



## The PARTS Act

Auto manufacturers are seeking to eliminate competition through the use of design patents, increasing costs for consumers without providing any additional benefit.

**NAMIC strongly supports** allowing competition in the auto parts market through legislation such as **the PARTS Act** H.R. 1057/S. 560 to protect consumer choice in replacement auto repair parts.

### Background

Prior to the development of a competitive repair-parts market, auto manufacturers had no competition for parts to repair a vehicle after a crash. Consumers who needed to repair their vehicles had to obtain replacement parts from original equipment manufacturers (OEMs), without the option for lower-priced replacement parts, often referred to as aftermarket parts, crash parts, or generic parts. After the development of a more competitive market, results have increased customer choice, lowered costs, and lowered OEM prices for parts.

With the use of alternative repair parts, American consumers have benefited greatly from lower repair costs, and consequently, lower insurance costs, as a result of a competitive repair-parts market. Typically, these parts are 26 percent to 50 percent less expensive than those issued by manufacturers.

However, automobile manufacturers have worked to keep aftermarket parts off the market by obtaining design patents, eliminating competition through the enforcement of these patents on specific replacement collision parts. Competition in the auto repair market saves consumers more than \$2.26 billion each year, an amount that has grown since the development of a competitive repair-parts market in the United States. This could be reversed by the design patent laws when use of these parts would be considered an act of infringement.

When Ford began suing the importers of alternative parts at the International Trade Commission, alternative parts manufacturers, distributors, consumers, and the insurance industry came together to form the Quality Parts Coalition to seek a legislative fix to the problem. Another patent lawsuit brought by Chrysler in 2013 demonstrates the pressing need for action to preserve competition in repair parts.

### Legislative History

In the 112<sup>th</sup> Congress, the QPC worked with Rep. Darrell Issa, R-Calif., to craft a bill entitled the Protecting Automotive Repair, Trade, and Sale Act (PARTS Act). The legislation would provide a 30-month window (instead of 14 years under current law) for car companies to enjoy exclusivity for the sale of crash parts. The



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NAMIC is the largest property/casualty trade association in the country, with 1,300 national, regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders. These companies write in excess of \$208 billion in annual premiums, accounting for 48 percent of the automobile/homeowners market and 33 percent of the business insurance market. More than 200,000 people are employed by NAMIC member companies.

30-month “shot-clock” on the car company’s period of monopoly would begin “ticking” as soon as a particular car model (containing the design-patented part at issue) is introduced anywhere in the world. Moreover, the proposal would specify that the act of infringement would be the public sale of the part, not the manufacturing or pre-sale distribution.

Rep. Bob Goodlatte, R-Va., then chairman of the House Judiciary Subcommittee on Intellectual Property held a hearing on the PARTS Act in August of 2012. NAMIC member Rockingham Mutual – headquartered in Mr. Goodlatte’s congressional district – testified on behalf of NAMIC and the QPC. The core of the testimony emphasized the benefits of the PARTS Act to consumers and stressed the balance it strikes for those with intellectual property concerns.

At the beginning of the 113<sup>th</sup> Congress, NAMIC and the QPC came out strong by securing for the first time, bicameral, bipartisan introduction of the PARTS Act. Working with our House champions Reps. Darrell Issa, and Zoe Lofgren, D-Calif., we were able to coordinate introduction of identical legislation with Sens. Sheldon Whitehouse, D-R.I., and Orrin Hatch, R-Utah, in the Senate. This was a major milestone for the coalition and the legislation as there has never been identical, bipartisan bills in both chambers before. Unfortunately, the 113<sup>th</sup> Congress proved to be one in which progress for the PARTS Act was difficult.

**Outlook**

NAMIC and the QPC are excited about prospects for movement on the PARTS Act in the 114<sup>th</sup> Congress with early reintroduction by Reps. Issa and Lofgren in the House and Sens. Whitehouse Hatch in the Senate. Rep. Issa was named the chair of the Intellectual Property Subcommittee for this Congress and chances for movement on the legislation are good.

For more information on aftermarket auto parts go to <http://www.namic.org/federal/fedissues.asp>, or contact



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