Product Liability Claims

As organisations continue to scale and increase production, they also must account for more responsibilities and more risk. All it takes is for a single piece of product coming from your company to be discovered as defective, and for you to be found liable for the issue, and suddenly you may be facing public criticism, government investigations, a product recall and potential irreparable financial or reputational damage.

Types of Product Liability Claims

There are three primary types of product liability claims, including:

- **Defectively manufactured products**—This type of claim stems from harm caused by a product that was defective upon its creation, such as due to a malfunction or problem at a factory. Examples of defectively manufactured products might include a vehicle that is missing its brake pads or a tainted dosage of medicine.

- **Defectively designed products**—These claims blame the actual design of a product for making it defective before it was even built or taken off a supply line. This type of claim might be made due to a children's toy that contains choking hazards or a car model that is top-heavy and therefore more likely to roll over.

- **Failure to provide adequate warnings or instructions**—These product liability claims argue that a product did not come with appropriate instructions or warnings regarding how to use it properly. These claims often centre on products that carry alleged risks that are either not obvious to the user or demand extensive safety precautions in order for the product to be used.

Examples of these claims might include medicine that does not have all possible side effects listed on the label or a chemical cleaning solution that does not come with instructions for using and handling it safely.

Because of how damaging a product liability issue may be for organisations, it is necessary for you to take extensive precautions in order to protect both your customers and your company.

Transferring Risk

There is already more than enough inherent risk coming from your own company's day-to-day operations without also having to bear that of other organisations. Having effective risk transfer programs allows you to avoid being blamed for claims stemming from liabilities caused by others outside of your business.

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When working with contractors, suppliers and other partners, your organisation should document written legal agreements before the business relationship begins. If you don't have these kinds of agreements in place, it is possible that decisions regarding who is liable for a product liability claim could be decided in court.

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Handling of Imports and Exports

If your company is involved with managing or importing products, components or raw materials that will eventually be transferred to another party, you may be held fully responsible for the products complying with certain safety standards. In these situations, you may be the party charged with not only checking that the product is compliant with industry standards and government regulations upon its arrival, but also that the appropriate warnings, labels and instructions are provided for the next recipient after you pass the goods on. Due to the seriousness of these responsibilities, your organisation should take the time to communicate with your suppliers about any relevant information that might pertain to product liability should a claim arise in the future.

Prioritise Safety From the Start

One of the best ways to make defects within products as unlikely as possible is to have the safety of the eventual user in mind from the very inception of the product. From the start of the design process, your organisation should emphasise making the product reliable and safe. Conduct safety reviews during the design process that consider the specific purpose of each product and what risks may stem from its use.

During your design process, be certain to reference your product against industry standards and government regulations. Provide clear instructions, labels or warnings for each product, and continue safety reviews even after the product is on the market in order to be sure that it has remained up to code with current standards.

Establish Diligent Record-keeping

Even with the correct precautions and proper procedures, it is possible that your organisation may eventually face a product liability claim. One of the best ways to be prepared for such a situation is by having essential records at your fingertips should they become necessary.

Documentation that should be secured and backed up electronically includes:

- Customer design specifications

- Product orders

- Customer sign-offs on final designs

- Written procedures and instructions pertaining to the product's manufacturing process

- Quality control steps

Your organisation should establish a document retention policy so that you are always prepared in the event that you must defend against a claim.

Pay Attention to Feedback

The satisfaction of your customers is the foundation of your organisation's success. Naturally, you should be putting a large amount of value in what you hear back about your products. But, listening to feedback is not only an important step in improving future products, it is also an imperative part of knowing if a product already on the streets may be defective or even dangerous.

In the event that a defective product reaches the market, it is possible for organisations to avoid major consequences, such as the negative publicity of a product recall. These situations may often be avoidable if your company is being thorough in reviewing complaints and responding to criticism. Hearing about a potential defect from a customer before the product causes harm or the issue reaches the public eye can save your organisation a great deal of time, money and trouble. As such, consider taking the time to provide an easy feedback system through which customers can ask questions or share concerns, and be sure to monitor reviews closely.

Contact Us Today

Product liability can be a complicated subject, but it is one that all organisations should take the time to be educated about. Having the right precautions in place and knowing how to react to a potential claim can make all the difference. Contact us today for more information.

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