

Inconsistent treatment of White Collar Crime in US

<https://www.youtube.com/watch?v=-QC8Xe9KeCE&list=PLtfINDh9aY3d2GIVst3OJ6FLjvi2PM88Z&index=196>

Prepared by: Ralph Dzegniuk, Barrister & Solicitor, Juris Doctor in Law (licensed in Canada);
<http://legalenglishlearning.com>

1. What has the Theranos CEO been charged with and what did she do?
2. What type of a business is it?
3. What happened with its product and how did it affect investors?
4. What was the outcome of the case and what are its terms?
5. They compare the legal treatment of this case with another similar case involving a fraud by a big Pharmaceutical company's CEO; how was the other case treated by the Court (what was the sentence) and what was the Court's rationale for such treatment?
6. Why, according to the program host, was the Pharma CEO's sentence so much harsher?
(Hint: what did he do?)
7. Does the Judge agree with the sentence given to the Pharma CEO? Why or why not?

Answer key:

1. What has the Theranos CEO been charged with and what did she do?
 - a. Massive fraud; she committed material misrepresentation to investors and to consumers;
2. What type of a business is it?
 - a. Blood testing machine: only uses one drop of a blood from your finger instead of traditional blood testing through collecting vials of blood; claimed it was just as effective and precise; claimed that it was a great alternative to people afraid of needles
3. What happened with its product and how did it affect investors?
 - a. It didn't perform as the CEO claimed it would and investors lost lots of money; SEC went after the CEO.
4. What was the outcome of the case and what are its terms?
 - a. She settled; she agreed to 500K fine; all her remaining shares in the company are gone and she can't serve on the Board of Directors for 10 years; however, she's free.
5. They compare the legal treatment of this case with another similar case involving a fraud by a big Pharmaceutical company's CEO; how was the other case treated by the Court (what was the sentence) and what was the Court's rationale for such treatment?
 - a. 7 years prison and \$7M penalty; Court instructed the jury: you don't negate fraud by giving a return on investment to the victim (so even though the investors didn't lose money; some made a profit; the CEO was convicted anyway because of the fraudulent use of investor's money; once he made a material misrepresentation and the victim relied on it, the crime was complete; it was a crime without harm).
6. Why, according to the program host, was the Pharma CEO's sentence so much harsher? (Hint: what did he do?)
 - a. Because he raised the price of a life-saving drug by 5000%
7. Does the Judge agree with the sentence given to the Pharm CEO? Why or why not?
 - a. He doesn't; he shouldn't be imprisoned only because "he is a jerk"; "In US everyone has the right to be a jerk"