

Shareholder sues Mattel over toy defect reporting

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NEW YORK (Reuters) - A lawsuit filed by a [Mattel Inc](#) (MAT.N) shareholder on Wednesday contends the world's largest toymaker misled investors by failing to report serious defects in its toys.

The lawsuit was filed in Delaware Chancery Court on behalf of the investor, the Sterling Heights Police and Fire Retirement System of Michigan.

The lawsuit claims Mattel purposely withheld information that its toys posed a potential threat to the health and safety of users to protect the company from losses.

"The tardiness of Mattel's disclosure of known dangers related to its latest recall is not an isolated one-off event -- it is Mattel's way of doing business," the lawsuit says.

The lawsuit asks for compensatory and other damages related to the product woes, including making timely disclosures to regulators.

The company did not respond to calls seeking comment.

Mattel, which is best known for its Barbie Dolls and Fisher Price toys, is already facing a number of lawsuits stemming from its recent recalls of about 21 million Chinese-made toys, mostly due to excessive levels of lead paint.

In August, the toy maker was sued by Los Angeles-based attorney Jeffrey Killino in attempt to get it to pay for testing for children who may have been poisoned by its toys.

Florida parent Farrah Shoukry also filed a suit against the toy maker to pay for diagnostic tests for lead poisoning and damages.

Lead paint is toxic and can pose serious health risks, including brain damage, in children.

The continued publicity surrounding the recalls will continue to hurt toy sales in the short term, BMO Capital Markets analyst Gerrick Johnson said.

"People seem to be deferring purchases because they are confused as to what's safe, what's been recalled," said Johnson, who has an "underperform" investment rating on Mattel's stock.

"It's confusion ... Consumers have short memories and at some point they'll forget about all this, but if it keeps popping up in the headlines they'll remember it."

Mattel shares, which are down about 8.6 percent since its August 1 recall of 1.5 million Fisher Price toys, were up 10 cents at \$22.85 in afternoon trading on the New York Stock Exchange.

(Reporting by Justin Grant, Sarah Coffey and Martha Graybow)