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## Michigan Court of Appeals refines the Economic Loss Doctrine

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In Michigan, the economic-loss doctrine bars tort remedies for nonperforming goods where the injury consists of damage to the goods themselves and any related property damage resulting from the nonperforming goods. Michigan first adopted this judicially-created doctrine in 1992, so it's still "new" from a legal perspective.

On January 2, 2020, the Michigan Court of Appeals refined and narrowed this doctrine in *State Farm Fire & Casualty v. General Electric Co.*, No. 345992. The case involved a defective dehumidifier that caught fire and caused more than \$60,000 worth of damage to the owner's home and required her to evacuate her home for a period of time. The homeowner received payment from State Farm, which then sued GE to recover what it paid out.

GE argued that the economic-loss doctrine limited State Farm to contract-based recovery because it was only seeking damages for property loss, not personal injuries. And, as a result, the Uniform Commercial Code provided the exclusive remedy and established a four-year period within which to bring the claim—shorter than the normal six-year period for contracts. The trial court agreed and dismissed State Farm's claim as stale because it was outside the four-year limitations period under the UCC.

The Court of Appeals reversed, holding that the economic-loss doctrine does not apply when the related property damage in question went beyond what the parties would have contemplated when the homeowner purchased the dehumidifier. It would be one thing if the dehumidifier had failed to pull water out of the air, but a malfunction that resulted in extensive fire damage was the kind of injury that raised traditional product-liability concerns. "Such damages are not the result of disappointment with the dehumidifier's unsatisfactory performance, but of a sudden event allegedly

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caused by the dehumidifier.” The court therefore held that “allowing [State Farm’s] action to proceed outside of the UCC would further the public-policy consideration of tort law to encourage the design and production of safe products.” As a result, the shorter UCC limitations period did not apply, and the case was remanded to the trial court for further proceedings.

Although this was an unpublished decision that is not considering “binding precedent,” *State Farm* signals that Michigan courts will not allow the economic-loss doctrine from preventing consumers from recovering property losses that are beyond their reasonable expectation at the time of purchase.

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