

New Calif. Chatbot Bill May Make AI Assistants Into Liabilities

By **Jennie VonCannon, Matthew Ferraro and Jacob Canter** (October 2, 2025, 5:15 PM EDT)

Imagine that you run a hotel. To improve revenue, you want to generate more business through your website without having to hire additional staff.

So you decide to use a chatbot. But this is not just any chatbot: It is a virtual concierge. This virtual concierge will offer customers an engaging experience by providing accurate booking information and promoting additional amenities with a chatty, conversational personality.

Guests will not just be able to book hotel rooms easily; they will also be able to ask questions about their travel needs and be given recommendations to ensure a memorable vacation.

The concierge will even remember repeat guests, inquiring about their prior stays and adding a personalized touch to the interactions.

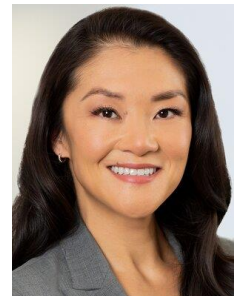
You hope that guests will like the concierge so much that they'll want to keep the conversation going, potentially choosing to book a longer stay or purchase premium accommodations — increasing engagement and revenue.

Before you decide to deploy this chatbot, you should know that a new California bill may turn this impressive sounding virtual assistant into a serious legal liability.

California Gov. Gavin Newsom has until Oct. 12 to sign into law a first-in-the-nation bill that could, if enacted, impose significant regulatory obligations and litigation risk on companies deploying AI chatbots in California.

In early September, California's Assembly and State Senate adopted S.B. 243.[1] This bill aims to regulate companion chatbots by targeting AI systems that engage users in ongoing, human-like social interactions.

While its authors intend for the law to address risks associated with emotionally engaging chatbots targeting children, the bill's definition of "companion chatbot" may cover more ground — potentially capturing website chatbots and virtual assistants that serve a variety of seemingly innocuous purposes.



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The Broad Definition of "Companion Chatbot"

S.B. 243 defines "companion chatbot" as an AI system with "a natural language interface that provides adaptive, human-like responses to user inputs and is capable of meeting a user's social needs, including by exhibiting anthropomorphic features and being able to sustain a relationship across multiple interactions."

The law expressly excludes bots "used only for customer service, a business's operational purposes, productivity and analysis related to source information, internal research, or technical assistance."

The bill's sponsors say they drafted the law specifically to protect children from the deleterious effects of ongoing social communication between minors and AI companions.

For example, California State Sen. Steve Padilla, SD-18, explained that "it is our responsibility to ensure" that the widespread deployment of artificial intelligence chatbots "doesn't come at the expense of our children's health." [2] He cited wrenching cases where teens committed suicide after allegedly developing emotional relationships with chatbots.

Likewise, Sen. Josh Becker, SD-13, said that the bill "strikes the right balance — requiring clear chatbot disclosures, crisis intervention protocols, and annual mental health risk reports for young users" to ensure innovation "without compromising child safety." [3]

But the bill's language goes beyond the sponsors' stated purposes. If a chatbot's use extends beyond these exclusions — such as by engaging users in ongoing dialogue, offering personalized recommendations, or supporting social and emotional needs — it could fall within the law's scope.

Put another way, many bots may be primarily used for an excepted purpose, such as for customer service, but also in a manner "capable of meeting a user's social needs," thereby falling within the ambit of the bill.

Potential Examples of Covered Chatbots

To understand the bill's breadth, consider the hotel chatbot example. The virtual concierge's primary purpose is to help book guests in hotels, which likely falls within the exception for customer service or furthering a business' operational purposes.

However, is that the only purpose of the chatbot? At this point, it is hard to say — particularly given that the product will seek to increase user engagement through a congenial personality and remembering repeated guests, which could constitute meeting their social needs.

There are other examples of chatbots that may technically fall within S.B. 243's ambit, even if that were not the drafters' intentions.

Website Chatbots With Persistent Profiles

Many companies deploy chatbots that remember previous user interactions, offer personalized greetings and provide tailored recommendations.

If these bots maintain ongoing relationships or appear friendly, they could be considered companion chatbots.

Customer Engagement Bots Offering Emotional Support

Some brands use chatbots to check in on users, offer wellness tips or provide encouragement. These bots may go beyond customer service and meet users' social or emotional needs.

Virtual Shopping Assistants

E-commerce sites increasingly use AI assistants that help users navigate complex choices, remember preferences and engage in multi-session dialogues.

If the assistant's interaction feels anthropomorphic or relationship-building, the AI assistant may be covered by S.B. 243.

Financial Wellness Bots

Some banks and fintech firms offer bots that help users design investment strategies, manage stress, set goals and provide ongoing motivational feedback.

If these chatbots sustain relationships and meet social needs, they may be covered.

Education Platforms With "Study Buddy" Chatbots

Some online learning platforms use chatbots that support students emotionally, encourage persistence and maintain ongoing dialogue. These bots could qualify as companion chatbots.

In short, the way the proposed law is drafted, it will potentially cover chatbots that serve a primarily business purpose so long as they can be used for an ancillary social or "companion" purpose. For companies that want to encourage their customers to engage in ongoing conversations with AI assistants, the risk of falling within S.B. 243 is material.

Potentially Significant Litigation Risk and Liability Exposure

S.B. 243 requires operators of companion chatbots to comply with disclosure, notice and regulatory reporting obligations.

When the chatbot operator knows that the chatbot user is a minor, the operator must disclose to the user that he or she is interacting with AI, remind the user every three hours to take a break from the bot, and institute reasonable measures to prevent the chatbot from producing visual material of sexually explicit conduct or engaging in certain explicit conversations.

In some cases, companion chatbot operators must build protocols to limit certain types of dangerous conversations — for example, those that relate to suicidal ideation, suicide or self-harm — with the chatbot.

The operator must also report annually to the California Office of Suicide Prevention, beginning in July

2027, on its deployment of these protocols, and must post those reports publicly.

Critically, S.B. 243 also allows private lawsuits against operators for violations, with damages set at the greater of actual damages or \$1,000 per violation, plus attorney fees and costs. Thus, individual consumers can sue operators and developers, and damages could be substantial.

Moreover, such lawsuits could invite the risk of not just consumer class actions, but also enforcement actions brought by the state attorney general or other executive offices. This is especially so given that state attorneys general nationwide have expressed concerns about the use of chatbots, and the Federal Trade Commission has launched an inquiry into AI chatbots acting as companions.[4]

Other states may also follow California in passing AI chatbot laws. Some states, including Maine[5] and Utah,[6] already have narrowly tailored laws related to specific chatbots, and other states are considering more expansive regulations.[7] California has a long history of leading a charge in protective consumer legislation that other states follow.

Accordingly, this law could create substantial risk for companies whose chatbots might fall within the definition of "companion chatbots," especially if the chatbot's functions are not strictly limited to customer service, operational or technical support.

Plaintiff attorneys may argue that any chatbot exhibiting anthropomorphic features or sustaining a relationship across multiple interactions meets the definition, exposing businesses to potentially costly litigation and compliance burdens.

Strong Bipartisan Support Not a Guarantee That S.B. 243 Will Become Law

S.B. 243 passed with overwhelming bipartisan support: 33 votes to 1 in the Senate and 59 to 1 in the Assembly.

California lawmakers' concerns about the impact of AI chatbots on children's health coincides with rising national awareness of tragic cases of teens committing suicide after interacting with bots, and federal regulatory agencies' growing attention to this issue.[8]

But Newsom's signature is not assured. Opponents of the bill include the Computer and Communications Industry Association, which warned before the bill's adoption by the Legislature that its "broad scope could impose costly requirements even on AI tools that are not designed to act like human companions or engage users in personal conversations." [9]

Other advocacy groups, like the Tech Oversight Project, have panned the bill as "worse than doing nothing." [10]

Recommended Actions

If S.B. 243 becomes law, its requirements would go into effect on July 1, 2027. To meet these requirements, or to limit the risk of liability even if it does not now become law, companies operating chatbots in California should:

- Review all current and planned chatbot deployments for features that could be interpreted as companion functions;
- Consider limiting chatbot functionality or clearly documenting its primary purpose as customer service or technical support; and
- Monitor regulatory developments and prepare for compliance with notification, reporting and audit requirements if covered.

Bottom line: The broad definition of "companion chatbot" in S.B. 243 means that many websites and chatbots could be swept into the law's scope, exposing companies to private actions and significant damages.

And given the nationwide scrutiny of the dangers of chatbots, even if S.B. 243 is not signed into law, the risks and companies' obligations to manage those risks remain. Careful review and proactive compliance planning are essential.

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[1] See S.B. 243, available at https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB243 (last viewed Sept. 23, 2025).

[2] See Sen. Padilla Press Release, available at <https://sd18.senate.ca.gov/news/california-legislature-passes-first-nation-ai-chatbot-safeguards> (last viewed Sept. 23, 2025).

[3] See Sen. Becker, available at <https://sd13.senate.ca.gov/news/newsletters/july-28-2025/creating-change-july-2025> (last viewed Sept. 23, 2025).

[4] See FTC Press Release, available at <https://www.ftc.gov/news-events/news/press-releases/2025/09/ftc-launches-inquiry-ai-chatbots-acting-companions> (last viewed Sept. 23, 2025).

[5] See Maine H.P. 1154-L.D. 1727, available at <https://legislature.maine.gov/legis/bills/getPDF.asp?paper=HP1154&item=3&snum=132> (last viewed Sept. 23, 2025).

[6] See Utah H.B. 452, available at <https://le.utah.gov/~2025/bills/static/HB0452.html> (last viewed Sept. 23, 2025).

[7] See NY State Assembly Bill A222A, available at <https://www.nysenate.gov/legislation/bills/2025/A222/amendment/A> (last viewed Sept. 23, 2025).

[8] See NY Times, "A Teen Was Suicidal. ChatGPT Was the Friend He Confided In," available

at <https://www.nytimes.com/2025/08/26/technology/chatgpt-openai-suicide.html> (last viewed Sept. 23, 2025).

[9] See CCIA Notice, available at <https://ccianet.org/news/2025/07/ccia-to-testify-against-californias-sb-243-on-ai-chatbot-disclosures-citing-legal-and-innovation-risks/> (last viewed Sept. 23, 2025).

[10] See The Sacramento Bee, "'Worse than doing nothing': Online safety advocates slam changes to AI chatbot bill," available at <https://www.sacbee.com/news/politics-government/capitol-alert/article312071911.html> (last viewed Sept. 23, 2025).