

In California, New Automatic Renewal and Continuous Service Requirements Signed Into Law

Companies offering automatic renewal or continuous service terms to consumers subject to California law should review their consent, notice, and cancellation practices.

On September 24, 2024, California Governor Gavin Newsom signed [California Assembly Bill 2863](#) into law, expanding existing requirements for automatic renewal and continuous service offers in the state under Sections 17601 and 17602 of the California Business and Professions Code. These expanded requirements apply to contracts entered into, amended, or extended on or after July 1, 2025.

Below we set out the major changes under the updated law, which expand the scope of auto-renewal laws to also include “free-to-pay conversion” offers, include a requirement to obtain a consumer’s “express affirmative consent” to the automatic renewal or continuous service terms, add additional cancellation rights for users, and add a new annual notice requirement for providers.

Major Changes Under AB 2863

1. Expanded to Include Free-to-Pay Conversions

- The law extends the scope of both “automatic renewal” and “continuous service” offers to include contracts that include a “free-to-pay conversion.”¹
- A “free-to-pay conversion” is defined as a provision in an agreement under which a consumer receives a product or service for free for an initial period and will incur an obligation to pay for that product or service if they do not cancel before the end of the free trial period.²

2. Additional Consumer Consent Requirements

- A business must now obtain the consumer’s express affirmative consent specifically to the automatic renewal or continuous service offer terms. Note that in a prior version of the bill, the language stated that such consent must be obtained separately from the rest of the contract, but this requirement was removed in the final version of the bill.³
- Verification of this consent must be maintained for three years, or one year following the termination of the contract, whichever is longer.⁴

- The contract cannot include any information that interferes with, detracts from, contradicts, or otherwise undermines the ability of consumers to provide such consent.⁵
- Additionally, to ensure consumers have a clear appreciation and understanding of the commercial terms prior to consenting, the business cannot expressly or impliedly misrepresent any material fact related to the transaction, including the inclusion of automatic renewal or continuous service terms.⁶

3. Additional Notice and Reminder Requirements

Initial Notice

- The initial notice required for automatic renewal agreements must now be provided to the consumer prior to confirming the consumer's billing information.⁷
- The initial notice must now include information regarding the amount or range of costs the consumer will be charged and, if applicable, the frequency of those charges unless the consumer takes timely steps to stop them.⁸

Annual Reminder

- Regardless of the length of the automatic renewal or continuous service term (e.g., monthly, quarterly, annual), a business must now send an annual reminder containing specified information to a consumer regarding the automatic renewal or continuous service in the same medium that resulted in the consumer's initial activation or in the medium in which the consumer is accustomed to interacting with the business.⁹
- If the initial interaction was in person, the annual reminder must be sent by telephone, mail, or any internet-based communication.¹⁰
- The annual reminder must disclose: (i) the product or service to which the annual renewal applies, (ii) the frequency of the charges, and (iii) the means to cancel the automatic renewal.¹¹

Fee Change

- In the case of a change in the fee charged under an existing automatic renewal or continuous service offer, a business must provide a clear and conspicuous notice of the fee change at least seven and no more than 30 days before the fee change takes effect. This fee change notice must also include information regarding how to cancel the agreement in a manner that is capable of being retained by the consumer.¹²

4. Expanded Cancellation Methods for Consumers

- The ability to cancel the automatic renewal or continuous service must be available to the consumer in the same medium that resulted in the activation of the contract or in the medium that the consumer is accustomed to interacting with the business.¹³
- Any telephone number used for cancellation purposes must be clearly and conspicuously displayed on the company's website.¹⁴

- If a business provides for cancellation by toll-free telephone number, the business must answer calls promptly during normal business hours and cannot delay the consumer's ability to cancel.¹⁵
- If a consumer leaves a voicemail requesting cancellation, the business must either process the cancellation or call the consumer back within one business day.¹⁶
- A business may present the consumer attempting to cancel with a discounted offer, retention benefit, or information regarding the effects of cancellation, as long as the business does the following:¹⁷
 - If by phone, the business first clearly and conspicuously informs the consumer that they may complete the cancellation process at any time by stating that they want to "cancel" or using words to that effect.¹⁸
 - If by online system, the business simultaneously displays a prominently located and continuously and proximately displayed direct link or button titled "click to cancel," or words to that effect, with the presentation of the discounted offer, other consumer benefit, or information. If the consumer then states their intention to cancel or utilizes this direct link, the business must promptly process the cancellation without obstruction or delay.¹⁹

If you have questions about this Client Alert, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

Ghaith Mahmood

ghaith.mahmood@lw.com
+1.213.891.8375
Los Angeles

Kayla Matthews

kayla.matthews@lw.com
+1.213.891.8428
Los Angeles

Grant E. Huebner

Knowledge Management Lawyer
grant.huebner@lw.com
+1.424.653.5500
Century City

You Might Also Be Interested In

[Website Terms of Use May Risk Liability Under California Law](#)

[UK-US Data Bridge: Practical Tips for Implementation and Compliance](#)

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham's Client Alerts can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham, [visit our subscriber page](#).

Endnotes

¹ [§17601(a)(1), (5)].

² §17601(a)(6).

³ §17602(a)(4).

⁴ §17602(a)(6).

⁵ §17602(a)(5).

⁶ §17602(a)(7).

⁷ §17602(a)(8).

⁸ §17602(a)(8)(C).

⁹ §17602(h)(1).

¹⁰ §17602(h)(1).

¹¹ §17602(h)(2).

¹² §17602(g)(2).

¹³ §17602(f).

¹⁴ §17602(f).

¹⁵ §17602(c)(2)(A).

¹⁶ §17602(c)(2)(B).

¹⁷ §17602(e).

¹⁸ §17602(e)(1).

¹⁹ §17602(e)(2).