CLIENT ALERTS & INSIGHTS

A Dozen New Lawsuits and Two $7.5M Settlements Signal a New Era for Automatic Renewal Compliance

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Key Takeaways

- A recent surge in lawsuits - and two separate $7.5 million settlements - highlights increased enforcement of automatic renewal laws, with both private plaintiffs and government agencies bringing actions for alleged violations of California's ARL and federal regulations.
- This wave of litigation and enforcement signals heightened legal and financial risk for companies offering subscription services. Businesses face increased scrutiny from both class action plaintiffs and regulatory bodies, with significant penalties for non-compliance.
- Proactive compliance with state and federal requirements is essential to avoid costly litigation and enforcement actions. Retailers and subscription-based businesses should immediately review and update their automatic renewal practices, ensuring clear, conspicuous disclosures, express affirmative consent mechanisms and simple cancellation options.

There's a new cycle of risk on the horizon. Automatic renewals are, by definition, cyclical. But in the last few months, litigation brought by private plaintiffs and public enforcers - 12 new class actions, and $15 million worth of settlements at the state and federal levels to date - shows that subscriptions are not the only things running in cycles. Litigation and enforcement actions are ramping up in their own recurring waves, as seen with recent multi-million dollar settlements, signaling that compliance risks for automatic renewals are here to stay.

Recent Class Action Surge

In the last few weeks, at least 12 consumer class actions have been filed against e-commerce retailers for allegedly violating California's Automatic Renewal Law (ARL).

For example, in *Garcia v. Underclub Inc.*, No. 25STCV25946 (Cal. Super. Ct. L.A. County September 3, 2025), the plaintiffs allege that luxury undergarment retailer Underclub violated the ARL by: failing to adequately describe its cancellation policy, much less using contrasting type, font, and/or color; failing to provide a link directly to one-click cancellation (and instead linking to a window that describes "a portion" of the company's cancellation policy in a way that allegedly lacks the simplicity required by the ARL); and failing to provide an "acknowledgement email" confirming the terms of the subscription. Notably, even though the Complaint comes two months after recent amendments to the ARL took effect on July 1 (see our alert), the lawsuits do not focus on those new requirements.

This is the first concentrated wave of ARL cases we've seen since the California Court of Appeal in *Mayron v. Google* held that the ARL does not provide a private right of action (see our previous analysis). Crucially, *Mayron* left the door open for consumers to bring claims under the "unlawfulness" prong of California's Unfair Competition Law (UCL), where the plaintiffs could establish an economic injury caused by the alleged ARL violation. In these new cases, the plaintiffs claim to have suffered economic injury by being enrolled in subscriptions without their knowledge, when they had believed they were making one-time purchases.

California Reaches $7.5M Judgment With HelloFresh

Following the *Mayron* decision, California's ARL has predominantly been enforced not through consumer class actions, but by a group of district attorneys' offices that have teamed up to form the California Automatic Renewal Taskforce (CART). CART, which consists of representatives from the District Attorneys' Offices of Los Angeles, Santa Clara, Santa Barbara, San Diego and Santa Cruz, as well as the Santa Monica City Attorneys' Office, is responsible for many of the biggest ARL settlements, including against: *Thrive Market* in April 2024 ($1,100,000 in civil penalties and costs, plus $450,000 in restitution); *Relaxium.com* in August 2023 ($900,000 in civil penalties and $1,300,000 in restitution); *NakedWines.com Inc.* in September 2022 ($650,000 in civil penalties and costs); *Relish Labs LLC* in January 2021 ($200,000 in civil penalties and costs, plus $250,000 restitution); *Match Group, Inc*. in November 2020 ($2,028,500 in civil penalties and costs); *eHarmony, Inc*. in January 2018 ($1,280,000 in penalties and costs, plus up to $1,000,000 in restitution); *AdoreMe, Inc*. in August 2018 ($600,000 in civil penalties and costs, plus at least $450,000 restitution); and *Beachbody, LLC* in August 2017 ($2,579,000 in civil penalties and costs, plus $1,000,000 in restitution).

Most recently, on August 18, 2025, a $7.5 million consent judgment was filed in CART's action against meal prep startup HelloFresh - by far CART's largest settlement in recent years. CART alleged that HelloFresh failed to clearly disclose subscription terms before collecting payment, charged customers credit cards without their affirmative consent, provided inadequate post-transaction acknowledgments and lacked an easy cancellation mechanism.

The settlement is allocated as follows: $6.38 million in civil penalties; $120,000 in investigative costs; $435 in court filing fees; and $1 million in restitution. In addition to monetary relief, the judgment also includes injunctive relief, enjoining and restraining HelloFresh from engaging in conduct prohibited by the ARL. Consistent with past CART settlements, the settlement requires "a checkbox, signature, express consent button or other substantially similar mechanism that the CALIFORNIA CONSUMER must affirmatively select to give consent to the AUTOMATIC RENEWAL OFFER TERMS " - something that CART has long maintained is required by the ARL. (As discussed in our alert, up until July 1 the ARL merely required "affirmative consent"; now, it requires "express affirmative consent".)

Related $7.5 Million Settlement - *FTC v. Chegg, Inc.*, No. 5:25-cv-07827 (N.D. Cal. Sept. 15, 2025)

Not to be outdone, the Federal Trade Commission (FTC) reached its own $7.5 million settlement, in a case against Chegg, a website offering study aids by subscription. The Northern District of California entered the Parties' stipulated judgment on September 15, 2025.

The FTC alleged that Chegg violated the Restore Online Shoppers' Confidence Act (ROSCA)'s requirement that companies provide simple cancellation methods to stop recurring charges. Specifically, the FTC alleged that Chegg required subscribers to navigate through many confusing

pages to reach the cancellation page, subjected them to a complicated page flow and charged some customers after they canceled. The stipulated judgment requires Chegg to simplify its cancellation methods and to pay $7.5 million, which will be used to provide refunds to consumers impacted by the challenged cancellation practices.

The Chegg settlement comes barely two months after the Eighth Circuit vacated the FTC's new "Click to Cancel" rule, which would have required retailers to include detailed disclosures before checkout, obtain consumer consent to the terms before checkout and maintain easy cancellation mechanisms (see our alert). Even so, ROSCA remains intact. In addition to the cancellation requirement, ROSCA requires companies to disclose material terms of a transaction and obtain express affirmative consent before charging a consumer. Additionally, Section 5 of the FTC Act empowers the agency to prohibit unfair or deceptive acts or practices.

Conclusion

Given this aggressive landscape, retailers should remain diligent in reviewing their websites and ARL terms to ensure that they comply with both California's ARL and FTC regulations. Benesch has routinely helped companies navigate these requirements and is here to help.