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COST DRIVER

July 31, 2026

Senator Sabrina Cervantes, Chair
Senate Appropriations Committee
1021 O Street, Suite 7330
Sacramento, CA 95814

**SUBJECT: AB 1776 (AGUIAR-CURRY) COMPETE ACT: OPPOSE/COST DRIVER
AS AMENDED JUNE 22, 2026**

Dear Senator Sabrina Cervantes,

The California Chamber of Commerce remains **STRONGLY OPPOSED** to **AB 1776 (Aguiar-Curry)** as a **COST DRIVER**. The amendments that the Senate Judiciary Committee insisted the author agree to reflect an effort to align the bill more closely with federal antitrust law, but the bill is still out of step with state and federal antitrust standards and modern economic thinking in several important respects. Coupling those critical infirmities with California's relaxed pleading standards and the Cartwright Act's expansive private right of action will have a chilling effect on standard business practices and competition, will dramatically increase litigation and will impose significant costs on consumers as well as all businesses operating in California. For these reasons, and others, we remain strongly opposed to **AB 1776**.

THE PRIVATE RIGHT OF ACTION WILL BE EXPLOITED BY BILLBOARD LAWYERS THROUGH THE CARTWRIGHT ACT'S RELAXED PLEADING STANDARD

The structural defects of the bill that are discussed below are even more concerning because of California's permissive antitrust pleading standards — which were loosened even more by the Author's signature bill last year, AB 325 — and the Cartwright Act's broad private right of action that allows for plaintiffs to obtain treble damages and attorneys' fees. In fact, the combination of these factors with the private right of action remains the single most consequential problem with **AB 1776** as it currently stands. The novel standards hardwired into the bill, coupled with the ease of filing a lawsuit and the financial rewards of winning one creates an extraordinarily powerful financial incentive for plaintiffs' lawyers to sue, even if just to test the waters in challenging standard business practices that are generally thought of as lawful, like price cuts, loyalty programs, rebates, license choices, product design decisions and innovation strategies. This is why billboard attorneys, and other plaintiffs-friendly organizations, love **AB 1776**.

Moreover, the sweeping claim by the bill's proponents that all other states with single-firm conduct laws have a private right of action is not accurate. States have implemented a wide range of restrictions on who can sue under their antitrust laws to avoid the litigation rush that **AB 1776** will create. For example, approximately 18 states do not allow indirect purchaser plaintiffs — who are often consumers and the most numerous potential plaintiffs in antitrust cases — to bring private antitrust damages claims under their antitrust laws. Likewise, several states limit recovery to actual damages, rather than treble damages, substantially reducing the litigation incentive. Others require plaintiffs to provide pre-suit notice to the Attorney General, give the Attorney General a gatekeeping role over private claims, impose shorter statutes of limitations for private lawsuits, prohibit class actions, and/or limit the reach of their state antitrust laws to purely intrastate conduct, leaving the federal antitrust laws to address interstate conduct. California's Cartwright Act does not have any of these guardrails, thereby making **AB 1776's** expansion of antitrust liability ripe for abuse and frivolous lawsuits.

It is bad policy to give private plaintiffs' lawyers a larger role than California's Attorney General in enforcing the vague and uncertain standards of AB 1776. That policy decision will generate a wave of costly antitrust litigation that will impact every California business — large and small — and its costs will ultimately be passed on to California consumers.

“SUBSTANTIAL MARKET POWER” IS AN UNTESTED AND INCORRECT LEGAL STANDARD

While some of the amendments adopted in the Senate Judiciary Committee sought to create symmetry between federal and California antitrust law — a result consistent with the long line of California cases recognizing that federal antitrust precedent is “often helpful,” “an aid,” and “useful” in interpreting the Cartwright Act — **AB 1776’s** direction that a plaintiff plead and prove “substantial market power” is inconsistent with federal law and the conduct that the bill seeks to prohibit. As proposed to be amended, **AB 1776** prohibits monopolization, attempts to monopolize and conspiracies to monopolize, just like Section 2 of the federal Sherman Act. Not surprisingly, under federal law, these kinds of monopolization claims require the possession of “monopoly power” or at least a dangerous probability of obtaining such monopoly power. **AB 1776**, however, creates a new standard that merely requires that a single-firm possess “substantial market power.” Not only is this a standard that federal and California courts have not applied to single-firm conduct, it is a standard that does not fit with the type of monopolization offenses created by the bill and one that presumably creates a threshold lower than that under federal law.

While this may seem like a small tweak to a term of art, it is a massive departure from existing law that will result in two serious problems. First, it will expose businesses that would be entirely beyond the reach of Section 2 of the Sherman Act to monopolization claims even though they do not possess the type of monopoly power that allow monopolists to dominate markets. Second, it will generate satellite litigation over the meaning of “substantial,” as courts, juries, and competing experts spend years in expensive litigation arguing about where “market power” ends and “substantial market power” begins — a line that does not exist in federal law because federal law never adopted this standard.

Uncertainty like this chills competition and innovation, it discourages investment and it leads to increased litigation and increased costs for California businesses and consumers. If **AB 1776** is intended to outlaw monopolization, it should do just that, not some ill-defined category of conduct that falls short of monopolization.

LIMITING COURTS’ ABILITY TO ASSESS THE FULL IMPACT OF CHALLENGED CONDUCT IS ECONOMICALLY UNSOUND AND CONTRARY TO THE CONSUMER WELFARE STANDARD

AB 1776’s requirement that anticompetitive effects and procompetitive justifications “shall be evaluated within the same relevant market” remains a serious flaw. Indeed, a requirement that procompetitive benefits be evaluated only within the same relevant market as the alleged anticompetitive harm is contrary to established antitrust economics and standards that have guided courts and antitrust policy for decades.

In the real world, businesses routinely engage in conduct that may have some anticompetitive effects in one market while generating significant procompetitive benefits for consumers in a related or adjacent market — like lower prices, better services, improved quality, or greater innovation. Refusals to deal or exclusive licenses, for example, may impact competition in an upstream market while generating efficiencies in a downstream market that directly benefit consumers. This is why antitrust law — as well as modern economic thinking — allows courts to weigh all of the procompetitive benefits of challenged conduct against all of its anticompetitive effects regardless of where they arise — not only the benefits that happen to arise in the same market as the harm. By artificially confining the procompetitive side of the ledger to a single relevant market, **AB 1776** systematically tilts the scales against defendants and against competition in favor of plaintiffs and their lawyers. Conduct that is, on balance, good for consumers and good for the California economy could nonetheless be found unlawful under the cramped analytical framework of **AB 1776** simply because its benefits are felt in a different market than the one in which the plaintiff alleges harm.

Moreover, this “single-market” requirement flips on its head the “consumer welfare standard” that has guided courts and antitrust policy for decades. Under the consumer welfare standard, courts focus on whether business conduct harms consumers — through higher prices, reduced output, or diminished quality and innovation — rather than merely focusing whether the conduct harms rival competitors. But **AB 1776** would put California courts in a straightjacket that prohibits them from considering the full impact

of challenged conduct just because that impact is felt across multiple markets. Consumers, and competition itself, will be harmed by this myopic approach.

OTHER PROBLEMS PERSIST WITH AB 1776

The recent proposed amendments to **AB 1776**, while a genuine improvement, did not address several of the other problems with the bill. As a starting point, the bill's use of the *In re Cipro Cases I & II* as "guidance" for California courts is a peculiar and problematic selection. The *In re Cipro Cases I & II* decision was not a standard antitrust case, and it certainly was not a single-firm conduct case. Rather, it involved a highly-technical evaluation of antitrust claims arising from "reverse payment" settlements between brand-name and generic pharmaceutical companies in the context of patent litigation — a narrow and specialized category of conduct with no meaningful analog to ordinary single-firm conduct claims. Mandating that courts adjudicating all single-firm conduct claims under **AB 1776** use *In re Cipro Cases I & II* as their guiding framework is not a clarification — it is a mismatch that will generate satellite litigation over how that decision applies (or does not apply) to the vast array of single-firm conduct claims that bear no resemblance to reverse-payment pharmaceutical settlements.

Likewise, citation to the rule of reason conflates a test for judging the legality of single-firm conduct with guidance to businesses on how to comply with **AB 1776** in the first place. In other words, invocation of the rule of reason analysis does not give businesses any meaningful direction on what is, and what is not, unlawful. The rule of reason, has always been, and will always be, a subjective, after-the-fact analysis of challenged conduct in litigation to determine whether, on balance, the anticompetitive impact of certain conduct outweighed the procompetitive effects from that same conduct. Not surprisingly, courts, juries, economists and lawyers evaluate these issues differently and can come to opposing views when evaluating the same conduct. The rule of reason presents no objective guardrails that tell businesses where potential lines are between lawful and unlawful conduct before they get sued.

Finally, the "small business exemption" created by previous amendments is not as helpful as it appears because it is not a bar to small businesses getting sued. Indeed, a potential plaintiff is not likely to know whether a potential defendant qualifies as a "small business" because most businesses are privately held and do not publicly report the domicile of their officers, the number of their employees or their "average gross receipts." In other words, small businesses can still be sued under **AB 1776** they will just have a potential affirmative defense after getting sued and bearing the cost of proving that affirmative defense. Moreover, in California Superior Court it can take a year or more to even get a hearing on a motion to dismiss a lawsuit (or what we call a demurrer in California), meaning a small business may be subject to expensive discovery while its motion to dismiss is pending. This is not an exemption.

AB 1776 STILL LACKS AN ECONOMIC JUSTIFICATION

As we have implored since the California Law Revision Commission started looking at California's antitrust laws and since **AB 1776** was first drafted, there is no economic analysis or study showing, or even suggesting, that California's antitrust laws are failing. There is no empirical or economic analysis demonstrating that California consumers and businesses are suffering from reduced competition, higher prices, inferior products or lessened innovation because of gaps in California antitrust law. Antitrust policy making is most likely to benefit competition and consumers when it is based on a demonstrated need and sound economic analysis. This work simply has not been done.

Likewise, no cost-benefit analysis has been performed to determine whether **AB 1776's** revisions to California's antitrust laws are — on balance — likely to improve economic performance and efficiency at a cost the State is willing to bear. Obviously, antitrust policy making has tradeoffs: Regulation can deter anticompetitive conduct, but it can also chill competition and innovation due to uncertainty or poorly-designed laws. Stifling pro-competitive conduct can harm consumers and the overall economy in the same manner as anticompetitive conduct, meaning there is no reasonable basis to ignore the chilling effects of legislation like **AB 1776**. That is why it is imperative to utilize a cost-benefit analysis to determine whether the bill is — on balance — good for Californians. This work also has not been done.

Passing **AB 1776** in a vacuum or based on anecdotal and unsupported beliefs that competition in California is not as robust as it could be is bad for California businesses and ultimately California consumers. The California economy has grown to the fourth-largest in the world under California's existing antitrust regime — and there is no demonstrated reason to upend that framework.

Competition thrives — and consumers, workers, families, and economies flourish — when there are well-defined guardrails distinguishing lawful competition from anticompetitive conduct. The Senate Judiciary Committee amendments were a step in the right direction, and we remain committed to working constructively with the author on further improvements. But, at a minimum, until the bill adopts the correct federal standard of monopoly power, permits courts to consider procompetitive effects across all markets consistent with the consumer welfare standard, and removes the unfettered private right of action, the California Chamber of Commerce must strongly **OPPOSE AB 1776** as a **COST DRIVER**. The Cartwright Act is already "broader in range and deeper in reach than the Sherman Act," *Cianci v. Superior Court* (1985) 40 Cal.3d 903, 920, and there is simply no demonstrated reason for further expansion at this time.

Sincerely,



Ben Golombek
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Orange County Business Council, Amanda Walsh, Vice President of Government Affairs
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