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The Economic Risks of Transposing the EU Product Liability Directive in Germany

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Brussels, 11 December 2025 - *Germany's draft product liability act raises the stakes for technological and industrial competitiveness.*

Germany's recent launch of its Ministerial Draft (Referentenentwurf) will transpose the EU Product Liability Directive (EU PLD), marking a turning point in liability law. The draft redefines "product" to include software, digital files, and AI systems – shifting the burden of legal risk onto digital innovators. ***"As Europe's largest industrial and ICT economy, Germany now faces a delicate balance between consumer protection, innovation, and competitiveness,"*** says Oscar Guinea, lead author of the recent [ECIPE Occasional Paper](#).

The draft's extension of liability obligations onto software developers, service providers, and AI operators, will increase compliance costs and administrative burdens, decelerating innovation. ***"Firms will need to rethink product development and risk-management strategies to navigate the new legal landscape,"*** emphasises Dyuti Pandya, co-author of the study. Overlaps with existing digital regulations could create a complex regulatory web that will discourage the deployment of emerging technologies critical to Germany's digital transformation.

Higher compliance costs and legal uncertainty risk making the integration of AI more expensive. This will undermine Germany's industrial competitiveness at a time when global competitors, particularly in Asia and North America, are investing heavily in digitalisation to cut costs and boost productivity.

Our analysis shows that the new Product Liability Directive can raise the likelihood

of mass litigation by extending liability to suppliers, app developers, and service providers while introducing rebuttable presumptions of defectiveness that lower the bar for claimants, along with broader evidence-disclosure obligations. Such changes could generate large economic costs, including, potentially slashing the market capitalisation of Germany most innovative companies by up to €10 billion and impacting pension funds and insurance portfolios tied to their performance.

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