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Antitrust and Competition Update

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California Legislature Passes Broad Antitrust Legislation; Bill Now Awaits Governor's Signature

Executive Summary

- **What's new:** On August 31, 2026, both chambers of the California Legislature approved a proposed amendment to the Cartwright Act, Assembly Bill 1776, sending the bill to Gov. Gavin Newsom.
- **Why it matters:** If signed, AB 1776 would authorize the California attorney general and California district attorneys to bring claims against individual businesses for alleged monopolizing or monopsonizing conduct. This would be a significant expansion of the Cartwright Act, which has historically focused on concerted conduct among multiple firms.
- **What to do next:** With final passage looking increasingly likely, companies with a significant market presence in California should consider evaluating whether their pricing, distribution and other competitive strategies may be affected by the bill's expanded enforcement framework. Monitoring the governor's action on the bill and preparing for the potential for increased antitrust scrutiny for their business practices beginning January 1, 2027, may be prudent.

On August 31, 2026, both houses of the California Legislature passed a finalized version of Assembly Bill 1776, formally known as the Competition and Opportunity in Markets for a Prosperous, Equitable and Transparent Economy (COMPETE) Act. The Senate approved the measure by a vote of 30-9, and the Assembly concurred by a vote of 55-15.

The measure now proceeds to Gov. Gavin Newsom, who has until September 30, 2026, to sign the bill for it to take effect on January 1, 2027.

AB 1776 would amend and significantly expand the Cartwright Act, California's principal antitrust law, by extending it to reach single-firm conduct. The bill's path through the Legislature was marked by sustained opposition from business groups like the California Chamber of Commerce and the California Department of Finance.

While the opposition from business groups drew consideration from lawmakers, especially as the bill proceeded through committee, a series of narrowing amendments and the removal of a private right of action ultimately enabled the bill's passage.

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Final Amendments Further Limit the Scope of the Bill

On August 27, 2026, the Legislature amended AB 1776 to narrow and clarify the bill's provisions, as outlined below. These amendments build on the Legislature's previous limitations to the bill, including the removal of the private right of action (which we recently discussed).

- **Removal of the "same relevant market" requirement.** The prior version required any procompetitive justification for challenged conduct to be evaluated within the same relevant market as the allegedly unlawful conduct. That requirement has been deleted, thus expanding defendants' abilities to offer lawful justifications for challenged conduct.
- **Deleted reliance on the 2023 federal Merger Guidelines.** The bill no longer includes an endorsement of the Department of Justice and Federal Trade Commission's 2023 Merger Guidelines, which contended that various unilateral, multiparty, horizontal, vertical and corporate arrangements can interfere with competition. As we wrote at the time, these guidelines formalized the interventionist approach demonstrated by the Biden administration's antitrust enforcers and strayed from historical antitrust precedent.
- **Restricted use of the new provision as an Unfair Competition Law predicate.** The bill continues to provide that only the attorney general or a district attorney may initiate an action under the new section. After these latest changes, the bill further states that, except in a government enforcement action, an alleged violation under the new provisions cannot serve as a predicate violation under California's Unfair Competition Law. This provision closes a potential loophole so that private plaintiffs cannot take advantage of the bill's provisions through an unfair competition law claim.
- **Preserved claims and defenses outside the new section.** New language provides that the enforcement restriction neither applies to nor creates, extinguishes, or limits defenses or actions that are not brought under the new single-firm monopolization provision. This further clarifies that defendants continue to have the full range of options when defending a state law antitrust case in California.

Legislative Dynamics and the Path to Passage

The bill's passage followed a legislative session in which consumer groups, labor unions and small business organizations supported its passage, while the California Chamber of Commerce led its opposition.

The California Department of Finance also opposed the bill, citing fiscal uncertainty. The department noted that the bill could create significant costs for the Unfair Competition Law Fund and the Attorney General Antitrust Account, and that the volume of cases the attorney general might pursue under the new authority remained uncertain.

Despite these concerns, both chambers approved the bill with limited floor debate. Democrats hold a supermajority in the California Legislature, and the final votes fell largely along party lines.

AB 1776 Now Awaits Gov. Newsom's Signature

The bill now sits on Gov. Newsom's desk. Under California's legislative calendar, the governor must sign the bill by September 30, 2026, for it to take effect on January 1, 2027. As of the date of this alert, Gov. Newsom has not publicly stated a position on the bill. His administration has generally supported the state's antitrust enforcement efforts, and Attorney General Rob Bonta has been an active antitrust enforcer.

The California Legislature has the ability to overturn a gubernatorial veto with a two-thirds vote in both the State Assembly and State Senate. Based on the votes cast when the measure passed the Legislature, there would be enough votes to overturn a veto.

AB 1776 cleared a major hurdle when it was passed by the California Legislature, and it is looking increasingly likely that it will become law in the near future. The legislation presents ongoing legal risk and uncertainty for businesses with a presence in California, though the narrowed scope of the bill (as compared to its original form) has aligned the law more closely with federal antitrust doctrine.

Companies with a significant footprint in California should consider evaluating their competitive strategies — including pricing, distribution and other market practices — to prepare for this expansion of California's antitrust enforcement framework.

Related Reading

- Proposed Broad California Antitrust Legislation Moves Toward Full Senate Vote
- Proposed Broad California Antitrust Legislation Passes Senate Judiciary Committee
- Proposed California Antitrust Legislation Could Significantly Broaden State's Antitrust Law

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