Raw Material Suppliers Not Liable for Worker Injuries

February 10, 2012 by Sean Wajert

A California appeals court ruled last week that several raw material suppliers could not be held liable for injuries allegedly sustained by a worker as a result of using their raw materials. See John Maxton v. Western States Metals, et al., No. B227000 (Cal. Ct. App., 2d Dist., 2/1/12).

Plaintiff alleged he sustained personal injuries as a result of working with metal products manufactured by defendants and supplied to Maxton's employer. The metal products were essentially raw materials that could be used in innumerable ways. The products at issue consisted of steel and aluminum ingots, sheets, rolls, tubes and the like. Plaintiff alleged he worked with and around each of these metal products in cutting, grinding, sandblasting, welding, brazing, and other activities. This allegedly resulted in the generation and release of toxicologically significant amounts of toxic airborne fumes and dusts. As a direct result of this exposure, Maxton claimed he developed lung disease.

Generally, suppliers of raw materials to manufacturers cannot be liable for negligence, or under a strict products liability theory, to the manufacturers' employees who sustain personal injuries as a result of using the raw materials in the manufacturing process. Only in extraordinary circumstances —such as when the raw materials are contaminated, the supplier exercises substantial control of the manufacturing process, or the supplier provides inherently dangerous raw materials— can suppliers be held liable. So the first issue was whether such circumstances existed here.

A few courts have imposed liability on suppliers of raw asbestos materials under negligence and strict liability causes of action. The second issue was whether asbestos is unique in that it is inherently dangerous, and thus whether the holdings of those asbestos cases would be extended here.

Defendants mounted two kinds of challenges to the complaint. Some defendants filed demurrers; others filed motions for judgment on the pleadings. The trial court sustained the demurrers and granted the motions. Plaintiff appealed.

The court of appeals noted that the component parts doctrine is set forth in section 5 of the Restatement Third of Torts, Products Liability, which provides:

—One engaged in the business of selling or otherwise distributing product components who sells or distributes a component is subject to liability for harm to persons or property caused by a product into which the component is integrated if:

—(a) the component is defective in itself, and the defect causes the harm; or

—(b)(1) the seller or distributor of the component substantially participates in the integration of the component into the design of the product; and (2) the integration of the component causes the product to be defective, and (3) the defect in the product causes harm.

Product components include raw materials, bulk products, and other constituent products sold for integration into other products. The metal products at issue here were clearly raw materials because they could be used in innumerable ways, and they were not sold directly to consumers in the market place. Rather, they were sold to plaintiff's employer for the purpose of using them to manufacture other products. The metal products in this case

were closer to raw materials like kerosene than they were to more developed components of finished products, such as airbags in cars, because they can be used in innumerable ways.

Under California law, component and raw material suppliers are not liable to ultimate consumers when the goods or material they supply are not inherently dangerous, they sell goods or material in bulk to a sophisticated buyer, the material is substantially changed during the manufacturing process, and the supplier has a limited role in developing and designing the end product. When these factors exist, the social cost of imposing a duty to the ultimate consumers far exceeds any additional protection provided to consumers. The rationale for not imposing liability on a supplier of product components is a matter of equity and public policy. Such suppliers ordinarily do not participate in developing the product components into finished products for consumers. Imposing liability on suppliers of product components would force them to scrutinize the buyer-manufacturer‘s manufacturing process and end-products in order reduce their exposure to lawsuits. This would require many suppliers to retain experts in a huge variety of areas, especially if the product components are versatile raw materials. Courts generally do not impose this onerous burden on suppliers of product components because the buyer- manufacturer is in a better position to ensure safety.

Although the complaint stated the legal conclusion that the metal products were inherently hazardous, the facts alleged indicated otherwise. Maxton was not injured by simply handling the metal itself, or even the final product containing the metal. Instead, Maxton was injured as a result of the manufacturing process, which altered the form and risks of the products.

As for the contention that the metal products involved here were analogous to asbestos, the court disagreed. Asbestos itself is dangerous when handled in any form even if it is unchanged by the manufacturer. Indeed, asbestos is dangerous when it leaves the supplier‘s control. By contrast, the metal products in this case were not dangerous when they left defendants‘ control. They only became allegedly dangerous because of the manufacturing process controlled by the employer. (Nothing in the complaint indicated that defendants played any role whatsoever in developing or designing the end products.)

The court of appeals declined to impose the social cost, meaning the practical burdens that liability would place on defendants as suppliers of the ubiquitous metal products involved in this case. Defendants would be required to assess the risks of using their metal products to manufacture other products. In order to make such assessments, defendants would need to retain experts on the countless ways their customers used their metal products. Defendants would also be placed in the untenable position of second-guessing their customers whenever they received information regarding potential safety problems. Courts generally do not impose this onerous burden on suppliers of product components because the buyer-manufacturers are in a better position to guarantee the safety of the manufacturing process and the end product.

Dismissal affirmed.