

Hudson Cook Enforcement Alert: Texas AG Opens Investigation into AI Developers for Allegedly Misleading Children with AI-Generated Mental Health Services

August 18, 2025 | [Julia K. Whitelock](#) and [Mark D. Metrey](#)

HIGHLIGHTS:

- Texas Attorney General Ken Paxton announced an investigation into two AI developers for allegedly engaging in deceptive trade practices and misleadingly marketing AI platforms as mental health tools.
- According to the press release, the developers' consumer-facing chatbot platforms may impersonate licensed mental health professionals, fabricate credentials, and claim to provide confidential counseling despite logging and exploiting user interactions.
- The Attorney General has issued Civil Investigative Demands to assess whether the companies violated Texas consumer protection laws, including prohibitions on fraudulent claims, privacy misrepresentations, and concealment of data usage.

CASE SUMMARY:

On August 18, 2025, Attorney General Ken Paxton announced the opening of an investigation into two artificial intelligence (AI) developers for potential deceptive trade practices and misleading marketing. According to the announcement, the developers created consumer-facing chatbot platforms marketed as offering conversational and emotional support to users. The press release asserts that these platforms may present themselves as professional therapeutic tools without proper medical oversight or credentials, potentially misleading vulnerable individuals, including children. It further alleges that the chatbots go beyond offering generic advice and have impersonated licensed mental health professionals, fabricated qualifications, and claimed to offer private counseling services.

The Attorney General alleged that although the platforms promise confidentiality, their terms of service disclose that user interactions are logged and exploited for targeted advertising and algorithmic development. The Attorney General issued Civil Investigative Demands to the companies to determine whether they violated Texas consumer protection laws through deceptive marketing, misrepresentations of privacy practices,

and concealment of material data use. The press release highlights concerns that the AI platforms may mislead children into believing they are receiving legitimate therapy when, in fact, the responses may be generic and driven by data harvesting.

This investigation follows the Attorney General's ongoing investigations into AI developers for potential violations of the Securing Children Online through Parental Empowerment (SCOPE) Act. The Attorney General's recent investigations and settlements reflect his broader efforts to regulate AI technologies, particularly as the state's comprehensive AI law is set to take effect on January 1, 2026.

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