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After '60 Minutes' Segment, Lumber Liquidators Walloped with Suits

Amanda Bronstad, The National Law Journal

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More than 75 class actions have been filed against Lumber Liquidators Inc. claiming that it mislabeled laminated wood flooring that emits dangerously high levels of formaldehyde gas.

Nearly all the lawsuits were filed following a March 1 episode of "60 Minutes," that featured employees at three Chinese mills who admitted that their Lumber Liquidators products didn't comply with California emissions standards, among the strictest in the nation. Shares of Lumber Liquidators have plummeted 40 percent since the report.

On March 25, the U.S. Consumer Product Safety Commission announced that it would investigate the company's products.

"Thousands of people—tens of thousands at this point—are pretty concerned about the flooring in their house, and whether it's having any physical repercussions," said Eric Gibbs, a partner at San Francisco's Girard Gibbs who is a panelist at a plaintiffs bar conference next month on the Lumber Liquidators litigation. "A lot of people are telling us had they known it was in question, they would never have bought the flooring in the first place."

Toano, Virginia-based Lumber Liquidators, which has stores in 46 states, has denied the allegations and insists that its Chinese mills have complied with California standards.

"Lumber Liquidators is committed to providing our customers with safe, high-quality products," wrote William Stern, a San Francisco partner at Morrison & Foerster, in an email. He represents Lumber Liquidators in the litigation. "We intend to defend ourselves vigorously against claims asserted in the suits that have been filed relating to the quality of certain laminated products that we sell."

High levels of formaldehyde, a carcinogen, can irritate the eyes, nose and throat and, in some cases, cause respiratory problems or cancer, particularly in children. Since 2009, the California Air Resources Board has prohibited the sale of laminated flooring that emits more than 0.13 parts per million of formaldehyde, which is used to bind wood composite in the manufacturing process.

As part of an undercover investigation, "60 Minutes" tested 31 samples of flooring purchased at

stores across the country, only one of which was compliant with California's emissions standards. Some were 13 times over the limit.

Lumber Liquidators has attacked the report, questioning the tests used and the motives of certain hedge-fund short sellers featured in the episode.

Congress passed the U.S. Formaldehyde Standards for Composite Wood Products Act in 2010, which established emission limits that mirrored California's standards. Many of the suits, filed in more than 20 states, have been brought on behalf of nationwide classes of consumers who are seeking damages under various state consumer laws.

Lawyers also are investigating whether people may be able to sue over injuries suffered due to formaldehyde exposure, said Gibbs, whose firm has filed three consumer class actions.

"We have been contacted by a lot of people—who have asthma or things like that—who are concerned that their physical injuries could be related to the flooring," he said.

In court, plaintiffs attorneys are pushing for the litigation to be coordinated for pretrial purposes in Florida, Louisiana, Ohio and South Carolina, but most have pushed for California. Lumber Liquidators wants the cases moved to the Eastern District of Virginia, the company's home state, according to a court filing made on Tuesday.

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