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California Passes Updated Automatic Renewal Law



Key Takeaways:

- On October 4, 2021, California passed an amended automatic renewal law that will require businesses to follow stricter cancellation and notice requirements for subscription-based products and services.
- The updated law goes into effect on July 1, 2022.

On October 4, 2021, California Governor Gavin Newsom [signed into law](#) an amendment to California's existing automatic renewal law, which is already one of the nation's strictest laws governing recurring subscription programs. The existing law (last updated in 2018) requires businesses to: (1) clearly and conspicuously disclose certain automatic renewal offer terms; (2) obtain consumers' affirmative consent to the automatic renewal terms; (3) provide an acknowledgment after purchase that includes the automatic renewal terms and cancellation policy in a manner that can be retained by the consumer; (4) provide consumers with a readily accessible mechanism for canceling an automatic renewal contract; and (5) notify consumers about any material changes to the automatic renewal terms. The revised law requires businesses to comply with the following additional requirements:

- **Free trial/promotional price offers.** Businesses will be required to send an additional notice explaining how to cancel 3-21 days before the expiration of a free trial or promotional price that lasts more than 31 days. If sent electronically, the notice must include a link that directs the consumer to the cancellation process or another reasonably-accessible electronic cancellation method.
- **Online cancellation.** The existing law requires that businesses provide an online cancellation method for users who sign up for a subscription online. Under the amended law, users who sign up online must be able to cancel their subscription immediately and at will by either a direct link or button on the website or a preformatted email that the consumer can send without adding additional information.
- **Notice for initial terms one year or longer.** Businesses will be required to send a reminder notice to subscribers 15-45 days before renewal of a subscription with an initial term of one year or longer.

Stay tuned for more automatic renewal updates based on the Federal Trade Commission's recent Enforcement Policy Statement on automatic renewals.

Authors

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