STRICT PRODUCT LIABILITY: BALANCING INNOVATION WITH CONSUMER PROTECTION

Rupali Singh Sengar, LL.M., School of Law,
Govt. J. Yoganandam Chhattisgarh College, Raipur

ABSTRACT

Strict product liability is a continuous negotiation between risk, cost, and responsibility. The burden to prove the fault has been undoubtedly shifted towards consumers. Defects are not always the result of a single flawed design choice; they can emerge from cumulative, small failures across sourcing, assembly, and distribution.

What tends to get lost in doctrinal accounts is how firms actually respond on the ground. In some sectors, sustained exposure to liability has led to tangible improvements—more rigorous testing protocols, clearer risk disclosures, and internal compliance systems that did not exist a decade ago. The relationship between liability and innovation, in that sense, is not linear. It turns on how courts interpret the idea of a "defect," how regulators signal acceptable risk, and how businesses, often conservatively, price the possibility of litigation into their decisions.

This paper treats strict product liability not as a settled doctrinal endpoint, but as an evolving framework shaped as much by judicial discretion as by market behaviour. The question is not simply whether liability exists, but what kind of behaviour it ultimately incentivizes. Does it genuinely promote safer, more responsible innovation, or does it function primarily as a mechanism for redistributing loss after harm has occurred—without addressing the structural conditions that produce that harm in the first place?

Keywords: Strict product liability; consumer protection; product safety regulation; defective products; risk allocation; negligence and fault standards; innovation and technological development; emerging technologies; legal frameworks; law of torts.

INTRODUCTION

In theory, dispensing with the need to prove negligence appears both efficient and normatively appealing. In practice, however, its operation is far less straightforward. There are situations—particularly those involving technical or latent defects—where an injured consumer would stand little chance under a fault-based regime. In those cases, strict liability does what it is supposed to do: it shifts the evidentiary burden away from individuals who lack both the resources and the technical capacity to challenge manufacturers. But it would be inaccurate to treat this as an unqualified advantage. The shift, while beneficial in some contexts, carries its own set of complications.

From the industry's perspective, especially in sectors shaped by scientific uncertainty, the picture becomes more difficult. One is reminded of cases involving medical devices or emerging technologies where products are complied with some regulatory standards. Imposing strict liability in such situations may appear justified when viewed solely through the lens of consumer harm.

These concerns are not confined to theoretical debate. In advisory work and litigation strategy, one routinely sees liability exposure influencing commercial decisions—sometimes subtly, sometimes quite directly. It is factored into design choices, insurance structures, and even decisions about whether to enter or exit particular markets. At its worst, it produces a form of defensive behaviour—risk avoidance rather than risk management. The legal rule, while aimed at consumer protection, begins to shape business conduct in ways that are not always immediately visible but are nonetheless consequential over time.

What sustained engagement with this field reveals is that strict product liability resists any attempt to treat it as a uniform or self-contained solution. The difficulty lies not in choosing between consumer protection and innovation, but in avoiding overcorrection. Expanding liability too aggressively, or diluting it too readily, tends to generate effects that only become apparent in hindsight.

This paper proceeds with that sense of caution. It does not approach strict product liability as an unquestioned good, nor as a constraint on innovation. Instead examines how doctrine operates in legal context.

LITERATUE REVIEW

Most academic discussions on strict product liability tend to present it as a clean doctrinal shift. In practice, it is anything but clean. Liability rarely operates in isolation as it sits within a wider range of insurance structures, regulatory gaps and imperfect information on both sides of the transaction. What changed, more subtly, was behaviour around documentation, warnings, and contractual allocation of risk. In many instances, exposure was managed not by redesigning products, but by restructuring how risks were disclosed—or shifted.

From an economic standpoint, the claim that strict liability incentivises optimal safety is intuitively appealing. Its limits, however, become visible in industries defined by rapid innovation and high uncertainty. In sectors such as pharmaceuticals or automotive technology, hesitation is rarely about unwillingness to innovate; it is about the cost of being wrong even once. That cost can be existential.

European approaches, particularly under the Product Liability Directive, appear more balanced on paper. The development risk defence is often described as a sensible compromise, and in principle it is. Demonstrating that a risk was undiscoverable at the time of production can not be an excuse as it tends to devolve into a contest of expert opinions. That introduces a layer of unpredictability which businesses, understandably, price into their decisions—often conservatively.

What is becoming increasingly difficult is the application of traditional liability concepts to modern technologies. In the context of software-driven products or AI systems, the notion of a "defect" is no longer straightforward. Harm may arise not from a discrete flaw, but from an interaction between user behaviour, system design, and evolving data inputs. In such situations, assigning liability through conventional frameworks can feel, at best, approximate.

Taken together, the literature captures the broad contours of the debate, but tends to understate the messiness of implementation. Strict product liability has serve an important corrective function in shifting the burden away from consumers who lack the means to establish fault. At the same time it does not guarantee safer products or fairer outcomes. Its effectiveness ultimately depends on how it is interpreted and businesses adapt to it in practice.

1. WHAT STRICT LIABILITY LOOKS IN REAL WORLD

Strict product liability presents itself as a clean rule. In actual disputes, the question is rarely so direct. The real contest tends to revolve around how far that liability should extend—and where it should stop.

In several matters I have handled, even where the defect was not seriously disputed, the defence shifted to the journey of the product. It had passed through distributors, been altered, or used in ways the manufacturer characterised as "outside intended use." What is framed doctrinally as strict liability often reintroduces fault through the back door—under the language of causation, misuse, or intervening acts. The terminology changes; the instinct to locate blame does not.

Once litigation begins, another shift becomes apparent. The internal conversation within companies moves away from diagnosing failure toward managing exposure. The question is no longer "what went wrong?" but "what can be defended?" That divergence—between technical reality and legal positioning—frequently shapes outcomes more than the black-letter rule itself.

2. THE GAP BETWEEN LEGAL ASSUMPTION AND INDUSTRIAL REALITY

Legal doctrine tends to proceed on an implicit assumption: that manufacturers exercise meaningful control over the products they place in the market. That assumption is increasingly strained.

Modern production is dispersed. Components are sourced across jurisdictions, designs are licensed, and assembly is often outsourced. In one matter involving a defective electrical appliance, the root cause was eventually traced to a minor component supplied by a third-party vendor several layers down the chain. The consumer proceeded, quite reasonably, against the brand. The brand, in turn, sought to shift liability contractually.

At that stage, the dispute ceased to be about consumer protection in any meaningful sense. It became a contest of indemnity clauses, insurance coverage, and risk allocation between commercial actors.

Strict liability, in such cases, does not simplify responsibility—it redistributes complexity. The

consumer's entry point into the system may be easier, but the burden is displaced rather than eliminated.

3. WHEN LIABILITY FUNCTIONS AS A CORRECTIVE

It would, however, be inaccurate to view strict liability only as a constraint. In practice, it has often operated as an effective corrective mechanism.

In one instance involving a consumer durable, recurring complaints had been internally discounted because the failure rate fell within acceptable statistical limits. It was only after proceedings were initiated before the National Consumer Disputes Redressal Commission that the company undertook a comprehensive design reassessment. The eventual redesign materially improved safety outcomes.

What strict liability does in such situations is recalibrate internal incentives. It ensures that safety considerations compete directly with cost and efficiency at the decision-making level. That shift is not driven by abstract legal principle, but by the tangible prospect of liability.

The effect, however, is uneven. Larger corporations tend to internalise these pressures more effectively. Smaller entities, even when acting in good faith, often lack the capacity to absorb or distribute such risks.

4. THE LIMITS OF CONSUMER ACCESS

From the consumer's standpoint, strict liability is intended to ease the evidentiary burden by removing the need to prove negligence. In practice, that advantage is only partial.

Barriers remain—cost, delay, and uncertainty. Even within consumer fora, procedural simplification has not entirely eliminated delays. In more than one matter, I have seen claimants accept settlements that fall significantly short of their actual loss, simply to avoid prolonged proceedings.

There is also a persistent issue of awareness. A considerable number of consumers remain unaware that their grievance gives rise to a legally enforceable claim. The existence of a right does not guarantee its exercise; accessibility is as much about perception as it is about procedure.

5. THE MAIN ISSUE: UNCERTAINTY

If one issue recurs across cases, it is uncertainty. Businesses seek clarity to structure compliance and pricing. Consumers needs assurance that harm will be less and profit will be more. The law attempts to balance both, but many times it produces outcomes that are difficult to accept.

This uncertainty shapes behaviour. Companies tries to over-compensate in some areas but they also neglect some other areas. Many consumers do not complain because they know that there would be no such outcome in there favour.

In my experience, the effectiveness of a liability regime lies less in its severity and more in its predictability. Where outcomes can be reasonably anticipated, behaviour adjusts proactively. Where they cannot, the system tends to operate reactively.

6. WHY BUSINESSES FEAR STRICT LIABILITY (MORE THAN THEY ADMIT PUBLICLY)

Publicly, companies are quick to align themselves with the language of consumer safety. It is expected, and in many ways necessary. Privately, however, strict liability is often viewed with a degree of caution that rarely makes it into formal statements or policy submissions. The concern is not with clear, egregious defects—those are identifiable, insurable, and, to some extent, manageable. The real unease lies in the margins. In practice, liability rarely turns on textbook examples. It arises in borderline situations—where a product is reasonably safe under intended use but becomes hazardous when conditions deviate only slightly. The legal question then becomes less about defect and more about the extent of responsibility. How far is a manufacturer expected to anticipate misuse, adaptation, or even negligence on the part of the consumer? These are not abstract questions in litigation; they are precisely where exposure is felt most acutely. What unsettles businesses is not merely the possibility of compensation payouts, but the unpredictability of outcomes in such grey zones.

ANALYSIS

If you spend enough time working around product liability claims, you stop thinking of strict liability as a neat doctrinal tool and start seeing it for what it really is—a system that operates

through negotiation, risk allocation, insurance constraints, and, more often than we admit, hindsight. The clarity it promises in theory rarely survives contact with real disputes.

One thing that becomes apparent quite early is that companies do not experience strict liability as a legal rule. They experience it as uncertainty. In more than one instance, I have seen product teams delay launches not because they were careless, but because they could not confidently answer a deceptively simple question: *what happens if something goes wrong that we did not foresee?* That question tends to carry more operational weight than any statutory formulation. Engineers may be satisfied that a design is safe within tested parameters, but legal teams are usually preoccupied with how a court might later expand the scope of what was "reasonably foreseeable." Decisions are made somewhere in that gap, and they are rarely aggressive.

That said, the familiar claim that strict liability suppresses innovation does not quite hold up when you observe how firms actually behave. What it does is alter the *conditions* under which innovation occurs. Products are not abandoned; they are slowed down, documented, and filtered through multiple layers of internal scrutiny. There is also a quieter, less acknowledged effect. Many safety features we now treat as routine—warning labels, detailed user instructions, child-resistant packaging—did not emerge organically from market forces alone. In that sense, strict liability has shaped product culture in ways that formal regulation, on its own, may not have achieved.

The difficulties become sharper when products do not behave in stable or predictable ways. Traditional categories—manufacturing defect, design defect, failure to warn—presume a certain level of consistency in product behaviour. That assumption weakens considerably with software-driven or adaptive systems. I recall working on a matter involving a semi-autonomous system where the product performed exactly as designed, yet the outcome was harmful. The dispute quickly moved away from identifying a "defect" in the conventional sense and toward a more difficult question: *should the design have anticipated this scenario at all?*

The Indian position adds another layer of complexity. Some forums adopt a consumer-friendly approach with relatively broad inferences of liability, while others place significant weight on technical evidence and expert testimony. For businesses, especially those operating across jurisdictions within India, this creates a level of unpredictability that is difficult to quantify or manage. Larger entities tend to absorb this as a cost of doing business. Smaller firms often

cannot. I have seen start-ups withdraw otherwise viable products simply because a single adverse claim could have been financially fatal.

Insurance, at least in theory, is meant to stabilise this uncertainty. In practice, it only does so partially. Policies are structured around exclusions, and emerging technologies often fall into grey areas that were never clearly contemplated at the underwriting stage. I have encountered situations where coverage was denied on the basis of inadequate disclosure, even when the insured entity itself did not fully understand the risk profile at the time of product launch. These moments expose a persistent disconnect between how liability is conceptualised in doctrine and how it is actually distributed in commercial reality.

Another aspect that tends to be understated in academic discussions is the eventual distribution of cost. It is mostly said that strict liability protects consumers by shifting the burden to producers. That is only half correct. In real world those costs are frequently passed back into the market by reducing product lines or more conservative innovation strategies. Protection is rarely costless; it is redistributed.

I have reviewed internal deliberations where teams identified certain risks, debated them seriously, and made decisions that were entirely defensible at that stage. At a broader level, the more useful inquiry is not whether strict liability is "good" or "bad" for innovation. That framing is too blunt to be analytically helpful. The real issue is how much uncertainty the system introduces, and who is institutionally best equipped to bear it. Producers are generally better positioned than individual consumers, but that does not mean their capacity to absorb risk is unlimited. Beyond a certain point, uncertainty becomes paralysing—particularly for smaller or emerging enterprises.

CONCLUSION

After several years of working with product liability disputes, one pattern has become difficult to ignore: the law tends to respond to harm far more quickly than it understands the conditions that produced it. Strict product liability, on paper, offers a clean and efficient solution. In real world it rarely feels that way. It operates at the intersection of engineering judgment, regulatory gaps, legal standards, and commercial pressures domains. Most of the friction sits precisely in that disconnect. It would be overly simplistic to claim that strict liability either protects consumers or suppresses innovation. That is the doctrine functioning as intended. But contrast

that with a medical device start-up I encountered, where investors withdrew not because the product was demonstrably unsafe, but because the liability exposure was too uncertain to quantify. The product never reached the market. These are not theoretical tensions—they shape decisions well before any dispute is formally adjudicated.

A recurring difficulty lies in how courts approach the idea of "defect," particularly in relation to products that are still evolving. With conventional goods, the inquiry is relatively contained. With software-dependent or AI-integrated systems, the distinction between defect, limitation, and iterative improvement becomes far less clear. In more than one matter, I have seen hindsight exert disproportionate influence. Once harm materialises, there is a natural inclination to treat it as something that should have been anticipated. While understandable, that instinct can distort the allocation of liability. More importantly, it sends a subtle but powerful message to innovators: uncertainty will be judged after the fact, and often harshly. That said, experience also makes it difficult to argue for any significant dilution of liability standards. Businesses do not always act responsibly in the absence of credible risk. In one case involving consumer goods, internal correspondence made it clear that a known defect had been consciously left unaddressed the projected cost of a recall simply outweighed anticipated compensation payouts. It was only after litigation that corrective measures were implemented. The Indian context adds another layer of complexity. Consumer fora have undoubtedly improved access to remedies, which is no small achievement. At the same time, they are not always institutionally equipped to handle technically dense disputes. I have sat through hearings where complex engineering failures were reduced to broad impressions, largely due to the absence of sustained expert engagement. The outcomes are not necessarily unjust, but they are inconsistent.

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