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14	STATE OF ARIZONA, ex rel. MARK	Case No.	
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15	BRNOVICH, Attorney General,	COMPLAINT	
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16 17 18	Plaintiff, v.  AMERICAN HONDA MOTOR CO., INC., a	COMPLAINT	
16 17 18 19	Plaintiff, v.	COMPLAINT	
16 17 18	Plaintiff, v.  AMERICAN HONDA MOTOR CO., INC., a California corporation, and HONDA OF AMERICA MFG., INC., an Ohio corporation.	COMPLAINT	
16 17 18 19 20	Plaintiff, v.  AMERICAN HONDA MOTOR CO., INC., a California corporation, and HONDA OF	COMPLAINT	
16 17 18 19 20 21	Plaintiff, v.  AMERICAN HONDA MOTOR CO., INC., a California corporation, and HONDA OF AMERICA MFG., INC., an Ohio corporation.	COMPLAINT	
16 17 18 19 20 21 22	Plaintiff, v.  AMERICAN HONDA MOTOR CO., INC., a California corporation, and HONDA OF AMERICA MFG., INC., an Ohio corporation.	COMPLAINT	

Plaintiff, State of Arizona, *ex rel*. Mark Brnovich, Attorney General ("the State") alleges the following for its Civil Complaint (the "Complaint") against Defendants American Honda Motor Co., Inc. and Honda of America Mfg., Inc. (collectively "Defendants" or "Honda"):

### I. INTRODUCTION

Beginning with model year 2001, Defendants began to use Takata airbag inflators in select models of Honda and Acura vehicles. The airbag inflators used phase-stabilized ammonium nitrate ("PSAN") as a propellant. Ammonium nitrate is well known in the engineering and scientific community as a volatile explosive that is sensitive to moisture and humidity. In fact, ammonium nitrate was the main ingredient in the truck bomb used in the 1995 Oklahoma City bombing. Nevertheless, Defendants placed these Takata PSAN-propelled airbag inflators into Honda and Acura vehicles. These inflators were dangerous and could rupture unexpectedly when vehicles were involved in an accident, causing shrapnel to fly out towards vehicle occupants. Indeed, such ruptures of Takata PSAN-propelled airbag inflators have caused at least 16 deaths to Honda or Acura vehicle occupants since 2004, including the June 2018 death of a Yuma man driving a 2002 Honda Civic and the August 2020 death of a Mesa woman driving a 2002 Honda Civic. In addition, such ruptures have caused numerous non-fatal injuries to other drivers and passengers of Honda and Acura vehicles.

Despite knowledge of these accidents and the known dangers of using ammonium nitrate as early as 2002, Honda persisted in using Takata airbags which utilized PSAN as a propellant until 2015. Honda also failed to disclose to dealerships and consumers that Honda and Acura vehicles contained Takata PSAN-propelled airbag inflators that were dangerous and potentially deadly, even after deaths and injuries related to these airbags began to mount. Although Honda employees raised concerns about these airbags for years, Honda failed to disclose this information to dealerships or to consumers purchasing new or used Honda and Acura vehicles. Honda knew or should have known that its vehicles contained defective and dangerous airbag inflators well before Honda stopped placing them in vehicles in late 2015.

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Honda violated the Arizona Consumer Fraud Act ("CFA"), A.R.S. §§ 44-1521 *et seq.*, by selling Honda and Acura vehicles in Arizona while omitting the material fact that Honda and Acura vehicles contained Takata PSAN-propelled airbag inflators that could rupture unexpectedly during an accident and cause serious injury or death. Further, Honda violated the CFA by falsely advertising that Honda airbags were safe even after Honda engineers, executives, and directors knew or should have known that its vehicles contained potentially deadly Takata PSAN-propelled airbag inflators. The State brings this suit to request restitution, the disgorgement of profits, civil penalties, and injunctive terms to enjoin Honda from engaging in future conduct which violates the CFA.

### II. JURISDICTION AND VENUE

- 1. The State brings this action pursuant to the CFA to obtain injunctive relief to permanently enjoin and prevent the unlawful acts and practices alleged in this Complaint, and to obtain other relief, including restitution, disgorgement of profits, gains, gross receipts, or other benefits, civil penalties, and costs and attorneys' fees.
  - 2. This Court has subject-matter jurisdiction.
- 3. This Court may issue appropriate orders both prior to and following a determination of liability pursuant to A.R.S. § 44-1528.
- 4. The Court has personal jurisdiction over American Honda Motor Co., Inc. because the entity has marketed, advertised, and sold its products in Arizona and to Arizona businesses and consumers since at least 1960.
- 5. The Court has personal jurisdiction over Honda of America Mfg., Inc. because the entity has manufactured vehicles in order to sell them in Arizona and to Arizona businesses and consumers since at least 1982.
  - 6. Venue is proper in Maricopa County pursuant to A.R.S. § 12-401(17).

### III. PARTIES

7. Plaintiff is the State of Arizona, *ex rel*. Mark Brnovich, Attorney General, who is authorized to bring this action under the CFA.

- 8. Defendant American Honda Motor Co., Inc. is a California corporation with its principal place of business in Torrance, California. American Honda Motor Co., Inc. is responsible for distributing, marketing, and selling Honda and Acura brand automobiles in the United States, including Arizona.
- 9. Defendant Honda of America Mfg., Inc. is an Ohio corporation with its principal place of business in Marysville, Ohio. Honda of America Mfg., Inc. is responsible for manufacturing Honda and Acura vehicles to be sold in the United States.

### IV. FACTUAL ALLEGATIONS

- 10. Honda is the world's largest manufacturer of internal combustion engines and is one of the world's largest auto manufacturers.
- 11. Honda has advertised, marketed, and sold vehicles in the United States, including in Arizona, since at least 1960.
- 12. Honda advertises, markets, and sells both Honda and Acura brand vehicles throughout the United States, including in Arizona.
  - 13. Takata Corporation ("Takata") is a Japanese automotive parts company.
- 14. Takata supplied PSAN-propelled airbag inflators to Honda and a number of other automotive manufacturers from roughly the year 2000 to 2015.
- 15. Takata supplied PSAN-propelled airbag inflators for use in Honda and Acura vehicles for model year vehicles 2001 to 2015.
- 16. In Arizona alone, Honda sold 119,857 vehicles with Takata airbag inflators between May 1, 2009, and November 4, 2015.
- 17. Of the Honda and Acura vehicles with Takata airbag inflators sold in Arizona, over 68,045 have been subject to recalls for using Takata PSAN-propelled airbag inflators.

# A. The Development of Takata PSAN-Propelled Airbag Inflators for Use in Honda and Acura Vehicles

- 18. As early as August 1999, Honda began collaborating with Takata on the development of PSAN-propelled airbag inflators for use in Honda and Acura passenger vehicles.
- 19. Ammonium nitrate is a chemical known in the engineering and scientific community for its volatility, explosiveness, and sensitivity to moisture and humidity.
- 20. However, ammonium nitrate had one significant advantage over substitute propellants in airbag inflators—it was substantially cheaper than other, more reliable propellant options.
- 21. According to a New York Times article, another airbag supplier, Autoliv, was asked at the time by another carmaker to match Takata's cheaper design, but it refused to use ammonium nitrate due to safety concerns.
- 22. Honda elected to cut costs by using Takata's airbags, as each airbag was a few dollars cheaper than airbags from other suppliers with more stable propellant.
- 23. Honda first used Takata PSAN-propelled airbag inflators in its vehicles for model year 2001.
- 24. Honda used Takata PSAN-propelled airbag inflators in several models of its Honda brand vehicles from model year 2001 to model year 2015.
- 25. Honda used Takata PSAN-propelled airbag inflators in several models of its Acura brand vehicles from model year 2002 to model year 2016.
- 26. Honda and Takata worked closely together to develop airbag inflators for Honda and Acura vehicles.
- 27. Meeting notes from as early as August 1999 show that the companies collaborated on the design and specification of the Takata PSAN-propelled airbag inflators.
- 28. Meeting minutes from December 1999 show that Honda and Takata discussed propellant form, design, and weight.

- 29. Meeting minutes from January 2000 also show that Honda was involved in dictating the shape that the ammonium nitrate would take in the inflators ultimately used in Honda and Acura vehicles.
- 30. In February 2000, Takata and Honda jointly decided to form the ammonium nitrate into a one-half-inch batwing shape in the airbag inflators.

# **B.** Ruptures and Recalls

# 1. Early Signs of Defective Design in Consumers' Vehicles

- 31. As early as October 16, 1999, a Takata inflator ruptured during a test at a Honda facility, causing minor injury.
  - 32. A report generated by Takata described the rupture as a "burst."
- 33. As early as August 2002, Honda learned of the rupture of a Takata PSAN-propelled airbag inflator in a BMW in Switzerland.
- 34. As early as May 20, 2003, a company called Quality First presented a PowerPoint to Honda employees discussing "[i]ncident [i]nformation" and "[f]ailure [a]nalysis" relating to the Takata PSAN-propelled airbag inflator rupture in the BMW in Switzerland.
- 35. In May 2004, a Takata PSAN-propelled airbag inflator ruptured in a 2001 Honda Accord, causing metal fragments to injure the driver of the vehicle.
- 36. Honda did not inform Takata of the rupture until almost a year after the rupture occurred.
- 37. Eventually, Honda asked Takata about the rupture, and Takata reported back that the cause of the 2004 airbag inflator rupture was a compromised seal on the inflator.
- 38. On May 2, 2004, a consumer in Georgia crashed her 2002 Honda Accord. The airbag in the Accord attempted to deploy and instead ruptured, causing metal shrapnel to fly out and injure the driver's face, neck, and chin. In June 2005, the consumer sued Honda over the injury.
- 39. In 2004, a consortium of automakers known as the United States Council for Automotive Research issued an update stating that ammonium nitrate inflators should "undergo

added stability evaluation," with a focus on "resistance to temperature aging in an environment of high humidity."

- 40. By late October 2005, Takata employee emails showed that Takata employees were aware that Honda employees did not trust Takata.
- 41. Between 2004 and 2008, Honda learned of at least eight instances where Takata PSAN-propelled inflators in its vehicles ruptured, injuring or endangering passengers.

# 2. Honda Expands Recalls

- 42. From January to April 2009, at least three more ruptures occurred in Honda vehicles resulting from exploding Takata PSAN-propelled airbag inflators.
- 43. In May and June 2009, Honda learned of at least two more driver-side airbag ruptures, including a rupture that killed an 18-year-old Oklahoma girl who was picking up her brother from football practice in her 2001 Honda Accord.
- 44. The Oklahoma teenage girl bled to death after the Takata PSAN-propelled airbag inflator ruptured out of the steering wheel, causing metal shrapnel to slice her carotid artery.
  - 45. Beginning in June 2009, Honda issued a much larger recall.
- 46. This time, Honda recalled 440,000 vehicles in the U.S. and 510,000 additional vehicles worldwide.
- 47. In the latter half of 2009, Honda learned of several more Takata PSAN-propelled airbag inflator ruptures that resulted in injury or death.
- 48. Despite all of the ruptures, recalls, deaths, distrust, and the lack of answers, Honda continued to use Takata as its supplier of airbag inflators and rely on Takata's reported testing.
- 49. In February 2010, another Takata PSAN-propelled airbag inflator ruptured, resulting in facial injuries to the driver.
- 50. On February 11, 2010, Honda further expanded the recall of its vehicles with Takata PSAN-propelled airbag inflators by adding 379,000 more vehicles in the U.S. and 440,000 worldwide.

- 51. Honda told NHTSA that it was expanding the recall because it thought the root cause of the ruptures was due to how the propellant was pressed into wafers during manufacturing.
- 52. In April 2010, Honda learned of two additional ruptures of Takata PSAN-propelled airbag inflators in its vehicles.
- 53. By August 2010, Honda no longer trusted Takata to conduct its own testing to determine the root cause of the ruptures.
- 54. In September 2010, Honda asked Autoliv, a competing supplier, to propose an inflator design change that would contain airbag ruptures in a predictable direction which could divert shrapnel away from passengers.
- 55. Meanwhile, ruptures continued to occur in Honda vehicles that used Takata PSAN-propelled airbag inflators, but Honda continued to use Takata as its supplier and continued to sell vehicles with Takata PSAN-propelled airbag inflators without warning dealerships or consumers of the potential dangers posed by the airbag inflators.

# 3. Honda Employees' Growing Distrust of Takata, Further Ruptures, and Further Recalls

- 56. By September 2012, numerous Honda employees had expressed distrust of Takata.
- 57. Despite the internal distrust of Takata, Honda continued to use Takata as a supplier, did not warn consumers or dealerships, and continued to place Takata's cheaper PSAN-propelled airbag inflators in its Honda vehicles for model years 2013, 2014, and 2015.
- 58. On April 4, 2013, Honda made a presentation to NHTSA concerning the root cause of passenger airbag inflator ruptures from Honda vehicles with Takata PSAN-propelled airbag inflators.
- 59. During the presentation to NHTSA, Honda identified two potential manufacturing issues insufficient press load force and possible exposure of the propellant to humidity due to improper storage.

- 60. On April 22, 2013, Honda learned of yet another rupture of a Takata PSAN-propelled airbag inflator in one of its vehicles, which resulted in injuries.
- 61. From May through September 2013, Honda was notified of four additional ruptures of Takata PSAN-propelled airbag inflators in its vehicles.
- 62. Nonetheless, Honda persisted in using Takata as its airbag inflator supplier and continued to manufacture and sell cars with cheaper, more dangerous PSAN-propelled airbag inflators.

# 4. Recalls Expanded and NHTSA Fine

- 63. Eventually, on December 8, 2014, in response to calls by NHTSA to expand the recall of Honda and Acura vehicles with Takata PSAN-propelled airbag inflators to a national level, Honda released a press release expanding the total recall to approximately 5.4 million vehicles, including Honda and Acura vehicles located in the United States manufactured between 2001 and 2011.
- 64. In January 2015, NHTSA fined Honda \$70 million for failing to report 1,729 death and injury claims tied to its vehicles between 2003 and 2014.
- 65. The fine also punished Honda for underreporting warranty and customer dissatisfaction claims.
- 66. Despite all of these events, Honda continued to use Takata as an airbag supplier, continued to install Takata's relatively cheap inflators in its vehicles, and continued to conceal the deadly issues with those inflators from dealerships and consumers for new cars that Honda sold.

# C. Honda Finally Stops Using Takata

67. Finally, on November 4, 2015, after NHTSA publicly announced a \$200 million penalty against Takata for creating defective products, refusing to acknowledge the defects, and failing to provide full information to NHTSA, Honda stated that it would stop using Takata as a supplier.

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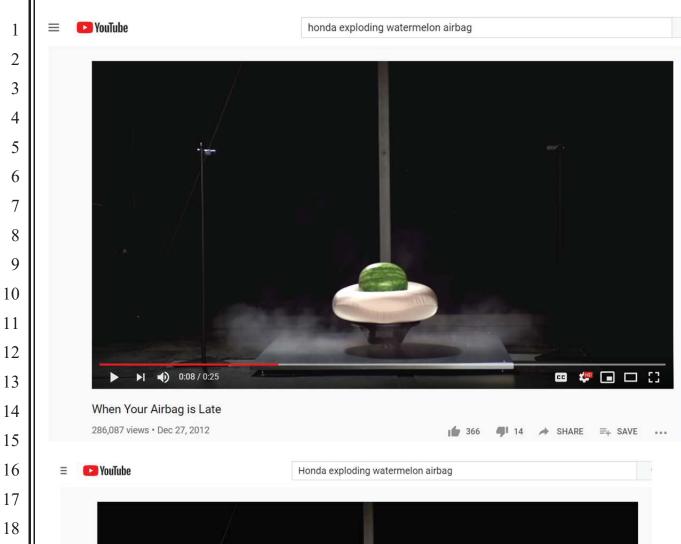
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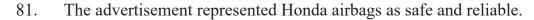
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- 68. Shortly before, Honda finally had begun to audit all Takata-made inflators in its vehicles after its review suggested that Takata misrepresented and manipulated test data for PSAN-propelled airbag inflators that were ultimately used in many Honda vehicles.
- 69. In July 2016, the audit results revealed that Takata had engaged in widespread manipulation of test results for its PSAN-propelled airbag inflators, some of which it supplied to Honda.
- 70. As a result, Takata pled guilty to wire fraud charges by the U.S. Department of Justice and agreed to pay \$1 billion in criminal penalties.
  - 71. Takata went bankrupt shortly thereafter.
  - D. Honda Affirmatively Advertised that the Airbags in its Vehicles Were Safe
- 72. In December 2012, Honda aired a television advertisement that touted the safety of its airbags.
- 73. The advertisement began with the viewer reading the statement, "This is your airbag on time."
- 74. The advertisement then showed a watermelon dropping gently onto a timely inflated airbag.
- 75. Another written statement then appeared on the screen: "This is your airbag seven hundredths of a second late."
- 76. The advertisement then showed a watermelon dropping and smashing into a platform where the airbag inflated in the prior scene.
- 77. The watermelon smashed to pieces as the airbag deployed, sending watermelon pieces flying into the air.
  - 78. Text then appeared on the screen which read, "Any questions?"
- 79. Next, the Honda logo appeared on the screen with the tagline "Genuine Parts" underneath the logo.
- 80. Lastly, a watermelon appeared underneath the logo and text that read, "Use your melon."







82. The advertisement represented Honda "genuine" airbags as safer and more reliable than alternative airbags.

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- 83. The advertisement never mentioned the injuries and deaths that occurred in Honda and Acura vehicles with Takata PSAN-propelled airbag inflators during the previous ten years and, in fact, were continuing to occur at the time the advertisement was aired.
- 84. Nor did the advertisement mention the myriad of Honda and Acura vehicles subject to recall at that time.
- 85. Ironically, if consumers had replaced their Honda "genuine parts" airbags with a non-Takata airbag without ammonium nitrate, they would have reduced their risk of serious injury or death from an exploding airbag.

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86. The advertisement is still available on Youtube.com and has been viewed nearly 300,000 times.<sup>1</sup>

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- 87. Further, Honda distributed at least one print advertisement during the 2003 to 2004 timeframe that touted Honda's commitment to safety.
- 88. Like the watermelon television advertisement, the print advertisement made no mention of the issues that Honda experienced with its Takata PSAN-propelled airbag inflators.

### Honda's commitment to safety. Honda has been a leader in the area of automotive safety research and design. And, as a part of our continuing safety efforts, we plan to lead the industry into the future. By the end of 2006, our commitment to "Safety for Everyone" will equip virtually every Honda and Acura model, regardless of size or price, with the following safety features as standard equipment: Front side airbags with Occupant Position Detection System (OPDS) – Standard on 82% of our models by the end of 2004 and on 100% of our models by the end of 2006. Side curtain airbags for every row – By the end of 2004, will be standard on 64% of our product line and standard on 100% of our entire line by the end of '06. ♠ Anti-lock braking system (ABS) – Standard equipment on 88% of all our models by the end of 2004. 100% of our models will feature it as standard equipment by the end of '06. Vehicle Stability Assist (VSA) and rollover sensor (for the side curtain airbag deployment) -Will be standard on 84% of all our light-duty trucks, including SUVs and minivans, by the end of 2004 and on 100% of our light-duty trucks by the end of 2006. Pedestrian Safety – In an effort to protect people outside of our cars, Honda will continue to pioneer the use of external features designed to help reduce pedestrian injuries. By the end of 2004, 96% of our entire product line will be equipped with pedestrian-protection features; 100% will have this equipment by the end of '06. Advanced Compatibility Engineering (ACE) – Additionally, Honda will introduce the ACE body structure this year on the 2005 Honda Odyssey and Acura RL. The ACE design provides enhanced driver and passenger protection and also helps minimize damage to other vehicles in an accident. ACE will be standard on every Honda and Acura within the next seven years. Honda has embarked upon an ambitious and innovative safety program. The goals and plans for this program extend well beyond our current technology and the year 2006. Because this endeavor is not simply a commitment to building safer vehicles, it's a commitment to "Safety for Everyone" The power of dreams:

<sup>&</sup>lt;sup>1</sup> https://www.youtube.com/watch?v=QS6ywFGcLSk (last viewed September 30, 2020, current view count at that time: 295,774).

89. Despite Honda's efforts to effectuate the vehicle recalls, at least two Arizonans have died from exploding Takata PSAN-propelled airbag inflators – a Yuma man killed in June 2018 and a Mesa woman killed in August 2020.

### V. CLAIMS FOR RELIEF

- 90. The State realleges the prior allegations of this Complaint as though fully set forth herein.
- 91. The conduct described in this Complaint constitutes deception, deceptive or unfair acts or practices, fraud, false pretenses, false promises, misrepresentations, or concealment, suppression or omission of material facts with intent that others rely on such concealment, suppression or omission, in connection with the sale or advertisement of merchandise in violation of A.R.S. §§ 44-1521 to 44-1534, including, but not limited to:
- 92. Defendants engaged in deceptive acts and practices by marketing Honda and Acura vehicles as having safe and reliable airbags;
- 93. Defendants concealed, suppressed or omitted the material fact that Honda and Acura vehicles contained Takata PSAN-propelled airbag inflators which Defendants knew or should have known were dangerous and potentially deadly to vehicle occupants, and Defendants did so with intent that consumers and dealerships rely on such concealments, suppressions, or omissions; and
- 94. Defendants engaged in unfair acts and practices by selling vehicles without informing dealerships or consumers that those vehicles contained potentially deadly inflators. These acts and practices caused or were likely to cause substantial injury to consumers which was not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition.
- 95. While engaging in the acts and practices alleged in this Complaint, Defendants knew or should have known that that their conduct was of the nature prohibited by A.R.S. § 44-1522, subjecting themselves to enforcement and penalties as provided in A.R.S. § 44-1531(A).

### VI. PRAYER FOR RELIEF

Wherefore, the State respectfully requests that the Court:

- 96. Pursuant to A.R.S. § 44-1528(A)(1), issue a permanent injunction, enjoining and restraining (a) Defendants, (b) Defendants' officers, agents, servants, and employees, and attorneys, and (c) all persons in active concert or participation with anyone described in part (a) or (b) of this paragraph, directly or indirectly, from engaging in deceptive, misleading, or unfair acts or practices, or concealments, suppressions, or omissions, that violate the CFA, A.R.S. § 44-1522(A);
- 97. Pursuant to A.R.S. § 44-1528(A)(2), order Defendants to restore to all persons in interest any monies or property, real or personal, which may have been acquired by any means or any practice in this article declared to be unlawful;
- 98. Pursuant to A.R.S. § 44-1528(A)(3), order Defendants to disgorge all profits, gains, gross receipts, or other benefits obtained as a result of its unlawful acts alleged herein;
- 99. Pursuant to A.R.S. § 44-1531, order Defendants to pay to the State of Arizona a civil penalty of up to \$10,000 for each willful violation by each Defendant of A.R.S. § 44-1522;
- 100. Pursuant to A.R.S. § 44-1534, order Defendants to reimburse the State for its costs and attorneys' fees incurred in the investigation and prosecution of Defendants' activities alleged in this Complaint;
- 101. Pursuant to A.R.S. § 44-1201, require Defendants to pay pre-judgment and post-judgment interest to the State and all consumers;
- 102. Enter an order providing that this Court retain jurisdiction of this action in order to implement and carry out the terms of all orders and decrees that may be entered herein, and in order to entertain any suitable applications or motions by the State for additional relief within the jurisdiction of this Court; and
  - 103. Order such other relief as the Court deems just and proper.

RESPECTFULLY SUBMITTED this 20th day of October.

MARK BRNOVICH Attorney General

By:

Matthew du Mee

Consumer Litigation Unit Chief Counsel

Attorneys for Plaintiff