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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

Plaintiff,

v.

TOYOTA MOTOR CORPORATION,
TOYOTA MOTOR NORTH AMERICA,
INC., TOYOTA MOTOR SALES, U.S.A.,
INC., and TOYOTA MOTOR
ENGINEERING & MANUFACTURING
NORTH AMERICA, INC.,

Defendants.

No. 21 Civ. ____ ()

JURY TRIAL DEMANDED

Plaintiff United States of America, by its attorney, Audrey Strauss, the Acting United States Attorney for the Southern District of New York, on behalf of the Administrator of the United States Environmental Protection Agency (“EPA”), alleges as follows:

NATURE OF THE ACTION

1. For a decade, from approximately 2005 to at least late 2015, Toyota Motor Corporation, Toyota Motor North America, Inc., Toyota Motor Sales U.S.A, Inc., and Toyota

Motor Engineering & Manufacturing North America, Inc. (collectively “Toyota”) systematically violated Clean Air Act automobile defect reporting requirements designed to protect public health and the environment from harmful air pollutants.

2. Clean Air Act regulations require manufacturers to notify EPA when twenty-five or more vehicles or engines in a given model year have the same defect in an emission control part or an element of design installed in order to comply with emission standards and other EPA regulations. They also require vehicle manufacturers to report to EPA when they perform a recall to correct defects in emission-related parts, and to update EPA on the progress of such recalls. These mandatory reporting requirements are central to the Clean Air Act’s purpose of protecting human health and the environment from harmful air pollutants: They encourage manufacturers to investigate and voluntarily address defects that may result in excess emissions of harmful air pollutants, and they provide EPA information regarding emission-related defects to use in its oversight of manufacturers’ compliance.

3. Toyota systematically violated these reporting requirements over the course of a decade. It materially delayed filing hundreds of reports about approximately 78 emission-related defects. Some reports were filed as late as eight years after they were due and only when Toyota finally disclosed its years of noncompliance to EPA. Toyota’s late filings related to potential defects in millions of vehicles.

4. This was not an oversight by Toyota. During the relevant period, Toyota managers and staff in Japan knew that the company was no longer taking the necessary steps to determine whether it was aware of twenty-five instances of the same emission-related defect—the threshold requirement for filing an Emission Defect Information Report, or “EDIR.” Rather than follow this legally required standard, Toyota decided to file EDIRs principally when it was independently

required to file distinct reports with California regulators under a less strict standard—a standard that EPA had rejected as too lenient when Toyota had previously proposed to rely on it for federal reporting. Time and again, Toyota managers and staff in Japan identified the discrepancy between the company’s procedures and the plain language of the federal requirements, but failed to bring Toyota into compliance. Moreover, Toyota’s American unit, responsible for actually submitting the reports to EPA, was well aware of red flags indicating Toyota’s noncompliance, but shut its eyes to the problem. As Toyota’s key U.S.-based employee wrote in one email: “As long as EPA is not asking about EDIR[s] then I do not want to change.”

5. A similar disregard for compliance is reflected in Toyota’s routine failure to file two other types of defect reports: “Voluntary Emissions Recall Reports,” or “VERRs,” which notify EPA of the existence and technical details of a manufacturer’s voluntary recall of emission-related parts, and “Quarterly Reports,” which inform EPA of the progress of a recall campaign. Toyota’s American office had reason to doubt that the Japanese decision-makers were satisfying VERR filing requirements, yet it did not cause Toyota to address the problem. And Toyota almost entirely failed to file Quarterly Reports during this period. In fact, between approximately 2009 and 2015, the only time that Quarterly Reports were filed for Toyota vehicles was when another manufacturer—a joint venture partner—advised Toyota of the need to do so and filed the forms for Toyota, after which Toyota continued ignoring the requirement for all other defects.

6. As a result of its conduct, Toyota deprived EPA of timely information regarding emission-related defects and recalls and avoided the early focus on emission-related defects contemplated by the regulations. Toyota’s reporting failures likely resulted in delayed or avoided performance of voluntary remedial actions, with Toyota obtaining a significant financial benefit,

pushing costs onto consumers, and lengthening the time that unrepaired vehicles with emission defects remained on the road.

7. The United States brings this civil action pursuant to Sections 204 and 205 of the Clean Air Act (the “Act”), 42 U.S.C. §§ 7523 and 7524, to address Toyota’s longstanding failure to maintain the emission defect reporting program required by the Clean Air Act and applicable regulations, for the imposition of civil penalties, and for injunctive relief.

JURISDICTION AND VENUE

8. This Court has subject-matter jurisdiction over this matter under Sections 203, 204 and 205 of the Act, 42 U.S.C. §§ 7523, 7524 and 7525, and under 28 U.S.C. §§ 1331, 1345 and 1355.

9. This Court has personal jurisdiction over each defendant.

10. Venue is proper in the Southern District of New York pursuant to Section 205 of the Act, 42 U.S.C. § 7524 and 28 U.S.C. § 1391(b) and (c).

THE PARTIES

11. Plaintiff is the United States of America. EPA is an agency of the United States of America.

12. Defendant Toyota Motor Corporation (“Toyota Motor Corp.” or “TMC”) is a publicly held Japanese automotive manufacturer headquartered in Toyota City, Japan. Assisted by its subsidiaries and affiliates worldwide, TMC designs, manufactures, assembles, and sells “Toyota” and “Lexus” brand vehicles, including vehicles sold in the Southern District of New York and including vehicles located in the Southern District of New York as to which Toyota failed to timely file mandatory defect reports as described herein. Toyota is registered on the New

York Stock Exchange and maintains its American Depository Shares in the Southern District of New York.

13. Defendant Toyota Motor North America, Inc. (“TMNA”) is a subsidiary of TMC incorporated in California. TMNA was headquartered in the Southern District of New York during most of the period relevant to this complaint, and continues to maintain a principal office in Manhattan. TMNA operates as a holding company of sales and manufacturing subsidiaries of TMC in the United States, and is responsible, among other things, for government and regulatory affairs and environmental matters for Toyota’s U.S. business. TMNA, in combination with other defendants, causes and has caused the design, manufacture, assembly, and sale of “Toyota” and “Lexus” brand vehicles, including vehicles sold in the Southern District of New York and including vehicles located in the Southern District of New York as to which Toyota failed to timely file mandatory defect reports as described herein. TMNA is a registered foreign business corporation with the New York State Department of State and has an authorized agent for accepting service of process in New York.

14. Defendant Toyota Motor Engineering & Manufacturing North America, Inc. (“TEMA”) was a subsidiary of TMC during most of the period relevant to this complaint. During that time, it was incorporated and maintained corporate offices in Kentucky. TEMA was consolidated with TMNA in January 2017 and its operations thereafter continued as part of TMNA. TEMA was responsible (and continues to be responsible as part of TMNA) for Toyota’s engineering, design, research and development, and, and manufacturing activities in the United States and elsewhere, including vehicles sold in the Southern District of New York and including vehicles located in the Southern District of New York as to which Toyota failed to timely file mandatory defect reports. TEMA’s Toyota Technical Center provided (and continues to provide

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