

ALL EYES ON AI: REGULATORY, LITIGATION, AND TRANSACTIONAL DEVELOPMENTS

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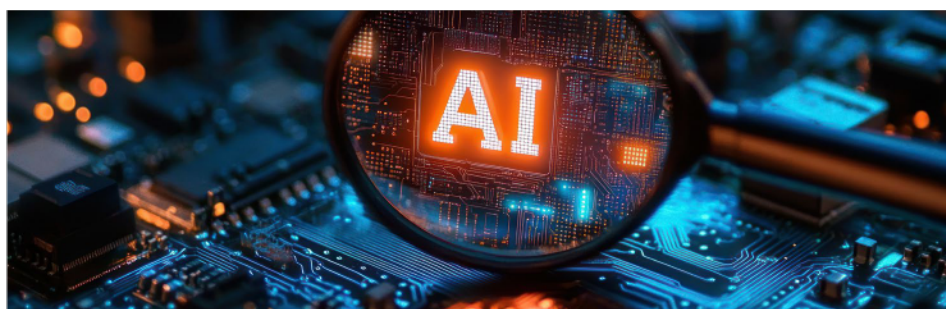
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FTC Issues Proposed Order Against Company for Misleading Claims About Its AI Content Detection Product



On April 28, 2025, the Federal Trade Commission (FTC) issued a [proposed order](#) against Workado, LLC (Workado) for its alleged misrepresentations concerning its product, the "AI Content Detector." According to the [complaint](#), Workado advertised its product as detecting with 98 percent accuracy whether online content was written by generative artificial intelligence (AI) technology or a human and claimed that its product was trained on a large volume of material that included blog posts and Wikipedia articles. In fact, the model was trained on abstracts of scholarly works and only had a 53 percent accuracy rate when used to evaluate non-academic content.

Among other things, the proposed order prohibits Workado from making misleading representations about its product's ability to detect content created by generative AI technology. Workado may only make such representations about its product's effectiveness if it relies upon "competent and reliable evidence" to substantiate its claims, and the company must preserve all underlying data and documents relevant to the "competent and reliable evidence." The proposed order also requires Workado to send a notice to eligible customers informing them about the settlement.

Utah Enacts Mental Health Chatbot Law

On March 25, 2025, Utah Governor Spencer Cox signed [HB 452](#), which establishes new rules for the use of AI mental health chatbots accessible to any "Utah user," defined as, "an individual located in the state at the time the

individual accesses or uses a mental health chatbot."

HB 452 defines a "mental health chatbot" as AI technology that meets two criteria. First, the technology must use generative

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AI to engage in interactive conversation with users similar to the confidential communications an individual would have with a licensed mental health therapist. Second, the “supplier” of the chatbot must represent, or a reasonable person would have to believe, that the chatbot “can or will provide mental health therapy or help a user manage or treat mental health conditions.”

With some exceptions, HB 452 prohibits mental health chatbot suppliers from “selling” or “sharing” of Utah users’ identifiable health information and

user input. The law also requires suppliers to disclose that the chatbot is AI (and not a human), both at the start of any interaction with a user (depending on when the user last accessed the chatbot) and anytime a user explicitly asks whether AI is being used. Suppliers of mental health chatbots are also prohibited from using mental health chatbots to engage in targeted advertising based on user input, or to advertise specific products or services to users *unless* the chatbot clearly identifies the communication as an advertisement and discloses any business affiliations or

sponsorships the chatbot supplier may have with the advertiser.

Violations of HB 452 are enforced by the Utah Division of Consumer Protection and can result in fines of up to \$2,500 for each violation, disgorgement, and attorney’s fees, among other remedies. HB 452 does provide suppliers of mental health chatbots an affirmative defense against certain allegations if the supplier maintains certain documentation, including a written policy that is filed with the Utah Division of Consumer Protection.

Utah Amends Artificial Intelligence Policy Act (AIPA)

In March 2025, Utah Governor Spencer Cox signed [SB 226](#) and [SB 332](#), which both amend Utah’s [Artificial Intelligence Policy Act \(AIPA\)](#).

SB 226 limits the mandatory disclosure requirements of the AIPA by only requiring the generative artificial intelligence (genAI) disclosure in two circumstances: 1) when a supplier uses genAI to interact with an individual in connection with a consumer transaction and the individual clearly and unambiguously asks whether they are interacting with genAI, and 2) when an individual provides services in a “regulated occupation” as part of a “high-risk artificial intelligence interaction,” which is defined as an interaction with genAI that involves the collection of sensitive personal information (e.g., health data) or the provision of personalized recommendations, advice, or information that could reasonably be relied upon to make significant personal decisions (e.g., the provision of legal advice or services). The AIPA previously required disclosures even where the



individual’s question was not clear and unambiguous and required disclosure if genAI was used at all to interact with individuals as part of providing regulated services.

SB 226 also establishes liability for violations of consumer protection laws involving AI and provides a safe harbor to AI suppliers who provide clear and conspicuous disclosures to consumers by alerting them to

engagement with AI at the outset and throughout any interaction related to consumer transactions or the provision of regulated services. Violations of SB 226 are enforced by the Utah Division of Consumer Protection and can result in fines of up to \$2,500 for each violation, disgorgement, and attorney’s fees, among other remedies. SB 332 extends the AIPA’s initial repeal date of May 7, 2025, to July 1, 2027.