



State Warranty Reimbursement Laws:

What Every Truck Dealer Needs To Know

For many truck dealers, warranty work generates mixed emotions. While warranty work is a staple of most any dealership's service and parts operations, dealers often express dissatisfaction with their OEM's warranty reimbursement practices.

Among the problems that contribute to this dissatisfaction are time standards dealers perceive as unrealistically tight, a seeming lack of flexibility by the OEM in accommodating special circumstances, burdensome documentation requirements and slow processing and payment of warranty claims.

While many dealers have experienced these problems, a surprising number of otherwise well-informed dealers don't realize that many states have decidedly pro-dealer laws regarding manufacturer warranty reimbursement practices.

In fact, chances are that your dealership is the beneficiary of one of those warranty reimbursement laws, as approximately 40 states have passed laws regulating the warranty reimbursement practices of truck and car manufacturers.

While these laws differ from state to state, common features include:

- ✦ OEMs have to process warranty claims within a certain period of time after submission,
- ✦ OEMs have to pay approved claims within a certain period of time after approval,
- ✦ OEMs have to reimburse dealers for warranty labor work at a "reasonable rate"—typically defined to be a dealer's "door rate" for labor and

✦ OEMs have to pay dealers for parts used in warranty work at a certain rate—in many states the dealer's full retail price.

Over the past several years, a number of automobile dealers have used state warranty reimbursement laws to bring successful challenges to OEM warranty reimbursement practices in high-profile cases, including in Maine, New Jersey and New York.

In the Maine litigation, the dealer challenged the OEM's practice of paying for parts used in warranty work at a price far below the prevailing retail rate. In response, the manufacturer changed its parts reimbursement practices.

Litigation in New Jersey and New York also involved challenges to the practice of reimbursing dealers for parts used in warranty work at less than retail rates.

These cases demonstrate that courts will enforce state warranty reimbursement laws against OEMs.

In contrast, warranty reimbursement litigation between truck dealers and OEMs has been scarce. The lack of truck-side warranty litigation does not necessarily mean that all is well in the world of truck warranty reimbursement.

Rather, it more likely indicates that truck dealers are either unaware of the provisions of these laws or are reluctant to risk falling out of favor with their OEM by seeking to enforce them. Fortunately, virtually every state has enacted strong laws protecting auto and truck dealers from such retaliation and other forms of discrimination by manufacturers.

Warranty reimbursement laws and the practices they regulate translate directly to real dollars affecting a dealership's bottom line. In our experience, thousands of dollars, if not hundreds of thousands of dollars, of warranty reimbursements are left on the table each year by dealers who simply do not understand their rights under these state statutes.

It is unlikely that OEMs will give those dollars back to dealers on their own initiative. Dealers must become better informed about their warranty reimbursement rights under their state warranty reimbursement laws and then hold their OEMs accountable for following the law.

About The Author

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