ALASKA STATE LEGISLATURE

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Chair Tribal Affairs Committee Co-Chair House Resources Committee House Education Committee Joint Armed Services Committee

Response to House Community and Regional Affairs Committee Questions on

HB 162: DIGITAL PRODUCT REPAIR

Below are responses to questions asked by members of the committee on April 8th. Please also note that a CS for this bill incorporating amendments made to the companion bill in the other body is forthcoming. Version I of SB 111 includes these amendments and is available on BASIS.

Question about manufacturer's intellectual property rights:

Right to Repair does not negate manufacturers copyrights, patents, or trademarks. It was suggested that Original Equipment Manufacturers (OEMs) view their products the same way a publisher views a book. Once bought, a person can do whatever desired with the book. It can be cut up, taped together, and rebounded if the cover gets ruined. Only if the person sells copies of the text is the intellectual property of a publisher infringed. By contrast, many digital product manufacturers try to control a sold product after purchase by preventing, severely restricting, and/or charging extortionate prices for repairs. This is wrong; Alaskan buyers should not be restricted to use the product as desired once purchased. There is a critical distinction between the right to replicate a product for commercial purposes, and the right to choose what to do with an individual copy of a purchased product. Federal law prohibits the former, and the right to repair concerns the latter.

Question about repairs on a product voiding the warranty:

The Magnuson-Moss Warranty Act, enacted in 1975, is a federal law that governs consumer product warranties. Despite being nearly half a century old, many consumers – and even some companies – remain unaware of its provisions. One of the most significant aspects of this law is its stance on product repairs and modifications. Contrary to popular belief, stickers on electronic devices labeled "warranty void if removed" are not legally binding. The FTC has made it clear that such stickers, when placed in locations that hinder routine maintenance or repairs, may violate federal law. Consumers have the right to open devices, perform repairs, or even add modifications without automatically voiding the warranty. The Magnuson-Moss Warranty Act also addresses the use of aftermarket parts. Manufacturers cannot automatically void a warranty simply because a person has used parts or services not provided by the manufacturers. This protection extends to a wide range of products, from smartphones and laptops to vehicles and home appliances. It's a common misconception that using non-original parts or third-party repair services automatically voids a warranty when the burden of proof actually lies with the manufacturer. It must be demonstrated that the modification or repair directly caused the defect in question. Only then can warranty coverage for that specific issue be denied.

Please see the following linked articles "<u>Breaking the Seal: Your Right to Repair and the Warranty Myth</u>" and a report by the "<u>Public Interest Research Group</u>" for provided sources of information.

Question about software and firmware regarding privacy, security, and IP concerns:

SB 111/HB 162 do not require manufacturers to make source code available. The only relevant requirement is in the tools section, in which they are required to make available "software tools", for example the program used to clear an error code on an excavator.

Question about security features:

SB 111/HB 162 requires that manufacturers make available the tools, parts, and documentation to <u>reenable any security-related feature which is disabled</u> during maintenance, repair or diagnosis.

Question about the broadness of the digital product definition:

The definition is intentionally broad to protect against anti-competitive and anti-consumer practices in as many industries as possible. Obstacles to repair and maintenance are harmful almost anywhere they exist; they raise costs for consumers, create unneeded waste, cause lost revenue for businesses, and draw money out of state. The broader the bill, the more benefits it brings. Please see the this linked report on "Authorized Repair Access in Alaska" as a supporting document. It highlights the costs and the unique problems for Alaskans in accessing repair options. It also magnified problems with E-waste in Alaska.

Question about the future of Authorized Service Providers (ASPs) under right to repair and "why anyone would want to become an ASP?":

Models for authorized service vary widely between industries and companies. These models include:

<u>Direct model:</u> OEM or a subsidiary, for example Apple. HB 162 will require the company to provide parts, documentation, and tools to consumers and Independent Service Providers (ISPs). Many consumers will likely still choose the ASPs for the brand name or the convenience. Comparisons made include brand name vs generic types of medication.

<u>Dealership model</u> (common for heavy and recreational equipment): Dealerships will continue to operate as the public face of the manufacturer. Manufacturers can choose to make parts available to owners and ISPs directly, but most will likely contract this role to the dealerships as they do with their current sales and services businesses. In that case, dealerships will expand their business to sell more parts. Tools and documentation are the responsibility of the OEM, though ASPs could choose to provide them as well if they wish.

<u>Independent contractor model</u> where an independent shop has a contract to act as an Authorized Service Provider for one or more brands: ASPs will be placed on a level footing in terms of access to parts, tools, and documentation with all other shops. Choosing to continue the ASP contract will likely attract more customers and may be able to charge higher prices by advertising that the independent shop has been trained and trusted by the OEM. ASPs may take advantage of the right to repair law to expand their services to more brands or categories of products as an ISP.