

Insights

ONE IS DEFINITELY THE LONELIEST NUMBER: WHAT AB 1776 MEANS FOR YOU

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Summary

What Changed: Governor Newsom signed [AB 1776](#), also known as the California COMPETE Act, on September 30, 2026, extending California's Cartwright Act to single-company conduct.

Who Is Affected: A single dominant company can now face liability on its own, without any agreement or coordination with another company, from the California Attorney General or a district attorney (but not private litigants). Businesses with a significant California presence, and those businesses competing against companies with significant California presences, have new considerations to evaluate under this expanded standard.

Moving Forward: Assess your company's position in California, review your business practices for potentially exclusionary conduct, document the business rationale behind practices that may restrict or exclude other competitors, confirm eligibility for the small business exemption where applicable, and update compliance training to cover single-company conduct.

On September 30, 2026, Governor Gavin Newsom signed AB 1776, the California COMPETE Act. It is one of the most significant expansions of the California Cartwright Act since the statute was adopted in 1907. For the first time, the Cartwright Act reaches conduct by a dominant company acting alone, going beyond agreements between two or more competitors. AB 1776 takes effect January 1, 2027.

What is changing

Before AB 1776, the Cartwright Act applied to conduct by two or more companies acting together to restrain trade. This was akin to, although broader than, a violation of Section 1 of the Federal Sherman Act. A [2025 California amendment](#) did not address single-company conduct, which remained outside the Cartwright Act's scope.

AB 1776 further amends the Cartwright Act to now apply to single-company conduct. The core new rule states:

"It is unlawful for every person to monopolize or monopsonize, attempt to monopolize or monopsonize, maintain a monopoly or monopsony, or combine or conspire with another person to monopolize or monopsonize any part of trade or commerce." (Bus. & Prof. Code § 16731(a).)

Key provisions

- **Only the government can sue under this new provision.** Section 16731(f) reserves enforcement to the Attorney General and district attorneys. Private companies and individuals cannot sue under it directly. A violation also cannot serve as the basis for a private Unfair Competition Law claim under Business and Professions Code section 17200, except when the government itself brings the case (§ 16731(f)(2)). This does not touch existing Cartwright Act claims for conduct involving more than one company, which still allow private lawsuits and treble damages (§ 16731(f)(3)).
- **The "substantial market power" bar is high, and undefined.** Section 16731(c) requires a plaintiff bringing an action to prove "substantial market power" through direct or indirect evidence. This is a new term that appears to be distinct from, and lower than, the federal "monopoly power" threshold under Section 2 of the Sherman Act.
- **Small businesses are exempt.** Section 16731(d) excludes a "small business," defined as one that is independently run, based in California with California-based officers, has 100 or fewer employees, and averages \$10,000,000 or less in annual revenue over the prior three years.
- **Government-approved conduct is carved out.** Section 16731(e) excludes exclusive franchises, contracts, licenses, or permits that a government agency grants and supervises. It also excludes any conduct required or authorized by state or federal law, as long as the conduct stays within what that authorization allows.
- **Liberal construction mandate.** Courts must "liberally interpret California's antitrust laws to best promote free and fair competition," consistent with the state's policy of maximizing deterrence of antitrust violations (§ 16732).
- **Federal case law is persuasive, not binding.** Consistent with the general trend of California antitrust law, Section 16730 states that the Cartwright Act was not modeled on the Sherman Act (§ 16730(c)), and that federal antitrust interpretations are, at most, instructive when California courts construe state law (§ 16730(d)). In practice, this means a California court is not bound by how a federal court would resolve the same facts under Section 2 of the Sherman Act, potentially leading to different outcomes under the Cartwright Act.

What steps clients may take now

- **Assess your position in California.** Consider whether your company holds a significant position in California. The statute does not define "substantial market power," which will likely be defined on a case-by-case basis. Importantly, this assessment may need to be revisited as competition evolves.
- **Document the business rationale for your practices.** The new law instructs courts to apply the framework articulated by the California Supreme Court in *In re Cipro Cases I & II*, 61 Cal.4th 116 (2015), which usually allows a defendant to assert procompetitive justifications. As a result, courts applying the new provision are likely to weigh anticompetitive effects against procompetitive benefits. Keep current, contemporaneous records showing the business rationale for competitive practices and the broader beneficial impacts on customers, quality, costs, etc.
- **Check if you qualify as a small business.** See "Small businesses are exempt" under Key Provisions, above, for the exemption criteria.
- **Check your government approvals.** If you operate under a government license, permit, or franchise, make sure your activities stay within what it allows.
- **Update compliance training.** Because most existing compliance training targets concerted-action risk, escalation procedures should be updated to also flag a single company's own conduct for antitrust review.

What's coming next

- **Effective date.** AB 1776 takes effect January 1, 2027, giving companies a transition window to assess exposure and adjust practices.
- **Where enforcement may focus.** California state officials have described antitrust enforcement as a current priority, pointing to recent state actions involving live event ticketing, broadcast media mergers, technology mergers, and e-commerce pricing practices.
- **Interplay with other Cartwright Act claims.** Section 16731(g) exempts claims under the new single-firm provision from the Cartwright Act's relaxed pleading and proof standards for multi-party conspiracy claims, unless the claim also alleges that the defendant conspired with another person to monopolize or monopsonize.
- **More change is likely.** Given how much this law shifted while it was being written, expect further guidance or early test cases interpreting, among others, the term "substantial market power" and the small business exemption.

How we can assist you

While antitrust analyses are fact-intensive and nuanced, BCLP has extensive experience helping other clients in this area and can help you:

- Conduct a California-specific antitrust risk assessment of your business practices in light of the new monopolization standard.
- Review and update antitrust compliance policies and training materials ahead of the January 1, 2027 effective date.
- Advise on the small business exemption and government-authorization carve-outs, including structuring and documentation.
- Monitor Attorney General and district attorney enforcement priorities and emerging case law interpreting the new provisions.
- Represent clients in investigations or enforcement actions brought under the new single-firm monopolization provisions.

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