AN ANALYTICAL APPROACH WITH SPECIAL REFERENCE TO THE RECENT GUIDELINES OF CENTRAL CONSUMER PROTECTION AUTHORITY (CCPA) 2022



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Abstract

The Consumer Protection Act 2019 has repealed the Consumer Protection Act of 1986. "The 2019 Act has also established a Central Consumer Protection Authority ("CCPA"). The CCPA is a regulatory authority under the Act with powers of investigation, inquiry and injunctive actions. The primary objective of the CCPA is to regulate matters pertaining to violation of rights of consumers, unfair trade practices and false or misleading advertisements that are prejudicial to the interests of public and consumers".

'Product Liability' has been defined for the first time under the Consumer Protection Act, 2019 (CPA 2019 Act). "As per the Consumer Protection Act 2019, the product liability means the responsibility of a product manufacturer or product seller, or product service provider, to compensate for any harm caused to a consumer by a defective product manufactured or sold or by deficiency in services in relation to the product".

In my paper I have made an attempt to discuss the liability of the Product Manufacturer, Product Seller and foreign Manufacturer. The paper has three parts, the first one defines the Product Liability and its various forms and the second Part deals with the Product Liability and its different aspects under which the liability can be fixed and the third one is the defenses and exceptions available to the Service Providers, manufacturers etc. Moreover, the paper includes the analyses of the recent guidelines which has been issued by the CCPA on July 20, 2022. They have also mentioned the liability in case the guidelines are not followed appropriately by the Manufacturers and Sellers.

1. Introduction

The Consumer Protection Act 2019 has repealed the Consumer Protection Act of 1986. "The Consumer Protection Act 2019 Act has also established a Central Consumer Protection Authority (CCPA)". "The CCPA is a regulatory authority under the Act with powers of investigation, inquiry and injunctive actions. The primary objective of the CCPA is to regulate matters pertaining to violation of rights of consumers, unfair trade practices and false or misleading advertisements that are prejudicial to the interests of public and consumers".

The 2019 Act has intentionally, included the concept of product liability with an object to replace the concept of 'caveat emptor' i.e, let the buyer beware doctrine with the concept of 'caveat venditor' i.e., let the seller beware, in practice. However, most of its provisions, that includes the chapter on product liability came into effect in July 20, 2020^1 .

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¹Bishwajit Dubey, Surabhi Khattar & Ashutosh Singh, Cyril Amarchand and Mangaldas, Product Liability under the Consumer Protection Act, 2019: An Overview, January 20, 2020 available at Product Liability under the Consumer Protection Act, 2019: An Overview | India Corporate Law (cyrilamarchandblogs.com)

Product Liability' has been defined for the first time under the Consumer Protection Act, 2019 (CPA 2019 Act). "As per the Consumer Protection Act 2019, the product liability means the responsibility of a product manufacturer or product seller, or product service provider, to compensate for any harm caused to a consumer by a defective product manufactured or sold or by deficiency in services in relation to the product". As per the section 2(34) of the Act, "product liability" means the "responsibility of a product manufacturer or product seller, of any product or service, to compensate for any harm caused to a consumer by such defective product manufactured or sold or by deficiency in services relating thereto".

It means that under the Product liability, in case any harm is caused to the consumer due to the defective product manufactured, or it is sold, or if there is any deficiency of services is found then the manufacturer, seller and service provider shall be held responsible respectively.

However, there are various other aspects that need to be discussed while discussing the Product Liability under the Consumer Protection Act, 2019.

In my paper I have made an attempt to discuss the liability of the Product Manufacturer, Product Seller and foreign Manufacturer. I have discussed the Product liability in the cases of Market Place, where the goods are just displayed for sale. In this paper the emphasis is explain the liability of the several manufacturers as well as the defenses which can be taken by the Product Manufacturers, Sellers and Service Providers etc. I have discussed the Liability, issues, causes and the defenses and exception in detail under the Product Liability.

The paper has three parts, the first one defines the Product Liability and its various forms and the second Part deals with the Product Liability and its different aspects under which the liability can be fixed and the third one is the defenses and exceptions available to the Service Providers, manufacturers etc. Moreover, the paper includes the analyses of the recent guidelines which has been issued by the CCPA on July 20, 2022. They have also mentioned the liability in case the guidelines are not followed appropriately by the Manufacturers and Sellers.

2. Product Liability Under the Consumer Protection Act, 2019

It is important to discuss what is a product under the Consumer Protection Act, 2019 (hereinafter referred as CPA, 2019). Section 2(33) of the CPA, 2019 defines that product "means any article or goods or substance or raw material or any extended cycle of such product, which may be in gaseous, liquid, or solid state possessing intrinsic value which is capable of delivery either as wholly assembled or as a component part and is produced for introduction to trade or commerce, but does not include human tissues, blood, blood products and organs";

It means that any article, substance or raw material however, it does not include the human tissues, blood or organs as a product under the CPA, 2019.

Moreover, under chapter VI of the Consumer Protection Act, 2019 Section 82 to 87 of the Consumer Protection Act, 2019 explains the Product Liability in detail. The CPA, 2019 has added the product liability and it has explained the situations where a claim for compensation under a product liability action would be available for 'harm' caused by a 'defective' product manufactured by a product manufacturer or serviced by a product service provider or sold by a product seller.

²Section 2(34) of the CPA Act, 2019.

³Section 2(33) of the Consumer Protection Act, 2019

⁴"product" means "any article or goods or substance or raw material or any extended cycle of such product,



As per the CPA, 2019, section 2(22) of the Act defines Harm⁵. Harm¹, in relation to a product liability has been described in three ways firstly, any damage to any property other than the product itself, secondly, in case of any personal injury, illness and thirdly, death and mental agony or emotional distress, etc.

It means that any harm to the product is not considered as harm or it shall not include any damage to the property on account of breach of warranty conditions or any commercial or economic loss including any direct, incidental or consequential loss relating thereto.

Further, the Section 2(10) of the CPA, 2019 defines 'defect'⁶. "Defect means any fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard, which is required to be maintained by or under any law or contract, express or implied or as is claimed by the trader in any manner whatsoever in relation to any goods or product. So, it means, in order to claim product liability, consumer needs to prove that the harm had caused due to a 'defective' product".

The CPA, 2019 also distinguishes between the roles of a product manufacturer, product seller and service provider, and each one has a separate criterion to attract the product liability.

2.1. Product Liability under the Goods sold for free of Cost

In another situation of 'harm' caused from a product. It means if the good is not purchased after paying consideration, however, it is free of cost provided to the consumer with some other product.

However, the goods purchased with consideration has no defect and the complementary gift which was provided has a defect. Then under the CPA, 2019, the situation needs much attention whether the definition of 'harm' may cover the defect available under free of cost goods or not? Under the section 2(22) may be considered, if the free of good was provided with some article or product which was charged by the seller then any harm, even, if it is caused by the purchaser from the free of cost good, still it may fall under the purview of section 2(22) of CPA, 2019.

2.3. Product Liability and 'Market Place'

A Market Place is a place that provides a platform to buyers and sellers. Can Market place be held liable under the CPA, 2019 or not? It depends upon the services provided by the market place. Let us discuss the definition of Market place, as per the definition "marketplace e-commerce entity" means an 'e-commerce entity which provides an information technology platform on a digital or electronic network to facilitate transactions between buyers and sellers.

which may be in gaseous, liquid, or solid state possessing intrinsic value which is capable of delivery either as wholly assembled or as a component part and is produced for introduction to trade or commerce, but does not include human tissues, blood, blood products and organs;"

5"harm", in relation to a product liability, includes, " (i) damage to any property, other than the product itself; (ii) personal injury, illness or death; (iii) mental agony or emotional distress attendant to personal injury or illness or damage to property; or (iv) any loss of consortium or services or other loss resulting from a harm referred to in sub-clause (ii) or sub-clause (iii) or sub-clause (iii), but shall not include any harm caused to a product itself or any damage to the property on account of breach of warranty conditions or any commercial or economic loss, including any direct, incidental or consequential loss relating thereto".

⁶"defect" means "any fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard which is required to be maintained by or under any law for the time being in force or under any contract, express or implied or as is claimed by the trader in any manner whatsoever in relation to any goods or product and the expression "defective" shall be construed accordingly".

⁷Under Section 3 (g) of Consumer Protection (E-Commerce) Rules, 2020

It means, in those cases, "if the additional services are provided by the marketplace only then the market place can be held liable". It means that if "market place acts as a product manufacturer or service provider as defined under the CPA, 2019 only then the 'marketplace' may be liable if in case, the product liability claim arises. It may arise in two situations, i.e., express warranty given by the manufacturer or the services provided by the market place, independent from the manufacturer's liability."

For example, the market place may be held liable in case of express warranty provided by the market place which is independent from the manufacturer's warranty. Or in case the services are provided for example, installation etc. in relation to the product.

2.4. Liability in case of Several Manufacturers are involved

The liability may arise when more than one manufacturer' is involved. In the case of Bhopal Steels v Govind Lal Sahu & Others[§], it was held that the "apportionment of liability in case of multiple manufacturers would be determined on a case-to-case basis, where the commission would examine which component caused the defect, and whether adequate instructions/warnings were provided for proper use". Moreover, this arrangement shall be beneficial for those cases where goods are manufactures by different-different manufacturers compulsorily, for example, in the cases of automobiles etc. In many cases, the courts have tried to fix the liability of the manufacturers however, the need of the hour is to find that where the lapse had been made and to whom to make responsible in multiple manufacturers case. No doubt, these cases shall be challenging for the forum in future.

2.5. Product Liability in case of the 'Defective Product'

The product manufacturer or service provider as the case may be, 'recall the goods voluntarily or they may withdraw the product or services from the market as the case may be'. However, the CPA, 2019 does not contain any provision, for voluntary recall. However, the recall process depends upon the 'specific industry/ product guidelines applicable to the recall process'. However, the recall of products or services "would not prevent the product manufacturer/ service provider from product liability actions initiated due to harm caused by the products/services already in the market." "The product manufacturer or 'service provider' may "also consider notifying the Central Consumer Protection Authority ("CCPA") the regulator responsible for administering and enforcing the CPA 2019 regarding the defect identified and the recall process". As the CCPA is actively working for the protection and promotion of the consumer Protection Act and also issues guidelines from time to time ".11

CCPA can better protect the interest of the consumer through implementing the recent guidelines on Product liability. Under the new rules, the CCPA may "pass orders directing recall of products post investigation, if there is sufficient evidence to establish violation of consumer rights or unfair trade practice by a person. However, no specific rules have been prescribed so far on recall procedures".

2.6. Mediation and the Product Liability

^{82008,} CPJ, 89, NC

⁹Nishith Desai, Frequently Asked Questions on Product Liability under the Consumer Protection Act, 2019, 2020, available at FAQ-Consumer-Protection-Act-A5.pdf (nishithdesai.com)

¹⁰YashikaSarvaria, India Consumer Protection Act: Take Away, VGC Law firm, available at Consumer Protection Act, 2019: Key Takeaways - Dodd-Frank, Consumer Protection Act - India (mondaq.com)



As mediation has also been added under the CPA, 2019 as a unique and new feature. Mediation. ¹² Mediation can be used as a mean and method of dispute resolving process under the product liability claim. However, there is a possibility that mediation may be able to solve many disputes of product liability, if both the parties agree to refer their case for mediation and they are willing to solve the dispute amicably.

"The relevant consumer forum may refer a dispute to mediation in the event""both parties are amenable to the same". In case, the dispute is not resolved by 'way of mediation', the relevant consumer forum will continue to hear the dispute.

It shall be the duty of the mediator to submit the report of every mediation case to the appropriate consumer forum.

3. 'Liability' under the Product Liability

There are various Liabilities explained in the case of the Product Manufacturers, Service Providers and the sellers.

3.1 Liability of a Product Manufacturer

Section 2(36) of the CPA, 2019, explains the definition of 'product manufacturer¹¹³ and section 84 of the Act explains the liability of the Product Manufacturer.¹⁴ As per the Act, "Product Manufacturer" means a person who

- (i) "Makes any product or parts thereof; or
- (ii) assembles parts thereof made by others; or
- (iii) puts or causes to be put his own mark on any products made by any other person; or
- (iv) makes a product and sells, distributes, leases, installs, prepares, packages, labels, markets, repairs, maintains such product or is otherwise involved in placing such product for commercial purpose; or
- (v) designs, produces, fabricates, constructs or re-manufactures any product before its sale; or
- (vi) being a product seller of a product, is also a manufacturer of such product"

The simple analyses of the definition explains that 'product manufacturer' assembles any part which is prepared by others, or it may make any product or parts, he may also put his mark on the product which is made by others, Product manufacturer may make product or sell, labels etc. Product manufacturer may design, produce or remanufactures any product prior to its sale. If he is a product seller, even then the term of manufacturer shall be used for him/her under the section 2(36) of the CPA, 2019.

Section 84 of the CPA, 2019¹⁵ explains the "product liability of the product manufacturer¹⁶ in case the product contains a manufacturing defect or if the product is defective in design or if there is a deviation from manufacturing specifications or in case the product

¹²Under section 37 the reference to mediation is mentioned as "At the first hearing of the complaint after its admission, or at any later stage, if it appears to the District Commission that there exists elements of a settlement which may be acceptable to the parties, except in such cases as may be prescribed, it may direct the parties to give in writing, within five days, consent to have their dispute settled by mediation in accordance with the provisions of Chapter V".

¹³Section 2(36) of the CPA, 2019

¹⁴Section 84 of the CPA, 2019

¹⁵Section 84. (1) "A product manufacturer shall be liable in a product liability action, if— (a) the product contains a manufacturing defect; or (b) the product is defective in design; or (c) there is a deviation from manufacturing specifications; or (d) the product does not conform to the express warranty; or (e) the product fails to contain adequate instructions of correct usage to prevent any harm or any warning regarding improper or incorrect usage (2) A product manufacturer shall be liable in a product liability action even if he proves that he was not negligent or fraudulent in making the express warranty of a product."

does not conform to the express warranty or the product fails to contain adequate instructions of correct usage to prevent any harm or any warning regarding improper or incorrect usage".

The most important thing to note here is that a "product manufacturer shall be liable in a product liability action even if he proves that he was not negligent or fraudulent in making the express warranty of a product and if the manufacturer does not mention an adequate instruction on correct usage to prevent any harm or any warning regarding improper or incorrect usage".

However, the product manufacturer shall not be liable, if it is proved that the employer had purchased the product for the use at his/her workplace and the product manufacturer had categorically provided warnings or instructions to such employer.

In case the "warning is issued related to the product and it was legally meant to be used or dispensed only by or under the supervision of an expert or a class of experts and the product manufacturer had employed reasonable means to give the 'warnings or instructions' for usage of such product to such expert or class of experts or in case the complainant, while using such product, was under the influence of alcohol or any prescription drug which had not been prescribed by a medical practitioner".

Moreover, a Product manufacturer shall not be liable "for failure to instruct or warn about a danger which is obvious or commonly known to the user or consumer of such product or which, such user or consumer, ought to have known, taking into account the characteristics of such product."

3.2 Liability of a Product Service Provider

A 'product service provider' under the CPA, 2019 is defined. Product Service Provider means a person who provides "a service in respect of any product. A product service provider shall be liable in a product liability action, if the service provided by him was faulty or imperfect or deficient or inadequate in quality, nature or manner of performance which is required to be provided by or under any law for the time being in force, or pursuant to any contract or otherwise; or if there was an act of omission or commission or negligence or conscious withholding any information which caused harm; or if the service provider did not issue adequate instructions or warnings to prevent any harm; and in case, the service did not conform to express warranty or the terms and conditions of the contract".

It is proposed that the Right to Repair may be included in under section 85 of the CPA, 2019. As the definition of a product service provider is wider enough to cover services such as maintenance or repair where the service and the product are inherently related.

3.3 Liability of a Product Seller

"A product seller who is not a product manufacturer shall be liable in a product liability action, if he has exercised substantial control over the designing, testing, manufacturing, packaging or labelling of a product that caused harm". He shall also be liable; in case he has 'altered or modified the product and such alteration or modification was the substantial factor in causing the harm'. Further, the product seller shall also be held liable in case, the 'product has been sold by him' and the identity of product manufacturer of such product is not known. After discussing liability, it is necessary to discuss how these manufacturers and sellers can avoid the liability through the defences under the CPA, 2019.

3.4 Liability of a Foreign Manufacturers under the Consumer



Protection Act, 2019

There are products which are offered by the foreign manufacturers. However, there is no specific clause in the CPA, 2019 to make the Foreign Manufacturers liable. However, if we make analyses of the CPA, it can be said that there is no distinction provided under the definition of 'Product Liability' for the domestic or foreign manufacturer. It means, the consumers may file a complaint before the consumer forum, for redressal against the domestic as well as the foreign manufacturers. As per the Act, the Consumer may approach the consumer forum for the redressal if the cause if action arises and the place of jurisdiction may be considered a place where either party resides or where the usual course of business is carried on by the opposite party. The place of jurisdiction may include the place of residence of consumer or the work place of the consumer. Although, the distinction has not been made between the foreign as well as the domestic manufacturers, the main concern here is how the enforcement shall be initiated incase the forum decides a matter against the foreign manufacturers.

Indian courts can not compel the foreign party to attend the proceedings and in their absence the decision of the court shall not be considered as impartial. Moreover, the execution of the decree shall be again an issue.

Under such circumstances, the CPA, 2019 mentions a provision as under "the product seller would be liable in a product liability claim in the event it is not possible to effect a service of notice or process or warrant against the product manufacturer or the product manufacturer is not subject to the law in force in India or an order cannot be enforced against the product manufacturer". So, it means that the indemnity from the product manufacturer, who are exporters of the product, may be asked by the product sellers who shall be the importers, in case the product liability arose and paid by the product sellers in case of foreign goods. However, in case the liability arises in the cases of the fault at the part product seller, then the liability of foreign product manufacturer shall not arise and they shall not be obligated to indemnify the product seller.

4. Defenses under the CPA

Although there are various defenses available under the Product Liability. These are available to the Product Sellers, Manufacturers etc. Let us discuss in detail as under:

4.1 Defenses Available to the Product Seller:

There are some defenses available to the Product Seller under section 87(2). The provision says that the

- (I) "Product seller cannot be held liable if the product was misused, altered, or modified at the time of the harm."
- (ii) "If the Product seller has given the instructions to the employer who had purchased the product for his/her workplace then the Product seller shall not be liable".
- (iii) "The Product Seller shall not be liable in case the product which has been sold was a component that was supposed to be used with another supplementary product and proper warning or instructions were provided by the product manufacturer. If the person, has suffered the harm due to the end product in which, the Product seller's one component was used, then the Liability of Product seller shall not be considered because he had sold just one part, or component or just some portion of material of it was used in making the finished product. Moreover, the finished product has caused the harm".
- (iv) "The Product seller shall not be liable in case; the proper warning has been issued

regarding the use of product under the supervision of an expert. Proper and reasonable means should have been used by the product seller to bring this clause into the notice of the purchaser only then the Product seller may avoid a liability under this situation".

(v) "The product seller may not be held liable in case the product has been used by the complaint in the situation of intoxication like alcohol or drug, which is not authorized by the medical practitioner".

In the above-mentioned situations, the liability may be avoided by the product seller under section 87(2). However, under the recent guidelines issued by the CCPA the provision of penalties had been included if the product has been found defective.

4.2 Defense for Company in case of Product Liability

In case the product is safe and company has to produce evidence for that then the manufacturer can provide:

- I. "Documents demonstrating that the product is as per standards prescribed by law e.g. standards prescribed under the Medical Device Rules, 2017 in the case of medical devices:
- ii. Documents demonstrating the product is in compliance with the standards prescribed under law or by organisations such as the Bureau of Indian Standards, International Standards Organisation or the International Electro-technical Commission:
- iii. Independent test reports demonstrating the quality of the product;
- iv. Expert evidence on the cause and effect of the defect in the product or cause of the harm caused (e.g., consumer negligence);
- A copy of the agreement between the manufacturer and complainant capturing the terms of sale and any warranties made in respect of the product;
- vi. A copy of the manufacturing specifications to demonstrate there is no deviation between the product sold to the complainant and the manufacturing specifications;
- vii. A copy of the warranty to demonstrate the product conforms to the express warranty provided in respect of the product; and
- viii. User manuals/instructions/label design to demonstrate adequate warnings and usage instructions were provided in respect of the product."

5. Waiver Clause and Product Liability

If a consumer waives off his claim under the contract, it shall be termed as an unfair contract. "The definition of unfair contract¹⁸ under the CPA 2019 is broad and covers the imposition of unreasonable conditions that puts a consumer at a disadvantage. Given this, a waiver of claims under the CPA 2019 may be construed as an unfair contract". Moreover, "agreements in restraint of legal proceedings i.e. an agreement in which any party "is restricted absolutely from enforcing his rights under or in respect of any contract, by the usual legal proceedings in the ordinary tribunals, or which limits the time within which he may thus enforce his right" is void under the Indian Contract Act, 1872¹⁹ and therefore unenforceable".

"The question of waiver of claims is yet to be tested before a court of law. Therefore, any contractual language regarding waiver of product liability claims should be examined

¹⁸"Section 2(46) "unfair contract" means a "contract between a manufacturer or trader or service provider on one hand, and a consumer on the other, having such terms which cause significant change in the rights of such consumer"

¹⁹Section 28, Indian Contract Act, 1872



closely to prevent unenforceability either from a CPA 2019 or an Indian contract law perspective."

6. Remedies available under the Product Liability

In case the Product liability arises under the CPA, 2019, and the 'harm' caused is proved then the consumer commission is empowered to grant compensation as well as to issue directions to the 'product manufacturer', 'product service provider' and 'product sellers' under the CPA, 2019. Further the direction for the removal of defect in goods and services may be ordered or the remedy to replace the defective goods with brand new goods, free from defect may be ordered. The price of the goods may also be refunded for goods and the order of interest may also be decided. As per the new guidelines, the hazardous goods should never be offered for sale. "The CCPA may also direct the manufacturers and sellers not to offer the hazardous goods for sale and to cease the hazardous goods if it is being offered in the market. In some cases, where the harm has happened to the large group of people due to the hazardous goods or defective goods, then the compensation must be determined by the consumer forum very carefully as it is basically a concern and question of the protection and redressal of the consumer forum."

7. Penalties

There are penalties mentioned under the Act as well. It states that the consumer may get the remedy if the product is found defective as per the provisions of the CPA, 2019. Moreover, the right to replace the goods and the defect removal are other options available to the consumer under the CPA, 2019. In some cases, the seller may be asked to return the price with interest as well. However, as per the discretion of the commission, the damages for the negligence may also be awarded in exceptional cases.

8. Conclusion

After discussing these different issues and aspects under the Product liability, one thing is sure that it is definitely going to help and consumers. As the liability of the service provider, manufacturer and the sellers has been fixed. Although certain issues are yet to be seen how the consumer commission are going to handle the foreign retailers or exporters liability in case of harm cause to the consumers. However, it is positive step taken by the CCPA to issue the guidelines to clear the rules and regulations related to the product liability.

However, many rules related to the filing of the complaint with two years from the date of the case of action shall remain the same. That is the law of limitation, summoning, and execution etc.

It is important to see how the Service providers make use of the provisions of the CPA, 2019 and follow the guidelines issued by the CCPA, however, the commission also have a duty to decide and also ensure the execution of the decisions so that the letter and spirit of the Act may be maintained. No doubts, the provisions available under Product liability and the Mediation process is definitely going to support the consumer to solve their disputes amicably and outside the court settlement shall ensure the time saving and unnecessary delay.

²⁰Nishith Desai Associates,Frequently Asked Questions on Product Liability under the Consumer Protection Act, 2019, 2020, available at FAQ-Consumer-Protection-Act-A5.pdf (nishithdesai.com) (Last visited on 10-10-2022).

²¹R.K. Gupta, Medico Legal Issues, June, 2020 available at Medicolegal issues | DR P K GUPTA MD NEUROPSYCHIATRIST AND EPILEPTOLOGIST (wordpress.com)

The burden is on the Manufacturers, Sellers and service providers to understand the provisions of the CPA, 2019 and to provide the best services to the consumers. The cases, where consumers choose the waver of their right to approach the court shall not be considered in case the consumer suffers harm as the contract to waive the legal right is against the provisions of constitution, Moreover, any contract to avoid legal right is void and is not enforceable under the court of law.

However, it is hoped that the penalties under the Product liability shall also play a relevant part as it shall make a deterrence effect for those who deliberately exploit the consumers.