

The Importance of Warranties

The Chin residence. Mr. and Mrs. Chin, Joe, and Dorothy are sitting around the dining room table celebrating Joe's eighteenth birthday.

Dorothy: How does it feel to be 18?

Joe: Not much different, I guess. (Looks at a small gift-wrapped box in front of him.) When do I get to open the presents?

Mrs. Chin: Not until after we have dessert! I've got your favorite ice cream to go with the cake.

Dorothy: Oh, come on, Mom! Let Joe open his presents first. I can't wait to have him open my present!

Joe: This must be yours, Sis. (Picks up the present.) It looks pretty small to me. (He shakes the box.)

Mr. Chin: Good things come in small packages, you know.

Dorothy: That's right, Dad!

Mrs. Chin: It's okay with me if you want to open the presents before we have dessert.

Joe: I'll open this first. (He opens the small box and takes out a wristwatch.) Oh, it's beautiful! Thanks Sis! It's just what I need.

Dorothy: You're welcome. It should show the right time. I set it before I wrapped it.

Joe: (Looking at the face of the watch.) It must have stopped. That's strange.

Mr. Chin: (Leaving the table.) I'll be right back.

Joe: (Attempting to reset the watch.) It doesn't seem to work. The second hand doesn't go at all. The stopwatch isn't working, either.

Dorothy: Really? My present doesn't work?

Joe: Don't worry about it. We can get it replaced. It says here "limited warranty."

Dorothy: What does that mean? I hope it's not too limited!

Mr. Chin: (Returning with a large box.) Here you go Joe!

Joe: Wow! (Looking at the box for a clue.) What is it?

Mr. Chin: You'll have to open it to find out.

Joe: (Opening the box.) It looks like a . . . it is! It's a rowing machine! Just like the one we have at school! Thanks, Dad and Mom!

Mr. and Mrs. Chin: You're welcome, Joe.

Mr. Chin: I see it's not the same as the one they showed me as a model in the store, but if you like it, we'll keep it anyway.

Joe: It's wonderful! Thanks, everybody, for such nice presents.

Mrs. Chin: (Putting a cake in front of Joe.) It's your day to cut the cake, Joe. Dorothy, you can put the ice cream on each plate.

Dorothy: Okay. It's a beautiful cake, Mom.

Joe: It's my favorite ice cream, too. (Joe puts a spoonful of ice cream into his mouth.)

Joe: Ow! (He puts his hands to his mouth.) I think I cut my mouth!

Mrs. Chin: Oh Joe! Are you all right?

Joe: (Removing something from his mouth.) There was a piece of glass in the ice cream. It cut me under my tongue.

Mrs. Chin: Oh, good heavens! Are you all right?

Mr. Chin: We better have a doctor look at your mouth, Joe. It's bleeding hard. Come on. I'll drive you to the hospital.

New Terms

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express

warranty, p. 214

guarantee, p. 216

full warranty, p. 217

limited warranty, p. 218

implied warranty, p. 219

warranty of fitness

for a particular

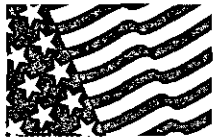
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The Spirit of the Law

Have you ever bought something that did not work when you took it home? Have you ever purchased an item that turned out to be damaged or broken when you opened the box? Have you ever paid for something that you wanted for a particular purpose, only to find that it would not do the job? Has a salesperson ever made a statement or a promise about a product that did not come true? Have you ever found an impurity or a foreign substance in food that you bought in a store or ate in a restaurant? The UCC provides you with protection in all of these types of situations under its law of warranties.

Legal Issues:

1. Do buyers have any legal recourse when they purchase defective merchandise from a store?
2. What is the legal meaning of the term "limited warranty"?
3. What rights do buyers have when they select an item based on a model and receive something different in its place?
4. What legal recourse does a person have who is injured by impurities or foreign substances contained in food that was purchased from a store?

Law of Warranties

As part of a sales contract and as an inducement to buy, sellers guarantee that their products are not defective and that they are suitable for the use for which they are intended. This guarantee by a seller is known as a **warranty**. Under the UCC, there are two types of warranties made by sellers—express warranties and implied warranties.

Warranties are important for everyone involved in the marketing process. Manufacturers, for example, give implied warranties to retailers, who, in turn, give the same warranties to consumers. In this way, all parties connected with the sale of a product are given protection. In addition, manufacturers often give express warranties directly to consumers as an incentive to buy their products. This helps retailers to sell more goods and takes some of the burden of standing behind products away from retailers. The law of warranties also helps to improve the quality of products found in the marketplace.

Express Warranties

An **express warranty** is an oral or written guarantee by a manufacturer or a seller. An express warranty is created in any of three ways: (1) by a statement of fact or promise made by the seller, (2) by a description of the goods, or (3) by the use of a sample or model.

Statement or Promise by Seller

Whenever anyone sells goods and makes a statement of fact or a promise about them to the buyer, an express warranty is created. The

statement must relate to the goods and be part of the transaction. It is not necessary for the creation of an express warranty that the seller use formal words such as *warranty* or *guarantee*.

The express warranty may be a statement of an existing fact or a promise of something that may happen in the future. The following example illustrates the statement of an existing fact.

Example 1. In attempting to sell his used car, Winston Carter told Dorothy Naber that the car had a new engine. Naber bought the car and discovered that the engine was not new. The statement made by Carter created an express warranty. Naber may recover damages from Carter for the breach of warranty.

The example below illustrates a promise of something that may happen in the future.

Example 2. Doug Soper purchased a car from Robin Gray. As part of the deal, Gray promised that the car would pass the next required inspection. When Soper had it inspected, it failed to pass. The promise by Gray created an express warranty that was not fulfilled.

Express warranties are often found in sales brochures, circulars, and advertisements.

Example 3. The manufacturer of a liquid drain cleaner advertised the product as "safe" and capable of "fast action." A child was severely injured when she was accidentally splashed with the product. The court held that the advertisement was an express warranty that the product was safe, and the child's parents recovered money damages against the company for breach of the express warranty.

Sometimes an express warranty consists of words used by the seller. It is important that you demand a warranty that is stated in clear, precise, and understandable terms if you want to minimize your risks. Suppose that the seller says, "This product is warranted," or "This product is guaranteed." These words alone are not enough to give you protection. You need to know exactly what the seller will do for you in the event a problem arises.

There is another precaution that is very important if you wish to avoid trouble later. Always try to get a warranty in writing. If, for example, you enter into a written contract to buy a television set, insist on a written warranty to support the contract of sale. Also insist that any oral promises that are made to you be written down on the sales slip. Warranties do not have to be in writing. However, oral statements are difficult to prove. Also, the parol evidence rule, discussed in Chapter 12, does not usually allow oral statements or promises to be introduced in court if there was a written contract.

The opinion of the seller is not a warranty. The law allows a certain amount of "puffery," or sales talk, as discussed in Chapter 8. A statement of the value of the goods or a statement that is merely the seller's opinion does not create a warranty.

Reducing Legal Risks

Carefully examine any goods to be purchased as is. Before purchasing a good that carries a limited warranty, find out what the limitation is. Immediately notify the seller of any defects in a good you bought; failure to do so may invalidate your warranted rights. Compare warranties before making a purchase; the protection offered varies.

Description of the Goods

Any description of the goods that is part of the transaction creates an express warranty. The seller warrants that the goods will be the same as the description.

Example 4. You order a stereo system after selecting it from a catalog. The catalog described the system and showed a picture of it. When the system arrives, you discover that it is not the same as the one pictured and described in the catalog. A breach of an express warranty has occurred.

Sample or Model

Any sample or model that is part of the transaction creates an express warranty. The seller warrants that the goods will be the same as the sample or model.

Example 5. You go to a store to purchase a stereo system. The salesperson shows you several different models. You look at them carefully and select the one you like best. You are then given a system that is sealed in its original carton. When you take the carton home and open it, you discover that it contains a different type of system than the model you were shown. A breach of an express warranty has occurred.

Express Warranty Protection for Consumers

Have you ever seen the words *guaranteed*, *satisfaction or your money back*, or *lifetime guarantee* in a newspaper, magazine, or television advertisement? A **guarantee**, as it is used here, is a promise or assurance of the quality or life of a product. Such a guarantee is another name for an *express warranty*. The one who makes the guarantee is called the *guarantor* or *warrantor*. In ordinary usage, the term *guarantee* is often used in place of the term *warranty*.

People often discover after purchasing a "guaranteed" product that the guarantee was not what they thought it would be. They often learn that there were limitations on the guarantee that were not mentioned in the advertisement.

Example 6. Virginia Avadonian saw a hair-curling set advertised in the newspaper. The ad simply said that the set was *guaranteed*. Avadonian bought the set and used it for six months, after which time it broke down. When she returned it to the store, she was told that the guarantee had been for only 90 days.

It is meaningless to say merely that a product is guaranteed or warranted. The word *guarantee* (or *warranty*) is incomplete without other words describing precisely what the guarantee is. The Federal Trade Commission (FTC) encourages all advertisers to present their guarantees clearly. The FTC is a federal agency set up in 1914 to ensure fair economic practices among American businesses. The Magnuson-Moss Warranty Act, passed in 1975, expanded the FTC's authority. The act authorizes the FTC to develop rules regulating the advertisement of guarantees and to enforce these guidelines. Under the FTC's guidelines, an advertised guarantee must disclose:

LAW & Ethics

You are interested in a particular used car. The salesperson states that it is in "A-1" shape, the best deal on the lot. Two days after you purchase the car, the transmission locks up. Did the salesperson's statements constitute a warranty? Is there a difference between what the law requires and what ethics suggest? Why?

Law and Social Studies



Maintaining Chronology

Maintaining chronology, or being able to verify the order in which things happened, might benefit you in several ways. For example,

chronological records can help you recreate the sequence of events leading to a particular event. They can document events leading to an action on your part. Or they can reconstruct events establishing your innocence of a crime, your right to compensation, or your claim to a refund for breach of warranty. It is important to learn how to maintain chronology; here are some suggestions that will help you.

Keep Written Records—Do not expect people to remember what you do or say. Also do not expect to always remember what others say. A written record may serve as proof of your action or intent, as well as that of another party; hearsay usually will not.

Verify Completeness and Accuracy—Make sure your records include all pertinent information. Certain records may have special information requirements; find out what they are

and meet them. Be sure to verify accuracy, especially in numerical information. Also verify that your records are properly dated. Written records mean little unless they are dated.

Organize—One option for recordkeeping is to group records by month and year. This allows you to easily locate all records from a given time period.

Suppose you buy a new television that is protected by a five-year warranty if certain requirements are met. You complete and mail the warranty registration. Four years and eleven months later the television breaks. When you take the warranty information out of the shoebox where you keep your important papers, you cannot locate the original dated sales receipt. Is the manufacturer obligated to repair the television if you do not have the written records the warranty requires? In this case, maintaining chronology would have saved you the cost of a television repair.

1. What three steps will help you maintain chronology?
2. In what ways might maintaining chronology benefit you?

- The product or part of the product that is guaranteed.
- The specific characteristics of the product that are covered or not covered by the guarantee.
- The time limit of the guarantee. (When a product is advertised as having a "lifetime guarantee," the meaning of *lifetime* must be stated in the ad—that is, it must be made clear whether the guarantee covers the lifetime of the product or the owner's lifetime.)
- What, if anything, someone must do to make a claim under the guarantee.
- How the person or company making the guarantee will settle any claims made—that is, whether the seller will repair the item, replace the item, or return the purchase price.
- The identity of the person or persons making the guarantee. It is often not clear as to who makes the guarantee—the manufacturer or the immediate seller.

The Magnuson-Moss Warranty Act gives further protection to consumers when written express warranties are made. Whenever a written warranty is given on a consumer product costing more than \$10, the warranty must be labeled as either full or limited. A **full warranty** is one in which a

defective product will be fixed or replaced free within a reasonable time after a complaint has been made about it. The consumer does not have to do anything unreasonable, such as ship a heavy product back to the factory, to get service under the warranty. A full warranty is good for the period mentioned in the warranty. This is true regardless of who owns the item when it breaks down. If the product cannot be fixed, under a full warranty, consumers have the choice of either getting a new product or getting their money back. Figure 16-1 below shows one manufacturer's full warranty.



RCA FULL ONE-YEAR WARRANTY

We warrant this product to be free of manufacturing defects for a 1-year period after the original date of consumer purchase or receipt as a gift. This warranty does not include damage to the product resulting from accident, misuse, improper installation or operation, or unauthorized repair or alteration. If the product should become defective within the warranty period, we will, at our option, elect to repair or replace it free of charge, including free return transportation. Parts and/or replacement product supplied under this warranty may be new or rebuilt at our option. For instructions on how to obtain warranty service, write to: RCA Consumer Electronics Products, Manager, Consumer Relations, P.O. Box 1976, Indianapolis, IN 46206.

The consumer's sole remedy shall be such repair or replacement as is expressly provided above, and we shall in no event be liable for any incidental or consequential damages arising out of the use or inability to use this product for any purpose whatsoever.

Some states do not allow the exclusion or limitation of incidental or consequential damages, so the above limitation or exclusion may not apply to you.

This warranty gives you specific legal rights. You may also have other rights which vary from state to state.

For products purchased outside the United States, see dealer for warranty.

Thomson Consumer Electronics, Inc.

Figure 16-1 A full warranty is one in which a defective product will be fixed or replaced free within a reasonable time after a complaint has been made about it. Why does a manufacturer offer a warranty?

A warranty that provides restricted protection is called a **limited warranty**. Under federal law it must be labeled as such. When you see the words "limited warranty" on a product, it is a good idea to read the warranty before you buy it to learn of its limitations. Figure 16-2 on page 219 is an example of a limited warranty.

In addition to the above, whenever a written warranty is given on a consumer product costing more than \$15, the Magnuson-Moss Warranty Act provides that the warranty must: (1) be available for customers to read before buying, and (2) fully disclose in simple, easily understandable language the terms and conditions of the warranty.

Example 7. You buy a television set. The seller gives you a written guarantee that says, "LIMITED WARRANTY—This television set is guaranteed for six months from the date of delivery." Nothing more is said. A short time after the set is delivered, you ask the seller to send a repair person to make some needed minor adjustments. The seller

refuses, saying that the guarantee covered only the replacement of parts that were manufactured defectively.

The seller, in the above example, violated the federal law because the warranty did not say exactly what was covered and what was not covered. In addition, the warranty did not say what the seller must do or what the buyer must do in the event that something went wrong with the set.

Limited Twelve-Month Warranty

This Vidal Sassoon appliance is warranted against defect in material or workmanship for twelve months from the date of purchase. Any problems arising from misuse, dropping or extreme wear are not covered by this warranty.

The store where this item was purchased is authorized to make an exchange only if the return is made within 30 days of purchase. Returns after 30 days must be made to the Vidal Sassoon Service Center, 6827 Market Avenue, El Paso, Texas 79915. Send it postage paid along with proof of purchase, a note explaining reason for return, and \$4.00 to cover handling, insurance, and return postage costs.

Any product returned for repair not under the warranty will be repaired and/or returned, all charges C.O.D.



Figure 16-2 Limited warranties have more restrictions than full warranties. How does the repair of a defective item under a limited warranty differ from a full warranty?

Implied Warranties

An **implied warranty** is a guarantee of quality imposed by law. An implied warranty is not in writing. Under the UCC, implied warranties come about only when goods are sold. They do not arise in contracts for services. A sale, you will remember, is the passing of ownership from the seller to the buyer for a price. There are two principal types of implied warranties: (1) warranty of fitness for a particular purpose, and (2) warranty of merchantability. Others may arise by usage of trade, or by custom.

Warranty of Fitness

A **warranty of fitness for a particular purpose** is created when the seller knows about a particular purpose for which the goods are needed. The seller advises the buyer in making a purchase and the buyer *relies* on the seller's knowledge and advice when selecting the proper goods. The seller inferentially warrants that the goods will be fit for the purpose for which the goods are to be used. This warranty exists even when the seller is a nonmerchant.

Example 8. Susan Eng, who knew little about paint, went to a paint store and told the proprietor that she wanted some paint to use on an outdoor concrete patio. The proprietor selected a gallon of paint from a shelf and told Eng that it would be perfect for that type of job. Eng bought the paint and painted the patio, following the directions on the can. Two weeks later, the paint washed off the patio during a heavy rainstorm. The paint store had breached the implied warranty of fitness for a particular purpose because Eng relied on the proprietor's skill and judgment in selecting the paint.

Warranty of Merchantability

Probably the most important warranty, as far as the consumer is concerned, is the **warranty of merchantability**. This warranty is given only by someone who is a merchant. A merchant, you will recall, is a person who deals in goods of the kind being sold in the ordinary course of business or who otherwise holds himself or herself out as having knowledge or skill pertaining to those goods.

Example 9. Norma Simms bought a secondhand videocassette recorder from Kenneth Aborn. He had placed an advertisement for the VCR in the classified section of the newspaper. Aborn was not in the business of selling VCRs. The day after Simms bought the VCR, it stopped working. Simms would not have the benefit of the warranty of merchantability because Aborn was not a merchant.

Whenever a merchant sells goods, the merchant warrants that the goods are merchantable. To be **merchantable**, goods must (1) pass without objection in the trade under the contract description; (2) be fit for the ordinary purposes for which such goods are used; (3) be adequately contained, packaged, and labeled as the agreement may require; and (4) conform to the promises or statements of fact made on the container or label, if any.

Example 10. If Norma Simms had purchased the VCR in Example 9 from a local store instead of from Kenneth Aborn, she would have had legal recourse against the merchant for breach of warranty of merchantability. Even a secondhand VCR is not merchantable if it breaks down the day after someone buys it. It is not fit for the ordinary purpose for which VCRs are used.

Other examples of items that the courts have held to be nonmerchantable are the following: day-old chickens that had bird cancer; contaminated blood received in a blood transfusion; weed killer that also killed a farmer's squash; a boat engine that gave off excessive amounts of black smoke; a used car that was not reasonably fit for the general purpose for which it was sold (see Chapter 18); applesauce that was inedible because of poor taste and smell; contaminated cheese; and any food containing impurities such as bits of wood, metal, or glass.

Usage of Trade

Other implied warranties may arise from ways in which the parties have dealt in the past or by usage of trade. For example, when a person sells a thoroughbred horse, there is an implied warranty that the seller will provide papers as evidence that the horse is a thoroughbred. The reason this implied warranty arises is that providing such papers has become a well-established custom or practice among people who trade in horses.

Warranty of Title

Whenever goods are sold, the seller warrants that the title being conveyed is good and that the transfer is rightful. The seller also warrants that

the goods shall be delivered free of any financial obligations (security interests or other liens) about which the buyer had no knowledge. This is called the **warranty of title**.

When stolen goods are sold to an innocent purchaser, the true owner, if discovered, is entitled to the return of the goods. The innocent purchaser's remedy is against the seller for breach of warranty of title.

Example 11. Ted Grossman sold a diamond watch to Beth Bardley for \$200. A short time later, Bardley had to give the watch to Bill Lardner, who offered proof that he was the true owner. The watch had been stolen from Lardner's room and sold to Grossman, who knew nothing of the theft. Because Grossman did not have good title, he could not transfer good title to Bardley. Grossman was, therefore, liable for breach of the warranty of title. Of course, Grossman may also sue the person who previously sold the watch to him for breach of the same warranty.

Privity of Contract Not Required

People who contract directly with each other are said to be in privity of contract. In the past, warranties existed only between people who were in privity of contract. To illustrate with an example that occurred years ago, a man purchased a can of salmon from a store. He took it home and served it to his family. His young son was injured from bits of metal that were in the salmon. When suit was brought on behalf of the son against the store for breach of warranty of merchantability, the son lost the case. He had not purchased the salmon.

The boy probably would have won the case if it had occurred today. Today, under the UCC, a seller's warranty extends not only to the buyer, but also to any person in the buyer's family or household. It also extends to a buyer's guest if it is reasonable to assume that a guest may use the goods. Sellers may not exclude this provision of the law. That is, a seller may not say, "These goods are warranted to the purchaser only."

Exclusion of Warranties

Sellers are allowed, under the UCC, to exclude warranties. In order to exclude or modify any implied warranty of fitness for a particular purpose, the exclusion must be in writing and must be conspicuous—that is, it must be written and presented so that it will be readily noticed by the buyer. The statement may simply say, "There are no warranties that extend beyond the description on the face thereof." An implied warranty can also be excluded or modified as a result of the course of dealing that takes place between the two parties or in accordance with the custom of the marketplace (the general practice within a particular trade).

To exclude the warranty of merchantability, the word *merchantability* must be mentioned specifically. If the exclusion is in writing, the writing must be of the kind that can be easily noticed by the buyer. The warranty of title may not be excluded.

All implied warranties are also excluded by expressions such as "as is," or "with all faults." They are also excluded by other language that, in

FYI

Today, suits for damages for breach of warranty are actions in contract, not in tort. At one time, only the purchaser of goods had the right to bring a cause of action. Section 2-318 of the UCC eliminated this rule and extended warranty protection to the purchaser's family members.

common understanding, calls the buyer's attention to the exclusion of warranties.

Example 12. Teresa Quigley bought a computer desk for cash from a retail furniture dealer. The red sales tag attached to the desk read: "Reduced from \$198 to \$75, sale final, with all faults." When the desk was delivered to Quigley's home, she found that the drawers stuck and that one side was badly marked and scratched. Quigley would have no recourse in most states. By the terms of the sale, she has assumed all risk as to quality. She is protected only by an implied warranty of title.

The Magnuson-Moss Warranty Act places limits on the exclusion of implied warranties to consumers. Under this federal law, if a seller makes a written express warranty to a consumer, the implied warranties cannot be disclaimed or excluded. This law also applies if the seller gives the buyer a service contract. Implied warranties may be limited to the length of time of the express warranty unless it is too short to be reasonable. However, if that is done, it is then a limited warranty rather than a full warranty.

Some states have gone even further in protecting consumers by saying that implied warranties cannot be excluded when goods are sold to consumers. If the sale in Example 12 had taken place in Massachusetts or Connecticut, for example, Quigley might have had a remedy. Those states and eleven others do not allow sellers to exclude implied warranties when goods are sold to consumers.

Duty to Notify and Remedies for Breach

To be able to recover money damages for breach of warranty, the buyer must notify the seller of the defect within a reasonable time after the defect is discovered. Failure to do so will prevent the buyer from recovering damages from the seller for breach of warranty.

Example 13. Norma Simms, in Example 10, waited for six months before telling the local store about the defective VCR. This would probably be beyond a reasonable time. Because of the delay in notifying the store of the defect, Simms would lose the right to recover from the store for breach of warranty of merchantability.

Very often, when sellers are notified that a product is defective or a warranty has been breached, they will arrange to correct the situation. Sellers usually exchange defective goods for conforming ones or give the buyer a refund. When they do not, the buyer may bring a claim for damages. If the buyer keeps the goods, the damages are the difference between the value of the goods accepted and the value they would have had if they had been as warranted. If the buyer has not yet received the goods, the buyer may refuse to accept them and bring a claim for any losses that were suffered.

When the warranty of title is breached, the buyer has a claim against the seller for damages. Sometimes damages amount to the cost of clearing the title to the goods. Other times damages amount to the full purchase price of the goods, such as when they turn out to be stolen.

YOU And The LAW

Contact a local Better Business Bureau or the Attorney General's office. Determine the kinds of complaints consumers have made about products that failed to live up to their guarantees.

16 Review



Summary

Carefully read the summary below before completing the chapter review.

1. An express warranty is an oral or written guarantee by a manufacturer or seller. It comes about in one of three ways: (a) by a statement of fact or promise made by the seller, (b) by a description of the goods, or (c) by the use of a sample or model.
2. The Magnuson-Moss Warranty Act requires that written express warranties for consumer products costing more than \$10 be labeled as either "full" or "limited."
3. An implied warranty is a guarantee of quality imposed by law. There are two principal types of implied warranties: (a) warranty of fitness for a particular purpose, and (b) warranty of merchantability.
4. Through warranty of title, the seller assures that the title being conveyed is good, the transfer is rightful, and the goods are free of financial obligations.
5. Sellers are allowed, under the UCC, to exclude certain warranties. All exclusions must meet certain requirements: they must be in writing, conspicuous, and, in some situations, worded in a specific manner.
6. To succeed in a claim for breach of warranty, the buyer must notify the seller of the defect within a reasonable time after the defect is discovered.
7. Remedies for breach of warranty include: (a) exchanging the goods for conforming ones, (b) returning the goods and receiving a refund, and (c) keeping the goods and claiming damages—the difference between the value of the goods retained and the value they would have had if they had been as warranted.



Language of the Law

Choose the term from the list that best completes each sentence below. Then write the complete sentence on a separate sheet of paper.

limited warranty	implied warranty	full warranty
warranty of title	express warranty	merchantable
guarantee	warranty of merchantability	warranty
warranty of fitness for a particular purpose		

1. A(n) _____ provides assurances about the ownership of the goods being sold.
2. Seller's assurance to the consumer that a product is not defective and is suitable for the intended use is a(n) _____.
3. One example of a(n) _____ is a statement of fact or promise made by a seller.

Chapter 16 Review

4. A(n) _____ provides restricted protection for product defects.
5. _____ goods are of acceptable quality, are adequately packaged and correctly labeled, and fit the purpose for which they are to be used.
6. A product that carries a(n) _____ may be fixed or replaced free of charge if found defective.
7. A(n) _____ is imposed by law; it is not stated.
8. A(n) _____ assures that goods will fit the purpose for which they are to be used.
9. A(n) _____ is a promise or assurance of the quality or life of a product.
10. A(n) _____ is given only by someone who is a merchant.



Questions for Review

Answer the following questions. Refer to the chapter for additional reinforcement.

1. What are the essential differences between express warranties and implied warranties?
2. What are three ways in which the Magnuson-Moss Warranty Act protects the consumer?
3. What are two types of implied warranties? Who imposes them? When do they apply?
4. What does a warranty of title guarantee?
5. In what ways may warranties be excluded?
6. What must a consumer who buys a defective product do?
7. What are the remedies for breach of warranty?



Applying Critical Thinking Skills

Apply your understanding of the chapter concepts by answering the questions below.

1. If you buy a product on which the statement "This product is guaranteed" appears, are you fully protected against any defect? If not, what might you do to minimize your risk?
2. Clip an advertisement that mentions a warranty from a newspaper or magazine. Is the warranty express or implied? Full or limited? Does it offer good protection to the buyer?
3. Many sellers now offer to extend a manufacturer's warranty for a fee. Have you ever paid for an extended warranty? When might this be a good idea?
4. Suppose you buy a ladder. The label says the ladder will hold up to 250 pounds. You weigh only 220 pounds, but the ladder breaks when you try to climb it. You are injured. Must the manufacturer pay damages if the ladder was designed and made properly? Why or why not?
5. How does a warranty of title differ from other warranties?