

DC-24-13476

CAUSE NO. _____

IN THE MATTER OF

STATE OF TEXAS

and

PIECES TECHNOLOGIES, INC.,
Respondent

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IN THE DISTRICT COURT

DALLAS COUNTY, TEXAS
191st

_____ JUDICIAL DISTRICT

**PETITION FOR APPROVAL AND ENTRY OF
ASSURANCE OF VOLUNTARY COMPLIANCE**

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW the STATE OF TEXAS, acting by and through the Attorney General of Texas and in accordance with the requirements of the Texas Deceptive Trade Practices - Consumer Protection Act, TEX. BUS. & COM. CODE ANN. §17.58, respectfully files this petition asking the Court to review and approve the attached Assurance of Voluntary Compliance.

As evidenced by their signatures, the Assurance is agreed to by the respective parties.

Respectfully submitted,

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Attorney General of Texas

BRENT WEBSTER
First Assistant Attorney General

JAMES LLOYD
Deputy Attorney General for Civil Litigation

RYAN S. BAASCH
Chief, Consumer Protection Division

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Dated: August 21, 2024

ATTORNEYS FOR THE STATE OF TEXAS

Cause No. _____

IN THE MATTER OF:

THE STATE OF TEXAS,
Petitioner

IN THE DISTRICT COURT OF

and

PIECES TECHNOLOGIES INC.,
Respondent.

191st DALLAS COUNTY, TEXAS
____ JUDICIAL DISTRICT

ASSURANCE OF VOLUNTARY COMPLIANCE

This Assurance of Voluntary Compliance (“Assurance”) is made and entered into by and between Texas Attorney General Ken Paxton acting in the name of the State of Texas (“Petitioner” or “State”), by and through the Consumer Protection Division and Pieces Technologies, Inc. (“Respondent” or “Pieces,” and collectively with the State, the “Parties”), pursuant to Tex. Bus. & Com. Code § 17.58.

I. STIPULATIONS

1. This Court has jurisdiction over the subject matter at issue here as well as the Parties named in this matter.
2. The Consumer Protection Division of the Office of the Attorney General of Texas is authorized to investigate alleged violations of the Texas Deceptive Trade Practices – Consumer Protection Act (“DTPA”), Tex. Bus. & Com. Code §§ 17.41-.63, and to bring actions pursuant to Section 17.47 of the DTPA.
3. This Assurance is being entered into by the Parties for the sole purpose of compromising disputed claims by the State without the necessity for protracted and expensive litigation.

4. The Parties agree to the terms of this Assurance, and the Parties are fully authorized to sign and enter into this Assurance.
5. Respondent further acknowledges receipt of this Assurance and has full and actual notice of its terms.
6. This Assurance does not constitute an admission by Respondent of any violation of law, rule, or regulation, including and without limitation, the DTPA, and Respondent expressly denies any such liability for, violation of, or noncompliance with any such law, rule, or regulation.
7. Respondent waives all rights to appeal or otherwise challenge or contest the validity of this Assurance.

II. DEFINITIONS

8. “Marketing” and “advertising” means a communication by Respondent or a person acting on Respondent’s behalf in any medium intended to induce a person or entity to obtain products or services.
9. “Clear and conspicuous” means a disclosure that is easily noticeable and easily understandable by ordinary persons.

III. PARTIES

10. Respondent is Pieces Technologies, Inc., a registered Texas Foreign For-Profit Corporation, and its agents, successors, and assigns. Its principal place of business is located at 5201 N O’Connor Blvd., 300, Irving, Texas 75039.
11. Petitioner is the State of Texas acting by and through the Consumer Protection Division of the Office of the Attorney General as authorized under the DTPA, § 17.14-.63.

IV. ALLEGATIONS OF THE STATE OF TEXAS

12. Respondent currently operates an artificial intelligence-focused technology company in Texas that develops, markets, and deploys products and services for use by in-patient healthcare facilities, like hospitals. Its product offerings include, but are not limited to, generative artificial intelligence (“AI”) products. According to Respondent’s website, its products, among other things, are meant to be relied on by physicians and other medical staff to assist them with treating their patients (“Pieces summarizes, charts, and drafts clinical notes for your doctors and nurses in the [Electronic Health Record] – so they don’t have to.”).
13. To advertise and market its in-patient healthcare products and services, Respondent developed a series of metrics and benchmarks purporting to show that the outputs of its generative AI products were highly accurate. Many of Respondent’s “metrics” incorporated the word “hallucination,” which is a term commonly used to describe the phenomena of generative AI products creating an output that is incorrect or misleading. Specifically, Respondent advertised and marketed the accuracy of its products and services by claiming that they have a “critical hallucination rate” and “severe hallucination rate” of “<.001%” and “<1 per 100,000.”
14. The State alleges that Respondent’s representations regarding its generative AI products may have violated the DTPA because they were false, misleading, or deceptive.

V. RESPONDENT'S RESPONSE

15. Respondent denies any wrongdoing or liability and contends that it has not engaged in conduct that violates Texas law, including the DTPA, and that it has accurately set forth and represented its hallucination rate.

VI. RESPONDENT'S ASSURANCES

16. Respondent hereby agrees and voluntarily assures the State that it will comply with the provisions contained herein for the five (5) years after the effective date of this Assurance. This Assurance shall automatically terminate five (5) years after its effective date.
17. **Clear and Conspicuous Disclosures – Marketing and Advertising.** If in marketing or advertising its products and services Respondent includes direct or indirect statements regarding any metrics, benchmarks, or similar measurements describing the outputs of its generative AI products, Respondent must clearly and conspicuously disclose (1) the meaning or definition of such metric, benchmark, or similar measurement; and (2) the method, procedure, or any other process used by Respondent, or on Respondent's behalf, to calculate the metric, benchmark, or similar measurement used in Respondent's marketing or advertising of its products and services.
 - a) alternatively, Respondent may retain an independent, third-party auditor to assess, measure, or substantiate the performance or characteristics of its products and services, and all direct or indirect statements included in Respondent's marketing or advertising of its products and services must be consistent with, and substantiated by, the independent, third-party auditor's findings.

18. **Prohibitions Against Misrepresentations.** Respondent and Respondent's officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, whether acting directly or indirectly, must not:
- a) in connection with any product or service, make any false, misleading, or unsubstantiated representations, whether expressly or by implication, regarding any feature, characteristic, function, testing or appropriate use of any of its products, including, but not limited to, representations related to:
 - i. the accuracy, reliability, or efficacy of any of its products;
 - ii. the procedures and methodologies used to test its products;
 - iii. the procedures and methodologies used to monitor its products;
 - iv. the definition and/or meaning of any metrics used by Respondent; and
 - v. the data used by Respondent to train any of its products;
 - b) misrepresent or mislead, in any way, any customer or user of its products or services regarding the accuracy, functionality, purpose, or any other feature of its products; or
 - c) fail to disclose any financial or similar arrangements between Respondent and any person who, whether orally or in writing, participates in Respondent's marketing and advertising, or otherwise endorses or promotes any of Respondent's products or services.
19. **Clear and Conspicuous Disclosures – Customers.** Respondent must provide all its current and future customers, in connection with any of its products or services, documentation that clearly and conspicuously discloses any known or reasonably

knowable harmful or potentially harmful uses or misuses of its products or services.

This documentation must, at a minimum, include the following information:

- a) the type of data and/or models used to train its products and services;
- b) a detailed explanation of the intended purpose and use of its products and services, as well as any training or documentation needed to facilitate proper use of its products and services;
- c) any known, or reasonably knowable, limitations of its products or services, including risks to patients and healthcare providers from the use of the product or service, such as the risk of physical or financial injury in connection with a product or service's inaccurate output;
- d) any known, or reasonably knowable, misuses of a product or service that can increase the risk of inaccurate outputs or increase the risk of harm to individuals; and
- e) for each product or service, all other documentation reasonably necessary for a user to understand the nature and purpose of an output generated by a product or service, monitor for patterns of inaccuracy, and reasonably avoid misuse of the product or service.

20. **Acknowledgements of the Order.** Respondent must deliver a copy of this Assurance to: (1) all of its principals, officers, and directors; (2) all of its employees having managerial responsibilities for conduct related to the subject matter of this Assurance and all agents and representatives who participate in conduct related to the subject matter of this Assurance; and (3) any business entity resulting from any change in structure of Respondent.

- a) Delivery of this Assurance must occur within twenty (20) business days after the effective date of this Assurance for current personnel. For all others, delivery must occur before they assume their responsibilities.
21. **Compliance Monitoring.** Within thirty (30) business days of receipt of a written request from a representative of the State for information related to Respondent's compliance with any specific provision of this Assurance, Respondent must submit any requested information, which must be sworn under penalty of perjury, appear for depositions, or produce records for inspection and copying.

VII. RELEASE

22. This Assurance constitutes a complete settlement and release by the State of all claims that the State could have brought against Respondent based on the facts alleged herein.

VIII. GENERAL PROVISIONS

23. **Court Approval:** Respondent and Petitioner agree that the Attorney General will submit this Assurance to a district court of competent jurisdiction in Dallas County and request that the court approve this Assurance, pursuant to the terms set forth herein and Section 17.58 of the DTPA.
24. **No Private Right of Action:** Nothing in this Assurance shall create any private rights, causes of action, or remedies against Respondent and nothing in the Assurance shall be construed as a waiver of any private rights, causes of action, or remedies of any person against Respondent with respect to the practices or conduct described herein.
25. **Past and Future Practices:** Nothing herein constitutes approval or acquiescence by the State of Respondent's past practices, current efforts to reform their practices, or any future practices that Respondent may adopt or consider adopting. The State's decision

- to enter into this Assurance or to limit current or future enforcement action otherwise unilaterally does not constitute approval or imply authorization for any past, present, or future business practice, nor may Respondent advertise or represent that the State approves or authorizes any of its past, present, or future business practices.
26. **Preservation of Future Enforcement Action:** Respondent and Petitioner agree that nothing in this Assurance shall be construed to affect any action or proceeding by any regulatory body or state agency, whether such action or proceeding is related to any issue addressed by this Assurance or otherwise.
27. **No Circumvention:** Respondent shall not participate, directly or indirectly, in any activity or form a separate entity or corporation for the purpose of engaging in acts or practices in whole or in part that are prohibited in this Assurance or for any other purpose that would otherwise circumvent any part of this Assurance or the spirit or purposes of this Assurance.
28. **Authority:** The corporate signatory hereto is a corporate officer for the Respondent who is authorized to enter into this Assurance and has read this Assurance and agrees to entry of same.
29. **Conflict of Other Law:** To the extent that the provisions of this Assurance conflict with any Texas, local, or federal law or regulation that now exists, or is later enacted or amended, such law or regulation, and not this Assurance, shall apply. For the purpose of this Assurance, such conflict exists if conduct prohibited by this Assurance is required or expressly permitted by such Texas, local, or federal law or regulation, or if conduct required by this Assurance is prohibited by such Texas, local, or federal law or regulation.

30. **Entire Agreement:** This Assurance sets forth the entire agreement between the Parties. Respondent represents that Respondent has fully read and understands this Assurance, accepts the legal consequences involved in signing this Assurance, and that there are no other representations or agreements between the Parties not stated in writing herein.
31. **Modification or Rescission:** Respondent may request that this Assurance be modified at any time and may request that this Assurance be rescinded no earlier than one (1) year from its effective date. Such request must be in writing, addressed to the Chief of the Consumer Protection Division, and include a brief statement of the basis for the request. If the State, in its sole discretion, determines that modification or rescission is appropriate, the Parties shall enter into an agreement to rescind or modify this Assurance and file a notice and the agreement with the Court. The Parties acknowledge that factors bearing on modification or rescission may include, but are not limited to: (1) Respondent's full and complete compliance with this Assurance; (2) changes in the regulatory landscape, such as the promulgation of new state or federal laws or regulations; and (3) changes or developments in generative AI technology and related industry standards, metrics, benchmarks, or similar measurements describing the outputs of generative AI products.
32. **Written Agreement.** The Parties agree that this Assurance shall not be modified or rescinded except by written agreement signed by the Parties and filed with the Court as described in the preceding paragraph.
33. **Assessment of Court Costs:** The Parties shall bear their own costs.
34. **Effective Date:** The effective date of this Assurance is the date the Assurance is approved by the Court.

APPROVED AS TO FORM AND SUBSTANCE AND ENTRY REQUESTED:

PETITIONER:

KEN PAXTON
Attorney General of Texas

BRENT WEBSTER
First Assistant Attorney General

JAMES LLOYD
Deputy Attorney General for Civil Litigation

RYAN S. BAASCH
Chief, Consumer Protection Division

DATE: August 21, 2024

Tyler Bridegan
/s/

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COUNSEL FOR PETITIONER, THE STATE OF TEXAS

APPROVED AS TO FORM AND SUBSTANCE AND ENTRY REQUESTED:

RESPONDENT:

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REPRESENTATIVE FOR RESPONDENT

DATE: August 5, 2024

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ATTORNEYS FOR RESPONDENT

DATE: August 5, 2024

Automated Certificate of eService

This automated certificate of service was created by the eFiling system. The filer served this document via email generated by the eFiling system on the date and to the persons listed below. The rules governing certificates of service have not changed. Filers must still provide a certificate of service that complies with all applicable rules.

Zoann Willis on behalf of Tyler Bridegan
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Envelope ID: 91180403
Filing Code Description: Original Petition
Filing Description:
Status as of 8/28/2024 8:42 AM CST

Associated Case Party: STATE OF TEXAS

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