California's Automatic Renewal Law: Are You Giving Your Customers an Unintended Gift?

What if you had to return all the revenue you received from every customer in California for the last several years? A class action litigation alert from DLA Piper discusses the California Automatic Renewal Law, which applies to most individual consumer contracts that include an automatic renewal feature and for which the consumer authorizes a recurring automatic charge to the consumer's credit card or bank account for the purchase of services, memberships, subscriptions or other products.

According to the alert, "in the event of non-compliance with the law, all services rendered by a merchant to an individual California consumer 'shall for all purposes be deemed an unconditional gift to the consumer.' "

The alert, written by Paul J. Hall, Isabelle Ord and Alec Cierny, says, "The law creates a higher legal standard that the automatic renewal terms and cancellation rights be disclosed in a ***more conspicuous*** manner than the rest of the contract. The law applies to contracts entered into by any consumer in California *regardless of the location of the company*. Recent class action lawsuits allege that several national companies with consumer-interfacing websites are not in compliance with the enhanced disclosure requirements of the Automatic Renewal Law."

Read the alert here.