PARROT V. DAIMLERCHRYSLER CORPORATION: AUTOMOBILE LESSEE HAS NO REMEDY UNDER FEDERAL OR STATE WARRANTY LAWS

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INTRODUCTION

The federal Magnuson-Moss Warranty Act provides consumers the opportunity to seek relief when automobile manufacturers or dealerships do not honor their written warranties, implied warranties, or service contracts.[1] In the March 2006 case *Parrot v. DaimlerChrysler Corp.*,[2] the Arizona Supreme Court considered whether the Magnuson-Moss Warranty Act allows an automobile lessee to seek relief under the statute. In addition, the court examined whether the Arizona Motor Vehicle Warranties Act[3] provides a remedy for an automobile lessee. Applying principles of statutory interpretation, the court found no relief available for an automobile lessee under either the federal or state law. Thus, the court concluded, in a unanimous opinion, that a person leasing an automobile from a dealer who ultimately plans to resell the car has neither statutory remedy for a lemon automobile.

I. FACTUAL AND PROCEDURAL BACKGROUND

Pitre Chrysler Plymouth Jeep Eagle ("Pitre") of Scottsdale, Arizona bought a 2000 Jeep Cherokee from DaimlerChrysler, with the ultimate goal of reselling the vehicle.[4] Pitre later leased this Jeep to Bill Parrot under Chrysler's standard written limited warranty.[5] Concomitantly with the execution of the lease to Parrot, Pitre assigned it to Chrysler Financial Company, L.L.C., but retained title to the Jeep.[6]

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1. Magnuson-Moss Warranty Act, 15 U.S.C. §§ 2301–2312 (2000).
2. 130 P.3d 530 (Ariz. 2006).
3. ARIZ. REV. STAT. ANN. §§ 44-1261 to -1267 (2007).
4. *Parrot*, 130 P.3d at 532, 534.
5. *Id.* at 531.
6. *Id.*

Throughout Parrot's possession of the Jeep, he brought it to dealerships at least thirteen times for repairs.[7] Following these myriad repairs, Parrot sued DaimlerChrysler, claiming breach of the written warranty and seeking remedies under both the federal Magnuson-Moss Warranty Act ("MMWA") and the Arizona Motor Vehicle Warranties Act ("Lemon Law").[8] Both Parrot and DaimlerChrysler moved for summary judgment, and the trial court granted DaimlerChrysler's motion.[9] The Arizona Court of Appeals reversed and remanded, holding that Parrot qualified as a consumer protected under both the MMWA and the Lemon Law.[10] The Supreme Court of Arizona granted DaimlerChrysler's petition for de novo review on this issue of statutory interpretation.[11]

II. THE STATUTES

A. The Magnuson-Moss Warranty Act

Congress enacted the Magnuson-Moss Warranty Act of 1975 in response to complaints by consumers that automobile manufacturers and dealers failed to honor their warranty obligations.[12] In its effort to remedy this epidemic problem, the MMWA requires clear, simple disclosure of warranty terms[13] and permits consumers damaged by lack of compliance with these terms to bring suit.[14]

The MMWA defines three categories of consumers.[15] The first category consists of "buyer[s] (other than for purposes of resale) of any consumer product."[16] "[People] to whom [any consumer product] is transferred during the duration of a[] . . . written warranty" fall within the second category.[17] The third category consists of "any other [people] who [are] entitled by the terms of such warranty . . . or under applicable State law to enforce against the warrantor . . . the obligations of the warranty . . . ."[18]

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7. *Id.* The Jeep was repaired at least eleven times for suspension and axle defects, four times for alignment defects, three times for windshield defects, and one time for an exhaust system defect. *Id.*

8. *Id.*

9. *Id.*

10. Parrot v. DaimlerChrysler Corp., 108 P.3d 922, 929–30 (Ariz. Ct. App. 2005).

11. *Parrot*, 130 P.3d at 531–32.

12. Pub. L. No. 93-637, 88 Stat. 2183; H.R. REP. NO. 93-1107 (1974), *as reprinted in* 1974 U.S.C.C.A.N. 7702, 7706, 7708.

13. 15 U.S.C. § 2302(a) (2000).

14. *Id.* § 2310(d)(1).

15. *Id.* § 2301(3).

16. *Id.* The MMWA defines "consumer product" as "any tangible personal property which is distributed in commerce and which is normally used for personal, family, or household purposes . . . ." *Id.* § 2301(1).

17. *Id.* § 2301(3).

18. *Id.*

B. The Lemon Law

The MMWA only partially succeeded in achieving its goal.[19] Therefore, many states enacted supplemental lemon laws.[20] The Arizona legislature enacted its version in 1984.[21] Its provisions are briefly discussed in Part III.B below.

III. THE DECISION OF THE ARIZONA SUPREME COURT

A. The Magnuson-Moss Warranty Act

1. Interpretation of the MMWA

The Arizona Supreme Court began its analysis of the MMWA by asking whether Parrot fell into one of the three recognized categories of consumers entitled to relief under the statute.[22] The court explained that each of the three categories of consumers requires a "qualifying sale"—a sale in which someone buys the consumer product for purposes other than resale.[23]

The first category requires a qualifying sale by its very terms.[24] Moreover, although the terms of the second and third categories do not expressly require a qualifying sale, the court determined that both of these categories nonetheless do include this requirement.[25] In reaching this conclusion, the court relied upon the MMWA's definition of "written warranty."[26] The definition of written warranty concludes with the requirement that the written document "become[] part of the basis of the bargain between a supplier and a buyer for purposes other than resale of [the] product."[27] The court held that this language applies to the entire definition of written warranty, despite the definition's subdivided presentation of the alternative types of writings that qualify as written warranties.[28]

The second category of consumers explicitly requires a written warranty.[29] Therefore, the court reasoned, the second category logically incorporates the definition of written warranty and thus requires a qualifying sale in which the consumer product is bought for purposes other than resale.[30]

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19. Parrot v. DaimlerChrysler Corp., 130 P.3d 530, 536 (Ariz. 2006).

20. *Id.*

21. Act of Apr. 25, 1984, ch. 265, 1984 Ariz. Sess. Laws 1037–39 (codified as amended at ARIZ. REV. STAT. ANN. §§ 44-1261 to -1265 (2007)).

22. *Parrot*, 130 P.3d at 532.

23. *Id.*

24. *Id.* The language of the first category expressly states that the sale must be made "other than for purposes of resale." 15 U.S.C. § 2301(3) (2000).

25. *Parrot*, 130 P.3d at 532–34.

26. *Id.* at 532. While the MMWA may apply to written warranties, implied warranties, and service contracts, the opinion addressed only written warranties because the issue before the court encompassed only Parrot's ability to enforce a written warranty. *Id.* at 532 & n.2.

27. 15 U.S.C. § 2301(6).

28. *Parrot*, 130 P.3d at 533.

29. 15 U.S.C. § 2301(3) (defining category as "any person to whom such product is transferred during the duration of a[] . . . written warranty . . . applicable to the product").

30. *Parrot*, 130 P.3d at 533.

The court held that the third category of consumers also requires a qualifying sale because, although the third category does not explicitly refer to a written warranty, its use of the language "such warranty" necessarily implies written warranty.[31] The word "such," the court reasoned, references the last type of warranty previously described in the MMWA—the written warranty described in the definition of the second category of consumers.[32] Additionally, the court concluded that the later mention of "the warranty" in this definition of the third category must also reference this earlier description of written warranty because the general rule is consistency for statutory interpretation of terminology.[33] Therefore, the third category of consumers also requires a written warranty, and, according to the court's analysis, the requirement of a qualifying sale carries over as well.[34]

In sum, the court concluded that a claim under the MMWA, regardless of the category under which the consumer sues, requires a qualifying sale: a sale in which someone buys the consumer product for purposes other than resale.[35]

2. Application of the MMWA to Parrot's Case

Applying this conclusion to the facts of the case, the court rejected Parrot's argument that he was a consumer under either the second or third category.[36] The only sale within the facts of the case was the sale of the Jeep from DaimlerChrysler to Pitre, and Parrot conceded that Pitre had entered into this sale for purposes of resale.[37] Thus, there was no qualifying sale, and Parrot could not, under the court's interpretation of the MMWA, qualify as a consumer under any of the three categories.[38]

Parrot cited several recent cases from other jurisdictions in support of his argument that he qualified as a consumer under either the second or third category.[39] The Arizona Supreme Court, however, dismissed each of these cases in turn.[40] The court distinguished Parrot's case from both *Cohen v. AM General Corp.*[41] and *Peterson v. Volkswagen of America, Inc.*,[42] cases in which courts placed automobile lessees within the third category of consumer.[43] In each of those

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31. 15 U.S.C. § 2301(3) (defining category as "any . . . person who is entitled by the terms of such warranty . . . to enforce against the warrantor . . . the obligations of the warranty").

32. *Parrot*, 130 P.3d at 533.

33. *Id.* at 533–34.

34. *Id.* at 533.

35. *Id.* at 532–34.

36. *Id.* at 534. Parrot clearly did not fall within the first category of MMWA consumers because its express language requires a "buyer," 15 U.S.C. § 2301(3), and Parrot had leased his vehicle.

37. *Parrot*, 130 P.3d at 534.

38. *Id.*

39. *Id.* at 534–36.

40. *Id.*

41. 264 F. Supp. 2d 616 (N.D. Ill. 2003).

42. 697 N.W.2d 61 (Wis. 2005).

43. *Parrot*, 130 P.3d at 534.

cases, the lessor bought the consumer product for purposes *other* than resale, thus meeting the qualifying sale requirement.[44] As noted above, Parrot conceded that the facts of his case differed.[45]

Parrot also cited several cases concluding that the MMWA logically must apply to leases in light of its protective goal.[46] The court acknowledged the attractiveness of this interpretation, but nevertheless ultimately dismissed it as conflicting with the plain and unambiguous language of the MMWA.[47]

Finally, Parrot directed the court's attention to several cases that concluded that a person may enforce a written warranty under the MMWA if that warranty is enforceable under applicable state law, even if the warranty would not otherwise qualify for enforcement under the MMWA.[48] The court found, however, that these cases significantly misinterpreted the MMWA in two ways.[49] First, the court said, the cases mistakenly conclude that the language requiring a qualifying sale does not apply to the entire definition of written warranty.[50] This interpretation would result in the second category of consumers not requiring a qualifying sale; as discussed above, the court reached a different conclusion.[51] Second, and similarly, these cases mistakenly conclude that the language for the third category of consumers does not refer to written warranty and therefore does not require a qualifying sale.[52]

Thus, the court rejected Parrot's argument that he qualified as a second or third category consumer entitled to sue under the MMWA.[53]

B. The Lemon Law

The court also denied Parrot relief under the state Lemon Law.[54] The Lemon Law contains the same definition of consumer as the MMWA, but, significantly, it differs in that it fails to define warranty.[55] Therefore, the Lemon

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44. *Id.*
45. *Id.*
46. *Id.* at 534–35. Parrot cited *Cohen*, 264 F. Supp. 2d 616; *Mesa v. BMW of North America, L.L.C.*, 904 So. 2d 450 (Fla. Dist. Ct. App. 2005); and *Szubski v. Mercedes-Benz, U.S.A., L.L.C.*, 124 Ohio Misc. 2d 82 (Ct. Com. Pl. 2003).
47. *Parrot*, 130 P.3d at 535.
48. *Id.* Parrot cited, among others, *Voelker v. Porsche Cars North America, Inc.*, 353 F.3d 516 (7th Cir. 2003), and *Dekelaita v. Nissan Motor Corp. in USA*, 799 N.E.2d 367 (Ill. App. Ct. 2003). In Parrot's case, the appellate court accepted the reasoning of these courts. Parrot v. DaimlerChrysler Corp., 108 P.3d 922, 927 (Ariz. Ct. App. 2005). However, the Arizona Supreme Court rejected the reasoning as fundamentally flawed. *Parrot*, 130 P.3d at 535. A recent New Jersey Supreme Court opinion disagrees with the Arizona Supreme Court on this point. *Ryan v. Am. Honda Motor Co.*, 896 A.2d 454 (N.J. 2006); *see* discussion *infra* Part IV.
49. *Parrot*, 130 P.3d at 535.
50. *Id.*
51. *Id.*
52. *Id.* at 535–36.
53. *Id.* at 536.
54. *Id.* at 536–37.
55. *Id.* at 536.

Law does not require a qualifying sale (a sale for purposes other than resale) for qualification as a consumer.[56]

The court noted that this difference could mean that Parrot qualifies as a second or third category consumer for purposes of the Lemon Law.[57] The court, however, did not reach the merits of this issue because it decided that Parrot had no available remedy under the Lemon Law.[58] The Lemon Law provides two remedies to the consumer, and both require that the consumer have the right to transfer title back to the manufacturer.[59] In the case at bar, Pitre retained title in the Jeep; therefore, Parrot did not have the right to transfer title back to the manufacturer.[60] Such a result will necessarily occur in any lease situation, an outcome that the Arizona legislature appears to have intended.[61]

IV. *RYAN V. AMERICAN HONDA MOTOR CO.*: A DIFFERENT INTERPRETATION FROM THE NEW JERSEY SUPREME COURT

Interestingly, less than one month before the Arizona Supreme Court decided *Parrot*, the New Jersey Supreme Court, in *Ryan v. American Honda Motor Co.*, considered the identical MMWA issue and reached the opposite conclusion.[62] In *Ryan*, as in *Parrot*, an automobile lessee argued that he was a second or third category consumer entitled to sue under the MMWA.[63] The New Jersey Supreme Court accepted this argument as to the third category, explicitly relying on cases the *Parrot* court rejected as being fundamentally flawed in their interpretations of the MMWA.[64] The *Ryan* court relied heavily on *Voelker v. Porsche Cars North America, Inc.*, in which the Seventh Circuit explicitly rejected the lessor's argument that because the only transaction under the facts of the case was for resale purposes, the MMWA did not apply.[65] Like the *Voelker* court, the New Jersey Supreme Court concluded that, when a prospective lessee of the third category is entitled to enforcement of the warranty under state law, it is irrelevant whether a lessee satisfies the MMWA's definition of written warranty by the presence of a qualifying sale for purposes other than resale.[66]

CONCLUSION

In *Parrot v. DaimlerChrysler Corporation*, the Arizona Supreme Court considered whether, under the particular facts of the case, the lessee of an automobile qualified for relief under either the Magnuson-Moss Warranty Act or the Arizona Motor Vehicle Warranty Act. The court concluded that in this case, the lessee did not qualify for relief under either of these statutes. Most

56. *Id.*
57. *Id.*
58. *Id.*
59. *Id.* at 536–37.
60. *Id.* at 537.
61. *Id.*
62. 896 A.2d 454 (N.J. 2006).
63. *Id.* at 456.
64. *Id.* at 457–58; *see supra* note 48 (naming these cases).
65. 353 F.3d 516, 525 (7th Cir. 2003).
66. *Ryan*, 896 A.2d at 457–58.

significantly, the lessee did not qualify for relief under any of the categories of consumer with standing to sue under the Magnuson-Moss Warranty Act. The court interpreted that act to require a written warranty, which in turn was interpreted to require a qualifying sale—a sale for purposes other than resale. Such a sale was absent from the facts of the case. In addition, the lessee did not qualify under the Arizona Motor Vehicle Warranty Act because the lessee could not transfer title back to the manufacturer.

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