



March 3, 2026

House Economic Matters Committee
Attn: Joy Jones
230 Taylor House Office Building
Annapolis, MD 21401

**Re: HB 1250 - "Consumer Protection and Product Liability - Chatbots"
(Oppose)**

Dear Chair Valderrama and Members of the House Economic Matters Committee:

On behalf of the Computer & Communications Industry Association (CCIA), I write to respectfully oppose HB 1250 in advance of the Committee hearing on March 3, 2026. CCIA is an international, not-for-profit trade association representing a broad cross-section of communications and technology firms.¹

Proposed regulations on the intrastate provision of digital services therefore can have a significant, nationwide impact on CCIA members. While we share the Legislature's interest in ensuring the safety and reliability of AI systems, HB 1250 as currently drafted introduces a regulatory framework that is operationally unworkable, would significantly disadvantage Maryland consumers and businesses, and conflicts with the recently enacted Maryland Online Data Privacy Act (MODPA).²

HB 1250 conflicts with the Maryland Online Data Privacy Act (MODPA).

Most importantly, HB 1250 creates a fragmented regulatory environment by introducing definitions and consent protocols that clash with MODPA. MODPA just became the state's primary privacy standard when it went into effect in October 2025, following its enactment in May 2024, and businesses have already invested heavily in compliance frameworks for data processing and parental consent. Lawmakers should give MODPA time to work, as enforcement under MODPA won't even start until April 2026. Layering a second, conflicting set of rules specifically for chatbots undermines these efforts and creates unnecessary confusion for both businesses and consumers. Data privacy should be managed through a single, cohesive framework rather than through isolated, technology-specific bills.

HB 1250's overly broad strict liability framework creates legal uncertainty.

Consumer facing digital services have already built considerable consensus around mitigating content- and conduct-related risks to users and other parties. Most of the leading firms in industry have committed to best practice standards for online safety which are embedded in a

¹ For more than 50 years, CCIA has promoted open markets, open systems, and open networks. CCIA members employ more than 1.6 million workers, invest more than \$100 billion in research and development, and contribute trillions of dollars in productivity to the global economy. A list of CCIA members is available at <https://www.ccianet.org/members>.

² Md. Code, Com. Law §§ 14-4701 et seq. (2024).

recently published 2025 international standard.³ Insofar as there is work occurring in this space, it should incorporate the existing consensus around best practice, including: safety-by-design, governance, enforcement and application, assessment and improvement, and transparency.

In contrast, HB 1250 shifts the legal landscape toward an explicit strict liability framework that is fundamentally mismatched with how generative AI functions. By holding developers accountable for unexpected outcomes even when they have employed every possible safety measure and industry best practice, the bill creates an environment of total legal unpredictability.

Unlike static physical products, AI's output is shaped by infinite variations of user input. This "all-risk" approach may force providers to reconsider offering these services to Maryland residents entirely rather than face exposure for interactions they cannot reasonably control. As written, the bill holds providers liable for injuries "even if the chatbot provider exercised all reasonable care" and "even if the chatbot provider did not directly distribute the chatbot to the user."

As AI evolves rapidly, it is crucial to find a balance in regulation to ensure the rules are not so rigid that they hinder innovation and U.S. competitiveness. Achieving this kind of balance requires thoughtful and adaptable legislation that can be applied across many different contexts. Rather than imposing overly detailed and narrowly tailored rules, the focus must be on establishing frameworks that enable the design of AI systems and allow them to serve society's best interests. Additionally, in the absence of a single federal framework regulating AI, any single state's efforts to implement broad regulation would likely place a state like Maryland at a competitive disadvantage by inhibiting the use of new technologies to further growth, while other states may not implement such obstacles.⁴

There are multiple entities involved in an AI system, including developers, deployers, users, hardware and software. It is crucial to assign liability among them correctly. Legislation should ensure that developers and deployers are not held liable for the harmful actions of users. Similarly, end-users should not be responsible for intentionally created flaws in an AI model, such as one that consistently produces biased outcomes. Correctly assigning responsibility ensures that liability falls on the party best positioned to prevent harm and be held accountable for any damages.

There are significant practical limitations of mandatory monthly audits.

The bill's requirement for monthly safety testing and public disclosure, while well-intentioned, is technically impractical. Given that modern AI models process a near-limitless volume of unique queries every day, a monthly "snapshot" test cannot meaningfully capture the safety profile of a dynamic system. Such a mandate risks becoming a bureaucratic exercise that

³ ISO/IEC 25389:2025, *Information technology – The safe framework* (Edition 1, June 2025), <https://www.iso.org/standard/90106.html>.

⁴ CCIA, *Understanding AI: A Guide To Sensible Governance* (June 2023), <https://ccianet.org/library/understanding-ai-guide-to-sensible-governance/>.



prioritizes paperwork over genuine safety innovation, or worse, forces developers to degrade the capabilities of their tools just to make them small enough to pass a monthly check.

HB 1250 would threaten the accessibility of free services.

The prohibition on utilizing chat logs to inform advertising models strikes at the heart of the digital economy’s ability to provide high-quality services at no cost to the consumer.⁵ Forcing a disconnect between user context and advertising relevance removes the primary revenue stream for free AI services. This leaves Marylanders with a poor set of outcomes: paying for subscriptions that were previously free, dealing with irrelevant and disruptive advertisements, or losing access to these digital services as they exit the Maryland market due to a lack of viable monetization.

The bill would lead to a chilling effect on the flow of information online and undermine user experiences.

CCIA is concerned that the bill’s broad restrictions on “financial, legal, or medical advice” will lead to the removal of helpful, non-professional features. This could prevent AI from helping a user understand a complex utility bill, translating legal terms in a standard contract, or explaining basic financial concepts—tasks that are not professional advice but are immensely valuable to everyday users.

The bill’s mandatory dynamic and static, persistent warnings would undermine the user experience on services. They will also be ineffective and even backfire — users may instead just keep an app or site open even more, or just ignore it due to the phenomenon known as ‘notice fatigue,’ as seen with frequent cookie notices from Europe or California.

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CCIA supports sensible AI governance, including transparency disclosures and robust data protections for minors. However, HB 1250 goes beyond these goals, introducing mandates that would make Maryland a difficult environment for AI innovation. For these reasons, we urge an unfavorable report on HB 1250.

Sincerely,

Megan Stokes
State Policy Director
Computer & Communications Industry Association

⁵ *Tools To Compete: Lower Costs, More Resources, and the Symbiosis of the Tech Ecosystem*, CCIA Research Center (Jan. 25, 2023), <https://ccianet.org/research/reports/tools-to-compete/>.