

Fraud Offenses - Mail, Wire, Bank and Health Care (18 U.S.C. §§ 1341, 1343, 1344, 1347)

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**6.18.1341 Mail Fraud – Elements of the Offense (18 U.S.C. § 1341)**

**Count** *(No.)* of the indictment charges the defendant *(name)* with mail fraud, which is a violation of federal law.

**In order to find the defendant guilty of this offense, you must find that the government proved each of the following three elements beyond a reasonable doubt:**

**First: That** *(name)* knowingly devised a scheme to defraud or to obtain money or property *(or the intangible right of honest services)* by materially false or fraudulent pretenses, representations or promises *(or wilfully participated in such a scheme with knowledge of its fraudulent nature)*;

**Second: That** *(name)* acted with the intent to defraud; and

**Third: That in advancing, furthering, or carrying out the scheme, *(name)* used the mails** *(a private or commercial interstate carrier)*, or caused the mails *(a private or commercial interstate carrier)* to be used.

**Comment**

Hon. Leonard Sand, John S. Siffert, Walter P. Loughlin, Steven A. Reiss & Nancy Batterman, Modern Federal Jury Instructions - Criminal Volumes 44-3 (Matthew Bender 2003) [hereinafter, Sand et al., supra].

18 U.S.C. § 1341 provides:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post

office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service, or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail or such carrier according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined under this title or imprisoned not more than 20 years, or both. If the violation affects a financial institution, such person shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both.

The court should also give the following instructions: 6.18.1341-1 (Mail, Wire, or Bank Fraud – “Scheme to Defraud or to Obtain Money or Property” Defined), 6.18.1341-4 (Mail or Wire Fraud – “Intent to Defraud” Defined), and 6.18.1341-5 (Mail Fraud – “Use of the Mails” Defined). The court should give the following instructions when appropriate: 6.18.1341-2 (Mail, Wire, or Bank Fraud- Unanimity Required), 6.18.1341-3 (Mail or Wire Fraud – Protected Interests: Honest Services), and 6.18.1341-6 (Mail Fraud – Each Use of the Mails a Separate Offense). In addition, if the indictment charges violation through use of a private or commercial interstate carrier, the language of the instruction should be modified by replacing the word "mail" with the term "private or commercial interstate carrier" throughout. If the indictment charges that the violation affected a financial institution, the court should add language instructing the jury of the additional element and may also wish to instruct on ordinary mail fraud as a lesser included offense. *See* Instruction 3.11 (Lesser Included Offenses).

18 U.S.C. § 1346 provides:

For the purposes of this chapter, the term "scheme or artifice to defraud" includes a scheme or artifice to deprive another of the intangible right of honest services.

If the prosecution proceeds on the theory that the defendant defrauded the victim of honest services, the instruction should be modified accordingly. If the prosecution neither alleges nor proves deprivation of intangible rights, it is error to instruct on fraud through the deprivation of intangible rights. *See United States v. Leahy*, 445 F.3d 634, 655 (3d Cir. 2006) (recognizing error but holding it harmless).

In *Pereira v. United States*, 347 U.S. 1, 8 (1954), the Supreme Court stated that “[t]he elements of the offense of mail fraud . . . are (1) a scheme to defraud, and (2) the mailing of a letter, etc., for the purpose of executing the scheme.” However, the Third Circuit has adopted a three-element statement of the offense, clarifying the intent requirement:

The essential elements of an offense under 18 U.S.C. § 1341 are (1) the existence of a scheme to defraud; (2) the participation by the defendant in the particular

scheme charged with the specific intent to defraud; and (3) the use of the United States mails in furtherance of the fraudulent scheme.

*United States v. Hannigan*, 27 F.3d 890, 892 (3d Cir. 1994); *see also United States v. Pharis*, 298 F.3d 228, 234 (3d Cir. 2002); *United States v. Copple*, 24 F.3d 535, 544 (3d Cir. 1994). In *United States v. Pearlstein*, 576 F.2d 531, 537 (3d Cir. 1978), the court explained that the prosecution must establish either that the defendant devised the fraudulent scheme or that the defendant “wilfully participated in it with knowledge of its fraudulent nature.”

18 U.S.C. § 2326 provides enhanced penalties for certain violations of § 1341:

A person who is convicted of an offense under section 1028, 1029, 1341, 1342, 1343, or 1344, or a conspiracy to commit such an offense, in connection with the conduct of telemarketing--

(1) shall be imprisoned for a term of up to 5 years in addition to any term of imprisonment imposed under any of those sections, respectively; and

(2) in the case of an offense under any of those sections that--

(A) victimized ten or more persons over the age of 55; or

(B) targeted persons over the age of 55,

shall be imprisoned for a term of up to 10 years in addition to any term of imprisonment imposed under any of those sections, respectively.

If the indictment alleges any of these circumstances, the instruction should be modified to add the aggravating factor as an element essential for conviction. The court may then also wish to give a lesser included offense instruction. *See* Instruction 3.11 (Lesser Included Offenses).

**6.18.1341-1 Mail, Wire, or Bank Fraud – “Scheme to Defraud or to Obtain Money or Property” Defined**

**The first element that the government must prove beyond a reasonable doubt is that *(name)* knowingly devised (or wilfully participated in) a scheme to defraud *(the victim)* of money or property *(or the intangible right of honest services)* by materially false or fraudulent pretenses, representations or promises.**

**A "scheme" is merely a plan for accomplishing an object.**

**"Fraud" is a general term which embraces all the various means by which one person can gain an advantage over another by false representations, suppression of the truth, or deliberate disregard for the truth.**

**Thus, a “scheme to defraud” is any plan, device, or course of action to deprive another of money or property *(or the intangible right of honest services)* by means of false or fraudulent pretenses, representations or promises reasonably calculated to deceive persons of average prudence.**

**In this case, the indictment alleges that the scheme to defraud was carried out by making false *(or fraudulent)* statements *(representations)* *(claims)* *(documents)*. The representations which the government charges were made as part of the scheme to defraud are set forth in the indictment *(which I have already read to you)*. The government is not required to prove every misrepresentation charged in the indictment. It is sufficient if the government proves beyond a reasonable doubt that**

**one or more of the alleged material misrepresentations were made in furtherance of the alleged scheme to defraud. However, you cannot convict the defendant unless all of you agree as to at least one of the material misrepresentations.**

**A statement, representation, claim or document is false if it is untrue when made and if the person making the statement, representation, claim or document or causing it to be made knew it was untrue at the time it was made.**

**A representation or statement is fraudulent if it was falsely made with the intention to deceive.**

**In addition, deceitful statements of half truths or the concealment of material facts or the expression of an opinion not honestly entertained may constitute false or fraudulent statements. The arrangement of the words, or the circumstances in which they are used may convey the false and deceptive appearance.**

**The deception need not be premised upon spoken or written words alone. If there is deception, the manner in which it is accomplished is immaterial.**

*[The failure to disclose information may constitute a fraudulent representation if the defendant was under a legal, professional or contractual duty to make such a disclosure, the defendant actually knew such disclosure ought to be made, and the defendant failed to make such disclosure with the intent to defraud.]*

**The false or fraudulent representation (or failure to disclose) must relate to a material fact or matter. A material fact is one which would reasonably be expected**

**to be of concern to a reasonable and prudent person in relying upon the representation or statement in making a decision** (*describe relevant decision; e.g., with respect to a proposed investment*).

**This means that if you find that a particular statement of fact was false, you must determine whether that statement was one that a reasonable person** (*or investor*) **might have considered important in making his or her decision. The same principle applies to fraudulent half truths or omissions of material facts.**

**In order to establish a scheme to defraud, the government must also prove that the alleged scheme contemplated depriving another of money or property** (*or of the intangible right of honest services*).

**However, the government is not required to prove that** (*name*) (*himself*)(*herself*) **originated the scheme to defraud. Furthermore, it is not necessary that the government prove that** (*name*) **actually realized any gain from the scheme or that** (*the*)(*any*) **intended victim actually suffered any loss.** (*In this case, it so happens that the government does contend that the proof establishes that persons were defrauded and that* (*name*) *profited. Although whether or not the scheme actually succeeded is really not the question, you may consider whether it succeeded in determining whether the scheme existed.*)

**If you find that the government has proved beyond a reasonable doubt that the** (*overall*) **scheme to defraud charged in the indictment did exist and that the**

**defendant knowingly devised or participated in the (*overall*) scheme charged in the indictment, you should then consider the second element.**

**Comment**

Sand et al., *supra*, 44-4.

This instruction seeks to provide a comprehensive definition of the first element of the offense – the existence of a scheme to defraud or to obtain money or property or the intangible right of honest services. The instruction contains optional language that may be used if the prosecution rests at least in part on the defendant’s failure to disclose information.

The two phrases in the statute – “any scheme or artifice to defraud” and “or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises” are not used in the disjunctive. *United States v. Monostra*, 125 F.3d 183, 187 (3d Cir. 1997). Instead, Congress added the second phrase to the statute “simply [to make] it unmistakable that the statute reached false promises and misrepresentations as to the future as well as other frauds involving money or property.” *See Monostra*, 125 F.3d at 187 (quoting *McNally v. United States*, 483 U.S. 350, 359 (1987)).

In *United States v. Goldblatt*, 813 F.2d 619, 624 (3d Cir. 1987), the Third Circuit noted that “[t]he term ‘scheme to defraud’ . . . is not capable of precise definition.” In *United States v. Leahy*, 445 F.3d 634, 649 (3d Cir. 2006), a bank fraud case, the court gave the following instruction over the defendants’ objection, and the defendants challenged the instruction, arguing that the trial court committed error by including the italicized language:

Members of the jury, the first element is that the government must prove beyond a reasonable doubt that there was a scheme or artifice to defraud a financial institution, or a scheme or artifice to obtain any of the money owned by or under the custody or control of a financial institution by means of false or fraudulent pretenses, representation or promises.

...

The term false or fraudulent pretenses, representations or promises, means a statement or an assertion which concerns a material or important fact, or material or important aspect of the matter in question that was either known to be untrue at the time that it was made or used, or that it was made or used with reckless indifference as to whether it was, in fact, true or false and made or used with the intent to defraud.

...

The fraudulent nature of a scheme is not defined according to any technical standards. *Rather, the measure of a fraud in any fraud case is whether the scheme shows a departure from moral uprightness, fundamental honesty, fair play and*



*candid dealings in a general light of the community.*

Fraud embraces all of the means which human ingenuity can devise to gain advantage over another by false representation, suggestions or suppression of truth or deliberate disregard or omission of truth. (Emphasis added).

The Third Circuit affirmed the convictions, considering the challenged language in the context of the entire instruction, but expressed disapproval of the italicized language. *Leahy*, 445 F.3d at 350-51. This language, found in a number of older cases, has not been included in the model instruction.

In *Cleveland v. United States*, 531 U.S. 12, 15 (2000), the Supreme Court clarified the meaning of the term “property” in the statute, holding that state and municipal licenses in general are not “property” within Section 1341. The Court stated:

It does not suffice, we clarify, that the object of the fraud may become property in the recipient's hands; for purposes of the mail fraud statute, the thing obtained must be property in the hands of the victim.

531 U.S. at 15. In *Pasquantino v. United States*, 544 U.S. 349 (2005), the Court held that a scheme to smuggle liquor from the United States into Canada to avoid Canadian taxes constituted a scheme to defraud in violation of the wire fraud statute. Canada's right to the uncollected taxes constituted property within the meaning of the statute. 544 U.S. at 354-55.

The statute also reaches schemes to deprive another of the “intangible right of honest services.” 18 U.S.C. § 1346. If the prosecution proceeds on the theory that the defendant defrauded the victim of honest services, the court should give Instruction 6.18.1341-3 (Mail or Wire Fraud – Protected Interests: Honest Services).

The scheme “need not be fraudulent on its face.” However, it must involve “fraudulent misrepresentations or omissions reasonably calculated to deceive persons of ordinary prudence and comprehension.” *United States v. Pearlstein*, 576 F.2d 531, 535 (3d Cir. 1978) (citation omitted). The instruction incorporates this objective standard. Some circuits permit the jury to convict even if the misrepresentations would not deceive an ordinary reasonable person. *See United States v. Brown*, 79 F.3d 1550, 1557 (11th Cir. 1996) (discussing circuit split and adopting an objective standard). Although the Third Circuit does not appear to have addressed this issue directly, in *Pearlstein* the court included an objective standard in its statement of the requirements for a mail fraud conviction. 576 F.2d at 535.

The representations must relate to material facts. The Supreme Court held in *Neder v. United States*, 527 U.S. 1, 25 (1999), that materiality is an essential element of the crime of mail fraud, wire fraud, and bank fraud to be decided by the jury.

The last paragraph of the instruction refocuses the jury on the question of the defendant’s

involvement in the scheme charged in the indictment as well as the existence of that scheme. If the evidence in the case on trial may lead the jury to convict a defendant for involvement in some lesser scheme rather than the scheme charged in the indictment, the court may insert the adjective “overall” to emphasize that the conviction cannot rest on involvement in some scheme other than the overall scheme charged. Alternatively, depending on the particular facts, the court should make clear that the jury must find that the defendant joined the particular scheme charged in the indictment, and not some other fraudulent scheme. In *United States v. Dobson*, 419 F.3d 231, 237 (3d Cir. 2005), the court explained:

[T]he relevant inquiry is not whether the defendant acted knowingly in making any misstatement, but whether she did so with respect to the overarching fraudulent scheme—that is, the particular “illicit enterprise” charged in the indictment.

In *Dobson*, the court held that the instructions to the jury were deficient because they

nowhere advised the jury that it could convict only on finding that [the defendant] in fact knew of [the broader] fraudulent scheme [alleged in the indictment]. \* \* \* [T]he language of the charge easily, but erroneously, encompassed the possibility that [the defendant’s] own misrepresentations, without knowledge of [the charged scheme’s] broader illicit purpose, could constitute her creation of, or participation “in a scheme to defraud, or to obtain money or property by materially false or fraudulent[ ] pretenses, misrepresentations, or promises . . . .”

419 F.3d at 238.

**6.18.1341-2 Mail, Wire, or Bank Fraud - Unanimity Required**

**Count (No.) of the indictment, charging (name) with (mail) (wire) (bank) fraud, alleges a number of separate (schemes or plans to defraud) (schemes or plans to obtain money or property by means of false or fraudulent pretenses, representations, or promises).**

**The government is not required to prove (all of the schemes or plans to defraud) (all of the schemes or plans to obtain money or property by means of false or fraudulent pretenses, representations or promises) (all of the false or fraudulent pretenses, representations, or promises) that are alleged.**

**However, each of you must agree with each of the other jurors that the same (scheme or plan to defraud) (scheme or plan to obtain money or property by means of false or fraudulent pretenses, representations, or promises) alleged in Count (No.) was, in fact, employed by (name). The jury need not unanimously agree on each scheme or plan, but, in order to convict, must unanimously agree upon at least one such scheme or plan as a scheme or plan that was knowingly used by the defendant.**

**Unless each of you agrees that the government has proven the same (scheme or plan to defraud) (scheme or plan to obtain money or property by means of false or fraudulent pretenses, representations, or promises) beyond a reasonable doubt, you must find the defendant not guilty of the (mail) (wire) (bank) fraud charged in Count (No.) of the indictment.**

## Comment

Kevin F. O'Malley, Jay E. Grenig, & Hon. William C. Lee, 1A Federal Jury Practice and Instructions § 47.17 [hereinafter O'Malley et al., supra].

A criminal defendant has a constitutional right to a unanimous verdict. *See United States v. Edmonds*, 80 F.3d 810, 814 (3d Cir. 1996). In some cases, that right requires the court to instruct the jury regarding the need for unanimity on specific questions. *Edmonds*, 80 F.3d at 814; *United States v. Russell*, 134 F.3d 171, 177 (3d Cir. 1998); *United States v. Ryan*, 828 F.2d 1010, 1020 (3d Cir. 1987) (cautioning courts to give "augmented unanimity instruction" if requested). *See also Richardson v. United States*, 526 U.S. 813 (1999) (discussing need for unanimity instruction on aspects of continuing criminal enterprise prosecution).

In *United States v. Pedroni*, 45 F. App'x. 103, 107-08 (3d Cir. 2002), a non-precedential decision, the Third Circuit rejected the defendant's argument that the trial court had not adequately instructed the jury concerning the unanimity requirement. The court noted that the trial court had told the jury that it "must be unanimous as to which one of the objects of the conspiracy the defendant agreed to pursue" and that the "verdict must be unanimous." The court concluded that these instructions were adequate.

### **6.18.1341-3 Mail or Wire Fraud – Protected Interests: Honest Services**

**A public official or employee owes a duty of honest, faithful and disinterested service to the public and to the government that *(he)(she)* serves. The public relies on officials of the government to act for the public interest, not for their own enrichment. A government official who uses *(his)(her)* public position for self-enrichment breaches the duty of honest service owed to the public and the government. So, for instance, a public official who accepts a bribe or corrupt payment breaches the duty of honest, faithful, and disinterested service. While outwardly appearing to be exercising independent judgment in *(his)(her)* official work, the public official instead has been paid privately for *(his)(her)* public conduct. Thus, the public is not receiving the public official's honest and faithful service to which it is entitled.**

*[In a prosecution of a state official: A public official in (name of state) also owes a duty to (specify duty or duties owed under state law).]*

*[Some explanation of that duty may also be appropriate; e.g., In Pennsylvania, where a person is a government official, and has a financial relationship with someone who will benefit from the public employee's official actions, that official has an affirmative duty to disclose information about the relationship. If he intentionally hides this information, then he has violated his duty to the public that he serves. A public official cannot conceal from the public a conflict of interest that results in personal gain.]*

*If you find that the defendant engaged in undisclosed, biased decision-making for personal gain, that constitutes a deprivation of honest services even if the public suffered no tangible harm. Active fraud or deceit is not necessary. The intentional violation of the duty to disclose material information provides the requisite deceit.*

*Accordingly, if a public official takes a bribe or corrupt payment or intentionally does not disclose material information regarding a conflict of interest and benefits financially, then that official has deprived the public of its right to his honest services.]*

**If you find beyond a reasonable doubt that (name of defendant) has violated the duty to provide honest services as defined here, alone or with the help of others, then you may find the first element of the particular mail (wire) fraud count satisfied.**

#### **Comment**

If the prosecution rests on a theory of honest services fraud by a public official or employee, the court should give this instruction in addition to Instruction 18.1341-2 (Mail, Wire or Bank Fraud - Unanimity Required).

In 1988, Congress enacted the honest services amendment, which provides: "For the purposes of this chapter, the term 'scheme or artifice to defraud' includes a scheme or artifice to deprive another of the intangible right of honest services." 18 U.S.C. § 1346. In *United States v. Antico*, 275 F.3d 245, 262 (3d Cir. 2001), the Third Circuit "join[ed] with those courts that recognize that the scope of the amendment includes the prosecution of state and local officials and public employees for depriving the citizens they serve of their right to honest services."

The prosecution must establish that the defendant owed the public a duty of honest services. *United States v. Murphy*, 323 F.3d 102, 116 (3d Cir. 2003). In *Antico*, the government proceeded on the theory that the defendant "by failing to disclose his personal interest in a matter over which he had discretionary decision-making authority, deprived the public of its right to disinterested decision-making and of its right to full disclosure of his potential motivation." 275

F.3d at 262. The court sustained the resulting conviction. The court explained the nature of honest services fraud:

Honest services fraud typically occurs in two scenarios: (1) bribery, where a legislator was paid for a particular decision or action; or (2) failure to disclose a conflict of interest resulting in personal gain. This duty to disclose a conflict of interest arises in the private sector from the fiduciary relationship between an employer and an employee. In the public sector, the duty is oftentimes prescribed by state and local ethics laws. In the latter context, [a] public official has an affirmative duty to disclose material information to the public employer. When an official fails to disclose a personal interest in a matter over which she has decision-making power, the public is deprived of its right either to disinterested decision making itself or, as the case may be, to full disclosure as to the official's potential motivation behind an official act. Thus, undisclosed, biased decision making for personal gain, whether or not tangible loss to the public is shown, constitutes a deprivation of honest services.

*Antico*, 275 F.3d at 262-63.

In *United States v. Panarella*, 277 F.3d 678, 691 (3d Cir. 2002), the court held: [W]here a public official takes discretionary action that the official knows will directly benefit a financial interest that the official has concealed in violation of a state criminal law, that official has deprived the public of his honest services . . . .

The court also noted:

[A]s a textual matter, it is not a strained reading of § 1346 to hold that a public official who deliberately lies about his income while taking discretionary action in his official capacity that directly benefits his concealed financial interest "deprives [the public] of the intangible right of honest services."

277 F.3d at 698. In *Panarella*, the court affirmed the defendant's honest services fraud conviction even though the government neither alleged nor proved that the public official's discretionary action was influenced by the concealed payments. 277 F.3d at 691. *See also United States v. Gordon*, 183 F. App'x. 202 (3d Cir. 2006) (non-precedential decision holding indictment adequately alleged honest services fraud and conflict of interest by public official); *United States v. Mangiardi*, 962 F. Supp. 49, 51-53 (M.D. Pa. 1997), *aff'd*, 202 F.3d 255 (holding indictment failed to allege dishonesty by any public official and was therefore insufficient to state a violation based on deprivation of honest services); *United States v. Bissell*, 954 F. Supp. 841 (D.N.J. 1996), *aff'd*, 142 F.3d 429 (holding indictment sufficient to charge mail fraud based on deprivation of honest services).

A fraud prosecution may also rest on a theory of honest services fraud by a private sector

employee or agent. If so, the instruction should be modified accordingly. The Third Circuit does not appear to have considered the application of the honest services amendment to private sector honest services fraud. Other courts, however, have recognized that a private sector agent or employee may violate the federal statute by violating the duty of honest services owed to the principal or employer. *See, e.g., United States v. Rybicki*, 354 F.3d 124 (2d Cir. 2003); *United States v. Martin*, 228 F.3d 1, 17 (1st Cir. 2000); *United States v. Lemire*, 720 F.2d 1327, 1335-36 (D.C. Cir. 1983). Of course, the government must establish that the defendant owed a duty of honest services to the alleged victim of the fraud. *See also United States v. Czubinski*, 106 F.3d 1069 (1st Cir. 1997).



#### **6.18.1341-4 Mail or Wire Fraud – “Intent to Defraud” Defined**

**The second element that the government must prove beyond a reasonable doubt is that *(name)* acted with the specific intent to defraud.**

**To act with an "intent to defraud" means to act knowingly and with the intention or the purpose to deceive or to cheat.**

**In considering whether *(name)* acted with an intent to defraud, you may consider, among other things, whether *(name)* acted with a desire or purpose to bring about some gain or benefit to *(himself)(herself)* or someone else or with a desire or purpose to cause some loss to someone.**

#### **Comment**

O’Malley et al., *supra*, § 47.14.

The government must prove specific intent to defraud. *United States v. Hannigan*, 27 F.3d 890, 892 (3d Cir. 1994). Specific intent may be inferred from “a material misstatement of fact made with reckless disregard for the truth.” *Hannigan*, 27 F.3d at 892 n.1. In some cases, the court may also consider instructing on willful blindness. *United States v. Stewart*, 185 F.3d 112 (3d Cir. 1999). *See* Instruction 5.06 (Willful Blindness).

A good faith defense instruction is generally not necessary in mail and wire fraud cases and has therefore not been included. In *Gross v. United States*, 961 F.2d 1097 (3d Cir. 1992), the Third Circuit stated:

We are persuaded by the majority view, and agree that a jury finding of good faith is inconsistent with a finding that the defendant acted knowingly and willfully. Therefore, in this case, we conclude that failure to give the instruction on the good faith defense did not constitute an abuse of discretion. By giving a detailed instruction on the elements of the crime with which Gross was charged, the court ensured that a jury finding of good faith would lead to an acquittal. Consistent with our well-established practice of evaluating the jury charge as a whole, we find that the district court's charge was within the bounds of its discretion.

While it is not reversible error for the district court to refuse to give the good faith instruction in this case, we commend the district judges in the exercise in the discretion of its use as a supplement to the 'knowing and wilful' charge in future cases.

*Gross*, 961 F.2d at 1103 (citation omitted). In *United States v. Leahy*, 445 F.3d 634, 651 (3d Cir. 2006), a bank fraud case, the Third Circuit also rejected the defendant's argument that the trial court's refusal to instruct on good faith constituted error. The court stated:

In *United States v. Gross*, 961 F.2d 1097 (3d Cir.1992), we held, adopting what has become the majority position among the circuits, that a district court does not abuse its discretion in denying a good faith instruction where the instructions given already contain a specific statement of the government's burden to prove the elements of a "knowledge" crime. *Id.* at 1102-03. In this matter, the District Court's instructions, taken as a whole, adequately defined the elements of the crime, including the intent requirement, thereby making a good faith instruction unnecessary and redundant. If the jury found that the Defendants had acted in good faith, it necessarily could not have found that the Defendants had acted with the requisite scienter. Accordingly, any good faith instruction would have been unnecessary and duplicative.

*See* Comment to Instruction 5.07 (Good Faith Defense).

### **6.18.1341-5 Mail Fraud – “Use of the Mails” Defined**

**The third element that the government must prove beyond a reasonable doubt is that in advancing, furthering, or carrying out the scheme, *(name)* used the mails *(a private or commercial interstate carrier)*, or caused the mails *(a private or commercial interstate carrier)* to be used.**

**The government is not required to prove that *(name)* *(himself)**(herself)* actually mailed anything or that *(name)* even intended that the mails would be used to further, or to advance, or to carry out the scheme.**

**However, the government must prove beyond a reasonable doubt, that the mails *(a private or commercial interstate carrier)* were, in fact, used in some manner to further, or to advance, or to carry out the scheme to defraud. The government must also prove either that *(name)* used the mails, or that *(name)* knew the use of the mails *(private or commercial interstate carrier)* would follow in the ordinary course of business or events, or that *(name)* should reasonably have anticipated that the mails would be used.**

**It is not necessary that the item mailed *(sent by carrier)* was itself false or fraudulent or contained any false or fraudulent statement, representation, or promise, or contained any request for money or thing of value.**

**However, the government must prove beyond a reasonable doubt that the use of the mails *(private or commercial interstate carrier)* in some way furthered, or**

**advanced, or carried out the scheme.**

## **Comment**

O'Malley et al., *supra*, § 47.04.

In *Pereira v. United States*, 347 U.S. 1 (1954), the Court explained that the scheme need not “contemplate the use of the mails as an essential element:”

Where one does an act with knowledge that the use of the mails will follow in the ordinary course of business, or where such use can reasonably be foreseen, even though not actually intended, then he ‘causes’ the mails to be used.

*Pereira*, 347 U.S. at 8-9. *See also United States v. Bentz*, 21 F.3d 37, 40-42 (3d Cir. 1994) (dismissing wire fraud indictment where defendant did not know that use of wires would follow in the ordinary course of business and where such use was not objectively reasonably foreseeable). However, the mailing must be for the purpose of executing or attempting to execute the scheme to defraud. *United States v. Maze*, 414 U.S. 395, 400 (1974). The Third Circuit has held that “the mailings must be sufficiently closely related to the scheme to bring the conduct within the ambit of the mail fraud statute, and the ‘scheme’s completion [must] depend [ ] in some way on the charged mailings.’” *United States v. Coyle*, 63 F.3d 1239, 1244-45 (3d Cir. 1995) (citations omitted)

The mailing may be routine or innocent and need not contain false information. *Schmuck v. United States*, 489 U.S. 705, 715 (1989). The mailings may even, in hindsight, be counterproductive. *Schmuck*, 489 U.S. at 715.

In *Coyle*, 63 F.3d at 1244-45 (citations omitted), the Third Circuit explained:

Even mailings made after the fruits of the scheme have been received may come within the statute when they are “designed to lull the victims into a false sense of security, postpone their ultimate complaint to the authorities, and therefore make the apprehension of the defendants less likely than if no mailings had taken place.”

In an appropriate case, the court may give the following instruction regarding a “lulling letter:”

A mailing intended to lull the victims into a false sense of security, or to conceal the fraud or postpone its detection, or to make detection less likely, constitutes a mailing for the purpose of executing the scheme to defraud.

*See United States v. Lane*, 474 U.S. 438, 451-53 (1986); *United States v. Sampson*, 371 U.S. 75, 80-81 (1962); *United States v. Lebovitz*, 669 F.2d 894, 896 (3d Cir. 1982).

#### **6.18.1341-6 Mail Fraud – Each Use of the Mails a Separate Offense**

**Each use of the mails to advance, or to further, or to carry out the scheme or plan may be a separate violation of the mail fraud statute.**

#### **Comment**

O'Malley et al., *supra*, § 47.15.

Each separate mailing constitutes a separate violation of the mail fraud statute. *See United States v. McClelland*, 868 F.2d 704, 706 (5th Cir. 1989); *United States v. Tiche*, 424 F. Supp. 996, 1003 (W.D. Pa.), *aff'd.*, 564 F.2d 90 (3d Cir. 1977).

**6.18.1343 Wire Fraud – Elements of the Offense (18 U.S.C. § 1343)**

**Count** *(No.)* of the indictment charges the defendant *(name)* with wire fraud, which is a violation of federal law.

**In order to find the defendant guilty of this offense, you must find that the government proved each of the following three elements beyond a reasonable doubt:**

**First: That** *(name)* **devised a scheme to defraud or to obtain money or property** *(or the intangible right of honest services)* **by materially false or fraudulent pretenses, representations or promises** *(or wilfully participated in such a scheme with knowledge of its fraudulent nature);*

**Second: That** *(name)* **acted with the intent to defraud; and**

**Third: That in advancing, furthering, or carrying out the scheme,** *(name)* **transmitted any writing, signal, or sound by means of a wire, radio, or television communication in interstate commerce or caused the transmission of any writing, signal, or sound of some kind by means of a wire, radio, or television communication in interstate commerce.**

**Comment**

O'Malley et al., *supra*, § 47.07.

18 U.S.C. § 1343 provides:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any

writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than 20 years, or both. If the violation affects a financial institution, such person shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both.

The court should also give Instruction 6.18.1343-1 (Wire Fraud – "Transmits by means of wire, radio, or television communication in interstate commerce" - Defined). The cases construing the mail fraud statute apply equally to wire fraud. *See United States v. Giovengo*, 637 F.2d 941 (3d Cir. 1980). As a result, the court may also give the following instructions as appropriate: 6.18.1341-1 (Mail, Wire, or Bank Fraud – "Scheme to Defraud or to Obtain Money or Property" Defined), 6.18.1341-2 (Mail, Wire, or Bank Fraud - Unanimity Required), 6.18.1341-3 (Mail or Wire Fraud – Protected Interests: Honest Services), and 6.18.1341-4 (Mail or Wire Fraud – "Intent to Defraud" Defined). In appropriate cases, the court should also give Instruction 6.18.1343-2 (Wire Fraud – Each Transmission by Wire Communication a Separate Offense).

18 U.S.C. § 2326 provides enhanced penalties for certain violations of § 1343:

A person who is convicted of an offense under section 1028, 1029, 1341, 1342, 1343, or 1344, or a conspiracy to commit such an offense, in connection with the conduct of telemarketing--

(1) shall be imprisoned for a term of up to 5 years in addition to any term of imprisonment imposed under any of those sections, respectively; and

(2) in the case of an offense under any of those sections that--

(A) victimized ten or more persons over the age of 55; or

(B) targeted persons over the age of 55,

shall be imprisoned for a term of up to 10 years in addition to any term of imprisonment imposed under any of those sections, respectively.

If the indictment alleges any of these circumstances, the instruction should be modified to add the aggravating factor as an element essential for conviction. The court may then also wish to give Instruction 3.11 (Lesser Included Offenses).



**6.18.1343-1 Wire Fraud – "Transmits by means of wire, radio, or television communication in interstate commerce"– Defined**

**The third element that the government must prove beyond a reasonable doubt is that in advancing, furthering, or carrying out the scheme, *(name)* transmitted a writing, signal, or sound by means of a wire, radio, or television communication in interstate commerce or caused the transmission of a writing, signal, or sound of some kind by means of a wire, radio, or television communication in interstate commerce.**

**The phrase "transmits by means of wire, radio, or television communication in interstate commerce" means to send from one state to another by means of telephone or telegraph lines or by means of radio or television. The phrase includes a telephone conversation by a person in one state with a person in another state, or electronic signals sent from one state to another, such as by fax or financial wire.**

*[The use of the Internet to send a message, such as an e-mail, or to communicate with a web site may constitute a wire transmission in interstate commerce.]*

**The government is not required to prove that *(name)* actually used a wire communication in interstate commerce or that *(name)* even intended that anything be transmitted in interstate commerce by means of a wire, radio, or television communication to further, or to advance, or to carry out the *(scheme or plan to defraud)* *(scheme or plan for obtaining money or property by means of false or fraudulent***

*pretenses, representations, or promises).*

**However, the government must prove beyond a reasonable doubt that a transmission by a wire, radio, or television communication facility in interstate commerce was, in fact, used in some manner to further, or to advance, or to carry out the scheme to defraud. The government must also prove either that *(name)* used wire, radio, or television communication in interstate commerce, or that *(name)* knew the use of the wire, radio, or television communication in interstate commerce would follow in the ordinary course of business or events, or that *(name)* should reasonably have anticipated that wire, radio, or television communication in interstate commerce would be used.**

**It is not necessary that the information transmitted by means of wire, radio, or television communication in interstate commerce itself was false or fraudulent or contained any false or fraudulent pretense, representation, or promise, or contained any request for money or thing of value.**

**However, the government must prove beyond a reasonable doubt that the use of the wire, radio, or television communication in interstate commerce furthered, or advanced, or carried out, in some way, the scheme.**

#### **Comment**

O'Malley et al., *supra*, § 47.08.

Transmission by means of wire, radio, or television communication in interstate commerce is not narrowly construed. *See United States v. King*, 590 F.2d 253 (8th Cir. 1978),

*cert. denied*, 440 U.S. 973 (1979) (rejecting defendant's challenge to wire fraud conviction where conviction rested in part on microwave communications in order to further a fraud).

In *Pereira v. United States*, 347 U.S. 1 (1954), a mail fraud case, the Court explained that the scheme need not "contemplate the use of the mails as an essential element:"

Where one does an act with knowledge that the use of the mails will follow in the ordinary course of business, or where such use can reasonably be foreseen, even though not actually intended, then he 'causes' the mails to be used.

*Pereira*, 347 U.S. at 8-9. *See also United States v. Bentz*, 21 F.3d 37, 40-42 (3d Cir. 1994) (dismissing wire fraud indictment where defendant did not know that use of wires would follow in the ordinary course of business and where such use was not objectively reasonably foreseeable). If the government proves that the wire communication occurred and was reasonably foreseeable, it is not necessary that the government prove it was foreseeable that the wire communication would be interstate. *See United States v. Blackmon*, 839 F.2d 900, 907 (2d Cir. 1988).

If the government relies on use of the Internet, the court should add the optional language addressing Internet use. Although the Third Circuit has not directly addressed this issue, use of the Internet to send a message or communicate with a web site may constitute the requisite transmission in interstate commerce. *Cf. United States v. MacEwan*, 445 F.3d 237, 244 (3d Cir. 2006).

**18.1343-2 Wire Fraud – Each Transmission by Wire Communication a Separate Offense**

**Each transmission by wire communication in interstate commerce to advance, or to further, or to carry out the scheme or plan may be a separate violation of the wire fraud statute.**

**Comment**

O'Malley et al., *supra*, § 47.15.

Each use of the wires constitutes a separate violation of the wire fraud statute. *See United States v. Luongo*, 11 F.3d 7, 9 (1st Cir. 1993).

**6.18.1344 Bank Fraud - Elements of the Offense (18 U.S.C. § 1344)**

**Count (No.) of the indictment charges the defendant (name) with bank fraud, which is a violation of federal law.**

**In order to find the defendant guilty of this offense, you must find that the government proved each of the following three elements beyond a reasonable doubt:**

**First: That (name) [(knowingly executed a scheme or artifice to defraud (name of financial institution))(knowingly executed a scheme to obtain the money, funds or other property owned by or under the control of (name of financial institution))] by means of material false or fraudulent pretenses, representations or promises as detailed in Count (No.) of the indictment;**

**Second: That (name) did so with the intent to defraud (name of financial institution); and**

**Third: That (name of financial institution) was [(then insured by the Federal Deposit Insurance Corporation) (chartered by the United States)].**

**Comment**

18 U.S.C. § 1344 provides that:

Whoever knowingly executes, or attempts to execute, a scheme or artifice--  
(1) to defraud a financial institution; or  
(2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises;  
shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both.

The court should also give Instructions 6.18.1341-1 (Mail, Wire, or Bank Fraud – “Scheme to

Defraud or to Obtain Money or Property” Defined) and 6.18.1341-4 (Mail or Wire Fraud – “Intent to Defraud” Defined).

The Third Circuit looks to the interpretation of the mail fraud statute, 18 U.S.C. § 1341, to construe the bank fraud statute. *United States v. Thomas*, 315 F.3d 190, 198 (3d Cir. 2002). In appropriate cases, the court should instruct concerning the requirement of unanimity. *Thomas*, 315 F.3d at 198. See Instruction 6.18.1341-2 (Mail, Wire, or Bank Fraud - Unanimity Required).

In *Thomas*, the Third Circuit addressed the requirements for conviction under section 1344. The court noted that:

The meaning of the first line of the statute is not disputed. "The terms 'scheme' and 'artifice' are defined to include any plan, pattern or cause of action, including false and fraudulent pretenses and misrepresentations, intended to deceive others in order to obtain something of value, such as money, from the institution to be deceived."

315 F.3d at 195 (citation omitted). In *Thomas*, the court resolved the question of whether 1344(1) and (2) should be read disjunctively or conjunctively, stating that “to convict at all under the bank fraud statute, there must be an intent to defraud the bank” and holding that “conduct, reprehensible as it may be, does not fall within the ambit of the bank fraud statute when the intention of the wrongdoer is not to defraud or expose the bank to any loss but solely to defraud the bank's customer.” 315 F.3d at 196-99.

It is not necessary that the defendant actually cause harm to the bank to be guilty of bank fraud. See *United States v. Khorozian*, 333 F.3d 498, 505 n.6 (3d Cir. 2003).

18 U.S.C. § 2326 provides enhanced penalties for certain violations of § 1344:

A person who is convicted of an offense under section 1028, 1029, 1341, 1342, 1343, or 1344, or a conspiracy to commit such an offense, in connection with the conduct of telemarketing--

(1) shall be imprisoned for a term of up to 5 years in addition to any term of imprisonment imposed under any of those sections, respectively; and

(2) in the case of an offense under any of those sections that--

(A) victimized ten or more persons over the age of 55; or

(B) targeted persons over the age of 55,

shall be imprisoned for a term of up to 10 years in addition to any term of imprisonment imposed under any of those sections, respectively.

If the indictment alleges any of these circumstances, the instruction should be modified to add the aggravating factor as an element essential for conviction. The court may then also wish to give Instruction 3.11 (Lesser Included Offenses).

### **6.18.1344-1 Bank Fraud – “Intent to Defraud” Defined**

**The second element that the government must prove beyond a reasonable doubt is that *(name)* acted with the intent to defraud *(name of financial institution)*.**

**To act with an "intent to defraud" means to act knowingly and with the intention or the purpose to deceive or to cheat.**

**In considering whether *(name)* acted with an intent to defraud, you may consider, among other things, whether *(name)* acted with a desire or purpose to bring about some gain or benefit to *(himself)(herself)* or someone else at the expense of *(name of financial institution)* or with a desire or purpose to cause some loss to *(name of financial institution)*.**

#### **Comment**

O’Malley et al., *supra*, § 47.14.

The government must prove specific intent to defraud the bank. *United States v. Thomas*, 315 F.3d 190, 197 (3d Cir. 2002). In *Thomas*, the Third Circuit held that “harm or loss to the bank must be contemplated by the wrongdoer to make out a crime of bank fraud.” 315 F.3d at 200. In *United States v. Leahy*, 445 F.3d 634, 646 (3d Cir. 2006), the court pointed out that its decision in *United States v. Khorozian*, 333 F.3d 498 (3d Cir. 2003), “clarified *Thomas*' s holding regarding the mens rea element of § 1344.” The court explained:

[*Khorozian* made] clear that intent to cause a loss or liability, or an intent to harm the bank, is not required. Rather, loss, or risk of loss, goes to the consequences of the fraudulent scheme, and it need not be intended to satisfy § 1344's mens rea requirement of a specific intent to defraud a bank. \* \* \* Accordingly, *Khorozian* limited *Thomas*' s requirement of an intent to cause loss or liability to the bank to those situations where the bank was merely an "unwitting instrumentality" of the fraud; however, where the bank is a direct target of the deceptive conduct or scheme, § 1344 is satisfied by proof of a specific intent to defraud the bank plus fraudulent conduct (e.g., misrepresentations) which creates an actual loss or a risk

of loss. In other words, where the fraudulent scheme targets the bank, there is no requirement that the defendant intended to harm the bank or otherwise intended to cause loss.

In *Leahy*, the court noted that the following instruction was consistent with its holding in *Thomas*:

The second element of bank fraud, which the government must prove beyond a reasonable doubt, is that the defendants participated in the scheme to defraud with the intent to defraud. To act with an intent to defraud means to act knowingly and with the purpose to deceive or to cheat. An intent to defraud is ordinarily accompanied by a desire or a purpose to bring about gain or benefit to oneself or some other person, or by a desire or a purpose to cause some loss to some person. The intent element of bank fraud is an intent to deceive the bank in order to obtain from it money or other property.

445 F.3d at 644.

Specific intent may be inferred from “a material misstatement of fact made with reckless disregard for the truth.” *United States v. Hannigan*, 27 F.3d 890, 892 n.1 (3d Cir. 1994). In some cases, the court may also consider instructing on willful blindness. *United States v. Stewart*, 185 F.3d 112 (3d Cir. 1999). See Instruction 5.06 (Willful Blindness).

If the government proves such intent, it is irrelevant that the defendant also intended to harm another person or entity or was motivated by a desire to harm another person or entity. However, an intent to harm a third party alone is not sufficient to establish liability for bank fraud.

A good faith defense instruction is generally unnecessary in bank fraud cases and therefore has not been included. In *Gross v. United States*, 961 F.2d 1097 (3d Cir. 1992), the Third Circuit stated:

We are persuaded by the majority view, and agree that a jury finding of good faith is inconsistent with a finding that the defendant acted knowingly and willfully. Therefore, in this case, we conclude that failure to give the instruction on the good faith defense did not constitute an abuse of discretion. By giving a detailed instruction on the elements of the crime with which Gross was charged, the court ensured that a jury finding of good faith would lead to an acquittal. Consistent with our well-established practice of evaluating the jury charge as a whole, we find that the district court's charge was within the bounds of its discretion.

While it is not reversible error for the district court to refuse to give the good faith instruction in this case, we commend the district judges in the exercise in the discretion of



its use as a supplement to the ‘knowing and wilful’ charge in future cases.

*Gross*, 961 F.2d at 1103 (citation omitted). In *Leahy*, 445 F.3d at 651, the Third Circuit also rejected the defendant’s argument that the trial court’s refusal to instruct on good faith constituted error. The court stated:

In *United States v. Gross*, 961 F.2d 1097 (3d Cir.1992), we held, adopting what has become the majority position among the circuits, that a district court does not abuse its discretion in denying a good faith instruction where the instructions given already contain a specific statement of the government's burden to prove the elements of a "knowledge" crime. *Id.* at 1102-03. In this matter, the District Court's instructions, taken as a whole, adequately defined the elements of the crime, including the intent requirement, thereby making a good faith instruction unnecessary and redundant. If the jury found that the Defendants had acted in good faith, it necessarily could not have found that the Defendants had acted with the requisite scienter. Accordingly, any good faith instruction would have been unnecessary and duplicative.

*See* Comment to Instruction 5.07 (Good Faith Defense).

**6.18.1347 Health Care Fraud - Elements of the Offense (18 U.S.C. § 1347)**

**Count** *(No.)* of the indictment charges the defendant *(name)* with health care fraud, which is a violation of federal law.

**In order to find the defendant guilty of this offense, you must find that the government proved each of the following three elements beyond a reasonable doubt:**

**First: That** *(name)* knowingly devised or participated in a scheme to *(defraud (victim entity or person)) (obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of (victim entity or person))* in connection with the delivery of or payment for health care benefits, items, or services;

**Second: That** *(name)* acted with the intent to defraud; and

**Third: That** *(victim entity or person)* was

*[a (public)(private) plan or contract, affecting commerce, under which medical benefits, items, or services were provided to any individual.]*

*[an (individual)(entity) who was providing a medical benefit, item, or service for which payment may be made under a (public)(private) plan or contract, affecting commerce, under which medical benefits, items, or services were provided to any individual.]*

**Comment**

18 U.S.C. § 1347 provides:

Whoever knowingly and willfully executes, or attempts to execute, a scheme or artifice--

(1) to defraud any health care benefit program; or

(2) to obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any health care benefit program,

in connection with the delivery of or payment for health care benefits, items, or services, shall be fined under this title or imprisoned not more than 10 years, or both. If the violation results in serious bodily injury (as defined in section 1365 of this title), such person shall be fined under this title or imprisoned not more than 20 years, or both; and if the violation results in death, such person shall be fined under this title, or imprisoned for any term of years or for life, or both.

18 U.S.C. § 24(b) defines "health care benefit program" to mean:

any public or private plan or contract, affecting commerce, under which any medical benefit, item, or service is provided to any individual, and includes any individual or entity who is providing a medical benefit, item, or service for which payment may be made under the plan or contract.

In addition to instructing the jury on the elements of the offense, the court should also give Instruction 6.18.1341-1 (Mail, Wire, or Bank Fraud - "Scheme to Defraud or to Obtain Money or Property" Defined), Instruction 6.18.1347-1 ("Intent to Defraud" - Defined), and Instruction 6.18.1347-2 (Health Care Fraud - Affecting Interstate Commerce). If the indictment charges multiple schemes or plans to defraud, the court should give Instruction 6.18.1341-2 (Mail, Wire, or Bank Fraud - Unanimity Required).

In *United States v. Hickman*, 331 F.3d 439, 445-46 (5th Cir. 2003), the Fifth Circuit considered the requirements of the statute.

. . . § 1347 punishes one who "knowingly and willfully executes, or attempts to execute, a scheme or artifice . . . to defraud any health care benefit program . . . or . . . to obtain, by means of false or fraudulent pretenses . . . any of the money or property . . . of . . . any health care benefit program . . . ." Although there is a paucity of case law interpreting this provision, its language and structure are almost identical to the bank fraud statute, 18 U.S.C. § 1344. In *United States v. Lemons*, 941 F.2d 309 (5th Cir.1991), we interpreted § 1344 to punish "each execution of the scheme." *Id.* at 318. We contrasted this with the mail and wire fraud statutes, which punish "each act in furtherance, or execution, of the scheme." *Id.* . . . . We hold, by analogy, that the health care fraud statute, § 1347,

punishes executions or attempted executions of schemes to defraud, and not simply acts in furtherance of the scheme. Of course, although the crime of health care fraud is complete upon the execution of a scheme, any scheme can be executed a number of times, and each execution may be charged as a separate count.

\* \* \*

Ultimately, the decision of whether a particular transaction is an “execution” of the scheme or merely a component of the scheme will depend on several factors including the ultimate goal of the scheme, the nature of the scheme, the benefits intended, the interdependence of the acts, and the number of parties involved. This test highlights the fact that the definition of an execution is inextricably intertwined with the way the fraudulent scheme is defined. (Citations omitted.)

The court concluded that each claim constituted a separate execution of the defendant's scheme. *Hickman*, 331 F.3d at 447.

In *United States v. Jones*, 471 F.3d 478 (3d Cir.2006), the Third Circuit differentiated between health care fraud and theft. The defendant, a worker at a Methadone clinic, was convicted of health care fraud under 18 U.S.C. § 1347(2). The defendant, who was responsible for depositing the clinic’s daily earnings in a bank account, repeatedly embezzled the clinic’s money to her own funds. The Court of Appeals reversed on the grounds that the theft of the money occurred after the health care benefit was conferred; the theft was unrelated to the conferral of any health care benefit:

The plain language of the statute clearly prohibits health care fraud by knowingly or willfully using "false or fraudulent pretenses, representations, or promises" to obtain the money or property of a health care benefit program in connection with the delivery of, or payment for, health care benefits, items, or services. See 18 U.S.C. § 1347(2). . . . [F]raud is differentiated from theft. Under the common law and the Model Penal Code, theft is synonymous to larceny--the taking of another's property by trespass with intent to deprive permanently the owner of the property. Fraud, which did not exist at common law, "means to cheat or wrongfully deprive another of his property by deception or artifice," and "implies deceit, deception, artifice, trickery."

Here, the Government did not establish health care fraud. Rather, the Government established only that: (1) from February 2000 to March 2004, the amount deposited into Progressive's bank account was \$451,000 less than the amount received from clients; (2) the discrepancies between the amount received and the amount deposited occurred on the majority of the days on which Jones worked alone and did not occur when Jones was absent from work; (3) Jones was one of the employees that made bank deposits; and (4) Jones had made cash deposits to her bank account and cash expenditures exceeding her wages. The Government

has not established, nor did it seek to establish, any type of misrepresentation by Jones in connection with the delivery of, or payment for, health care benefits, items, or services.

*Id.* at 481 (internal citation and footnote omitted).

The court went on to explain:

There was simply no type of misrepresentation made in connection with the delivery of, or payment for, health care benefits, items or services. There is no allegation that Jones said or did anything that affected the delivery of, or payment for, health care benefits, items, or services. The services were already properly paid for when Jones failed to deposit all of the money collected, and instead kept it.

*Id.* at 482.

In *United States v. Lucien*, 347 F.3d 45, 52 (2d Cir. 2003), the Second Circuit held that a state no-fault automobile insurance program qualified as "health care benefit program" and upheld the health care fraud convictions of defendants who posed as injured passengers in staged automobile collisions in a scheme to obtain payments from insurers, which included payments to the defendants' medical providers.

#### **6.18.1347-1 Health Care Fraud – “Intent to Defraud” Defined**

**The second element that the government must prove beyond a reasonable doubt is that *(name)* acted with the intent to defraud *(victim entity or person)*.**

**To act with an "intent to defraud" means to act knowingly and with the intention or the purpose to deceive or to cheat.**

**In considering whether *(name)* acted with an intent to defraud, you may consider, among other things, whether *(name)* acted with a desire or purpose to bring about some gain or benefit to *(himself)(herself)* or someone else at the expense of *(victim entity or person)* or with a desire or purpose to cause some loss to *(victim entity or person)*.**

#### **Comment**

O’Malley et al., *supra*, § 47.14.

See Instructions 5.02 (Knowingly) and 5.03 (Intentionally).

## **6.18.1347-2 Health Care Fraud - Affecting Interstate Commerce**

**The government must prove beyond a reasonable doubt that the (public)(private) plan or contract affected or could have affected interstate commerce. Affecting interstate commerce means any action, which in any way, interferes with, changes, or alters the movement or transportation or flow of goods, merchandise, money, or other property in commerce between or among the states. The effect can be minimal.**

### **Comment**

Sand et al., *supra*, 50-7 and 50-15.

In *United States v. Hickman*, 331 F.3d 439, 443 (5th Cir. 2003), the Fifth Circuit recognized that "affecting commerce" is probably an essential element of the offense but held that the trial court's failure to instruct on this element was not plain error where the victims of the fraud were Medicare and Medicaid.