A Component Parts Manufacturer's Guide to Strict Product Liability Litigation in California

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I. INTRODUCTION

This article addresses the liability of a component manufacturer or supplier in California, with emphasis on automotive product liability litigation. Recently, I represented a seat supplier in federal court in a product liability action. In that case, plaintiff, who suffered serious injuries after he was ejected out of a bus window, alleged that the design of the passenger seat where he was sitting somehow caused him to be ejected after the bus was involved in a frontal collision. The seat supplier filed a motion for summary judgment, arguing that it did not design the seat, but merely manufactured and supplied it based on specifications from the bus manufacturer. The court granted the motion and dismissed plaintiff's claims as to the seat supplier.

Although generally regarded as a "plaintiff-friendly" jurisdiction, California can be a safe-harbor jurisdiction for component manufacturers/suppliers ("suppliers") in product liability actions. This is largely because courts have strictly applied the Component Manufacturer Doctrine. Under this doctrine, subject to few exceptions, a component supplier is not strictly liable for damages resulting from injuries caused by the end-product.

Through this article, I hope to assist outside counsel, in-house counsel and risk managers in evaluating a component supplier's liability in product liability actions, by examining how the Component Manufacturer Doctrine is applied by courts in California. In my view, knowledge of how the doctrine works from the outset will increase the likelihood of success at the early stages of a lawsuit.

II. THE COMPONENT MANUFACTURER DOCTRINE[1]

California courts recognize and strictly apply the Component Manufacturer Doctrine. Under this doctrine, a component part manufacturer or supplier is not strictly liable for injuries caused by the end-product.[2] Thus, unlike manufacturers, retailers or distributors of the end-product, a component supplier is not considered a participant in the end-product's "marketing chain" as a matter of law. In *Lee v. Electric Motor Division,*[3] the court granted summary judgment in favor of a manufacturer of a nondefective electric motor used in a meat grinder machine that was designed, manufactured and sold by another entity. The court held that the supplier of the electric motor was not liable as a matter of law because the evidence established that plaintiff's injury was caused by a defect in the meat grinder, and not the electric motor component.[4]

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[1]The doctrine is commonly referred to as the "component manufacturer defense" or "bulk supplier defense." However, the term "defense" is technical misnomer. The Component Manufacturer Doctrine is not a legal defense *per se,* but rather, an analysis of the scope of liability of component suppliers and sets forth a plaintiff's burden in establishing a legal cause of action against suppliers.

[2]*Wiler v. Firestone Tire & Rubber Co.* (1979) 95 Cal.App.3d 621, 629.

[3]169 Cal.App.3d 375 (1985).

[4] *Id.* at 387.

Courts frequently cite two primary policy reasons in support of the strict application of the Component Manufacturer Doctrine. First, courts reason that holding a supplier liable for injuries caused by an end- product which the supplier had no role in designing, manufacturing or assembling would require the supplier to retain and maintain an expert in the business of each of their customers, and to supervise and evaluate the safety of that customer's finished product. This is an inefficient and costly proposition that, if imposed, would likely price suppliers right out of the market.

Second, courts reason that manufacturers and retailers of end-products are in the best position to protect against and warn of dangers that arises after the nondefective component part is installed in the end-product. "[E]xtending the duty to make a product safe to the manufacturer of a non-defective component part would be tantamount to charging component part manufacturer with knowledge that is superior to that of the completed product manufacturer."[5]

III. EXCEPTIONS TO THE DOCTRINE

Certainly, component suppliers are not absolutely immune from liability in California. The Component Manufacturer Doctrine has few exceptions that expose a component supplier to liability in some, albeit limited, circumstances.

First, a supplier may be liable if plaintiff's damages were proximately caused by a defect in the component itself.[6] To illustrate, Allied Signal, a seatbelt supplier, was found liable for injuries to plaintiff who was ejected from a vehicle, where the evidence established that the seatbelt retractor and seatbelt buckle, both designed by Allied, were indeed defective.[7] Similarly, an airbag manufacturer was found liable for injuries caused by a defective airbag sensor resulting in the failure of the airbag to deploy.[8] However, to find a supplier liable under this exception, the supplier must have designed the defective product. Stated otherwise, a component supplier will not be liable despite a defect in the component if the component was manufactured per the end-product manufacturer's design specifications.[9]

Second, the Component Manufacturer Doctrine applies only to generic or off-the-shelf components, as opposed to those which are really a separate product with a specific purpose and use.[10] In the automotive context, this exception will rarely apply given that automotive components are generally intended to be integrated in automobiles and have

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[5] *Childress v. Green Manufacturing Co. (*6th Cir. 1989) 888 F.2d 45, 49.

[6] *Artiglio v. General Electric Co.* (1998) 61 Cal.App.4th 830, 839-841.

[7] *Hoch v. Allied Signal, Inc.* (1994) 24 Cal.App.4th 48.

[8] *General Motors Corp. v. Superior Court* (1996) 48 Cal. App. 4th 580.

[9] *Artiglio v. General Electric Co., supra at 839-841.*

[10] *Tellez-Cordova v. Campbell-Hausfeld/Scott Fetzger Company* (2004) 129 Cal.App.4th 577

no practical uses otherwise.

The third exception to the Component Manufacturer Doctrine is known as the "substantial participation" exception, which, ironically, applies when the component supplier supplies a nondefective product. Under this exception, a component supplier may be liable even though the component it supplies is not defective if the supplier ***"substantially participated"*** in the integration of the component into the end- product.[11]

What Constitutes "Substantial Participation?"

There is no bright line test to determine whether a supplier's role in the manufacturing process of the end product constitutes "substantial participation." Courts tackle this issue on a case-by-case basis. Nonetheless, some cases are instructive and help narrow the scope of analysis on this issue.

1. Merely Supplying a Component to the Manufacturer is Not Substantial Participation

In *Wiler v. Firestone Tire Rubber Co.,* the court held that a tire manufacturer was not liable for injuries arising from a defect in the tire valve stem, when the evidence established that the valve stem was manufactured and installed in the tire by the automobile manufacturer.[12] The tire manufacturer had no role in designing, manufacturing or installing the valve stem in the tire.[13] Similarly, in *Zambrano v. Standard Oil Co.,* the court concluded that a tire manufacturer was not liable for an accident arising from tire failure caused by combining a metal valve stem with a metal extension assembly that that the tire supplier neither manufactured nor sold. The *Zambrano* court found that the tire company was neither a "designer" nor a "manufacturer" of the combination of parts alleged to be defective.[14]

The *Wiler* and *Zambrano* cases establish that a component manufacturer does not "substantially participate" in the integration of the component into the end-product by merely supplying the component.

2. Merely Providing Technical Advice Concerning the Integration of the Component is not Substantial Participation

In *Artiglio*, the court granted summary judgment in favor of a silicone supplier in a lawsuit involving allegedly defective silicone breast implants. The breast implants were designed and manufactured by another entity. Despite evidence that representatives of the silicone supplier regularly met and consulted with engineers and designers of the breast implant manufacturer to discuss problems and solutions regarding integration of the silicone in the implants, the court held that the silicone manufacturer did not

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[11] *Id.*

[12] 95 Cal.App.3d 621 (1975)

[13] *Id. at 629.*

[14] 26 Cal.App.3d 209 (1972)

"substantially participate" in the integration of the component into the end-product.[15]

3. Durability Testing May Constitute Substantial Participation

A supplier primarily responsible for testing the component after it has been integrated into the end-product may be liable for damages. In *Springmeyer v. Ford Motor Co.,* the court held that a manufacturer of a fan blade designed for Ford engines was strictly liable for a mechanic's injuries when the fan broke while plaintiff was working on a Ford truck's engine as it was running. The court held that the fan blade supplier substantially participated in the overall design of the product when it accepted responsibility for testing the durability of the fans *after* the fans were installed in the engine.[16]

IV. DUTY TO WARN

A discussion of product liability law would not be complete without discussing "failure to warn" claims. A component supplier has no duty to warn of the risks of potential hazards, even of its own product when: (1) the component it supplies is not inherently dangerous, (2) it sells components in bulk to a sophisticated buyer, (3) the component is substantially altered during the manufacturing process and (4) the supplier has a limited role in developing and designing the end-product.[17]

In *Fierro v. International Harvester Co.*, the court held that a component supplier of a fuel tank was not liable for injuries caused when the tank exploded due to the way in which the truck manufacturer attached the tank to the truck chassis.[18] The supplier of the fuel tank knew that its tanks were used to hold toxic materials and that the manner in which the tanks were located in the chassis poses hazards to end users. Although the supplier of the tank knew that a safer alternative design for placement of the tank in the truck was viable, the court held that the tank supplier was under no duty to warn the truck manufacturer of the risks and/or advise of known alternative designs for placement of the tanks in the truck.[19]

Indeed, no court in California has held that a component supplier has a duty to analyze the design of the end-product and warn of related risks, even foreseeable ones. On the contrary, courts have unanimously held that a component supplier is entitled to reasonably rely on the expertise of the manufacturer of the finished product for safe design, proper manufacture, and adequate warnings.[20]

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[15] *Artiglio v. General Electric Co., supra.*

[16] 60 Cal.App.4th 1541 (1998)

[17] *Artiglio v. General Electric Co., supra*

[18] 127 Cal. App. 3d 862 (1982)

[19] *Id.*

[20] *Lee v. Electric Motor Co., supra; Fierro v. International Harvester Co., supra; Wiler v. Firestone Tire & Rubber, Co., supra.*

Finally, liability may not be imposed against a component manufacturer for failure to warn where the final product is subsequently packaged, labeled and marketed by another manufacturer.[21]

V. PRACTICAL TIPS

I learned several lessons from the federal case which I mentioned at the beginning of this article involving the bus seat supplier. Most notably, I realized that a supplier's level of involvement in the production of the end-product can determine at an early stage in the litigation whether a supplier may be liable.

Specify Roles in Documents

A supplier should attempt to *specify its role* in the production process as clearly as possible from the outset of the manufacturing process. Suppliers should clearly delineate and outline respective roles between component supplier and end manufacturer. If possible, these roles should be delineated in the initial contracts with the manufacturer. Documentation that specify the parties' roles can be advantageous in litigation where, often times, a supplier will be forced to produce ambiguous drawings and schematics that could suggest that a supplier played a greater role in the manufacturing process than is true.

Less is More

A component supplier should strive to design a safe product and provide adequate warnings of general hazards to the immediate buyer. However, whether to go beyond these basic requirements presents a "catch 22" dilemma. Additional warnings can imply greater involvement with the design of the end-vehicle exposing the supplier to potential liability. Recall that a supplier has no independent duty to analyze the design of the vehicle that incorporates its nondefective part. Recall further that, in California, a supplier is entitled to rely on the expertise of end-product manufacturers for the safe design, proper manufacture, and adequate warnings. Thus, suppliers should insist that end-product manufacturers take lead on any post-assembly testing or warning of the end-product. Of course, suppliers must continue to test the components before being shipped to the end-product manufacturer as required under the applicable state and federal laws and regulations (e.g., Federal Motor Vehicle Safety Standards)

In addition to the above, suppliers should consider:

- Implementing a component product safety program;
- Implementing internal loss/control procedures, obtain insurance protection and seek advice of product liability counsel from the earliest stages of product development

[21] *Groll* v. *Shell Oil Co.* (1983) 148 Cal.App.3d 444.)

- Checking safety of components in their intended use and in reasonably foreseeable misuse, and draft warnings accordingly;
- Maintaining internal records related to the engineering and manufacturing of the component, including correspondence with the auto manufacturer;
- Establishing a product-safety committee and conduct or oversee safety audits that will identify and trouble-shoot problems; and

Finally, component suppliers should always insist on indemnity provisions in their agreements with end manufacturers that obligates manufacturers to hold suppliers' harmless for claims regarding damages caused by the end-product. These indemnity clauses should include provision for attorney's fees and legal costs.

VI. DEFENSES AVAILABLE TO SUPPLIERS IN PRODUCT LIABILITY ACTIONS

A component supplier served with a California complaint should first analyze whether the Component Manufacturer Doctrine applies. Counsel should examine whether the alleged defect involves a component that its client supplied and designed. If not, supplier's counsel should begin marshalling the necessary evidence to establish the applicability of the doctrine with the goal of filing a motion for summary judgment. A supplier should be prepared to engage in tough discovery battles with the end-product manufacturer should informal methods prove unsuccessful.

In addition to the Component Manufacturer Doctrine, other traditional tort defenses may apply: assumption of risk, comparative negligence, federal preemption, misuse of product, open and obvious dangers, etc.

Suppliers also should consider the Sophisticated User defense, especially in indemnity actions against auto manufacturers. Although not officially recognized as a legal defense in California, the Sophisticated User doctrine has been widely recognized by California courts for decades.[22] Under the Sophisticated User doctrine, there is no duty to warn members of a profession against risks generally known to that trade or profession.[23]

VII. CONCLUSION

The Component Manufacturer Doctrine poses as a significant hurdle for plaintiffs seeking to recover tort damages against component suppliers in California. To effectively assert the doctrine as a "defense" in product liability actions, it is important to fully understand how the doctrine is applied and be familiar with some of the doctrine's

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[22] *Johnson v. American Standard, Inc.* (2005) 133 Cal.App.4th 496, *review granted* 2006 Cal. LEXIS 2 [Review granted, depublished by *Johnson v. American Standard*, 38 Cal.Rptr. 3d 609, 127 P.3d 27, 2006 Cal. LEXIS 2, 2006 Cal. Daily Op. Service 120 (Cal. 2006)].

[23] *See, e.g., Crook v. Kaneb Pipe Line Operating Partnership* (8th Cir. 2000) 231 F.3d 1098, 1102; *Strong v. E.I. DuPont de Nemours Co., Inc.* (8th Cir. 1981) 667 F.2d 682, 687; *Mayberry v. Akron Rubber Machinery Corp.* (N.D.Okla. 1979) 483 F. Supp. 407, 413; *Littlehale v. E. I. DuPont de Nemours & Co.* (S.D.N.Y. 1966) 268 F. Supp. 791, 798.

pitfalls. I hope this article succeeded in providing in-house and risk managers with information to assist component suppliers in consistently obtaining favorable results at the early stage of litigation in California.

* If you have any questions regarding this article, please feel free to contact John T. Cu at (415) 777.3200 or email him at jcu@hansonbridgett.com.
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