hurdles permit; and antitrust principles, though potentially decisive, are still doctrinally nascent. The resulting “haze of uncertainty” simultaneously chills investment in frontier research and invites strategic litigation by incumbents seeking to weaponize ambiguity. Synthesizing utilitarian welfare economics, Lockean labor-desert, Kantian autonomy, and Rawlsian maximin, this Article contends that legitimate incentives to innovate need not—and should not—mature into durable informational monopolies. It therefore proposes a calibrated regime that, first, distinguishes authorized, independent, and illicit distillation; second, legalizes good-faith reverse-engineering of publicly available outputs; third, imposes a short compulsory-licensing window and levy on direct commercial cloning of protected weights; fourth, preserves expansive safe harbors for non-commercial research, accountability auditing, and transformative fair use; and, finally, conditions all immunities on robust transparency, privacy, and safety obligations. By rooting each element in normative theory and institutional feasibility, the framework offers the first integrated roadmap for governing AI distillation in a manner that disciplines market power, catalyzes competition, and equitably allocates the social surplus generated by artificial intelligence. Taken together, its modular architecture simultaneously clarifies liability, protects incentives, and secures public access to transformative, efficiency-enhancing AI tools for future progress.