CREATOR RISK INTELLIGENCE

The Signal

Monthly intelligence on Creator Risk, regulatory change, and brand safety incidents. Issue 06 · June 2024

Brand safety incidents don't just happen — they happen and brands have no immediate legal mechanism to respond. This month we examine the tool that has become standard in creator contracts, what it actually does, and what it critically does not.

01 — THE MORALITY CLAUSE

Creator contracts · Brand exit rights · June 2024

The morality clause has become the default answer to the question of what brands do when a creator becomes a liability. Baked into the boilerplate of most influencer and creator contracts, these clauses give brands the right to terminate a partnership if a creator engages in behaviour that — broadly defined — conflicts with the brand's values, damages its reputation, or violates behavioural standards set out in the agreement. In practice they hand brands near-unilateral power to exit without court proceedings, arbitration, or detailed explanation.

What a morality clause is

A morality clause — sometimes called a conduct clause, values clause, or reputational harm clause — typically allows a brand to terminate a contract immediately and without penalty if the creator: engages in conduct the brand considers morally objectionable; makes statements or takes actions that conflict with the brand's stated values; is involved in criminal proceedings; or generates significant negative press coverage that the brand believes damages its reputation by association. The breadth of that definition is both the clause's strength and its problem.

What it does not do

A morality clause is a reactive instrument. It gives brands a legal mechanism to exit after something goes wrong. It does nothing to prevent the incident occurring, to detect early warning signals, or to ensure the brand is not already mid-campaign when the story breaks. By the time a morality clause is invoked, the brand is already in the press. The question is not whether the exit is legally clean — it is how much damage has already been done.

There is also a power imbalance problem that is emerging in the creator economy. Brooke Ash, founder of digital business law firm For Founders, has noted: 'Even if you're a big influencer, you have these large corporations with boilerplate contracts.' That imbalance can cut both ways — creators increasingly push back on overly broad morality clauses, and the litigation risk of invoking a poorly drafted clause is real.

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A morality clause is a smoke alarm with no batteries. It tells you when the house is already on fire. The brands that are winning on creator safety are not the ones with the best exit mechanisms — they are the ones who identify the risk before the campaign launches and never need to invoke the clause at all.

RECOMMENDED ACTION

Review your creator contract templates to ensure morality clauses are clearly defined and legally robust. Then ask the more important question: do we have a documented vetting process that would demonstrate reasonable steps were taken before activation? A morality clause without that process is an exit mechanism without a prevention strategy.

02 — REGULATORY NOTE

EU AI Act · UK · Italy · June 2024

EU	The EU AI Act was formally signed into law on 13 June 2024 and published in the Official Journal of the EU. The Act introduces transparency obligations for AI-generated content including synthetic influencers, AI-edited imagery and AI-generated audio — all must be labelled as artificially created. The phased implementation timeline means full enforcement arrives in stages through 2025 and 2026, but brands running AI-generated creator content should begin building disclosure practices now.
UK	The ASA's AI-based Active Ad Monitoring system is now operational. The regulator has confirmed it will use the system to conduct proactive sweeps — not waiting for consumer complaints before investigating. The ASA is explicitly monitoring for non-disclosure across all major platforms. Brands with UK creator programmes should review their disclosure compliance proactively rather than reactively.
ITALY	AGCOM's Code of Conduct for influencers is in advanced consultation. The code is expected to apply to all creators with 500k+ followers or 1M monthly views and will carry fines up to €600,000 — the highest in Europe. Implementation expected Q3 2025.
USA	The FTC's proposed rule banning fake social media metrics and AI-generated fake testimonials is under active development following public comment periods in 2023 and informal hearings in early 2024. In parallel, the FTC's Endorsement Guides — in effect since July 2023 — already establish brand liability for influencer non-disclosure. Brands should audit performance reporting to ensure they are not relying on metrics that have been artificially inflated.

The regulatory direction across all major markets is the same: brands cannot contract their way out of creator risk. Whether it is the FTC's dual liability approach in the US, the ASA's supply chain responsibility doctrine in the UK, or Italy's Ferragni Law, the message is consistent. The brand that commissioned the content shares accountability for it. A morality clause addresses what happens after that accountability is triggered. It does not address the exposure itself.

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The Signal is published monthly by Signal Intelligence. Each issue covers real Creator Risk incidents, regulatory developments, and the intelligence that brand-side teams need before they need it. Subscribe at signalintelligence.consulting — and if this issue was forwarded to you, make sure you're on the list for the next one.