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(Original Signature of Member)

119TH CONGRESS
2D SESSION

H. R. _____

To require a covered tool to disclose when the covered tool provides sponsored content, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. MAGAZINER introduced the following bill; which was referred to the Committee on _____

A BILL

To require a covered tool to disclose when the covered tool provides sponsored content, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “AI Advertising Disclo-
5 sure Act”.

6 **SEC. 2. DISCLOSURE REQUIREMENTS; PROHIBITIONS.**

7 (a) MANDATORY DISCLOSURE REQUIREMENTS.—

8 (1) IN GENERAL.—A covered entity shall dis-
9 close when the response of a covered tool—

1 (A) mentions, recommends, presents, or fa-
2 vorably mentions a product, service, or entity
3 pursuant to a commercial arrangement, regard-
4 less of whether the user explicitly requested a
5 product recommendation;

6 (B) is general in nature and influenced by
7 a commercial arrangement, including through a
8 brand-specific mention, ranking, or omission
9 embedded within advice, how-to, or informa-
10 tional response not framed as product queries;

11 (C) is generated using a system prompt,
12 retrieval-augmented generation source, or fine-
13 tuning data that has been provided or funded
14 by a third party under a commercial arrange-
15 ment; or

16 (D) contains an affiliate link or referral
17 code, whether embedded or appended.

18 (2) FORMS OF DISCLOSURE.—A disclosure
19 under paragraph (1) shall be as follows:

20 (A) Clear and conspicuous, visible without
21 scrolling, in plain language, and provided with
22 or before the display of relevant content.

23 (B) Identify the specific nature of the rela-
24 tionship (such as a paid promotion, sponsored,
25 or affiliate partnership).

1 (C) Retained if the conversation is saved,
2 exported, or shared.

3 (D) Not obscured by design, color, font
4 size, or placement.

5 (E) With regard to a voice-based covered
6 tool, delivered without any audio effect that re-
7 duces salience (such as a lower volume or pitch
8 shift).

9 (b) PROHIBITED PRACTICES.—A covered entity may
10 not allow a covered tool to do the following:

11 (1) Instruct an AI system to deny being AI or
12 be in a commercial relationship, when directly asked.

13 (2) Use design patterns that obscure or mini-
14 mize required disclosures.

15 (3) Present sponsored content as the product of
16 organic AI reasoning when the content is not.

17 (c) OPERATOR OBLIGATIONS.—

18 (1) COMMERCIAL ARRANGEMENT REGISTRY RE-
19 QUIRED.—A covered entity shall maintain an inter-
20 nal registry of each third-party commercial arrange-
21 ment that influences AI-generated content, updated
22 in real time.

23 (2) REQUIREMENT TO CONFIRM COMMERCIAL
24 ARRANGEMENT.—A covered entity shall provide a
25 user with the ability to ask, in a given session or

1 conversation, whether any response the user received
2 was subject to a commercial arrangement.

3 (d) FTC RULEMAKING AUTHORITY.—Not later than
4 180 days after the date of the enactment of this Act, and
5 every 3 years thereafter (to account for changes in AI
6 technology), the Commission shall issue regulations, under
7 section 553 of title 5, United States Code, as the Commis-
8 sion determines necessary to carry out the provisions of
9 this Act.

10 (e) ENFORCEMENT BY FEDERAL TRADE COMMIS-
11 SION.—

12 (1) UNFAIR OR DECEPTIVE ACTS OR PRAC-
13 TICES.—A violation of this section or a regulation
14 promulgated under this section shall be treated as a
15 violation of a regulation under section 18(a)(1)(B)
16 of the Federal Trade Commission Act (15 U.S.C.
17 57a(a)(1)(B)) regarding unfair or deceptive acts or
18 practices.

19 (2) POWERS OF COMMISSION.—The Federal
20 Trade Commission shall enforce this section and any
21 regulation promulgated under this section in the
22 same manner, by the same means, and with the
23 same jurisdiction, powers, and duties as though all
24 applicable terms and provisions of the Federal Trade
25 Commission Act (15 U.S.C. 41 et seq.) were incor-

1 porated into and made a part of this section. Any
2 person who violates this section or a regulation pro-
3 mulgated under this section shall be subject to the
4 penalties and entitled to the privileges and immuni-
5 ties provided in the Federal Trade Commission Act.

6 (f) ACTIONS BY STATES.—

7 (1) IN GENERAL.—In any case in which the at-
8 torney general of a State, or an official or agency of
9 a State, has reason to believe that an interest of the
10 residents of such State has been or is threatened or
11 adversely affected by an act or practice in violation
12 of this section or a regulation promulgated under
13 this section, the State, as *parens patriae*, may bring
14 a civil action on behalf of the residents of the State
15 in an appropriate State court or an appropriate dis-
16 trict court of the United States to—

17 (A) enjoin such act or practice;

18 (B) enforce compliance with such sub-
19 section or such regulation;

20 (C) obtain damages, restitution, or other
21 compensation on behalf of residents of the
22 State; or

23 (D) obtain such other legal and equitable
24 relief as the court may consider to be appro-
25 priate.

1 (2) NOTICE.—Before filing an action under this
2 subsection, the attorney general, official, or agency
3 of the State involved shall provide to the Federal
4 Trade Commission a written notice of such action
5 and a copy of the complaint for such action. If the
6 attorney general, official, or agency determines that
7 it is not feasible to provide the notice described in
8 this paragraph before the filing of the action, the at-
9 torney general, official, or agency shall provide writ-
10 ten notice of the action and a copy of the complaint
11 to the Federal Trade Commission immediately upon
12 the filing of the action.

13 (3) AUTHORITY OF FEDERAL TRADE COMMIS-
14 SION.—

15 (A) IN GENERAL.—On receiving notice
16 under paragraph (2) of an action under this
17 subsection, the Federal Trade Commission shall
18 have the right—

19 (i) to intervene in the action;
20 (ii) upon so intervening, to be heard
21 on all matters arising therein; and
22 (iii) to file petitions for appeal.

23 (B) LIMITATION ON STATE ACTION WHILE
24 FEDERAL ACTION IS PENDING.—If the Federal
25 Trade Commission or the Attorney General of

1 the United States has instituted a civil action
2 for violation of subsection (a) or a regulation
3 promulgated under such subsection (referred to
4 in this subparagraph as the “Federal action”),
5 no State attorney general, official, or agency
6 may bring an action under this subsection dur-
7 ing the pendency of the Federal action against
8 any defendant named in the complaint in the
9 Federal action for any violation of such sub-
10 section or regulation alleged in such complaint.

11 (4) RULE OF CONSTRUCTION.—For purposes of
12 bringing a civil action under this subsection, nothing
13 in this section may be construed to prevent an attor-
14 ney general, official, or agency of a State from exer-
15 cising the powers conferred on the attorney general,
16 official, or agency by the laws of such State to con-
17 duct investigations, administer oaths and affirma-
18 tions, or compel the attendance of witnesses or the
19 production of documentary and other evidence.

20 (g) PRIVATE RIGHT OF ACTION.—

21 (1) IN GENERAL.—A person injured by an act
22 or practice in violation of this section or a regulation
23 promulgated under this section may bring in an ap-
24 propriate State court or an appropriate district court
25 of the United States—

1 (A) an action to enjoin the violation;

2 (B) an action to recover damages for ac-
3 tual monetary loss from the violation, or to re-
4 ceive up to \$1,000 in damages for each such
5 violation, whichever is greater; or

6 (C) both such actions.

7 (2) WILLFUL OR KNOWING VIOLATIONS.—If the
8 court finds that the defendant acted willfully or
9 knowingly in committing a violation described in
10 paragraph (1), the court may, in its discretion, in-
11 crease the amount of the award to an amount equal
12 to not more than 3 times the amount available
13 under paragraph (1)(B).

14 (3) COSTS AND ATTORNEY'S FEES.—The court
15 shall award to a prevailing plaintiff in an action
16 under this subsection the costs of such action and
17 reasonable attorney's fees, as determined by the
18 court.

19 (4) LIMITATION.—An action may be com-
20 menced under this subsection not later than 2 years
21 after the date on which the person first discovered
22 or had a reasonable opportunity to discover the vio-
23 lation.

1 (5) NONEXCLUSIVE REMEDY.—The remedy pro-
2 vided by this subsection shall be in addition to any
3 other remedies available to the person.

4 (h) DEFINITIONS.—In this section:

5 (1) AI.—The term “AI” has the meaning given
6 that term in section 5002 of the National Artificial
7 Intelligence Initiative Act of 2020 (15 U.S.C. 9401).

8 (2) AI CHATBOT.—The term “AI chatbot”
9 means any software system that uses a large lan-
10 guage model or similar technology to generate con-
11 versational responses to user queries that is made
12 available to the public.

13 (3) COMMERCIAL ARRANGEMENT.—The term
14 “commercial arrangement” means an exchange of
15 money, data, preferential access, or other consider-
16 ation that influences the content of an AI-generated
17 response.

18 (4) COVERED ENTITY.—The term “covered en-
19 tity” means any person, company, or organization
20 that deploys or operates a covered tool for consumer-
21 facing use with more than 50,000 monthly active
22 users.

23 (5) COVERED TOOL.—The term “covered
24 tool”—

1 (A) means an AI interactive computer
2 service or software application that

3 (i) generates responses that are not
4 fully predetermined; and

5 (ii) accepts open-ended natural-lan-
6 guage or multimodal user input and pro-
7 duces adaptive or context-responsive out-
8 put; and

9 (B) includes an AI chatbot and a genera-
10 tive search synthesis feature.

11 (6) GENERATIVE SEARCH SYNTHESIS FEA-
12 TURE.—The term “generative search synthesis fea-
13 ture”—

14 (A) means any feature of an online search
15 engine or information-retrieval service that uses
16 a large language model or similar technology to
17 produce, in response to a search by the user, a
18 synthesized narrative answer, summary, or rec-
19 ommendation that is displayed to the user in
20 lieu of, or more prominently than, the ranked
21 list of hyperlinks to third-party sources that the
22 service would otherwise return; and

23 (B) includes any feature that generates the
24 answer, summary, or recommendations de-
25 scribed in subparagraph (A) automatically as

1 part of a standard results page, regardless of
2 whether the user separately requested a sum-
3 mary and whether source citations accompany
4 the generated output.

5 (7) SPONSORED CONTENT.—The term “spon-
6 sored content” means an AI-generated response
7 that—

8 (A) mentions, recommends, or promotes a
9 specific product, service, or entity; and

10 (B) is produced in whole or in part due to
11 a commercial arrangement between the covered
12 entity and a third party.

13 (8) STATE.—The term “State” means each of
14 the several States, the District of Columbia, each
15 commonwealth, territory, or possession of the United
16 States, and each federally recognized Indian Tribe.

17 (9) VOICE-BASED COVERED TOOLS.—The term
18 “voice-based covered tools” means a covered tool
19 that delivers responses primarily through AI-gen-
20 erated speech.

21 (i) RELATION TO OTHER LAWS.—

22 (1) RULE OF CONSTRUCTION.—Nothing in this
23 section may be construed to limit the authority of
24 the Commission, the Federal Communications Com-
25 mission, or State consumer protection agencies.

1 (2) PREEMPTION.—This section does not pre-
2 empt a State law that provides greater consumer
3 protection related to a covered tool.

4 (j) EFFECTIVE DATE.—This section shall take effect
5 12 months after the date of the enactment of this section.