

NY Attorney General Wants to “Fire” Donald Trump from Education Industry

by Dan Brecher on September 3, 2013

While Donald Trump is well known for his antics on the air and in the boardroom, he may soon be spending some time inside a courtroom. New York Attorney General Eric T. Schneiderman recently announced that his office filed a \$40 million fraud lawsuit against Trump and his business education venture, The Trump Entrepreneur Institute.

According to the suit, The Trump Entrepreneur Institute, formerly known as Trump University LLC, operated as an unlicensed educational institute from 2005 to 2011 in violation of New York education law. While State Education Department officials allegedly informed Trump, in 2005, that his school lacked the proper license and failed to meet the legal definitions of a university, Trump did not change its name until 2010.

The suit also alleges that Trump University reinforced the misperception that it was a “real university” by employing the signs, symbols, and terminology used by traditional colleges and universities. For instance, payments were referred to as “tuition,” instructors were called “faculty,” and completing course work resulted in “graduation.”

The complaint also alleges that Trump University misled students through its marketing and advertising campaigns. False claims cited in the lawsuit include that instructors were “handpicked” by Donald Trump; students would be taught Donald Trump’s very own real estate strategies and techniques; students would learn “everything [they] need[ed] to know” to become successful real estate investors; and students would receive access to private sources of financing. The complaint also maintains that instructors used free or low cost seminars to pitch consumers to enroll in increasingly expensive programs, including Trump Elite mentorship programs costing \$10,000 to \$35,000.

“Mr. Trump used his celebrity status and personally appeared in commercials making false promises to convince people to spend tens of thousands of dollars they couldn’t afford for lessons they never got,” Schneiderman said in a press release.

The lawsuit seeks full restitution on behalf of more than 5,000 consumers who signed up for the classes, disgorgement of profits, as well as costs, penalties and injunctive relief prohibiting deceptive acts and practices going forward.

Not surprisingly, Trump responded by sharply criticizing the allegations and Attorney General Schneiderman personally. He characterized the suit as baseless, citing the university’s 98 percent satisfaction rate. He also alleged that Schneiderman’s actions are politically motivated.

Whether or not that occurred here, the lesson is that businesses need to be aware of, and timely compliant with, their licensure requirements and to make sure that their promotional statements are not demonstrably false.

If you have any questions about this case or would like to discuss the legal issues involved, please contact me, Dan Brecher, or the Scarinci Hollenbeck attorney with whom you work.