

California Law Governing Automatic Renewals Goes Into Effect

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Starting this week, companies that offer subscription services that automatically renew at the end of the initial term will have to comply with a new law in California.

The law generally requires that companies: (1) clearly and conspicuously disclose the material offer terms before a consumer subscribes; (2) obtain a consumer's affirmative consent to the terms before the consumer is charged; (3) provide a confirmation to the consumer that includes the terms, a description of the cancellation policy, information on how to cancel, and, if the offer includes a free trial, that the consumer may cancel before being charged; and (4) provide an easy-to-use method for canceling.

The material terms include: (1) that the subscription will continue until the consumer cancels; (2) a description of the cancellation policy; (3) information about the recurring charges; (4) the length of the renewal term; and (5) the minimum purchase obligation, if any. These terms must generally be presented either in larger type than the surrounding text or in contrasting type, font, or color to the surrounding text of the same size, or set off from the surrounding text in a manner that clearly calls attention to the terms.

As we've mentioned in [previous posts](#), companies that offer automatic renewals and free trials have come under increased scrutiny by states and the FTC. Most complaints arise when consumers don't realize that the plans are going to automatically renew or consumers are impeded from canceling. Accordingly, it is important to ensure that consumers understand the offer terms and have an opportunity to cancel.