Proceedings

A monthly newsletter from McGraw-Hill Education **October 2019** Volume 11, Issue 3

Dear Professor,

The fall season has arrived! Welcome to McGraw-Hill Education's October 2019 issue of Proceedings, a newsletter designed specifically with you, the Business Law educator, in mind. Volume 11, Issue 3 of Proceedings incorporates "hot topics" in business law, video suggestions, an ethical dilemma, teaching tips, and a "chapter key" cross-referencing the October 2019 newsletter topics with the various McGraw-Hill Education business law textbooks.

You will find a wide range of topics/issues in this publication, including:

1. A federal criminal probe into Juul Labs, a popular e-cigarette manufacturer;

2. California legislation that will classify drivers for companies like Uber, Lyft and DoorDash as employees rather than independent contractors;

3. Vacation rental company Airbnb's decision to launch an initial public offering (IPO) of stock in 2020;

4. Videos related to a) the United Auto Workers (UAW) strike against General Motors (GM) and b) Purdue Pharma's recent bankruptcy filing;

5. An "ethical dilemma" related to German automaker Volkswagen's commitment to electric vehicle technology and its attempt to overcome its diesel emissions scandal; and

6. "Teaching tips" related to Video 2 ("Purdue Pharma Files for Bankruptcy") of the newsletter.

I wish you a wonderful continuation of the fall semester!

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Hot Topics in Business Law

This section of the newsletter covers three (3) topics:

1) A federal criminal probe into Juul Labs, a popular e-cigarette manufacturer;

2) California legislation that will classify drivers for companies like Uber, Lyft and DoorDash as employees rather than independent contractors; and

3) Vacation rental company Airbnb's decision to launch an initial public offering (IPO) of stock in 2020.

Article 1: "Federal Prosecutors Launch Criminal Probe into Juul Labs: Report"

https://www.huffpost.com/entry/juul-ecigarettes-us-attorney-investigation-california_n_5d894905e4b0c2a85cafb8ac

According to the article, federal prosecutors in California have launched a criminal investigation into popular e-cigarette maker Juul Labs.

The U.S. Attorney's Office for the Northern District of California is conducting the probe, the Journal reported, citing people familiar with the matter. The focus of the investigation was not immediately apparent.

Representatives from the U.S. attorney's office and Juul, both of which are based in San Francisco, did not immediately respond to the media's requests for comment.

News of the probe comes amid increasing government scrutiny of Juul and other e-cigarette manufacturers as teenagers' use of their addictive products soars in the U.S.

North Carolina Attorney General Josh Stein filed a lawsuit against Juul in May, accusing the company of knowingly marketing its products to minors and downplaying the health risks associated with vaping.

A congressional subcommittee in July accused Juul of waging a "sophisticated" campaign to target teenagers and children at schools and summer camps with its marketing and sales efforts.

"In deploying this out-of-school program, JUUL was aware that its programs were 'eerily similar' to those used by large cigarette makers, and even internal executives raised concerns about their work in schools," stated a memo released by Democrats on the House Oversight and Reform Subcommittee on Economic and Consumer Policy.

The Federal Trade Commission is also investigating Juul's marketing practices, while the Food and Drug Administration last week announced that its criminal investigations unit was looking into the rise of vaping-related lung illnesses. President Donald Trump said earlier this month that he had asked the FDA to consider taking flavored e-cigarette products off the market.

E-cigarettes are the most commonly used form of tobacco among youth in the U.S. A 2017 Centers for Disease Control and Prevention survey found that more than 2 million high school and middle school students vaped.

And although e-cigarettes contain fewer toxic chemicals than traditional tobacco products, they often include more nicotine, the addictive drug found in regular cigarettes, cigars and other tobacco products.

Vaping has been linked to at least nine deaths and roughly 530 cases of illness. Common symptoms that patients have experienced include breathing issues, dry cough or chest pain, and in some cases, diarrhea, vomiting and fever. The majority of those sickened have been male and between the ages of 18 and 34, according to the CDC. Roughly 16% have been younger than 18.

The CDC announced earlier this month that it was investigating the matter.

Juul suspended sales of most of its flavored e-cigarette pods in retail stores last year, prompting the FDA to back down on a proposed ban on fruit- and candy-flavored e-cigarettes in convenience stores and gas stations. This June, San Francisco's board of supervisors voted to effectively ban the sale of e-cigarettes starting next year.

Kevin Burns, Juul's CEO, apologized to parents of young e-cigarette users in a CNBC documentary, "Vaporized: America's E-Cigarette Addiction," that aired in July.

"I'm sorry that their child is using the product. It's not intended for them," Burns said. "As a parent to a 16-year-old, I'm sorry for them and have empathy for them and the challenges that they're going through."

Discussion Questions

1. As the article indicates, both federal and state authorities have initiated actions against Juul. Why both?

Both the federal and state governments have laws prohibiting unfair and deceptive trade practices, including wrongful marketing schemes.

2. As the article indicates, several federal administrative agencies are focusing on Juul's product and practices, including The Federal Trade Commission (FTC), the Food and Drug Administration (FDA), and the Centers for Disease Control (CDC). Should not one (1) administrative agency exercise jurisdiction over Juul's product and practices? Why or why not?

The three (3) federal administrative agencies referenced in the article, including the Federal Trade Commission (FTC), the Food and Drug Administration (FDA), and the Centers for Disease Control (CDC) have shared jurisdictional authority and responsibility regarding Juul's product and practices. In the subject case, the FTC, the FDA, and the CDC will most likely coordinate their efforts against Juul.

3. Based on your reading of the article, has Juul committed one or more illegal acts in producing and promoting e-cigarettes? Explain your response.

This is an opinion question, so student responses may vary. Since Juul's product and practices affect minors, the company is subject to greater regulatory scrutiny by the FTC, the FDA, the CDC, and the federal and state court systems.

Article 2: "Sweeping California Law Shakes Up Gig Economy"

https://thehill.com/policy/technology/462698-sweeping-california-law-shakes-up-gig-economy

According to the article, tech companies, drivers and regulators are scrambling to grapple with a new law in California that will require "gig economy" companies to offer their workers a full range of employee benefits.

There are a number of lingering questions about the controversial legislation, which California Governor Gavin Newsom signed into law last week — including what it will look like by the time it's implemented.

Newsom has already vowed to seek changes that carve out a middle ground between the labor organizers behind the push and companies like Uber and Lyft, which are planning to funnel millions of dollars into a ballot measure intended to overturn the law.

"I will convene leaders from the Legislature, the labor movement and the business community to support innovation and a more inclusive economy by stepping in where the federal government has fallen short," Newsom wrote in a signing statement last week.

But no matter where the state-level debate winds up, labor advocates and industry watchers say the law — dubbed Assembly Bill 5, or A.B. 5 — is a game-changer when it comes to regulating how gig economy companies are allowed to treat their workers. And if other states adopt California's approach, companies like Uber, Lyft and DoorDash will find it harder to move forward with the same business model.

"California is setting an example for the nation on the future of the gig economy," Alex Rosenblat, a researcher focused on the future of work with the Data and Society Research Institute, told The Hill.

For years, app-based service providers like DoorDash and Uber have avoided providing full benefits to employees by designating them as independent contractors.

But under the California law, most gig economy workers in the state will be classified as employees, allowing them to access benefits like a minimum wage and labor protections, including the right to organize.

Organize is exactly what they intend to do. Nicole Moore, an organizer with Rideshare Drivers United — the largest rideshare organization in California — told The Hill that thousands of drivers are set to band together to negotiate their rights with companies like Lyft and Uber.

"A.B. 5 is an incredible beginning to getting (the gig economy) under control, and it's principled unions, brave politicians and, frankly, drivers who were able to get this law passed," Moore said. "Now, because the companies have said they're not even going to follow the law, it's become our job ... to force them to follow the law. And we're preparing to do that."

"We're building our union right now," she said.

Uber and Lyft have made it clear that they believe the California law is an existential threat to their business. Analysts have estimated the legislation could raise expenses for the companies by as much as 15 to 20 percent, and Uber has said outright that it will not classify its drivers as employees, flouting the law explicitly written for them.

"Because we continue to believe drivers are properly classified as independent ... drivers will not be automatically reclassified as employees, even after January of next year," when the bill would go into effect, Uber chief legal officer Tony West said in a statement.

Lyft has not come out as strongly in public, but it has threatened to "take the issue to the voters of California" through a ballot initiative that would overturn the law.
DoorDash, Uber and Lyft have committed to spending $30 million each to promote the ballot initiative.

In negotiations over the past several months, the companies have been floating an "alternative to A.B. 5" that would include a $21-per-booked-hour minimum wage and a benefits fund, but that proposal has so far failed to gain traction among critics of the companies.

"Why would we bargain away our employee rights?" Moore said in response to the plan.

The law empowers city officials to sue any violating companies for failing to properly reclassify their workers. Experts said court will likely be the venue for the fight over the gig economy, particularly in California, where Uber and others are setting themselves up for a barrage of lawsuits.

But more broadly, the widely watched battle over AB5 will likely spark a sea change in how various states, and potentially even the federal government, take on the gig economy's fast-and-loose relationship with labor laws.

"As a society, we've agreed there's a minimum set of labor standards that we need to meet," Ken Jacobs, chairman of the University of California, Berkley Labor Center, told The Hill. "I think where we are right now, the gig companies are going to learn how to operate in that world."

A coalition of labor groups in New York is campaigning to pass similar legislation at the state level, calling on the legislature and governor to protect New York's gig economy workers.

"There's a really strong coalition that's forming," Bhairavi Desai, the executive director of the New York Taxi Workers Alliance, told The Hill. Her group represents yellow cabs as well as ride-hailing drivers, totaling around 22,000 members, she said.

She said they plan to ramp up their work lobbying lawmakers when the New York State Legislature is back in session in January.

"A.B. 5 has been so energizing and has given a lot of us tremendous hope," Desai said. "Particularly companies like Uber and Lyft ... lobbied hard to have themselves be exempt from (taxi) industry regulation. What we're saying is they should not be similarly carved out of labor law."

There are similar efforts underway in Washington state. And in New Jersey, where there is already a broad independent contractor law on the books, activists are anticipating gig workers and labor unions will bring more lawsuits to test whether the law is being properly enforced.

For years, labor activists have been raising concerns that gig economy companies have been allowed to flout decades of carefully honed labor laws by classifying workers as independent contractors.

Now that argument is gaining steam amid a larger "techlash" by the public, concerned that the country's most important technology companies have too much power over the way we live.

"The interesting thing about the gig economy is that it brings together so many stakeholders," Rosenblat said. "The battle over Uber ends up becoming this framing device for a wide variety of battles." Laws that take on how to classify workers will affect those in a broad range of industries — including truck drivers, nail salon workers, janitorial staff and more.

Jacobs said the efforts do not have to kill companies like Uber and Lyft, but they'll likely have to reorient their business models over the next few years.

"Where there are businesses that cannot operate and meet any kind of minimum labor standards, then they will not continue," he said.

"They're going to have to change the way they do business," Jacobs said. "Ultimately, the gig is up."

Discussion Questions

1. What is the "gig" economy?

The "gig" economy is a labor market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.

2. Why does California's new law (A.B. 5) matter?

Distinguishing between employees and independent contractors is of great legal significance, since an employer's legal obligations from the standpoint of tort liability for injuries to third parties, tax obligations to the federal and state governments, and labor law applicability are based on the distinction. A business has markedly greater obligations if workers are classified as employees rather than independent contractors.

3. In your reasoned opinion, should Uber, Lyft, and DoorDash drivers (and other drivers like them) be legally classified as employees, or should they be classified as independent contractors? Explain your response.

This is an opinion question, so student responses will likely vary. Usually, the distinction hinges on the degree of control a business exercises over its workers. If the business exercises great control over its workers, the law will most likely categorize them as employees; conversely, if the business exercises only minimal control over its workers, the law will most likely categorize them as independent contractors.

Article 3: "Airbnb Will Go Public Next Year as 'Unicorn' IPOs Continue"

https://www.barrons.com/articles/airbnb-will-go-public-2020-ipo-51568908485

According to the article, another unicorn is heading to Wall Street.

Airbnb intends to become a publicly traded company next year, the vacation rental company said in a recent news release.

The company said that it booked more than $1 billion in revenue in the second quarter. Airbnb hasn't released full-year results for 2018 but has previously said its 2017 revenue was over $2.5 billion—more than 50% higher than its 2016 revenue. It previously sold shares privately earlier this year, valuing it at $35 billion.

Airbnb's initial public offering plans come during an already busy year for public listings of so-called unicorns—privately held startups valued at more than $1 billion. A number of highflying, private technology companies and other startups have made their mark on Wall Street in 2019—just not always as they intended.

As anticipated, Lyft and Uber Technologies went public in 2019, but have experienced a bruising introduction to the public market. Lyft shares have dropped more than 40% during their public existence, while Uber stock is down a little less 20% since the company's IPO.

Earlier this week, shared office-space provider WeWork postponed its IPO amid investor concerns about its corporate governance structure and valuation. The company was most recently valued at $47 billion by private-market investors, but it has been considering going public with a valuation of less than half that amount, according to reports.

Meanwhile, Beyond Meat stock has more than doubled since its May IPO, and shares of Zoom Video Communications have gained more 35% since the videoconference call provider went public.

Like with Lyft and Uber, there is significant regulatory risk surrounding Airbnb's business model. In some of the company's biggest markets, certain types of short-term rentals are illegal, even if these laws are inconsistently enforced.

San Francisco passed a law requiring Airbnb hosts to register with the city and to be the primary resident of the unit they are renting out. In the wake of that law, Airbnb listings in the city appear to have dropped significantly, according to reports.

Airbnb also faces a big challenge in New York City, a crucial market for the company. It's illegal under New York City law for most entire apartments to be rented on a short-term basis. The city has boosted its budget for hunting down violators and earlier this year subpoenaed the company for the addresses of thousands of hosts it says are operating illegal rentals.

Discussion Questions

1. What is a "Unicorn IPO?"

An "IPO," or initial public offering, is a company's first public issuance of stock (with stock representing an ownership interest in the company). As the article indicates, a "unicorn" is a privately held startup company valued at over $1 billion.

2. Explain the "significant regulatory risk" related to Airbnb's business model.

As the article indicates, the significant regulatory risk related to Airbnb's business model is that in some of the company's biggest markets, certain types of short-term rentals are illegal, even if these laws are inconsistently enforced. For example, Airbnb currently faces a significant challenge in New York City, a crucial market for the company. It is illegal under New York City law for most entire apartments to be rented on a short-term basis. The city has boosted its budget for hunting down *violators and earlier this year subpoenaed the company for the addresses of thousands of hosts it says are operating illegal rentals. Such actions can affect the actual and perceived value of the company, and ultimately, the value of its stock.*

3. Why are IPOs significant for companies?

For a startup company that has decided to "take its stock public" for the first time via an IPO, this can be a defining moment for the company in terms of an influx of financial capital. The company can use the money generated through an IPO to invest in research and development, diversify its product offerings, acquire human resources, physical capital, and other resources. In short, it can use the money generated from an IPO to grow the company.

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Video Suggestions

Video 1: "Nearly 50,000 GM Workers Are on Strike"

https://www.cnn.com/videos/business/2019/09/16/general-motors-workers-strike-gm-uaw-orig.cnn-business/video/playlists/business-news/

Discussion Questions

1. What is the UAW?

The International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America, also known as the UAW, is an American labor union that represents workers in the United States, Canada and Puerto Rico. With approximately one million members, the UAW is one of the largest labor unions in the United States.

2. What is a strike? What is a picket? In your opinion, which is more effective for workers in terms of labor-management negotiations?

A strike is a cessation of work, while a picket is a union demonstration (often held just outside the work facility) publicizing management's allegedly unfair labor practices. Although student opinion regarding the relative effectiveness of these practices may vary, the strike is arguably the most effective tool available to labor in labor-management negotiations, since it involves a cessation of work. Although management does have the general right to hire replacement workers in response to labor's decision to strike, replacement workers may not be as effective or efficient in production as their regularly-employed counterparts.

3. In your reasoned opinion, will the UAW strike against General Motors (GM) be successful? Why or why not?

This is an opinion question, so student responses may vary. As of the completion of this newsletter, the UAW was prepared to strike against GM for the third week.

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Video 2: "Purdue Pharma Files for Bankruptcy"

https://www.cnn.com/videos/business/2019/09/16/purdue-pharma-files-for-bankruptcy-vpx.cnn/video/playlists/business-news/

Discussion Questions

1. What type of bankruptcy has Purdue Pharma filed?

Purdue Pharma has filed for Chapter 11 "business reorganization" bankruptcy. The purpose of Chapter 11 bankruptcy is not to liquidate and go out of business; instead, the business intends to remain viable through the restructuring of its financial obligations. If Chapter 11 bankruptcy is unsuccessful, a business may have no choice but to file for Chapter 7 "liquidation" bankruptcy. Through Chapter 7, a business ceases to exist.

2. What other form of bankruptcy filing (if any) was available to Purdue Pharma in response to its potential liability for the opioid crisis?

As indicated in response to Video 2 Discussion Question Number 1, Chapter 7 "liquidation" was another option available to Purdue Pharma. Through Chapter 7, a business ceases to exist, and for this reason, Chapter 7 is usually considered "last resort" bankruptcy.

3. In your reasoned opinion, will the Purdue Pharma bankruptcy filing be successful for the company and/or its stakeholders (shareholders, customers, employees, etc.?) Explain your response.

This is an opinion question, so student responses may vary. For a sobering view of the company's future, see the following article:

https://www.wsj.com/articles/purdue-pharma-grapples-with-internal-challenges-as-opioid-lawsuits-mount-11561887120

The article contends that Purdue Pharma is "beset by sluggish sales, (a) dwindling workforce, and restructuring problems."

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Ethical Dilemma

This section of the newsletter addresses German automaker Volkswagen's commitment to electric vehicle technology and its attempt to overcome its diesel emissions scandal.

"Will Electric Cars Be Able to Save Volkswagen from Its Diesel Emissions Scandal?"

https://www.cnbc.com/2019/09/19/will-electric-cars-be-able-to-save-volkswagen-from-its-diesel-emissions-scandal.html

Note: In addition to the article, please also see the video included at the above-referenced internet address.

"Will Electric Cars Be Able to Save Volkswagen from Its Diesel Emissions Scandal?"

According to the article, the Volkswagen Group is not only one of the world's largest automakers, but it produces cars in almost every auto segment — from the cheapest Volkswagen Golf to Lamborghini and Bugatti supercars costing millions of dollars.

The company, whose origins in Germany are heavily intertwined with the Nazi party, is currently recovering from what most would say is the worst scandal in its history. Prosecutors in the U.S. and Germany have charged several executives with fraud with some sentenced to hard jail time for cheating on diesel emissions tests.

The company agreed to pay more than $10 billion to settle the scandal in the U.S. with part of that money dedicated to building zero-emission vehicles and the infrastructure to support electric cars. The company is taking that a step or two farther, pumping billions of dollars into changing over much of its line-up to electric vehicles.

Many in the auto industry are skeptical that anyone can actually make money off electric vehicles, barring big leaps in battery technology and charging speed. But many also say that Volkswagen's sheer size and extremely diverse portfolio mean that if anyone can do it, it might be the German giant.

Discussion Questions

1. Describe the Volkswagen diesel emissions scandal.

The Volkswagen diesel emissions scandal is one of the largest corporate fraud cases in United States and world history. The scandal came to public *light in September 2015, when the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to German automaker Volkswagen Group. The EPA had found that Volkswagen had intentionally programmed turbocharged direct injection (TDI) diesel engines to activate their emissions controls only during laboratory emissions testing which caused the vehicles' nitrogen oxide output to meet United States standards during regulatory testing, but emit up to forty (40) times more nitrogen oxide in real-world driving (Nitrogen oxide gases are significant contributors to air pollution, causing smog and acid rain, and adversely affecting tropospheric ozone). Volkswagen deployed this programming software in about eleven (11) million cars worldwide, including 500,000 in the United States, in model years 2009 through 2015. The company has paid billions of dollars in fines as a result of the scandal.*

2. In your reasoned opinion, is Volkswagen's dramatic change in its product offerings (to electric vehicles) based on the company's desire to "do the right thing," or is the switch based on promoting a positive business image after one of the most significant corporate scandals in United States and world history?

In your author's opinion, Volkswagen's motives may represent a combination of its desire to do the right thing and restore its business image. One thing is for sure—The company must engage in drastic change if it is to restore its reputation.

3. In your reasoned opinion, will Volkswagen ever overcome its diesel emissions scandal? Will it survive as a brand? Will it survive and prosper as a company?

This is an opinion question, so student responses will likely vary.

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This section of the newsletter will assist you in addressing Video 2 ("Purdue Pharma Files for Bankruptcy") of the newsletter.

http://catalogs.mhhe.com/mhhe/findRep.do

Teaching Tips

Teaching Tip 1 (Related to Video 2—"Purdue Pharma Files for Bankruptcy"): "Purdue Pharma Files for Bankruptcy as Part of a $10 Billion Agreement to Settle Opioid Lawsuits"

Please use the following article and its accompanying video as supplemental material in your coverage of Purdue Pharma's recent bankruptcy filing:

"Purdue Pharma Files for Bankruptcy as Part of a $10 Billion Agreement to Settle Opioid Lawsuits"

https://www.cnn.com/2019/09/16/us/purdue-pharma-bankruptcy-filing/index.html

According to the article, Purdue Pharma has filed for bankruptcy as part of its plan to settle litigation with dozens of states and other plaintiffs who say the company fueled the opioid crisis.

Now the billionaire family that that owns the pharmaceutical giant is hoping the move "will end our ownership of Purdue."

Purdue Pharma, maker of the painkiller OxyContin, said its bankruptcy filing Sunday is part of an agreement to pay billions of dollars to states and local and tribal governments.

The company has denied any wrongdoing.

"This court-supervised process is intended to, among other things, facilitate an orderly and equitable resolution of all claims against Purdue, while preserving the value of Purdue's assets for the benefit of those impacted by the opioid crisis," the company said in a statement.

Purdue estimates after bankruptcy filings are complete, it will provide more than $10 billion in funding to address the opioid crisis. That will include settlements with 24 state attorneys general, five US territories and attorneys in multi-district litigation, the statement said.

"This settlement framework avoids wasting hundreds of millions of dollars and years on protracted litigation, and instead will provide billions of dollars and critical resources to communities across the country trying to cope with the opioid crisis," said a statement from Steve Miller, chairman of Purdue's board of directors.

"We will continue to work with state attorneys general and other plaintiff representatives to finalize and implement this agreement as quickly as possible."

The Sackler family, which owns the company, had been in talks for weeks to settle cases brought by more than 2,000 states, counties, municipalities and Native American governments against Purdue Pharma and other opioid companies.

The Sackler family issued a statement saying it hopes that the bankruptcy reorganization process "will end our ownership of Purdue and ensure its assets are dedicated for the public benefit."

"This process will also bring the thousands of claims into a single, efficient forum where the settlement can be finalized, reviewed by the bankruptcy court to ensure it is fair and just and then implemented," the Sacklers said.

"Like families across America, we have deep compassion for the victims of the opioid crisis and believe the settlement framework ... is an historic step towards providing critical resources that address a tragic public health situation."

Purdue also plans to create another company called NewCo. That company will produce medicines to reverse overdoses and will keep developing an over-the-counter naloxone product at little to no cost to communities across the US, according to the statement.

As for OxyContin, one of the most well-known drugs in the opioid crisis, a bankruptcy trustee will ultimately determine whether the Sacklers can continue manufacturing the painkiller.
Paul Hanley Jr., co-lead counsel for the multidistrict litigation against opioid manufacturers, issued a statement welcoming Purdue's bankruptcy filing:

"A journey of a thousand miles starts with the first step," Hanley said. "The PEC (Plaintiffs' Executive Committee) hopes this is the first step in bringing long-needed help to all communities in the nation that have suffered so terribly from the actions of the opioids companies."

But the proposed settlement has not received unanimous support. Many attorneys general oppose it and vow to keep fighting the company.

Pennsylvania Attorney General Josh Shapiro said Wednesday the case was "far from over."
"This apparent settlement is a slap in the face to everyone who has had to bury a loved one due to this family's destruction and greed," Shapiro said in a statement obtained by CNN.

"It allows the Sackler family to walk away billionaires and admit no wrongdoing."

Recently, New York Attorney General Letitia James announced authorities had discovered the Sackler family had wired about $1 billion between the owners of Purdue Pharma, the entities they control and different financial institutions.

Millions of dollars in wire transfers involving Mortimer D.A. Sackler, a former Purdue board member, were discovered.

The New York attorney general's office is trying to determine how much money the Sacklers have, and where that money is.
In a written statement, a spokesperson for Sackler said "there is nothing newsworthy about these decade-old transfers, which were perfectly legal and appropriate in every respect.

"This is a cynical attempt by a hostile AG's office to generate defamatory headlines to try to torpedo a mutually beneficial settlement that is supported by so many other states and would result in billions of dollars going to communities and individuals across the country that need help," the statement said.

Sackler was involved in 137 wire transfers totaling nearly $20 million, and some of those transfers occurred as recently as 2018, according to a court filing by the New York attorney general.

Sackler received some of those transfers and redirected "substantial portions of those proceeds" to two other entities that own real estate on his behalf, the New York attorney general's filing said.

It said Sackler transferred nearly $40 million to Central Eight Realty LLC, which owns a New York townhouse on his behalf.

The filing also said Sackler made a $4 million wire transfer to Cherry Tree Holdings LLC, which owns a home in Amagansett, New York, on Sackler's behalf.

Teaching Tip 2 (Related to Video 2—"Purdue Pharma Files for Bankruptcy"): "OxyContin Maker Purdue Pharma Files for Bankruptcy Protection"

Please use the following article and its accompanying video as supplemental material in your coverage of Purdue Pharma's recent bankruptcy filing:

"OxyContin Maker Purdue Pharma Files for Bankruptcy Protection"

https://www.cnbc.com/2019/09/16/oxycontin-maker-purdue-pharma-files-for-bankruptcy-protection.html

According to the article, OxyContin maker Purdue Pharma filed for Chapter 11 bankruptcy protection recently, collapsing under the weight of thousands of lawsuits from states and individuals seeking damages stemming from the opioid crisis.

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Purdue's board approved the much-anticipated bankruptcy filing, days after reaching a tentative deal to settle some 2,000 opioid lawsuits filed by local governments, Native American tribes and half the states suing the company over the toll of opioids.

"This settlement framework avoids wasting hundreds of millions of dollars and years on protracted litigation," said Chairman of Purdue's board of directors, Steve Miller, in a statement. He said it "instead will provide billions of dollars and critical resources to communities across the country trying to cope with the opioid crisis."

As part of the deal, Purdue would be restructured into a public benefit trust. The deal will cost the company and its billionaire owners, the Sackler family, about $10 billion, according to Miller. That includes $3 billion from the Sackler family's personal fortune as well as agreeing to sell their Britain-based drug company, Mundipharma.

The Stamford, Connecticut-based company has been accused by nearly every U.S. state of downplaying how dangerously addictive its blockbuster pain killer is while exaggerating its benefits. The Sackler family, which owns Purdue Pharma, has been blamed for helping fuel an opioid epidemic that's claims an average of 130 lives a day. They've also been ostracized from the philanthropy circles they once traveled as museums across the world reject their donations.

Prosecutors say the company's marketing practices encouraged doctors to push higher doses of the narcotic and contributed to a public health crisis that has caused thousands of overdoses in the U.S. each year.

The privately held company has previously warned that the cascade of lawsuits, which show no signs of slowing any time soon, put it at risk of bankruptcy.

Purdue and lead plaintiff litigators in the case had been negotiating for months to settle the lawsuits over the opioid crisis to avoid a trial, expected to begin in October. On September 7, the Associated Press reported that Purdue was expected to file for bankruptcy after those talks hit an impasse. The next day, the company said it was still interested in continuing negotiations.

On September 11, Purdue Pharma reached a tentative agreement to settle some 2,000 opioid lawsuits filed by local governments, Native American tribes and states set to go to trial next month. That deal didn't include several states, including Massachusetts, Connecticut and New Jersey.

Opioid drug maker Insys Therapeutics filed for Chapter 11 bankruptcy protection June 10, marking the first drug maker driven to bankruptcy due to its legal costs tied to the opioid crisis. Opioid maker Mallinckrodt reached a tentative settlement with two Ohio counties in early September following reports that it might file for bankruptcy.

The attorneys representing Purdue say accusations against the company are “not supported by facts and are fundamentally flawed,” adding its opioid painkiller represents less than 2% of the U.S. market. They also say new lawsuits rehash a lot of the same old allegations.

However, court filings against Purdue paint a different picture. Legal documents contend the company over the years repeatedly failed to alert authorities to reports its painkillers were being abused. The Sackler family also boasted about its sales, documents show. According to a court filing in Massachusetts, Richard Sackler, who was the company’s president from 1999 to 2003, said at an event that “the launch of OxyContin Tablets will be followed by a blizzard of prescriptions that will bury the competition. The prescription blizzard will be so deep, dense, and white.”

In March, Purdue and the Sacklers agreed to pay $270 million to Oklahoma to settle a lawsuit accusing the drug maker of ruthlessly marketing and misleading the public about OxyContin. As a part of that agreement, Purdue agreed to contribute $102.5 million to fund the creation of a National Center for Addiction Studies at Oklahoma State University.

OxyContin is a prescription drug used to treat moderate-to-severe pain in adults. From 1999 to 2017, nearly 218,000 people died in the United States from overdoses related to prescription opioids, according to the U.S. Centers for Disease Control and Prevention. OxyContin first came on the market in 1996.

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	Hot Topics	Video Suggestions	Ethical Dilemma	Teaching Tips
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Bennett-Alexander & Hartman, Employment Law for Business	Chapters 1 and 4	Chapter 15	N/A	N/A
Kubasek et al., Dynamic Business Law	Chapters 7, 33, 34, 41 and 42	Chapters 32 and 42	Chapter 2	Chapter 32
Kubasek et al., Dynamic Business Law: The Essentials	Chapters 6, 20, 23, and 24	Chapters 19 and 24	Chapter 2	Chapter 19
Liuzzo, Essentials of Business Law	Chapters 3, 19, 31, 32, and 33	Chapters 21 and 33	Chapter 2	Chapter 21
Langvardt et al., Business Law: The Ethical, Global, and E-Commerce Environment	Chapters 5, 35, 36, 45, and 51	Chapters 30 and 51	Chapter 4	Chapter 30
McAdams et al., Law, Business & Society	Chapters 4, 9, and 12	Chapters 14 and 15	Chapter 2	Chapter 15
Melvin, The Legal Environment of Business: A Managerial Approach	Chapters 10, 11, 16 and 22	Chapters 11 and 20	Chapter 5	Chapter 20
Pagnattaro et al., The Legal and Regulatory Environment of Business	Chapters 13, 14, 17 and 22	Chapters 6 and 22	Chapter 2	Chapter 6
Sukys, Brown, Business Law with UCC Applications	Chapters 5, 22, 23, and 28	Chapters 21 and 24	Chapter 1	Chapter 21

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