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Testimony of Representative Amy D. Kuhn introducing

LD 1727, An Act to Ensure Transparency in Consumer Transactions Involving Artificial Intelligence

Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services

Senator Bailey, Representative Mathieson and distinguished members of the HCIFS Committee, my name is Amy Kuhn, and I proudly represent most of Falmouth in House District 111. It is a pleasure to be with you today to introduce **LD 1727, An Act to Ensure Transparency in Consumer Transactions Involving Artificial Intelligence**.

This legislation addresses an important and timely issue in consumer protection: the increasing use of Artificial Intelligence (AI) chatbots and similar technologies in commercial interactions, and the need to ensure that consumers are aware of whether they are interacting with a human or an automated system.

Today, AI-powered chatbots are in widespread use in consumer contexts, including retail, customer service, health care, financial services and beyond. In some cases, these bots are programmed to engage in conversations that are strikingly humanlike, carrying on conversations in ways that can lead users to believe they are speaking with a real person, even provoking emotional responses and creating the illusion of empathy.¹ As psychologists have recognized, “It is a universal tendency to assign or impute human emotional, cognitive, and behavioral qualities to nonhuman creatures and things... Built with human-like features that present themselves as having cognitive and emotional abilities that they do not actually possess, [chatbot] design can dupe us into overtrusting them, overestimating their capabilities, and wrongly treating them with a degree of autonomy that can cause serious moral confusion.”²

Currently, the lack of required disclosures when one is interacting with a bot versus a human is leading to significant opportunities for deception and abuse. In routine consumer transactions, bots can be used to subtly guide user behavior, whether it’s encouraging continued engagement or promoting product purchases. For example, Reuters has reported that during the 2024 holiday

¹ You can explore anthropomorphic bots on charcaterai: www.character.ai

² The Danger of Dishonest Anthropomorphism in Chatbot Design:
<https://www.psychologytoday.com/us/blog/virtue-in-the-media-world/202401/the-danger-of-dishonest-anthropomorphism-in-chatbot-design>

season, chatbots helped drive a 4% year-over-year increase in US online sales.³ Or, consider the fast food chain Wendy's use of a drive through chatbot, collecting the consumer's words as well as characteristics about the individual such as gender, age, weight, height and more, in order to further tailor the bot's future customer service interactions with that customer.⁴

Beyond routine online commerce, in the context of licensed professionals, like a medical expert or a financial advisor, the risk of harm from interacting with a non-disclosed bot is more substantial. For example, many people now rely on chatbots for mental health support, including therapy, which can and has led to serious negative outcomes including violence and self-harm.⁵

LD 1727 addresses the need for greater transparency in consumer transactions by setting clear standards. Businesses must clearly and conspicuously notify consumers when they are interacting with an artificial intelligence chatbot or any non-human system when a consumer might reasonably believe they are engaging with a human being. The bill ties violations of the law to the Maine Unfair Trade Practices Act, grounding it in Maine's well-established consumer protection framework, which is designed to prevent deception, fraud and unfair practices in the marketplace.

Importantly, this bill does not ban the use of AI in consumer transactions. Instead, it promotes transparency, ensuring that AI tools are used in ways that respect the intelligence and autonomy of Maine consumers and uphold trust in commerce, a value especially important in Maine's many small businesses and local service providers, where personal interaction is often expected and valued.

Since 2019, states have been regulating in this area, often with strong bipartisan support, in order to address the critical issues raised around trust, consent and the potential for exploitation.⁶ If consumers know they are dealing with a computer, rather than a human, they can exercise heightened skepticism about what they are being told and sold. LD 1727 is a common-sense measure that strengthens Maine's consumer protection laws in light of new technological realities.

Thank you for the opportunity to present this bill. I would be happy to answer any questions and will return for the work session to address any concerns that may be identified today.

³ The Danger of Dishonest Anthropomorphism in Chatbot Design:

<https://www.psychologytoday.com/us/blog/virtue-in-the-media-world/202401/the-danger-of-dishonest-anthropomorphism-in-chatbot-design>

⁴ Can I take your order – and your data? The hidden reason retailers are replacing staff with AI bots:

<https://theconversation.com/can-i-take-your-order-and-your-data-the-hidden-reason-retailers-are-replacing-staff-with-ai-bots-229202>

⁵ "Chatbots powered by artificial intelligence are increasingly being used for therapy, even though most aren't designed to provide clinical care": <https://www.washingtonpost.com/business/2024/10/25/ai-therapy-chatgpt-chatbots-mental-health/>

⁶ State Lawmakers Propose Regulating Chatbots: <https://www.multistate.ai/updates/vol-46>