

Danisz Okulicz

Presentation Title

Dynamics of Collective Litigation

(with Andrés Espitia)

Abstract

In collective litigations, the outcome of the trial may depend on the number of litigants. In this paper, we study how collectives form and explore actions that the defendant can take to interfere in this process. We propose a dynamic model of litigation in which a defendant faces the arrival of plaintiffs over time and where the defendant is privately informed about the scope of the harm she has caused (e.g. how many consumers have been exposed to a defective product). We show that when all plaintiffs are strategic the defendant can completely avoid the formation of a collective. However, if some plaintiffs (exogenously) join the collective then strategic plaintiffs may also join. We compare the baseline, in which all settlements are public, to a setting where the privacy of settlements is endogenous. We show that the use of private settlements can decrease expected payments for some plaintiffs but may increase payments to subsequent ones. The defendant gains on the possibility of settling the case secretly only if the plaintiffs prior to the scope of the harm is low.

Keywords

Collective litigation, class action, learning, signaling, strategic complementarities

Affiliation

NRU Higher School of Economics