# The EU AI Act:

Essential steps for business compliance

# ReedSmith

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### 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.

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### 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.

### (HAA) 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:

Al developers: Companies creating Al 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

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### 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 Al 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 Al outputs been used in the EU? If the output of a UK-based Al 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.

### $\overset{\circ}{ m b}$ Is there anything else businesses need to know about the EU AI Act?

#### The Act applies to:

- **Risk management:** High-risk Al 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?

#### Identify and assess AI systems

Reed Smith can assist businesses in identifying and cataloging their existing or planned Al systems. This includes evaluating where and when the Al Act applies to these systems and assessing the impact of the Act's extraterritorial provisions.

### Staff training and documentation

Reed Smith offers training programs for employees on AI regulations and compliance. We can also assist in drawing up and supplying the necessary technical documentation for general-purpose AI models, ensuring that downstream users can fulfil their respective requirements, particularly for conformity assessment purposes.

### Risk classification and compliance analysis

Our team can help categorise Al systems by their risk levels (unacceptable, high, limited, or low risk) and determine the organisation's role as a provider or deployer. We will conduct a thorough legal compliance gap analysis to compare existing processes and guidelines against the AI Act's requirements, such as risk management, IT security, copyright and data protection.

#### Navigating copyright and data protection

Our practitioners can guide businesses through the complex interplay between the AI Act and GDPR, ensuring compliance with both sets of regulations. We can help develop policies to comply with EU copyright law, including identifying and complying with the reservation of rights ('opt out') permitted under the Copyright Directive.

#### Developing a gap closure roadmap

Reed Smith can work with your business to develop a comprehensive plan to address any identified gaps. This includes creating risk management and data governance procedures, drawing up technical documentation and ensuring the system has logging capabilities, human oversight, accuracy, robustness and cybersecurity resilience.

#### Handling high-risk Al systems

For high-risk AI systems, Reed Smith can assist in performing model evaluations, making risk assessments, taking risk mitigation measures, ensuring an adequate level of cybersecurity protection and reporting serious incidents to the AI Office and national authorities.

### Implementing AI audits and governance

We can establish regular audits to ensure ongoing compliance with the AI Act. Additionally, we can help set up an AI governance team, designating an EU representative and an AI officer to oversee compliance and perform human oversight tasks as needed.

#### Strategic advice and representation

We will provide strategic advice on how to navigate the AI Act's requirements and can represent your business in interactions with regulatory bodies. Our team is equipped to handle any legal challenges that may arise, ensuring that your business remains compliant and competitive in the EU market. 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.

#### The AI Reed Smith team



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