



California's [updated automatic renewal law](#) (ARL) took effect on July 1, 2018.

We covered these changes in a [2017 client alert](#), but a reminder is important here because the new law is now "live" and we expect to see more enforcement efforts for alleged noncompliance with the law. The ARL sets rigid rules about transparency for subscription-based business models where the subscription is automatically renewed, and the subscriber is charged, on a recurring basis (e.g., monthly for a video-on-demand service or beer-of-the-month club). Specifically, such businesses must (1) disclose the automatic renewal offer terms clearly and conspicuously; (2) obtain affirmative consent from the consumer before charging his/her payment method; (3) provide the consumer with an acknowledgement of the automatic renewal terms and cancellation policy in a manner that can be retained for their records (e.g., an email receipt); and (4) notify consumers of any

material changes to the automatic renewal terms. The recent changes in the law also now (5) require an online cancellation option for automatic renewal offers that the consumer signed up for online, and (6) clarify that the business must clearly and conspicuously disclose the price that will be charged after a free trial period ends and how and when to cancel before such charge occurs. In 2018, at least six cases have been filed in California under the ARL. With the growth of subscription-based business models and the changes to the law, we expect to see more attempted enforcement from plaintiffs' attorneys and government officials moving forward. **Key**

### **Takeaways:**

- California's updated ARL requirements are now in effect and alleged noncompliance may result in litigation.
- Businesses with subscription-based models should review their automatic renewal disclosures, consent mechanisms, cancellation options, and related processes to ensure that they comply with California's ARL law.
- As subscription-based business models grow in popularity, states around the country have adopted applicable laws, so periodically monitor the landscape for updates.

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