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1999 Survey of Rhode Island Law: Cases: Consumer Protection

Russell P. Marsella
Roger Williams University School of Law

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Consumer Protection. *Schram v. Burrillville Chevrolet, Inc.*, 728 A.2d 457 (R.I. 1999). Under the Rhode Island Lemon Law, lessees of an allegedly defective motor vehicle may institute a cause of action against both the manufacturer of the vehicle and the manufacturer's authorized dealership. In addition, lessees may return the vehicle to the dealership, as returning the vehicle to the manufacturer will often be impracticable.

FACTS AND TRAVEL

On May 9, 1996, plaintiffs Alice A. Schram and James M. Schram (the Schrams) leased a new 1996 Chevrolet Blazer from defendant dealership, Burrillville Chevrolet, Inc. (the dealership).[1] The dealership was an authorized representative of the vehicle's manufacturer, General Motors Corporation.[2] Due to excessive oil consumption, the Schrams brought the vehicle back to dealership for repairs on at least four occasions.[3] Claiming that the dealership failed to solve the vehicle's oil problem, the Schrams filed a complaint against the dealership and General Motors Corp., based on the Rhode Island Lemon Law[4] and the Deceptive Trade Practices Act.[5]

The dealership filed a motion to dismiss the Schram's complaint, arguing that the dealership's duty under both statutory provisions was limited to the making of repairs, while full liability rested with the manufacturer.[6] The superior court granted the dealership's motion.[7] The Schrams appealed, arguing that the ruling, by forcing them to return the vehicle to General Motors in Detroit, Michigan, would severely undercut one of the main purposes of the Lemon Law, "namely, to provide an expeditious and reasonable remedy to consumers."[8] They then amended their complaint, alleging that both the dealership and General Motors violated the Lemon Law and the Deceptive Trade Practices Act "by failing to repair the SUV in conformity to the warranties, by refusing to accept the return of their SUV, and by failing to refund the trade-in

1. *See* Schram v. Burrillville Chevrolet, Inc., 728 A.2d 457, 458 (R.I. 1999).
2. *See id.*
3. *See id.*
4. R.I. Gen. Laws §§ 31-5.2-2, -3, and -5 (1956) (1994 Reenactment).
5. R.I. Gen. Laws § 6-13.1 (1956) (1992 Reenactment).
6. *See Schram*, 728 A.2d at 458-59.
7. *See id.* at 459.
8. *Id.*

allowance and other expenses they incurred during the term of the lease."[9]

ANALYSIS AND HOLDING

The Rhode Island Supreme Court resolved the dispute by ascertaining the intent of the legislature. The court made note that although it typically construes a statute by examining the language, nature and object of the statute, it will not construe a statute literally if the underlying purpose of the statute is thereby defeated or an absurd result is reached.[10]

The court then cited two relevant provisions of the Lemon Law. Section 31-5.2-2 of the Rhode Island General Laws states that "[i]f a vehicle does not conform to any applicable express or implied warranties. . . and the consumer or lessee reports the nonconformity to the manufacturer of the vehicle, its agent, or its authorized dealer . . . [they] shall effect such repairs as necessary to conform the vehicle to the warranty."[11] Section 31-5.2-3 of the Rhode Island General Laws states that "[i]f the manufacturer, its agent, or its authorized dealer or lessor does not conform the motor vehicle to any applicable express or implied warranty . . . the manufacturer shall accept return of the vehicle," and refund the full contract price or lease price, with some adjustments for trade-ins and usage.[12]

Based on these two provisions of the Lemon Law, the dealership argued that while it had an obligation to make the necessary repairs, which it claimed to have fulfilled, any liability for nonconformance is imposed on the manufacturer.[13] However, the Rhode Island Supreme Court disagreed with the dealership's reading of the statutes.

The court found that construing the language to require the consumer to return a nonconforming vehicle solely at its place of business and not to an authorized dealership located in this state "would violate the Legislature's intent and effectuate an absurd result."[14] The court noted that in the case of imported vehicles, "con-

9. *Id.*
10. *See id.*
11. *Id.* (quoting R.I. Gen. Laws § 31-5.2-2 (1956) (1994 Reenactment)).
12. *Id.* (quoting R.I. Gen. Laws § 31-5.2-3 (1956) (1994 Reenactment)).
13. *See id.* at 460.
14. *Id.*

sumers might have to return the vehicle to Japan, Germany, or even Yugoslavia . . . ."[15] Though the dealership may not be liable for refunding or replacing a nonconforming vehicle, it can still act as a conduit or agent for the manufacturer.[16] This interpretation does not violate the language of the statute, which imposes liability solely on the manufacturer.[17] "Moreover, if the dealer could have and should have cured the nonconforming vehicle by properly performing repairs to it, then the dealer may be liable in any event for failing to fulfill its legal obligations under the Lemon Law."[18]

Therefore, it was error for the trial court to dismiss the dealership from any lawsuit based on the Lemon Law on the grounds that it cannot find the dealer liable for refunding the purchase price or replacing the nonconforming vehicle.[19] In a typical situation, the dealer will be a necessary party to any relief that these laws may afford.[20]

CONCLUSION

In *Schram v. Burrillville Chevrolet, Inc.*, the Rhode Island Supreme Court held that the lessee of a defective motor vehicle could return such a vehicle to the dealership where it was leased and serviced as an agent of the manufacturer under the Lemon Law. As far as consumers are concerned, the dealership, as the agent of the manufacturer, acts as the manufacturer for purposes of securing the manufacturer's compliance with the Lemon Law.

Russell P. Marsella

15. *Id.*
16. *See id.*
17. *See id.*
18. *Id.*
19. *See id.*
20. *See id.* at 461.