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October 13, 2022

New Jersey To Regulate Automatically Renewing Subscription Services

New laws regulating certain providers of automatically renewing subscription services were passed this year in Idaho, Tennessee, Virginia, and, most recently, New Jersey. These laws are the most recent additions to a growing body of federal, state, and international laws that govern providers of automatically renewing subscription services. This complex regulatory landscape has arisen in response to the rapidly expanding nature of the subscription economy, which ballooned over the course of the pandemic. [As we have previously noted](#), over two-thirds of Americans now use a subscription service for everyday goods, and the subscription economy is expected to be valued at \$1.5 trillion by 2025.

As the importance of subscription services has increased, so have [state and federal efforts to regulate these services](#). Subscriptions are regulated by the Federal Trade Commission (FTC) as "negative option" plans under the [Restore Online Shoppers' Confidence Act](#). Beginning with California in 2010, however, most states have also enacted their own laws regulating some aspects of automatically renewing subscription services.

While the state laws passed this year largely copy or adopt elements of California's law, the following Update highlights some of the more uncommon aspects of the [New Jersey law](#) passed last month. The law, which will take effect on August 1, 2023, applies to all consumer service providers who, pursuant to a service agreement, offer New Jersey consumers automatically renewing subscriptions for certain types of services with an initial term of at least one year and that renew for one month or longer. Currently, the New Jersey law is limited to contracts related to the maintenance, repair, or servicing of property.

- **Acknowledgment of cancellation.** Covered businesses must acknowledge cancellation requests within five business days of receiving the request and must process the cancellation request within 10 business days. Requests must be processed as of the day the request was received unless the subscription terms agreed to by the customer allow a business to process cancellation requests at the end of the customer's current billing cycle.
- **Specific cancellation methods.** Consumers must, at a minimum, be offered either an online method for submitting cancellation requests and a mailing address to which written cancellation requests may be sent or a telephone number that consumers may call to make cancellation requests.
- **Notice for cancellation methods.** The reminder notice sent to consumers prior to their subscription renewals must include information about how the consumer can obtain information on the various subscription cancellation methods available to them. Additionally, if a covered provider updates or otherwise changes its cancellation methods, it must provide consumers with written or electronic notice of that fact at least 30 days and not more than 60 days before the change is implemented.

If a business operating in New Jersey fails to comply with any requirement of the state law, including those identified above, a subscriber may cancel their subscription and receive a prorated refund for the remainder of the subscription period.

Takeaway

As service providers continue to assess their compliance with the ever-evolving patchwork of laws applying to their automatically renewing subscription services, it is important to take stock of each new law's particularities. New Jersey may be the most recent state to adopt its own special requirements, but it is unlikely to be the last.

Authors

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