ML STRATEGIES

Some Congressional Dissent to Trump Administration's AI Chip Sales to China; FTC Cracks Down on AI Marketing Claims — AI: The Washington Report

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VIEWPOINT TOPICS

- Artificial Intelligence
- AI: The Washington Report

- Congressional representatives and senators, principally Democrats, have criticized the Trump administration's approval of advanced semiconductor exports to China, citing national security and legal issues as issued in three separate letters across the aisle and in both chambers.
- On August 22, Rep. Raja Krishnamoorthi (D-IL) introduced the No Advanced Chips for the CCP Act of 2025, requiring dual approval from the Executive Branch and Congress for AI chip exports, with limited humanitarian and diplomatic exceptions. In light of the AI race, the bill's progress will be closely watched to see whether Congress attempts to affect US policy on advanced AI semiconductor exports.
- On August 25, the FTC filed a lawsuit against Air AI Technologies, alleging that the company made deceptive claims about its conversational AI platform, causing significant financial losses for small business customers. The case highlights the Commission's continued focus on holding AI companies accountable for marketing claims, despite the suggestion in the Trump AI plan that the FTC "pump the brakes" on AI enforcement.

Some Congressional Representatives and Senators push back against proposed AI chip sales to China

On August 25, House Select Committee on the CCP Chairman John Moolenaar (R-MI) sent a **letter** to Commerce Secretary Howard Lutnick "urging the Trump administration to take a harsher line on export controls to restrict the sale of advanced semiconductors to Beijing." His letter reflects growing unease within President Trump's own party in light of his recent decision to permit sales of advanced chips from two US manufacturers to China in exchange for the US government receiving a 15% revenue share. Rep. Moolenaar has instead promoted a "rolling technical threshold (RTT)" framework, which would cap US chip exports to only slightly outperform China's domestic capabilities and limit Beijing's aggregate AI computing power to 10% of US levels, an approach he argues is critical to sustaining long-term US leadership in AI.

Meanwhile, Senior Democrats in both chambers sent letters to the administration "expressing concern over the Administration's reported approval of export licenses for advanced artificial intelligence (AI) chips to the People's Republic of China (PRC) in exchange for a cut of corporate revenue."

House Select Committee on the CCP Ranking Member Raja Krishnamoorthi (D-IL) criticized the administration for "flagrantly violating" existing export restrictions and warned that monetizing security-sensitive licenses risks undermining US credibility with allies in his **letter** to the administration.

"By requiring companies…to pay a percentage of their sales revenue to obtain export licenses, your Administration is flagrantly violating this clear legal prohibition," Representative Krishnamoorthi wrote. "Allowing these exports at a profit sends a dangerous signal not only to the PRC but also to our allies, who rely on US leadership and integrity in advanced technology controls."

A separate **letter** from six Senate Democrats similarly pressed the administration to reverse course, emphasizing that national security and military readiness are dependent "upon American innovators

inventing and producing the best technology in the world."

These concerns have prompted the introduction of legislation. On August 22, Rep. Krishnamoorthi introduced the **No Advanced Chips for the CCP Act of 2025**, co-led by Reps. Ami Bera (D-CA) and Jill Tokuda (D-HI). The "legislation [aims] to prevent advanced artificial intelligence semiconductors from reaching the People's Republic of China (PRC) unless both the Executive Branch and Congress explicitly approve the transaction." The bill would bar advanced AI semiconductor exports to China absent dual approval: first by the Secretary of Commerce (in consultation with other security agencies), and second through a joint resolution of Congress, with narrow exceptions for humanitarian, diplomatic, and repair-related purposes. It also would establish national security review factors, would mandate detailed reporting to Congress, and includes a three-year sunset provision to allow for reassessment as technology and threats evolve. The bill is now before the House Foreign Affairs Committee.

FTC Sues Air AI for Alleged Deceptive Marketing Practices

On August 25, the Federal Trade Commission (FTC) brought a **lawsuit** against Air AI Technologies, alleging the company engaged in deceptive marketing practices tied to its "conversational AI" platform. The case, filed in the District Court of Arizona, centers on allegations that Air AI misled small business owners and entrepreneurs with exaggerated claims about the tool's capabilities and financial benefits.

As part of the suit, the FTC requested a temporary restraining order to immediately halt Air AI's marketing activities. According to the complaint, the company's customers, "many of whom are small business owners, lost as much as $250,000 and are often left in debt" due to Air AI's alleged misrepresentations.

FTC Bureau of Consumer Protection Director Christopher Mufarrige underscored the stakes, noting that "companies that market AI-related tools with false promises of unrealistic investment returns and guaranteed refunds harm hardworking small business owners and undermine legitimate businesses' adoption of AI." The Commission voted 3-0 approving the filing of the complaint and continues to signal the FTC's role in shaping the early regulatory environment for AI, emphasizing accountability for AI companies' proclaimed capabilities. This action suggests that the FTC is not shutting down shop regarding AI related matters, despite the suggestion in the Trump AI Plan that the FTC should not shackle the development of AI or its expansion in the marketplace.

The complaint details several alleged misrepresentations by Air AI. The company and its executives, the FTC claims, promoted their flagship tool as "conversational AI," asserting that it could function as a replacement for human customer service agents while also generating significant profits when paired with their other lines of business. The Commission contends, however, that customers did not achieve the promised financial outcomes, nor did they receive refunds despite assurances of recouped money from Air AI. The FTC further alleges that Air AI made unsubstantiated claims about "substantial earnings," misrepresented the tool's capabilities, and failed to provide mandatory disclosure documents and earnings claim statements.

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

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