

Advertising + Marketing

California's Amended Automatic Renewal Law Takes Effect July 1, 2022: What Subscription-Based Companies Need to Know

The Bottom Line

- Starting July 1, California's amended automatic renewal law will become effective.
- The amended law includes additional notice and cancellation requirements for both free trials and automatically renewing plans, as well as an emphasis on affording consumers an "immediate" means of cancelling.
- The impending changes align with increasing federal and state regulation of "dark patterns" in online subscription programs.
- Subscription-based companies should expect stringent enforcement of the new law going forward and audit their sign-up flows as well as operational practices accordingly.

Businesses offering subscription-based products or continuous services must be ready to comply with California's amended automatic renewal law (ARL), which takes effect Friday, July 1st. The update to the already robust ARL includes additional notice and cancellation requirements for free trials, as well as automatically renewing subscription plans. Gov. Gavin Newsom signed Assembly Bill 390 in October 2021, which amended the ARL.

The Existing California ARL

California's existing ARL requires businesses making an automatic renewal or continuous service offer to present the material terms of the offer to the consumer in a "clear and conspicuous manner." This includes appearing in a larger or contrasting type, font or color, or set off from the surrounding text in a way that calls attention to the language.

Under the law, businesses must also request and obtain the consumer's affirmative consent to the offer's terms in close proximity to making these material disclosures and prior to the point of billing the consumer. For automatic renewal programs, these disclosures must include:

1. That the subscription or purchase agreement will continue until the consumer cancels.
2. The description of the cancellation policy that applies to the offer.

3. The recurring charges that will be charged to the consumer's account as part of the automatic renewal plan or arrangement, and that the amount of the charge may change (if true) – and to what amount, if known.
4. The length of the automatic renewal term or that the service is continuous, unless the length of the term is chosen by the consumer.
5. The minimum purchase obligation, if any.

Further, if the offer includes a free gift or trial, or an offer made at a discounted price for a limited period of time, then the disclosure must include an explanation of the price to be charged once the free trial or promotional period concludes. The business cannot charge the consumer without the consumer's consent to the non-discounted price.

Additionally, businesses must provide the consumer with a purchase acknowledgment after they complete the sign-up process. The acknowledgment must contain the offer terms, cancellation policy and retainable information about how the consumer can cancel the offer (e.g. an email). If the offer includes a free gift or trial, then the acknowledgment must also relay to the consumer how to cancel and allow the consumer to cancel before being charged.

Businesses that make an automatic renewal offer or continuous service offer must also provide a toll-free number, a mailing address or another practical method for cancellation that is then explained in the acknowledgment. If a business allows for online acceptance of an automatic renewal or continuous service offer, then it must also allow for online cancellation, which can include providing a template termination email that the consumer can send.

Businesses should keep in mind that California is not the only state with such automatic renewal laws. [New York enacted such a law just last year.](#)

The Impending Updates

The amendment expands rather than replaces the original law. Now, businesses will also be required to provide consumers with a reminder notice before the renewal date for an automatically renewing offer in two situations:

1. If the automatically renewing offer includes a free trial or promotional period that lasts more than 31 days, then the business must provide a reminder notice between 3 and 21 days before the promotion's expiration. This notice must recap the terms of the offer and how to cancel in advance of any upcoming billing deadline.

2. If the automatically renewing offer includes an initial term that lasts for one year or longer, then the business must provide notice between 15 days and 45 days before the date of renewal.

In either situation, the notice must state that the purchase will automatically renew unless the consumer cancels. The notice must also state the length of the renewal period, any of its additional terms, at least one method a consumer can use to cancel (which must be an online method if the consumer signed up online) and contact information for the business. If the notice is sent electronically, then the notice must include a link or other accessible electronic method to direct the consumer to the cancellation process.

The amendment also adds that businesses cannot create further steps that delay the consumer's ability to "immediately" terminate. Businesses must offer an online form of termination that is either a template termination email provided by the business, as stated in the original law, or a direct link or button in the customer's account. This clarity aligns with recent enforcement policy guidance from the FTC warning against the use of "dark patterns," such as obstruction tactics, to dissuade consumers from cancelling an automatically renewing program. See our prior alerts [here](#) and [here](#).

For More Information

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