

Trump Repeals Biden AI Chip Controls and FTC Scrutinizes AI Claims — AI: The Washington Report

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VIEWPOINT TOPICS

- Artificial Intelligence
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- On May 7, the Trump administration announced plans to rescind a Biden-era AI chip export control rule and replace it with a new rule.
- “The Biden AI rule is overly complex, overly bureaucratic and would stymie American innovation,” according to the Commerce spokesperson. The AI Diffusion Rule would have gone into effect on May 15, 2025. It is not clear when the Trump administration will issue its new rule.
- The decision to repeal the AI Diffusion Rule reflects the administration’s evolving stance on export controls. The administration had previously kept in place, and even recently strengthened, existing Biden-era export controls to prevent foreign countries from benefiting from US technological advancements. But the decision to repeal the AI Diffusion Rule may address concerns from Republican lawmakers and industry stakeholders that export controls may stifle domestic innovation and free trade.
- Separately, on April 28, the Federal Trade Commission (FTC) issued a proposed order against a company, Workado, LLC, for making unsubstantiated claims about its AI content detector. The order is one of the first of its kind under the Ferguson-led FTC and continues the previous administration’s scrutiny of AI-related misleading claims.

On May 7, the Trump administration announced plans to rescind a Biden-era AI chip export control rule and replace it with a new rule. “The Biden AI rule is overly complex, overly bureaucratic, and would stymie American innovation,” [according](#) to the Commerce spokesperson. Biden’s AI Diffusion Rule would have gone into effect on May 15, 2025, and would have restricted chip exports to certain countries, as [we wrote about](#). The decision to repeal the AI Diffusion Rule reflects the administration’s evolving stance on export controls and may address concerns from industry stakeholders that export controls could stifle domestic innovation and free trade.

On April 28, the Federal Trade Commission (FTC) filed a [proposed order](#) against a company, Workado, LLC, for making unsubstantiated claims about its AI content detector. In the [press release](#) announcing the April order, the Director of the FTC’s Bureau of Competition remarked, “Misleading claims about AI undermine competition by making it harder for legitimate providers of AI-related products to reach consumers.” The order is one of the first of its kind under the new administration’s FTC. It comes days after FTC Commissioner Holyoak commented that the FTC will focus on “[promoting] AI growth and innovation, not [hampering] it with misguided enforcement actions or excessive regulation.”

Trump Rescinds Biden AI Chip Export Controls

On May 7, a Department of Commerce spokeswoman announced the Trump administration’s plan to repeal Biden’s AI Diffusion Rule and replace it with a new rule, according to [reporting](#). “We will be replacing it with a much simpler rule that unleashes American innovation and ensures American AI dominance,” the spokeswoman said.

The Biden AI Diffusion Rule would have created a three-tiered system of export controls, with different levels of export controls and licensing requirements for each category of countries based on their risk level. Eighteen close allies would have been eligible for a license exception, while countries of concern, including China and Russia, would have been required to apply for a license to export chips, and a “presumption of denial” would have applied to their applications. All other countries – “Tier 2” countries – would have been allowed to apply for a license, and such applications would have been reviewed “under a presumption of approval.”

As [we covered](#), the AI Diffusion Rule was criticized by technology companies and Republican lawmakers in recent months. According to the Commerce spokeswoman, many industry stakeholders viewed the rule as “unenforceable” and government officials “didn’t like the tiered system.” The administration also received [comments](#) from chip and semiconductor companies who were critical of the rule. And in an

April 11 letter, seven Republican Senators called on the administration to withdraw the rule, arguing that it imposes “complex restrictions on the purchase of US technology” and may stifle innovation and trade.

The decision to repeal the AI Diffusion Rule reflects the administration’s evolving stance on export controls. The administration had previously kept in place and even recently **strengthened** existing Biden-era export controls to prevent other countries from benefiting from US technological advancements and to win the AI race against China. The decision to repeal the AI Diffusion Rule may address concerns from Republican lawmakers and industry stakeholders that export controls may stifle innovation and free trade.

The Commerce spokeswoman did not give a timeline for the administration’s new rule. She indicated that the administration is still deciding the best course of action.

FTC’s Proposed Order Against Company for Misleading AI Claims

On April 28, the FTC issued its proposed order against Workado, LLC over the company’s allegedly misleading claims about its AI content detector. While Workado had advertised its AI content detector as 98% accurate, the content detector is “barely better than a coin toss,” according to the FTC’s independent **analysis**. “The FTC alleges that Workado violated the FTC Act because the ‘98 percent’ claim was false, misleading, or non-substantiated,” according to the press release.

The proposed order would prohibit Workado from making any representation about its “product’s effectiveness at detecting content generated or altered by artificial intelligence,” unless the representation is “non-misleading” and relies on “competent and reliable evidence.” The company would also be “required to retain any evidence it uses to support such efficacy claims” and inform customers “about the consent order and settlement with the Commission.” The proposed order has been **published** in the Federal Register and is subject to public comment before it is finalized.

The order is one of the first orders under the Ferguson-led FTC taken against a company for making AI-related misleading claims. The order aligns with **actions** taken under the previous administration’s FTC against companies that made misleading claims about their AI or AI-related products or services.

The order comes days after FTC Commissioner Holyoak **commented** that the FTC will focus on “[promoting] AI growth and innovation, not [hampering] it with misguided enforcement actions or excessive regulation.”

We will continue to monitor, analyze, and issue reports on these developments. Please feel free to contact us if you have questions as to current practices or how to proceed.

Authors

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