

CLIENT ALERT

Unhealthy Business Practices Overseas Infect Health Care Companies

May.27.2005

On May 20, 2005, the U.S. Department of Justice announced that a Chinese subsidiary of Los Angeles-based Diagnostic Products Corp. had agreed to plead guilty and pay a \$2 million fine for violating the Foreign Corrupt Practices Act by making cash payments to physicians and lab personnel employed at government-owned hospitals in the People's Republic of China, while the U.S. parent entered into a civil settlement with the SEC and agreed to disgorge \$2.8 million in profits and pre-judgment interest. Meanwhile, on the very same day, a jury in Alabama acquitted two former Health South employees being prosecuted under the FCPA (and under the Travel Act for violation of the Alabama commercial bribery statute) for falsely recording in Health South's books as a consulting agreement a bribe paid to the Director of a Saudi Arabian foundation from whom Health South was seeking a \$50 million contract to manage a hospital owned by the foundation.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

Alan W. H. Gourley

Partner – Washington, D.C.

Phone: +1 202.624.2561

Email: agourley@crowell.com