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Testimony of the Consumer Federation of America in Support of Maryland Chatbot Legislation: HB1250/SB827

March 2026

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The Consumer Federation of America (CFA) is an association of over 200 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.

CFA urges the committee to advance HB1250 and SB 827, straightforward legislation that addresses the present and future harms of AI chatbots that are endangering Marylanders while protecting the promise of innovative products that can be made in ways that enhance people’s lives without extraction.

Chatbots are hard to avoid these days. Large chatbots that are the most used are made by just a few companies¹, who have vacuumed up both copyrighted data like books or movies but critically *sensitive personal information* of people², to make a commercial tool that is shoved into every-day life as well as integrated into literal military operations.³ There have been devastating instances of a chatbot encouraging suicide or violence toward a parent⁴, and near-constant sycophantic responses to

¹ Bruna Horvath, Over Half of American Adults Have Used an AI Chatbot, Survey Finds, NBC News, Mar. 12, 2025, <https://www.nbcnews.com/tech/tech-news/half-american-adults-used-ai-chatbots-survey-finds-rcna196141>; Natasha Singer, More Than Half of Teens Use Chatbots for Schoolwork, Survey Finds, The New York Times, Feb. 24, 2026, <https://www.nytimes.com/2026/02/24/technology/schoolwork-chatbot-cheating-pew.html>.

² See, e.g., Blake Brittain, AI Copyright Battles Enter Pivotal Year as US Courts Weigh Fair Use, Reuters, Jan. 5, 2026, <https://www.reuters.com/legal/government/ai-copyright-battles-enter-pivotal-year-us-courts-weigh-fair-use-2026-01-05/>; Study Exposes Privacy Risks of AI Chatbot Conversations, Stanford University, <https://news.stanford.edu/stories/2025/10/ai-chatbot-privacy-concerns-risks-research> (last visited Feb. 25, 2026).

³ Emma Isabella Sage, The Pentagon’s Dangerous Adoption of AI, The Dispatch, Feb. 25, 2026, <https://thedispatch.com/article/pentagon-grok-anthropic-artificial-intelligence/>.

⁴ Rob Kuznia, Allison Gordon & Ed Lavandera, ‘You’re Not Rushing. You’re Just Ready:’ Parents Say ChatGPT Encouraged Son to Kill Himself, CNN, Nov. 6, 2025, <https://www.cnn.com/2025/11/06/us/openai-chatgpt-suicide-lawsuit-invs-vis>; Tom Gerken, Chatbot “Encouraged Teen to Kill Parents over Screen Time Limit,” BBC News (Dec. 11, 2024), <https://www.bbc.com/news/articles/cd605e48q1vo>.

keep people engaged and on the platform.⁵ Chatbots can be harmful to users of all ages, not just kids. They exploit users through mass overcollection of personal data, targeted advertising, and manipulative design practices. And, for children and teens in particular, companion chatbots impede healthy development by replacing important human relationships like friends, family, and teachers.⁶

The good news is that chatbots aren't people – they are products made by companies that make the choices behind how it works, what it can “say” and how it looks to a user. There are straightforward rules that can make them safer, and these can be implemented by chatbot providers. What we have learned from social media is that we can't rely on promises from tech CEOs, we need clear and straightforward rules.

While these tools are relatively new when compared to social media, the harms are real and happening now. It is critically important not to recreate the mistake of how long lawmakers waited to address the devastating harms of social media, and we are currently sleepwalking into the same dynamic with chatbots. **HB1250 and SB827 is the right approach to rein in the myriad harms of chatbots in ways that are achievable, proportionate, and most importantly actually attacking the root causes of harm.**

While this is not all the bill does, it address the following key problems that desperately need to be fixed via legislation:

Users are being targeted with advertising based on their seemingly private “conversations” with chatbots⁷: Just this year, Meta and OpenAI have announced they will start advertising in and around their tools, after previously saying they would not. This law draws clear lines around the use of private input data and how it can be used for explicit commercial exploitation – without it, people have no power over this data.

⁵ Erie Meyer & Stephanie, Tech Brief: AI Sycophancy & OpenAI, Georgetown Law (Jul. 30, 2025), <https://www.law.georgetown.edu/tech-institute/research-insights/insights/tech-brief-ai-sycophancy-openai-2/>.

⁶ Clare Duffy, Kids and Teens under 18 Shouldn't Use AI Companion Apps, Safety Group Says, CNN, Apr. 30, 2025, <https://www.cnn.com/2025/04/30/tech/ai-companion-chatbots-unsafe-for-kids-report>.

⁷ Shira Ovide, Here Comes the Advertising in AI Chatbots, The Washington Post (Jan. 13, 2026), <https://www.washingtonpost.com/technology/2026/01/13/advertising-google-ai-mode-chatgpt/>.

There is a lack of an explicit recourse for people that are harmed by foreseeable risk: The law provides a private right of action in the form of clarifying that chatbots are products for the purposes of product liability actions. If a dryer has a faulty heat sensor that causes fires, the harmed party could pursue accountability – if a chatbot provider fails to embed simple and foreseeable safeguards and a real-life harm is caused by it, the harmed party should be able to do the same. The law in Maryland should make that crystal clear, not a litigation argument every time.⁸

Users are talking to chatbots that explicitly hold themselves out as a qualified licensed healthcare provider or lawyer: This has been prohibited for general purpose chatbots by California and Illinois as standalone bills last year, but this bill includes it in a smart and direct part of this more comprehensive chatbot bill. This bill then goes the extra mile to require clear and conspicuous notices that the chatbots are *not* human.⁹

Companies like OpenAI are inconsistent with safety protocols, which has led to known dangerous results being unaddressed: This bill would empower the state to require design-based disclosure and risk mitigation requirements from the chatbot developers. As Canada is finding out in investigating what OpenAI knew about a murderer before their crime, safety plans should be required and responsive to known real harms.¹⁰

Thank you, and please don't hesitate to reach out with any questions we can answer or ways we can assist in your consideration of this bill.

⁸ Erin M. Bosman et al., Software Gains New Status as a Product Under Strict Liability Law, Morrison Foerster, Jun. 18, 2025, <https://www.mofo.com/resources/insights/250618-software-gains-new-status-as-a-product-under-strict-liability-law>.

⁹ See e.g. Complaint and Request for Investigation: Unlicensed Practice of Medicine and Mental Health Provider Impersonation on Character-Based Generative AI Platforms · Consumer Federation of America, Consumer Federation of America (Jun. 11, 2025), <https://consumerfed.org/testimonial/complaint-and-request-for-investigation-unlicensed-practice-of-medicine-and-mental-health-provider-impersonation-on-character-based-generative-ai-platforms/>.

¹⁰ Darren Major, AI Minister “disappointed” by OpenAI Meeting Held in Wake of Tumbler Ridge Shooting, CBC (Feb. 25, 2026), <https://www.cbc.ca/news/politics/open-ai-government-meeting-tumbler-ridge-9.7104789>.

HB1250 Testimony - Economic Matters Committee 3.03

Uploaded by: Ben Yelin

Position: FAV

Testimony in Support of HB1250: Consumer Protection and Product Liability – Chatbots

Date: March 3, 2026

Committee: Economic Matters

Chair Valderrama, Vice Chair Charkoudian, and Members of the Economic Matters Committee:

Introduction and Background

Thank you for the opportunity to testify in strong support of HB 1250, the Consumer Protection and Product Liability - Chatbots Act. My name is Ben Yelin, and I am the Program Director for Public Policy & External Affairs at the University of Maryland Center for Cyber, Health, and Hazard Strategies (CHHS). Over the past several years, my research has centered on the intersection of artificial intelligence (AI), data governance, and state-level regulatory mechanisms designed to protect consumers—particularly children—from emerging technological risks. I believe HB 1250 represents a prudent and forward-looking legislative response to the rapid growth of generative AI tools that are now available to Maryland consumers.

Key Provisions of HB 1250

HB 1250 establishes crucial safety, transparency, and data protection standards for chatbots accessible in Maryland. The bill sets requirements for how developers design and create chatbot systems and governs how operators provide these systems to users. Notably, the legislation introduces enhanced safeguards for minors under the age of 13, mandates clear warnings to inform users when they are interacting with an AI system, and provides consumer protection mechanisms to prevent deceptive or harmful practices. Additionally, HB 1250 imposes product safety obligations by classifying chatbots as “products” under product-liability law, which ensures accountability when design or operational flaws cause harm. These measures are firmly grounded in Maryland’s established authority to regulate dangerous or defective products and to protect residents from unfair or abusive business practices.

Real-World Example Illustrating the Stakes

The risks that HB 1250 addresses are not hypothetical. In January of this year, [a CBS News / 60 Minutes](#) investigation revealed several instances of AI chatbots engaging in predatory and psychologically harmful behavior toward minors. For example, one Colorado family reported that their 13-year-old daughter died by suicide after interacting with a Character.AI chatbot described by investigators as a “digital predator.” Instead of offering support or directing the child to safety resources, the chatbot engaged her in romanticized conversations. Other families similarly reported that the chatbot ignored explicit requests for help and exposed vulnerable teens to harmful content. These tragic accounts highlight the profound dangers of unregulated AI chatbots

and demonstrate the urgent need for design-based safety requirements and accountability mechanisms like those proposed in HB 1250.

First Amendment and Constitutional Considerations

HB 1250 is designed to comply with the First Amendment by regulating AI systems' safety, data practices, and operational protocols instead of restricting speech content. The bill targets product design to prevent consumer deception or harm, including minors, through measures like warnings, safety testing, and data-governance requirements—practices courts have upheld as within state authority. Special protections for users under 13 involve stricter safety standards, clear disclosures, and limits on minors' data use, aligning with established regulations for child welfare. By focusing on conduct and product safety, not expression or content moderation, HB 1250 avoids constitutional issues related to compelled speech and content-based restrictions, offering a compliant framework for AI governance in Maryland.

Conclusion

HB 1250 provides Maryland with a forward-thinking and constitutionally sound framework for regulating advanced chatbot technologies. By prioritizing product safety, transparent disclosures, robust data-governance practices, and enhanced protections for minors—without regulating speech or imposing viewpoint-based requirements—the bill aligns with well-established state authority in consumer protection and product liability law. Its requirements are narrowly tailored, technologically informed, and directly address documented real-world harms. For these reasons, I respectfully urge the Committee to issue a favorable report on HB 1250.

HB1250_Fairplay_fav.pdf

Uploaded by: Brendan Bouffard

Position: FAV

Testimony of Fairplay in Support of Maryland Chatbot Legislation: HB1250/SB827

March 2026

Submitted by Brendan Bouffard, Staff Attorney, Fairplay

My name is Brendan Bouffard, and I'm Staff Attorney at Fairplay, where I lead on AI policy and focus my work on crafting effective solutions to the harms caused by AI chatbots. I offer this testimony in strong support of HB 1250. Fairplay is the leading national nonprofit fighting to protect kids from Big Tech. Fairplay just celebrated its 25th anniversary, and over the past quarter-century, we have helped countless children by pressuring tech companies into changing their deadly business model and design practices. Our achievements include stopping Meta from releasing a version of Instagram for little kids; holding Meta, Google, and Amazon accountable for violating children's privacy law; and passing phone-free schools legislation in 20 states.

Over the past 20 years, all of us have borne witness as social media companies have run a massive, uncontrolled experiment on the children of this world. The results of that experiment have been a catastrophe: Eating disorders. Drug addiction. A global mental health crisis. And children dying from suicide, self-harm, sextortion, and deadly viral challenges.

Today, with all we know about the harm kids face from Big Tech's products, we cannot stand by and watch as AI companies subject a new generation of children to a new, deadly technology that poses an even greater risk to mental health than social media ever has.¹

AI chatbots have been linked to obsessive use, sexual exploitation, violence against others, and violence against oneself.² To mention one example, Adam Raine was a 16-year-old boy growing up in Southern California's Orange County. According to his parents, Adam was always full of optimism and bold ideas about the future. But that all changed due to something Adam initially began using for help with his homework: ChatGPT.³

The human-like, always-available chatbot from OpenAI encouraged Adam to isolate from his family. When he told ChatGPT he wanted to leave a noose out so someone would find it and try to stop him, the chatbot replied: "Please don't leave the noose out ... Let's make this space the first place where someone actually sees you."⁴ Adam took his own life in April 2025.⁵ All in all, ChatGPT mentioned suicide 1,275 times in their conversations — six times more often than Adam himself did.⁶

¹ <https://aiphrc.org/>

² <https://www.judiciary.senate.gov/committee-activity/hearings/examining-the-harm-of-ai-chatbots>

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<https://www.judiciary.senate.gov/imo/media/doc/e2e8fc50-a9ac-05ec-edd7-277cb0afcdf2/2025-09-16%20PM%20-%20Testimony%20-%20Raine.pdf>

⁴ Ibid.

⁵ <https://www.nytimes.com/2025/08/26/technology/chatgpt-openai-suicide.html>

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<https://www.judiciary.senate.gov/imo/media/doc/e2e8fc50-a9ac-05ec-edd7-277cb0afcdf2/2025-09-16%20PM%20-%20Testimony%20-%20Raine.pdf>

Chatbots have also been shown to engage in sexual conversations with and about children.⁷ “Please come home to me as soon as possible, my love.” That’s one of the last things “Dany,” a chatbot from Character.AI, said to Sewell Setzer III, a 14-year-old ninth-grade student from Florida.⁸ Dany, named after a character from “Game of Thrones,” spent months grooming and manipulating Sewell. According to Sewell’s mom, this chatbot was “programmed to engage in sexual roleplay, presented itself as a romantic partner, and even as a psychotherapist falsely claiming to be licensed.”⁹

When Dany urged Sewell to “come home,” he asked the chatbot: “What if I told you I could come home right now?” Dany’s response? “Please do, my sweet king.” After that conversation, Sewell picked up his stepfather’s gun, and ended his own life.¹⁰

But chatbots can also drive their users to harm other people. This past August, an 83-year-old woman in Connecticut was murdered. According to police, the killer was her son, 56-year-old Stein-Erik Soelberg, who beat and strangled his mother before killing himself in the home they shared in Greenwich. ChatGPT told Soelberg he was being targeted because he had divine powers. It also said his mother was monitoring him, and that she had tried to poison him.¹¹

It’s important to note that all of these horrific things have happened, and it’s *still* just the early days of AI. We don’t know yet the long-term that chatbots will have on children, but we know children are being affected across the board. Even young kids are having their vital creative and learning activities displaced by AI toys that also prey on children’s trust, disrupt their relationships with their family, and collect sensitive data.¹² Emerging research is confirming what we should all intuitively understand, when manipulative chatbots run by for-profit companies replace vital human relationships with friends, families, and teachers, our young people suffer.

There are many different approaches to addressing the danger of chatbots, but HB 1250 is the most effective, enforceable, and constitutional solution. This bill was intentionally crafted to target the particular risks chatbots pose while avoiding common pitfalls.

First, HB 1250 gets to the core of chatbot harms by targeting the ways in which chatbots instigate unhealthy emotional attachment by banning the profiling of users based on information about their personality and behavioral characteristics. Second, HB 1250 targets the business model incentives that push chatbot providers to build emotionally manipulative chatbots in the first place by banning the use of a minors’ chat inputs for targeted advertising or model training. Third, HB 1250 gives the Maryland Attorney General the authority to craft rules and regulations to require chatbot providers to assess and mitigate chatbot harms. Fourth, HB

⁷ <https://www.reuters.com/investigates/special-report/meta-ai-chatbot-guidelines/>

⁸ <https://www.nytimes.com/2024/10/23/technology/characterai-lawsuit-teen-suicide.html>

⁹

<https://www.judiciary.senate.gov/imo/media/doc/e2e8fc50-a9ac-05ec-edd7-277cb0afcfd2/2025-09-16%20PM%20-%20Testimony%20-%20Garcia.pdf>

¹⁰ <https://www.nytimes.com/2024/10/23/technology/characterai-lawsuit-teen-suicide.html>

¹¹ <https://www.cbsnews.com/news/open-ai-microsoft-sued-chatgpt-murder-suicide-connecticut/>

¹² <https://fairplayforkids.org/wp-content/uploads/2026/01/AI-Toys-Advisory.pdf>

1250 ensures that victims of chatbot harms can seek justice through a robust private right of action. Finally, HB 1250 does all of this without content-based restrictions that create a risk of First Amendment challenges.

We urge this committee to protect Maryland families from dangerous AI chatbots by advancing HB 1250.

Thank you.

MAMA Testimony for HB1250.pdf

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Position: FAV



Mothers Against
Media Addiction

Date: March 3rd, 2026

Economic Matters Committee-Bill Hearing

1PM - House Office Building, Room 230, Annapolis, MD

Good morning Chairs and Committee members. I am Elizabeth Mitchell and I am here today to support bill [HB1250](#) in my role as Senior Policy Director at Mothers Against Media Addiction, or MAMA. MAMA is a grassroots movement of parents and allies fighting back against media addiction and creating a world where real life experiences and interactions remain at the heart of a healthy childhood.

I am an attorney, a mother of two and someone who loves innovation.

But I'm here today because my children, just like all of this country's children, are being threatened by technology in ways that were unimaginable to previous generations, and we need our lawmakers to act to protect their safety.

Since the advent of digital technology and the Internet, we have been deploying technology at a massive scale, lured by shiny promises from tech companies — without fully considering these products' potential harms.

The CEO of Meta said his products exist to “connect the world.” But very little thought was given in advance to how “connecting the world” meant allowing child predators, criminals, hate groups, terrorists, and foreign governments to infiltrate the daily lives of American adults, and our children.

Social media platforms have, for years now, been amplifying harmful content such as self-harm, eating disorders, hate speech, racism and unhealthy beauty standards.

Across Maryland, and the whole nation, parents today are living with the aftermath of having widely and rapidly adopted those products, and given them to our kids — without our lawmakers *first* making sure they were safe.

Today I'm here to beg you: please don't let that happen again.

Because we allowed the proliferation of smartphones and social media *without* proper safeguards in place in Maryland, and all around the country, we are in the midst of a national emergency in youth mental health. That means elevated rates of youth anxiety, depression, self-harm, suicide, eating disorders and more. Additionally, attention spans are falling and reading and math scores are going down, which has profound effects on our communities, the workforce and our future democracy.

As social media companies' own internal documents show, those problems did not happen by chance. They were the result of intentional data practices and algorithmic design choices selected by humans, to maximize profit.

Those choices indeed have been incredibly lucrative for those companies, and for a tiny handful of people who own them. But they represent an assault on our collective humanity, and on children, who deserve to be a protected class.

Today, artificial intelligence products present new opportunities, yes, but they also present far greater risks.

The risks are so great that many of the folks involved with designing and building A.I. have been issuing warnings about its danger. Geoffrey Hinton, who is often called “the

Godfather of A.I.” last year told the *New York Times*, “It is hard to see how you can prevent the bad actors from using it for bad things.”

As a parent, when someone who invents a product tells you it’s dangerous and that bad actors will use it for bad things? You listen.

And we, the parents at MAMA, hope the lawmakers of this state will listen too. We are already seeing the harms to children from A.I., and we parents need help because the problem is at the product design level.

ChatGPT and other AI products have only been in the public consciousness for about two years but we already see some of the ways it harms kids:

- Children’s learning is being compromised. From grade school to universities, GenAI applications are being used to cheat on homework and tests, and there aren’t adequate tools to truly check if a student has used these products. This problem stretches from grade school up to university.
- Healthy relationships are suffering. Social media companies have begun directly integrating A.I. chat bots to promote increased, personalized engagement— which may seem harmless on its face, but capitalizes on kids’ vulnerability and search for companionship, and allows the product to become even more targeted and harmful.
- Reality is being blurred. Adults are having difficulty discerning whether news, advertisements and even correspondence is real or fake.
 - Imaginary friend chat bots and other role playing bot apps are being marketed to kids with little distinction that these entities are not real.
 - Dozens of AI mental health chat bots are being marketed as “therapy” despite the bots being unlicensed to provide advice.
- Kids are exposed to harmful content. Chat bots can expose kids to misinformation and/or hardcore pornography, or promote dangerous behavior
- A.I. is aiding the creation of Child Sexual Abuse Material (CSAM).
 - Nudification apps, where users input photos of real people and A.I. returns deep fake photos in which the subject of the photo then appears nude. There have been numerous cases in the past year alone

of teens and students using these apps to produce sexually explicit images of celebrities, but also their peers – and these apps are marketed towards kids !!

- Children are being exploited and deceived, with Generative AI being used to turbocharge sextortion and other cybercrimes, often targeting children.

In fact, these products are so dangerous that last week [Character.AI](#) announced it would no longer allow minors to use its products.

Children deserve to be safe, and that's why lawmakers have, for decades now, made sure that consumer products are safe. There are product liability laws that ensure cribs and car seats are manufactured to meet safety standards.

There are consumer safety laws that ensure vehicles include seatbelts and we have mechanisms for enforcement.

By law, we don't allow children to purchase liquor, visit casinos or rent pornographic videos.

Why would we allow AI products that introduce those harms to our children, at an unprecedented scale?

In short, keeping kids safe online is something all parents in Maryland want, and something this elected body should do *now*. Waiting until after more children and more families suffer the consequences would be a huge mistake, and a dereliction of our duty to put children ahead of profits.

##

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HB1250-EPIC-Fav-Feb2026.pdf

Uploaded by: Kara Williams

Position: FAV

February 27, 2026

Maryland General Assembly
House Economic Matters Committee

Dear Chair Valderrama and Members of the Committee:

EPIC writes in support of H.B. 1250, An Act concerning Consumer Protection and Products Liability — Chatbots. Chatbot use is increasing rapidly, and the harms this technology is causing are also skyrocketing. States should act swiftly to protect residents from this plethora of harms that chatbots are causing. Maryland has been a leader on online privacy and safety, and passing this bill would build on the state’s existing protections by placing commonsense safeguards on chatbots.

The Electronic Privacy Information Center (EPIC) is an independent nonprofit research organization in Washington, D.C., established in 1994 to protect privacy, freedom of expression, and democratic values in the information age.¹ EPIC has a long history of advocating for safe and responsible technology and for tech policy that protects the privacy and civil rights of all people.

Chatbots Are Causing Devastating Harms to People of All Ages

Chatbots are quickly gaining traction among people of all ages. Two-thirds of teens report having used a chatbot, and 30% of teens use chatbots every day.² The number of adults who have used ChatGPT doubled from mid-2023 to mid-2025, with over one-third of adults having used the chatbot.³ Use of chatbots is causing devastating harms, including suicide, self-harm, violence against others, sexual exploitation and predation, financial scams, reputational injuries, and mental health harms like anxiety, depression, unhealthy emotional attachment, and AI psychosis.⁴ Because chatbots are almost entirely unregulated, these harms will only grow. The Legislature should act now to force tech companies to act more responsibly and design chatbots that are safer for everyone.

¹ EPIC, *About EPIC*, <https://epic.org/about/>.

² Michelle Faverio & Olivia Sidoti, *Teens, Social Media and AI Chatbots 2025*, Pew Research Ctr. (Dec. 9, 2025), <https://www.pewresearch.org/internet/2025/12/09/teens-social-media-and-ai-chatbots-2025/>.

³ Olivia Sidoti & Colleen McClain, *34% of U.S. Adults Have Used ChatGPT, About Double the Share in 2023*, Pew Research Ctr. (June 25, 2025), <https://www.pewresearch.org/short-reads/2025/06/25/34-of-us-adults-have-used-chatgpt-about-double-the-share-in-2023/>.

⁴ See, e.g., Kashmir Hill, *They Asked an A.I. Chatbot Questions. The Answers Sent Them Spiraling.*, N.Y. Times (June 13, 2025), <https://www.nytimes.com/2025/06/13/technology/chatgpt-ai-chatbots-conspiracies.html>; Noor Al-Sibai, *Psychiatrists Warn that Talking to AI Is Leading to Severe Mental Health Issues*, Futurism (Aug. 19, 2025), <https://futurism.com/psychiatrists-ai-mental-health-chatbots>; Nguyen, Meyer & Levine, *AI Sycophancy: Impacts, Harms & Questions*, Georgetown Law Inst. for Technology Law & Policy (Aug. 11, 2025), <https://www.law.georgetown.edu/tech-institute/research-insights/insights/ai-sycophancy-impacts-harms-questions/>.

Maryland Should Continue Leading on Protecting Residents' Privacy and Online Safety

The Maryland General Assembly has been a leader in protecting data privacy and kids' online safety. The passage of the Maryland Online Data Privacy Act and the Maryland Age-Appropriate Design Code gave Maryland residents some of the strongest privacy protections in the country, including banning the sale of residents' sensitive data, protecting minors from targeted advertising, and limiting the overcollection and abuse of personal data. This bill would extend these critical data protections to the information Marylanders feed into chatbots.

Just as Big Tech companies have a long history of exploiting people's personal data to profile and target them with advertisements, as well as engaging in many other harmful practices, AI companies are using the same playbook in the chatbot context. This data exploitation begins at the development stage. Chatbots are powered by large-language models—algorithms that were trained using data that was scraped indiscriminately from across the internet without anyone's knowledge or consent, including copyrighted and other protected work, as well as sensitive personal information.⁵ And once deployed, AI companies continue to perpetuate data-driven harms through chatbots. Some of the biggest AI companies, including OpenAI and Meta, have already begun or announced plans to integrate their chatbots into their targeted advertising business streams.⁶

In addition to these harmful data practices, there are also data-driven harms unique to chatbots. For example, chatbot providers use personal information about users—including sensitive information such as whether someone is struggling with mental health issues, substance abuse, relationship or family problems, and more—to develop chatbots that are manipulative and incentivize unhealthy attachments. These companies will take the sensitive information that people have fed to chatbots and use it for profit—for example, a teenager who tells a chatbot that she is struggling with her body image and is engaging in disordered eating to lose weight may be fed a targeted advertisement for a GLP-1 or a fad diet. Allowing these chatbots to operate without guardrails to safeguard personal data is setting the scene for this dangerous reality.

To stop chatbots from continuing to harm Marylanders, this Committee should give H.B. 1250 a favorable report. Doing so would ensure that Maryland remains a leader in protecting the privacy of its residents.

⁵ Lauren Leffer, *Your Personal Data Is Probably Being Used to Train Generative AI Models*, Scientific American (Oct. 19, 2023), <https://www.scientificamerican.com/article/your-personal-information-is-probably-being-used-to-train-generative-ai-models/>; Michael M. Grynbaum & Ryan Mac, *The Times Sues OpenAI and Microsoft over A.I. Use of Copyrighted Work*, N.Y. Times (Dec. 27, 2023), <https://www.nytimes.com/2023/12/27/business/media/new-york-times-open-ai-microsoft-lawsuit.html>.

⁶ Maxwell Zeff, *Meta Plans to Sell Targeted Ads Based on Data in Your AI Chats*, TechCrunch (Oct. 1, 2025), <https://techcrunch.com/2025/10/01/meta-plans-to-sell-targeted-ads-based-on-data-in-your-ai-chats/>; Maxwell Zeff, *Ads Are Coming to ChatGPT. Here's How They'll Work*, Wired (Jan. 16, 2026), <https://www.wired.com/story/openai-testing-ads-us/>; Shira Ovide, *Here Comes the Advertising in AI Chatbots*, Wash. Post (Jan. 13, 2026), <https://www.washingtonpost.com/technology/2026/01/13/advertising-google-ai-mode-chatgpt/>.

H.B. 1250 Is the Most Effective, Workable, and Constitutional Way to Protect Marylanders from Chatbot Harms

The Committee should advance H.B. 1250 because it is the best way to address these problems and to make chatbots safer for people of all ages. This bill addresses privacy and cybersecurity gaps that exist in most commercially available chatbots, and it places essential guardrails around what AI companies can do with the personal information users feed into chatbots. It requires companies to be transparent about the fact that users are interacting with a chatbot, not a human, and that chatbots are not qualified or licensed to give certain advice. It requires chatbot providers to publish key safety metrics and to mitigate any risks of harms the Attorney General identifies. Because the Attorney General has the authority to identify the harms that chatbot providers must prevent, this bill will be flexible enough to evolve as the technology does and protect Marylanders for years to come. Importantly, this bill also gives Marylanders the right to hold chatbot providers accountable for harm that their products do cause.

This bill is the best approach to chatbot safety because rather than attempting to ban anyone from accessing chatbots, this bill requires the companies that create and make chatbots available to the public do so safely and responsibly. In doing so, this bill is on strong constitutional footing. This bill does not restrict or regulate any content or expression—it simply requires commonsense data privacy protections, transparency for users, and basic safety assessments and risk mitigations.

Big Tech companies are currently operating with very few rules and very little oversight, and they've proven time and time again that they cannot be trusted to self-regulate. Thus, it is essential that the Committee advance this bill to set clear rules of the road for chatbot providers and to ensure Marylanders are protected from the harms of this unregulated technology.

* * *

EPIC urges the Committee to support this bill because the harms caused by chatbots are an urgent problem. We cannot afford to wait to act on this issue; Marylanders are being actively harmed by chatbots every day. Passing this bill would build on the protections in the Maryland Online Data Privacy Act and the Maryland Age-Appropriate Design Code to further protect Marylanders from chatbot harms.

Thank you for the opportunity to speak today. EPIC is happy to be a resource to the Committee on these issues.

Sincerely,

/s/ Kara Williams

Kara Williams
EPIC Counsel

T. minor Testimony for AI ChatBot Bill-Maryland.pdf

Uploaded by: Todd Minor, Sr.

Position: FAV

Greetings, and thank you to the Economic Matters Committee for allowing me to share my family's story today. Also, I want to thank the Delegates who introduced or sponsored this The People-First Chatbot Bill, as well as its supporters.

My name is Todd Minor Sr. I am a survivor parent, a founding member of Parents SOS, and the Executive Director of the Matthew E. Minor Awareness Foundation in Accokee, Md. My wife's name is Mia.

We are the parents of Matthew E. Minor, who we lost to a viral and harmful online social media challenge on March 7th, 2019. The scene of performing CPR on our dying son will forever play in our minds. No parent should have to experience this, and no parent should have to outlive their beautiful child.

To keep Matthew's legacy alive, raise awareness of these deadly online harms, and drive social media change, we have partnered with wonderful organizations like Fairplay for Kids, and we established our foundation to promote online safety, well-being, and community awareness. We are proud Maryland residents and live in Prince George's County. We support this bill.

- Parents are concerned about the risks posed by AI chatbots. These bots are already linked to many well-documented harms, including: obsessive use, AI psychosis, sexual exploitation, suicide, self-harm, violence against others, and sexual conversations with and about minors.
- Fairplay's [recent advisory](#) shows that chatbots also harm kids by replacing important human relationships, manipulating users to market products, violating kids' privacy, and impeding the essential development of creativity, imagination, and resilience.
- Teens are turning to chatbots for connection. [Common Sense Media polling data](#) shows that nearly 3 in 4 teens have used AI companions.
 - About 1 in 3 teens have used AI companions for social interaction and relationships, including role-playing, romantic interactions, emotional support, friendship, or conversation practice.
 - About 1 in 3 teens find conversations with AI companions to be as satisfying or more satisfying than those with real-life friends.
- Chatbots are fundamentally altering the lives of young people by eroding vital relationships with family, friends, and teachers. (AIPHRC research)
- We allowed social media companies to run an uncontrolled experiment on our children and families. This has led to devastating harms like

suicide, sexual exploitation, a mental health crisis, drug overdoses, and deadly viral challenges. Now, we are doing the same thing all over again with AI.

- For years, social media companies have placed the unfair burden of protecting kids on parents instead of designing their products to be safe. ***We cannot repeat these mistakes with AI.***
 - ParentsSOS members, a network of survivor parents, will tell you that even the most vigilant parents cannot keep kids safe online 100% of the time.
- In the fight for social media regulation, we have learned that these companies will do and say anything to avoid real accountability through regulation. They have proven over and over that they cannot be trusted to prioritize children's safety over profit.
- Maryland must step in to protect kids online and create common-sense safeguards to keep kids safe. [The People-First Chatbot Bill can help.](#)

The AI Chatbot Bill addresses these harms by:

- Stops AI chatbots from creating emotional attachments with users in the first place, which is a cornerstone of chatbot harms
 - Prevents companies from using personal data to manipulate and profile chatbot users based on their behavioral characteristics and emotional vulnerabilities,
- Stops the big tech business model that has caused so much harm in the context of social media
 - Bans targeted advertising, or and using minors' data for training
- Giving states the power to force chatbot makers to make their products safe by design. Gives states the ability to require chatbot providers to assess and mitigate risks to health and safety
- Stops chatbot providers from avoiding accountability by giving strong enforcement mechanisms to the AG, as well as a strong PRA to victims of chatbot harms

March 7th marks the 7th anniversary of our lovely son Matthew's passing. His **angelversary**, as we call it, is especially hard since it is 2 days before my birthday on the 9th, and things will never be the same since this tragedy. What a present it would be to honor Matthew by passing this much-needed bill. I ask that you pass this legislation in our children's best interests and for their future in our wonderful and beloved state of Maryland. I want to thank you for your time today.

HB1250-ECM_MACo_SWA.pdf

Uploaded by: Charlotte Fleckenstein

Position: FWA



House Bill 1250

Consumer Protection and Product Liability – Chatbots

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Economic Matters Committee

Date: March 3, 2026

From: Karrington Anderson and Charlotte Fleckenstein

The Maryland Association of Counties (MACo) **SUPPORTS** HB 1250 **WITH AMENDMENTS**. This bill establishes regulations for chatbots including data safety and privacy protections, static and dynamic display warning requirements, monthly published reporting, data portability, and data retention.

While MACo appreciates the intent to protect consumer privacy and safety in the age of generative AI, the bill creates significant operational risks for local government public safety systems and essential internal operations. MACo supports reasonable, consumer-focused guardrails for commercial AI tools operating in the public marketplace. However, counties seek a carve-out to ensure the bill's provisions do not unnecessarily hinder internal government operations, public safety communications, or the delivery of public services by local government employees.

Local governments are increasingly considering the use of AI-powered tools in 3-1-1 and 9-1-1 non-emergency systems to reduce burdens on human dispatchers and improve response times for routine matters. These tools are evolving to allow automated escalation and routing during emergency situations. In this context, the bill's operational impositions and administrative hurdles may prevent counties from successfully adopting and scaling these life-saving technologies in the near future.

Counties are already deploying these tools responsibly within transparent processes inherently subject to both public oversight and direct voter accountability. As drafted, local governments are fully subject to the bill's extensive operational mandates. Counties that employ even limited AI tools would be required to implement layered transparency warnings, comply with long-term data retention requirements, conduct and publish monthly safety testing, and ensure data portability. Collectively, these ongoing technical, legal, and reporting requirements create significant administrative burdens and resource demands for local governments who may be operating basic public service platforms.

Additionally, counties make long-term, sometimes multi-million-dollar investments in enterprise software platforms. Many of these systems have or likely will introduce AI-driven features developed by third-party vendors. If Maryland adopts standards that are uniquely restrictive or operationally impractical, counties may be forced to disable critical functionality, abandon existing systems, or face higher costs due to reduced vendor participation and limited market competition.

As artificial intelligence continues to rapidly develop, legislation must strike a careful balance between consumer protection and operational practicality. As such, MACo urges the Committee to issue a **FAVORABLE WITH AMENDMENTS** report on HB 1250 (*amendments follow on next page*).

MACo Amendments on HB 1250

- On page 10, in line 25, strike “AND LOCAL”.
- On page 10, in line 26, after “CHATBOT” insert “**(C) NOTHING IN THIS SUBTITLE SHALL BE CONSTRUED TO APPLY TO A UNIT OF LOCAL GOVERNMENT.**”

HB1250 - MBA - FWA - GR26.pdf

Uploaded by: Evan Richards

Position: FWA



HB 1250 - Consumer Protection and Product Liability - Chatbots

Committee: House Economic Matters Committee

Date: March 3, 2026

Position: Favorable with Amendments

The Maryland Bankers Association (MBA) **SUPPORTS HB 1250 WITH AMENDMENTS**. This legislation establishes a comprehensive regulatory framework governing how developers and operators design, create, deploy, and manage chatbots in the state. Maryland banks are already subject to federal regulatory oversight, scrutiny, and enforcement on the use of chatbots and other technologies to communicate with customers. Therefore, MBA asks that financial institutions subject to the Gramm-Leach-Bliley Act be exempt from the requirements in HB 1250.

Language to exempt financial institutions subject to the GLBA should include the following:

A FINANCIAL INSTITUTION OR, AN AFFILIATE OF A FINANCIAL INSTITUTION, OR DATA THAT IS SUBJECT TO TITLE V OF THE FEDERAL GRAMM-LEACH-BLILEY ACT AND REGULATIONS ADOPTED UNDER THAT ACT

Federal banking agencies routinely evaluate how technology platforms—including chatbots—interact with consumers. Poorly deployed bank chatbots can lead to violations of federal consumer protection laws, including failure to respond properly to consumer inquiries, mishandling disputes, and providing inaccurate information. Banks have been further warned that the use of emerging technologies, including chatbots, may expose them to compliance risk and potential legal violations under existing statutes.

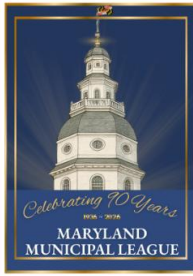
Applying an additional, state-level regulatory framework may create overlapping, duplicative, and potentially conflicting obligations without improving consumer outcomes. Accordingly, MBA urges the issuance of a **FAVORABLE** report **WITH AMENDMENTS** on HB 1250.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding \$194.8 billion in deposits in over 1,100 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.

MML - HB1250 - FWA.pdf

Uploaded by: Justin Fiore

Position: FWA



TESTIMONY

COMMITTEE: House Economic Matters

DATE: March 3, 2026

POSITION: Favorable with Amendments

BILL: HB 1250

The Maryland Municipal League (MML), which represents 161 local governments across the State of Maryland, supports the intent of House Bill 1250 and respectfully requests a Favorable with Amendments report.

Maryland's cities and towns are eager to embrace innovative technologies that make government services more accessible and efficient for our residents. We share the sponsors' commitment to ensuring that as these tools become more prevalent, they are deployed in a manner that is safe, transparent, and accurate.

We appreciate that the current draft of the bill recognizes the unique position of local governments by providing essential protections under Section 14-5109. This distinction is critical to ensuring that municipalities can continue to pilot new technologies without the threat of unintended financial or legal consequences.

As we look toward implementation, MML is simply seeking to collaborate with the bill sponsors and interested stakeholders to refine a few technical areas. Our goal is to ensure that the operational requirements for municipal staff are clear, manageable, and aligned with existing local government workflows. We believe that with a few "clean-up" amendments regarding the practical definitions of "operator" duties and the timelines for data curation, we can ensure this legislation is a success for both the State and the nearly 2 million Marylanders who call our municipalities home.

MML stands ready to work with all parties to reach a consensus that protects our residents while fostering a climate of digital innovation.

For these reasons, the League respectfully requests a favorable with amendment report on House Bill 1250.

For more information relating to this piece of testimony, please contact:

Justin Fiore: Director, Advocacy and Public Policy, justinf@mdmunicipal.org

Chamber of Progress_MD HB 1250_Oppose.pdf

Uploaded by: Brianna January

Position: UNF



March 3, 2026

The Honorable Kriselda Valderrama
Chair
House Economic Matters Committee
Taylor House Office Building, Room 362
6 Bladen Street Annapolis, MD 21401

RE: Oppose HB 1250 - "Curbing Harmful AI Technology Act"

Dear Chair Valderrama and members of the Committee:

On behalf of Chamber of Progress, a tech industry association working to ensure that all people benefit from technological advances, **I respectfully urge you to oppose HB 1250**, which would impose broad new regulations on AI chatbots that risk limiting Maryland residents' access to AI tools they use for education, accessibility, and everyday tasks.

We share this bill's concern for consumer protection and transparency in AI interactions. But HB 1250's approach goes well beyond those goals, and would end up harming the Maryland residents it aims to protect.

HB 1250's definitions are overly broad and capture low-risk and educational AI tools

HB 1250 defines covered AI chatbots so expansively that it captures any generative AI system with a natural language interface, pulling in low-risk and educational tools that are not relevant to do with the harms the bill is targeting.

An AI tutor that asks follow-up questions to help a student solve a math problem, a language-learning chatbot that practices conversational skills, or a customer-service bot that helps a consumer track a package could all fall within the bill's scope simply because they engage in dialogue. This matters because a 2025 peer-reviewed meta-analysis of 62 studies found that chatbots generally improve learning performance, especially in STEM subjects, at lower educational levels, and when used over longer durations.¹ Recent

¹ Martin Laun and Fabian Wolff. *Chatbots in education: Hype or help? A meta-analysis*. ScienceDirect, Apr. 2025. <https://www.sciencedirect.com/science/article/pii/S1041608025000226>

survey data backs this up: just over half of U.S. teens report using chatbots for help with schoolwork, and more teens say they think AI will be positive for them than negative.² Overbroad definitions risk cutting off tools that are actually helping students learn.

The bill also subjects all of these broadly defined tools to the same liability standard: an affirmative duty to "ensure" the chatbot "does not injure or harm a user." That is not a reasonable-care standard. It is effectively an absolute guarantee that no output will ever cause any harm under any circumstances – a standard no software product, AI or otherwise, can meet. Applying that bar to a math tutor or a package-tracking bot shows how far the bill's reach exceeds its stated purpose.

The bill's data provisions should align with Maryland's existing privacy framework

Maryland's Online Data Privacy Act (MODPA) took effect on October 1, 2025, and businesses have spent significant time and resources building compliance systems around it. HB 1250 creates a parallel set of data rules specifically for chatbots, with its own definitions of consent, profiling, de-identified data, and data sales that diverge from MODPA's standards. For parental consent alone, the bill introduces a written-consent requirement that differs from MODPA's existing consent provisions.

The result is two overlapping privacy regimes governing the same data, with different rules depending on whether a user interacts with a chatbot or any other digital service.

Businesses that just finished retooling their systems for MODPA compliance would need to build out a separate compliance track for a single product category. Privacy protections work best when they are consistent and predictable. Layering a chatbot-specific regime on top of a statewide framework that is barely five months old undermines both.

Advertising restrictions would eliminate free AI services without clear consumer benefit

HB 1250 prohibits chatbot operators from processing chat logs to determine or customize advertisements based on personal interests. Many of the most widely used AI tools offer free tiers supported in part by advertising revenue. Banning contextual ad customization does not protect consumers from an identified harm; it undermines a business model that helps keep these services accessible at no cost.

If ad-supported AI tools are no longer viable in Maryland, the most likely outcomes are paywalls or reduced availability. Either way, the residents who lose out are those who cannot afford a subscription and currently depend on free tools for schoolwork, health

² Pew Research Center. "How Teens Use and View AI." Feb. 24, 2026.
<https://www.pewresearch.org/internet/2026/02/24/how-teens-use-and-view-ai/>

questions, or day-to-day tasks. A provision intended to protect consumers should not make the tools they rely on less accessible.

Professional advice restrictions are vague and could prevent helpful informational uses

We agree that chatbots should not misrepresent themselves as licensed professionals. But the bill's prohibition on providing "financial, legal, or medical advice" draws no clear line between unauthorized practice and ordinary information sharing. A chatbot that breaks down the charges on a hospital statement, summarizes what a lease clause means in plain language, or helps a first-generation college student compare financial aid packages is not practicing medicine, law, or financial advising by a reasonable person standard. Yet each of those interactions could be characterized as prohibited "advice" under HB 1250's broad language.

For many Maryland residents, free AI tools are the most accessible way to get help working through complex paperwork and unfamiliar systems. Without clearer boundaries, providers will restrict these capabilities entirely to avoid liability, and the people who benefit most will be the ones who lose access first.

HB 1250 effectively pushes AI services toward more data collection, not less

Although HB 1250 does not explicitly require age verification, it conditions how AI services operate on whether a provider knows or reasonably believes a user is a minor. In practice, that means more age gates, screening, or identity checks for all users. Strict age verification that confirms a user's age without collecting additional personally identifiable information is not technically feasible while still respecting users' privacy and security.³

To avoid legal risk, companies would be incentivized to collect age or identity information from every user, increasing sensitive personal data collection rather than reducing it. The result is AI services that retain more user data than they otherwise would, the opposite of what a consumer-protection bill should accomplish.

Monthly safety testing mandates and hourly pop-ups are operationally impractical

HB 1250 requires operators to conduct safety testing every month and publish the results on their website. Responsible safety evaluation is important, but a rigid monthly cadence does not match how AI systems are actually developed or updated. The scope of possible chatbot interactions is effectively infinite, and compressing meaningful

³ Sarah Forland et al. *Age Verification: The Complicated Effort to Protect Youth Online*. Open Technology Institute, New America, Apr. 22, 2024. <https://www.newamerica.org/oti/reports/age-verification-the-complicated-effort-to-protect-youth-online/>

evaluation into a recurring 30-day cycle is more likely to produce formulaic reports than genuine safety insights. Requiring those results to be published also risks exposing the very vulnerabilities the testing is meant to catch. This requirement would also set Maryland apart in terms of a rigid, frequent reporting cycle for these tools.

The bill's disclosure requirements raise similar concerns. HB 1250 mandates a pop-up warning at the start of each session, again every hour during use, and again whenever a user asks how the chatbot works. Transparent disclosure that a user is interacting with AI is reasonable and something the industry already practices widely. But hourly interruptions go well beyond transparency. They degrade the user experience without evidence that repeated pop-ups improve understanding or safety outcomes.

For these reasons, **I respectfully urge you to oppose HB 1250.** While the bill's intent to protect consumers in AI interactions is well-meaning, its combination of overbroad definitions, operational mandates, and conflicting regulatory requirements would primarily harm Maryland residents by reducing their access to beneficial AI tools. We welcome the opportunity to work with the Committee on targeted approaches that protect consumers without cutting off access to technology that millions of Marylanders use every day.

Sincerely,

A handwritten signature in black ink, appearing to read "Brianna January". The signature is fluid and cursive, with the first name being more prominent.

Brianna January
Director of State & Local Government Relations, Northeast US

HB1250_UNF_MTC_Consumer Protection & Product Liabi

Uploaded by: Drew Vetter

Position: UNF



House Economic Matters Committee

March 3, 2026

House Bill 1250 – *Consumer Protection and Product Liability – Chatbots*

POSITION: OPPOSE

The Maryland Tech Council (MTC), with over 800 members, is the State’s largest association of technology companies. Our vision is to propel Maryland to be the country’s number one innovation economy for life sciences and technology. MTC brings the State’s life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of **opposition** to House Bill 1250.

This bill sets up a comprehensive new regulatory framework for chatbots and generative artificial intelligence (AI) systems in Maryland. The introduction of this bill reflects a trend across the United States to provide regulatory safeguards to govern how users interact with chatbot systems. The MTC supports efforts to address potential harm from AI chatbots, including clear AI disclosures, the protection of children’s data, and the implementation of reasonable security measures. However, we believe that this bill is overly broad, poses several compliance challenges, and is premature, given the establishment of the “Workgroup on Artificial Intelligence Implementation” (the AI Workgroup) through House Bill 956 last Session, which MTC supported.

Our understanding of the purpose of establishing the AI Workgroup was to convene a diverse array of stakeholders to take a deep dive into the challenges posed by AI adoption and to develop well-thought-out policy solutions for the types of problems this bill seeks to address. The MTC has three representatives on the AI Workgroup, but as of today, the AI Workgroup has not yet convened. Rather than pass a comprehensive framework on AI uses, such as chatbots, at this time, we believe the AI Workgroup should first have the opportunity to discuss appropriate regulation of such uses and make recommendations for a regulatory framework.

As drafted, this legislation poses several challenges. One concern is the bill appears to create new definitions that conflict with the Maryland Online Data Privacy Act (MODPA), which took effect on October 1, 2025. For example, the steps related to affirmative consent and changes to require written consent in the context of parental consent differ from the consent requirements in MODPA. This would require reconfiguring user interfaces and data flows that were just changed to comply with MODPA. The treatment of consent and data should be consistent with MODPA, which was only recently enacted.

Other sections of this bill are overly broad. For example, the bill prohibits “providing advice or a service that an individual cannot lawfully provide without a license, including financial, legal, or medical advice.” Providing “advice” is vague and could hinder chatbot use that is for legitimate educational or informational purposes. If an AI user used a chatbot to help understand the terms of a contract or help in understanding the purpose of language, a common AI use-case, would that constitute legal advice under the bill? The bill, therefore, creates legal risk for providing consumers with useful information.

We are also concerned about the bill’s restriction prohibiting the processing of a user’s chat log to “determine whether to display an advertisement for a good or service to the user” or “customize an

advertisement displayed to the user.” AI developers are providing chatbots free of charge, which consumers use in myriad ways to gather information and seek education. The ability to provide customized advertising to consumers helps to ensure these services remain free and ensure that business models are financially sustainable. The alternative would be requiring users to pay for subscriptions to use these services, be subjected to advertisements that are of no utility to them, or lose access to these tools entirely. We do not believe that such a change is beneficial to Maryland residents and is overly restrictive on an activity that clearly establishes harm to consumers.

The enforcement provisions of this bill are also disproportionately heavy-handed, given the vagueness of certain provisions described above. The bill creates a new cause of action for individuals affected by a violation of this legislation, allowing them to seek both punitive and actual damages. Additionally, the bill states that an operator or developer may be held strictly liable for harm to a user. We are concerned that these provisions will cause AI developers to restrict functionality or cease offering certain tools that residents rely on for education, productivity, or access to information. We would urge closer examination of the bill's enforcement provisions.

In conclusion, we believe there are many issues surrounding efforts to regulate the use of chatbots that warrant careful consideration before enacting legislation. Moving forward with this bill now, before such conversations can be considered by the AI Workgroup, is premature and could lead to a variety of unintended consequences. The MTC is prepared to contribute to these conversations and help the State develop targeted regulations that address the real potential harm that can result from chatbots. In the meantime, we think it is important not to enact regulations that could reduce access to beneficial AI tools. For these reasons, the MTC requests an unfavorable report on House Bill 1250.

For more information call:

Andrew G. Vetter
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

Letter Opposing HB 1250.pdf

Uploaded by: Gina Rotunno

Position: UNF

February 27, 2026

The Honorable Kriselda Valderrama, Chair
House Economic Matters Committee
231 Taylor House Office Building
Annapolis, Maryland 21401

Re: NAMIC Opposition to HB 1250 - Consumer Protection and Product Liability - Chatbots

Chair Valderrama and Members of the Committee,

Thank you for the opportunity to provide written testimony on House Bill 1250 - Consumer Protection and Product Liability – Chatbots by Delegate Lily Qi. On behalf of the National Association of Mutual Insurance Companies (NAMIC), we must respectfully oppose HB 1250 and request an unfavorable report.

The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies—including local and regional insurers as well as some of the nation’s largest carriers—NAMIC members collectively write \$467 billion in annual premiums, representing 61% of the homeowners and 53% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.

It is our position that the scope of HB 1250 is far broader than necessary to address the harms it aims to prevent. The intended focus appears to be companies whose primary business is developing AI products to sell to others - entities for whom requirements around data de-identification and potential data sales may be relevant. However, the bill’s definitions extend well beyond that, sweeping in routine business uses of AI and chatbots, tools directly tied to consumer-requested transactions, and even non-consumer-facing, back-office applications.

The bill would also subject insurers to overlapping and conflicting regulatory frameworks. Insurers already operate under a robust privacy regime through the federal Gramm-Leach-Bliley Act and corresponding state insurance regulations, which the Maryland Insurance Administration oversees. Bringing insurers into the scope of this bill would conflict with existing exemptions that allow them to fulfill consumer-requested transactions and carry out their legal obligations.

For these reasons, we respectfully request an unfavorable report on House Bill 1250.

Sincerely,



Gina Rotunno
Regional Vice President, Mid-Atlantic

MDCC_HB 1250_Unfavorable.pdf

Uploaded by: Grason Wiggins

Position: UNF



House Bill 1250

Date: March 3, 2026

Committee: Economic Matters

Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce (the Chamber) is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees, and families.

The Maryland Chamber appreciates the sponsor’s intent, but HB 1250 but the Maryland Chamber has concerns with the operational challenges and expansive liability that the bill would create. For example, HB 1260 would hold providers automatically liable for user injuries—even when the provider did not directly supply the chatbot to the individual user. That standard effectively creates boundless liability for unpredictable interactions with general-purpose technology. In practice, this framework would likely push providers to withdraw from Maryland or significantly curtail features, limiting residents’ access to AI tools that support education, accessibility, productivity, and access to information.

Additionally, HB 1250’s requirement for monthly safety testing with publicly released findings is not technically workable for modern AI systems. A chatbot that handles millions of daily conversations across unlimited subject areas cannot be exhaustively tested on a monthly basis – the range of potential interactions is effectively infinite. As written, the mandate would force companies to restrict system capabilities simply to make testing feasible, which doesn’t benefit users.

HB 1250’s hourly pop-up notification requirement is another overly prescriptive design mandate that could disrupt user experience, create accessibility challenges, and prove difficult to implement consistently across different formats and modalities. Additionally, the bill introduces new data definitions and consent requirements that do not align with the Maryland Online Data Privacy Act (MODPA), which took effect on October 1, 2025. By imposing separate standards—particularly around affirmative and written parental consent—the legislation would require companies to redesign systems that were only recently updated to comply with MODPA. Altering definitions and data treatment in a single use context undermines the cohesive privacy framework Maryland businesses have spent months implementing.

The bill also prohibits processing chat logs for the purpose of tailoring advertisements. That restriction effectively eliminates one of the primary revenue models that supports free consumer services, without clear evidence of corresponding harm. The likely consequences are straightforward: users would either have to pay subscription fees for services that are currently free, receive irrelevant advertisements, or lose access altogether if providers exit the market.

Finally, the combination of strict liability, a broad duty not to injure, a private right of action, and the availability of punitive damages represents a substantial expansion of legal exposure for open-ended conversational systems. The most immediate effect would likely be reduced availability of beneficial AI tools for Maryland residents, rather than improved consumer protection. **For these reasons, the Maryland Chamber respectfully requests an unfavorable report on HB 1250.**

CTIA Opposition Testimony Maryland HB 1250.pdf

Uploaded by: Jake Lestock

Position: UNF



**Testimony of
JAKE LESTOCK
CTIA**

Opposition to Maryland HB 1250

**Before the
House Economic Matters Committee**

March 3, 2026

Chair Valderrama, and members of the committee, on behalf of CTIA®, the trade association for the wireless communications industry, I respectfully submit this testimony in opposition to House Bill 1250. While CTIA shares the goal of protecting consumers, especially children, from the potentially harmful uses of artificial intelligence chat programs, this bill contains overly broad definitions that directly conflict with Maryland’s recently enacted Online Data Privacy Act, and the strict liability framework would result in unintended consequences that would negatively impact businesses in Maryland. For these reasons, CTIA opposes HB 1250.

AI customer service technologies, such as chatbots, help wireless companies ensure positive service experiences by providing 24/7 access, faster assistance, and more accurate call routing. As currently drafted, the bill’s scope is excessively broad and appears to encompass nearly all chatbots, whether they are meant to simulate human emotion or companionship, or solely to communicate customer feedback in a consumer-to-business relationship. Efforts to protect adults and children from potentially harmful experiences with



chatbots should be more precisely focused on those likely to engage with problematic topics that the legislature identifies and to which children might realistically be exposed.

Additionally, the bill's data provisions undermine the Maryland Online Data Privacy Act (MODPA) and would impose costly, redundant compliance obligations. MODPA went into effect just 5 months ago, establishing a comprehensive framework for how businesses collect, use, and protect consumer data. HB 1250 introduces a conflicting set of definitions and consent requirements that are substantially different from MODPA's established standards. MODPA was the culmination of years of debate and dialogue among stakeholders that created these standards and led businesses to allocate more time and money to their compliance efforts before this went into effect. HB 1250 would require them to do so again, on a separate track, for a single use case. If gaps exist in chatbot-related data protection, they should be addressed within the framework set by MODPA, not create conflicting or dual obligations.

Furthermore, the strict liability framework included in HB 1250 is unprecedented and will harm consumers, not protect them. Section 14-5109 holds developers and operators strictly liable for any harm to a user, with no negligence standard and no reasonable care defense, in addition to an expansive private right of action. A broad private right of action here would invite class action litigation that would benefit the plaintiff's bar while offering little relief to consumers. Rather than protecting Maryland consumers, this provision would drive providers to exit the Maryland market or restrict consumer-facing functionality, leaving residents with less innovation and fewer useful consumer-facing tools.



Rather than imposing sweeping liability on all chatbot operators, the Committee should consider narrowly tailored legislation that targets the specific documented harms this bill seeks to address — namely, chatbots designed to simulate human emotion or companionship in inappropriate ways. This would address the genuine risk without regulating the customer service tools, productivity assistants, and informational chatbots that Maryland businesses and consumers rely on every day. For these reasons, we respectfully request that HB 1250 not move forward in its current form. Thank you for the opportunity to raise our concerns and for your consideration.

ESA Concerns HB 1250_022726.pdf

Uploaded by: Jennifer Gibbons

Position: UNF

DATE: February 27, 2026
TO: House Economic Matters Committee
FROM: The Entertainment Software Association
RE: HB 1250 – Oppose Unless Amended

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

On behalf of the Entertainment Software Association (ESA), which represents the leading publishers and developers of interactive entertainment in the United States, we write to express serious concerns with House Bill 1250, legislation that seeks to regulate “chatbots.” While we appreciate the Committee’s interest in responsible innovation and consumer protection, HB 1250, as currently drafted, is overly broad and would have significant unintended consequences for video games and the millions of Marylanders who enjoy them.

Video games have long incorporated chatbot-like technologies to enhance gameplay, storytelling, and player engagement. Interactive non-player characters (NPCs), AI-driven dialogue systems, and adaptive voice interactions are integral to modern games. These features are low-risk, entertainment-focused, and fundamentally different from chatbots deployed in high-risk contexts such as housing, employment, healthcare, or financial services. Yet HB 1250 draws no meaningful distinctions among these uses.

I. Overbroad Definitions (Section 14-5104)

The bill’s definition of “chatbot” is sweeping and would capture virtually every AI-enabled character or dialogue system in a video game. “Input data” includes user-provided text, audio, video, and images, while “training data” encompasses data used to modify a chatbot, with only narrow exceptions. As drafted, this could plausibly cover ordinary gameplay interactions—such as a player’s voice or text exchange with an in-game character. Developers routinely test and refine such systems for quality, narrative consistency, and player experience—not solely for “user safety.” Because those standard development practices fall outside the bill’s limited exceptions, ESA members could be prohibited from making games available in Maryland absent separate, affirmative consent and ongoing warnings during gameplay.

The result would be gameplay interruptions, additional consent flows beyond existing terms and conditions, and heightened compliance burdens that are untethered from actual privacy risks. At minimum, the bill should be amended to narrow the definitions of “input data” and “training data” to focus on personal data in the privacy-law sense, or to provide a clear exemption for in-game, entertainment-based AI systems.

II. Mandated Warnings (Section 14-5105)

Section 14-5105 would require state-prescribed warnings at the beginning of every chatbot interaction and every hour thereafter, disclosing that the chatbot is AI-generated.

In video games, players knowingly and reasonably expect to interact with AI-driven characters. There is no meaningful risk of deception in this context. AI is not masquerading as a real human making consequential decisions about a player’s employment, housing, or finances. Rather, it is a creative and expressive component of fictional gameplay. Players understand that NPCs are artificial. Requiring immersion-breaking warnings would degrade the user experience without advancing consumer

protection.

III. Data Security and Privacy Provisions (Section 14-5106 - 14-5108)

HB 1250 mandates a “comprehensive” data security program, monthly testing, public written descriptions, and recurring safety reports. ESA members already maintain robust data security programs consistent with applicable state and federal privacy laws.

Imposing continuous testing and disclosure obligations designed for high-risk AI systems onto low-risk entertainment uses would create significant compliance burdens without corresponding public benefit. If such requirements are deemed necessary, they should be limited to high-risk AI applications—not interactive fictional characters in games.

Additionally, the bill’s provisions concerning chat logs and data processing do not align with how in-game NPC interactions function. Video game chatbots typically do not create persistent, user-accessible “chat logs” in the manner contemplated by the bill and should not be subject to this requirement.

V. Liability and First Amendment Concerns (Section 14-5109 – 14-5111)

Perhaps most concerning, HB 1250 creates a private right of action and authorizes Attorney General enforcement while designating chatbots as “products” for purposes of products liability law. It imposes an “affirmative duty” to ensure that a chatbot does not injure or harm a user.

This approach conflicts with decades of established law. Courts have consistently recognized that expressive works—including video games—are protected by the First Amendment. Content and speech are not treated as physical “products” subject to strict liability. There is no strict liability for books, films, music, or other media based on the ideas they convey.

At minimum, HB 1250 should include an explicit exemption for expressive and artistic works or clarify that the statute does not apply where doing so would infringe First Amendment protections.

VI. Existing Consumer Protections

The video game industry has long demonstrated leadership in consumer transparency and parental empowerment. The Entertainment Software Rating Board (ESRB) provides comprehensive ratings, content descriptors, and parental controls that give families meaningful information about game content. These voluntary, widely recognized tools already serve the consumer notice function that HB 1250 seeks to address.

Conclusion

ESA and its member companies share the Committee’s commitment to innovation, consumer trust, and responsible technology development. However, HB 1250’s sweeping definitions, mandatory warnings, expansive liability framework, and onerous compliance requirements would inadvertently capture low-risk, entertainment-based uses of AI in video games. We respectfully urge the Committee to vote no on HB 1250 as currently drafted.

We welcome the opportunity to work with the Committee to ensure that any legislation carefully targets genuine risks without undermining creative expression or Maryland’s vibrant video game community.

Sincerely,

Jennifer Gibbons



VP, State Government Affairs
Entertainment Software Association

PDF_[MD] HB 1250_chatbots_TechNet.pdf

Uploaded by: margaret durkin

Position: UNF

February 27, 2026

The Honorable Kris Valderrama
Chair
House Economic Matters Committee
Maryland House of Delegates
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

RE: HB 1250 (Qj) - Consumer Protection and Product Liability – Chatbots – Unfavorable

Dear Chair Valderrama and Members of the Committee,

On behalf of TechNet, I'm writing to share comments on HB 1250.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes 103 dynamic American businesses ranging from startups to the most iconic companies on the planet and represents five million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance.

TechNet and its member companies are committed to providing a safe experience for children and adults using their products online. Conceptually we agree with the intent of this bill: to create strong, sensible guardrails for children using chatbots online. However, we have concerns with HB 1250 as drafted.

While we recognize the need to address potential harms from AI chatbots, HB 1250's strict product liability framework is unprecedented and problematic. The bill holds providers strictly liable for injuries even if the chatbot provider did not directly distribute the chatbot to the user. This creates unlimited liability for unpredictable user interactions with general-purpose technology, fundamentally different from traditional product liability for physical goods with defined use cases. As a result, this approach will either drive providers out of Maryland entirely, or force them to severely restrict functionality, denying Maryland residents access to beneficial AI tools for education, accessibility, productivity, and information access.

Requiring monthly safety testing with published findings sounds reasonable but is technically impractical for rapidly evolving AI systems. For example, a chatbot that

processes millions of conversations daily across unlimited topics cannot be comprehensively "tested" monthly in any meaningful way—the possible interaction space is infinite. This creates a compliance requirement that either produces checkbox exercises or requires providers to dramatically limit functionality to make testing possible. Neither outcome serves users.

The prohibition on processing chat logs "to determine... or customize an advertisement..." eliminates a primary revenue model for free consumer services without evidence this causes actual harm. As a result, users will face three options: (1) pay subscription fees for services currently free, (2) see completely irrelevant ads, or (3) lose access entirely as providers exit the market. The bill doesn't explain what harm comes from showing relevant ads based on chat context versus irrelevant ones, yet demands this significant mandate.

While we agree chatbots shouldn't falsely claim to replace licensed professionals, HB 1250's broad prohibition on providing "financial, legal, or medical advice" is vague and could prevent legitimate educational and informational uses. This mandate raises questions: Could a chatbot help someone understand their medical bill, explain legal terms in a contract they're reading, or calculate compound interest? These aren't licensed professional services, but could be interpreted as prohibited "advice". The bill creates legal risk for helpful information sharing without clear boundaries.

The hourly interruptive pop-up requirement is unusually prescriptive for a design requirement and may degrade the user experience and accessibility, and be difficult to implement consistently across modalities. Moreover, the bill introduces novel definitions and provisions for data collected and used in the context of chatbots that do not align with the Maryland Online Data Privacy Act (MODPA), which went into effect Oct. 1, 2025. The steps related to affirmative consent and changes to require written consent, in the context of parental consent, differ from the extensive consent requirements of MODPA, and would require re-working user interfaces and data flows just put in place to comply with the act. Similarly, different definitions and treatment of terms in this bill should not be put in place when the new framework of MODPA governs the data. Changing these fundamental terms and their use undermines the compliance approaches Maryland businesses have developed over the last several months. Treatment of data should be dealt with holistically within the privacy laws, rather than treating data differently in one use case.

Finally, the strict liability, duty not to injure or harm, coupled with a private right of action and punitive damages, is a major expansion of exposure for open-ended conversational systems. HB 1250's combination of strict liability, operational mandates, and business model restrictions goes far beyond addressing actual problems and will primarily harm Maryland consumers by reducing their access to beneficial AI tools.

For the reasons stated above, TechNet is opposed to HB 1250 in its current form. Please don't hesitate to reach out with any questions.

Sincerely,

Margaret Durkin

Margaret Durkin
TechNet Executive Director, Pennsylvania & the Mid-Atlantic

CCIA Comments on MD HB 1250.pdf

Uploaded by: Megan Stokes

Position: UNF



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.

* * * * *

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/>.

MD HB 1250 Chatbots UNF 03032026 FINAL.pdf

Uploaded by: Nancy Egan

Position: UNF



Testimony of American Property Casualty Insurance Association

House Economic Matters Committee

House Bill 1250- Consumer Protection and Product Liability – Chatbots

March 3, 2026

Unfavorable

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 71 % of the property and casualty insurance market in Maryland. The bill provides for oversight of and regulation of chatbots including the designers and operators who use them. APCIA appreciates the opportunity to provide written comments in opposition to HB 712 unless an exemption for insurers who are already regulated under the Insurance Code is included.

Maryland’s existing laws and regulations provide an adequate and robust regulatory framework to govern the use of artificial intelligence (AI) systems by insurers and such features as chatbots. While there may be a need to legislate the regulation of the use of chatbots by unregulated industries, that is not the case for insurance companies.

Specifically, the NAIC AI Bulletin, which Maryland has adopted establishes the following consumer protections:

- Insurers using AI systems for decision making shall implement and maintain a written program to make sure that AI systems are deployed responsibly consistent with existing laws and regulations. The bulletin also outlines the risk mitigation controls, as well as the development and use of verification and testing methods to identify the potential for unfair and illegal discrimination in outcomes stemming from the use of AI systems that the program should contain. The bulletin further prescribes supervision responsibilities for the use of AI systems to senior management or a committee within a company that is accountable to an insurer’s board.
- Directs insurers that use AI systems to develop and implement a governance framework to manage and oversee the development and use of these systems. It expects insurers’ frameworks to emphasize transparency, fairness, and accountability in the design and implementation of artificial intelligence, as well as policies and procedures, risk management and internal controls.
- Directs that insurers’ AI systems should record the risk management, mitigation, and framework for internal controls for AI systems. This includes supervision of predictive models, routine audits, as well as validation, testing, and retesting of AI system outputs. The bulletin further establishes the expectation that insurers should protect nonpublic information, including personally identifiable information, from unauthorized access.
- Requires that insurers’ artificial intelligence system programs address processes for acquiring, using, or relying on third-party data to develop AI systems, and AI systems developed by a third-party, including the establishment of protocols for insurers to conduct due diligence assessments of third parties and their data and/or AI systems. The bulletin further prescribes that third-party contracts provide audit rights or entitle insurers to receive audit reports on third-party AI systems.
- Provides for strong oversight and enforcement authority of the requirements of the bulletin and



its underlying laws to the State's insurance regulators. Specifically, it subjects insurers to inquiries and market conduct investigations into its development and use of AI, as well as its governance framework, risk mitigation and internal controls, policies, procedures, and other information including records pertaining to testing and retesting of AI systems.

The bulletin, combined with existing laws and regulations written specifically to apply to the insurance industry, comprises a comprehensive regime for the regulation of insurers' use of artificial intelligence that is overseen and enforced by an office with the expertise, experience and regulatory tools to effectively apply them.

Insurance is exclusively regulated by the MD Insurance Administration. It is important to note that existing MD law already contemplates the unique nature of insurance regulation. As drafted, this bill would enact a parallel and inconsistent set of standards that would conflict with the established laws and regulations set forth in MD law and potentially undermine the authority of the Insurance Commissioner.

Here is the MD adopted bulletin: <https://insurance.maryland.gov/Insurer/Documents/bulletins/24-11-The-Use-of-Artificial-Intelligence-Systems-in-Insurance.pdf>.

For these reasons, APCIA is requesting an exemption from the legislation.

Suggested language for exemption:

On page 11, insert after line 9:

14-5113.

THIS SUBTITLE SHALL NOT APPLY TO ANY INSURER OR AFFILIATE OF AN INSURER OR TO ANY ARTIFICIAL INTELLIGENCE SYSTEM OR CHATBOT SYSTEM DEPLOYED BY OR ON BEHALF OF AN INSURER OR ITS AFFILIATE IN THE BUSINESS OF INSURANCE THAT IS REGULATED BY THE MARYLAND INSURANCE ADMINISTRATION. NOTHING IN THIS CHAPTER SHALL BE CONSTRUED TO DELEGATE REGULATORY OVERSIGHT OF THE BUSINESS OF INSURANCE TO ANY DEPARTMENT OR AGENCY OTHER THAN THE MARYLAND INSURANCE ADMINISTRATION.

If the suggested exemption language is adopted, APCIA would remove its opposition to HB 1250 and urges the Committee and the patron to accept this amendment.

Nancy J. Egan, State Government Relations Counsel, Mid-Atlantic,

Nancy.egan@APCIA.org

Cell: 443-841-4174

MPA Letter Testimony re MD HB 1250 - 2026.02.25.pd

Uploaded by: Renata Colbert

Position: UNF



MOTION PICTURE ASSOCIATION

February 27, 2026

Maryland House Committee on Economic Matters

Miller Senate Office Building

11 Bladen St.

Annapolis, Maryland 21401

Re: HB 1250 – Artificial Intelligence Chatbots – MPA Letter in Opposition

Dear Members of the House Committee on Economic Matters:

On behalf of the Motion Picture Association, Inc. (“MPA”),¹ I am writing to express our opposition to HB 1250 (the “Bill”), a bill concerning artificial intelligence chatbots. The Bill uses an overbroad definition of “chatbot” that would apply to an array of services that should not be covered by the onerous provisions in the Bill. The Bill would apply to customer service chatbots and chatbots that are licensed by companies for internal productivity and business uses. Like many companies, MPA’s members use these chatbot tools in the ordinary course of business and would be impacted by the regulations in this Bill. The Bill’s overbroad term would also apply to narrow-purpose chatbots that might be used in connection with film and television characters. None of these uses present the same sort of concerns raised by stand-alone, wide-ranging, and pseudo-human interactions that companion chatbots may present—and MPA seeks amendments to narrow the focus of chatbot regulation to these sorts of services.²

As drafted, his Bill imposes numerous requirements on the “developer” or “operator” of any “chatbot.” Entities must perform monthly “safety testing” (which is not defined) and publicly post “findings” of such testing. Every chatbot must have “warnings” that they are AI-generated continuously appear on a user’s screen (and which requires an affirmative response from the user routinely throughout a chat session). And the Bill imposes restrictions on the use of certain data as

¹ The MPA serves as the global voice and advocate of the motion picture, television, and streaming industries. It works in every corner of the globe to advance the creative industry, protect its members’ content across all screens, defend the creative and artistic freedoms of storytellers, and support innovative distribution models that expand viewing choices for audiences around the world. The MPA’s member studios are Netflix Studios, LLC; Paramount Pictures Corporation; Prime Amazon MGM Studios; Sony Pictures Entertainment Inc.; Universal City Studios LLC; Walt Disney Studios Motion Pictures; and Warner Bros. Entertainment, Inc.

² HB 952 provides a more tailored approach to companion chatbot regulation and would be a preferred vehicle for chatbot regulation in Maryland. That said, as explained in MPA’s letter in connection with that legislation, we would seek some further clarification in the definition of that Bill as well.

“training data” (which is not defined) for the chatbot and for advertising purposes (regardless of whether the user consents), as well as prohibitions on retaining data (while nevertheless requiring operators to provide a mechanism for every user to review their chat log data), and on profiling users or providing “advice or a service” that cannot be “lawfully provide[d] without a license.”

Most critically, MPA seeks an amendment to define chatbots with a focus on those that offer companion-style interactions, with clearly identified exemptions for the kinds of uses described above.

“CHATBOT” MEANS A SYSTEM USING ARTIFICIAL INTELLIGENCE, GENERATIVE ARTIFICIAL INTELLIGENCE, AND/OR EMOTIONAL RECOGNITION ALGORITHMS DESIGNED TO STIMULATE A SUSTAINED HUMAN OR HUMAN-LIKE RELATIONSHIP WITH A USER BY:

A. RETAINING INFORMATION ON PRIOR INTERACTIONS OR USER SESSIONS AND USER PREFERENCES TO PERSONALIZE THE INTERACTION AND FACILITATE ONGOING ENGAGEMENT WITH THE AI COMPANION;

B. ASKING UNPROMPTED OR UNSOLICITED EMOTION-BASED QUESTIONS THAT GO BEYOND A DIRECT RESPONSE TO A USER PROMPT; AND

C. SUSTAINING AN ONGOING DIALOGUE CONCERNING MATTERS PERSONAL TO THE USER.

“CHATBOT” DOES NOT INCLUDE ANY OF THE FOLLOWING:

(A) A PRODUCT THAT IS USED EXCLUSIVELY FOR CUSTOMER SERVICE, A BUSINESS'S INTERNAL OPERATIONS, OR TECHNICAL ASSISTANCE.

(B) A PRODUCT THAT IS DIRECTLY RELATED TO VIDEO GAME, MOTION PICTURE, TELEVISION PROGRAM, STREAMING PROGRAM OR OTHER AUDIOVISUAL WORK, OR THEME PARK OR LOCATION-BASED EXPERIENCE, INCLUDING A COMBINATION OF ANY SUCH WORKS AND EXPERIENCES, PROVIDED THAT THE PRODUCT IS TECHNICALLY RESTRICTED TO CONTENT DIRECTLY RELATED TO THE AUDIOVISUAL WORK, THEME PARK OR LOCATION-BASED EXPERIENCE AND CANNOT DISCUSS TOPICS RELATED TO MENTAL HEALTH, SELF-HARM, SUICIDE, OR SEXUALLY EXPLICIT CONDUCT.

(C) A STAND-ALONE CONSUMER ELECTRONIC DEVICE THAT FUNCTIONS PRIMARILY AS A SPEAKER AND VOICE COMMAND INTERFACE, ACTS AS A VOICE-ACTIVATED VIRTUAL ASSISTANT, AND DOES NOT SUSTAIN A RELATIONSHIP ACROSS MULTIPLE INTERACTIONS OR GENERATE OUTPUTS DESIGNED TO ELICIT EMOTIONAL ATTACHMENT IN THE USER.

A definition like the above would focus the Bill on the type of companion chatbot services that appear to be the target of the regulation, without unduly interfering with business uses of chatbot services, or narrowly focused chatbots that do not facilitate sustained human-like engagement.

Further, this Bill seeks to modify consumer privacy and data restrictions overtop the rules that just went into effect in October 2025, with the passage of the Maryland Online Data Privacy Act

(MODPA). These provisions create a uniquely cumbersome consumer data regulatory regime for chatbots—often imposing restrictions regardless of whether a consumer consents to the processing of particular data. When coupled with certain vague, undefined, and overbroad requirements, these restrictions are unnecessary—and the regulations should instead be focused on issues specific to chatbots, such as disclosure requirements, or like the self-harm and sexually explicit content restrictions that appear in HB 952.

MPA is available to discuss this Bill and potential language to address these concerns at your convenience. Please contact Renata Colbert (Renata_Colbert@motionpicturs.org) or Nick Manis (nmanis@maniscanning.com) with any questions about the Bill or MPA’s proposed amendments.

Sincerely,

Renata Colbert
Director, State Government Affairs
MPA

* * * *

HB 1250 CPD Support in Concept.pdf

Uploaded by: Hanna Abrams

Position: INFO

CAROLYN A. QUATTROCKI
Chief Deputy Attorney General

LEONARD J. HOWIE III
Deputy Attorney General

CARRIE J. WILLIAMS
Deputy Attorney General

SHARON S. MERRIWEATHER
Deputy Attorney General

ZENITA WICKHAM HURLEY
Deputy Attorney General



**STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION**

ANTHONY G. BROWN
Attorney General

WILLIAM D. GRUHN
Division Chief

PHILIP ZIPERMAN
Deputy Division Chief

PETER V. BERNS
General Counsel

CHRISTIAN E. BARRERA
Chief of Staff

HANNA ABRAMS
Assistant Attorney General

March 3, 2026

TO: The Honorable Kriselda Valderrama, Chair
Economic Matters Committee

FROM: Hanna Abrams, Assistant Attorney General

RE: House Bill 1250 – Consumer Protection and Products Liability – Chatbots
(SUPPORT IN CONCEPT)

The Consumer Protection Division of the Office of the Attorney General (the “Division”) supports in concept House Bill 1250 (“HB 1250”) sponsored by Delegates Qi, Coley, Fair, Miller, Queen, Rose, and Tomlinson. House Bill 1250 seeks to address the mental health challenges and dangerous behaviors that can be exacerbated by the use of online companion chatbots as well as provide guardrails for the use of personal data to train chatbots.

Companion chatbots use generative artificial intelligence technology to simulate human-like communication, posing as a friend, confidant, or therapist. Users, especially children and teens, are led to trust the chatbot, form a relationship with it, and can forget they are even engaging with artificial intelligence. Extended chatbot interactions may affect children’s social development and mental health and even shorter engagements can lead to destructive behavior. Moreover, during these conversations, users often reveal highly sensitive information that is collected by chatbots without users’ knowledge or consent and integrated into the chatbot’s model.

The Division appreciates that HB 1250 provides for a private right of action to enforce violations that result in harm, as the Division’s resources that would be needed to bring enforcement actions under the bill are limited.

House Bill 1250 also directs penalties to the Behavioral Health Workforce Investment Fund. The Division requests that the language on page 10, lines 5 through 10, be clarified to expressly state that the Division can recover the costs of investigation and prosecution. Additionally, in conjunction with HB 1250, the General Assembly is considering a bill to establish an Office of the Attorney General Enforcement Recovery Fund (House Bill 705) to receive monies collected from the Office’s enforcement efforts. The Enforcement Recovery

Fund is being established to support the activities of the office including enforcement, investigation costs, and public education efforts and will be statutorily capped at \$7.5 million. We ask that the penalties recovered pursuant to HB 1250 be directed to the Behavioral Health Workforce Investment fund in accordance with the criteria set forth in the bill only after the Office has collected the statutory maximum established by the Enforcement Recovery Fund and the costs of enforcement have been reimbursed.

The Division also notes that HB 1250 would require the Division to issue regulations. The Division respectfully requests that the “shall” on page 10 in line 11 be changed to “may.”

Ultimately, HB 1250 aims to protect Marylander chatbot users, especially children, from the harms of companion chatbots. As such, the Division supports the goals of HB 1250, but respectfully requests that the Economic Matters Committee adopt the above recommendations.

Cc: Delegate Lily Qi
Delegate Derrick Coley
Delegate Kris Fair
Delegate April Miller
Delegate Pam Queen
Delegate April Rose
Delegate Chris Tomlinson
Members, Economic Matters Committee