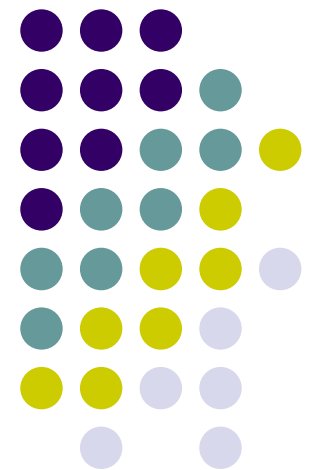
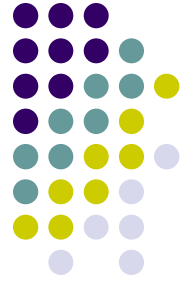


The Magnuson-Moss Act

Industry & Consumer Response
And Relevance in a Modern
Economic Environment



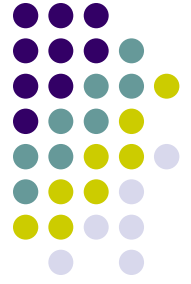
What is the Magnuson-Moss Act?



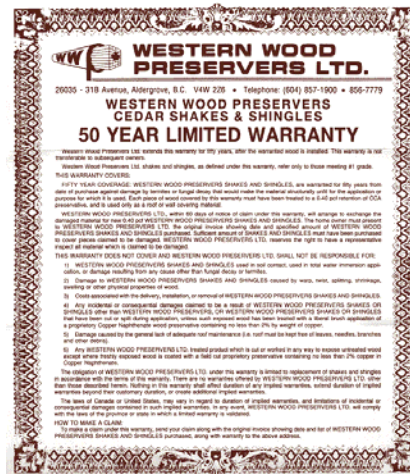
- introduced and passed in 1975 by Sen. Warren G. Magnuson (D-Washington) and Sen. John E. Moss (D-California) in response to the widespread abuse of manufacturers of express warranties and disclaimers.
- aimed to protect the consumer from making such a significant investment without some adequate guarantee against defect, which could be costly.
- Also known as the “lemon law”.



Requirements of the Magnuson-Moss Act



- Requirement I: Section 102 states that the warranty for a consumer good must be either “Full” or “Limited” and the type of warranty must be conspicuously titled as such.



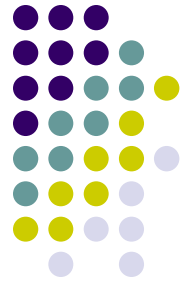
Requirements of the Magnuson-Moss Act (cont.)



Full warranty adheres to 5 rules:

- does not limit the duration of implied warranty.
- warranty of service is provided to any owner of the good during the warranty period (not just the initial buyer).
- warranty service is free of charge including cost for returns or installation.
- consumer is given the choice either of replacement or refund if no reasonable replacement can be made.
- and that the consumer need only notify the warrantor of needed service to receive remedy.

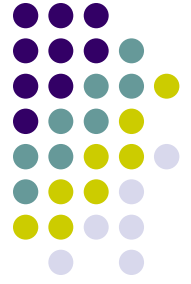
Requirements of the Magnuson-Moss Act (cont.)



- Requirement II: The FTC's Disclosure Rule, 16 F.C.R. Part 701 states that the warranty must state specific terms and conditions of the written warranty, including the duration of said warranty and any exclusions, limitations and disclosure of actions that may void the warranty.



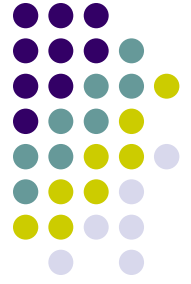
Requirements of the Magnuson-Moss Act (cont.)



- Requirement III: The FTC's Pre-Sale Availability Rule, 10 C.F.R Part 702 states that the warranty must be available for review by the consumer prior to sale, effectively making the warranty part of consideration.



Requirements of the Magnuson-Moss Act (cont.)



- Retailers must provide written warranties at the point of sale, and must include any product warranty by the manufacturer as well as any extended warranties for service.
- In mail order or on-line sales, the warranty must be either published or the consumer must be made aware of the manner in which a warranty may be provided to her.
- In the instance of outside sales, the warranty must be provided to the consumer before the sale is finalized.



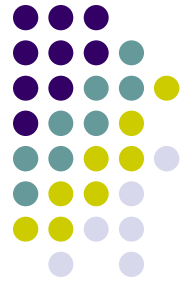
Research on Warranties since the Magnuson-Moss Act



- Research published in the Journal of Consumer Affairs in 1993 suggests that the level of education required to fully understand the language of an average consumer warranty is significantly higher than the average level of education for individuals over 25 years of age (Shuptrine, Moore, 1993).
- The study found that the average level of education required to understand the warranty language was between 14.5 and 16.9 years, or between college junior to beginning graduate school level. The average number of years of school completed by individuals 25 years or older in the United States the United States is 12.7, or just past high school graduate-level (Shuptrine, Moore, 1993).



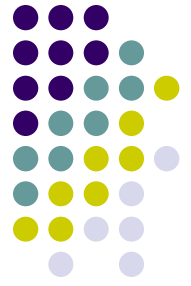
Research on Warranties since the Magnuson-Moss Act (cont.)



- Warranties as an extrinsic cue in the form of statements about product quality or performance are an important part of a firm's marketing strategy (Barsky 1995), based on the assumption that consumers will perceive a product to be of higher quality when such external cue statements are present versus when they are not (Lwin, Williams, 2006).

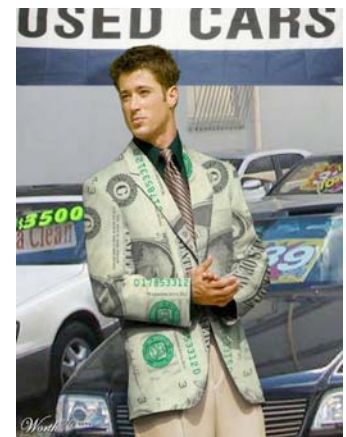


Research on Warranties since the Magnuson-Moss Act (cont.)

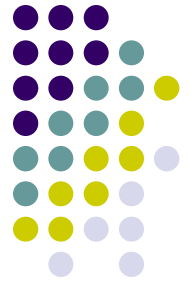


Summary of Research:

- Warranties are no easier to understand; yet warranties play a more critical role in the buying proposition.
- Research shows that warranties written since Magnuson-Moss favor the marketing, sales and manufacturing firms as opposed to the consumer.

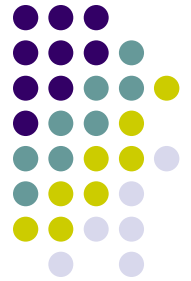


State Efforts to Support the Magnuson-Moss Act



- Recently, courts in at least six jurisdictions—Arizona, Florida, Illinois, New Jersey, Ohio and Wisconsin—have decided that the federal law applies when consumers have leased cars (Davis, 2006).
- In instances where the consumer leases a vehicle owned by the bank, the consumer may enforce the warranty as if he owned it himself.

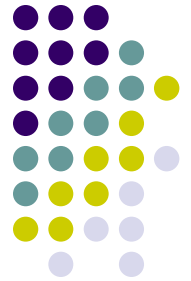
State Efforts to Support the Magnuson-Moss Act (cont.)



- In Missouri, interpretation of the Magnuson-Moss Act expands the protection of the consumer by accessing the statute of limitations at the state level to fill in where the Magnuson-Moss Act provides inadequate consumer protection.



State Efforts to Support the Magnuson-Moss Act (cont.)

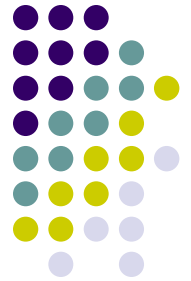


Edwards v. Hyundai Motor America, 163 S.W.3d 494 (May 3, 2005)

- Jimmy and Julie Edwards bought a car in 2001 that came with a six-year, 72,000-mile warranty.
- The Edwardses claimed they had problems with the transmission, brakes, engine and trim.
- When they sued under the Magnuson-Moss Act, Hyundai argued that the court dismiss the case because the state lemon law has an 18-month statute of limitations.
- However, the court held that Missouri's UCC, which has a 4-year statute of limitations, should apply; or else the plaintiffs would not have a way of enforcing a warranty longer than 18 months.

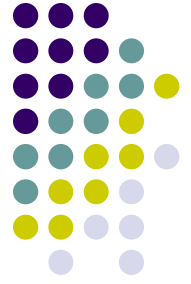


Consumer Responsibilities Beyond the Magnuson-Moss Act



- Misinformation on behalf of salesmen and dealers should not overrule consumer diligence in understanding the the rights afforded in a warranty.
- Consumers may be covered under state law that is not covered under Federal law.
- Express Warranty does not void Implied Warranty.





Conclusion

- The Magnuson-Moss Warranty Act help outline manufacturer responsibility in issuing express warranties.
- The Act does not make warranties easier to understand for the person of average intelligence.
- The Act has limited implications for the buying proposition in on-line purchases.
- The Act does not regulate the marketing and sales of warranties.
- State law supplements the Magnuson-Moss Warranty Act, opening the Federal Act to interpretation and application locally.
- The Act in no way replaces consumer responsibilities to know rights under warranty, and under law.



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