Paul, Weiss

Client Memorandum

May 18, 2026

Proposed Expansion of California's Cartwright Act Moves to State Assembly Floor

On Thursday, May 14, 2026, the California State Assembly Committee on Appropriations voted to advance AB 1776 on a party-line vote of 11-4. The bill would expand the Cartwright Act, California's state antitrust law, to reach single firm conduct. The bill now moves to the floor of the California State Assembly.

On the same day, Governor Gavin Newsom's state budget proposal requested over $14 million for California's antitrust enforcement budget, explicitly referencing the "lack of federal oversight in this area."

Practical Takeaways:

- AB 1776 would add prohibitions to the Cartwright Act on monopolization while making federal antitrust interpretations only instructive, not controlling, and lowering several federal-style proof requirements for claims involving refusals to deal, predatory pricing, market power, multisided platforms and competitive harm. The bill also emphasizes free and fair competition for all market participants, expressly including workers and labor markets, and requires courts to interpret the Cartwright Act broadly to deter anticompetitive conduct.
- If passed, AB 1776 would be another example of California expanding the scope of its antitrust laws and enforcement powers.
- California and other states continue to signal a willingness to diverge from federal antitrust enforcement in certain high-profile transactions and cases.

AB 1776: Provisions / Changes from Previous Version

The bill headed to the Assembly floor includes the following provisions:

- **Free and fair competition; labor market focus**. The bill says that the Cartwright Act is intended to protect free and fair competition for all market participants, including workers and consumers. It expressly treats labor-market competition as part of competition policy. Courts must broadly interpret California antitrust law to promote free and fair competition and maximize deterrence.
- **Unreasonable restraints of trade; monopolization**. The bill prohibits one or more persons from unreasonably restraining trade or engaging in monopolization or monopsonization, including attempts, maintenance, or combinations and conspiracies to do so.
- **Federal law instructive but not conclusive**. The bill states that "[i]nterpretations of federal antitrust laws are at most instructive, and not conclusive, when construing California's antitrust laws" and lists several things that are not required to find liability:

© 2026 Paul, Weiss, Rifkind, Wharton & Garrison LLP. In some jurisdictions, this publication may be considered attorney advertising. Past representations are no guarantee of future outcomes.

- For an anticompetitive refusal-to-deal claim, liability does not require showing that the defendant ended or changed a prior course of dealing or treated the excluded party differently from others.
- For a predatory-pricing claim, liability does not require showing below-cost pricing under federal antitrust standards or that the defendant is likely to recoup losses from the alleged below-cost pricing.
- Liability does not require showing that the defendant's conduct was economically irrational except for its tendency to harm competition, or that the harmed rival was as efficient or nearly as efficient as the defendant.
- Competitive harm may be proven with qualitative evidence; it need not be established entirely through quantitative evidence.
- For multisided platforms, plaintiffs need not show harm on multiple sides or cross-platform net harm.
- When relying on indirect evidence to show market power, liability does not require a federal market-share threshold. When using direct evidence to show market power, liability does not require the definition of a relevant market.

- **Small-business exemption**. The bill exempts qualifying small businesses that are independently owned and operated, California-based, have California-domiciled officers, and meet the 100-employee and $10 million gross-receipts thresholds.

Notable changes in the version now headed to the full Assembly from the version that went to the Appropriations Committee include:

- This version says that courts shall use the guidance from *In re Cipro Cases I & II*, 61 Cal. 4th 116 (2015), to adjudicate claims. In *Cipro*, the court endorsed the "quick look" rule of reason analysis, holding that "[t]his more nuanced approach makes equal sense for claims under the Cartwright Act." *Id*. at 147.
- The previous version had said "courts may consider federal case law as persuasive authority to the extent they find it consistent with California law," but this version goes further and says that federal case law is "at most instructive, not conclusive, when construing California's antitrust laws."
- The bill adds a small-business exemption, as detailed above.

Next Steps

If AB 1776 passes the Assembly, it will need to be passed by the California State Senate on or before August 31 to move to Governor Newsom's desk. If passed, the governor must sign, veto, or let the bill automatically become law without his signature, by September 30.

Increased Budget for Antitrust Enforcement

On Thursday, May 14, 2026, Governor Newsom submitted a proposed California state budget that requests $14.25 million for antitrust enforcement. The proposal calls for 16 limited-term positions and significant expenditure on outside consultants in FY 2026-27 (July 1, 2026-June 30, 2027). This budget request tapers off to about $10.5 million for FY 2029-30.

Per the request, "[t]hese resources will support limited-term positions, experts, and outside counsel to investigate and litigate complex antitrust cases resulting from reduced federal enforcement efforts." The request explicitly notes recent divergence from federal antitrust enforcement and says that "states are now being called upon to step in to lead multiple highly complex and massive cases, which require dozens of litigators per case and significant expert costs."

Practical Takeaways

- **Increased scope of the Cartwright Act**. AB 1776 would add prohibitions to the Cartwright Act on monopolization while making federal antitrust interpretations only instructive, not controlling, and lowering several federal-style proof requirements for claims involving refusals to deal, predatory pricing, market power, multisided platforms and competitive harm. The bill emphasizes free and fair competition for all market participants, expressly including workers and labor markets, and requires courts to interpret the Cartwright Act broadly to deter anticompetitive conduct.

- **Expanded scope of California's antitrust enforcement**. If passed, AB 1776 would be another example of California expanding the scope of its antitrust laws and enforcement powers. Within the past year, California has passed laws to:
  - *Mini-HSR law*. Require certain parties to submit their Hart-Scott-Rodino ("HSR") Act filings to the California attorney general.
  - *Antitrust penalties*. Increase state civil antitrust penalties and create state criminal antitrust penalties.
  - *Pricing algorithms*. Restrict the use of common pricing algorithms.
- **State divergence from federal antitrust enforcement**. California and other states continue to signal a willingness to diverge from federal antitrust enforcement. Recent prominent examples of California's and other states' willingness to go beyond federal enforcement or litigate when federal enforcers decline to, include:
  - *Nexstar-TEGNA*. Despite clearance from federal authorities, eight states brought suit to stop the merger. On April 17, 2026, a federal judge ordered Nexstar and TEGNA, owners of local broadcast television stations, to halt all integration activities and hold TEGNA separate.
  - *Live Nation jury verdict*. On April 15, 2026, a federal jury returned a verdict for California and other plaintiff states on all federal and state law claims against Live Nation, finding that it unlawfully monopolized primary ticketing services and amphitheaters and tied its amphitheaters to concert promotion services. California and other plaintiff states had continued to litigate even after the U.S. Department of Justice settled with Live Nation mid-trial.

* * *

This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

Walter Brown
+1-628-432-5111
wbrown@paulweiss.com

Katherine B. Forrest
+1-212-373-3195
kforrest@paulweiss.com

Benjamin Gris
+1-202-223-7313
bgris@paulweiss.com

Nina Kovalenko
+1-212-373-3479
nkovalenko@paulweiss.com

William B. Michael
+1-212-373-3648
wmichael@paulweiss.com

Djordje Petkoski
+1-202-223-7315
dpetkoski@paulweiss.com

Jacqueline P. Rubin
+1-212-373-3056
jrubin@paulweiss.com

Scott A. Sher
+1-202-223-7476
ssher@paulweiss.com

Eyitayo "Tee" St. Matthew-Daniel
+1-212-373-3229
tstmatthewdaniel@paulweiss.com

Brette Tannenbaum
+1-212-373-3852
btannenbaum@paulweiss.com

Christopher M. Wilson
+1-202-223-7301
cmwilson@paulweiss.com

Sabin Chung
+1-202-223-7354
sachung@paulweiss.com

Lisa Danzig
+1-202-223-7311
ldanzig@paulweiss.com

Yoosun Koh
+1-628-432-5127
ykoh@paulweiss.com

Robert J. O'Loughlin
+1-212-373-3343
roloughlin@paulweiss.com

Senior Knowledge & Innovation Attorney Timothy J. Haney contributed to this Client Memorandum.