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June 12, 2025

The Honorable Thomas Umberg
Chair, Senate Judiciary Committee
1021 O Street, Room 3240
Sacramento, CA 95814

Dear Chair Umberg, Vice Chair Niello, and Members of the Judiciary Committee,

The Consumer Technology Association (CTA) submits this letter in formal opposition to Assembly Bill 1018 and Assembly Bill 412. We urge the Committee to reject these measures, as they threaten to undermine California's leadership in artificial intelligence (AI) innovation while failing to deliver meaningful consumer protections.

As North America's largest technology trade association, CTA represents more than 1200 American companies—many headquartered in California—that collectively support over 18 million U.S. jobs. Our members include the world's most dynamic innovators, from pioneering startups to global enterprises, and we are the organizers of CES®, the world's most powerful technology event. CTA also produces a U.S. Innovation Scorecard, highlighting which states best champion smart policies for tech startups across 11 distinct categories. Enactment into law of AB 1018 and AB 412 will likely lower California's ranking as a state friendly to innovation as we include new technologies like AI in future scorecards.

AI stands as one of the most transformative technologies of this century, and California's ecosystem has been instrumental in its advancement. We firmly believe AI must be developed responsibly—with safety, fairness, and accountability as guiding principles. Unfortunately, AB 1018 and AB 412 would achieve the opposite: stifling innovation, burdening businesses, and driving investment out of the state, all without substantively improving consumer protections.

AB 1018 claims to regulate high-risk AI applications, yet its sweeping definitions and expansive mandates would ensnare far more than its intended targets. The bill's vague terminology—including "high-risk artificial intelligence system," "artificial intelligence system," and "consequential decision"—would impose crushing compliance burdens on businesses far removed from high-risk AI use cases. Small enterprises, startups, and even non-tech firms leveraging AI tools would suddenly face existential legal and financial risks. The inevitable result? A mass exodus of innovation from California.

The bill's disclosure requirements introduce alarming privacy and security vulnerabilities. Mandating the public exposure of "personal characteristics" and proprietary AI decision-making processes risks exposing sensitive data to malicious actors—including foreign adversaries seeking to exploit American intellectual property. This is not responsible governance; it is an unforced error that would weaken both consumer privacy and national competitiveness.

More, AB 1018's third-party audit and impact assessment mandates are a recipe for corporate espionage. Requiring businesses to publicly publish detailed assessments of their AI systems would force the surrender of trade secrets to competitors, while the financial burden of compliance would disproportionately devastate startups.

Most troubling, however, is the bill's enforcement regime. Granting enforcement authority to a broad array of public entities—coupled with a private right of action and $25,000-per-violation penalties—creates a litigation minefield for any company operating in California. This is not a framework for responsible AI development; it is a blueprint for legal harassment that will drive entrepreneurs to more hospitable jurisdictions.

The second bill, AB 412, compounds these problems by imposing unworkable compliance obligations—particularly on small businesses—while inviting a deluge of frivolous lawsuits. Worse, it seeks to regulate AI training data in haste, disregarding the fact that AB 2013—California's existing AI transparency law—has yet to take effect. Premature, redundant legislation is not just unnecessary; it is reckless.

The bill's requirement that businesses catalog all potential copyright holders in AI training datasets is a logistical impossibility. For startups, the cost of compliance would be prohibitive, and the threat of litigation would serve as an existential deterrent. The result? California's brightest AI innovators will relocate to states—or nations—with more rational regulatory climates.

AB 412 also risks violating federal copyright law and constitutional principles. Training AI models on copyrighted data is likely protected under fair use, a matter currently being litigated in federal courts. By attempting to create a state-level copyright enforcement mechanism, AB 412 encroaches on federal jurisdiction, inviting legal chaos rather than clarity.

California's leadership in AI is not an accident—it is the product of a thriving innovation ecosystem. AB 1018 and AB 412 jeopardize that ecosystem without offering commensurate benefits. We urge the Committee to reject these bills and instead pursue a regulatory approach that balances accountability with the imperative of technological progress.

We stand ready to collaborate on policies that foster responsible AI development while preserving California's competitive edge. Thank you for your consideration.

Sincerely,

CONSUMER TECHNOLOGY ASSOCIATION

/s/ Michael Petricone
Michael Petricone
Senior Vice President, Government Affairs

/s/ J. David Grossman
J. David Grossman
Vice President, Policy & Regulatory Affairs