

IN THE MATTER OF

RENAULT U.S.A., INC.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND MAGNUSON-MOSS
WARRANTY — FEDERAL TRADE COMMISSION IMPROVEMENT ACTS

Docket C-2960. Complaint, April 26, 1979 — Decision, April 26, 1979

This consent order, among other things, requires an Englewood Cliffs, N.J. seller and distributor of automobiles to cease limiting the duration of implied warranties; make available to purchasers who had been issued incorrect written limited warranties all relief provided by applicable state law; and refrain from raising any defense relating to the limitation of implied warranties in law suits brought by such purchasers. Additionally, the firm is required to notify all purchasers who had received incorrect written limited warranties that they have an implied warranty on the drive train of their vehicle for as long as four years, depending on state law; and furnish them with an explanation of how implied warranties protect consumers. The firm is also required to advise their dealers of servicing obligations to purchasers who had been issued improper written limited warranties.

Appearances

For the Commission: *Michael E.K. Mpras* and *Jeffrey M. Parp*.

For the respondent: *Joseph C. Truncale*, Englewood Cliffs, N.J. and *Milton D. Andrews, Rivkin, Sherman & Levy*, Washington, D.C.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, and of the Magnuson-Moss Warranty—Federal Trade Commission Improvement Act ("Warranty Act"), and by virtue of the authority vested in it by these Acts, the Federal Trade Commission having reason to believe that Renault U.S.A., Inc., a corporation, ("respondent") has violated the provisions of these Acts and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent is a corporation organized, existing and doing business under and by virtue of the laws of the State of New Jersey with its office and principal place of business located at 100 Sylvan Ave., Englewood Cliffs, New Jersey.

PAR. 2. Respondent has been, and is now engaged in the distribution and sale of automobiles to the public.

PAR. 3. In the course and conduct of its business respondent is a

supplier of consumer products distributed in commerce, as "supplier," "consumer product," and "commerce" are defined by Sections 101(4), 101(1) and 101(13) and (14) of the Warranty Act respectively. In connection with the distribution in commerce of its consumer products, manufactured subsequent to July 4, 1975, respondent offers a written warranty, as "written warranty" is defined by Section 101(6) of the Warranty Act and is therefore a warrantor, as "warrantor" is defined by Section 101(5) of the Warranty Act.

PAR. 4. In the course and conduct of its business, respondent has offered and continues to offer a written limited warranty covering the internal engine, internal transmission (manual or automatic) and internal differential parts of its new cars for a period of 24 months or 24,000 miles from the date of delivery or first use, whichever comes first.

PAR. 5. In connection with the respondent's offering of written warranties, respondent has incorrectly attempted to limit all implied warranties (with the exception of the emission control systems warranty) including the implied warranty of merchantability and the implied warranty of fitness for a particular use, arising under state law and available to purchasers of respondent's cars, to a period of 12 months or 12,000 miles from the date of delivery of the car or its first use. Therefore, respondent has limited all implied warranties with respect to the internal engine, internal transmission (manual or automatic) and internal differential parts to a period of 12 months or 12,000 miles from the date of delivery of the car or its first use.

PAR. 6. Respondent's limitation of the implied warranties as described in Paragraph Five of this complaint is a violation of Section 108 of the Warranty Act, and, pursuant to Section 110(b) of the Warranty Act, is an unfair or deceptive act or practice in violation of Section 5 of the Federal Trade Commission Act, as amended.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act and the Magnuson-Moss Warranty - Federal Trade Commission Improvement Act ("Warranty-Act"); and

The respondent, its attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Renault U.S.A., Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business located at 100 Sylvan Ave., in the City of Englewood Cliffs, State of New Jersey.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I. Definitions

For the purposes of this order the definitions of (1) the terms "written warranty" and "consumer product" as defined in Section 101 of the Warranty Act shall apply, and (2) "incorrect limitation" shall mean the attempted limitation of the duration of the implied warranties on the internal engine, internal transmission (manual or automatic) and internal differential parts to 12,000 miles or 12 months, whichever comes first, as set forth in Paragraph Five of the complaint.

II.

It is ordered, That respondent Renault U.S.A., Inc., a corporation, its successors and assigns, and its officers, representatives, agents and employees, directly or indirectly, through any corporation,

subsidiary, division or any other device in connection with the advertising, offering for sale and sale of motor vehicles shall do the following:

A. Shall not limit the duration of the implied warranties with respect to any motor vehicle or part of such vehicle for a period which is shorter than the period of the express written warranty applicable to such motor vehicle or part.

B. For the period allowed by applicable state law:

1. Shall not raise any defenses pertaining to the limitation or modification of implied warranties as they relate to the internal engine, internal transmission and internal differential parts, in any case, suit or other proceeding brought against respondent by consumers who have purchased any of respondent's warranted motor vehicles manufactured after July 3, 1975 and were issued a written limited warranty stating the incorrect limitation.

2. Provide, in good faith, all consumers who have purchased any of respondent's warranted motor vehicles manufactured after July 3, 1975 and were issued a written limited warranty stating the incorrect limitation and which motor vehicles do not comply with all of the implied warranties as they relate to the internal engine, internal transmission and internal differential parts, with all relief available to them by applicable state laws.

C. Notify all consumers who have purchased any of respondent's warranted motor vehicles manufactured after July 3, 1975 and were issued a written limited warranty stating the incorrect limitation, by mailing to each such consumer the notice set forth in Appendix A of this complaint and order. In order to comply with this paragraph, respondent must ascertain who are registered under state law as the owners of such vehicles, and whose names and addresses are reasonably ascertainable through such state records by a commercial locator engaged by respondent.

D. Notify, by letter, all of its authorized Renault dealerships that respondent may be liable to all Renault owners who purchased Renault vehicles manufactured after July 3, 1975 and were issued a written limited warranty stating the incorrect limitation for breach of the implied warranties, including the implied warranty of merchantability and the implied warranty of fitness for a particular purpose for the period of time allowed by applicable state law. This notice shall, also, instruct the dealerships as to their servicing obligations, procedure for warranty claims by affected Renault owners and compensation of dealerships by respondent for work done pursuant to respondent's amended warranties and service manuals, and this order.

E. Notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any change in the corporation which may affect compliance obligations arising out of the order.

F. Deliver instructions, pursuant to this order, or a copy of this order, to all present and future personnel, agents and representatives of respondent, located in national or regional distribution offices, who review and approve warranty claims, and provide technical assistance regarding warranty claims, service and performance.

G. Maintain, for a period of three (3) years from the effective date of the order, complete business records of the manner and form of respondent's continuing compliance with all the terms and provisions of this order, to be furnished, upon request to the staff of the Federal Trade Commission during normal business hours and upon reasonable advance notice.

H. Shall within sixty (60) days after service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

APPENDIX A

Dear Renault Owner:

Following a review of our written Limited Warranty by the Federal Trade Commission, it was pointed out to us that we had made an error in part of our written Limited Warranty. We have voluntarily agreed with the FTC to write you this letter as part of a way to correct that error. FTC Dkt. C-2960, April 26, 1979.

When you bought your Renault car you also received a copy of our Limited Warranty. That warranty was for 12 months or 12,000 miles from the date of delivery or first use, whichever comes first, with additional coverage for 24 months or 24,000 miles on the drive train (which covers internal engine, internal transmission and internal differential parts). Included in that warranty, found in your warranty and maintenance guide, is a paragraph labeled "Implied Warranties Limitation" in which we incorrectly limited your implied warranties to 12 months or 12,000 miles on the drive train.

The Federal Warranty Law, the Magnuson-Moss Warranty Act, does not allow the implied warranties to run for a period shorter than the express written limited warranty. Because of our error, you now have implied warranties on the drive train of your car for as long as four years, depending on what your state law provides. Implied warranties are rights created by state law, not by Renault or any other company. All states have them and they are in addition to the protection you get from written warranties (like our Limited Warranty). The most common implied warranty is the warranty of merchantability. This means that we promise that the car you bought is fit for the ordinary uses of the car, which include safe, efficient driving.

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Another implied warranty is the warranty of fitness for a particular purpose. If you bought your car relying on our advice or statements in our advertisements that it can be used for a special purpose, then this advice may create a warranty.

The above discussion refers only to *implied warranties*. *Renault reminds you that in no event is your written warranty on the drive train extended beyond 24 months or 24,000 miles.*

If you feel that your car has a defect that is covered by either of these implied warranties, please contact your dealer, or call us at (telephone number) (this is a toll-free number for you).

If you have sold your car, please tell the new owner about this, or tell us and we will write to him/her.

Sincerely,

RENAULT U.S.A., INC.
Customer Relations Department

IN THE MATTER OF
CAVANAGH COMMUNITIES CORPORATION, ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT

Docket 9055. Complaint, Sept. 16, 1975 — Decision, May 3, 1979

This consent order, among other things, requires a Miami, Fla. land sales firm and eight wholly-owned subsidiaries to cease misrepresenting or failing to disclose the nature and purpose of promotional activities; the legal significance of signing a contract form; the monetary risks involved in the purchase of undeveloped land; and the advisability of consulting with a real estate specialist prior to purchase. Unavailability of utilities, sewage disposal, water, or other improvements must be set forth in contracts, and respondents are required to provide purchasers with a cooling-off period in which to cancel their dealings. The order also requires that purchasers be informed that certain subdivisions are located in designated flood areas and considerable expenditure would be required to make lots usable. Any sales representation concerning the availability of electricity, phone service, recreational facilities, and/or other improvements must be contractually guaranteed, and failure to fulfill such obligations in a timely manner would entitle purchasers to a refund of their full purchase price plus 7% interest. In addition, the order limits purchasers' liability in the event of default, and requires respondents to send previous buyers prescribed "truth" letters which contain information about investments, subdivision development, assessments, contractual rights, and possible tax benefits should purchasers default.

Appearances

For the Commission: *Jeffrey Tureck, Dayle Berke, D. McCarty Thornton and Pamela B. Stewart.*

For the respondents: *Philip F. Ziedman and Daryl A. Nickel, Brownstein, Zeidman, Schomer & Chase, Washington, D.C.*

COMPLAINT*

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Cavanagh Communities Corporation (formerly Cavanagh Leasing Corporation), a corporation, and its wholly-owned subsidiary corporations, Cape Cave Corporation, Cavanagh Marketing Corporation (formerly Cavanagh Land Sales Corporation), Cavad, Inc., Universal Properties, Inc., Wellington Orient, Inc., Miami Beach Vacations, Inc., Palm

* Reported as amended by Order Granting In Part And Remanding In Part Motion To Serve Supplemental Pleading dated January 27, 1976.