

ALERT

Automatic Renewals and Risks: State Negative Option Laws and Enforcement Are Trending

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-Installment 2 of Wiley's State Consumer Protection Series-

In 2025, we've seen new and updated automatic renewal laws (ARLs) and regulations in many states, including Arkansas, California, Colorado, Connecticut, Maryland, Massachusetts, Minnesota, and Utah. These laws regulate aspects of transactions involving subscription services, automatic renewals, negative options, and free trial offers. Generally, these laws impose requirements on what companies must disclose before enrolling customers in these plans, outline how and when companies should notify customers about automatic renewals, and prescribe cancellation methods companies must provide their customers.

Below, we outline new statutory requirements and how these laws differ across states, summarize recent enforcement actions and trends, and share practical compliance tips. This is an area with both complex compliance issues and multi-faceted risk – including state Attorney General (AG) investigations, joint state-federal enforcement, and class action litigation.

Recent changes to state laws and regulations

ARLs regulate numerous aspects of transactions involving covered goods and services, including requirements for notice regarding autorenewals and expiration of free trial periods, disclosure of cancellation methods, and use of discounts or "sales saves" when consumers seek to cancel.

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Notice requirements. Existing state ARLs have long required reminder notices before annual renewals and at the end of free trial periods, but new statutes highlight differences in requirements for both timing and content. For example, Minnesota's and California's new laws both require businesses to provide an annual reminder to consumers enrolled in indefinite or continuously renewing memberships, but California requires that the notice include a link or electronic method for cancellation while Minnesota only requires instructions for how to cancel. And for free trial offers, Maryland requires companies to provide customers 14 days' notice before the trial period converts to a paid subscription, while Utah requires just three days' notice.

Cancellation methods. Different requirements for cancellation methods across states also complicate compliance. For example, Massachusetts' new regulations require businesses to offer internet cancellation on the same website or app used to initiate the service, New York requires a "cancel" button within mobile applications that offer automatic renewals, and Colorado requires a "one-step online cancellation" mechanism for consumers who subscribed online.

Sales saves. Rules concerning the use of discounts or incentives when consumers seek to cancel, often called sales saves, also differ by state. For example, California's amended ARL permits businesses to use these sales offers during cancellation as long as consumers are notified that they can cancel at any time. But Minnesota prohibits any sales save attempts unless the consumer affirmatively agrees to them.

State enforcement

Enforcement in this area highlights trends we will cover in more detail later in this series – collaboration, local enforcement by municipalities, and state enforcement of FTC statutes. These enforcement actions also highlight two key issues that draw heavy regulatory scrutiny: (1) enrolling or charging customers without their informed knowledge or consent; and (2) making it difficult for customers to cancel.

Inter- and Intra-State Coordination. Recently 34 state Attorneys General announced coordinated settlements with TFG Holdings, Inc., which operates online shoe, clothing, and accessory companies, to resolve allegations of unlawful negative option practices. The states alleged that the company automatically enrolled consumers into a recurring-charge membership program without their consent and used cancellation policies that frustrated consumers' ability to cancel enrollment in the membership programs. The states cited a variety of authorities, including their general laws prohibiting unfair and deceptive acts and practices (UDAP), specific negative option or ARL laws, or combinations of both.

We've also seen significant collaboration at the county level in California, where county and city enforcers have formed a coalition, called the California Automatic Renewal Task Force (CART), to collaborate for the specific purpose of autorenewal enforcement. The most recent CART action was an August 2025 announcement from the Los Angeles and Santa Clara county district attorneys of a \$7.5 million settlement with HelloFresh. That case alleged the company misled consumers into recurring subscription charges without adequate notice or authorization, in violation of the state's Automatic Renewal Law.

Gyms Take a Hit. This year, the gym and fitness industry has been in the crosshairs for cancellation policies. The New York AG announced settlements with Aneva Gym in May 2025 and Equinox Group in August 2025 for, among other conduct, allegedly making memberships difficult to cancel. The Aneva case alleged that the company violated state law by requiring members to cancel in person, and the Equinox case alleged that company policies frustrated consumer attempts to cancel in person by refusing to honor requests at the time they were made. In addition to standard compliance and monitoring requirements, the settlement with Equinox also requires the gym to enhance compliance by training employees and contractors, designating a responsible corporate officer, and maintaining records documenting when trainings are completed.

At the federal level, the Federal Trade Commission (FTC) also brought a case against LA Fitness in August 2025, alleging that the company violated the Restore Online Shoppers' Confidence Act (ROSCA) requirement to provide a "simple" cancellation method, by requiring consumers to use specific in-person cancellation processes, even when they initially signed up for their memberships online.

State ROSCA Enforcement. Recent state actions also serve as a reminder that states can enforce ROSCA. New York's case against Equinox included a claim under ROSCA along with state law claims. And in May 2025, the Maryland AG announced a settlement with AdoreMe, Inc., a lingerie retailer, to resolve allegations that the company deceptively marketed apparel without disclosing to consumers that accepting a discount automatically enrolled them in a continuity program with monthly billing, in violation of both ROSCA and the Maryland Consumer Protection Act.

Key compliance tips

Businesses must monitor developments closely as states continue to legislate and act in this area, and especially as companies face increasing risk of state, federal, and joint state-federal enforcement. Some key takeaways for companies include:

1. Assess what state notification requirements apply to your business model and customer offerings.
2. Understand what aspects of the transaction are "material" based on your industry and state, and create mechanisms to disclose that information to customers before enrollment in a subscription or automatic renewal plan.
3. Review cancellation methods for potential friction that might conflict with laws in states where you offer goods or services, or with ROSCA.
4. Update and review compliance periodically, as this is an area with frequent state legislative and enforcement action.
5. Don't forget about the FTC. Even though the FTC's negative option rule, formerly called the "click to cancel" rule, was vacated earlier this year, the FTC has still been very active and aggressive in enforcing ROSCA, which authorizes civil penalties up to \$53,088 per violation.

For more information, please contact one of the authors. Wiley's State Attorneys General and FTC and Consumer Protection practices have a deep bench of attorneys experienced in pricing disclosures, state Attorney General investigations and enforcement, and navigating the intersection of state and federal compliance issues.