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Antitrust and Competition Update

October 1, 2026

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Gov. Newsom Signs California Antitrust Bill Into Law, Significantly Expanding the Cartwright Act

Executive Summary

- **What's new:** On September 30, 2026, Gov. Gavin Newsom signed Assembly Bill 1776 (the COMPETE Act) into law, which amends the Cartwright Act, California's principal antitrust statute.
- **Why it matters:** The new law authorizes the California attorney general and district attorneys to bring claims against individual businesses for alleged monopolizing or monopsonizing conduct, a significant expansion from the Cartwright Act's historical focus on multifirm conduct. These new provisions of the Cartwright Act will take effect on January 1, 2027.
- **What to do next:** 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 and prepare for increased antitrust scrutiny.

On September 30, 2026, Gov. Gavin Newsom signed Assembly Bill 1776, formally known as the Competition and Opportunity in Markets for a Prosperous, Equitable and Transparent Economy (COMPETE) Act. The governor's signature ushers the bill into law and ensures it will take effect on January 1, 2027.

AB 1776 amends and significantly expands the Cartwright Act, California's principal antitrust statute. Both chambers of the California Legislature passed the finalized bill on August 31, 2026: the Senate approved the measure by a vote of 30-9, and the Assembly concurred by a vote of 55-15.

The bill's path through the Legislature was marked by sustained opposition from business groups, including the California Chamber of Commerce and the California Department of Finance, but a series of narrowing amendments ultimately enabled passage.

In signing the law, Gov. Newsom stated, "I sign this bill with the expectation that the Attorney General, district attorneys, and judges will interpret and apply it in ways that penalize clear wrongdoing, without creating needless uncertainty that risks harming legitimate businesses."

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Key Features of the New Law

As we have discussed in our previous client alerts on April 23, July 15, August 21 and September 11, the new law includes the following key provisions:

- **Extends the Cartwright Act to single-firm conduct.** The Cartwright Act now extends to antitrust monopolization and monopsonization conduct by individual businesses, a significant departure from the statute's historical focus on concerted multifirm conduct.
- **Requires "substantial market power" for prosecution.** To prosecute the new elements of the Cartwright Act, government must allege and prove that a defendant possesses "substantial market power" through direct or indirect evidence.
- **Limits enforcement to government actors.** Only the California attorney general and district attorneys may bring claims under the new single-firm conduct provisions. There is no private right of action through which private plaintiffs can enforce the new provisions.
- **Describes federal antitrust law as "at most instructive."** California courts are directed to treat federal antitrust interpretations as "at most instructive," rather than binding.
- **Affirms legality of lawful acquisition of market power.** The new provisions affirm that businesses may lawfully obtain and maintain market power through superior products, services or business acumen.
- **Allows procompetitive justifications outside of the same market.** The final amendments removed the requirement in previous drafts that procompetitive justifications be evaluated within the same relevant market as the allegedly unlawful conduct.

Implications and Recommendations

The new law broadens the Cartwright Act's enforcement toolkit while incorporating meaningful limitations that narrowed the bill from its original form. Changes to the bill in its final form included the removal of a private right of action for the new provisions, the deletion of reliance on the 2023 federal Merger Guidelines and the removal of the requirement about procompetitive justifications referenced above.

Companies with a significant market presence in California should consider promptly evaluating their pricing, distribution and other competitive strategies in light of the new law. With enforcement by the attorney general and district attorneys set to begin on January 1, 2027, businesses should consider preparing for increased antitrust scrutiny of single-firm conduct and consider whether their current practices may attract enforcement attention under the expanded Cartwright Act.

Related Reading

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