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Legal fees to add to Toyota recall costs

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The number of lawsuits against Toyota Motor Corp., the world's largest automaker, continues to grow in the wake of recalls linked to sudden acceleration. But legal experts say few will end up going to trial, if history of such suits repeats itself.

The legal problems, however, could cost Toyota more than the \$2 billion it has estimated it will pay for warrant payments and lost sales, the experts say.

People who purchased Toyota vehicles in the U.S. have filed at least 41 class-action suits against Toyota, seeking damages that range from loss of car value to a return of profits. Local lawyer Stan Chesley has filed two such suits, one filed Tuesday in U.S. District Court in Covington and another one filed last week in Hamilton County Common Pleas Court.

Toyota also faces at least 13 individual lawsuits claiming deaths or injuries caused by unwanted acceleration of vehicles, including one filed last week in federal court in Covington by lawyer Eric Deters on behalf of a Boone County woman and another woman from Grant County.

Most of the suits were filed after the company's Jan. 26 decision to stop U.S. and Canadian production and sales of eight models to fix defective accelerator pedals. Almost 8 million Toyota vehicles have been recalled worldwide.

Class actions claiming product defects rarely go to trial in the United States. Instead, they're usually settled for cash, coupons offering discounts on new cars or a combination of the two, court records show. Coupon-only settlements frequently have little participation

by consumers, reducing the ultimate cost to manufacturers, past settlements show.

Ford Motor Co. in 2007 settled a four-state class action offering \$500 discounts to owners of the company's Explorer sport-utility vehicles after a tire recall. By June 2009, fewer than 1 percent of eligible consumers used the vouchers for new Fords.

In similar class actions against carmakers, some customers settled claims by taking discount coupons for future purchases, most of which were never used. Toyota customers will demand cash, said lawyer Michael Louis Kelly, who has filed two such suits in California.

The Kelley Blue Book, the used-auto pricing service used as a guide in private-party transactions, reported last week that values of Toyota vehicles had already suffered a loss of up to 3 percent of resale value. Kelley said Tuesday it would lower the Toyota model values another 1.5 percent on Friday.

"At this point, it's clear that the market is shifting away from these Toyota products right now, allowing us to project their lowered values," Juan Flores, director of vehicle valuation, said in a statement.

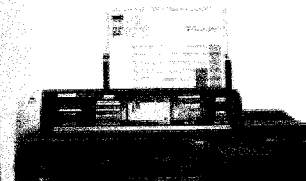
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Toyota's recalls won't cover losses by consumers, requiring a cash settlement, Kelly said.

"Toyota will do what they think they should do to fix these automobiles, but I don't expect them to reimburse for the lost value of these cars," he said.

Lawsuits claiming personal injuries and deaths may cost the company more, said law professor Carl Tobias of the University of Richmond in Virginia.

"It's important to distinguish the personal-injury cases from the product-disappointment or lemon cases," he said in an interview. "The latter are worth a lot less, in terms of payment."

The adverse publicity over recalls also may affect the attitudes of prospective jurors hearing the death and injury cases, he said. That would drive up the cost of settling or taking these cases to trial, Tobias said.

"All of this can color the juries' view on the cases that do go to trial," Tobias said. "The company seems less trustworthy, more worried about the bottom line than safety."

"The damages could be in the billions of dollars in the loss of value alone," Kelly said in an interview. "I don't think we're talking about coupons under any circumstances."

Mike Michels, a Toyota vice president of corporate communications, declined to comment on the potential loss, saying the company didn't have an estimate of potential litigation costs. He said the company has liability insurance, without elaborating on its extent, and that it doesn't cover warranty costs, which were budgeted before the recalls.

Meanwhile, a separate class-action suit on behalf of investors was filed Tuesday in federal court in Los Angeles, claiming Toyota made "materially false and misleading statements" related to unintended acceleration, causing its

American depository receipt shares to trade at inflated levels before the Jan. 21 recall announcement.

Toyota's shares tumbled 19 percent through Feb. 5 from Jan. 20, just before the accelerator pedal recalls were announced. Its U.S. shares closed Wednesday at \$75.69, up \$1.09 or 1.5 percent.

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Mom Dilemma #36:
Your daughter insists on wearing her princess costume to the grocery store. Allow it or not?

YES, it's a princess (dress it)

NO, I have some rules!

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