The Osborne Clarke Al Radar

Guiding your development of AI to get ready for the EU and UK markets.



The Al Act

Al Liability Directive

GDPR/UK GDPR

EU Digital Markets Act

EU Data Governance Act and Data Act

Intellectual Property

UK Government Policy and National Al Strategy

Why we developed the Al Radar

Our Practice and Experience

The team at Osborne Clarke is one of the leading legal practices on applied artificial intelligence and machine learning.

Why advise clients on a range of AI related issues such as big data and GDPR, causation and liability, bias, IP and licencing, and competition. For example, team members are involved in the following initiatives.

Our Initiatives

We don't just do the work, we are active thought leaders, adding to the wider debate and ultimately helping to shape public policy in this area.

UK All Party Parliamentary Group (APPG) on Al

We are Advisory Board members of this committee which is a cross-parliament body made up of Members of Parliament and peers, as well as industry experts.

International Technology Law Association (ITechLaw)

We chair ITechLaw's Responsible AI Committee, which is tasked with developing a practical global ethical framework for the use of artificial intelligence.

European Union Al Alliance

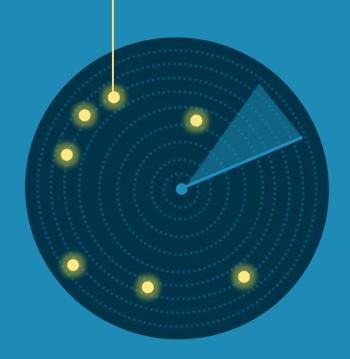
We're part of a wider consultative body to the EU High-Level Expert Group on Artificial Intelligence. We act for some of the world's most significant developers and users of this technology.



The Al Radar gives a snapshot of the current state of Al law in the EU and UK. This horizon scanning document gives an overview with high level practical key takeaways for businesses.

This radar has recently been updated in March 2024.

The Al Act (Part 1)



Who will it apply to?

- · Providers of AI systems in the EU
- · Users of AI systems who are located in the EU
- Providers outside the EU where the output of the AI is used in the EU

Risk-based obligations

When the AI Act comes into force, companies will need to identify the type of AI they are developing and the level of risk as described under the draft AI Act. The actions required will depend on the level of risk.

These types of AI are prohibited (full list awaiting publication). Using them can result in fines of up to 7% (or €35 million, if higher) of annual worldwide turnover. Types of unaccepted uses include: social scoring, exploiting vulnerable persons, and various biometric uses.

Providers will be required to notify users they are engaging with AI. Using limited risk AI without fulfilling these obligations can result in fines of up to 3% of global revenue or €15 million. Failing to comply with informational obligations alone can result fines of up to 1.5% (or €7.5million, if higher) of annual worldwide turnover.

Unacceptable Risk (Prohibited)

High Risk

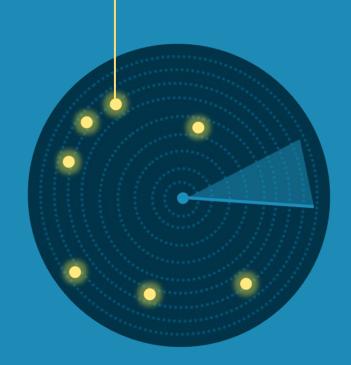
Limited Risk

Conformity assessment is required and additional obligations. These include: a risk management system, data requirements, technical docs, record keeping, transparency docs, human oversight, accuracy robustness and cyber security and post market monitoring. Failing to follow these obligations can result in fines of up to 3% of annual worldwide turnover or €15m.

Minimal Risk

No appliable extra requirements. Providers may wish to comply with voluntary codes of conduct.

The Al Act (Part 2)



What is General Purpose AI?

The AI Act defines this as a model that is "trained with a large amount of data using self-supervision at scale, that displays significant generality and is capable to competently perform a wide range of distinct tasks".

The exact wording of the definition can be found in Article 2 of the AI Act. See our latest insight here.

General Purpose Al Obligations

The AI Act contains a parallel set of obligations where companies are dealing with general purpose AI (GPAI). A good example of GPAI is ChatGPT or similar models which are used and integrated into other systems. Providers of such models will have a variety of obligations, and more if that AI is considered to have 'systemic risk'.

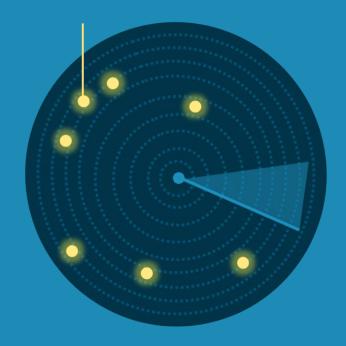
Obligations that apply to ALL General Purpose Al

- Transparency obligations such as disclosing information to companies using the AI further down the supply chain.
- Have policies to protect copyright law.
- Prepare and publish a statement about the data used to train the general purpose AI model.

Extra obligations for General Purpose AI with 'systemic' risk

- Applies to AI models trained with at least a certain amount of computing power (which could be subject to future change – currently set at more than 10^25 FLOPs).
- Risk assessments and risk mitigation required.
- Serious incidents will be required to be reported.
- Providers will need to conduct state-of-the-art tests and model evaluations.
- Ensure cyber-security requirements are met.
- Provide information about energy consumption.

Al Liability Directive



Who will it apply to?

- Providers and developers of AI systems which will be used in the EU
- Operators and users of AI systems who are located in the EU

What will it require companies to do?

The AI Liability Directive is a newly introduced piece of draft EU legislation which will aim to make it easier for victims who are harmed for an AI system to enable them to recover damages for that harm. There are two main ways in which is does this.

1. A 'presumption of causality'. This means that the causal burden of proof will be reversed: it will be for providers to rebut a presumption that their system caused the loss claimed by the victim.

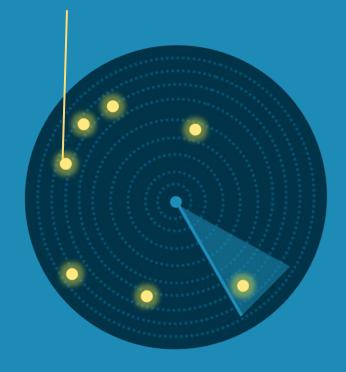
2. The introduction of the **'right of access to evidence'**. This means
that victims could get information
about high risk AI systems in order to
help them identify who is liable for
compensation.

Practical steps companies can take to prepare

- The proposed directive is closely linked with the obligations in the draft Al Act. Companies should ensure they follow this carefully.
- Take account in increased liability risks by addressing them on risk registers and risk audits.
- Keep records of safety measures taken in development of Al.
- Consider risk management steps such as insurance or putting in place contractual safeguards to recover liability from other parties in the same supply chain.

Note that the Al Liability Directive has not progressed much since late 2022 and is unlikely to be in place before summer 2024 (which is the end of the EU Parliamentary term).

GDPR/UK GDPR



Who does it apply to?

- Anyone processing 'personal data' that has come from the UK or EU as part of their Al product
- Art 22 applies to 'automated decision making including profiling'.

What does it require companies to do?

Companies will need to identify whether they are processing any personal data from the UK and EU and take steps to comply with the GDPR/UK GDPR accordingly. The actions required for compliance depend on the data and type of processing.

Where you are processing personal data under the GDPR/UK GDPR

You will need to comply with all the obligations under the GDPR/UK GDPR as normal for example: transparency notices, doing any data protection impact assessments (DPIA) and keeping records where you make decisions as a controller.

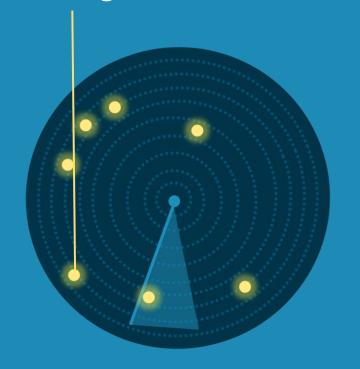
Where you are processing special category data (also known as sensitive personal data)

You will need to identify an additional legal basis and put in place additional safeguards. This is also likely to impact any DPIA you do as part of assessing whether your Al product can comply with the legislation.

Where your processing falls under Article 22 - automated decision making (ADM) and profiling

Identify the legal basis for such processing and put processes in place to allow individuals to object to ADM or profiling where required to do so by local laws. Laws in the UK and in EU Member States vary on when this requirement is triggered.

EU Digital Markets Act



Who does it apply to?

- "Gatekeeper" providers typically "big tech" operators that have an annual turnover of 6.5 billion Euros or more in the last 3 years and more than 45 million monthly EU end users.
- DMA entered into force November 2022, applicable from May 2023, and creates a deadline for "Gatekeepers" by March 2024.

What does it require companies to do?

The DMA is designed to "ensure a competitive and fair digital sector with a view to promoting innovation, high quality digital products and services, fair prices and high quality and choice in the digital sector".

The DMA introduces a set of obligations targeted at "gatekeeper" digital players with significant scale and reach in the EU, and provides a framework for the European Commission to amend these rules. Generally speaking the measure is targeted at "Big Tech" operators. Although its primary focus is "walled garden" eco systems, it is likely that it will apply to the providers of packaged end-to-end AI systems.

Prohibited Behaviour

- Self preferencing own services
- Preventing links to third party services
- Combination of personal data obtained from core platform services with any other service

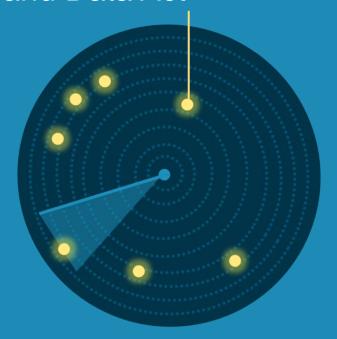
Gatekeeper Obligations

- Permitting third parties to interoperate with gatekeeper provided services
- Permitting business users to access data they generate in their use of gatekeeper services

Merger Notifications

 Gatekeepers must notify the EU Commission of any mergers involving other core platform or digital providers – even if not generally notifiable under EU rules

EU Data Governance Act and Data Act



Who will it apply to?

- The DGA applies to the provider data sharing services where this services is offered in the EU.
- The Data Act applies to manufacturers of connected products and providers of related services that are placed on the market in the EU.

What will it require companies to do?

Transparency and notification obligations

- If you are providing data intermediary services
- If you provide a product placed on the market in the EU

Both aim to make data more available

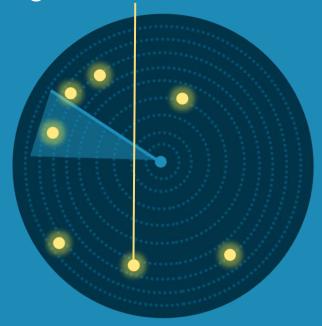
Cloud providers will have to help with customers switching services. Connected products' data made more available.



Restrictions on anti-competitive/ anti-trust measures

Anti-competitive measures which limit access to data are restricted under both Acts.

Intellectual Property Rights Law and Al



Who does it apply to?

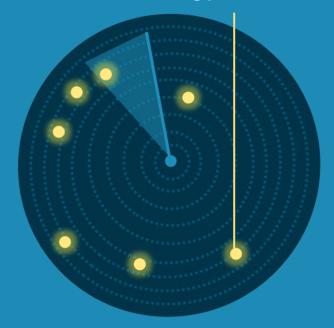
- Companies developing AI within the UK and EU or using data from the UK or EU.
- Companies wishing to protect intellectual property which was developed in the UK/EU with the assistance of an AI tool.

What will it require companies to do?

IP laws are complex and vary between the UK and EU countries, so companies will need to check on the rules of the country they are planning to launch their AI product in. This will be especially important where they are using UK or EU data or where their AI product may itself develop IP in those countries.

- Software can be protected under copyright.
- Whether data can be protected depends on various factors (e.g., whether it qualifies as a database right, or whether is it personal data).
- The UK plans to introduce a new copyright and database exception allowing for text and data mining.
- Check license terms of open-source data.
- Both the EU patent office and UK Supreme Court have ruled that Al cannot be the inventor of a patent.
- Copyright can <u>only</u> currently vest in the software embodying an AI algorithm and not the AI system itself.
- Output of a generative AI system likely not protected by copyright unless significantly modified by a human creator.

UK Government Policy and Al Strategy



Who will it apply to?

- · Businesses developing and using AI in the UK.
- Business outside the UK, who provide products or services using AI to customers in the UK.

What will it require companies to do?

The UK Government's AI White Paper was released on 29 March 2023, outlining the UK's approach to AI – which is focussed on principals, rather than regulating. Since then, the UK Government has consulted on this paper and confirmed that it has no plans to legislate for AI. Instead, relevant regulators will provide guidance. As part of this, regulators are required to publish their "strategic approach to AI" by 30 April 2024. See our full insight on the UK approach here. As a result, businesses will need to consider the following when developing and using AI.

Consider the Principles of Trustworthy Al

- Safety, security and robustness
- Appropriate transparency and explainability
- Fairness
- Accountability and governance
- Contestability and redress

Consider sector specific considerations

Depending on the context which the AI tool is used, sector specific regulators and their guidance may be relevant. For example, the Financial Conduct Authority, or the Medicines and Healthcare products Regulatory Agency. There may also be some sector laws, such as a bill introduced on autonomous vehicles.

Consider general relevant legal frameworks

Regulators specialising in specific legal areas will also need to be looked to for guidance. For example: the Competition and Markets Authority, (who has already published an interim paper) the Information Commissioner's Office, and the Equality and Human Rights Commission.



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