

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

UNITED STATES OF AMERICA)
<i>ex rel.</i> WILLIAM CEAS JR., and WILLIAM)
CEAS, JR., individually,)
)
)
Plaintiffs,)
)
v.)
)
CHRYSLER GROUP, LLC,)
)
Defendant.)

Case No 1:12-cv-02870
Honorable Robert M. Dow Jr.
JURY TRIAL DEMANDED

SECOND AMENDED COMPLAINT

I. BACKGROUND

1. Chrysler LLC, formerly known as Daimler Chrysler Corporation (“**Old Chrysler**”) manufactured and sold certain Chrysler vehicles model years 2004 and 2005 to the United States. These vehicles were sold with factory warranties. One of these warranties was the “Basic Limited Warranty” which covered parts and labor to correct defects in material, workmanship, or factory preparation. The Basic Limited Warranty ran for thirty-six months or 36,000 miles whichever occurred first. The second warranty that these vehicles came with was an extended “Powertrain Warranty”, which ran for seven years or 70,000 miles whichever occurred first. The time limitations on these warranties, 36 month and seven years, began to run on the vehicles in-service date.

2. These warranties created an obligation on behalf of Old Chrysler to cover the cost of certain parts and labor needed to repair defective items in material, workmanship, or factory preparation within the time and mileage limitations.

3. On April 30, 2009, Old Chrysler, and related entities, filed a chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Southern District of New York. Old Chrysler, the debtor, agreed to sell substantially all of its assets free and clear of all liabilities, except for assumed liabilities, to Chrysler Group, LLC, Defendant (“**New Chrysler**”). On June 10, 2009, the transaction closed and New Chrysler took over the operations of Old Chrysler.

4. Old Chrysler’s liabilities that New Chrysler assumed included “all Liabilities pursuant to product warranties.” Master Transaction Agreement (MTA) § 2.08(g). As relevant here, the warranties that New Chrysler assumed were related to the limited written warranties issued in connection with the purchase of vehicles and corresponded to the Factory Warranties. New Chrysler assumed an obligation to pay for the cost of parts and labor associated with Factory Warranty repairs.

5. After June 10, 2009, Government owned Chrysler vehicles were taken to Chrysler dealerships for Factory Warranty repair work. New Chrysler was obligated to cover the cost of parts and labor associated with Factory Warranty repair work. Instead of honoring its obligation to cover the cost of parts and labor associated with Factory Warranty repairs, New Chrysler presented or caused to be presented for payment false claims for parts and labor which were covered under a Factory Warranty or concealed its obligation to provide parts and labor under a Factory Warranty, all in violation of the False Claims Act.

6. Specific examples of these false claims submitted to the government are stated herein.

II. NATURE OF THE ACTION

7. This is an action to recover damages and civil penalties on behalf of the United States of America under the False Claims Act (“FCA”), 31 U.S.C. §§3729 *et seq.*, as amended.

8. The causes of action under this Complaint arise from Defendant, Chrysler Group, LLC, doing business as Chrysler, Jeep, Dodge, Ram, SRT, and Mopar, and/or its agents, and employees (Chrysler Group, LLC, and its entities are hereinafter referred to as “New Chrysler” or “Defendant”) presenting or causing to be presented false claims to the United States.

9. This Complaint is based on New Chrysler’s actual knowledge of, deliberate ignorance of the truth or falsity of, or the reckless disregard of the truth or falsity of claims presented to the United States related to vehicle Powertrain Warranty coverage and/or powertrain parts and labor, on Government owned Chrysler vehicles, model years 2004 and 2005.

10. From June 10, 2009, New Chrysler violated the FCA in the following ways:

- a. By knowingly presenting or causing to be presented false claims to the Government for payment of powertrain parts and labor, when in fact the parts and labor were covered under the vehicles Factory Powertrain Warranty.
- b. By concealing or causing another to conceal from the Government, New Chrysler’s obligation to provide parts and labor under the vehicle’s Factory Powertrain Warranty.

III. PARTIES

11. Relator, WILLIAM CEAS, JR., (“Ceas” or “Relator”) is a resident of Illinois. Mr. Ceas is a warranty service administrator and has served in such capacity for over ten years. Prior to being employed as a warranty service administrator, Mr. Ceas served as a dealership

service and parts employee for twelve years. Mr. Ceas has provided warranty services to several Dodge dealerships in the Chicago metropolitan area.

12. Defendant Chrysler Group, LLC, (“New Chrysler”) now known as FCA US LLC, effective December 15, 2014, was formed in 2009 after entering into an alliance with Fiat S.p.A. Chrysler Group, LLC, produces vehicles labeled Chrysler, Jeep, Dodge, Ram, SRT, and Mopar products. Chrysler is headquartered in Auburn Hills, Michigan. An order authorizing Chrysler Group, LLC’s purchase of the assets of Old Chrysler, was entered on June 1, 2009, with the transaction closing on June 10, 2009.

IV. JURISDICTION AND VENUE

13. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and 31 U.S.C. § 3732, which specifically confers jurisdiction on this Court for actions brought pursuant to 31 U.S.C. §§ 3729 – 3730.

14. This Court has personal jurisdiction over Defendant pursuant to 31 U.S.C. § 3732(a), which authorizes nationwide service of process. Defendant transacts business in the United States. Defendant can be found in, resides in, and/or transacts or has transacted business related to the allegations in this Complaint within the Northern District of Illinois.

15. Venue is proper in this district pursuant to 31 U.S.C. § 3732(a), and 28 U.S.C. § 1391(b) and (c), as Defendant can be found in, resides in, and/or transacts business in the Northern District of Illinois.

16. This suit is not based upon prior public disclosures of allegations or transactions in a criminal, civil, or administrative hearing, lawsuit or investigation, or in a Government Accounting Office or Auditor General's report, hearing, audit, or investigation, or from the news media.

17. To the extent that there has been a public disclosure unknown to Relator, Relator is an original source under 31 U.S.C. § 3730(e)(4). Relator has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the Government before filing this action under the FCA.

18. Relator served on the Attorney General of the United States, and the United States Attorney for the Northern District of Illinois, substantially all material evidence and information he possess in accordance with the provisions of 31 U.S.C. § 3730(b)(2).

V. THE FALSE CLAIMS ACT

19. The False Claims Act, 31 U.S.C. §§ 3729 *et seq.* prohibits a person from presenting a false or fraudulent claim for payment or approval, and knowingly concealing an obligation to pay or transmit money or property to the Government. The FCA provides that any person who violates the FCA is liable for a civil penalty of up to \$11,000 for each claim, plus three times the amount of damages sustained by the Government. The FCA empowers persons with information regarding false or fraudulent claims made to the Government, “relators,” to bring an action on behalf of the United States and to share in any recovery.

20. The FCA, 31 U.S.C. § 3729(a)(1)(A) provides in pertinent part that any person who “knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval . . .” shall be liable to the United States Government.

21. The reverse false claims provision of the FCA makes liable any person who “knowingly makes, uses, or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the Government, or knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the Government.” 31 U.S.C. § 3729(a)(1)(G).

22. The FCA defines the term “claim” to mean “any request or demand, whether under a contract or otherwise, for money or property and whether or not the United States has title to the money or property, that (i) is presented to an officer, employee, or agent of the United States; . . .” 31 U.S.C. § 3729(b)(2)(A).

23. The FCA defines the terms “knowing” and “knowingly” to mean that a person, with respect to information: (1) “has actual knowledge of the information”; (2) “acts in deliberate ignorance of the truth or falsity of the information”; or (3) “acts in reckless disregard of the truth or falsity of the information.” 31 U.S.C. § 3729(b)(1)(A). The FCA further provides that “no proof of specific intent to defraud” is required. 31 U.S.C. § 3729(b)(1)(B).

VI. THE DEFENDANT’S SCHEME TO DEFRAUD

24. The General Services Administration, just one agency of the Government, purchases over 60,000 vehicles annually. On or about 2004 through 2005, the Government purchased Chrysler vehicles, model years 2004 and 2005. These vehicles came with two factory warranties. The first warranty is a 36 month/36,000 mile “Basic Limited Warranty” and the second warranty is a 7 year /70,000 mile “Powertrain Warranty”. The Powertrain Warranty covers the cost of labor and parts for generally, the engine, transmission, and drive system.

25. In June 2010, the Relator informed New Chrysler, including Curtis Jeffries, Warranty/Customer Relations Manager of the widespread problem of New Chrysler customers having the wrong warranty coverage. Despite bringing this information to New Chrysler’s attention, and asserting that nearly one million New Chrysler customers have the wrong warranty coverage, New Chrysler took no action, to Relators knowledge, to resolve and correct warranty coverage errors. In fact, New Chrysler knowingly presented or caused to be presented false

claims to the Government for payment of parts and labor that were in fact covered under the Factory Powertrain Warranty in violation of the False Claims Act.

26. New Chrysler also concealed from the Government, New Chrysler's obligation to provide parts and labor under the vehicle's Factory Powertrain warranty in violation of the False Claims Act, and commonly referred to as a "reverse false claim".

27. For example, on or about January 14, 2005 the General Services Administration purchased "Vehicle 1" further identified in Exhibit 1, a 2005 Dodge Grand Caravan.

28. For Vehicle 1, the Factory Powertrain Warranty coverage was scheduled to expire seven years after the in service date on January 14, 2012 or at 70,000 miles, whichever occurred first.

29. On or about November 18, 2010, Vehicle 1, with vehicle mileage of 54,845 miles, had powertrain service consisting of parts and labor performed at a Chrysler Jeep Dodge dealership, Manfredi Chrysler Jeep Dodge LLC, Staten Island, New York and had powertrain service performed consisting of parts and labor that were in fact covered under the Factory Powertrain Warranty.

30. Despite the fact that the parts and labor for this powertrain repair were covered by the Factory Powertrain Warranty, on or about November 18, 2010 Defendant submitted or caused to be submitted a false claim to the United States Coast Guard for parts and labor associated with Factory Powertrain Warranty repair work in the amount of \$1215.05 and this amount was paid by the Government. (Exhibit 1a).

31. On or about January 31, 2005 the General Services Administration purchased "Vehicle 2" further identified in Exhibit 2, a 2005 Dodge Grand Caravan SE.

32. For Vehicle 2, the Factory Powertrain Warranty coverage was scheduled to expire seven years after the vehicle in service date on January 31, 2012 or at 70,000 miles, whichever occurred first.

33. On or about January 6, 2012, Vehicle 2, with vehicle mileage of 17,312 miles, was taken to a Chrysler Jeep Dodge Ram dealership, Ourisman Chrysler Jeep Dodge Ram of Alexandria, Alexandria, Virginia, and had powertrain service performed consisting of parts and labor that were in fact covered under the Factory Powertrain Warranty.

34. Despite the fact that the parts and labor for this powertrain repair were covered by the Factory Powertrain Warranty, on or about January 6, 2012 Defendant submitted or caused to be submitted a false claim to the Navy Engineering Logistic Office for parts and labor associated with this Factory Powertrain Warranty repair work in the amount of \$371.27, and this amount was paid by the Government. (Exhibit 2a).

35. On or about February 12, 2005, the General Services Administration purchased "Vehicle 3" further identified in Exhibit 3, a 2005 Jeep Liberty Sport 4X4 Sport Utility.

36. For Vehicle 3, the Factory Powertrain warranty coverage was scheduled to expire seven years after the vehicle in service date on February 12, 2012 or at 70,000 miles, whichever occurred first.

37. On or about September 28, 2010, Vehicle 3, with vehicle mileage of 42,682 miles, was taken to a Chrysler Jeep Dodge dealership, Sheets Chrysler Jeep Dodge, Beckley, West Virginia, for service consisting of parts and labor that were in fact covered under the Factory Powertrain Warranty.

38. Despite the fact that the parts and labor for this powertrain repair were covered by the Factory Powertrain Warranty, on or about September 28, 2010 Defendant submitted or

caused to be submitted a false claim to the GSA/United States Department of Agriculture for parts and labor associated with Factory Powertrain Warranty repair work in the amount of \$770.94, and this amount was paid by the Government. (Exhibit 3a).

39. Additionally, parts associated with this repair work included the replacement of the transmission on Vehicle 3. The transmission was supplied by GSA, causing the Government to incur additional expense, as a result of Chrysler concealing from the United States its obligation to provide parts and labor under this vehicle's Factory Powertrain warranty. A new Chrysler transmission from Defendant for this vehicle would have cost approximately \$2930.00. Since GSA supplied this transmission, GSA was additionally damaged in the amount GSA paid for the transmission it provided to Defendant for installation. (Exhibit 3b).

40. Defendant's presentment of false claims to the Government for parts and labor covered under the Factory Powertrain Warranty harmed the United States by causing the Government to incur costs related to parts and labor when those costs were covered under the Factory Powertrain Warranty.

41. Chrysler knew that Government vehicles were wrongly being denied Powertrain Warranty coverage in that it had actual knowledge of, or acted in deliberate ignorance or reckless disregard of the truth or falsity of the information concerning Powertrain Warranty coverage related to Government vehicles.

42. Defendant presented or caused to be presented hundreds, if not thousands, of false claims to the United States.

COUNT I
(Federal False Claims Act – Presentation of False Claims)
(31 .S.C. § 3729 (a)(1)(A))

43. Defendant knowingly presented, or caused to be presented, to the United States false or fraudulent claims for payment or approval.

44. These false claims that Defendant presented or caused to be presented are the invoices submitted to the Government for payment of parts and labor that were covered under the Factory Powertrain Warranty.

45. By virtue of the false and fraudulent claims made by Defendant, the United States suffered damages and therefore is entitled to 3 times that amount of damages, to be determined at trial, plus a civil penalty of \$5,500 to \$11,000 for each violation.

COUNT II
(Federal False Claims Act – Avoid an Obligation)
(31 .S.C. § 3729 (a)(1)(G))

46. Defendant knowingly made, used or caused to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the Government, by concealing its obligation to provide parts and labor for powertrain warranty repairs without charge.

47. Defendant concealed its obligation to provide parts and labor for powertrain warranty repairs covered under the Factory Powertrain Warranty.

48. By virtue of the false and fraudulent claims made by Defendant, the United States suffered damages and therefore is entitled to 3 times that amount of damages, to be determined at trial, plus a civil penalty of \$5,500 to \$11,000 for each violation.

WHEREFORE, Relator, on behalf of himself individually, and acting on behalf of, and in the name, of the United States, respectively, demands and prays that judgment be entered against the Defendant as follows:

a. That the Defendant shall be ordered to cease and desist from violating the False Claims Act, 31 U.S.C. §§ 3729-3732.

b. That judgment shall be entered against Defendant in the amount of three times the amount of damages the United States has sustained because of Defendant's actions, plus a civil penalty of \$11,000.00 for each act in violation of the False Claims Act, as provided by 31 U.S.C. § 3729(a), with interest.

c. That Relator shall be awarded the maximum amount available pursuant to 31 U.S.C. § 3730(d) of the False Claims Act, namely 30 percent of the proceeds of the action or the settlement of the claim.

d. That Relator shall be awarded all reasonable expenses that were necessarily incurred in prosecution of this action, plus all reasonable attorneys' fees and costs, as provided by the False Claims Act, 31 U.S.C. § 3730(d).

e. And, such other relief shall be granted in the favor of the United States and the Relator as this Court deems proper.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Relators hereby demands trial by jury.

Respectfully Submitted,

THE UNITED STATES OF AMERICA
ex rel. WILLIAM CEAS, JR., and WILLIAM
CEAS, JR., individually,

By: s/Michael C. Rosenblat
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CERTIFICATE OF SERVICE

I, Michael C. Rosenblat, an attorney, certify that I caused copies of the foregoing Amended Complaint, to be served pursuant to ECF as to Filing Users and via electronic delivery or U.S. Mail, proper postage prepaid, to the following individual:

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