

Assembly Bill No. 2410

CHAPTER 1063

An act to add Section 1793.26 to the Civil Code, relating to motor vehicles.

[Approved by Governor September 30, 1998. Filed
with Secretary of State September 30, 1998.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2410, Shelley. Motor vehicles: reacquisition agreements.

Existing law provides that certain contracts are null and void as against public policy, as specified.

This bill would provide that any automobile manufacturer, importer, or distributor who reacquires, or who assists a dealer or lienholder in reacquiring, a motor vehicle, whether by judgment, decree, arbitration award, settlement agreement, or voluntary agreement, shall be prohibited from either requiring, as a condition of the reacquisition of the motor vehicle, that a buyer or lessee who is a resident of this state agree not to disclose the problems with the vehicle experienced by the buyer or lessee or the nonfinancial terms of the reacquisition, or including, in any release or other agreement for signature by the buyer or lessee, a confidentiality clause, gag clause, or similar clause prohibiting the buyer or lessee from disclosing information to anyone about the problems with the vehicle, or the nonfinancial terms of the reacquisition of the vehicle; and would declare any such confidentiality clause, gag clause, or similar clause in such a release or other agreement to be null and void as against the public policy of this state.

The people of the State of California do enact as follows:

SECTION 1. Section 1793.26 is added to the Civil Code, to read:

1793.26. (a) Any automobile manufacturer, importer, or distributor who reacquires, or who assists a dealer or lienholder in reacquiring, a motor vehicle, whether by judgment, decree, arbitration award, settlement agreement, or voluntary agreement, is prohibited from doing either of the following:

(1) Requiring, as a condition of the reacquisition of the motor vehicle, that a buyer or lessee who is a resident of this state agree not to disclose the problems with the vehicle experienced by the buyer or lessee or the nonfinancial terms of the reacquisition.

(2) Including, in any release or other agreement, whether prepared by the manufacturer, importer, distributor, dealer, or lienholder, for signature by the buyer or lessee, a confidentiality



clause, gag clause, or similar clause prohibiting the buyer or lessee from disclosing information to anyone about the problems with the vehicle, or the nonfinancial terms of the reacquisition of the vehicle by the manufacturer, importer, distributor, dealer, or lienholder.

(b) Any confidentiality clause, gag clause, or similar clause in such a release or other agreement in violation of this section shall be null and void as against the public policy of this state.

(c) Nothing in this section is intended to prevent any confidentiality clause, gag clause, or similar clause regarding the financial terms of the reacquisition of the vehicle.

