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Robert E. Rice

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Rosado v. Proctor & Schwartz, Inc.: An erosion of the manufacturer's non-delegable duty in products liability?

The doctrine of strict products liability provides that a manufacturer who places a defective product into the stream of commerce shall be liable for injuries sustained as a result of the product's defect. Implicit in this body of law is the realization that the manufacturer has an unparalleled opportunity to ascertain whether a product is free from defects and safe for its in-

\footnote{1 See Codling v. Paglia, 32 N.Y.2d 330, 298 N.E.2d 622, 345 N.Y.S.2d 461 (1973). In Codling, the Court of Appeals first enunciated the doctrine of strict products liability in New York:}

tended use. When non-manufacturer defendants are adjudged liable in strict products liability actions, they often successfully shift the loss to the manufacturer of the product under the theory of indemnification. This theory seeks to place the burden of loss on

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the party primarily responsible for the product's defect. Recently, in *Rosado v. Proctor & Schwartz, Inc.*, the Court of Appeals refused to recognize a converse right to indemnification for manufacturers. In this strict products liability action brought by an injured employee of the purchaser against the manufacturer, the court held that the manufacturer of a defective product could not obtain indemnification from the purchaser where the purchaser had contractually agreed to install necessary safety devices.

In *Rosado*, the plaintiff was employed by Comet Fibers (Comet) as a garnett operator. Comet had purchased the garnett in 1970 from Proctor & Schwartz, the manufacturer, and, pursuant to the sales contract, agreed to install all necessary safety guards for the machine's exposed moving parts. Comet installed a mesh fence around the gear and pulley area of the garnett but failed to install the safety guards. On September 9, 1976, the plaintiff's

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It is well settled in New York, however, that indemnity is precluded where the party seeking it has actually engaged in wrongful conduct. See County of Westchester v. Welton Becket Assoc., 102 App. Div. 2d 34, 47, 478 N.Y.S.2d 305, 314 (2d Dep't 1984); Hanley v. Fox, 97 App. Div. 2d 606, 607, 468 N.Y.S.2d 193, 194 (3d Dep't 1983); see also RESTATEMENT OF RESTITUTION § 76 (1937) (wrongful conduct bars indemnity).


8 See id. at 22, 484 N.E.2d at 1355, 494 N.Y.S.2d at 852.

9 See id.

10 See id. A garnett is a machine containing massive chains and pulleys commonly used in the textile industry to convert clumped fibers into matting. See id.

11 Id. at 23, 484 N.E.2d at 1355, 494 N.Y.S.2d at 852. The sales contract stated that Comet would install all "necessary guards for the exposed moving parts of the machine in accordance with the laws of the district in which the machine is to be located," and "supply disconnect switches as required." Id. The garnett was delivered to Comet without the safety guards. Id.

12 See id. The mesh fence had a gate, secured by a simple latch, approximately three feet from the machine which was fully operable with the gate open. Id. Apparently, it was customary for the workers to operate the garnett with the gate open and all the pulleys, chains and gears exposed. Id.
thumb and fingers on his right hand were severed when they accidentally came in contact with the exposed chain and gears.\textsuperscript{13}

The plaintiff brought suit against the manufacturer, Proctor, who in turn brought a third party action against Comet for indemnification and contribution.\textsuperscript{14} The Supreme Court, Trial Term, New York County, dismissed the defendant Proctor’s indemnification claim.\textsuperscript{15} Comet thereafter arranged a settlement with the plaintiff thus foreclosing Proctor’s contribution claim.\textsuperscript{16} The defendant appealed the dismissal of the indemnification claim and the Appellate Division, First Department, affirmed by a divided court.\textsuperscript{17}

The Court of Appeals, in a unanimous opinion, affirmed the dismissal of the indemnification claim.\textsuperscript{18} The court, in an opinion by Judge Titone, summarily rejected the applicability of implied

\textsuperscript{13} Id. The plaintiff was raking debris from under the machine while it was in operation when, hearing a terrible noise, he backed away from the machine. Id. As he did so, he hit his back on the mesh fence and was thrust forward causing his hand to come into contact with the exposed chain and gears. Id.

\textsuperscript{14} Id.

\textsuperscript{15} Id.


Indemnification is not within the ambit of section 15-108 and therefore the defendant’s claim for indemnification in Rosado was not precluded by Comet’s settlement with the plaintiff. See Rosado, 66 N.Y.2d at 24-25, 484 N.E.2d at 1356, 494 N.Y.S.2d at 853.

\textsuperscript{17} 106 App. Div. 2d 27, 40, 483 N.Y.S.2d 271, 281 (1st Dep’t 1984). Proctor conceded that any contribution claim was barred by General Obligations Law section 15-108, and that no basis for express contractual indemnity existed since Comet had not agreed to indemnify or hold it harmless from products liability claims. Rosado, 66 N.Y.2d at 25, 484 N.E.2d at 1357, 494 N.Y.S.2d at 854.

\textsuperscript{18} Rosado, 66 N.Y.2d at 22, 484 N.E.2d at 1355, 494 N.Y.S.2d at 852.
indemnity pursuant to the sales contract as a theory of recovery for the manufacturer. An action in strict products liability against a manufacturer is stated, the court reasoned, where it is shown that a defective product, not reasonably safe for its intended use, is placed into the stream of commerce by the manufacturer. The court further reasoned that since a manufacturer is in the best position to know the dangers inherent in its machine, and such dangers are common to all jobsites, the manufacturer is also best suited to know what safety devices are necessary. Noting that prevention of injuries is the cornerstone of strict products liability law, the court concluded that to allow a manufacturer to shift the ultimate duty of care for a machine lacking essential safety features through “boilerplate language in a sales contract, would erode the economic incentive manufacturers have to maintain safety and give sanction to the marketing of dangerous, stripped down, machines.”

By denying a manufacturer of an unsafe machine the right to
implied indemnity from a purchaser who agreed to make such machine safe, it is submitted that the Rosado decision properly reaffirmed the fundamental principles of strict products liability first enunciated in Codling v. Paglia.\textsuperscript{24} Every manufacturer shoulders a non-delegable duty to place products into the stream of commerce that are free from defects and safe for their intended use.\textsuperscript{25} In a strict products liability action, the critical temporal element necessary for liability to attach to a manufacturer is that the defect must exist when the product leaves the manufacturer's hands.\textsuperscript{26} It is submitted that the manufacture and sale of an industrial machine lacking essential safety devices, notwithstanding an agreement that the purchaser will install such devices, clearly fails to discharge the manufacturer's non-delegable duty, thereby placing it within the scope of liability.\textsuperscript{27}


\textsuperscript{27} See supra notes 2, 25-26 and accompanying text. But see Biss v. Tenneco, Inc., 64 App. Div. 2d 204, 207, 409 N.Y.S.2d 874, 876-77 (4th Dep't 1978). In Biss, the defendant sold the plaintiff a vehicle which had an available roll over protective system that the plaintiff chose not to purchase. See id. at 207, 409 N.Y.S.2d at 876. When an employee of the plaintiff died due to injuries sustained in an accident involving the vehicle, suit was brought alleging that the absence of a roll over protective system constituted a design defect. Id. at 205, 409 N.Y.S.2d at 875. The Appellate Division, Fourth Department, held, as a matter of law, that the vehicle was not defectively designed, reasoning that the manufacturer's notice to the purchaser of an available safety structure effectively discharged their duty to exercise reasonable care in designing the loader. Id. at 207, 409 N.Y.S.2d at 876. The court stated that where the likelihood of roll over varied by job and site, the purchaser was best suited to determine whether optional safety equipment was necessary to avoid unreasonable risk. Id. Biss involved optional safety equipment and therefore is factually distinguishable from Rosado where the safety devices were essential. Compare Rosado, 66 N.Y.2d at 23, 484 N.E.2d at 1355, 494 N.Y.S.2d at 852 with Biss, 64 App. Div. 2d at 207, 409 N.Y.S.2d at 876. Irrespective of their factual distinctions, Rosado and Biss both seemingly adhere to the substantive principle that the party best suited to determine whether the safety device is needed, whether manufacturer or purchaser, should bear the responsibility for resulting injuries. See Rosado, 66 N.Y.2d at 26, 484 N.E.2d at 1358, 494 N.Y.S.2d at 856; Biss, 64 App Div. 2d at 207-08, 409 N.Y.S.2d at 876-77.
Though properly precluding recovery based on implied indemnity in *Rosado*, the court left the door ajar for recovery based on express contractual indemnity in these same situations.\(^{28}\) Although no basis for recovery pursuant to express contractual indemnity existed,\(^{29}\) the court seemingly implied that recovery would have been possible had the purchaser specifically undertaken that responsibility in the sales agreement.\(^{30}\) It is submitted that should the court adopt a judicially permissive attitude toward recovery pursuant to express contractual indemnity in future situations similar to *Rosado*, it will allow manufacturers to delegate a duty that has heretofore been found non-delegable.\(^{31}\) Such a view will hasten the "erosion" of safety in manufacturing that the court specifically sought to prevent in *Rosado*.\(^{32}\) It is further submitted that the principles underlying the denial of implied indemnity to the manufacturer in *Rosado* — the protection of the public from unsafe machinery and the imposition of liability on the entity most responsible and best suited to make the machine safe — are equally cogent where the purchaser signs an express indemnification agreement.

In *Rosado*, the Court of Appeals, by refusing to allow the manufacturer to recover from the purchaser pursuant to implied indemnity, effectuated the theoretical underpinnings of the strict products liability doctrine. In order to assure safety in manufacturing and to prevent manufacturers from insulating themselves from liability to users and purchasers, the court must be equally resistant to permitting recovery based on express contractual indemnity clauses in future cases factually similar to *Rosado*.

*Robert E. Rice*

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\(^{28}\) See *Rosado*, 66 N.Y.2d at 25, 484 N.E.2d at 1357, 494 N.Y.S.2d at 854; *infra* notes 29-30 and accompanying text. It is submitted that the court's failure to underscore the manufacturer's non-delegable duty in its analysis, see *Rosado*, 66 N.Y.2d at 25-27, 484 N.E.2d at 1357-58, 494 N.Y.S.2d at 854-55, as it has in previous strict products liability actions, see *supra* note 26 and accompanying text, further supports the possibility of recovery pursuant to express contractual indemnification in future situations factually similar to *Rosado*.

\(^{29}\) See *Rosado*, 66 N.Y.2d at 25, 484 N.E.2d at 1357, 494 N.Y.S.2d at 854. Comet did not specifically agree to indemnify the manufacturer or hold it harmless for products liability claims in the sales contract. *Id.*

\(^{30}\) See *id*. The court did not foreclose the possibility of recovery pursuant to express contractual indemnity in situations factually similar to *Rosado*, but merely stated that no basis existed in this case inasmuch as Comet had not specifically agreed to indemnify the manufacturer or hold it harmless for products liability claims. See *id*.

\(^{31}\) See *supra* note 25 and accompanying text.

\(^{32}\) See *Rosado*, 66 N.Y.2d at 27, 484 N.E.2d at 1358, 494 N.Y.S.2d at 855.