

# **HB1261 Testimony - Economic Matters Committee 3.03**

Uploaded by: Ben Yelin

Position: FAV

## **Testimony in Support of HB1261: Consumer Protection – Artificial Intelligence Toys (Artificial Intelligence Toy Safety Act)**

Date: March 3, 2026

Committee: Economic Matters

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

Thank you for the opportunity to submit testimony in strong support of HB 1261, the Artificial Intelligence Toy Safety Act. My name is Ben Yelin, and I serve as 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, I have focused my research on the intersection of artificial intelligence (AI), data governance, and state-level regulatory mechanisms that protect consumers—especially children—from emerging technological risks.

### **The Need for Protective Legislation**

Consider the scenario where a parent purchases a GPT-powered teddy bear for their child, only to discover later that the toy shares sexually explicit content when prompted and provides dangerous advice, such as directions to find sharp knives in the home. Equally alarming is learning that the child’s plush toy has been transmitting private conversations to a publicly accessible web portal. As a father of two young children, ages nine and six, these examples are both bizarre and deeply disturbing.

The Maryland General Assembly now has the opportunity to enact a groundbreaking bill to prevent AI-enabled toys from harming children. HB 1261 stands out as a thoughtful and forward-looking framework at the state level for addressing the unique risks posed by AI-enabled toys. These products increasingly feature adaptive content, behavioral modeling, and conversational interfaces that blur the line between entertainment and emotional influence. HB 1261 responds directly to these challenges by establishing clear safety requirements, robust data protection rules, and meaningful state oversight.

### **Protecting Children from Harmful or Manipulative AI-Generated Content**

Child safety must remain the central focus of any policy involving consumer AI technologies. Unlike traditional digital content, AI-enabled toys generate new and personalized responses that can adapt to a child’s behavior or emotional state over time. HB 1261 prohibits these systems from producing:

- Violent content

- Sexually explicit material
- Emotionally manipulative or coercive dialogue
- Prompts encouraging children to access third-party online platforms or services

These restrictions align with scientific consensus that adaptive AI content can shape emotional development, influence decision-making, and alter socialization patterns in children. The bill requires age-appropriate filters, structured content moderation, and an automatic “safe mode” to neutralize harmful inputs, ensuring AI toys behave in a predictable, developmentally appropriate, and psychologically safe manner.

### **Ensuring Responsible Data Governance and AI Safety**

HB 1261 sets rigorous standards to protect children’s privacy and safety when using AI-enabled toys. Manufacturers are limited to collecting only essential data, must implement strong encryption, and are prohibited from selling or transferring children’s data. The bill also forbids using children’s data for unrelated AI training or targeted advertising. Parents have the right to review, download, delete, or disable data collection without impacting toy functionality. A 12-month data retention limit is enforced unless parents renew consent, promoting transparency and parental control.

Manufacturers must conduct pre-market child safety assessments, annual reviews, and additional evaluations after major AI changes, identifying risks and mitigation strategies. Toys must be clearly labeled as using AI, and safety summary reports must be made publicly available. This comprehensive approach empowers parents and regulators with oversight and ensures children’s toys remain safe, transparent, and developmentally appropriate.

### **Building State Capacity for Oversight and Accountability**

HB 1261 establishes the Artificial Intelligence Toy Safety Review Panel within the Office of the Attorney General’s Consumer Protection Division. This panel is tasked with monitoring compliance, conducting independent audits, and performing safety assessments, ensuring the law’s enforcement infrastructure is robust. Violations are categorized as unfair, abusive, or deceptive trade practices under the Maryland Consumer Protection Act, providing a strong legal backbone for enforcement. By embedding oversight within an experienced consumer protection body, Maryland positions itself as a national leader in responsible AI governance.

### **First Amendment and Constitutional Considerations**

The proposed amendments to HB 1261 strengthen its constitutional foundation by clarifying that the bill regulates product safety, data-collection practices, and operational design features—not speech. The addition of §14-5109 requires the subtitle to be construed as a consumer-protection and product-safety law, grounding the Act in the State’s authority to regulate dangerous children’s products. The amendments remove mandatory content-moderation requirements, replacing them with a design-based duty to mitigate foreseeable risks, ensuring the bill targets conduct rather than expression. This approach avoids strict First Amendment scrutiny and supports

established doctrine permitting states to regulate commercial practices, data governance, and product safety without affecting expressive content.

Further, the amendments clarify that nothing in the Act should be construed to regulate the content, viewpoint, or subject matter of speech, nor require manufacturers to monitor or moderate third-party user-generated content, thereby avoiding compelled speech concerns and protecting editorial discretion. Incorporation of 47 U.S.C. § 230 ensures the Act does not impose liability for third-party expression, protecting it from federal preemption challenges. The narrowed definition of “artificial intelligence toy” focuses on physical, child-directed products with embedded AI and data-processing capabilities, tightly tailoring the law to the compelling state interest of protecting children from documented harms such as data breaches, exposure to inappropriate content, and manipulative or dangerous interactions.

### **Conclusion**

As an academic studying the societal impacts of artificial intelligence, I strongly believe HB 1261 is both prudent and necessary. AI-equipped toys present unprecedented opportunities and risks. Maryland has the chance to adopt a gold-standard framework that:

- Protects children from harmful or manipulative AI behavior
- Safeguards their data and digital autonomy
- Increases transparency and parental control
- Ensures accountability for manufacturers
- Establishes state capacity to evaluate and audit emerging technologies

For these reasons, I respectfully urge the Committee to issue a FAVORABLE report on HB 1261.

Thank you for your time and for your commitment to safeguarding Maryland’s children in the age of artificial intelligence.

# **Delegate Coley House Bill 1261 Testimony Final.pdf**

Uploaded by: Derrick Coley

Position: FAV

DERRICK COLEY  
Legislative District 24  
Prince George's County

Ways and Means Committee

*Subcommittees*

Child Care

Gaming

Legislative Black Caucus of Maryland



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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**Maryland General Assembly – 2026 Session**

**Testimony of Derrick L. Coley- District 24**

**Support of House Bill 1261**

Good afternoon Honorable Chair Delegate Joseline Peña-Melnyk Valderrama, Honorable Vice Chair Delegate Lorig Charkoudian, and Esteemed Members of this Committee. **Thank you for the opportunity to present House Bill 1261.**

I respectfully submit this testimony in strong support of House Bill 1261.

**House Bill 1261** establishes clear consumer protection standards for artificial intelligence-enabled companion toys marketed to children. The bill advances transparency, accountability, and responsible safeguards surrounding the collection and use of children's data. As emerging technologies become more integrated into family life, it is essential that Maryland provide a thoughtful statutory framework that prioritizes child safety while supporting innovation.

**First, HB 1261** strengthens child safety protections in an evolving technological marketplace. Maryland has a long history of protecting children through strong consumer safety standards, enforcement of hazardous product recalls, and strict compliance with federal toy safety laws. AI-enabled toys introduce new categories of risk, including biometric data collection, persistent audio recording, algorithmic personalization, and simulated social attachment. These features warrant clear guardrails to ensure children are not exposed to preventable harm.

**Second, the bill** promotes transparency and informed parental decision-making. Maryland is home to more than 1.3 million children, representing nearly one in five residents of the State. National data shows nearly half of parents have purchased or considered purchasing an AI-enabled toy. Popular products currently on the market; including Miko 3, Kumma, Gabbo, Loona Robot Dog, and Roybi Robot; utilize artificial intelligence to engage children conversationally and, in some cases, collect user data. Parents deserve clear disclosures

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regarding data collection practices, biometric use, storage policies, and content safeguards so they can make informed choices for their families.

**Third, HB 1261** establishes reasonable safeguards around sensitive data and emerging AI functionalities. Some AI companion toys use facial recognition technology, video recording capabilities, or adaptive learning systems that personalize responses based on user interaction. Children do not understand data retention policies. Children do not understand biometric identifiers. They do understand trust and attachment. When a product is marketed as a trusted companion or friend, the State has a responsibility to ensure appropriate consumer protections are in place.

**Fourth, the legislation** balances innovation with responsible governance. This bill does not apply to general household devices such as Amazon Echo, Apple iPad, Sony PlayStation 5, or Microsoft Xbox Series X. It does not regulate standard educational software or classroom learning management systems that are not marketed or designed as AI companion toys for children. Instead, HB 1261 narrowly focuses on products specifically designed to function as interactive AI companions for minors. This targeted approach encourages technological advancement while ensuring accountability where heightened risk exists.

**Lastly, HB 1261** positions Maryland as a national leader in forward-looking consumer protection policy. We regulate cribs. We regulate car seats. We regulate lead paint. We do so because of prevention matters. By establishing transparency requirements and safeguards before widespread harm occurs, Maryland continues its tradition of proactive leadership in protecting children.

**For these reasons, I respectfully urge a favorable report on House Bill 1261.** This legislation represents a practical, balanced, and forward-looking step that protects Maryland families while supporting responsible innovation.

Thank you for your time and consideration.

**Maryland Catholic Conference\_FAVHB1261\_.pdf**

Uploaded by: Michelle Zelaya

Position: FAV



MARYLAND  
CATHOLIC  
CONFERENCE

March 3<sup>rd</sup> 2026

SB719

**Consumer Protection - Artificial Intelligence Toys (Artificial Intelligence Toy Safety Act)**  
**Economic Matters Committee**  
**Position: Favorable**

The Maryland Catholic Conference offers this testimony in support of **Senate Bill 719**. The Maryland Catholic Conference is the public policy representative of the three (arch)dioceses serving Maryland, which together encompass over one million Marylanders. Statewide, their parishes, schools, hospitals and numerous charities combine to form our state's second largest social service provider network, behind only our state government.

**Senate Bill 719** establishes guardrails that protect children's privacy, psychological well-being, and developmental safety. It requires AI-enabled toys to carry proper labeling, sets limits on how manufacturers may use the data collected from children, and prohibits the use of that data for targeted or manipulative marketing. These protections are critical at a time when children are interacting with smart devices capable of learning from, recording, and shaping their behavior.

This bill ensures that toys integrating artificial intelligence meet clear standards of safety, transparency, and responsible data practices. As AI becomes increasingly common in products marketed to children, this bill seeks to prevent unsafe, opaque, or manipulative technologies from entering the marketplace. It addresses a growing gap in consumer protection law by ensuring that families understand the capabilities of AI-driven toys and the nature of the data collected.

Children deserve environments that nurture their growth and respect their inherent worth—never spaces where they can be surveilled, profiled, or manipulated for profit. The preferential option for the vulnerable calls us to prioritize safeguards for those least able to protect themselves. Because children cannot recognize risks the way adults can, it becomes the responsibility of caregivers, policymakers, and society to ensure the environments we place them in—digital or physical—are safe. Protecting children's privacy and emotional well-being is essential to fostering healthy development. Early childhood is a sensitive period for cognitive growth, social learning, imagination, and trust-building.

Ensuring strong protections around AI-enabled toys acknowledges that childhood is a foundational stage of life. By safeguarding what children see, hear, and share, we preserve their innocence, strengthen their safety, and support their ability to explore and learn freely.

For these reasons, the Maryland Catholic Conference urges a favorable report on **Senate Bill 719**.

**MDCC\_HB 1261\_Unfavorable.pdf**

Uploaded by: Grason Wiggins

Position: UNF



## House Bill 1261

Date: March 3, 2026

Committee: Economic Matters

Position: **Unfavorable**

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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 we have significant concerns regarding HB 1261's current drafting. Specifically, the proposed definition of "Artificial Intelligence Toy" is too expansive. By including "any toy, device, or product sold to a consumer in the state that employs artificial intelligence, machine learning..." the language risks capturing a far broader range of products than likely intended.

The requirement that manufacturers conduct child AI safety assessments for every AI toy produced, distributed, imported, or sold in Maryland—combined with the bill's sweeping definition—would create substantial compliance obligations for businesses operating in the state.

HB 1261 also mandates that AI toys incorporate age-appropriate filters and content moderation tools. However, numerous content filtering and blocking solutions—both free and subscription-based—are already available to consumers. These tools, offered as standalone services or integrated features across various technologies, provide families with meaningful options to manage access to inappropriate or unlawful content.

Additionally, HB 1261 appears to conflict with Maryland's existing data breach notification law by requiring disclosure within 48 hours, even in cases of suspected breaches. These overlapping standards are likely to generate confusion and complicate compliance efforts. The provision mandating public disclosure of AI testing results also raises concerns about the potential exposure of proprietary information, creating competitive disadvantages for companies.

Finally, the bill establishes a private right of action (PRA). In our view, such provisions often invite unnecessary litigation that primarily benefits parties in the litigation industry. Further, the proposed penalty framework and recall requirements would also impose considerable burdens on affected businesses. **For these reasons, the Maryland Chamber respectfully requests an unfavorable report on HB 1261.**

**PDF\_[MD] HB 1261\_AI toys\_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 1261 (Coley) - Consumer Protection - Artificial Intelligence Toys (Artificial Intelligence Toy Safety Act) - Unfavorable*

Dear Chair Valderrama and Members of the Committee,

On behalf of TechNet, I'm writing to share comments on HB 1261.

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 AI toys. However, we have concerns with the current language.

The definition of "Artificial Intelligence Toy" is overly broad and overinclusive by including language "any toy, device, or product sold to a consumer in the state that employs artificial intelligence, machine learning...". We are concerned this definition will sweep in more products than intended.

Regarding parental consent, this bill assumes all children and teens can obtain the required consent. Moreover, the bill requires AI toys to include age-appropriate filters and content-moderation mechanisms. Currently, there are many paid and free content filtering and blocking solutions available to the public that enable consumers to protect their families from illegal or inappropriate content. These solutions are widely available as both integrated and independent solutions for a wide range of technologies.

Requiring manufacturers to conduct child AI safety assessments for each AI toy produced, distributed, imported, or sold in the state, coupled with the wide net this bill casts for regulating AI toys, will lead to significant compliance burdens for businesses operating in Maryland.

HB 1261 also conflicts with the state's existing data breach statute and requires 48 hour disclosure even for suspected data breaches. These conflicting requirements will lead to confusion for businesses as they attempt to comply with this law. By requiring public disclosure of the testing results for AI tools, businesses risk exposing their trade secrets and this provision is inherently anti-competitive.

Finally, HB 1261 also provides for a private right of action (PRA). We believe that PRAs lead to frivolous lawsuits and only benefit a subset of industry operating in the litigation space. We believe that any enforcement should rest solely with the Attorney General. Additionally, the fine structure, as well as the recall requirements, will be onerous for businesses. For the reasons stated above, TechNet is opposed to HB 1261 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 1261.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 1261 - "Artificial Intelligence Toy Safety Act" (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 1261 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.<sup>1</sup> Proposed regulations on the intrastate provision of digital services therefore can have a significant, nationwide impact on CCIA members.

CCIA firmly believes that children are entitled to security and privacy online. Our members have designed and developed parental tools to individually tailor younger users' online use to their developmental needs. For example, various services allow parents to set time limits, provide enhanced privacy protections by default for known child users, and other tools allow parents to block specific sites entirely.

While we share the Legislature's commitment to ensuring the safety and privacy of Maryland's youth, the bill as currently drafted creates an unworkable regulatory framework that would stifle innovation, jeopardize security, and burden both consumers and businesses.

### **HB 1261's definition of "artificial intelligence toy" is overly broad.**

HB 1261 would sweep in far more than lawmakers likely intend for a bill called the "Artificial Intelligence Toy Safety." A primary concern lies in the bill's expansive proposed definition of an "artificial intelligence toy." By encompassing any product or device sold to a consumer in the state that utilizes machine learning or artificial intelligence, without refining or clarifying these terms further, the legislation casts an unnecessarily wide net. This overinclusive language fails to distinguish between complex interactive systems and basic consumer electronics that use automated processes for routine functions, creating significant regulatory uncertainty for a vast array of common household products.

### **The bill conflicts with state data breach laws and proprietary interests.**

The proposed AI toy safety assessments, "following any significant change made to the AI features of an AI toy" — with "significant change" undefined — would entail burdensome and unclear compliance burdens, and conflict with existing industry practice on online safety.

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<sup>1</sup> 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>.



Insofar as there is work occurring in this space, it should incorporate the existing consensus. 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 recently published 2025 international standard.<sup>2</sup>

HB 1261 would also create significant friction with Maryland’s established data breach statute under the Personal Information Protection Act (PIPA) by requiring notification within 48 hours, even for suspected incidents, in contrast with PIPA’s standard of “as soon as reasonably practicable, but not later than 45 days after the business discovers or is notified of the breach.”<sup>3</sup> Such a compressed timeline leads to inaccurate reporting and may result in sensitive youth privacy information being exposed inadvertently to avoid potential liability.

Additionally, the mandate to publicly disclose testing results for AI tools would force companies to reveal the inner workings of their technology, risking exposing trade secrets and proprietary information to global competitors.

**HB 1261 bill’s private right of action would result in the proliferation of frivolous lawsuits and lead to onerous penalties.**

The bill’s proposed remedies include a civil penalty up to \$50,000 per violation, as well as enforcement under the Maryland Consumer Protection Act, which includes a private right of action. Creating a new private right of action would open the doors of state courthouses to plaintiffs advancing frivolous claims with little evidence of actual injury. As lawsuits prove extremely costly and time-intensive, it is foreseeable that these costs would be passed on to individuals in Maryland, disproportionately impacting smaller businesses and startups across the state.

Enforcement of consumer protection laws should remain the exclusive purview of the Attorney General to ensure consistent and fair application of the law. Moreover, the proposed fine structure and the broad authority to mandate product recalls are disproportionate and would impose an unsustainable financial burden on retailers and the digital services industry.

\* \* \* \* \*

CCIA supports sensible AI governance and protections for minors. However, HB 1261 goes beyond these goals, introducing mandates that would make Maryland a difficult environment for technological innovation. For these reasons, we urge an unfavorable report on HB 1261.

Sincerely,

Megan Stokes  
State Policy Director  
Computer & Communications Industry Association

<sup>2</sup> ISO/IEC 25389:2025, *Information technology – The safe framework* (Edition 1, June 2025), <https://www.iso.org/standard/90106.html>.

<sup>3</sup> See, e.g., Personal Information Protection Act, Md. Code Ann., Com. Law §14–3504 (West 2022).

# **HB 1261 CPD Letter of Information.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 1261 – Consumer Protection – Artificial Intelligence Toys  
(Artificial Intelligence Toy Safety Act)  
(LETTER OF INFORMATION)

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The Consumer Protection Division of the Office of the Attorney General (the “Division”) submits this letter of information regarding House Bill 1261 (“HB 1261”). House Bill 1261 requires developers of artificial intelligence toys to implement certain protections and creates an Artificial Intelligence Toy Safety Review Panel within the Division.

While the Division is not taking a position on the merits of HB 1261, the Division notes that the bill establishes a data minimization standard that is different from the data minimization standard applied to children’s data in the Maryland Online Data Privacy Act (MODPA). Creating multiple standards that are similar, but not identical, can create confusion regarding the applicable minimization standard. The Division recommends replacing page 5, lines 11-14 with the children’s data minimization standard found in MODPA:

A [manufacturer] may not, except where the collection or processing is strictly necessary to provide or maintain a specific product or service requested by the [user] to whom the personal data pertains, collect, process, or share [child user data] concerning a consumer.<sup>1</sup>

HB 1261 also establishes an Artificial Intelligence Toy Safety Review Panel within the Division. This type of review panel requires technical specialization and its mission – review of product safety – differs from that of the Division – prosecution of unfair or deceptive trade practices. The blending of missions, combined with a lack of the necessary technical expertise, suggests that the Division may not be the most appropriate placement for the review panel.

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<sup>1</sup> Md. Code Ann., Com. Law § 14-4707(a)(1). Under MODPA, children’s data is sensitive data. *Id.* at 4701(gg)(3).

The Division asks the Economic Matters Committee to consider the concerns discussed above when it considers HB 1261.

Cc: Delegate Derrick Coley  
Delegate Marlon Amprey  
Delegate Bernice Mireku-North  
Delegate Cheryl E. Pasteur  
Delegate Denise Roberts  
Delegate Mike Rogers  
Delegate Malcolm P. Ruff  
Delegate Chris Tomlinson  
Delegate Jheanelle K. Wilkins  
Delegate Greg Wims  
Delegate Caylin Young  
Members, Economic Matters Committee