

Hyundai's Offer To Settle Engine Defect Suits Gets Initial OK

By Craig Clough

Law360 (May 7, 2020, 9:35 PM EDT) – A California federal judge Thursday granted conditional, preliminary approval of Hyundai and its affiliate Kia's deal to end a consolidated group of proposed class actions over a defect in engines of millions of cars that caused some of them to burst into flames.

U.S. District Judge Josephine L. Staton noted that the parties have not "quantified" the proposed settlement's value, but the companies announced in the fall they had set aside \$758 million to settle class actions in the U.S. and South Korea.

The proposed settlement does grant preliminary certification of 4.1 million class members and offer details on proposed relief, including reimbursement for certain out-of-pocket repairs and costs, a lifetime warranty extension and other perks like receiving a comparable loaner vehicle while their car is being repaired under the lifetime warranty.

Although the total value of the settlement is not finalized, the judge said that "in light of the comprehensive nature of the consideration offered as well as the obvious value of the lifetime warranty extension, the court finds that the amount offered in settlement weighs in favor of approval at this preliminary stage."

The plaintiffs have also argued the proposed settlement provides class members with "virtually everything" they sought in their complaints, the judge said.

The suit, by drivers of Hyundai and Kia models with Theta II gasoline direct injection engines, accused Hyundai and Kia of not disclosing defects or issuing needed recalls until January 2018, almost two years after the National Highway Traffic Safety Board began investigating reports of engine fires and two months after company executives were asked to attend a Senate Commerce Committee hearing on the issue.

The suits all similarly allege there were manufacturing or design defects in certain Hyundai Motor Co. and Kia Motor Corp. vehicles equipped with gas direct injection engines that caused the engines to seize, fail or potentially catch fire.

The cars included in the proposed settlement include Hyundai model years 2011-19 Sonatas, 2013-18 Santa Fe Sports and 2014-19 Tucsons, as well as various Kia models over a similar period including Sportage, Sorento and Optima vehicles.

"The allocation of settlement funds also appears fair, adequate, and reasonable," Judge Staton said. "Each class member is equally entitled to all forms of consideration offered in the proposed settlement. Considering the difficulties and expenses class members would face to individually pursue litigation and the likelihood that they may otherwise be unaware of their claims, this weighs in favor of preliminary approval."

The drivers are represented by Steve Berman of Hagens Berman Sobol Shapiro LLP, Matthew D. Schelkopf of Sauder Schelkopf, Adam Gonnelli of The Sultz Law Group PC and Bonner Walsh of Walsh PLLC.

Kia and Hyundai are represented by Shon Morgan, Kari Wohlschlegel and Tina Lo of Quinn Emanuel Urquhart & Sullivan LLP.

The cases are In re: Hyundai and Kia Engine Litigation, case number 8:17-cv-00838, in the U.S. District Court for the

Central District of California.

--Editing by Brian Baresch.

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