



Is Your Warranty “Full” or “Limited”?

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Foster Swift Business & Corporate Law News

September 30, 2016

*This is the third installment of the three-part series discussing warranties. **Part 1** addressed implied warranties that could apply to your products whether you offer them or not. **Part 2** addressed the impact of federal law on warranties you specifically offer your customers. In Part 3, we discuss what requirements must be met for you to label your warranty a “full” warranty.*

A good warranty can also be good advertising, and the difference between customers buying your product or your competitor’s may come down to who has the better warranty. It can be tempting to give your warranty a label that sounds better than your competitors, but did you know that how you label your warranties is governed by federal law?

The Magnuson-Moss Warranty Act (the “Act”) is a federal law that requires any written warranty on a consumer product to either be labeled as a “full” or “limited” warranty. The Act sets out specific conditions that must be met before a warranty can be labeled a “full” warranty. All other warranties must be labeled a “limited” warranty. You can still use other labels (i.e. a “lifetime limited warranty”), as long as your label either contains the word “full” or “limited”.

REQUIREMENTS OF A “FULL” WARRANTY:

Your warranty must satisfy five conditions before it may be labeled a “full” warranty:

1. The duration of implied warranties is not limited (for more information on implied warranties, see **Part 1**);
2. Warranty coverage is available to any owner of the product, not just the initial purchaser;
3. There is no charge for your warranty service, including costs associated with shipping the defective product;
4. The customer has a choice to receive either a full refund or a replacement product if the defective product cannot be repaired; and

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5. Customers do not need to take any action to receive warranty service other than providing you with notification of the defect.

If you sell a product composed of multiple components, it is possible to have a mixed warranty where some components are subject to a "full" warranty and others only have a "limited" warranty.

INFORMATION REQUIREMENTS:

Regardless of whether you offer a "full" or "limited" warranty, the Act requires certain information to be provided with all written warranties:

- First, you must provide what is covered by the warranty. This is an important determination. Do you want to cover the entire product, or only certain component parts?
- Second, you must provide the duration of coverage. The important considerations here are not just how long your warranty should last, but also what conditions will cause the warranty to terminate early. Should the warranty terminate if the product is used improperly? Should the warranty only apply to the initial purchaser and not subsequent owners?
- Third, what type of service do you offer under the warranty? Will you attempt to repair the product or simply replace it? Will you offer a full refund or merely a credit toward other products?
- Fourth, how does a customer notify you that they need warranty service? This is especially important if you provide warranty service in multiple geographic locations. Should you have a single warranty phone number or contact information for each of your sales regions?
- Fifth, you must inform customers that they may have additional rights under state law. Federal law provides a safe harbor phrase that satisfies this requirement: *"This warranty gives you specific legal rights, and you may also have other rights which vary from state to state."*

Drafting a good warranty is a careful balancing act. On one hand, you want your warranty to sound as appealing as possible to your customers. On the other hand, an overly-broad warranty may be prohibitively expensive and hurt your bottom line. It is important to work with an attorney to identify the restrictions in your warranty that are necessary and others that may be eliminated in an attempt to entice more customers. If you would like more information on how you can improve your particular warranties, please contact one of Foster Swift's **Business and Corporate** attorneys.