

CPSC Maxes Out and Obtains Record \$15.45 Million Civil Penalty

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Good Friday was not so good for Gree Electric Appliances, Inc., because the [CPSC announced](#) that it had reached a record-setting [\\$15.45 million settlement](#) with the company regarding dehumidifiers it manufactured and imported. The CPSC alleged that the company delayed in reporting potential safety hazards, which is typical for CPSC civil penalty actions, but also alleged that the company knowingly made misrepresentations to CPSC staff and sold dehumidifiers bearing the UL safety certification mark knowing that the products did not meet UL flammability standards. The penalty reflects the maximum amount the CPSC can obtain and is over 3.5 times higher than the previous record holder.

The agreement provides minimal details that could instruct regulated companies about the basis for the unusually high amount. Regarding the timeliness of Gree's report to the Commission, the Commission alleges that in July 2012 the company "began receiving reports of smoking, sparking and fires" and "received reports of property damage due to these fires," without quantifying the number of reports. The incidents caused nearly \$4.5 million in property damage. The CPSC further alleges that the company implemented design changes to address the issue and failed to report "immediately." The settlement does not disclose when the company reported, but a recall of the products was announced in September 2013. Similarly, the agreement provides few details about the alleged misrepresentations, stating generally that the company made misrepresentations to the staff and to the public that the products complied with voluntary UL flammability standards and knowingly misrepresented to the staff the date when the company learned that the products were not compliant.

Consistent with other recent civil penalty announcements, Gree must establish a compliance program containing elements identified in the agreement. This announcement comes on the heels of [recent statements by CPSC Chairman Elliot Kaye](#) calling for higher civil penalty amounts.

With this mission to add names at the top of the penalty list, if your company makes, imports, or sells consumer products, you should immediately evaluate existing measures to evaluate the safety of those products, both during the manufacturing process and once they are in consumer hands.