

House Research Act Summary

CHAPTER: 358

SESSION: 2000 Regular Session

TOPIC: Economic Loss Doctrine

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Overview

As amended in a 1998 special session, Minnesota Statutes, section 604.10 attempted to overcome certain case law on the court created economic loss doctrine. The economic loss doctrine is a legal concept that requires commercial parties to the sale of goods to use the remedies in the Uniform Commercial Code (UCC) rather than allowing them to use tort law. The main practical effect of this distinction is that the use of the UCC provides a shorter statute of limitations. There are also some differences in the kinds of damages that can be recovered under the two different legal theories.

This act states a new economic loss doctrine to apply to both sales and leases of goods, regardless of whether the buyer is a consumer or commercial party, in transactions occurring on and after the act takes effect. The doctrine does not apply to cases involving personal injury.

1 **Economic loss doctrine.**

Subd. 1. Definitions. Defined terms include:

"Buyer" means both a buyer and a person who is leasing;

"Goods" are tangible personal property, including property incorporated into, or that becomes a component of, other property;

"Period of restoration" means time a reasonable person would find reasonably necessary to restore tangible property to a quality level reasonably equivalent to that existing before a defect caused harm, excluding specified circumstances that might extend the period;

"Product defect tort claim" is a common law tort claim for damages caused by a defect in the goods. Does not include statutory claims. A defect includes a failure to adequately instruct or warn.

If a good is a component of a manufactured good, harm the component causes the

manufactured good is not harm to "other property."

Subd. 2. Scope. Provides the section does not apply to claims for personal injury. Makes the section apply to a claim by a buyer against a seller for harm caused by a defect in the goods sold to leased, or for a misrepresentation about the goods:

whether or not the buyer and seller were in privity (dealt directly) with each other; and whether or not the sale or lease articles of the Uniform Commercial Code governed the transaction.

Subd. 3. Limits on product defect tort claims. Prohibits a buyer from bringing a product defect tort claim against a seller for compensatory damages unless a defect in the goods harmed (1) the buyer's tangible personal property other than the goods or (2) the buyer's real property. Lets a buyer recover for:

loss of/damage to/diminution in value of, the other property or real property, including reasonable costs of repair/replacement/restoration;

business interruption losses, other than loss of good will and harm to reputation, that occur during restoration; and

family, personal, or household expenses incurred during restoration.

Subd. 4. Limits on common law misrepresentation claims. Prohibits a buyer from bringing a common law misrepresentation claim against a seller regarding the good sold or leased, unless the misrepresentation was intentional or reckless.

Subd. 5. Relation to common law. Makes the economic loss doctrine apply only to claims as stated in this section. Provides that the section does not alter elements of a product defect tort or a common law claim for misrepresentation.

Subd. 6. Application; effect on existing statutes. Provides that this section governs claims by a buyer against a seller if the transaction occurred on or after August 1, 2000. Provides that Minnesota Statutes section 604.10 dealing with the economic loss doctrine, does not apply to transactions occurring on or after that date.

2 **Instruction to the revisor.** Directs the revisor to change the statutory reference in the footnote to Minnesota Statutes, section 336.2-721 (remedies for fraud), to include reference to the act section above, as well as referencing Minnesota Statutes, section 604.10.

3 **Effective date.** August 1, 2000.