

THIRD READING

Bill No: SB 1365
Author: Allen (D)
Amended: 5/14/26
Vote: 21

SENATE JUDICIARY COMMITTEE: 10-2, 4/7/26

AYES: Umberg, Allen, Ashby, Caballero, Durazo, Reyes, Stern, Wahab, Weber
Pierson, Wiener

NOES: Niello, Valladares

NO VOTE RECORDED: Laird

SENATE PUBLIC SAFETY COMMITTEE: 5-1, 4/21/26

AYES: Arreguín, Caballero, Cortese, Pérez, Wiener

NOES: Seyarto

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26

AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

SUBJECT: Unlawful business practices: price gouging

SOURCE: City Attorney of Los Angeles

DIGEST: This bill permits city attorneys of cities with populations of more than 900,000 to bring actions for violations of the Cartwright Act, as specified, and amends the state's price gouging laws related to rental housing.

ANALYSIS:

Existing federal law:

- 1) Establishes the Sherman Antitrust Act of 1890 (Sherman Act) (Title 15 United States Code (U.S.C.) §§ 1-7) to make illegal every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the states or with foreign nations. (15 U.S.C. § 1.)

- 2) Makes illegal the monopolization or attempt to monopolize any part of the trade or commerce among the several states, or with foreign nations, by a person or a combination or conspiracy of multiple persons. (15 U.S.C. § 2.)
- 3) Specifies that it is the duty of United States attorneys, under the direction of the United States Attorney General, to institute proceedings in equity to prevent and restrain violations of the Sherman Act. Authorizes a state attorney general to bring a civil action in the name of the state in any district court of the United States having jurisdiction over the defendant to secure monetary relief, as provided, for violations of the Sherman Act. (15 U.S.C. §§ 4, 15c.)

Existing state law:

- 1) Establishes the Cartwright Act as California's antitrust law that prohibits anticompetitive activity. (Bus. & Prof. Code §§ 16000 et. seq.) Provides that, except as expressly provided, every trust is unlawful, against public policy, and void. (Bus. & Prof. Code § 16726.) Provides that any contract or agreement in violation of the Cartwright Act is absolutely void and not enforceable. (Bus & Prof. Code § 16722.)
- 2) Defines a "trust" under the Cartwright Act as a combination of capital, skill, or acts by two or more persons for any of the following purposes:
 - a) To create or carry out restrictions in trade or commerce.
 - b) To limit or reduce the production, or increase the price, of merchandise or of any commodity.
 - c) To prevent competition in the manufacturing, making, transportation, sale, or purchase of merchandise, produce, or any commodity.
 - d) To fix at any standard or figure, whereby its price to the public or consumer shall be in any manner controlled or established, any article or commodity of merchandise, produce, or commerce intended for sale, barter, use, or consumption in the state.
 - e) To make or enter into or execute or carry out any contracts, obligations, or agreements of any kind or description, by which they do all or any combination of the following:
 - i. Bind themselves not to sell, dispose of, or transport any article or any commodity or any article of trade, use, merchandise, commerce, or consumption below a common standard figure or fixed value.

- ii. Agree in any manner to keep the price of such article, commodity, or transportation at a fixed or graduated figure.
 - iii. Establish or settle the price of any article, commodity, or transportation between them or themselves and others, so as to directly or indirectly preclude a free and unrestricted competition among themselves, or any purchasers or consumers in the sale or transportation of any such article or commodity.
 - f) Agree to pool, combine, or directly or indirectly unite any interests that they may have connected with the sale or transportation of any such article or commodity, that its price in any manner might be affected. (Bus. & Prof. Code § 16720.)
- 3) Specifies that it is not unlawful to enter into agreements or form associations or combinations, the purpose and effect of which is to promote, encourage or increase competition in any trade or industry, or which are in furtherance of trade. (Bus. & Prof. Code § 16725.)
- 4) Permits any person who is injured in that person's business or property by reason of anything forbidden or declared unlawful under the Cartwright Act, regardless of whether the injured person dealt directly or indirectly with the defendant, to sue, as specified. Permits a person who is injured in their business or property for prohibited conduct to recover three times the damages, interest on actual damages, and injunctive relief, as specified, as well as reasonable attorneys' fees and costs. (Bus. & Prof. Code § 16750(a).)
- 5) Permits the Attorney General to bring an action on behalf of the state or any of its political subdivisions or agencies to recover the damages described in (4) above, and requires the Attorney General to notify the political subdivision or agency of their intention to bring a suit on the subdivision or agency's behalf, after which the subdivision or agency can withdraw the Attorney General's authority to bring the action within 30 days. Requires in such an action that the state retain for deposit in the Attorney General antitrust account within the General Fund an amount out of the proceeds from the action, if any, equal to the expense incurred by the Attorney General in the investigation and prosecution of such action, or an amount equal to 10 percent of the total recovery, whichever is greater. (Bus. & Prof. Code § 16750(c).)
- 6) Requires, for any action brought by the Attorney General, for which the Attorney General is the class representative, that the state retain for deposit in the Attorney General antitrust account within the General Fund the proceeds, if

any, of any attorneys' fees awarded to the Attorney General. (Bus. & Prof. Code § 16750(d).)

- 7) Permits the district attorney of any county to prosecute on behalf of the county or any city or public agency or political subdivision within the county to recover the damages described in (4), above, when it appears that the activities giving rise to the prosecution or the effects of such activities occurred primarily in the county. Requires for such an action that the district attorney file a copy of the proposed complaint and related documents with the Attorney General at least 30 days before filing the action, and requires the district attorney to file a copy of a proposed settlement and a memorandum explaining the settlement with the Attorney General at least 30 days before entering into any settlement or stipulated or consent judgement. Permits the Attorney General, if they deem it necessary and in the public interest, to take full charge of an investigation or prosecution initiated by a district attorney. (Bus. & Prof. Code § 16750(g).
- 8) Provides the Attorney General, in any action brought pursuant to either state or federal antitrust laws, with the authority to enter into contracts relating to the investigation and the prosecution of the action with any other party plaintiff who has brought a similar action, and permits the Attorney General to render legal services to, or to obtain legal services from, any local, state, or federal department or agency that brought or intends to bring a similar antitrust action, as long as the agreement is approved by the Department of General Services. Provides a district attorney bringing a prosecution pursuant to (7), above, all the aforementioned powers conferred on the Attorney General to enter into contracts relating to the investigation and prosecution of the action, provided that the contract or agreement is approved by the governing authority of the agency in their county. (Bus. & Prof. Code § 16750(e), (h).)
- 9) Permits the district attorney to represent any political subdivision located within their county directly, if they notify the political subdivision of their intention to do so, and provides the political subdivision authority by formal resolution of its governing body to withdraw the authority of the district attorney to bring the intended action. (Bus. & Prof. Code § 16750(i).)
- 10) Provides that the provisions regarding combinations in restraint of trade are cumulative of each other and of any other provision of law relating to the same subject. (Bus. & Prof. Code § 16700.)

- 11) Provides that, with some exceptions, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void. (Bus. & Prof. Code § 16600.)
- 12) Permits the Attorney General or the district attorney, upon a violation of the Cartwright Act by a corporation or association, to institute court proceedings for the forfeiture of charter rights, franchises, or privileges and powers exercised by the corporation or association, and for the dissolution of the corporation or association. Provides similar provisions for the revocation of a foreign corporation or association's powers, franchises, or functions for a violation of the Act. (Bus. & Prof. Code §§ 16752-16753.)
- 13) Provides that a violation of the Cartwright Act is a conspiracy against trade, and that knowingly engaging or participating in such a conspiracy is a crime, punishable as follows:
 - a) If the violator is a corporation, by a fine of not more than \$1 million or the amount under (c), whichever is greater.
 - b) If the violator is an individual, by imprisonment pursuant to Penal Code section 1170(h) for one, two, or three years; by imprisonment for up to one year in a county jail; by a fine of not more than \$250,000 or the amount under (c), whichever is greater; or by both a fine and imprisonment.
 - c) If any person derives pecuniary gain from a violation of the Cartwright Act, or the violation results in pecuniary loss to a person other than the violator, the violator may be fined not more than twice the amount of the gain or loss. (Bus. & Prof. Code § 16755(a).)
- 14) Requires a civil penalty of no more than \$1 million be assessed and recovered in any civil action brought by the Attorney General or a district attorney against any person, corporation, or business entity for each violation of the Cartwright Act, and specifies that, in assessing the amount of the civil penalty, a court or jury must consider any relevant circumstances, including specified circumstances. (Bus. & Prof. Code § 16755.1)
- 15) Provides a district attorney all powers granted to the Attorney General to investigate or prosecute violations of law, as specified, when the district attorney reasonably believes that there may have been a violation of the Cartwright Act. (Bus. & Prof. Code § 16759.)
- 16) Authorizes the Attorney General to file a civil action in the name of the people of the State of California, as *parens patriae* on behalf of natural persons

residing in the state, for a violation of the Cartwright Act, to secure monetary relief in the form of treble damages sustained by those natural persons, interest, costs, and reasonable attorney fees. (Bus. & Prof. Code § 16760.)

- 17) Provides, pursuant to the California Constitution, that the people have the right of access to information concerning the conduct of the people's business, and, therefore, that the meetings of public bodies and the writings of public officials and agencies are required to be open to public scrutiny. (Cal. Const. art. I, § 3(b)(1).)
 - a) Requires a statute to be broadly construed if it furthers the people's right of access, and narrowly construed if it limits the right of access. (Cal. const. art. I, § 3(b)(1).)
 - b) Requires a statute that limits the public's right of access to be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. (Cal. const. art. I, § 3(b)(1).)

- 18) Governs the disclosure of information collected and maintained by public agencies pursuant to the California Public Records Act (CPRA). (Gov. Code §§ 7920.000 et seq.)
 - a) States that the Legislature, mindful of the individual right to privacy, finds and declares that access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in this state. (Gov. Code § 7921.000.)
 - b) Defines "public records" as any writing containing information relating to the conduct of the public's business that is prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics. (Gov. Code § 7920.530.)
 - c) Provides that all public records are accessible to the public upon request, unless the record requested is exempt from public disclosure. (Gov. Code § 7922.530.)
 - d) Specifies that records pertaining to pending litigation to which the public agency is a party, until the litigation has been finally adjudicated or settled, and records pertaining to a claim under the Government Claims Act, are not required to be disclosed under the CPRA. (Gov. Code § 7927.200.)
 - e) Specifies that, except as provided, the CPRA does not require the disclosure of records, the disclosure of which is exempted or prohibited pursuant to federal or state law, including by provisions of the Evidence Code relating to privilege. (Gov. Code § 7927.705.)

19) Prohibits, for a period of 30 days upon the proclamation of a state of emergency by the President of the United States or the Governor or a declaration of a local emergency in any county, city, or county and city, the selling or offering to sell any consumer food items or goods, as specified, including housing, for a price of more than 10 percent greater than the price charged by the seller for those goods immediately prior to the declared emergency. Exempts specified rental price increases directly attributable to additional costs for repairs or additions, as specified, and defines housing for its purposes to be any rental housing with an initial lease term of no longer than one year. (Pen. Code § 396.)

This bill:

- 1) Authorizes a city attorney of any city with a population of more than 900,000 to prosecute an action for a violation of the Cartwright Act on behalf of the city or a public agency or political subdivision located wholly within the city, whenever it appears that the activities giving rise to the prosecution or the effects of the activities occur primarily within the city.
- 2) Requires the city attorney in such an action to file with the Attorney General and the district attorney of the county a copy of the proposed complaint and a confidential memorandum and report explaining the facts giving rise to the proposed prosecution at least 30 days prior to filing the action. Requires the city attorney to also file with the Attorney General a copy of any proposed settlement with a memorandum of explanation of the settlement at least 30 days prior to entering into the settlement. The Attorney General may waive these time requirements, and also permits the Attorney General to take full charge of a city attorney's investigation or prosecution if they deem it necessary and in the public interest.
- 3) Specifies that, in any action prosecuted by a city attorney pursuant to 1), the city attorney may exercise the power conferred to the Attorney General to enter into contracts relating to the investigation or prosecution of the case, provided that every contract or agreement is first approved by the governing authority of the agency in their city.
- 4) Permits a city attorney, in an action brought pursuant to (1), to represent any political subdivision located within their city directly, in which case the city attorney must notify the political subdivision of their intention to bring the action on the subdivision's behalf, and gives the political subdivision the

authority to withdraw the city attorney's authority to bring the intended action at any time within 30 days after the city attorney's notice by a formal resolution of its governing body or as specifically provided by applicable law.

- 5) Specifies that, in any action brought by a city attorney pursuant to 1) in which the city attorney represents a political subdivision within the city, the city attorney must retain out of the proceeds from the action, if any, an amount equal to the expense incurred by the city attorney in the investigation and prosecution of the action, or an amount equal to 10 percent of the total recovery, whichever is greater.
- 6) Specifies that if the city, through the city attorney in an action pursuant to 1), is the class representative of the political subdivisions located within the city, the city attorney must retain the proceeds, if any, of any attorney's fees awarded by the court to the city attorney. Requires all proceeds retained by a city attorney pursuant to these provisions to be deposited in the appropriate account, as provided by law.
- 7) Specifies that 100 percent of all moneys received by any court in payment of any fine or civil penalty imposed for a violation of the Cartwright Act must be deposited as soon as practicable after receipt by the treasurer of the city in which the prosecution was conducted, if the action was initiated and prosecuted by a city attorney of a city with a population of more than 900,000.
- 8) Specifies that, if an action under the Cartwright Act was initiated and prosecuted jointly by the Attorney General and a city attorney of a city with a population of more than 900,000, or jointly by more than one city attorney, moneys received by the court in payment of any fine or civil penalty shall be paid to the State Treasurer and to the treasurer or treasurers of the city or cities participating in the prosecution in a proportion agreed upon by the agencies jointly prosecuting the case, and as approved by the court.
- 9) Provides all those powers granted to the Attorney General regarding investigations and prosecutions of unlawful actions, as specified, to the city attorney of any city with a population of more than 900,000 when the city attorney reasonably believes that there may have been a violation of the Cartwright Act.
- 10) Permits a city attorney of a city with a population of more than 900,000 to prosecute an action on behalf of the natural persons residing in the city in which

the Attorney General is authorized to bring an action as *parens patriae* whenever it appears that the activities giving rise to the prosecution or the effects of the activities occur primarily within that city, and requires the city attorney, prior to bringing the action, to notify the Attorney General of the intended action, as provided.

- 11) Rewrites provisions of the price gouging law permitting a rental price increase above 10 percent when the person can prove: that the increase was contractually agreed to by the tenant prior to the emergency proclamation or declaration, or that it was directly attributable to additional costs for repairs or additions beyond normal maintenance incurred within the year prior to the emergency, as specified.
- 12) Amends the definition of “housing” for the purposes of the price gouging law to remove the requirement that the rental housing be an initial lease term of no longer than one year, and to include housing that was advertised, offered, or charged at a daily rate following an emergency that was not advertised, offered, or charged at a daily rate in the year prior to the emergency.
- 13) States the following findings to demonstrate that its limitation on the public’s right of access to the meetings of public bodies or writings of public official is needed to protect the state’s interest:
 - a) That it is necessary to limit the public’s right of access to protect the integrity and confidentiality of the investigatory process.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

Unknown, but potentially significant depending on the frequency of investigations by city attorneys in which the Attorney General would exercise discretion to take charge. While such a scenario is unlikely, if it happens, costs could be significant.

SUPPORT: (Verified 5/15/2026)

Los Angeles City Attorney's Office (source)
California Federation of Labor Unions, AFL-CIO
Consumer Watchdog

OPPOSITION: (Verified 5/15/2026)

California Apartment Association
California Association of Realtors
California Business Properties Association

California Chamber of Commerce
Western Manufactured Housing Communities Association

ARGUMENTS IN SUPPORT: According to the City Attorney of the City of Los Angeles, who is the sponsor of this bill:

Since the January 7, 2025 wildfires, the Public Rights Branch of the Los Angeles City Attorney's Office has done a substantial amount of work in the field of rental housing price gouging. Generally, the state's price gouging law, Penal Code Section 396, prohibits increasing rent by more than 10% above the amount charged shortly before a proclamation or declaration of emergency (subject to a few caveats and exceptions). Through our enforcement work, we encountered some loopholes in PC Section 396 that allowed property owners to increase rental prices far beyond the 10% cap. This bill *closes* those three commonly-encountered *loopholes* by: (1) revising the definition of "housing" to eliminate the lease-length loophole; (2) adding price protection for monthly rentals that are converted to daily rates; and (3) limiting the use of amortized additional costs for repairs beyond normal maintenance to increase rental rates.

The January wildfires have also resulted in real estate investors buying roughly 40% of the land selling in areas impacted by the January 2025 fire disaster. Therefore, this bill provides city attorneys of any city with a population in excess of 750,000 (Los Angeles, San Francisco, San Jose and San Diego) with enforcement authority of the Cartwright Act mirroring the enforcement authority afforded district attorneys in the state as long as existing notification requirements to the Attorney General are met, and as long as parallel notification requirements are made by the city attorneys to their respective district attorneys. This limited expansion of enforcement authority of the Cartwright Act, without any change in scope to the Cartwright Act, enables these four (4) city attorneys to protect Californians from anti-competitive business practices.

ARGUMENTS IN OPPOSITION: According to the California Apartment Association, California Business Properties Association, the California Association of Realtors, and the Western Manufactured Housing Communities Association, which are opposed to this bill:

[SB 1365] would significantly expand antitrust enforcement authority by allowing city attorneys to bring claims under California's antitrust laws. While we support strong and effective enforcement of antitrust laws, this

proposal creates substantial risks without demonstrating a clear need for change. It would fragment California's antitrust enforcement framework, increase litigation risk, and undermine the consistent application of complex laws—without addressing a demonstrated need.

SB 1365 undermines uniform statewide enforcement[.] Antitrust law is highly complex and requires consistent application across jurisdictions. Current law appropriately vests enforcement authority with the Attorney General and local district attorneys, ensuring a coordinated and uniform approach. Expanding authority to city attorneys risks creating a patchwork of enforcement standards, with differing interpretations and inconsistent outcomes across cities.

SB 1365 creates duplicative and potentially conflicting litigation[.] Allowing multiple layers of government to bring antitrust claims over the same conduct invites overlapping lawsuits. A single issue could be pursued simultaneously by the Attorney General, a district attorney, and one or more city attorneys. This duplication increases costs, burdens the courts, and raises the potential for conflicting rulings or settlements.

SB 1365 provides no demonstrated gap in current law[.] The bill does not identify a failure in existing enforcement by the Attorney General or district attorneys. Without evidence of any deficiency, expanding authority adds complexity without clear benefit.

SB 1365 dilutes expertise in a highly specialized area of law[.] Antitrust enforcement requires significant legal and economic expertise. The Attorney General's office is specifically equipped with the resources and experience necessary to handle these cases. Expanding authority to additional jurisdictions risks inconsistent application.

Prepared by: Ian Dougherty / JUD. / (916) 651-4113
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