

LAW ENFORCEMENT ACTIONS INVOLVING ILLEGAL ONLINE DRUG SELLERS (2011-2015)

On October 29, 2015, Daniel Sanchez, 40, was sentenced to 21 months in prison and then be deported for his role in smuggling counterfeit drugs into the U.S. Sanchez arranged to have misbranded Viagra, painkillers and other prescription drugs imported from India to two re- shippers in the U.S.: Neil Russell of Pittsburgh, PA, and Manuel Pena of Houston, TX. Both re- shippers are under indictment along with Paridhi Sharma, who is identified as being the Indian shipper.¹

On October 7, 2015, an investigation led by the United States Food and Drug Administration, Office of Criminal Investigations (FDA-OCI) in conjunction with the Puerto Rico Police Department, Guayama Municipal Police, and the Puerto Rico Treasury Department resulted in an indictment against Jorge L. Pagán Kortright and his companies. The indictment is for charges of introducing misbranded drugs into interstate commerce, conspiracy to commit wire fraud, wire fraud, and mail fraud. If found guilty, the defendant could face up to 30 years in prison for mail fraud and wire fraud charges.²

In August of 2015, an indictment filed in the US District Court in Montana charged Canada Drugs and affiliates in the UK and Barbados with smuggling, money laundering and conspiracy. The online pharmacy sold \$78 million worth of unapproved, mislabeled and in some cases, counterfeit cancer drugs to doctors in the U.S. over a three-year period. All but one of the 14 companies and individuals named as defendants are located outside of the U.S. and will force prosecutors to undertake the extradition process.³

From June 9-16, 2015, 236 agencies from 115 different countries came together to thwart online sales of counterfeit medicines through Operation Pangea VIII. The week-long operation resulted in the seizure of 20.7 fake and/or illicit medicines worth an estimated \$81 million. During the operation, 156 individuals were arrested in connection to these crimes.⁴

Chinese police detained over 20 people in a crackdown on the production and online trading of fake drugs. Police seized at least 20,000 boxes of fake drugs and several tons of raw materials in the operation that lasted for more than three months. The drugs were sold to nearly 30 provinces and municipalities across China and the total selling price topped 100 million yuan (16.11 million US dollars).⁵

The UK's Medicines and Healthcare Products Regulatory Agency (MHRA) seized over £3 million of illegally traded medicines during 2014. More than 1,600 websites involved in the illicit selling and advertising of counterfeit or unlicensed medicines were shut down by the agency. The MHRA is now targeting social media by working with YouTube, Amazon, and eBay to combat these criminal efforts, and as a result, almost 19,000 online videos have been removed in the past year.⁶

On May 22, 2014, the U.S. FDA reported on the 7th annual International Internet Week of Action (IIWA) also known as Operation Pangea VII. During the event, May 13 to May 20, 2014, law enforcement, customs, and regulatory authorities from 111 countries collaborated to target illegal online pharmacies. Within the U.S. the FDA along with Customs and Border Protection (CBP)

¹"Counterfeit-drug smugglers, under indictment in Pittsburgh, headed to prison", Pittsburgh Post-Gazette, October 30, 2015

²"Businessman Arrested for Introducing Misbranded Drugs Into Interstate Commerce, Conspiracy, Wire And Mail Fraud", U.S. FDA, October 8, 2015

³"U.S. charges Canadian company with smuggling, money laundering", Yahoo! News, August 10, 2015

⁴<http://www.interpol.int/Crime-areas/Pharmaceutical-crime/Operations/Operation-Pangea>

⁵"At least 20 detained in China fake drug crackdown", China Daily, July 20, 2015

⁶"Illicit vendors using YouTube to advertise fake drugs, says MHRA", In-Pharma Technologist, January 8, 2015

Page Two

inspected packages at various mail facilities resulting in the seizure of 583 shipments. The FDA notified Internet service providers of the 1,975 websites in violation of U.S. law.⁷

In May of 2014, the San Diego County Sheriff's Department made 19 arrests and seized drugs and \$25,000 in U.S. and Mexican currency after a five-month undercover investigation called Operation.com. Undercover deputies made 41 buys upon easily finding drugs available on sites like Facebook and Craigslist. Seized were quantities of heroin, methamphetamine, LSD, cocaine, Ecstasy and prescription drugs.⁸

In a March 2014 raid, India's FDA officials seized more than 4,000 strips of prescription drugs including addictive anti-depressants, anti-hypertensives and Viagra, worth over Rs 4,000,000, before the shipments could be illegally exported. All of the drugs had been ordered online, and the raid came just before the consignment was about to be smuggled to various countries like the US, UK, Australia, Japan, and Dubai.⁹

On June 27, 2013, the U.S. FDA reported the successful execution of Operation Pangea VI, a law enforcement initiative resulting in the elimination of 1,677 websites selling illegal prescription drugs. The partnership included individuals from the US Department of Justice, FDA Office of Criminal Investigations, Interpol, and authorities from nearly 100 countries. The members of Operation Pangea VI took action against 9,600 websites and included the seizure of dangerous drugs valued at \$41 million.¹⁰

On March 27, 2013, three men and one woman were sentenced in relation to the illegal online supply of prescription-only and counterfeit medicines. This follows an undercover operation by the Medicines and Healthcare Products Regulatory Agency (MHRA). Searches of the homes of those involved uncovered stashes of counterfeit medication and generic prescription-only medicine. The seizure included Viagra, Cialis, diazepam and methadone. A study of a computer also showed email traffic between Andrew Luxton, Samantha Steed, Carl Willis and others indicating the previous supply of illegitimate medicine.¹¹

On March 27, 2013, nine defendants were sentenced for their roles in illegally distributing controlled substances to customers who bought the drugs from illicit Internet pharmacies. The defendants were also collectively ordered to forfeit more than \$94 million in illegal proceeds. Drug Enforcement Administration Acting Special Agent in Charge Bruce C. Balzano stated, "prescription drug abuse has risen to alarming levels, often times leaving a trail of devastation behind and negatively impacting our communities. The individuals sentenced this week were involved in online pharmacy schemes that were illegally distributing controlled substances."¹²

On March 13, 2013, Edmond Paolucci, 54, of Coventry, Rhode Island and Patrick Cunningham, 44, of Cranston, Rhode Island, admitted to the court that they participated in a conspiracy to repackage illegal drugs and sell them under various names and labels to consumers who placed orders via the Internet. A significant portion of the profits realized from the sale of the illegal drugs was laundered back to individuals in Israel.¹³

⁷ "FDA targets illegal online pharmacies in globally coordinated action", U.S. Food and Drug Administration, May 22, 2014

⁸ "San Diego County deputies bust Internet sales of illegal drugs", Los Angeles Times, May 11, 2014

⁹ "FDA halts illegal export of drugs worth Rs40 lakh", Mumbai Mirror, March 24, 2014,

¹⁰ "International operation targets online sale of illicit medicines" Interpol, June 27, 2013

¹¹ "Three men and one woman sentenced in counterfeit medicines case", MHRA, March 27, 2013

¹² "Nine Sentenced For Illegally Distributing Controlled Substances Over The Internet", Department of Justice, March 27, 2013

¹³ "Two Plead Guilty to Participation in International Conspiracy to Import and Distribute Prescription Drugs and Anabolic Steroids", Department of Justice, March 13, 2013

Page Three

On August 9, 2012, a Puerto Rican man faced up to 10 years in prison after being found guilty by a jury on U.S. federal charges stemming from his role as a key operative for a drug ring that distributed large quantities of Chinese-made counterfeit pharmaceuticals throughout the United States and worldwide. Special agents with U.S. Immigration and Customs Enforcement's (ICE) Homeland Security found more than 100,000 pills made to resemble a variety of popular prescription medications, including Viagra, Cialis, Valium, Xanax and Lipitor.¹⁴

On August 5, 2012, Chinese government officials seized "more than \$182 million of counterfeit pharmaceuticals ...in the latest attempt to clean up a food and drug market that has been flooded with fakes." Chinese police arrested more than 2,000 individuals and destroy 1,100 production facilities for producing counterfeit drugs.¹⁵

On April 24, 2012, two men pleaded guilty and were sentenced for smuggling counterfeit and misbranded pharmaceuticals into the U.S. Both men operated an Internet business in Israel that used multiple websites to illegally sell large amounts of prescription drugs to U.S. purchasers. In total, they sent approximately 9,000 separate drug shipments to U.S. purchasers, generating over \$1.4 million in gross profit. Ultimately, one man received 10 months in federal prison, was fined \$30,000 and forfeited \$50,000. The other man received one year of probation, was fined \$15,000 and forfeited \$15,000.¹⁶

In December of 2012, the State of Oregon fined Hayden Hamilton, founder of ProgressiveRx.com, \$50,000 for operating without an Oregon pharmacy license. The 35-year-old Portland businessman has shipped medicine from India and other countries to customers in the United States and around the world.¹⁷

In the summer of 2011, U.S. federal agents identified a 41-year-old, Shane Lance on suspicion of illegal online drug sales. Agents arrested Lance and indicted him on multiple counts, including conspiracy to traffic counterfeit drugs. Last spring, he pleaded guilty to one count of conspiracy to traffic and one count of trafficking, and in November he received his sentence: 10 months in prison and a \$5,100 fine to be paid to Pfizer.¹⁸

¹⁴ "Man convicted for role in international counterfeit drug distribution scheme Search continues for organization's ringleader", U.S. DHS, ICE, August 9, 2012

¹⁵ "China Arrest 2,000 Individuals and Destroys 1,100 Production Facilities for Making Counterfeit Drugs", Rx-360, August 5, 2012

¹⁶ "2 Israeli men sentenced for smuggling counterfeit and misbranded pharmaceuticals into the United States", U.S. Department of Homeland Security, April 24, 2013

¹⁷ "State fines online pharmacy with Portland ties; Oregon shipments blocked", U.S. Department of Homeland Security, (December 21, 2012

¹⁸ "Inside Pfizer's Fight Against Counterfeit Drugs", Bloomberg Businessweek, January 17, 2013