



Talking to Machines: Why Chatbot Definitions Matter for Policy

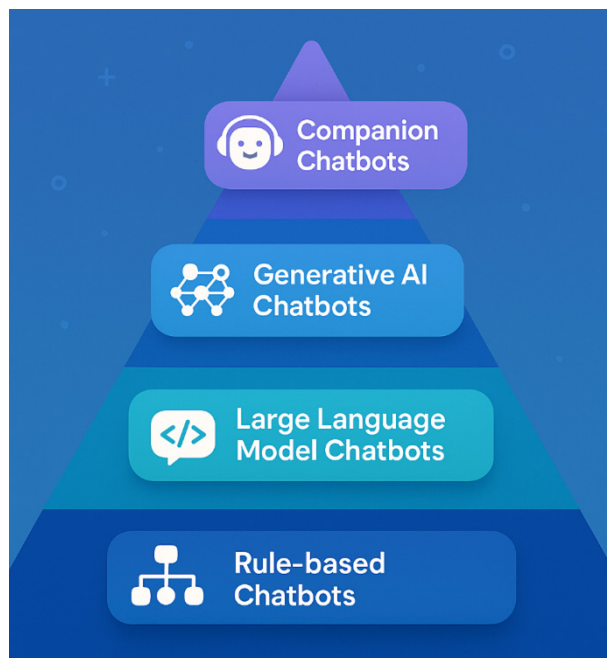
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Artificial intelligence is becoming embedded in all aspects of American lives. It is quickly evolving and has the capability to learn and grow smarter at a pace that humans cannot keep up with. Policymakers across the country see this as an unregulated industry ripe for taming, but in doing so, it is proving to be a difficult task. Specifically, Oklahoma legislators are attempting to place regulations around a type of AI chatbot referred to as companion chatbots. This effort is particularly poignant to protect minors from forming potentially harmful relationships with an AI companion bot that may think and sound like a human but to a reasonable adult, it very clearly is not.

Basic Types of AI Chatbots

Chatbots advance by building on previous renditions of chatbots. They began as rule-based automation and now can function with more human-like characteristics.

Rule based chatbots using if/then preset responses. Think of this as the pop up chatbot that asks if you need help when visiting a website and provides you with options to pursue. It only knows the pathways coded into it, once you reach its knowledge point it suggests you speak with a human. It cannot go beyond what the presets give it, nor can it act without a prompt.



Rules based chatbots were upgraded with **natural language chatbots, which can recognize key phrases, context and intent.** These chatbots can have coded pathways or be an open system used for general purposes. They need prompts to be responsive, but can anticipate what comes next based on previous conversations and interactions. When using an open system, these chatbots utilize **a large language model**, which is essentially the knowledge the chatbot has. These chatbots include ChatGPT, Gemini, Claude, etc. They can look through the internet, understand English and provide responses in a more natural form.

Also built on an LLM are **companion chatbots, which act in a more emotive way** to form an emotional connection. These chatbots respond in the most human way to elicit and create emotional connections between it and the user. They can take on personas, initiate conversations without prompting, and have a longer memory of interaction.

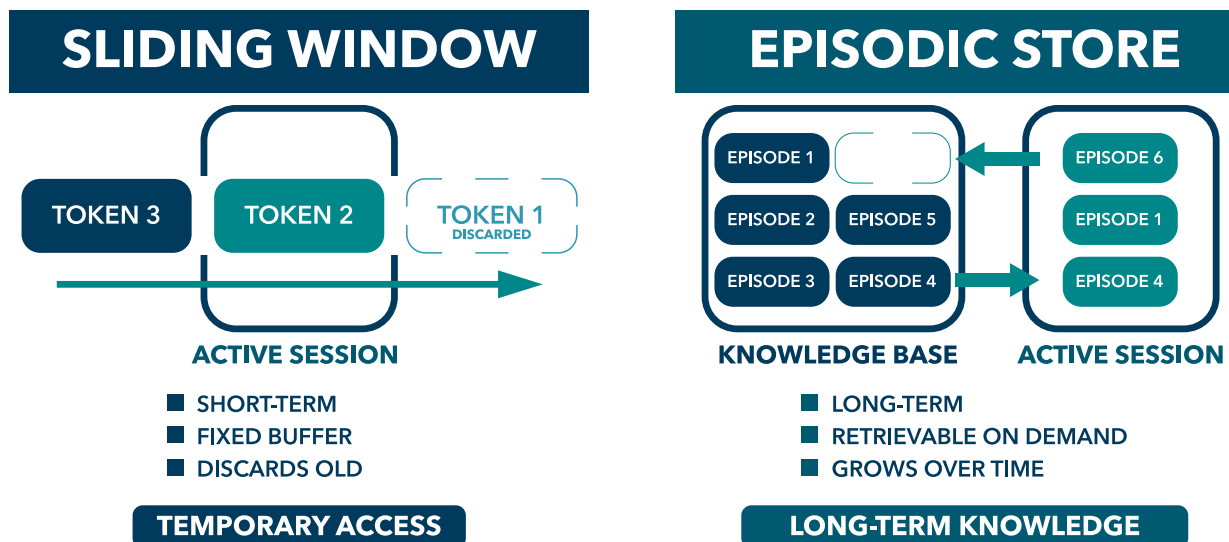
Agentic chatbots act on behalf of a user when given proper permissions. Based on those permissions, the chatbot needs no prompting to accomplish given steps within a task. Given the proper permissions, agentic chatbots can complete entire workflows, make purchases on behalf of the user, and make strategic decisions. Agentic chatbots are like a rule-based chatbot but with more permissions and human-like responses.

General Purpose Chatbot v. Companion Chatbot

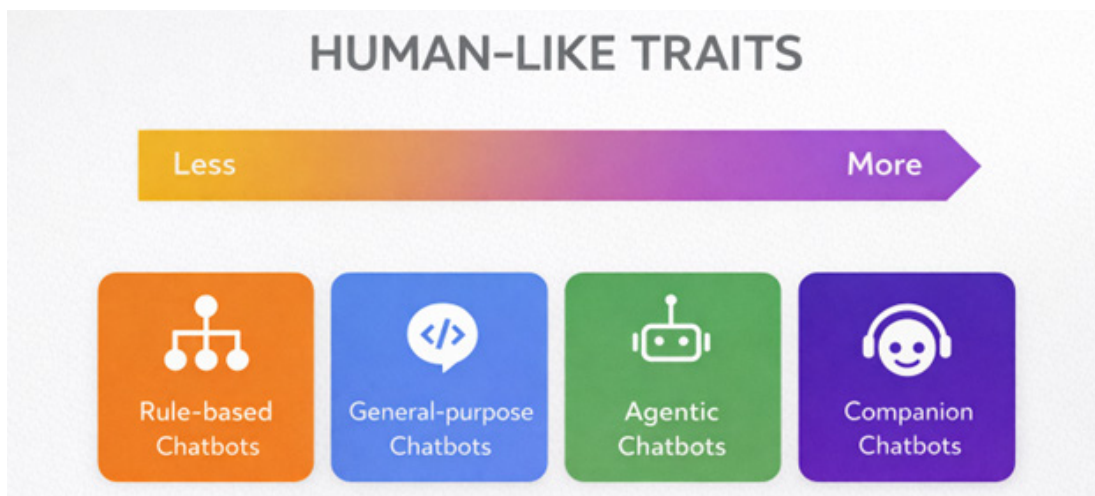
The vast range of purpose and relational persistence makes the definition of what a chatbot is and what functions it performs vital to get right. If the definition of a chatbot is not carefully crafted, regulations meant to be tailored to companion chatbots will sweep in all chatbots regardless of use or type. This error not only fails to meet the goal of the legislature; it also, unintentionally regulates legal and innovative business uses.

As noted above, a key difference between an AI companion chatbot and a general purpose chatbot is the unprompted nature of the responses from the AI companion chatbot that creates relational persistence. They remember and can recall previous conversations for a longer time than the memory of a general purpose chatbot. As the graphic below shows, general purpose chatbots would only have recall of certain conversations, whereas the companion chatbots have episodic storage to remember conversations with the user for a longer period of time, creating human-like responses and connections.

AI MEMORY: SLIDING WINDOW VS EPISODIC STORE



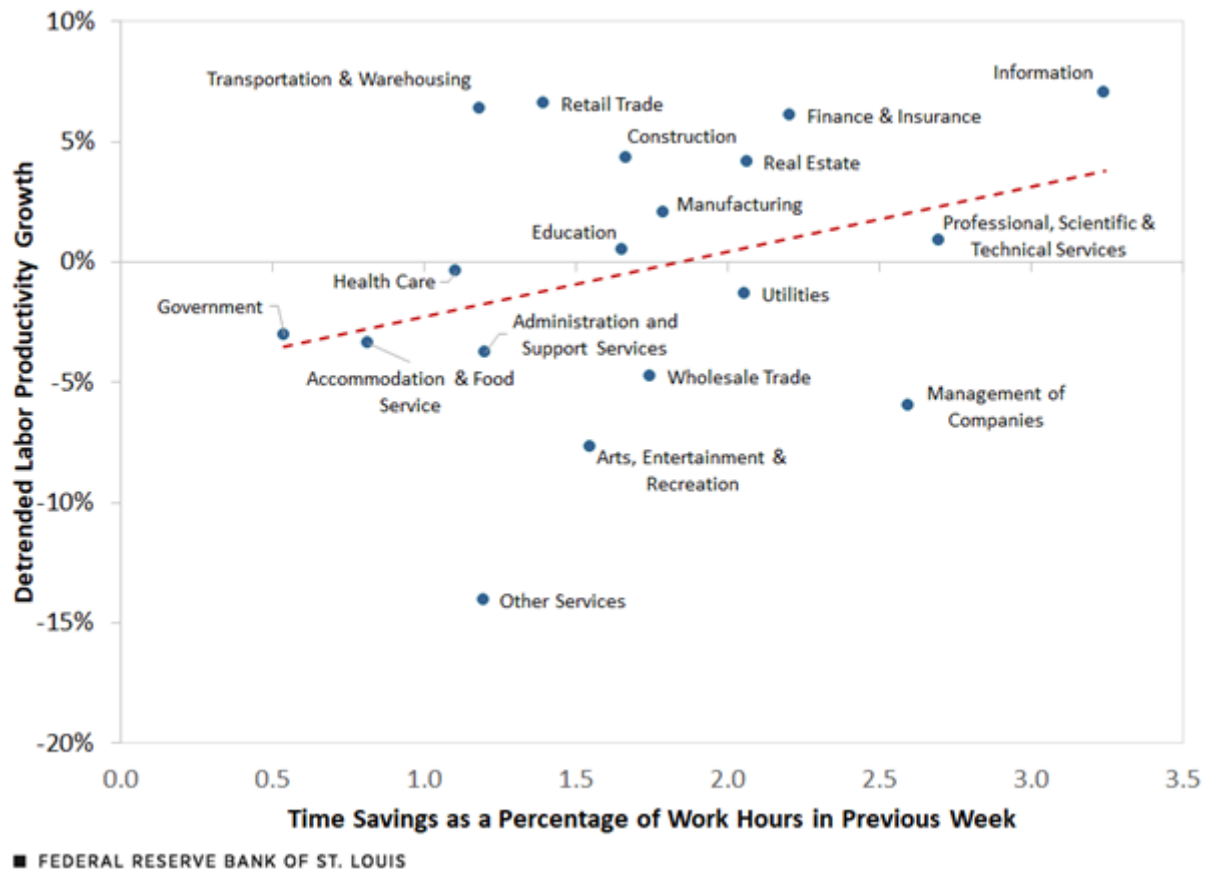
While most AI systems can learn information and the voice of the user, they are not built to create an attachment response. The human-like traits chatbots exhibit, relational or not, create sort of a sliding scale.



Companion chatbots specifically slide all the way to the far end of that scale. **They are designed and built for attachment responses.** These chatbots feed on the loneliness epidemic. According to a [Harvard Business study](#), the number one reason for this type of chatbot use is for companionship. The market is reflective of this as use of companion chatbot apps increased by [700% since 2022](#) with 128 released last year. Companion chatbots are built to [reflect the emotional tone of the user](#), furthering the connection created between the user and the chatbot.

Business case for supporting AI general purpose chatbot adoption and the future of agentic

A 2024 survey conducted by [the Federal Reserve Bank of St. Louis](#) found 44.6% of adults use generative AI, with 37.4% using generative AI for work. Typically, the use was in the form of a general purpose chatbot. Those who used generative AI more saw a higher rate of increased productivity. Overall, time saving with the use of generative AI was equivalent to 1.6% of hours worked. This productivity increase was not the same across all industries. However, AI chatbot usage is quickly becoming common in the workplace and vital to business efficiency and growth.



[The U.S. Chamber of Commerce](#) found a correlation between small business growth and technology adoption, including AI adoption—87% noting that AI has increased their business' efficiency. The increase in efficiency is [twice as likely to occur](#) when businesses have AI strategies. Thomason Reuters also reported that AI could save professionals 5 hours of work time per week, translated to an average annual cost savings of \$19,000 per person this year. In an era of inflation, this type of cost savings is hard to turn down. AI regulation will inevitably slow this savings down as operators of AI systems battle a patchwork of state laws being considered across the U.S.

Another subset of AI chatbots are AI agents, which differ from general use chatbots or generative chatbots by making human like decisions. Agent AI bots are similar to human agents—a human principle gives the bot certain permissions and tasks and the AI agent acts within those tasks and permissions. These bots make more strategic decisions and can perform broader functions than a general chatbot like “communicate with other agents and humans, receive and send money, and access and interact with the internet” [according to MIT](#).

For businesses, AI agents can complete entire workflows, just like human agents. They are [able to complete full negotiations and transactions](#) with the right permissions, freeing up time for the human principle.

In terms of policymaking and definitions, these chatbots could easily fall into the definition of both general use and companion bots because they bring together the rule-based chatbot and the companion chatbot. But they are not seeking, nor built to seek, companionship, but rather to ensure their assigned task is complete. Each action step of the task taken by an AI agent can be with or without prompting based on the permissions given.

Conclusion

The chatbot landscape is vast. Therefore, policymakers must be thoughtful when crafting legislation targeting AI chatbots as to not to unintentionally sweep the various types of chatbots into regulations unintentionally. Creating guardrails around a minor’s use of a companion chatbot must be done in a way that is not over encompassing. The increase in productivity to employees and cost saving to employers that general purpose, task oriented chatbots can have, needs the broader business communities’ adoption and protection.

AI has tremendous transformative potential. If we get the regulatory environment wrong, we could create a capability gap for the workforce, business growth, innovation, healthcare, and education. Threading the needle of protecting the population from harmful interactions and still allowing innovation to thrive must be the target. AI is evolving so quickly that agentic AI will soon be the base standard.

