



In March 2019, the U.S. Department of Justice (DOJ) brought its "[first-ever](#)" criminal prosecution against two corporate executives under the [Consumer Product Safety Act's](#) (CPSA) "failure to report" provision.



The two defendants, Simon Chu and Charley Loh, also face charges of wire fraud, conspiracy to commit wire fraud, conspiracy to fail to furnish information under the CPSA, and conspiracy to defraud the U.S. Consumer Product Safety Commission (CPSC). ***Alleged Criminal Conduct*** Loh and Chu were part-owners and executives of two California companies that imported and distributed residential dehumidifiers manufactured in China. DOJ alleges that the defendants continued to sell defective humidifiers even after receiving consumer complaints about the units catching fire, as early as July 2012. Further, the government claims that testing commissioned by the defendants confirmed that the dehumidifiers did not meet safety standards and caught fire. Despite this knowledge, defendants delayed initiating a product recall until September 2013, at which point approximately 2.2 million dehumidifiers were subject to recall. The indictment also alleges that Loh emailed the safety testing results to a company manager and, in September 2012, the manager recommend that the company delay a recall for six to nine months in order to avoid losing sales. One of the defendants' companies continued to sell the defective products to retailers until at least April 2013. The indictment also alleges that, despite having knowledge of the defective products, in April 2013, the defendants falsely reported to the CPSC that their products were "safe for use as intended." ***DOJ Uses Indictment to Send "A Clear Message" to Executives*** When announcing the charges, Assistant Attorney General Jody Hunt of DOJ's Civil Division emphasized the ["needless risk for injury or even death"](#) that can result from delayed reporting by corporate executives concerning defective consumer products, and underscored DOJ's "commitment" to "hold accountable corporate executives who value profits over the safety of consumers by failing to immediately report their dangerous products." Similarly, the U.S. Attorney for the Central District of California—whose office worked with prosecutors from Main Justice to bring the case —stated that the "indictment sends a clear message" that those who "plan to profit from selling defective products" should "also plan to face justice." Loh and Chu face [criminal penalties](#) of imprisonment up to five years for the CPSA violation, and each of the conspiracy charges, and up to 20 years' imprisonment for the wire fraud charge. The defendants could also be subject to forfeiture and a fine of \$250,000 or twice the gross gain or loss for each count.

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