CLIENT ALERTS & INSIGHTS

The EU AI Act: Europe Takes the Lead to Regulate AI

JUNE 22, 2023

Authors: Manish K. Mehta

To protect consumers from the potential dangers of artificial intelligence (AI), the European Parliament has approved draft legislation to regulate AI-powered technology. Once approved, the European Union (EU) AI Act ("Act") is bound to set a comprehensive standard for the AI industry and have a worldwide ripple effect.

The Act is the first of its kind in the western world and further cements the EU as a global leader on tech regulation. It applies to anyone who creates and disseminates AI systems in the EU, including foreign companies such as Microsoft, Google, and OpenAI.

As outlined in the Act, EU lawmakers seek to limit or prohibit AI technology they classify as unacceptable or high risk. For example, predictive policing systems and real-time, remote biometric identification systems would be banned and strong restrictions would be placed on AI tools that influence voters on social media. The Act would also require that generative AI systems such as ChatGPT disclose what copyrighted material is used to train its models. Furthermore, ChatGPT must identify AI-generated content to mitigate the spread of misinformation.

The proposed landmark law comes after the European Union enacted its influential framework of data protection laws in 2018. The General Data Protection Regulation (GDPR) sets the standard for data privacy in Europe and imposes hefty fines on technology companies that violate rules. Similarly, the AI Act would give the European government the authority to fine AI companies that do not abide by its rules. Financial penalties may be steeper than GDPR penalties, amounting to €40 million or an amount equal to up to 7% of a company's worldwide annual turnover, whichever is higher.

Beyond the government's power to enforce the Act, European citizens would have the power to file complaints against AI providers they believe are in breach of the Act.

European officials expect to reach a final agreement on the rules by the end of 2023 after spending years developing the legislation. Such swift and consistent momentum to regulate technology in Europe stands in stark contrast to the United States, where lawmakers are still grappling with initial regulatory steps.

If passed, the Act is expected to become law by 2025 at the earliest.

For additional information, please contact:

Manish K. Mehta at mmehta@beneschlaw.com or 312.212.4953.