



Providing nonpartisan legal, research, and fiscal analysis services to the Minnesota Senate

S.F. No. 3920 - Regulations for contracts subject to automatic renewal and continuous service (1st Engrossment)

Author: Senator Heather Gustafson

Prepared by: Olivia Syverson, Senate Counsel (651/296-4397)

Date: April 10, 2024

Section 1 (325G.24) allows a person to unilaterally cancel or terminate their membership with a club. Clubs are required to accept notice of cancellation or termination given through various means.

Section 2 (325G.25, subdivision 1) requires memberships to provide disclosures related to a person's right to cancel, terminate, and provide notice.

Section 3 [325G.56 Definitions] provides definitions for "automatic renewal," "clear and conspicuous," "consumer," "continuous service," "indefinite subscription agreement," "offer terms," and "seller."

Section 4 [325G.57 Requirements for Automatic Renewal or Continuous Service] creates requirements for automatic renewal or continuous service. A seller must disclose the offer terms to consumers before the consumer accepts the offer. Once the consumer has accepted the offer, the seller must provide a confirmation to the consumer. The confirmation must include: (1) offer terms; (2) if the offer includes a free trial, information related to the free trial; and (3) options to terminate the indefinite subscription agreement.

If there is a material change in the terms, the seller must inform the consumer of the change before the change is implemented. The notice must provide information on how to terminate the agreement.

If an indefinite agreement includes a free trial lasting more than 30 days, the seller must notify the consumer of the consumer's option to cancel the free trial at the end of the trial period to avoid paying for goods and services between five to 30 days before the end of the trial period.

The seller must give the consumer written notice of an automatic renewal between five to 30 days before the contract renews for another term.

The seller must give the consumer written notice of continuous service at intervals that are reasonable to the goods or services provide. The written notice must not be less than once per year.

Section 5 [325G.58 Prohibited Conduct] prohibits a seller from charging a consumer before the indefinite period agreement has been authorized by the seller and consumer and made effective. The seller may not require that the consumer allow the seller the chance to match any offer the consumer has received from a different seller. When a seller receives notice of cancellation or termination, a seller must not engage in abusive tactics or make offers upon notice.

A seller may still ask a consumer for the reason for cancellation or termination, inform the consumer that there may be consequences for cancelling, and verify the identity of the consumer.

Section 6 [325G.59 Consumer's Right to Terminate] allows a consumer to terminate an indefinite subscription agreement subject to automatic renewal at any time by following the procedure set forth in the confirmation. The termination is effective at the end of the term in which notice of termination is provided by the consumer.

A consumer may terminate an indefinite subscription agreement subject to continuous service at any time by following the procedure set forth in the confirmation. The termination is effective immediately.

If the seller fails to provide the necessary disclosures or notices as required, the consumer may terminate at any time at no cost to the consumer.

Section 7 [325G.60 Termination Election Requirement] requires a website to include a termination election on the website.

Section 8 [325G.61 Unconditional Gifts] provides that if the seller sends a good to a consumer under an indefinite subscription agreement without first obtaining the consumer's consent to the agreement and to receive the good, the good is an unconditional gift.

Section 9 [325G.62 Exemption] provides that sections 325G.56 to 325G.62 do not apply to contracts governed by another state or federal statute or regulation intended to regulate automatic renewal or continuous service, or insurance providers. These sections do not apply to insurance providers, any businesses licensed or regulated by the PUC, FCC, or the FERC, and they do not apply to any person registered or license under FIRA, the SEC, or under the Minnesota Securities Act.