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Comment

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When distributing products internationally, manufacturers and traders should consider distinctive regulatory regimes established by the jurisdictions in which they are engaged. Of particular concern will be consumer protection and provisions on liability, such as product liability regulations. Specific product liability regulations have developed in the Near and Middle East and Northern Africa (MENA) region only recently. Thus far, the existing provisions are quite rudimentary. That said, some MENA jurisdictions comprise specific provisions on product liability, such as Egyptian law, which includes a comprehensive product liability regime.

This update considers product liability as the responsibility of manufacturers, importers, distributors and retailers to compensate for bodily injury or physical damage caused by defective merchandise or services. In relation to product liability, the obligee is any person—not only the buyer—that sustained harm due to a defective good.

Product liability is strict. As such, the obligor may be held responsible without proof of fault. However, direct damages—that is, compensation for the merchandise being defective—cannot be recovered under product liability laws. Product liability applies only to consequential damages—that is, compensation for injury or damage suffered as a result of a defect.(1)

In principle, the civil and commercial laws of the MENA region are homogenous. This is, among other reasons, due to the influence of Egyptian law. In particular, the Civil Code (131/1948)(2) serves as a basis for the development of civil and commercial laws throughout the region.(3) However, product liability laws have only recently been developed and thus were little influenced by the expansion of Egyptian law in the MENA region during the second half of the 20th century. Consequently, regulations governing this area of law are much more heterogenic. This update provides an overview of the product liability regulations that should be considered when trading with Egypt.

Product liability under Egyptian law

Specific provisions on product liability were first introduced into Egyptian law in 1999 as part of the revised Commercial Transaction Law (17/1999).(4) The Consumer Protection Law (67/2006).(5) enacted in 2006, further extended the Egyptian product liability regime. Together with the general provisions on contractual and tortious liability within the Civil Code, the Commercial Transaction Law and the Consumer Protection Law form the Egyptian liability regime for manufacturers, traders, distributors and service providers.

Product liability under Commercial Transaction Law

With the revision of the Commercial Transaction Law, specific provisions governing product liability were included in Article 67. Its first paragraph provides as follows:

"the manufacturer and the distributor of a good shall be liable to any persons that..."
sustained bodily injury or physical damage, provided that the impaired party can establish that such injury or damage was caused by a defect in the product.\(^{(6)}\)

**Elements of claim**

While the Commercial Transaction Law does not expressly define what constitutes a ‘defect’, it provides certain examples of when a product will be deemed defective. Pursuant to Article 67(2) of the Commercial Transaction Law, goods will, for example, be regarded as defective where the relevant parties failed to take sufficient precautions in the design, production, assembly, processing, storage, packaging, method of display or use in order to prevent the occurrence of harm or to warn against the possibility of harm. The catalogue provided by Article 67(2) is not exclusive. Thus, it is to be regarded as a list of examples that may be considered when determining whether goods are defective.\(^{(7)}\)

In principle, liability under Article 67 of the Commercial Transaction Law is strict.\(^{(8)}\) However, liability is somewhat restricted where retailers are concerned. Retailers are liable according to Article 67(1) of the Commercial Transaction Law only if they were or should have been aware of the defect at the time of sale. Whether a retailer knew or should have known of a defect is determined by objective standards. Hence, a retailer is liable for damages or harm caused by a defect pursuant to Article 67(1) if a diligent businessperson would have discovered the defect (Article 67(3)(b)).

The onus to establish the elements of the claim is on the obligee (Article 67(1)). Thus, the claimant must establish that:

- the concerned good was defective;
- he or she sustained injury or damage; and
- there was a causal link between the harm incurred and the defect.

Where the claimant seeks compensation from a retailer, he or she must also show that the retailer was or should have been aware of the defect.

**Obligors and obligees**

Liability under Article 67(1) is not limited to the person that purchased or used the concerned good or consumers in general. Any legal or natural person that sustained bodily injury or physical damage due to defective goods may claim compensation pursuant Article 67(1). Hence, the group of possibly eligible obligees under Article 67(1) is exceedingly broad. It potentially comprises persons that directly or indirectly suffered damage or injury due to the defect, regardless of whether such harm was sustained in the obligee’s private or commercial endeavours.\(^{(9)}\)

Under Article 67, an obligor is the manufacturer and distributor of the relevant good. Within the meaning of Article 67, ‘manufacturer’ is defined as the legal or natural person that produced or assembled the final good. Component suppliers and manufacturers of primary or intermediate products are not manufacturers according to Article 67(3)(a). As per Article 67(3)(b), the ‘distributor’ is defined as:

- the legal or natural person that imported the good into Egypt;
- the wholesaler that distributed the good to retailers; and
- the retailer selling the good to consumers.

The obligee may choose to hold all or any number of the obligors individually liable. Where the obligee holds multiple parties accountable for injury or damage caused by a defect in the product, the obligors are not jointly and several liable (Article 67(4)). Thus, where an obligee brings a claim against multiple parties, the claim will be partially rejected unless the claimant can establish to which proportion the individual obligors are liable. Proving the extent of liability of different obligors is usually difficult. Therefore, it is advisable to address a claim under Article 67(1) to one specific obligor.

The Commercial Transaction Law also addresses questions of conflict of laws. A manufacturer or distributor that has its place of business outside Egypt is nonetheless subject to the jurisdiction of the Egyptian courts for claims under Article 67 of the Commercial Transaction Law (Article 67(4)). Further, the application of Article 67 may not be excluded by agreement (Article 67(6)).\(^{(10)}\) Thus,
where a foreign manufacturer or trader – directly or indirectly through a local distributor or commercial agent – sells its products in Egypt, or where the product simply ends up in Egypt, the foreign manufacturer or trader may be held liable under Article 67 and any dispute arising therein may be heard by Egyptian courts.

Statute of limitations
A claim under Article 67 must be filed within three years of the injured party obtaining knowledge of the harm or damage incurred. In any case, claims are time barred 15 years from the date on which the defect was caused (Article 67(5)).

Product liability under Consumer Protection Law
In addition to Article 67 of the Commercial Transaction Law, further provisions on liability for defects were introduced into Egyptian law in 2006 with the implementation of the Consumer Protection Law. The primary purpose of the Consumer Protection Law is consumer protection. As such, the law imposes certain rules of conduct on manufacturers and distributors (Article 2 and following of the Consumer Protection Law). The Consumer Protection Agency oversees compliance with these regulations. Further, the Consumer Protection Law bestows non-governmental organisations (NGOs) active in the area of consumer protection with certain competences (Article 23). Apart from provisions regulating the conduct of manufacturers and distributors, the Consumer Protection Law also establishes their liability towards consumers.

Requests for exchanges and refunds
Under Article 8(1) of the Consumer Protection Law, consumers have 14 days from receiving goods to return the defective item and demand a refund or exchange. Under the Consumer Protection Law, 'defective' is defined as:

"any flaw due to which the value of the concerned good is reduced or which prevents the good from being utilized for its intended or customary purpose, including but not limited to flaws caused by improper transportation or storage, unless such flaw is attributed to the consumer." (12)

Hence, liability under Article 8(1) does not require fault on behalf of the obligor. The obligor may exculpate itself from liability by proving that the consumer was responsible for the defect.

Under Article 8(1), 'consumers' are defined as "[a]ny person to whom a good is offered or sold and who plans to utilize said good for personal or domestic purposes". Thus, the obligee is the person who purchased the defective good, provided that he or she did so for personal and not commercial use. The obligor is the supplier of the concerned good. Under the Consumer Protection Law, 'supplier' is defined as "[a]ny person who provides a service or manufactures, imports, distributes, exhibits, circulates or trades in a good, offers or sells a good to consumers or deal in it in any way" (Article 1). The definition of 'supplier' is exceptionally broad and explicitly includes the manufacturer and distributor within the meaning of Article 67 of the Commercial Transaction Law. (13)

Unlike in claims under Article 67 of the Commercial Transaction Law, multiple parties held liable by a consumer under Article 8(1) of the Consumer Protection Law are jointly and severally liable (Article 8(2)). Despite this, liability under Article 8 of the Consumer Protection Law is much stricter, as under Article 8(1), consumers are entitled only to a refund or exchange. However, additional compensation may be claimed under different liability regimes (ie, Article 67(1) of the Commercial Transaction Law).

Procedure
Complaints against infringements of consumer rights provided for in the Consumer Protection Law may be brought by consumers or NGOs before the Consumer Protection Agency (Articles 12(b) and 23(a) of the Consumer Protection Law). (14)

Penalties
A supplier that infringes the Consumer Protection Law may be subjected to penalties. These include fines of no less than E 5,000 and no more than E 200,000, as well as the publication of the infringement in national newspapers (Article 24 of the Consumer Protection Law).
Product liability under contract
Where the specific provisions of the Commercial Transaction Law governing product liability do not apply, liability for injury or damage caused by defective goods or services may derive from the general provisions governing contractual liability. The principal remedy for breach of contract under Egyptian law is restitution *in rem* that is, specific performance. Where in a contract of sale restitution *in rem* is impossible, has failed or was denied, the purchaser may be compensated for defects in the sold item pursuant to Article 447(1) of the Civil Code. This article stipulates that the seller is liable to the buyer for compensation where the goods sold were defective; according to Article 447(1) of the Civil Code, this is the case where, at the time of transfer of risk, the product:

- had a flaw that decreased its value;
- did not have the agreed properties or was unsuitable for the intended use; or
- where no agreement as to the good’s properties or intended use existed, did not have the properties that goods of the same kind usually have or was unsuitable for its customary use.

As such, Article 447(1) of the Civil Code primarily aims to compensate the buyer for monetary loss sustained because the purchased item was defective. In other words, where the loss occurred because the product could not be used for its intended or common purpose. Whether further indemnities for injury or damage caused by the defect (ie, damage done to other parts of a product due to a spare part being defective) will be granted is unclear.

While according to its wording, the seller’s liability under Article 447(1) of the Civil Code may comprise liability for injury or damage caused by defective merchandise, recoverable damages under contractual liability are limited. Damages may be recovered only where and to the extent that they were a “natural consequence” of the concerned breach of contract (Article 221(1) of the Civil Code) and were foreseeable when the underlying agreement was made (Article 221(2) of the Civil Code). In most cases, this limitation will exclude consequential damages. Consequential damages are often not foreseeable at the time that the concerned agreement is made. Thus, they are commonly not recoverable under the contractual liability regime set by Egyptian law. Consequently, since product liability concerns consequential damages, product liability claims often cannot be based on Article 447(1) of the Civil Code.

On the one hand, Article 447(1) of the Civil Code applies only in relation to the seller and buyer. On the other hand, product liability relates to the manufacturer and other parties involved in trading the concerned good, and entitles anyone that sustained damage or injury due to the flaw in the concerned good to claim damages.

Finally, product liability is strict. However, liability under Article 447(1) of the Civil Code requires fault on behalf of the seller. Thus, the buyer may claim compensation pursuant to Article 447(1) of the Civil Code only where it sustained loss due to an intentional or negligent act or omission on the part of the vendor. Strict liability under contract may be imposed only by specific warranties (Article 445(1) of the Civil Code). However, contractual liability may be restricted by agreement. In principle, the contractual liability regime established by the Civil Code can be excluded, with the exception of liability arising out of intentional or gross negligent acts or omissions on the part of the vendor. Whether liability for bodily harm may be excluded is still somewhat disputed. In short, the voices in the doctrine arguing against an exclusion of liability for bodily harm appear to dominate.

Product liability under tort
Tortious liability under Egyptian law is governed by Article 163 and following of the Civil Code and comprises liability for wrongful acts and omissions as well as vicarious and custodial liability.

Liability for wrongful acts and omissions
As the principal provision of tortious liability, Article 163(1) of the Civil Code stipulates that any person that intentionally or negligently causes damage or injury to another person is liable to the injured party for compensation. Article 163(1) of the Civil Code explicitly comprises three conditions:
However, it is generally understood that a person will be considered liable under Article 163(1) of the Civil Code only where and insofar as it was at fault.(20)

The Civil Code does not comprise a statutory definition of 'fault'. The definition generally used in Egyptian law today is the one introduced by the Court of Cassation in 1978, which defined 'tortious fault' as conduct that deviates from the norm, insofar as it ignores the care and prudence that an average reasonable person would observe.(21) This definition describes what is commonly understood as negligence. While the Court of Cassation did not explicitly include intent in its definition of 'tortious fault', there is consensus that tortious fault under Egyptian law comprises intent.(22) Thus, as a fourth implicit element of claim, Article 163(1) of the Civil Code requires that the obligor acted – or failed to act – intentionally or negligently.

Consideration must also be given to liability for omissions. If such liability were to be imposed without further restrictions, the group of persons potentially liable under Article 163(1) of the Civil Code would be overly extensive. For instance, an innocent bystander could be held liable for failing to prevent a person from using an obviously unsafe product. Therefore, some jurisdictions have limited tortious liability for omissions to situations where the concerned person was under a duty to act (ie, a driver involved in a car accident being obliged to assist other persons involved in the accident).(23) However, Egyptian law does not apply this method, but rather solves the issue through the requirement of fault.(24) Thus, when deciding on whether a person is liable for failing to prevent harm to another person, an Egyptian court will consider whether the harm was caused due to this failure.

As any person causing damage or injury is liable under Article 163(1) of the Civil Code, the manufacturer or distributor of a product may be held liable pursuant to Article 163(1) of the Civil Code where:

- a defect in the good caused harm to a person; and
- the defect was caused, intentionally or negligently, by the manufacturer or distributor.

Thus, in contrast to liability under Article 67(1) of the Commercial Transaction Law, a person (eg, the manufacturer or distributor of goods) may be liable for a defect only if that person was responsible for causing the defect. Due to this requirement, distributors which may be held liable for production defects under Article 67(1) of the Commercial Transaction Law will not be liable for production defects under Article 163(1) of the Civil Code, since they are unlikely to be responsible for a production defect in the product being sold. However, distributors may be liable for defects caused by improper storage or handling of goods pursuant to Article 163(1) of the Civil Code defects for which a manufacturer will likely not be liable.

Unlike contractual liability, liability under Article 163(1) of the Civil Code is not restricted to specific persons. Any injured party can recover damages under tort.

The injury or damage incurred need not be foreseeable in order to be recoverable under tortious liability. Still, as a general principle of Egyptian law, consequent damages are recoverable under tort only where they were a natural consequence of the wrongful act or omission.(25) Thus, tortious liability is wider than contractual liability insofar as it does not restrict the injured party to compensation for foreseeable damage or injury, but does not necessarily cover responsibility for all consequential damages.

Actions under Article 163(1) of the Civil Code are time barred three years from the date on which the obligee become aware of the elements of claim and, in any case, 15 years after the wrongful act or omission occurred (Article 172 of the Civil Code).

Pursuant to Egyptian law, liability under tort may not be limited or excluded by agreement. Any agreement to the contrary is void (Article 217(3) of the Civil Code).

**Vicarious and custodial liability**

Vicarious liability – that is, the liability for damage or injury caused by third parties – is governed by
Article 173 and following of the Civil Code. Article 174 of the Civil Code stipulates that a person is liable for harm caused by the wrongful acts or omissions of third parties, provided that such harm was caused in execution of a task for which the third party was retained by the obligor. Thus, under Article 174 of the Civil Code, a manufacturer or distributor may be held liable for the actions or omissions of, among other things, an Egyptian commercial agent retained to sell his or her products in Egypt. However, the manufacturer or distributor can recover any compensation paid pursuant to Article 174 of the Civil Code from the third party (Article 175 of the Civil Code).

Liability for harm caused by an object (i.e., custodial liability) is regulated in Article 176 and following of the Civil Code. While Articles 176 and 177 of the Civil Code deal with liability for harm caused to animals and buildings (which will be of little relevance in respect of product liability), Article 178 of the Civil Code concerns liability for injury or damage caused by that object to another person. Since manufacturers and vendors usually do not have custody of goods after they are handed over to the buyer, this provision will have little application regarding product liability. However, liability under Article 178 of the Civil Code is strict.(26)

**Comment**

With Article 67 of the Commercial Transaction Law, Egyptian law comprises a relevant product liability provision. In principle, liability under Article 67(1) of the Consumer Protection Law is strict, and claims for compensation may be brought by any injured party against the manufacturer or distributors of goods. Nonetheless, due to the general restrictions that apply to consequential damages under Egyptian law, product liability pursuant to Article 67(1) may be somewhat limited compared to other jurisdictions. Further, while Article 8(1) of the Consumer Protection Law introduced certain additional consumer rights, these are of little relevance in respect of product liability.

Where the specific provisions of the Commercial Transaction Law do not apply, compensation may be sought only under contractual or tortious liability. However, liability under both regimes is narrower than under Article 67(1) of the Commercial Transaction Law. Contractual liability applies only in relation to buyers and sellers, and consequential damages may be recovered only where such damages were a natural consequence of the particular breach of contract and were foreseeable when the underlying agreement was made. Tortious liability is considerably wider. Both the seller and the manufacturer may be held responsible and any injured party is, in principle, entitled to compensation under tort. Nevertheless, tortious liability – unlike product liability – is not strict. Thus, where a person cannot claim compensation under Article 67 of the Commercial Transaction Law, recourse against the seller and manufacturer is somewhat limited.

Whether a person that suffered harm may demand compensation under tort or contract is not entirely clear. Egyptian civil law is strongly influenced by French law. Therefore, Egyptian courts often consult French doctrine and case law when interpreting Egyptian law.(27) Pursuant to the principle of the non-concurrence of actions, French law provides for the precedence of contractual over tortious liability.(28) This means that where harm was sustained due to a breach of contract, the injured party is barred from seeking compensation under tort and may do so only under contract. However, Egyptian doctrine and jurisprudence do not strictly follow this principle and instead consider the injured party to have the right to choose whether it will seek compensation under tort or contract.(29)

Article 8(1) of the Consumer Protection Law explicitly provides for its application alongside other claims under contract or law. Thus, where a consumer returns a defective product, he or she may claim a refund under Article 8(1) of the Consumer Protection Law and additional damages under contractual or tortious liability or Article 67(1) of the Commercial Transaction Law. However, whether a manufacturer or distributor may be held liable pursuant to Article 67(1) and under contractual and tortious liability is not entirely clear. Some legal scholars argue that the same conditions as those in respect of tortious and contractual liability should apply; thus, the injured party should have the right to choose whether he or she seeks compensation per Article 67(1) of the Commercial Transaction Law or contractual or tortious liability.(30)

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Endnotes


(3) Since Oman enacted its Civil Code (Royal Decree 29/2013) based on the Civil Code in 2013, Saudi Arabia and Lebanon remain the only MENA countries which have a civil and commercial law that is not significantly influenced by Egyptian law. While Saudi Arabian law differs significantly from that of other countries in the MENA region, Lebanese civil and commercial law is, in large part, comparable to Egyptian law, since both laws have their basis, among other things, in continental European law tradition. For an overview of the adaptation of Egyptian law throughout the MENA region, see K Einführung in die Rechtsvergleichung, N Bremer, Herausforderungen im Geschäftverkehr mit Nahost, Legal Operations Management, ed by RP Falta and C Dueblin, Berlin: Springer 2016, ch 8.3.


(6) Unless otherwise indicated, translations from the original Arabic texts are made by the author.


(9) However, this approach is not uncommon in product liability laws. For example, the German Product Liability Law (German original text available at www.gesetze-im-internet.de/bundesrecht/prod_haftg/gesamt.pdf) also affords any consumer or commercial party that directly or indirectly sustained harm due to defective goods the right to seek compensation against the manufacturer or distributors of the relevant product; compare, eg, W Braun: Produkthaftung – Prozentenhaftung. Ein Leitfaden für die Praxis, Norderstedt: Books on Demand 2009, p 43; Klindt: Haftung ohne Verschulden, pp 219ff.

(10) AR El-Sanhuri: (Commentary to the New Civil Code), 1, (Cairo: Egyptian Universities Publ House) 1952, p 775; Stovail: Product Liability in Egypt, p 280.


(12) Article 1 of the Consumer Protection Law.

(13) In addition, the 'catch-all' clause at the end of the definition may also be considered to comprise persons or entities that are not directly involved in producing or trading of the concerned product such as advertisers or maintenance companies. Whether these persons or entities are considered
'suppliers' within the meaning of Article 8(2) of the Consumer Protection Law has, to date, not been discussed in the doctrine or jurisprudence. Hence, while the general scope of the Consumer Protection Law is indicative of them not being contained in the definition, it cannot be said with certainty whether or not they may be held liable under Article 8(1) of the Consumer Protection Law.

(14) No fees are charged by the Consumer Protection Agency for such complaints or subsequent procedures (Article 20(3) of the Consumer Protection Law).

(15) Specific performance under Egyptian law comprises rectification of flaws or delivery of a new product (Article 203 of the Civil Code).

(16) See, for example, Court of Cassation, November 28 1968 decision; also see AR El-Sanhuri: 1 , p 910. Nonetheless, loss of profit may be recovered under Article 447(1) of the Civil Code (Article 221(1) of the Civil Code).

(17) While the wording of Article 447(1) of the Civil Code does not explicitly require fault, fault is generally perceived to be a necessary requirement for any claim pursuant to Article 447(1) of the Civil Code; A Nadoury: Products Liability in Egyptian Law, Washington DC: World Jurists Association 1997, p 8; Stovail: Product Liability in Egypt, pp 279ff.

(18) El-Sanhuri: 1 , p 775; Stovail: Product Liability, p 280.


(21) Court of Cassation Case 336, May 31 1978; also see Amir/Amir: , p 142. In fact, in 1952 El-Sanhuri proposed a similar definition in what is still considered the standard commentary to the Civil Code; El-Sanhuri: 1 , p 7.

(22) See, for example, Amir/Amir: , p 142; Nadoury: Products Liability in Egyptian Law, p.13; Stovail: Product Liability in Egypt, p 279.

(23) For example, this solution was chosen in German law; see Hamm Higher Regional Court, June 25 1998 decision, Case 6 U 146/96, available at Neue Juristische Wochenschrift. Rechtsprechungs-Report (1999), p 1324.

(24) See, for example, Court of Cassation Case 336, May 31 1978 decision.


(29) Court of Cassation, January 1 1948 decision.

(30) This interpretation appears to be shared by Stovail: *Product Liability in Egypt*, pp 286ff.

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