



Thank you for your contribution to the annual meeting of the National Advertising Board. CN more

on one occasion. I have cited them as an example of the way in which the industry should operate. t

and subtle issues that provide a more than ample intellectual

challenge, it is much easier to identify the

as you may have noticed, all the defects

enormous

of the conditions

reasonable expectations of the

that was brought to the

particularly egregious situation

Commission's attention

the

times in three weeks in the

replaced twice

When you buy a fine car

to have

new car, which costs a lot more, people expect

surprisingly, they want their expectations are not fulfilled, not

someone to do something about it. After they buy a car

The Commission's response to the 11-1-80 letter of

product that is not covered by the warranty.

of its title "Product Information Program," which is often

Let me emphasize the referred to as the "defects program."

in which phrase "after the warranty expires."

manufacturer's coverage of a product on which

manufacturer fails to live up to its warranty.

The manufacturer failed to disclose certain information about

the product. The companies disclose certain information about

that have been the subjects of

advertising and promotional

very honestly and truthfully, not saying things

The defects program is based on the legal theory that a

manufacturer's failure to disclose information about product

information about its products

onger or more comprehensive warranties. But even if

ion had clear legal authority, the Commission

is reflected in the

purchase price of the product. Some

are to pay for increased warranty coverage, but others are not

There is no reason to believe that the

government agency would do as well as the market in deciding what

needs. The recent warranty

Chrysler, and other automakers

warranty terms best suit consumer n

"wars" among Ford, General Motors,

of reliability of a theory of liability based on defective products quality

based on deceptions, clearly, such

Cases are not usually grounded in

truths -- they are based on the manufacturer's silence. Silence can be deceptive. In

of a well-known book without disclosing that it

has been translated for sale of the book under its

original book, and that of the American

deceptive. But silence usually is not

unfavorable information about his

seller's failure to disclose

product.

My reservations about bringing defects cases solely on a

feed from my belief that the cost-benefit

deception, that theory, prod

analysis, of a case is in essence of an unfairness case, not

analysis which is an

particularly useful in the

required in a deception case, is

defect cases. With

analysis, see: 101

the additional next question would be: if a case were brought, would it be a result of the fact that the manufacturer had not disclosed the defect?

result if economy-grade gasoline was used? Mr. [Name] would probably say:

harmful to consumers as the manufacturer's silence in the first place. If the investigation was based on a

theory, it might have

potential harm to consumers that analysis necessary to reveal the possible

might result from certain disclosures

I am not saying that failure to disclose information about product defects is never deceptive. What I am saying is known product

this area the traditional Commission analysis used in ----- that in the

then we come up with the solution that

challenge unfair acts

right outcome in product defect

So much for the legal standard. Let me turn now to the

prevail in

a defects case. First, they must demonstrate that

Commission complaint is "the

an abnormal

number of failures or malfunctions

durability, or performance of a product. Second, the staff must

establish when the manufacturer's

Third, they must

Brand Z car in the first 50,000 miles. It seems that the

Brand Z transmission is defective compared to the

the P

the Commission gets involved in a

of hindsight

advanta

performance problems lead to ...

to answer in a defects case may be when the disclosure should

disclosure to be of value to prospective purchasers, it has to be made while the particular product that exhibits the problem is still being sold. Another reason that

timing is important in such a disclosure is that it informs prospective purchasers and confers greater benefits. On the

other hand, waiting to disclose may mean that a disclosure can be made after the product has been sold, which would be of less value to prospective purchasers.

It takes time to learn if

insignificant aspect of the defect.

one possible way to speed things up

the modifications were

costs, but that may not be very helpful. As I mentioned

repair of

overstating potential repair costs can be just as

earlier.

harmful as understating them.

established firms with good reputations even the best firms

make mistakes and their reputation is affected

market really shoddy products have not been the

firms that mar-

defects investigation possibly because of

targets of our

... thing or it may not. If th
... too much to be east of