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Autos

Chrysler sues former employee for \$82 million in minivan affair

By Kenneth Cole / Detroit News
Washington Bureau

WASHINGTON -- Chrysler Corp. is seeking \$82 million from a former safety staffer-turned-whistleblower who's testifying in high-stakes lawsuits involving latch designs on the automaker's older minivans.

The demand, long kept secret, was disclosed in a just-settled rear liftgate latch lawsuit in Los Angeles.

The \$82-million figure represents Chrysler's estimate of its losses following an October 1995 interview of Dearborn resident and former Chrysler employee Paul Sheridan on ABC-TV's 20/20 news program.

Legal experts say it may be the largest sum ever sought from a whistleblower by a corporation.

It is only one highlight of Ornelas vs. Chrysler, which was settled for an undisclosed amount this week in Los Angeles Superior Court. The case involved four passengers allegedly ejected from a Chrysler minivan in a low-speed crash in 1995.

"I don't track it, but I'd be surprised if an individual has ever been sued for more by a corporation," said Clarence Ditlow, executive director of the Center for Auto Safety in Washington, D.C. "It is reflective of how much a whistleblower can cost a company -- especially when it's tried to cover up a defect."

Tom Kienbaum, the Birmingham attorney representing Chrysler in its lawsuit against Sheridan, was not available for comment.

David Tyrrell, the company's lead counsel in the minivan-latch lawsuits, described Sheridan as "a disgruntled former employee."

Chrysler fired Sheridan in December 1994 for allegedly disseminating secret crash-test data on the 1996 minivan. It sued him in Oakland County Circuit Court later that month for "in excess of \$10,000."

The company amended the lawsuit in the fall of '95 after Sheridan appeared on 20/20 and said the company knew its minivan latches weren't strong enough to secure the rear liftgate in even low-speed



Sheridan

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According to federal regulators, malfunctions with Chrysler minivan latches have resulted in at least 37 deaths and 100 serious injuries.

Sheridan, 45, declined to comment. His attorney, Courtney Morgan of Detroit, said Chrysler contends in the lawsuit that Sheridan's interview hurt sales of its 1996-model minivans. They had just gone on the market when the TV show aired.

"Never mind the fact that Paul never said a word about the 1996 minivans on the show," Morgan said.

The \$82 million Chrysler is seeking from Sheridan is based on lost sales and how much it figures it would have had to spend on television ads rebutting Sheridan's interview.

"But even if that logic holds, how the hell can you get the money if you never spent it?" argued Morgan, who is representing Sheridan in a countersuit against the automaker.

Elletta Callahan, a professor of law and public policy in Syracuse University's School of Management, concurred Chrysler will have a difficult time collecting, saying: "It's always difficult to prove lost profits."

Chrysler attorneys apparently believe it will be equally difficult to convince juries that there never was a problem with its pre-1995-model minivan latches. The Ornelas case is the third the company has settled this year since a South Carolina jury rendered a record \$262.5-million verdict in a similar case.

"They recognize that if a juror sees all the evidence they'll lose over and over again, so they're paying very large and very secret amounts of money to keep that from happening," said Mikal Watts, a Corpus Christi, Texas, attorney representing many plaintiffs in latch lawsuits against the company.

Ken Gluckman, assistant general counsel for product liability litigation at Chrysler, said the settlements simply reflect a flawed judicial system.

"The sad truth is that in today's judicial system, jurors can do anything," he said. "They're guided by emotion and aren't controlled by factual circumstances."

Four passengers -- including 1-year-old Lorena Casteneda and 4-year-old Diana Perez -- were allegedly ejected from the back of a Chrysler minivan in a low-speed crash in Los Angeles on Jan. 21, 1995, in the Ornelas case.

Gluckman noted 13 people were riding in the minivan designed for seven. Many were unbelted, he said, and there's evidence the minivan driver may have run a light.

"The plaintiffs in this case broke three laws," Gluckman said. "Yet we're supposed to be the evil ones."

Larry Grassini, the plaintiff's attorney in Ornelas, said his client "made a mistake by allowing so many people to ride" in the minivan.

"But that was a short-term mistake," he said. "Chrysler knew about their's for a long time."

Grassini said six of the 12 Ornelas jurors and one of the four alternates accepted questions from attorneys after the case was settled. He said they told a Chrysler jury consultant they would have wanted to hear from Sheridan, had the case gone trial.

"The jurors saw him as a key witness in what many of them said seemed to be some sort of corporate cover-up involving these latches," Grassini said.

Chrysler's Tyrrell said there was no cover-up and if the case had been tried, jurors would have learned Sheridan was not an engineer.

"Rather, he held a marketing position," Tyrrell said. "He never designed a liftgate latch and he never tested a latch."

Chrysler demoted Sheridan for poor job performance before firing him, Tyrrell said, and that further impugns his testimony.

That, however, contradicts Chrysler's performance evaluations of Sheridan obtained by The Detroit News. As recently as October 1994 -- two months before the automaker canned him -- various company brass wrote:

* "Paul does a thorough, detailed, organized and tireless job. He became an active promoter of advancing safety in the minivan program, only slowing when the reality of the interest from management became apparent to him."

* "Paul (Sheridan) did a good job as Chairman of the Minivan Safety Leadership team."

* "He is extremely knowledgeable and may very well be one of the best all around technical persons on staff."

* "Overall, I think Paul has done an excellent job."

What Sheridan said

Former Chrysler employee Paul Sheridan was fired in December 1994 for allegedly disseminating secret crash-test data on the 1996 minivan. He later appeared on 20/20 and said the automaker knew its minivan latches weren't strong enough to secure the rear liftgate in even low-speed accidents.

The law

Three years ago tomorrow, Sheridan sued Chrysler and three of its employees alleging they violated his rights under whistleblowers' protection laws. Those laws offer protection from companies that lash out against staffers who uncover wrongdoings. Chrysler, however, has argued Sheridan was fired for defensible reasons.

Who is Paul V. Sheridan?

The former employee at the center of high-stakes litigation involving Chrysler's minivan rear liftgate latches worked for two of the Big Three automakers since the early '80s.

Employment: Worked from 1981-84 for Ford Motor Co., including product and powertrain planning. From 1984-94, his duties at Chrysler Corp included engineering planning, helping arrange a

deal to equip Chrysler trucks with Cummins diesel engines and working on the minivan platform team.

Status: Seeking full-time employment. Chrysler fired him after finding phone records traced to a reporter for the trade weekly Automotive News. The automaker later sued him for disclosing company secrets involving minivan crash tests and comments about minivan latches on TV.

What's next

This week Chrysler settled a minivan latch case in Los Angeles before Sheridan was set to testify. It faces at least six more latch cases in next four months. Lawsuits between Sheridan and Chrysler are scheduled to go to trial in June.

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