

**Alert | Restaurant Industry/  
California Government Law & Policy**



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## California ‘Junk Fee’ Bill SB 1524 Becomes Law: What It Means for Restaurants

### Go-To Guide:

- SB 1524 has passed, thus creating certain exemptions and requirements for restaurants, bars, grocery stores, and other food service businesses subject to the new “junk fee” law (SB 478).
- Although SB 1524 addresses some concerns for restaurants that SB 478 created, it leaves important questions unanswered.

On June 29, 2024, California Gov. Gavin Newsom signed Senate Bill (SB) 1524 into law, creating some exemptions to the “junk fee” law incorporated into the California Consumer Legal Remedies Act (Civil Code Section 1770) through SB 478.<sup>1</sup> **SB 1524** represents an important development for California restaurants, bars, grocery stores, and other food service businesses covered by the legislation.

Without SB 1524, these covered businesses faced potentially more onerous compliance requirements under SB 478, which may have mandated significant changes to longstanding and established practices for mandatory fees and charges. Businesses covered by 1524 that use mandatory fees or charges must meet certain requirements to be exempt from SB 478.

<sup>1</sup> See [May 2024 GT Alert, SB 478 May Require Significant Shifts in Pricing Practices for California Restaurants](#).

If such requirements are not met, noncompliant businesses face significant risk under SB 478, including potential government enforcement and litigation.

### **SB 1524 Text**

SB 1524 adds the following to Civil Code Section 1770, para. 29:

(D)(i) Subject to clause (ii), this paragraph [i.e., Civil Code Section 1770, para. 29, which was added by SB 478] does not apply to a mandatory fee or charge for individual food or beverage items sold directly to a customer by a restaurant, bar, food concession, grocery store, or grocery delivery service, or by means of a menu or contract for banquet or catering services that fully discloses the terms of service.

(ii) A mandatory fee or charge under clause (i) shall be clearly and conspicuously displayed, with an explanation of its purpose, on any advertisement, menu, or other display that contains the price of the food or beverage item.

(iii) “Grocery delivery service” means a company owned by, or under contract with, a grocery store or distributor that delivers food, primarily fresh produce, meat, poultry, fish, deli products, dairy products, perishable beverages, baked foods, and prepared foods, from the grocery store or distributor to a consumer.

(i) The exemption in this subparagraph does not apply to a “third-party food delivery platform,” as defined in Section 113930.5 of the Health and Safety Code, or any other food delivery platform.

(ii) As of July 1, 2025, any disclosure, advertisement, or notice that is required to be “clearly” or “clearly and conspicuously” made must have text that is “clear and conspicuous,” as defined in subdivision (u) of [California Civil Code] Section 1791.

### **Key Takeaways**

Although SB 1524 helps resolve some concerns for restaurants that SB 478 created, it leaves important questions unanswered, creating continuing uncertainty for operators. Formal guidance or direction on how key requirements will be interpreted or enforced has not been published. Pending such direction, operators should familiarize themselves with such requirements and plan accordingly.

To be exempt from SB 478, SB 1524 provides that a “mandatory fee or charge” must be clearly and conspicuously displayed with an explanation of its purpose and be on any advertisement, menu, or other display that contains the price of the food or beverage item.

#### *‘Clearly and Conspicuously Displayed’*

As set forth in SB 1524’s text, disclosures about the fee/charge must be “clearly and conspicuously displayed.” In addition, by July 1, 2025, “any disclosure, advertisement, or notice that is required to be ‘clearly’ or ‘clearly and conspicuously’ made must have text that is ‘clear and conspicuous,’ as defined in subdivision (u) of Section 1791.” This means “a larger type than the surrounding text, or in a contrasting type, font, or color to the surrounding text of the same size or set off from the surrounding text of the same size by symbols or other marks, in a manner that clearly calls attention to the language.”

Businesses may find the reference to “July 1, 2025,” confusing, but here’s what it means: SB 478 and SB 1524’s exemptions and requirements take effect July 1, 2024, but Civil Code Section 1791(u)’s technical

requirements for what counts as “clear and conspicuous” will be incorporated into these “junk fee” rules on July 1, 2025. In other words, SB 1524’s requirements for the clear and conspicuous disclosure are effective now, but the definition of what counts as “clear and conspicuous” will change in July 2025.

*‘With an Explanation of Its Purpose’*

The legislation provides no definition for what counts as an “explanation of [the fee’s] purpose,” but businesses should consider how to accurately describe such fees and their ultimate use or purpose to mitigate risk. For example, businesses should consider whether their fee descriptions can be challenged as ambiguous or misleading and whether explanations (in pop-up windows, FAQs, and terms and conditions) could avoid purported confusion.

*‘On any advertisement, menu, or other display that contains the price of the food or beverage item’*

This requirement has raised some calls for clarity in the restaurant industry. While the legislation states any “mandatory fee or charge” must be clearly and conspicuously displayed (along with an explanation of such fee or charge) on any “advertisement, menu, or other display that contains the price of the food or beverage item,” it provides no specifics or direction on what compliance requires. Restaurants post menu prices on a wide variety of platforms, including printed menus, menu boards, fliers, advertisements, ordering platforms on websites and mobile apps, among others. But, for example, does every display or price require an itemized breakdown of such fees and purpose—or will something short of this suffice for compliance? Unless the legislature or courts provide further guidance, businesses may struggle in understanding their obligations and in balancing potential legal risks with business objectives.

### **Key Considerations: Risk Remains – Be Proactive**

The regulatory landscape relating to mandatory fees, charges, and other pricing practices is fluid and evolving, and practitioners anticipate significant legal activity around SB 1524’s exemptions and requirements. Class-action plaintiffs’ attorneys and public prosecutors may challenge and target business practices, especially while the interpretations of SB 478 and SB 1524 remain in flux. Businesses should review all current and planned practices with respect to mandatory fees and charges and consider implementing measures for compliance and risk mitigation.

Restaurants and other businesses working with third-party delivery companies should consider reviewing their service agreements to understand, for example, liability limitations and indemnification rights.

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