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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

IN RE: Toyota Motor Corp.
Unintended Acceleration Marketing,
Sales Practices, and Products Liability
Litigation

This document relates to:
All Plaintiffs' Economic Loss Cases.

Case No. 8:10ML 02151 JVS (FMOx)

ORDER GRANTING IN PART AND
DENYING IN PART THE TOYOTA
DEFENDANTS' MOTION TO
DISMISS PLAINTIFFS' SECOND
AMENDED ECONOMIC LOSS
MASTER CONSOLIDATED
COMPLAINT; ORDER GRANTING
IN PART AND DENYING PART
MOTION TO STRIKE; ORDER
DENYING REQUEST FOR
JUDICIAL NOTICE

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1 Presently before the Court are Defendants’ Motion to Dismiss and Motion to
2 Strike portions of the Second Amended Economic Loss Master Consolidated
3 Complaint (hereinafter referred to, for the sake of simplicity, as “the Complaint”),¹
4 as well as a related Request for Judicial Notice (“RJN”). (See Docket Nos. 580
5 (current operative Complaint on behalf of the domestic economic loss Plaintiffs),
6 734 (Notice of Motion to Dismiss), 735 (Notice of Motion to Strike), 736
7 (Memorandum of Points and Authorities in Support of both Motions) (hereinafter
8 “Defs.’ Mem.”), 738 (Request for Judicial Notice).) Previously, on November 30,
9 2010, the Court issued its Order Granting in Part and Denying in Part Defendants’
10 Motion to Dismiss and Motion to Strike the Master Consolidated Complaint
11 (“MCC”). (See Docket No. 510.) The Court granted leave to amend certain
12 claims, *id.*, and on January 10, 2011, Plaintiffs filed the Complaint, which the
13 current Motions address. The Court considers the sufficiency of those amended
14 allegations in light of the legal principles set forth at length in the Court’s
15 November 30, 2010 Order.

16
17 At the outset, the Court’s consideration of the issues presented by the present
18 Motions is limited to those issues that are supported by the parties’ arguments.
19 The Court notes that in many instances, some of which are specifically referenced
20 in this Order, *see e.g., infra* section VII.B, the bases for dismissal set forth in the
21 Notice of Motion to Dismiss are far more numerous than those supported by legal
22 argument and citation to the record in the Memorandum in Support of the Motions.

23
24 _____
25 ¹ Unless otherwise indicated, all paragraph references herein are to the
Complaint.

1 The same is also true of the Notice of Motion to Strike. (Compare, e.g., Notice of
2 Motion to Strike at 2-3 (moving to strike a number of allegations related to
3 damages available under the Consumer Legal Remedies Act, Cal. Civ. Code
4 §§ 1750, et seq. (“CLRA”) with Defs.’ Mem. at 20-22 (limiting the discussion
5 regarding Plaintiffs’ CLRA claim to those allegations related to the Transportation
6 Recall Enhancement, Accountability, and Documentation Act, 49 U.S.C.
7 §§ 30101-30170 (“TREAD Act”).) To the extent the Toyota Defendants’ briefing
8 does not focus on these issues, the Court does not considered them. Neither does
9 the Court consider arguments raised for the first time in the Reply. See, e.g., infra
10 n.24; Zumani v. Carnes, 491 F.3d 990, 997 (9th Cir. 2007) (“The district court
11 need not consider arguments raised for the first time in a reply brief.”). Finally, the
12 Court declines the invitation, set forth in the Memorandum in Support of the
13 Motions, to consider anew all the issues set forth in the Motions to Dismiss and
14 Strike the MCC. (See Defs.’ Mem. at 3 n.3 & 22 (asking that the Court “[d]ismiss
15 all claims as described in Toyota’s prior motion to dismiss and strike briefing (Dkt.
16 Nos. 332 and 450”).) In a 104-page Order, the Court previously ruled on these
17 Motions. In litigation this complex, the parties must, at all times, precisely and
18 concisely define the issues before the Court at any proceeding.

19
20 This action arises out of Plaintiffs’ purchase of vehicles designed,
21 manufactured, distributed, marketed, and sold by Defendants Toyota Motor
22 Corporation dba Toyota Motor North America, Inc. (“TMC”), and its subsidiary,
23 Toyota Motor Sales, U.S.A., Inc. (“TMS”) (collectively, “Toyota” or “the Toyota
24
25

1 Defendants”).² Putative classes of domestic Plaintiffs³ seek damages for
2 diminution in the market value of their vehicles in light of defects in those vehicles
3 which lead to incidents of sudden, unintended acceleration (“SUA”).⁴

4
5 I. Factual Allegations

6
7 The factual allegations underlying Plaintiffs’ claims are set forth at length in
8 the Court’s November 30, 2010 Order. The Court reiterates those allegations in
9 this Order only to the extent necessary to give context to the Court’s legal analyses.
10 Below, the Court notes significant amendments to the allegations found in

11
12 ² TMC is a Japanese corporation and is the parent corporation of TMS,
13 which handles sales and marketing in the United States. (¶¶ 133-34). The
14 Complaint makes allegations as to the Toyota Defendants collectively, and at times
15 individually. The Court makes such distinctions only when material to the issues
16 presented in the instant motions.

17 ³ Claims by a putative class of foreign Plaintiffs were asserted in a separate
18 consolidated complaint. (See Court’s Sept. 13, 2010 Order at 3-4 (Docket No.
19 341) (appointing Monica R. Kelly as lead counsel for the foreign economic loss
20 Plaintiffs and ordering the filing of a consolidated complaint on behalf of the
21 foreign Plaintiffs).) On April 8, 2011, the Court dismissed the foreign Plaintiffs’
22 claims, but the Court granted leave to amend certain claims, in some instances
23 subjecting any proposed amendments to offers of proof. (See Court’s April 8,
24 2011 Order at 64-66 (Docket No. 1237).)

25 Herein, the Court’s reference to “Plaintiffs” generally refers to the domestic
Plaintiffs collectively, except when, in context, it clearly refers to a subset of
domestic Plaintiffs. See e.g., infra n.4.

⁴ In addition to the putative class of individuals, a small number of business
entities — such as an auto dealership and a car rental business — are Plaintiffs as
well. (¶¶ 71-86). The Court refers to these business entities as the non-consumer
Plaintiffs.

1 Plaintiffs' previous Complaints.

2
3 Specifically, Plaintiffs⁵ make additional allegations as follows:

- 4
- 5 • Each Plaintiff (including the non-consumer Plaintiffs) was exposed to
6 Toyota advertising regarding the reliability and safety of Toyota
7 vehicles; this exposure influenced each Plaintiff's decision to buy a
8 Toyota vehicle, and if the SUA defect had been disclosed to them,
9 each Plaintiff would not have purchased a Toyota vehicle and/or
10 would have paid less for the vehicle. (See ¶¶ 34-64, 66-69, ¶ 71
11 (G&M Motors), ¶ 74 (Green Spot Motors), ¶ 76 (Auto Lenders
12 Liquidation Center, Inc.), ¶ 85 (Deluxe Holdings Inc.))⁶

 - 13
 - 14 • Internal Toyota documents evidence specific examples of SUA events
15 and Toyota's knowledge thereof. (¶ 209 (Field Technical Report
16

17 ⁵ Because the Court has not yet resolved the pending choice-of-law issue,
18 the Court does not herein consider allegations by Plaintiffs designated as
19 "Consumer Plaintiffs in the Event California Law Does Not Apply." (¶¶ 87-131;
cf. Defs.' Mem. at 3 n.4.)

20 ⁶ Some allegations regarding the effect of the failure to disclose the SUA
21 defect are more equivocal than others. (Compare, e.g., ¶ 42 (alleging that had the
22 advertising disclosed the SUA defect, Plaintiff Chambers "probably would not
23 have purchased her Camry," but she "certainly would not have paid as much for
24 it") with ¶ 43 (Plaintiff Davis "would not have purchased his Camry") and ¶ 65
25 (noting that Plaintiff Tucker "cannot speculate as to what she would have done had
she been in possession of . . . information [about the SUA defect], but she would
have based her decision on her analysis of the risk, her ability to pay, and
alternatives in the market").)

1 dated April 18, 2006, reporting technician-confirmed SUA event),
2 ¶ 210 (vehicle “lunge” known to service manager as a common
3 problem), ¶ 214 (Field Technical Reports from 2006-2010 confirmed
4 SUA events that did not generate a “diagnostic trouble code”), ¶ 215
5 (service manager test drive resulted in SUA event unrelated to floor
6 mat or sticky pedal), ¶ 216 (service manager’s Toyota vehicle
7 experienced SUA event unrelated to floor mats), ¶ 224 (video
8 showing vehicle accelerating while brake lights are on), ¶ 237
9 (concerns regarding the length a computer search would take to
10 complete using certain keywords, “lunge,” “surge,” and “lurch,” to
11 extract complaints regarding the Camry), ¶ 247 (customer report of
12 SUA event), ¶ 248 (insurance investigator’s report of mechanic-
13 witness to SUA event), ¶ 276 (floor mat recall “was part of Toyota’s
14 strategy to focus the cause of SUA on mats and away from other
15 defects”), ¶ 283 (similar), ¶ 296 (investigation in SUA event
16 experienced by Toyota employee), ¶ 297 (report from dealer regarding
17 customer concerns), ¶¶ 298-99 (report by “Professional Engineer” that
18 set forth opinion regarding, *inter alia*, a “throttle position sensor
19 malfunction”), ¶ 300 (January 26, 2010 Field Technical Report in
20 which Toyota technician experienced SUA event while test driving
21 vehicle), ¶ 301 (cause of SUA event in vehicle referenced in ¶ 300
22 was classified as “unknown” and Toyota repurchased the vehicle);
23 ¶ 302 (similar); ¶¶ 322-27 (more examples in 2005-2009) & ¶ 347
24 (more examples).)

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- Toyota directed its employees to limit information in emails in a manner designed to “make it difficult to discover what it knew about the SUA defect, which models were effected[,] and which managers were involved.” (¶ 303.)
- In February 2010, Toyota compiled information in its possession into chart format reflecting models, years, and “fail dates,” for apparent SUA events involving fatalities. (¶¶ 305-06.)
- Toyota falsely attributed all SUA events to the issues addressed by the floor mat recall. (¶ 234 (doubt expressed by TMS executive regarding Toyota’s communications with the National Highway Traffic Safety Administration (“NHTSA”) attributing all SUA events to floor mat entrapment), ¶ 235 (similar doubt expressed by NHTSA), ¶ 244 (evidence that not all SUA events are attributable to floor mat entrapment), ¶ 245 (Toyota paid fine in excess of \$16 million to NHTSA regarding floor mat recall), ¶ 276 (recall “was part of Toyota’s strategy to focus the cause of SUA on mats and away from other defects”), ¶ 283 (similar).)
- Toyota attributed other SUA events to the issues addressed by the “sticky pedal” recall. (¶ 283 (characterizing the sticky pedal recall as “illustrative of Toyota’s concealment of material facts relating to SUA

1 defects”), ¶¶ 284-89 (attempts at engineering solutions to sticky pedal
2 issue in United States and other countries), ¶ 293 (Toyota’s delay in
3 disclosing sticky pedal issue to NHTSA), ¶ 295 (Toyota’s earlier
4 sticky pedal recall in Europe).)

- 5
6 • Toyota continued to attribute SUA events to issues addressed by the
7 floor mat and sticky pedal recalls even after Toyota continued to
8 receive reports of SUA events after those recalls. (¶ 312 (setting forth
9 examples and alleging “Reports of SUA events occurring after
10 vehicles have received a pedal and mat fix contradict Toyota’s claim
11 that the recalls have fixed the SUA defect issues”).)

- 12
13 • Toyota made specific warranties and continuing misrepresentations
14 that the vehicles were free of defects and that floor mats were the
15 cause of the SUA events. (¶ 342 (“[o]n November 25, 2009,” Toyota
16 both “falsely represented and warranted that floor mats were the cause
17 of SUA”), *id.* (Toyota falsely represented “that there was no problem
18 with [the electronic throttle control system, or “ETCS”] and that
19 ETCS has been ‘evaluated numerous times’”), ¶ 343 (Toyota falsely
20 represented and warranted that “no defect exists in vehicles in which
21 the driver’s floor mat is compatible with the vehicle and properly
22 secured”).)

- 23
24 • There is an “an overarching defect” in all the vehicles, which may be
25

1 the result of “many root causes,” but which could be ameliorated by a
2 fail-safe design feature such as “an effective brake-override system”
3 or “ignition kill switch.” (¶¶ 348-49, ¶ 350 (adding, as “mechanical
4 issues,” a smaller gap between accelerator pedal and brake pedal on
5 certain models, and corrosion or carbon build up resulting in a “stuck”
6 throttle body and SUA), *id.* (adding to “lack of an appropriate fail-
7 safe” the lack of computer memory to accommodate a brake-override
8 system, the lack of a fault detection system that would, in certain
9 instances, shut down the throttle, and the lack of an appropriate layout
10 in transmission system (causing some drivers who thought they were
11 shifting into “neutral” to shift or remain in “drive”).)

- 12
- 13 • Toyota tasked one of its employees with the “homework” of finding
14 out which manufacturers have such fail-safe systems in place.
15 (¶ 354.)
- 16
- 17 • Toyota recognized such systems were desirable. (¶ 355 (TMS asking
18 TMC for override software, which TMC “rejected”), ¶ 357 (emails
19 recognizing that certain SUA events “could be prevented by
20 implementation of a ‘control system’” such as a “brake override or
21 fail-safe”), ¶ 358 (Toyota understood a brake-override system would
22 also help by closing a throttle valve that restores a “vacuum assist”
23 brake booster that can be lost during “a long[-]term SUA event”
24 leading to a loss in brake power), ¶ 366 (email regarding three
25

1 potential fail-safe mechanisms), ¶ 367 (email acknowledging brake
2 override likely to prevent SUA events created by floor mats and sticky
3 pedals).)

- 4
5 • Additional measures reflected the diminution in value of their
6 vehicles. (¶¶ 372-77 (Kelley Blue Book and NADA Used Car Guide
7 Values lowered the values of Toyota vehicles subject to recalls based
8 on growing inventory and decreased demand).)

9
10 As in their previous Complaints, Plaintiffs have asserted the following
11 claims under federal law and California law: (1) Violations of the Consumer Legal
12 Remedies Act, Cal. Civ. Code §§ 1750, et seq. (“CLRA”); (2) Violation of the
13 California Unfair Competition Law, Cal. Bus. & Prof. Code §§ 17200, et seq.
14 (“UCL”); (3) Violation of the California False Advertising Law, Cal. Bus. & Prof.
15 Code §§ 17500, et seq. (“FAL”); (4) Breach of Express Warranty, Cal. Com. Code
16 § 2313; (5) Breach of the Implied Warranty of Merchantability, Cal. Com. Code
17 § 2314; (6) Revocation of Acceptance, Cal. Com. Code § 2608; (7) Violation of
18 the Magnuson-Moss Warranty-Federal Trade Commission Improvement Act, 15
19 U.S.C. §§ 2301, et seq. (“MMA”); (8) Breach of Contract/Common Law Warranty;
20 (9) Fraud by Concealment; and (10) Unjust Enrichment.

1 II. Request for Judicial Notice

2
3 In addition to the pleadings before the Court, the Toyota Defendants ask the
4 Court to take judicial notice, “as background material,” of two publicly available
5 documents issued by federal agencies that have investigated SUA events and
6 Toyota’s ETCS, as well as a related agency press release. See RJN (Docket No.
7 738) at 2 & Exs. 1-3; Fed. R. Evid. 201(b)-(d) (providing for judicial notice of a
8 fact “not subject to reasonable dispute . . . that . . . is either (1) generally known
9 within the territorial jurisdiction of the trial court or (2) capable of accurate and
10 ready determination by resort to sources whose accuracy cannot reasonably be
11 questioned.”). Specifically, the Toyota Defendants request judicial notice of (1)
12 the Executive Summary and Findings of the NHTSA Report entitled, “Technical
13 Assessment of Toyota Electronic Throttle Control (ETC) Systems,” (2) the
14 Executive Summary and Findings of the National Aeronautics and Space
15 Administration (“NASA”) Report entitled, “Technical Support to the National
16 Highway Traffic Safety Administration (NHTSA) on the Reported Toyota Motor
17 Corporation (TMC Unintended Acceleration (UA) Investigation,” and (3) a
18 NHTSA press release dated February 8, 2011.

19
20 The Court denies the request for judicial notice. The materials filed by the
21 Toyota Defendants go far beyond mere “background material” and instead
22 implicate the key disputed factual allegations at issue in this action; as such, they
23 are materials that are clearly “subject to reasonable dispute” and thus are not
24 proper subjects of judicial notice. See Fed. R. Evid. 201(b); Suzuki Motor Corp. v.
25

1 Consumers Union of U.S., Inc., 330 F.3d 1110, 1137 (9th Cir. 2003) (impliedly
2 rejecting the proposition that conclusive weight should be given to conclusions
3 drawn by NHTSA regarding vehicle rollover incidents); Pina v. Henderson, 752
4 F.2d 47, 50 (2d Cir. 1985) (“The more critical an issue is to the ultimate
5 disposition of the case, the less appropriate judicial notice becomes. . . . A court
6 should not go outside the record to supply a fact that is an essential part of a party’s
7 case unless the fact is clearly beyond dispute.”) (internal citations omitted), cited
8 with approval in Clicks Billiards, Inc. v. Sixshooters, Inc., 251 F.3d 1252, 1267
9 (9th Cir. 2001).

10
11 III. Article III Standing

12
13 In the Court’s November 30, 2010 Order, the Court held that economic loss
14 injuries consisting of overpayment, loss in value, or loss in usefulness were
15 sufficient to confer standing. (Docket No. 510 at 15-16.) In reaching this
16 conclusion, the Court recognized that the inquiry into whether Plaintiffs
17 sufficiently allege an “injury in fact” for standing purposes is conceptually distinct
18 from whether “damages” are sufficiently alleged under a particular theory of
19 liability. See, e.g., Braden v. Wal-Mart Stores, Inc., 588 F.3d 585, 591 (8th Cir.
20 2009) (“It is crucial . . . not to conflate Article III’s requirement of injury in fact
21 with a plaintiff’s potential causes of action, for the concepts are not coextensive.”);
22 Cole v. General Motors Corp., 484 F.3d 717, 722-23 (5th Cir. 2007) (“Whether
23 recovery for such a claim is permitted under governing law is a separate question;
24 it is sufficient for standing purposes that the plaintiffs seek recovery for an
25

1 economic harm that they allege they have suffered.”); Denney v. Deutsche Bank
2 AG, 443 F.3d 253, 264-65 (2d Cir. 2006) (“[A]n injury-in-fact differs from a ‘legal
3 interest’; an injury-in-fact need not be capable of sustaining a valid cause of action
4 under applicable tort law.”). Because several lead Plaintiffs alleged facts
5 establishing overpayment, loss in value, or loss in usefulness, they satisfied Article
6 III’s injury-in-fact requirement. (Docket No. 510 at 24-25.)

7
8 However, the Court also determined that some lead Plaintiffs failed to
9 adequately allege a loss. (Id. at 26-28.) For example, the MCC contained the
10 following allegation regarding Plaintiff Ebony Brown: “Plaintiff Ebony Brown is a
11 resident and citizen of Illinois. She owns a 2009 Toyota Camry.” (MCC ¶ 38.)
12 While the MCC contained general class allegations that Plaintiffs overpaid for their
13 vehicles, made lease payments that were too high, or sold their vehicles at a loss,
14 and the Court accepted in principle that these allegations were sufficient to confer
15 standing for the putative class, the Court held that lead Plaintiffs such as Ms.
16 Brown, seeking to proceed as such, were required to allege specific facts to support
17 a cognizable injury under Article III. (Docket No. 510 at 27-28.)

18
19 In the Complaint, Ms. Brown amends her allegations as follows:

20
21 Plaintiff Ebony Brown is a resident and citizen of
22 Illinois. She owns a 2009 Toyota Camry. Ms. Brown
23 saw advertisements for Toyota vehicles on television, in
24 magazines, on billboards, in brochures at the dealership,
25

1 on the Internet, in newspapers, and on banners in front of
2 the dealership, during the two years before she purchased
3 her Camry on July 26, 2008. Although she does not
4 recall the specifics of the many Toyota advertisements
5 she saw before she purchased her Camry, she does recall
6 that safety and reliability were a consistent theme across
7 the advertisements she saw. Those representations about
8 safety and reliability influenced her decision to purchase
9 her Camry. Had those advertisements or any other
10 materials disclosed that Toyota vehicles could accelerate
11 suddenly and dangerously out of the driver's control and
12 lacked a fail-safe mechanism to overcome this, she would
13 not have purchased her Camry. She certainly would not
14 have paid as much for it.

15
16 (¶ 40 (emphasis added).) The amended allegations of the other lead Plaintiffs
17 previously dismissed in the November 30, 2010 Order closely track Ms. Brown's
18 amended allegations.

19
20 Toyota contends that these amended allegations, including those of Ms.
21 Brown, again fail to satisfy Article III's injury-in-fact requirement.

1 A. Summary of Parties' Positions

2
3 Toyota argues that several Plaintiffs offer “bare and conclusory allegations
4 of economic injury that do not constitute sufficient factual allegations as to their
5 own economic loss,” and thus should be dismissed for lack of subject matter
6 jurisdiction under Rules 12(b)(1) and 12(b)(6) of the Federal Rules of Civil
7 Procedure. (Defs.’ Mem. at 14.) Specifically, Toyota objects to the repeated use
8 of the emphasized language contained in Ms. Brown’s allegations, supra, because
9 this “boilerplate overpayment language is nothing more than a bare conclusion,”
10 which is plainly deficient under Twombly and Iqbal. (Defs.’ Mem. at 17-18 (citing
11 Bell Atl. Corp. v. Twombly, 550 U.S. 544 (2007) and Ashcroft v. Iqbal, ___ U.S.
12 ___, 129 S. Ct. 1937 (2009)); Defs.’ Reply at 10 (“It is difficult to comprehend how
13 copying and pasting general allegations across numerous Plaintiffs could possibly
14 constitute a specific allegation of injury for each such Plaintiff.”).)

15
16 Additionally, Toyota argues that any injury resulting in loss or overpayment
17 that is tied to a “market effect” must occur at the time of purchase, but that
18 Plaintiffs “failed to provide any factual allegations as to how the general ‘market
19 effect’ actually resulted in them overpaying for *their vehicle[s]*.” (Defs.’ Mem. at
20 18 (emphasis in original).) For example, Toyota notes that “Plaintiffs allege that
21 the 2007 Toyota Camry reduced in value \$400 from January-April 2010,” but Ms.
22 Brown “owns a 2009 Toyota Camry and has not alleged that she tried to sell — let
23 alone sold — her vehicle at a loss, nor does she allege that the vehicle has reduced
24 in value *now* should she attempt to sell it now.” (Reply at 15 (emphasis in
25

1 original.) “General allegations of an alleged — and temporary, past — reduction
2 in value simply do not relate to the value of Ms. Brown’s individual vehicle.”
3 (Defs. Reply at 15.) To the extent that Plaintiffs rely on recalls of Toyota vehicles
4 to support their “market effect theory,” Toyota submits that “the mere fact of a
5 recall cannot create an inference that *all* Subject Vehicles reduced in value and
6 cannot serve as a stand-in for a true factual allegation of economic injury for each
7 named Plaintiff.” (Reply at 15 (emphasis in original); Defs.’ Mem. at 18
8 (“[A]lleging a loss of value solely on the fact of the Toyota UA recalls is not only a
9 bare legal conclusion unworthy of any deference, but one that requires a leap of
10 logic.”).) If standing required only that an automobile manufacturer issued a recall
11 to satisfy an injury in fact, “virtually every vehicle owner in the United States
12 would be entitled to sue his or her automobile manufacturer.” (Defs.’ Mem. at 19.)
13

14 Plaintiffs respond that each Plaintiff individually alleges that he or she
15 overpaid for his or her vehicle, and these allegations establish an injury in fact.
16 (Opp’n at 7.) The amended allegations address the flaw previously identified in
17 the Court’s November 30, 2010 Order, which stated that general allegations of
18 economic harm “could not be construed to have been pleaded personally by each
19 named plaintiff.” (Opp’n at 7.) Moreover, each Plaintiff identifies “the basis for
20 that alleged overpayment — a vehicle with defects affecting the driver’s ability to
21 maintain speed control is not worth as much as a vehicle that is safe and reliable.”
22 (Opp’n at 7.) For example, “Ms. Brown alleges she was personally exposed to
23 advertisements that emphasized safety, explains that those motivated her to
24 purchase her vehicle, and then concludes that she personally would not have
25

1 purchased her vehicle or paid as much for it had she known the truth about the
2 defects.” (Opp’n at 9.) In Plaintiffs’ view, “[t]his precise type of pleading was
3 approved in Kwikset.” (Opp’n at 9 (citing Kwikset Corp. v. Superior Court, 51
4 Cal. 4th 310, 325 (2011).)

5
6 Plaintiffs’ rely on Kwikset to rebut several of Toyota’s other arguments
7 concerning standing. Just as the California Supreme Court in Kwikset held that
8 locks that were falsely advertised as being made in the United States were worth
9 less to a consumer even if the locks were fully functional, so too have Plaintiffs
10 alleged here that the alleged safety defects make Plaintiffs’ vehicles worth less
11 even if SUA has not yet occurred. (Opp’n at 9.) Plaintiffs’ personal allegations of
12 overpayment are substantiated by specific allegations of diminution of value, and
13 “repeated recalls involving the most significant of safety concerns in millions of
14 vehicles have driven down resale values and auction prices” and is “absolutely
15 pertinent to ‘market effect.’” (Opp’n at 9-10.) Toyota’s insistence that Plaintiffs
16 provide “proof-positive causation allegations [between the market effect of the
17 SUA defect and their alleged injuries] is inappropriate at the pleadings stage,”
18 because “threats or potential of injury” suffice — the “injury itself need be nothing
19 more than a trifle.” (Opp’n at 10-11 (citing Nat’l Wildlife Fed’n v. Burford, 871
20 F.2d 849, 855 (9th Cir. 1989).)

1 B. Discussion

2
3 It is well settled that “general factual allegations of injury resulting from the
4 defendant’s conduct may suffice” at the pleading stage. Lujan v. Defenders of
5 Wildlife, 504 U.S. 555, 560 (1992). Moreover, on a motion to dismiss, courts must
6 “presum[e] that general allegations embrace those specific facts that are necessary
7 to support the claim.” Id. (quoting Lujan v. Nat’l Wildlife Fed’n, 497 U.S. 871,
8 889 (1990)). Here, every Plaintiff alleges that his or her Toyota vehicle contains a
9 defect; namely, the vehicles “accelerate suddenly and dangerously out of the
10 driver’s control and lack[] a fail-safe mechanism to overcome this.” (¶¶ 36-69.)
11 Virtually every Plaintiff alleges that he or she would probably not have purchased
12 or leased his or her Toyota vehicle had the defect been known at the time of
13 purchase, but certainly would not have paid as much for it.⁷ Taking these
14 allegations as true, as the Court must at the pleading stage, they establish an
15 economic loss. Plaintiffs bargained for safe, defect-free vehicles, but instead
16 received unsafe, defective vehicles. A vehicle with a defect is worth less than one
17 without a defect. The overpayment for the defective, unsafe vehicle constitutes the
18 economic-loss injury that is sufficient to confer standing.

19
20
21
22 ⁷ The Complaint alleges that Plaintiff Mary Ann Tucker “cannot speculate”
23 as to what she would have done had she known of the defect, but that “she would
24 have based her decision on her analysis of the risk, her ability to pay, and the
25 alternatives in the market.” (¶ 65.) Ms. Tucker also alleges that she sold her
Camry at a loss, which the Court previously held to be sufficient to confer
standing. (Docket No. 510 at 25.)

1 1. Plaintiffs Establish an Economic Loss by Plausibly Alleging a
2 Safety Defect

3
4 Toyota argues that Plaintiffs’ repeated use of the same “overpayment
5 language is nothing more than a bare conclusion,” which is deficient under
6 Twombly and Iqbal. The primary focus of Twombly and Iqbal, however, is on the
7 pleading as a whole: does the pleading allege enough facts to plausibly infer that
8 the pleader is entitled to relief? Pleadings containing conclusory claims — “labels
9 and conclusions” and “formulaic recitation of the elements of a cause of action” —
10 are insufficient. Iqbal, 129 S. Ct. at 1949 (citing Twombly, 550 U.S. at 555, 557)
11 (internal quotation marks omitted); see also Chapman v. Pier 1 Imports (U.S.) Inc.,
12 631 F.3d 939, 955 & n.9 (9th Cir. 2011) (denying standing for ADA claim in
13 which plaintiff never specifically alleged what architectural barriers denied him
14 “full and equal” access and how his disability was affected by them). Moreover, a
15 plausible injury cannot be alleged when a pleader is silent about “harm to its
16 particular interests.” City of Kansas City, Mo. v. Yarco Co., 625 F.3d 1038, 1040
17 (8th Cir. 2010) (“Though the burden of showing injury at the pleading stage is low,
18 the pleader must say something.”). Thus, were Plaintiffs to offer conclusory
19 allegations about the safety defect such that the Court could not discern a defect
20 (other than the label attached to it), or if Plaintiffs’ allegations about the alleged
21 defect were implausible, or even if Plaintiffs’ allegations were predicated solely on
22 the harm experienced by other Toyota owners, Plaintiffs’ ability to allege an injury
23 for standing purposes might be fatally undermined. However, once the safety
24 defect is sufficiently and plausibly pled by all Plaintiffs, the economic losses
25

1 resulting from the defect are readily established: defective cars are simply not
2 worth as much.

3
4 As discussed in the Court’s November 30, 2010 Order, and further discussed
5 herein, Plaintiffs’ allegations about the safety defect are neither conclusory nor
6 implausible. Nineteen of the thirty-four lead Plaintiffs⁸ allege that they
7 experienced the safety defect. For example:

- 8
- 9 • Plaintiff Maureen Fitzgerald experienced the SUA defect twice
10 in her 2009 Toyota Corolla LE. First, when she test drove the
11 Corolla with the salesman, it accelerated at the corner to turn
12 into a busy four-lane road. She slammed on the brakes and
13 remarked that everything felt too “loose,” but the salesman told
14 her that she just had to “get used to it.” Second, on October 6,
15 2010, having had the pedal-recall repair performed on her
16 Corolla, the car suddenly accelerated and did not respond when
17 she applied the brake. She swerved into a parking space to
18 avoid hitting a pedestrian and another car, and hit the
19 handicapped bar — nearly launching her dog through the
20 windshield. (¶ 47.)

- 21
- 22 • Plaintiff Matthew Heidenreich experienced three SUA incidents
- 23

24 ⁸ This number includes only consumer Plaintiffs in the event California law
25 applies. The Court counts married couples as a single lead Plaintiff.

1 in his leased 2010 Toyota Corolla. First, on March 5, 2010, the
2 car engine revved twice to 3000 RPM on its own while parked
3 at a bank drive-through. Second, on April 1, 2010, after putting
4 the car in park at the post office, the engine revved while he
5 was out of the car. Third, on April 28, 2010, after backing the
6 car out of the garage, the car idled at about 2000 RPM. He
7 turned the engine off and back on. The tachometer redlined for
8 three separate starts, and the engine “sounded like it was going
9 to explode.” (¶ 53.)

- 10
- 11 • Plaintiff Carl Nyquist twice observed his 2006 Toyota Avalon
12 increase idle speed to redline by itself while parked, even
13 though he did not apply his foot to the accelerator.
14 Additionally, while driving on the interstate with his wife at
15 approximately 75 mph, the Avalon accelerated to 90 mph. He
16 turned the car off and slowed to 75 mph, but then turned the car
17 back on and it again accelerated to 90 mph. After turning the
18 car off and on again, the Avalon accelerated normally. (¶ 58.)
- 19
- 20 • Plaintiff Peggie Perkin was involved in a collision as a result of
21 SUA in her 2005 Lexus ES 330. On May 24, 2010, she was
22 driving between 5 and 10 mph in a parking lot when the engine
23 revved and the car suddenly accelerated rapidly to 35 mph
24 despite application of the brakes. She made a 90-degree turn to
25

1 avoid a collision with vehicles and pedestrians, hit three cars,
2 and then stopped. She tried to turn off the car with such force
3 that the key broke. (¶ 59.)
4

- 5 • Plaintiff Barbara J. Saunders experienced collisions as a result
6 of SUA in her 2006 Toyota Avalon and 2009 Toyota Matrix.
7 On May 3, 2008, the Avalon suddenly accelerated, causing her
8 to lose control of her vehicle and skid into a guardrail and
9 concrete divider. On February 2, 2009, the Matrix suddenly
10 accelerated, causing her to rear-end a pick-up truck. On March
11 11, 2010, she experienced a second SUA incident in her Matrix.
12 (¶ 63.)
13

14 When read as a whole, the specific allegations of Plaintiffs Fitzgerald,
15 Heidenreich, Nyquist, Perkin, and Saunders, as well as those of the other fourteen
16 lead Plaintiffs who experienced SUA,⁹ combined with the detailed allegations
17 concerning SUA and its possible causes (see, e.g., ¶¶ 173-341, 348-367), plausibly
18 establish a safety defect. Braden, 588 F.3d at 594 (“[T]he complaint should be
19 read as a whole, not parsed piece by piece to determine whether each allegation, in
20 isolation, is plausible.”) While Toyota also takes issue with Plaintiffs’ general
21 allegations that they “overpaid” for their allegedly defective vehicles, general
22 factual allegations of injury (i.e., the overpayment) suffice at the pleadings stage
23 because courts must “presum[e] that general allegations embrace those specific
24

25 ⁹ (See ¶¶ 39, 41, 42, 44, 52, 54, 55, 60-62, 64, 66, 67, 69.)

1 facts that are necessary to support the claim.” Lujan, 504 U.S. at 560. Because
2 every lead Plaintiff alleges a safety defect, and defective cars are not worth as
3 much as defect-free cars, Plaintiffs plausibly establish an economic loss.¹⁰
4

5 2. The Economic Loss Ensuing from the Safety Defect Is Actual
6 or Imminent
7

8 Toyota also argues that any injury resulting in loss or overpayment that is
9 tied to a “market effect” must occur at the time of purchase, but that Plaintiffs
10 “failed to provide any factual allegations as to how the general ‘market effect’
11

12 ¹⁰ Plaintiffs rely on Kwikset for the proposition that an injury in fact is
13 satisfied when plaintiffs plead that they would not have bought a product but for
14 defendants’ misrepresentation. 51 Cal. 4th at 325. In Kwikset, plaintiffs thought
15 they were purchasing one type of product, a lock “Made in U.S.A.,” but later
16 discovered that the lock “contained foreign-made parts or involved foreign
17 manufacture.” Id. at 316-17. Defendants argued that plaintiffs did not suffer an
18 economic loss (i.e., a money or property damage) because the consumers received
19 a fully functioning lock and thus received the benefit of their bargain. In rejecting
20 defendant’s argument, the California Supreme Court recognized that the accuracy
21 of labels can affect the economic value of a product. Setting aside differences
22 between federal standing requirements and statutory standing requirements under
23 California law, the Court agrees that Kwikset has some persuasive value: it is
24 plausible that consumers suffer an economic loss by purchasing a product that is
25 different from the advertised product. Although there are meaningful differences
between Kwikset and this case, see infra at n.11, at the end of the day both sets of
plaintiffs plausibly allege an injury because they did not receive the product that
they bargained for — a lock “Made in U.S.A.” or a defect-free Toyota vehicle.
Toyota distinguishes Kwikset, in part, by contending that the issue here is whether
Plaintiffs adequately pled personal factual allegations necessary to support
standing under Article III. As discussed herein, the Court holds that Plaintiffs
satisfy Article III by plausibly establishing a safety defect — a defect now alleged
by all Plaintiffs.

1 actually resulted in them overpaying for their vehicle.” (Defs.’ Mem. at 18
2 (emphasis omitted).) But this argument succeeds only if one assumes that a
3 plaintiff who has not experienced a safety defect does not have a safety defect. If
4 the Court accepts the allegations that all Toyota vehicles had the safety defect at
5 the time of purchase, and the defects were not subsequently remedied through
6 recalls, all Plaintiffs suffered an economic loss at the time of purchase because they
7 received a defective vehicle. The fact that Plaintiffs discovered this defect after the
8 time of purchase is of no moment. The economic loss was present from the
9 beginning.

10
11 The Court has also considered a variation of Toyota’s argument that would
12 require more detailed factual allegations tied to a market effect from those
13 Plaintiffs who have not experienced a safety defect. This line of reasoning begins
14 with the proposition that buyers’ remorse is insufficient to confer standing. Merely
15 alleging that a car is an overpriced “lemon” is insufficient when there are no
16 allegations of a “malfunction” (as opposed to allegations of a “defect”). After all,
17 if Plaintiffs do not allege that they experienced a safety defect, do not allege that
18 they tried to sell or trade in the vehicle at a loss, and do not allege that they have
19 stopped using the vehicle owing to the safety defect, how plausible are allegations
20 of “overpayment, loss in value, or loss of usefulness”?¹¹ Under this logic,

21 _____
22 ¹¹ This question reveals one difference between the economic loss in
23 Kwikset and the loss alleged in this case. In Kwikset, plaintiffs essentially argued
24 that they were duped into buying a different type of lock: they thought they bought
25 a lock made in the U.S.A. (Lock X), but instead bought a lock that was not
completely made in the U.S.A. (Lock Y). In the Kwikset-type of allegation, the
overpayment injury does not depend on how the product functions because

1 allegations of overpayment would be plausible only if Plaintiffs presented an
2 additional, objective basis to substantiate their allegations of overpayment. For
3 example, the Court previously held the following allegation sufficiently alleges a
4 cognizable loss under Article III:

5
6 Plaintiff Richard Benjamin is a resident and citizen of Missouri. He
7 owns a 2007 Toyota Sienna. Mr. Benjamin began investigating a
8 trade of his 2007 Sienna for a 2011 Sienna just before the recalls were
9 made public. He has seen the trade-in value drop \$2,000 since the
10 recalls according to KELLEY BLUE BOOK, NADA GUIDE, and
11 Edmunds.com.

12
13 (MCC ¶ 35; Docket No. 510 at 24.) Although Mr. Benjamin did not state that he
14 experienced a safety defect, he plausibly established an economic loss by alleging
15 that he saw the trade-in value of his 2007 Toyota Sienna drop according to various
16 sources “once the recalls were made public.” In essence, Mr. Benjamin alleged an
17 objective basis to substantiate his overpayment injury based on the market effect of

18
19 “labels” and “brands” have independent economic value. Here, however, Plaintiffs
20 do not allege that they were duped into buying a different “type” of vehicle (i.e.,
21 they do not allege that they thought they bought a Toyota vehicle (Car X), but
22 instead bought a non-Toyota vehicle (Car Y)), but rather that they were duped into
23 buying a “defective” vehicle (i.e., they thought they bought a safe Toyota vehicle
24 (Car X), but instead bought a defective Toyota vehicle (Car X')). When the
25 economic loss is predicated solely on how a product functions, and the product has
not malfunctioned, the Court agrees that something more is required than simply
alleging an overpayment for a “defective” product. As explained, infra, that
“something more” could be allegations based on market forces. It could also be
based on sufficiently detailed, non-conclusory allegations of the product defect.

1 the safety defect. (See Docket No. 510 at 16.)

2
3 While factual allegations tying an economic loss to a “market effect” are
4 sufficient to establish an injury for standing purposes, they are not indispensable —
5 even for those Plaintiffs who have not experienced the safety defect.¹² As long as
6 Plaintiffs do not simply allege that their Toyota vehicles are “defective,” but rather
7 offer detailed, non-conclusory factual allegations of the product defect, the
8 economic loss injury flows from the plausibly alleged defect at the pleadings stage.

9
10 3. All Lead Plaintiffs Do Not Establish Standing Based on a
11 Credible Threat of Future Harm

12
13 In the Complaint, Plaintiffs allege:

14
15 Each of the plaintiffs who still own their vehicles face an increased
16 risk of future harm that would not be present if defendants had not
17 designed, manufactured and sold vehicles that had an unacceptable
18 increased propensity for SUA and which lack an adequate override/
19 fail-safe mechanism.

20
21 (¶ 428.) Based on this allegation, Plaintiffs argue that all lead Plaintiffs have
22
23

24 ¹² Although not relevant here, this proposition is supported by the fact that
25 not all products have an aftermarket. See Kwikset, 51 Cal. 4th at 332-34.

1 standing based on a credible threat of future harm.¹³ (See Docket No. 510 at 14
2 n.9.) The Court disagrees. Some lead Plaintiffs likely allege sufficient facts to
3 support standing on this basis. For example:

- 4
- 5 • Plaintiff Dale Baldisseri alleges that he “and his wife are afraid
6 to drive the Camry because of its SUA defect, so the vehicle has
7 remained parked since December 2009.” (¶ 35.)
- 8
- 9 • Plaintiff Connie A. Kamphaus alleges that she and her husband
10 “put the 2010 Camry in storage because they were afraid to
11 drive it, and they had to purchase a replacement vehicle.”
12 (¶ 54.)
- 13
- 14 • Plaintiffs John and Mary Ann Laidlaw “were afraid to drive the
15 vehicle” and “surrendered the vehicle by leaving it in the
16 dealer’s lot.” (¶ 56.)
- 17

18 Plaintiffs Baldisseri, Kamphaus, and Laidlaw not only allege that they were afraid
19 to drive their Toyota vehicles, but also allege that they stopped driving them as a
20 result of this fear. These allegations provide a factual basis to support a credible
21

22 ¹³ Plaintiffs made this argument at the April 29, 2011 hearing, but did not
23 explicitly make it in their Opposition. Although the Court concludes that all lead
24 Plaintiffs have standing based on the economic losses associated with the alleged
25 safety defect, the Court addresses this argument to make clear that it does not
accept this proffered basis for standing.

1 threat of future harm for these Plaintiffs. However, as discussed in the November
2 30, 2010 Order, general allegations of an “increased risk of future harm” are
3 insufficient for other lead Plaintiffs seeking to proceed as such. (Docket 510 at 27-
4 28.)

5
6 C. Conclusion as to Article III Standing

7
8 Accordingly, for the foregoing reasons, Plaintiffs sufficiently allege an
9 injury in fact to satisfy Article III standing. Plaintiffs bargained for safe, defect-
10 free vehicles, but instead received unsafe, defective vehicles. The overpayment for
11 the defective, unsafe vehicle constitutes an economic-loss injury that is sufficient
12 to confer standing.

13
14 IV. Standing to Assert UCL, FAL, and CLRA Claims

15
16 In its Motion, Toyota alleges that “*none* of the 50 named Plaintiffs have
17 standing to bring the CLRA, UCL, and FAL statutory claims (Counts I-III),
18 because they fail to sufficiently plead reliance and actual causation.” (Notice of
19 Motion to Dismiss at 2 (emphasis in the original).) However, Toyota has not
20 provided any legal argument or citation to the record in its Memorandum to
21 support this position. Given that the Court previously did not reach these issues,
22 but instead expressly noted that “the AMCC makes significant changes to the
23 named Plaintiffs’ allegations with respect to actual reliance, which may moot
24 Toyota’s concerns,” (Docket No. 510 at 31 & n.16), Toyota’s failure to support its
25

1 Motion with legal argument is inexplicable.¹⁴ On this basis alone, the challenges to
2 Plaintiffs’ standing under the UCL, FAL, and CLRA fails. See Local Rule 7-12
3 (“The failure to file any required paper, or the failure to file it within the deadline,
4 may be deemed consent to the granting or denial of the motion.”)
5

6 Additionally, the Court independently determines that Plaintiffs satisfy the
7 standing requirements under the UCL, FAL, and CLRA.
8
9
10
11
12

13 ¹⁴ Indeed, Toyota’s statements regarding this issue are internally
14 inconsistent. As noted above, although raising the issue of standing to assert UCL,
15 FAL, and CLRA claims in its Notice of Motion, Toyota fails to support its position
16 in its Memorandum of Points and Authorities. Notwithstanding this omission, and
17 presumably in response to the Notice of Motion, Plaintiffs understandably support
18 their own position on the issue. (See Opp’n at 2-4.) Thereafter, in the Reply,
19 Toyota criticizes Plaintiffs for “devot[ing] an entire section to arguing” against a
20 position it has not taken, only to again contend (in the same document), again
21 unsupported by legal argument or citation to authority, that Plaintiffs have failed to
22 allege injury pursuant to their UCL, FAL, and CLRA claims. (Compare Reply at
23 11 (“Nowhere in Toyota’s Motion, however, does it raise the injury-in-fact issue
24 under California law or what is required to sufficiently allege a claim under
25 California procedural law.”) with id. at 11 n.3 (“Plaintiffs likely fail to allege
injury under the California statutes as well, but Toyota does not raise that issue
here.”).) At the April 29, 2011 hearing, Toyota clarified that its intent was to
preserve in its Motion its prior position on these issues for appeal. Had there been
minor, non-material changes to the Complaint, or no changes at all, Toyota’s
position would be sensible. However, the Court does not find that the changes to
the Complaint were immaterial with respect to standing under the UCL, FAL, and
CLRA.

1 A. UCL and FAL

2
3 1. Plaintiffs Allege a Money or Property Loss

4
5 The UCL and FAL provide a private right of action only if Plaintiffs have
6 “suffered injury in fact and [have] lost money or property as a result of the unfair
7 competition.” Cal. Bus. & Prof. Code § 17204; Clayworth v. Pfizer, Inc., 49 Cal.
8 4th 758, 788 (2010). “[P]laintiffs who can truthfully allege they were deceived by
9 a product’s label into spending money to purchase the product, and would not have
10 purchased it otherwise, have ‘lost money or property’ within the meaning of
11 Proposition 64 and have standing to sue.” Kwikset, 51 Cal. 4th at 317; see also
12 Clayworth, 49 Cal. 4th at 788 (holding that overcharges paid as a result of a price-
13 fixing conspiracy were sufficient to support UCL standing); Von Koenig v.
14 Snapple Beverage Corp., 713 F. Supp. 2d 1066, 1078 (E.D. Cal. 2010) (holding
15 that the plaintiffs sufficiently alleged injury under the UCL, FAL, and CLRA by
16 asserting that the product they received was worth less than what they paid for it
17 owing to defendants’ misleading labels).

18
19 Here, all Plaintiffs allege that they relied on Toyota’s representations about
20 safety and reliability when purchasing their Toyota vehicles. (See ¶¶ 34-69.) All
21 allege that they would have made a different purchasing decision had it been
22 disclosed that Toyota vehicles could accelerate suddenly and dangerously out of
23 the driver’s control and lacked a fail-safe mechanism to overcome this. (See id.)
24 Because Plaintiffs allege that they would have made a different purchasing
25

1 decision but for Toyota’s misrepresentations, Plaintiffs have lost “money or
2 property” within the meaning of the UCL and FAL. Kwikset, 51 Cal. 4th at 317.

3
4 2. Plaintiffs Allege Actual Reliance

5
6 When claims are based on fraudulent or unlawful conduct, Plaintiffs “must
7 plead and prove actual reliance to satisfy the standing requirement” of the UCL
8 and FAL. In re Tobacco II Cases, 46 Cal. 4th 298, 328 (2009); Hale v. Sharp
9 Healthcare, 183 Cal. App. 4th 1373, 1385 (2010) (concluding that the reasoning of
10 Tobacco II applies to the “unlawful” prong of the UCL when the predicate
11 unlawful conduct is misrepresentation). Reliance is established by pleading that
12 “the plaintiff ‘in all reasonable probability’ would not have engaged in the
13 injury-producing conduct” but for defendants’ misrepresentations or omissions.
14 Tobacco II Cases, 46 Cal. 4th at 326 (quoting Mirkin v. Wasserman, 5 Cal. 4th
15 1082, 1110-11 (1993)). Plaintiffs are not required to plead that the fraudulent
16 conduct was the only, predominant, or even decisive factor in influencing their
17 conduct, but they must plead that it “played a substantial part, and so had been a
18 substantial factor” in influencing the decision. Id. (quoting Engalla v. Permanente
19 Med. Group, Inc., 15 Cal. 4th 951, 976-77 (1997)).

20
21 A presumption of reliance “arises wherever there is a showing that a
22 misrepresentation was material.” In re Tobacco II, 46 Cal. 4th at 327 (quoting
23 Engalla, 15 Cal. 4th at 976-77). “A misrepresentation is judged to be ‘material’ if
24 ‘a reasonable man would attach importance to its existence or nonexistence in
25

1 determining his choice of action in the transaction in question.” Id. (quoting
2 Engalla, 15 Cal. 4th at 976-77). When “misrepresentations and false statements
3 were part of an extensive and long-term advertising campaign,” Plaintiffs need not
4 “demonstrate individualized reliance on specific misrepresentations or false
5 statements.” Id.

6
7 Here, all Plaintiffs allege that they saw advertisements for Toyota vehicles
8 on television, in the news, on billboards, in brochures at the dealership, on the
9 Internet, and/or on banners in front of the dealership that touted the safety and
10 reliability of the vehicles. (See ¶¶ 34-69.) All allege that they would have made a
11 different purchasing decision had it been disclosed that Toyota vehicles could
12 accelerate suddenly and dangerously out of the driver’s control and lacked a
13 fail-safe mechanism to overcome this. (See id.) Because Plaintiffs allege that they
14 would have made a different purchasing decision but for Toyota’s
15 misrepresentations, Plaintiffs satisfy the actual reliance requirement under the UCL
16 and FAL.

17
18 Furthermore, actual reliance may be presumed because the alleged SUA
19 defect is material. As discussed more fully in the Court’s November 30, 2010
20 Order, the propensity of a vehicle to accelerate suddenly and dangerously out of
21 control is material to a reasonable person, which satisfies the causation requirement
22 under the UCL and FAL.¹⁵ (Docket No. 510 at 42, 81-86.)

23
24 ¹⁵ In the previous round of briefing for the MCC, Toyota argued that “a
25 presumption of reliance is limited to securities fraud claims and, even then,
confined to claims alleging fraudulent omissions.” (Docket No. 450 at 8.) Toyota

1 Accordingly, Plaintiffs satisfy the standing requirements under the UCL and
2 FAL.

3
4 B. CLRA

5
6 Under the CLRA, consumers must allege that they suffered damages “as a
7 result of the use or employment by any person of a method, act, or practice
8 declared to be unlawful” pursuant to the statute. Cal. Civ. Code § 1780. “An
9 inference of reliance would arise as to the entire class” as long as “material
10 misrepresentations were made to the class members.” Mass. Mutual Life Ins. Co.
11 v. Superior Court, 97 Cal. App. 4th 1282, 1292 (2002). “Materiality of the alleged
12 misrepresentation generally is judged by a reasonable man standard,” meaning that
13 “a misrepresentation is deemed material if ‘a reasonable man’ would attach
14 importance to its existence or nonexistence in determining his choice of action in
15 the transaction in question.” In re Steroid Hormone Prod. Cases, 181 Cal. App. 4th
16 145, 157 (2010) (quoting Engalla, 15 Cal. 4th at 977) (internal quotation marks
17 omitted).

18
19 _____
20 cited Poulos v. Caesars World, Inc., 379 F.3d 654, 666-67 (9th Cir. 2004), and
21 Gartin v. S & M NuTec LLC, 245 F.R.D. 429, 438 (C.D. Cal. 2007), to support
22 this proposition. Poulos discussed a “presumption of reliance” in the context of
23 civil RICO claims. 379 F.3d at 666-67. Whether the plaintiffs in Poulos were
24 entitled to a “presumption of reliance” in a civil RICO action has little bearing on
25 whether Plaintiffs here are entitled to a presumption under the UCL and FAL. As
to Gartin, the court discussed a “presumption of reliance” in the context of
common law fraud — not as it relates to standing under the UCL or FAL. 245
F.R.D. at 438. Moreover, Gartin was decided two years before the California
Supreme Court stated that a presumption of reliance arises as long as the
misrepresentation was material. In re Tobacco II, 46 Cal. 4th at 327.

1 Here, as discussed supra, Plaintiffs sufficiently allege a material
2 misrepresentation: the propensity of a vehicle to accelerate suddenly and
3 dangerously out of control is material to a reasonable person. (See also Docket No.
4 510 at 42, 81-86.) This satisfies the actual causation and reliance requirements for
5 purposes of the CLRA.

6
7 Accordingly, Plaintiffs satisfy the standing requirements under the CLRA.

8
9 V. Rule 12(b)(6) and Rule 12(f) Standards

10
11 A. Motion to Dismiss Pursuant to Rule 12(b)(6)

12
13 In addition to challenging Plaintiffs' standing to assert their claims, Toyota
14 moves to dismiss all claims for failure to state a claim upon which relief can be
15 granted pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure.
16 Pursuant to Rule 12(b)(6), a plaintiff must state "enough facts to state a claim to
17 relief that is plausible on its face." Twombly, 550 U.S. at 570. A claim has "facial
18 plausibility" if the plaintiff pleads facts that "allow[] the court to draw the
19 reasonable inference that the defendant is liable for the misconduct alleged." Iqbal,
20 129 S. Ct. at 1949.

21
22 In resolving a Rule 12(b)(6) motion under Twombly, the Court must follow
23 a two-pronged approach. First, the Court must accept all well-pleaded factual
24 allegations as true, but "[t]hread-bare recitals of the elements of a cause of action,
25

1 supported by mere conclusory statements, do not suffice.” Iqbal, 129 S. Ct. at
2 1949. Nor must the Court ““accept as true a legal conclusion couched as a factual
3 allegation.”” Id. at 1949-50 (quoting Twombly, 550 U.S. at 555). Second,
4 assuming the veracity of well-pleaded factual allegations, the Court must
5 “determine whether they plausibly give rise to an entitlement to relief.” Id. at
6 1950. This determination is context-specific, requiring the Court to draw on its
7 experience and common sense; there is no plausibility ““where the well-pleaded
8 facts do not permit the court to infer more than the mere possibility of
9 misconduct.”” Id.

10
11 B. Motion to Strike Pursuant to Rule 12(f)

12
13 Under Rule 12(f), a party may move to strike from a pleading an insufficient
14 defense or any redundant, immaterial, impertinent, or scandalous matter. Fed. R.
15 Civ. P. 12(f). The grounds for a motion to strike must appear on the face of the
16 pleading under attack, or from matters which the Court may take judicial notice.
17 SEC v. Sands, 902 F. Supp. 1149, 1165 (C.D. Cal. 1995). The essential function
18 of a Rule 12(f) motion is to “avoid the expenditure of time and money that must
19 arise from litigating spurious issues by dispensing with those issues prior to trial.”
20 Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1527 (9th Cir. 1993); Sidney-Vinsein v.
21 A.H. Robins Co., 697 F.2d 880, 885 (9th Cir. 1983). Where a party moves to
22 strike a prayer for damages on the basis that the damages sought are precluded as a
23 matter of law, the request is more appropriately examined as a motion to dismiss.
24 See Whittlestone, Inc. v. Handi-Craft Co., 618 F.3d 970, 974-75 (9th Cir. 2010)

1 (“We therefore hold that Rule 12(f) does not authorize district courts to strike
2 claims for damages on the ground that such claims are precluded as a matter of
3 law.”).

4
5 VI. Plaintiffs’ CLRA, UCL, and FAL Claims (First, Second, and Third Causes
6 of Action)

7
8 Toyota argues that the CLRA claim should be dismissed because Plaintiffs
9 have failed to “sufficiently plead a duty to disclose material facts under the CLRA”
10 and because “Plaintiffs fail to satisfy the heightened pleading requirements for Fed.
11 R. Civ. P. 9(b).” (Notice of Motion to Dismiss at 3.) Toyota also seeks to dismiss
12 the FAL claim because Plaintiffs “fail to sufficiently allege any representations or
13 omissions that are likely to deceive as a matter of law” and because it believes that
14 Plaintiffs have failed to satisfy the heightened pleading requirements of Rule 9(b).
15 (Id.) The Court has already made a determination about the pleading requirements
16 of 9(b), finding that the fraud allegations “are properly pled under Rule 9(b).”
17 (Docket No. 510 at 39.) Nothing in the Complaint disturbs this finding.

18
19 To the extent Toyota seeks to dismiss these two claims because Plaintiffs fail
20 to plead a duty to disclose material facts, representations or omissions, they have
21 not supported these specific arguments in their Memorandum. (Docket No. 736.)
22 Therefore, Toyota’s Motion to Dismiss on this point is denied. More importantly,
23 however, the Court has already determined that Plaintiffs allege viable claims
24 under the CLRA and the FAL. (Docket No. 510 at 39-43, 47-49.)

1 The thrust of Toyota’s present argument, therefore, lies with its Motion to
2 Strike, in which Toyota asks the Court to strike two references to the TREAD Act,
3 which is part of Plaintiffs’ first cause of action for violations of the CLRA.¹⁶
4 Toyota moves to strike the following: “. . . and by selling vehicles while violating
5 the TREAD Act” and “. . . selling vehicles in violation of the TREAD Act.”
6 (¶ 422.) Toyota also provides notice that it seeks to strike other parts of the
7 Complaint, such as requests for damages and punitive damages pursuant to the
8 CLRA claim,¹⁷ but the Court does not address such issues since they are not
9 addressed in the Memorandum.

10
11 The TREAD Act was enacted in 2000. The Act creates “early warning
12 reporting requirements,” in which automobile manufacturers must submit various
13
14

15
16 ¹⁶ The TREAD Act forms a viable basis for recovery under the “unlawful”
17 prong of the UCL (see ¶ 449), and neither party contests this. (Defs.’ Mem. at 20-
18 22 (no reference to TREAD Act as basis for contesting the UCL claim); Opp’n at
19 20 (TREAD Act violations “independently relevant to this litigation for purposes
of [P]laintiffs’ UCL claim”); Reply at 16 (“Toyota is only seeking to strike the
TREAD Act allegations from Plaintiffs’ CLRA claim.”).)

20 ¹⁷ Toyota moves to strike statutory damages provisions under the CLRA in
21 paragraphs 433 and 434, and punitive damages in paragraphs 437 and 438. (Notice
of Motion to Strike at 2-3.) Additionally, Toyota moves to strike language from
22 paragraphs 442, 450, and 451, addressing violations under the UCL. (*Id.* at 3.) As
23 noted previously, the Court declines to rule on this request because Toyota has not
24 provided argument to support its motion to strike as to these paragraphs. What is
25 more, these appear to be identical to the requests the Court denied in its last order.
(Compare Docket No. 328 at 1-2, with Docket No. 735 at 2-3; see also Docket No.
510 at 49-50.)

1 types of data¹⁸ to NHTSA. See, e.g., 49 U.S.C. § 30166(m); id. at (m)(3)(A).
2 Specifically, automobile manufacturers must submit, within five days of initiating
3 a foreign recall on equipment identical or substantially similar to a motor vehicle
4 or motor vehicle equipment offered for sale in the United States, a report to

5 _____
6 ¹⁸ Section 30166(m)(3)(A) provides:

7 As part of the final rule promulgated under paragraph (1), the Secretary
8 shall require manufacturers of motor vehicles and motor vehicle
9 equipment to report, periodically or upon request by the Secretary,
10 information which is received by the manufacturer derived from
11 foreign and domestic sources to the extent that such information may
12 assist in the identification of defects related to motor vehicle safety in
13 motor vehicles and motor vehicle equipment in the United States and
14 which concerns . . . (i) data on claims submitted to the manufacturer for
15 serious injuries (including death) and aggregate statistical data on
16 property damage from alleged defects in a motor vehicle or in motor
17 vehicle equipment; or (ii) customer satisfaction campaigns, consumer
18 advisories, recalls, or other activity involving the repair or replacement
19 of motor vehicles or items of motor vehicle equipment.

16 Id.

17 Section 30166(m)(3)(C) provides:

18 The manufacturer of a motor vehicle or motor vehicle equipment shall
19 report to the Secretary, in such manner as the Secretary establishes by
20 regulation, all incidents of which the manufacturer receives actual
21 notice which involve fatalities or serious injuries which are alleged or
22 proven to have been caused by a possible defect in such manufacturer's
23 motor vehicle or motor vehicle equipment in the United States, or in a
24 foreign country when the possible defect is in a motor vehicle or motor
25 vehicle equipment that is identical or substantially similar to a motor
26 vehicle or motor vehicle equipment offered for sale in the United
27 States.

25 Id.

1 NHTSA. 49 U.S.C. § 30166(l)(1).¹⁹

2

3 Plaintiffs allege that on September 29, 2009, Toyota issued to distributors in
4 thirty-one European countries a Technical Instruction (“TI”), identifying “a
5 production improvement and repair procedure to address complaints by customers
6 in those countries of sticky accelerator pedals, sudden engine RPM increases
7 and/or sudden vehicle acceleration. No disclosure of this TI was made to
8 consumers or regulators in the U.S.” (§ 288.) Plaintiffs allege that on January 19,
9 2010, “two days before initiating its safety-related recall on the sticky pedal issue,”
10 Toyota met with NHTSA, at NHTSA’s request, to “describe and discuss the sticky
11 pedal phenomenon in Europe and the United States. Toyota continued to sell
12 vehicles containing a safety-related defect between initiation of its European action
13 on September 29, 2009, and its stop sale order issued in the United States on
14 January 26, 2010.” (§ 293.) Plaintiffs allege that “[b]y failing to disclose and
15 actively concealing the SUA defect and the lack of adequate fail-safe mechanisms .
16 . . and by selling vehicles while violating the TREAD Act,” Toyota engaged in
17 deceptive business practices prohibited by the CLRA including “selling vehicles in
18 violation of the TREAD Act.” (§ 422.)

19

20 ¹⁹ Section 30166(l)(1) provides:

21

22

23

24

25

Not later than 5 working days after determining to conduct a safety recall or other safety campaign in a foreign country on a motor vehicle or motor vehicle equipment that is identical or substantially similar to a motor vehicle or motor vehicle equipment offered for sale in the United States, the manufacturer shall report the determination to the Secretary.

Id.

1 Toyota argues that the TREAD Act allegations are “wholly immaterial and
2 unnecessary” and should be stricken. (Defs.’ Mem. at 21.) Toyota argues that
3 only active misrepresentations can give rise to a CLRA claim, and here, Plaintiffs
4 do not allege “that Toyota made any misrepresentations to consumers with respect
5 to the TREAD Act.” (Defs.’ Mem. at 21.) Toyota argues that Plaintiffs must
6 allege “when, where or how TREAD Act regulations were communicated to
7 consumers in connection with the sale of Toyota vehicles,” and that Plaintiffs “are
8 required to allege a deceptive or misleading representation to consumers regarding
9 relevant TREAD Act standards” in order to “deem[] pertinent or material” the
10 TREAD Act allegations to the CLRA claim. (Defs.’ Mem. at 21-22; see also
11 Reply at 17-18.²⁰) Toyota also argues that Plaintiffs cannot bring a CLRA claim
12 on the basis of the TREAD Act because the Act requires the manufacturer make
13 disclosures to NHTSA, not the public, and therefore the public cannot be misled by
14 disclosures to NHTSA. (Reply at 18.) Toyota argues that the TREAD Act does
15 not impose a duty on Toyota to “disclose information to the public that could form
16 the basis of a CLRA claim.” (Id. at 19.)

17
18 Plaintiffs argue that the TREAD Act violations are actionable under a theory
19 of fraudulent omission. (Opp’n at 21.) They also argue that Toyota “had a duty to
20 disclose its violations of the TREAD Act to consumers while selling and
21

22 ²⁰ Notwithstanding Toyota’s discussion of Daugherty v. Am. Honda Motor
23 Co., 144 Cal. App. 4th 824, 835 (2006), and Bardin v. DaimlerChrysler Corp., 136
24 Cal. App. 4th 1255, 1276 (2006) (discussed in Reply at 17-18), the Court holds, as
25 it has before, that a fraudulent omission is a basis for a CLRA claim. (Docket No.
510 at 43.)

1 advertising defective vehicles.” (Id.) Plaintiffs contend that they have alleged
2 materiality already, and that violations of the TREAD Act — “a nondisclosure
3 about safety considerations of consumer products” — are material. (Id. at 22.)
4 During the hearing, counsel for Toyota argued that whether Toyota issued a recall
5 in Europe would not be material to consumers. The Court disagrees, noting, as
6 Plaintiffs did in their Opposition, “[t]he fact that Toyota was in violation of federal
7 law for failure to report safety-related information would be material to a
8 reasonable consumer.” (Opp’n to Motion to Strike at 1.) Toyota’s approach to the
9 CLRA is simply too narrow; the Court sees no reason not to allow allegations
10 regarding the TREAD Act to be part of a CLRA claim, especially when Toyota has
11 not shown that this language is redundant, immaterial, impertinent or scandalous.
12 Toyota did not take up this argument during the hearing, instead arguing that the
13 CLRA does not “borrow” causes of action from other statutes as the UCL does.
14 This argument is unavailing, as Plaintiffs have alleged a violation of the CLRA
15 based on a duty to disclose material information. The fact that Toyota had a duty
16 to disclose to NHTSA rather than consumers does not exonerate the statutory duty
17 to disclose material facts to consumers.

18
19 Plaintiffs also argue that Toyota had a duty to disclose its “non-compliance”
20 because it had exclusive knowledge about whether it had complied with the statute;
21 it “actively concealed its non-compliance from the public and from NHTSA”; and
22 it made representations about product safety “while failing to disclose that it was
23 violating the TREAD Act.” (Id. at 22.) The Court agrees. The TREAD Act
24 protects consumers through NHTSA, and allegations that Toyota did not comply
25

1 with the reporting requirements support the contention that Toyota did not comply
2 with another consumer protection statute, the CLRA.

3
4 As this Court has already recognized, Plaintiffs allege a CLRA claim based
5 on fraudulent omissions. Here, they simply add an additional basis for their claim,
6 violations of the TREAD Act. Toyota has not shown that the phrases it wishes to
7 strike are redundant, immaterial, impertinent, or scandalous, nor has Toyota shown
8 how it will be prejudiced by the inclusion of the TREAD Act in the CLRA claim,
9 because evidence of violations will be relevant under the UCL. (Opp'n to Motion
10 to Strike at 1.)

11
12 Accordingly, the Court finds that Toyota has not established that Plaintiffs'
13 references to the TREAD Act in the CLRA claim should be stricken. The Court
14 has already ruled on the other requests to strike the damages claims. Moreover,
15 Toyota has also failed to show that the CLRA claim or the FAL claim should be
16 dismissed. Therefore, the Motion to Dismiss the CLRA and FAL claims and the
17 Motion to Strike the CLRA claims and other language in the Notice of Motion are
18 denied.

19
20 VII. Express and Implied Warranties (Fourth and Fifth Causes of Action)

21
22 A. Express Written Warranty

23
24 In its November 30, 2010 Order, the Court made a number of rulings
25

1 regarding Plaintiffs’ express warranty claims, which consist of two separate and
2 distinct types of claims: one based on the express written warranty and another
3 based on express statements made by the Toyota Defendants in advertising and
4 marketing materials.

5
6 In the Court’s November 30, 2010 Order, the Court dismissed with prejudice
7 as outside the scope of the written warranty all claims based on design defects
8 rather than defects in materials and workmanship.²¹ (Id. at 57-59.)

9
10 The Court also held that those claims based on defects in materials and
11 workmanship could be asserted by Plaintiffs who sought repairs pursuant to the
12 recalls or SUA-related issues during the warranty period (id. at 51), but expressly
13 rejected the argument that the latent nature of the alleged defect excused
14 compliance with a contractual requirement that repair be sought during the
15 warranty period (id. at 52-55).

16
17 In repleading this claim, Plaintiffs appear to seek partial clarification or
18

19 ²¹ In its November 30, 2010 Order, the Court rejected the notion that
20 Plaintiffs failed to allege defects in materials and workmanship, id. at 59, and the
21 Court rejects a similar argument raised by the Toyota Defendants here. (See Defs.’
22 Mem. at 7-9; cf. ¶ 350(1)(h) (referring to “the failure to design, assemble and
23 manufacture the ETCS-i wiring harnesses in such a way as to prevent mechanical
24 and environmental stresses from causing various shorts and faults, including
25 resistive faults which, in turn, sometimes cause sensor outputs consistent with a
request by the driver to fully open the throttle”), ¶ 475 (newly pled allegations that
“defendants failed to assemble and manufacture the ETCS-i in such a way as to
prevent SUA events”).)

1 partial reconsideration of the Court’s ruling. Specifically, Plaintiffs make
2 allegations that are contrary to the Court’s ruling dismissing with prejudice certain
3 breach of express written warranty claims by repleading claims by Plaintiffs “who
4 neither sought repairs pursuant to the recalls nor sought repairs for SUA-related
5 issues” (*id.* at 55), and by adding allegations that the seeking of repairs would have
6 been futile. (See ¶¶ 472, 478 (noting the futility of presenting a vehicle for repair
7 in light of allegations that “the repairs Toyota offers do not fix all causes of SUA
8 or prevent SUA”), 473 (pedal recall and brake-override “confidence booster”
9 excluded many models).)

10
11 Seeking repair under the express written warranty is a contractual obligation.
12 (See Docket 510 at 51.) Plaintiffs’ argument that the futility of seeking a repair
13 should excuse their nonperformance of this obligation implicates the latent nature
14 of the alleged defect(s). Certainly, the existence of a latent defect (which by
15 definition is difficult or impossible to ascertain) is far more susceptible to being
16 overlooked or being denied than is a non-latent defect. Thus, it is the latency of the
17 alleged defect(s) that leads to the alleged futility. The Court has already discussed
18 at length why, under California law, the latency of a defect in an automobile does
19 not excuse compliance with the contractual obligation to present the vehicle for
20 repair under an express written warranty. (See Docket No. 510 at 52-55.) The
21 Court declines to revisit this holding; futility arising from the latent nature of the
22 alleged defect(s) does not excuse compliance with the requirement that repair of a
23 vehicle be sought within the warranty period.

1 The parties’ arguments, however, demonstrate that points of clarification are
2 in order. First, it appears to the Court that its definition of “recalls” should include
3 the “confidence booster,” in light of allegations tending to suggest the brake-
4 override “confidence booster” was a lukewarm response to SUA-related events
5 requiring a more aggressive response, such as a full-scale safety recall. (See ¶¶ 17,
6 239, 351-367.) Thus, Plaintiffs who sought adjustment of their vehicles and/or
7 installation of the “confidence booster” fall within the broad category of “Plaintiffs
8 who . . . sought repairs pursuant to the recalls.”²² (Docket No. 510 at 55.)
9 Therefore, Plaintiffs may assert claims based on the express written warranty if
10 they sought out the “confidence booster” during the warranty period.

11
12 Next, the Court disagrees that Plaintiffs who contacted Toyota dealers to the
13 dealer replacement or repurchase of the vehicle fall into either category of
14 Plaintiffs entitled to assert a breach of express written warranty claim. Although
15 this argument is not without appeal (in that these Plaintiffs are essentially
16 requesting the ultimate repair — a completely defect-free vehicle), see Opp’n at
17 14-15, it must be viewed in the context of the specific contractual obligation at
18 issue. Replacement or repurchase of the vehicle is not a remedy permitted by the
19 relevant express written warranty. (See Docket No. 510 at 51.) Rather, the only
20 remedy under the express written warranty is “repair or adjustment.” Id. The

21 _____
22 ²² Those Plaintiffs also fall into the more general category of Plaintiffs who
23 “sought repairs for SUA-related issues.” (Docket No. 510 at 55.) Although the
24 brake-override confidence booster was not designated by Toyota as a “repair,” it
25 would undoubtably fall into the broader category of an “adjustment.” (See id. at 51
(quoting the remedy provision of the warranty: “[t]he performance of repairs and
adjustments is the exclusive remedy under these warranties.”) (emphasis added).)

1 claims for breach of the express written warranty made by Plaintiffs who sought
2 only replacement or repurchase of their vehicles are dismissed with prejudice.

3
4 Plaintiffs seek clarification whether certain Plaintiffs (i.e., Rocco and Bridie
5 Doino, Barry and Vicki Karlin, and Barbara Saunders (¶¶ 44, 55, 63)) are excused
6 from presenting their vehicles for repair or adjustments because their vehicles were
7 “totaled in SUA-related incidents.” (See Opp’n at 15.²³) In Plaintiffs’ view, these
8 occurrences rendered performance impossible and therefore excused their
9 performance. Id. In response, Defendants merely note that these Plaintiffs, like
10 those who sought replacement or refund, failed to “seek repair” as required by the
11 terms of the warranty. (Reply at 4.)

12
13 California law has long recognized that impossibility of performance will
14 excuse a party’s performance under a contract. Mineral Park Land Co. v. Howard,
15 172 Cal. 289, 291 (1916) (recognizing that impossibility, but not mere difficulty,
16 excuses a party’s performance). However, even accepting Plaintiffs’ argument,
17 their view overlooks the inescapable conclusion that Toyota’s performance under
18 the warranty, which is limited to “repair or adjustment” is, as applied to a totaled
19 vehicle, likewise impossible, excusing Toyota’s performance as well. Thus,

20
21 ²³ Plaintiffs do not define the description of “totaled” in either the
22 Complaint or the Opposition, but the Toyota Defendants do not raise any concerns
23 regarding the lack of clarity. In this context, it appears that Plaintiffs allege vehicle
24 damage beyond repair or, at the very least, costs of repair exceeding vehicle book
25 value. (See 18 Oxford English Dictionary 287 (2d ed. 1989 (reprinted 2001))
(defining “total” as a verb meaning “[t]o damage beyond repair (esp. a motor
vehicle, in an accident)”)).)

1 applying the doctrine advocated by Plaintiffs, because of the exclusive remedy of
2 “repair or adjustment,” Plaintiffs who have totaled their vehicles — which by
3 definition cannot be repaired — have no claim under the express written warranty.
4

5 This conclusion is further compelled by the fundamental reason that the
6 express written warranties (filed by Toyota in connection with the previous Motion
7 to Dismiss) reveal that there is no warranty coverage for totaled vehicles.
8 Specifically, the exemplar warranties set forth provisions explicitly excluding
9 coverage for losses such as those incurred by these Plaintiffs. Toyota’s warranties
10 exclude coverage for “any vehicle that has ever been . . . declared a ‘total loss’ or
11 equivalent by a financial institution or insurer, such as by payment for a claim in
12 lieu of repairs because the cost of repairs exceeded the cash value of the vehicle.”
13 (Gilford Decl. Ex. B at 26 (2010 Camry Warranty) (Docket No. 330-2 at 17); id. at
14 109 (2007 LEXUS Warranty) (Docket No. 330-3 at 23) (identical provision); id. at
15 183 (2002 Toyota Owner’s Warranty Information) (Docket No 330-4 at 14)
16 (identical provision); see also Gilford Decl. ¶ 3 (representing Ex. B as “exemplary
17 of Plaintiffs’ warranties”).) Plaintiffs who totaled their vehicles have no claim for
18 breach of express written warranty, and those claims are dismissed with prejudice.
19

20 Thus, applying the Court’s previous rulings, as well as the ones set forth
21 herein, the following Plaintiffs’ claims based on the breach of express written
22 warranty remain viable: Consumer Plaintiffs Fitzgerald (¶ 47), Heidenrich (¶ 53),
23 Kamphaus (¶ 54), Perkins (¶ 59), and non-consumer Plaintiff Auto Lenders
24 Liquidation Center, Inc. (“Auto Lenders”) (¶ 84). (See Berman Decl. (Docket No.
25

1 871-2), Ex. B at 1.)

2
3 Finally, it bears reiteration that the Court has made separate rulings
4 regarding the two types of express warranty claims: The first type of claim is
5 based on the express written warranties covering the vehicles, and the second type
6 of claim is based on statements made by Toyota regarding the safety and
7 performance of their vehicles. (Compare Docket 510 at 50-61 with id. at 61-64.)
8 The present Order does not meant in any way to disturb that distinction.²⁴

9
10 In the related Motion to Strike, the Toyota Defendants move to strike a
11 number of allegations, including language regarding the scope of the remedies
12 available for breach of express warranty and Toyota's knowledge of the alleged
13 defects. (See Notice of Motion to Strike at 4-5 (moving to strike ¶¶ 474, 476, 477,
14 481 (related to scope of remedies), ¶¶ 475, 480 (related to Toyota's knowledge)).)
15 The Court has dismissed with prejudice Plaintiffs' revocation claim and therefore
16 strikes the reference to remedies available for revocation of acceptance (¶ 477).
17 The remainder of the Motion to Strike the above-referenced paragraphs is not
18 supported by argument in the Memorandum in Support; thus, the Court otherwise
19 denies the Motion to Strike.

20
21
22 _____
23 ²⁴ Toyota's moving papers do not address the pleading sufficiency of the
24 second type of express warranty claim. The Court declines to consider the
25 arguments raised for the first time in the Reply. (See Reply at 6 (contending that
Plaintiffs fail to adequately allege exposure to Toyota's advertisements); but see
Notice of Motion to Dismiss (Docket No. 734) at 4-5 (referring to the argument).)

1 B. Implied Warranty

2
3 In its November 30, 2010 Order, the Court denied the Motion to Dismiss the
4 implied warranty claims.

5
6 Although stopping short of filing a Motion for Reconsideration under this
7 Court's Local Rules, see L.R. 7-18(b), and without much elaboration, Toyota
8 "requests" that the Court "reexamine" Plaintiffs' implied warranty claims in light
9 of a recently decided Central District case, Webb v. Carter's, Inc., __F.R.D.__, No.
10 CV 08-7367 GAF, 2011 WL 343961, at *8 (C.D. Cal., Feb. 3, 2011). (Defs.'
11 Mem. at 9 n.7.) In Webb, the court relied on Hicks v. Kaufman & Broad Home
12 Corp., 89 Cal. App. 4th 908 (2001), for the proposition that "a plaintiff can recover
13 for breach of an implied warranty only if the product 'contains an inherent defect
14 which is substantially certain to result in malfunction during the useful life of the
15 product.'" Webb, 2011 WL 343961, at *8 (quoting Hicks, 89 Cal. App. 4th. at
16 918). Webb does not represent new legal authority justifying reconsideration
17 under L.R. 1-18(b). Instead, it merely applies a ten-year old California Court of
18 Appeal decision that this Court also relied upon in its November 30, 2010 Order.
19 The Court declines Toyota's "request."

20
21 Moreover, although purporting to move to dismiss the implied warranty
22 claim for, inter alia, lack of privity and sufficiency of allegations regarding vehicle
23 malfunction, Toyota discusses the sufficiency of the implied warranty claim in its
24 Memorandum only insofar as the claim applies to two non-consumer Plaintiffs.

1 (Compare Notice of Motion to Dismiss (Docket No. 734) at 5 with Defs.’ Mem. at
2 11-13, 23; see also id. at 9 n.7 (discussed supra.) As noted at the outset of this
3 Order, the Court declines to undertake a broader analysis of the implied warranty
4 claim unguided by the moving parties’ arguments.

5
6 C. Ruling Regarding Warranty Claims

7
8 Thus, subject to the clarifications set forth above, the Court grants in part
9 and denies in part the Motion to Dismiss as to the warranty claims.

10
11 The Court strikes ¶ 477 of the Complaint, but denies the remainder of the
12 Motion to Strike regarding the express warranty claims.

13
14 VIII. Revocation of Acceptance (Sixth Cause of Action)

15
16 In the November 30, 2010 Order, the Court held that Plaintiffs may not
17 revoke acceptance against a non-seller manufacturer.²⁵ (Docket No. 510 at 71.)
18 However, the Court dismissed the claim without prejudice to allow Plaintiffs to
19 replead, if they so chose, that the relevant express written warranty “fail[s] of its
20 essential purpose” within the meaning of Cal Com. Code § 2719. (Docket No. 510

21
22 _____
23 ²⁵ Although dismissing the claim as to the majority of the Plaintiffs, the
24 Court permitted those non-consumer Plaintiffs who alleged they directly purchased
25 their vehicles from the manufacturer (the “direct purchasers”) to maintain this
claim. In the Opposition to the present Motion to Dismiss, Plaintiffs acknowledge
that they no longer allege any Plaintiff is a direct purchaser. (Opp’n at 23.)

1 at 74-75 & n.24.) Plaintiffs responded by pleading in the Complaint that the
2 revocation claim “is asserted to preserve the Count for appeal and Plaintiffs and the
3 Class understand the claim is dismissed.” (¶ 490.)
4

5 Thus, based on this repleading, despite some suggestion to the contrary
6 elsewhere in the record before the Court,²⁶ the Court treats the Complaint as
7 indicating an intent on the part of Plaintiffs to forego a claim based on a theory that
8 the warranties’ exclusive or limited remedies fail of their essential purpose within
9 the meaning of section 2-719 of the Uniform Commercial Code (Cal. Com. Code
10 § 2719).
11

12 The Court grants the Motion to Dismiss as to this claim. The revocation
13 claim, Plaintiffs’ sixth cause of action, is dismissed with prejudice as to all
14 Plaintiffs.
15
16
17
18

19 ²⁶ See, e.g., ¶ 472 (“[T]he limited warranty of repair and/or adjustments to
20 defective parts, fails in its essential purpose because the contractual remedy is
21 insufficient to make the Plaintiffs and Plaintiff Class whole and because the
22 Defendants have failed and/or have refused to adequately provide the promised
23 remedies within a reasonable time.”); ¶ 497 (“[T]he repair and adjust warranty has
24 failed of its essential purpose because Toyota cannot repair or adjust the Defective
25 Vehicles.”); Opp’n to Mot. to Strike (Docket No. 872) at 3 (“Moreover, the
damages limitation in . . . Toyota’s Warranty Manual is not enforceable because it
fails its essential purpose because Toyota has failed to adequately repair any
vehicles.”).

1 IX. Breach of Contract/Common Law Warranty (Eighth Cause of Action)

2
3 The Toyota Defendants move to strike all language setting forth the eighth
4 cause of action. The Court previously denied the Motion to Dismiss an identical
5 claim set forth in the MCC. (Docket No. 510 at 71 (noting that this claim was
6 properly pled in the alternative).) Moreover, Defendants present no legal argument
7 in support of unrelated portion of their Motion to Strike, which the Court now
8 denies.

9
10 X. Unjust Enrichment (Tenth Cause of Action)

11
12 In its November 30, 2010 Order, the Court dismissed Plaintiffs' claim for
13 unjust enrichment with prejudice because unjust enrichment is not a cause of action
14 in California. (Docket 510 at 87-88, 103.) Plaintiffs expressly state they re-assert
15 the unjust enrichment claim merely to preserve it for appeal. (¶ 532.) For the
16 reasons set forth in the November 30, 2010 Order, the Court again dismisses this
17 claim with prejudice.

18
19 XI. Auto Lenders Liquidation Center, Inc.

20
21 With the amendments set forth in the Complaint, Plaintiffs have added a new
22 non-consumer Plaintiff. (See ¶¶ 76-84.) Auto Lenders is described as “a residual
23 value insurer, guarantor and lease maturity vehicle liquidator,” as well as the
24 operator of “five New Jersey retail automobile dealerships and service centers.”
25

1 (¶ 76.)

2
3 Auto Lenders insured the residual value of a fleet of vehicles leased by non-
4 party Hann Financial Service Corporation (“Hann”), including vehicles alleged in
5 the Complaint to be affected by the SUA defect(s). (Id.) Auto Lenders saw
6 Toyota’s advertising regarding safety and reliability, and was influenced by those
7 advertisements to insure the residual values of the Hann fleet of vehicles. (Id.) Had
8 Auto Lenders been aware of the alleged defect(s), it either would not have insured
9 those values or would have guaranteed residual values at a lower amount. (Id.)

10
11 As part of its contractual arrangement with Hann, Auto Lenders takes
12 possession and ownership of vehicles for “reconditioning and sale.” (¶ 78.)

13
14 Before September 2009, Toyota vehicles had “predictably and consistently
15 maintained resale value,” which changed when the SUA tendency became publicly
16 known. (¶ 79.) On September 1, 2009, Auto Lenders had approximately 5,800
17 Toyota and Lexus vehicles “in inventory.” (¶ 80.) Over the next year, Auto
18 Lenders sold approximately 1,700 Toyota vehicles, and estimates its losses (as
19 measured between predicted value and sales revenue) at approximately \$5.5
20 million. (¶ 82.) During the same period, Auto Lenders sold approximately 900
21 Lexus vehicles, and estimates its losses at approximately \$5.9 million. (¶ 83.)
22 Transportation of vehicles subject to recalls cost Auto Lenders \$80 per vehicle for
23 a total of approximately \$43,000. (¶ 84.)

1 Although Toyota contends that the warranty claims of Auto Lenders should
2 be dismissed with prejudice because it “does not allege to have ever purchased or
3 leased a Toyota vehicle at issue in this case,” the allegations set forth in the
4 Complaint foreclose this argument. (See Defs.’ Mem. at 13; cf. ¶ 78.) The Court
5 denies the Motion to Dismiss the warranty claims of Auto Lenders. The Court’s
6 warranty rulings set forth in the November 30, 2010 Order apply to this new party.
7

8 XII. Availability of Injunctive Relief, Restitution and/or Restitutionary

9 Disgorgement

10
11 The Toyota Defendants move to strike Plaintiffs’ request for an injunction
12 requiring implementation of a fail-safe mechanism and Plaintiffs’ prayer for
13 restitution and/or restitutionary disgorgement, but have not addressed these issues
14 in their briefing. (Compare Notice of Motion to Strike at 6 with Defs.’ Mem.)
15 Furthermore, the Court previously denied Toyota’s motion to strike these requests
16 for relief. (Docket No. 510 at 88-101.) The Court denies the current Motion to
17 Strike the prayer for restitution and/or restitutionary disgorgement for the reasons
18 set forth therein.
19

20 XIII. Conclusion

21
22 The Court grants in part and denies in part the Motions to Dismiss and to
23 Strike. To the extent not expressly granted, the Motions are denied.
24
25

1 The Court denies the Request for Judicial Notice.

2
3 **IT IS SO ORDERED.**

4
5 Dated: May 13, 2011



6
7 JAMES V. SELNA
8 UNITED STATES DISTRICT JUDGE
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