



Toyota safety defect case settlement tops record \$1B

Lawsuit payout unprecedented in size, plaintiff's lawyer says

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Toyota to pay \$1B in recall case

A major chapter of a nearly four-year legal saga that left Toyota Motor Corp. fighting hundreds of lawsuits and struggling with a tarnished image has ended with a proposed payout of more than \$1 billion US.

The settlement — unprecedented in its size according to a plaintiff's attorney — brings an end to claims from owners in the U.S. who said the value of their vehicles plunged after recalls over sudden and unintended acceleration.

Lawsuits claiming that the defects caused injury or death remain, with the first trial beginning in February unless another major deal comes first.

Steve Berman, a lawyer representing Toyota owners, said the settlement is the largest in U.S. history involving automobile defects.

"We kept fighting and fighting and we secured what we think was a good settlement given the risks of this litigation," Berman said.

Although the issue has also arisen in Canada, a Toyota Canada spokeswoman said this settlement is limited to U.S. litigation and has no bearing in Canada.

Canadian litigation against Toyota includes a lawsuit filed by a Toronto woman, Karen Stekel, who says she was injured in an accelerator-related car crash in 2005. She filed the [lawsuit against Toyota](#) in 2010 in Ontario Superior Court. The case is expected to go to trial in 2013, which would make it the first in Canada, her lawyer Ted Charney told CBC News on Thursday.

[Class-action lawsuits](#) have also been filed against Toyota in Canada.

More than 14 million vehicles recalled

The U.S. courtroom claims began with a highway tragedy. A California Highway Patrol officer and three of his family members were killed in suburban San Diego in 2009 after their car, a Toyota-built Lexus, reached speeds of more than 193 km/h, hit an SUV, launched off an embankment, rolled several times and burst into flames.

Investigators determined that a wrong-size floor mat trapped the accelerator and caused the crash.

That discovery, and the accident's grisliness, spurred a series of recalls involving more than 14 million vehicles and a flood of lawsuits soon followed, with numerous complaints of accelerations in several models, and brake defects with the Prius hybrid.

The Japanese automaker has blamed driver error, faulty floor mats and stuck accelerator pedals for the problems.

The runaway Lexus case was settled separately for \$10 million in 2010, before the cases were consolidated by U.S. District Judge James Selna.

Selna divided them into two categories: economic loss and wrongful death. He needs to approve Wednesday's settlement, which only applies to the first group of lawsuits. The deal was filed Wednesday and Selna is expected to review it on Friday.

Cash for customers who sold, returned vehicles

Toyota said it will take a one-time, \$1.1-billion pre-tax charge against earnings to cover the estimated costs of the settlement. Berman said the total value of the deal is between \$1.2 billion and \$1.4 billion.

As part of the economic loss settlement, Toyota will offer cash payments from a pool of about \$250 million to eligible customers who sold vehicles or turned in leased vehicles between September 2009 and December 2010.

The company also will launch a \$250-million program for 16 million current owners to provide supplemental warranty coverage for certain vehicle components, and it will retrofit about 3.2 million vehicles with a brake override system. An override system is designed to ensure a car will stop when the brakes are applied, even if the accelerator pedal is depressed.

The settlement would also establish additional driver education programs and fund new research into advanced safety technologies.

"In keeping with our core principles, we have structured this agreement in ways that work to put our customers first and demonstrate that they can count on Toyota to stand behind our vehicles," said Christopher Reynolds, Toyota vice president and general counsel.

Toyota president pledged to improve quality control

Current and former Toyota owners are expected to receive more information about the settlement in the coming months.

Plaintiffs' attorneys have spent the past two years deposing Toyota employees, poring over thousands of documents and reviewing software code, but the company maintains those lawyers have been unable to prove that a design defect — namely Toyota's electronic throttle control system — was responsible for vehicles surging unexpectedly.

Both the National Highway Traffic Safety Administration and NASA were unable to find any defects in Toyota's source code that could cause problems.

The company has been dogged by fines for not reporting problems in a timely manner.

Earlier this month, NHTSA doled out a record \$17.4 million fine to Toyota for failing to quickly report floor mat problems with some of its Lexus models. Toyota paid a total of \$48.8 million in fines for three violations in 2010.

Toyota president Akio Toyoda appeared before Congress last year and pledged to strengthen quality control. Recent sales figures show the company appears to have rebounded following its safety issues.

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