

IN THE MATTER OF

JEEP EAGLE CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3304. Complaint, Sept. 4, 1990—Decision, Sept. 4, 1990*

This consent order requires, among other things, the Highland park, Mi. successor to American Motors Corp. to conduct a computer search of its warranty claims files to implement a redress program to benefit original owners of new 1983, 1984 and 1985 model year Renault Alliance and Encore automobiles that experienced four or more documented repair visits to correct specific automatic transmission fluid or engine oil leaks or related problems.

Appearances

For the Commission: *Adrienne Williams* and *Lydia B. Parnes*.

For the respondent: *Christopher Smith, Arent, Fox, Kintner, Plotkin & Kahn*, Washington, D.C.

COMPLAINT

The Federal Trade Commission, having reason to believe that American Motors Corporation (hereinafter "AMC"), which has been succeeded by Jeep Eagle Corporation (hereinafter "Jeep Eagle"), has violated the provisions of the Federal Trade Commission Act, ("FTC Act"), 15 U.S.C. 41 *et seq.*, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH. 1. (a) Jeep Eagle is a Maryland corporation with its principal office and place of business located at 12000 Chrysler Drive, Highland Park, Michigan. Jeep Eagle is the successor corporation to American Motors Corporation.

(b) American Motors Corporation manufactured, distributed, offered for sale and sold through authorized dealers automobiles, including automobiles bearing the designations Renault Alliance ("Alliance") and Renault Encore ("Encore").

(c) American Motors Sales Corporation ("AMSC") was a subsidiary of American Motors Corporation.

RESPONDENT'S COURSE OF TRADE

PAR. 2. AMC has engaged in the manufacture, distribution, offering for sale and sale of automobiles located in various states of the United States.

PAR. 3. At all times relevant to this complaint, AMC has maintained a substantial course of business, including the acts and practices set forth herein, in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act.

PAR. 4. AMC distributed, and through automobile dealers, offered for sale and sold to the public 1983, 1984, and 1985 model year Alliance automobiles and 1984 and 1985 model year Encore automobiles.

PAR. 5. AMC, through AMSC, issued warranties to each purchaser of new 1983, 1984, and 1985 model year Alliances and new 1984 and 1985 model year Encores. These warranties consisted of a 12 month/12,000 mile full warranty and a 24 month/24,000 mile limited warranty.

PAR. 6. AMC sold to the public some 1983, 1984, and 1985 model year Alliances and 1984 and 1985 model year Encores that developed problems requiring repairs, including automatic transmission fluid and engine oil leaks and related problems.

PAR. 7. The warranties issued by AMSC on new 1983, 1984, and 1985 model year Alliances and new 1984 and 1985 model year Encores are valid contracts between AMSC and purchasers of those vehicles.

PAR. 8. The full and limited warranties for new 1983, 1984, and 1985 model year Alliances and new 1984 and 1985 model year Encores contained the following statements respectively:

If the vehicle becomes defective under normal use and service, any authorized Renault Dealer in the United States or Canada will, without charge and at the Dealer's place of business within a reasonable time after delivery of the vehicle to the Dealer, repair or, at AMSC's option, replace with a new or Factory reconditioned part, any part found defective. (Full Warranty).

If a component covered by this warranty becomes defective under normal use and service, any authorized Renault Dealer in the United States or Canada will, at the Dealer's place of business within a reasonable time after delivery of the vehicle to the Dealer, repair or, at AMSC's option, replace the component with a new or Factory reconditioned component. (Limited Warranty).

PAR. 9. In the course of attempting to perform obligations under the

warranties issued by AMSC, Renault authorized dealers on a significant number of occasions failed to repair successfully automatic transmission fluid or engine oil leaks and related problems within a reasonable time after delivery of the vehicle to the dealers for repair.

PAR. 10. The acts alleged in paragraph nine constitute breaches of AMSC's contracts with purchasers of Alliances and Encores.

PAR. 11. AMSC's breaches of contract have caused substantial injury to consumers that is not outweighed by countervailing benefits to consumers or competition and is not reasonably avoidable by consumers. Therefore, these breaches of contract are unfair acts or practices in violation of Section 5(a)(1) of the Federal Trade Commission Act, 15 U.S.C. 45(a)(1).

Commissioner Calvani recused, Commissioner Azcuenaga dissenting, and Commissioner Owen not participating.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of American Motors Corporation, which has been succeeded by Jeep Eagle Corporation, 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 respondent, its attorneys, 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 Act, and that the 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, and having duly considered the comments filed thereafter by interested persons pursuant to Section

2.34 of its Rules, 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 Jeep Eagle Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Maryland, with its office and principal place of business located at 12000 Chrysler Drive, in the City of Highland Park, State of Michigan.

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

DEFINITIONS

For the purposes of this order, the following definitions shall apply:

1. "*Original Owner*"—"Original Owner" shall mean any consumer who purchased a new 1983, 1984, or 1985 model year Alliance automobile or a new 1984 or 1985 model year Encore automobile for his or her personal, family or household use.

2. "*Eligible Claimant*"—"Eligible Claimant" shall mean any original owner who files a properly completed claim form with respondent on or before the return dates established in Parts I.C., I.D., and I.E. of this order with respect to a vehicle that underwent more than three repair visits.

3. "*Repair Visit*"—"Repair visit" shall mean a single trip to an authorized dealership for a warranty repair. Each individual repair visit shall be identified by referring to the computerized list prepared by the respondent pursuant to Subpart I.A. of this Part. Each entry in a Warranty Claim History contained in the list that references a Technical Information Code identifying an automatic transmission fluid leak or engine oil leak shall be compared to the other entries in the same Warranty Claim History referencing any such Technical Information Codes. An individual entry shall qualify as a single visit if the Julian date, dealer code, zone code, repair order date, or mileage of the record are different from the other records in the vehicle's warranty claim file, except that if the dealer code, zone code, repair order date, and mileage are the same but the Julian date is greater

than 30 days from the otherwise identical claim record, then the claim is assumed to be a resubmission of a previously denied claim and not counted as a separate repair visit.

I.

It is ordered, That respondent, its successors and assigns, shall cease and desist from failing to take the following actions:

(A) Conduct a computer search of its warranty claims files to identify and prepare a list of the vehicles whose original owners are eligible to file a claim, using the following criteria:

- (1) 1983, 1984, and 1985 model year Alliance and Encore vehicles;
- (2) Warranty claims paid through February 29, 1988;
- (3) Repairs within the first 24 months or 24,000 miles of warranty coverage; and
- (4) More than three repair visits for an automatic transmission fluid or engine oil leak or any combination of the two as reflected by the indication of the Technical Information Codes that identify automatic transmission fluid leaks or engine oil leaks.

The list of Technical Information Codes, dated February 9, 1989, placed on the public record in Docket No. 842-3103, shall constitute all of the Technical Information Codes that identify automatic transmission fluid leaks or engine leaks, as required by Definition 3 and Part I.A.4. The list of the vehicles whose original owners are eligible to file a claim, dated February 9, 1989, prepared by the respondent and placed on the public record in Docket No. 842-3103, shall constitute the list required by this Part.

(B) Within forty-five (45) days of the date of service on respondent of this order:

(1) Using the list prepared pursuant to Subpart A, compile from its own records a mailing list that includes the name and last-known address of each original owner of a new 1983, 1984, or 1985 model year Alliance or a new 1984 or 1985 model year Encore that underwent more than three repair visits.

(2) Calculate a payment for each eligible original owner identified pursuant to Subparts A and B(1) of this Part in the amount of \$40.00 for each repair visit in excess of three.

(C) Within sixty (60) days of the date of service on respondent of this order, send by first class mail to the last known address of each

original owner identified by respondent from its records pursuant to Subparts A and B(1) of this Part, a notice package consisting of: (i) a copy of the letter attached to this order as Attachment A with the return date and amount of payment filled in; (ii) a copy of a claim form attached to this order as Attachment B with the amount of payment filled in; (iii) a self-addressed, first class, postage-paid return envelope; and (iv) an envelope containing the materials described in subsections (i)-(iii) marked "Address Correction Requested," "Forwarding Postage Guaranteed by Sender," and "Payment Offer." For purposes of this Subpart, the return date shall be the date one hundred fifty (150) days after the date of service of this order. Compliance with the return date shall be determined by the postmark of the envelope in which the claimant returns the claim form.

(D) For a period of two hundred ten (210) days following the date of service on respondent of this order, provide to original owners not identified by respondent pursuant to Subparts A and B(1) of this Part who present to respondent records of repair visits evidencing their eligibility for payment under the criteria contained in Subpart A of this Part, a notice package consisting of: (i) a copy of the letter attached to this order as Attachment C with the return date and amount of payment filled in; (ii) a copy of a claim form attached to this order as Attachment D with the amount of payment filled in; (iii) a self-addressed, first class, postage-paid return envelope; and (iv) an envelope containing the materials described in subsections (i)-(iii) marked "Address Correction Requested," "Return Postage Guaranteed by Sender," and "Payment Offer." For purposes of this Subpart, the return date shall be the date two hundred seventy (270) days after the date of service of this order. Compliance with the return date shall be determined by the postmark on the envelope in which the claimant returns the claim form.

(E) For a period of two hundred ten (210) days following the date of service on respondent of this order, provide to each original owner identified by respondent from its own records pursuant to Subparts A and B(1) of this Part, who has not returned the claim form pursuant to Subpart C of this Part and who writes respondent concerning this order, a notice package consisting of: (i) a copy of the letter attached to this order as Attachment A with the return date and amount of payment filled in; (ii) a copy of a claim form attached to the order as Attachment B with the amount of payment filled in; (iii) a self-addressed, first class, postage-paid return envelope containing the

materials described in subsections (i)-(iii) marked "Address Correction Requested," "Forwarding Postage Guaranteed by Sender," and "Payment Offer." For purposes of this Subpart, the return date shall be the date two hundred seventy (270) days after the date of service of this order. Compliance with the return date shall be determined by the postmark on the envelope in which the claimant returns the claim form.

(F) Within three hundred (300) days of the date of service on respondent of this order, send to each eligible claimant by first-class mail a payment in the amount determined as provided in Subpart B.2 of this Part.

(G) Respondent's obligations under this Part shall terminate upon expenditure of the sum of money equal to the total amount needed to award payments calculated pursuant to Subparts A and B of this Part, or within one (1) year from the date of service on respondent of this order, whichever occurs earlier.

II.

It is further ordered, That respondent, its successors and assigns, shall, on or before one (1) year after the date of service of this order, file with the Commission a report, in writing, setting forth in detail the manner and form of its compliance with this order.

III.

It is further ordered, That respondent, its successors and assigns, shall maintain records demonstrating the manner and form of respondent's compliance with Part I of this order. These records shall be retained and made available to the Commission for inspection and copying upon reasonable notice until such time as the order terminates pursuant to Part IV of this order.

IV.

It is further ordered, That this order shall terminate six (6) years after the date of service of this order on respondent.

Commissioner Calvani recused, Commissioner Azcuenaga dissenting, and Commissioner Owen not participating.

792

Decision and Order

ATTACHMENT A

[corporate letterhead]

[date]

Dear _____ :

Our records show that you are the original owner of an 1983-1985 Alliance or 1984-1985 Encore. Pursuant to an agreement with the Federal Trade Commission, Jeep Eagle as the successor corporation to American Motors Corporation is offering payments to certain original owners of particular vehicles that underwent more than three visits to repair certain automatic transmission fluid and engine oil leaks. Our records indicate that you are eligible for a payment of \$ _____ under this program provided that you follow the steps discussed below. Please read this letter and follow the steps listed below in order to apply for payment.

HOW TO APPLY

In order to apply for a payment, you must do the following:

1. Fill out the enclosed claim form completely.
2. Return the completed claim form to us in the enclosed envelope. You must mail the claim form back to us by [return date] to make sure you are considered for this program.
3. The claim form contains a release, which you must sign in order to receive a payment. By signing the release, you will give up your right to sue Jeep Eagle for any warranty claims you may have relating to the engine, transmission, or transaxle of your vehicle.
4. Please write us at the address below if you change your address in the next several months so we can contact you again.

If you have any questions about this program, please contact:

Mr. T. W. Alley
National Coordinator
3rd Party Arbitration
Chrysler Motors Corporation
CIMS 423-23-06
26001 Lawrence Avenue
Centerline, Michigan 48015

Division of Enforcement
Bureau of Consumer Protection
Federal Trade Commission
Washington, D.C. 20580

Remember: You must mail the completed claim form to us by [return date]. Also, please remember to let us know if you change your address.

Sincerely yours,

JEEP EAGLE CORPORATION

Enclosure

Decision and Order

113 F.T.C.

ATTACHMENT B

CLAIM FORM

Name: _____
Address: _____
Telephone: () _____ (home)
() _____ (business)

1. Model Year: _____
2. Model Description: Alliance Encore (Circle one)

I bought the vehicle described above as new for my personal use or the use of my family or household. During the period that I owned this vehicle, it underwent more than three visits to repair certain automatic transmission fluid and engine oil leaks.

I hereby accept Jeep Eagle's payment, as contained in its letter of _____, in the amount of \$ _____.

In consideration of this payment, I hereby release and discharge Jeep Eagle, its successors and assigns, and its directors, officers, agents, representatives, and employees, and its divisions and other subsidiaries, from any and all warranty claims relating to the engine, transmission, or transaxle of the vehicle described above.

Date_____
Owner's Signature

792

Decision and Order

ATTACHMENT C

[corporate letterhead]

[date]

Dear _____ :

Thank you for writing us regarding your 1983-1985 Alliance or 1984-1985 Encore. Pursuant to an agreement with the Federal Trade Commission, Jeep Eagle as the successor corporation to American Motors Corporation is offering payments to certain original owners of particular vehicles that underwent more than three visits to repair certain automatic transmission fluid and engine oil leaks. The records you submitted indicate that you may be eligible for a payment of \$ _____ under this program. Please read this letter and follow the steps listed below in order to apply for payment.

HOW TO APPLY

In order to apply for a payment, you must do the following:

1. Fill out the enclosed claim form completely. This will be used to determine your eligibility for a payment.
2. Return the completed claim form to us in the enclosed envelope. You must mail the claim form back to us by [return date] to make sure you are considered for this program.
3. Once we receive your completed claim form, we will determine if you are eligible for a payment. If you are eligible we will send you a check. Please write us at the address below if you change your address in the next several months so we can contact you again.
4. The claim form contains a release form, which you must sign in order to receive a payment. By signing the release, you will give up your right to sue Jeep Eagle for any warranty claims you may have relating to the engine, transmission, or transaxle of your vehicle.

If you have any questions about this program, please contact:

Mr. T. W. Alley		Division of Enforcement
National Coordinator		Bureau of Consumer Protection
3rd Party Arbitration	or	Federal Trade Commission
Chrysler Motors Corporation		Washington, D.C. 20580
CIMS 423-23-06		
26001 Lawrence Avenue		
Centerline, Michigan 48015		

Remember: You must mail the completed claim form to us by [return date]. Also, please remember to let us know if you change your address.

Sincerely yours,

JEEP EAGLE CORPORATION

Enclosure

Decision and Order

113 F.T.C.

ATTACHMENT D

CLAIM FORM

Name: _____

Address: _____

Telephone: () _____ (home)

() _____ (business)

1. Date of Purchase: — / — / —
(mo) (day) (year)

2. Model Year: _____

3. Model Description: Alliance Encore (Circle one)

4. Vehicle Identification Number:

(This seventeen-digit number appears on an embossed plate on the upper left-hand side of the instrument panel.)

I bought the vehicle described above as new for my personal use or the use of my family or household. During the period that I owned this vehicle, it underwent more than three visits to repair certain automatic transmission fluid and engine oil leaks.

I hereby accept Jeep Eagle's payment, as contained in its letter of _____ ,
in the amount of \$ _____ .

In consideration of this payment, I hereby release and discharge Jeep Eagle, its successors and assigns, and its directors, officers, agents, representatives, and employees, and its divisions and other subsidiaries, from any and all warranty claims relating to the engine, transmission, or transaxle of the vehicle described above.

Date_____
Owner's Signature

SEPARATE STATEMENT OF COMMISSIONER MARY L. AZCUENAGA

Having failed to find reason to believe that AMC-Renault or Jeep-Eagle Corporation, its successor, has violated the law as alleged in the complaint, I dissent from the Commission's decision to accept this consent agreement. Although I have substantial sympathy for the plight of consumers affected by the conduct alleged, the Commission can impose a remedy only when it has reason to believe that a violation of law has occurred. Here that burden has not been met.

IN THE MATTER OF
AMERSHAM INTERNATIONAL PLC

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-3305. Complaint, Sept. 14, 1990—Decision, Sept. 14, 1990

This consent order prohibits, among other things, a Buckinghamshire, England company from consummating the acquisition of Medi-Physics, Inc. by respondent until after the closing of the sale of Medi-Physics' SPECTamine business to IMP, Incorporated or any other Commission-approved acquirer. In addition, for a period of ten years, respondent is prohibited from acquiring, without prior Commission approval, any stock, share capital, or equity interest in, or any assets relating to SPECT brain imaging.

Appearances

For the Commission: *Phillip L. Broyles, Susan Pettee, and Steven Newborn.*

For the respondent: *D. Stuart Meiklejohn, Sullivan & Cromwell, New York, N.Y.*

COMPLAINT

The Federal Trade Commission, having reason to believe that respondent, Amersham International plc ("Amersham"), a corporation subject to the jurisdiction of the Federal Trade Commission, proposes to acquire Medi-Physics, Inc., from Hoffman-La Roche, Inc., a corporation subject to the jurisdiction of the Federal Trade Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act ("FTC Act"), as amended, 15 U.S.C. 45; and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. PARTIES

A. *Amersham International plc.*

1. Respondent Amersham is a corporation organized and existing