

The EU AI Act:

Essential steps for business compliance

ReedSmith



What is the EU AI Act?

The EU Artificial Intelligence Act (EU AI Act or AI Act or the Act) is a regulation introduced by the European Commission to govern the development and use of AI systems within the European Union. It establishes a risk-based framework categorising AI systems into different risk levels (low, limited, high) and imposes various obligations on AI developers and users.

The EU AI Act aims to ensure transparency, safety and compliance with EU copyright law, particularly for general purpose AI (GPAI) models.



When will the EU AI Act come into force?

It was approved by the EU Parliament in March 2024. The Act will come into effect two years after its publication, in 2026, with some provisions taking effect sooner.



Whom does it apply to?

The Act applies to:

- **Providers:** Entities worldwide that develop AI systems or GPAI models for the EU market
- **Deployers:** Natural or legal persons in the EU using AI systems in a professional context
- **Importers and distributors:** Entities involved in bringing AI systems into the EU market
- **Product manufacturers:** Those incorporating AI into their products
- **Authorized representatives:** Representatives of providers not established in the EU



Which businesses does it impact?

The Act impacts a wide range of businesses, including:

AI developers: Companies creating AI systems or GPAI models

Industries using AI: Sectors like health care, automotive, industrial machinery, toys and more

Service providers: Businesses deploying AI for professional use



Does the EU AI Act apply to UK companies?

Although the UK is no longer an EU member, UK companies must comply with the EU AI Act if they:

- **Provide AI systems to the EU market:** UK companies developing AI systems or general-purpose AI models for use in the EU must adhere to the Act's requirements
- **Have AI outputs been used in the EU?** If the output of a UK-based AI system is used within the EU, the company must ensure compliance with the Act to avoid legal and financial penalties



What happens if any business ignores the requirements of the EU AI Act?

The Act imposes **strict financial penalties** for non-compliance:

- **Up to €35 million or 7 per cent of worldwide annual turnover** for non-compliance with AI prohibitions
- **Up to €15 million or 3 per cent of worldwide annual turnover** for non-compliance with transparency or GPAI requirements



Who can be held liable?

Providers, deployers, importers, distributors, and manufacturers can all be held liable for non-compliance.



Is there anything else businesses need to know about the EU AI Act?

The Act applies to:

- **Risk management:** High-risk AI systems must undergo a conformity assessment and obtain a European Conformity (CE) marking
- **Transparency requirements:** Limited-risk AI systems, such as chatbots and deepfakes, must meet specific transparency requirements
- **General purpose AI:** GPAI models must comply with additional requirements, including copyright law and providing technical documentation to downstream users
- **Extraterritorial application:** The Act applies EU copyright law on a territorial and extraterritorial basis to ensure a level playing field
- **Interplay with GDPR:** The Act references the General Data Protection Regulation (GDPR) extensively, emphasizing the need for compliance with GDPR regulations



How can Reed Smith help?



By leveraging our extensive experience and knowledge, Reed Smith can help your business effectively comply with the EU AI Act, mitigating risks and ensuring a smooth transition to the new regulatory landscape.

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