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EIGHTEEN CHARGED WITH RACKETEERING IN INTERNET DRUG DISTRIBUTION NETWORK

WASHINGTON – A federal grand jury in San Diego has indicted 18 individuals on racketeering and related charges for allegedly operating an Internet business that generated more than \$126 million in gross revenues from the illegal sale of prescription pharmaceuticals, Assistant Attorney General Alice S. Fisher of the Criminal Division and U.S. Attorney Karen P. Hewitt for the Southern District of California announced today.

The 313-count indictment, returned on July 27, 2007 and unsealed today, charged 18 individuals with operating an online pharmaceutical distribution network known as Affpower throughout the United States and abroad. Defendants included: three physicians; two pharmacists and one pharmacy operator; an administrator and manager; two recruiters of physicians and pharmacies; a credit card processor; and eight affiliate website operators. From August 2004 through June 2006, the Affpower enterprise allegedly received over 1 million Internet orders for controlled and non-controlled prescription pharmaceuticals from customers in all 50 states, and generated in excess of \$126 million in gross revenue.

The defendants were charged variously with racketeering and conspiracy to commit racketeering; distribution and dispensing of controlled substances and conspiracy to distribute and dispense controlled substances; mail and wire fraud, and conspiracy to commit mail and wire fraud; conspiracy to commit money laundering; and conspiracy to dispense and dispensing of misbranded drugs with the intent to defraud and mislead.

“The fraudulent and illegal sale of prescription drugs over the Internet poses a serious threat to the health of Americans who turn to the Internet in their need for pharmaceuticals. The defendants allegedly exploited that need and provided little or no doctor review while prescribing possibly dangerous drugs, even as they generated millions of dollars in revenues for themselves,” said Assistant Attorney General Alice S. Fisher of the Criminal Division. “Fortunately, U.S. law enforcement agencies cooperated to target Affpower's online operations and the ill-gotten gains they tried to hide.”

“The use of the Internet for the illegal distribution of prescription drugs is a greed-driven, new threat to public health, of which every citizen should be aware,” said U.S. Attorney Karen P. Hewitt.

“Affpower operated a lucrative illicit enterprise that sold online pharmaceuticals to hundreds of thousands of customers using unlawful prescriptions approved by licensed physicians,” said Assistant Secretary Julie L. Myers of Homeland Security for Immigration and Customs Enforcement (ICE). “This case is a great example of how agencies worked together in pursuit of an entire criminal organization that included not only doctors, pharmacies and web marketers, but also the overseas credit card processor, which was crucial in dismantling the entire racketeering enterprise.”

“This case is another example of how some people will prey on an unsuspecting public by illegally and unscrupulously selling medications on the Internet without regard to the health or safety of the public,” said Director Terry Vermillion of the Food and Drug Administration (FDA) Office of Criminal Investigations. “By pretending to have an honest medical review of their prescriptions, the public was duped into believing that the defendants had their best interests at heart, when in reality their motivation was money.”

According to the indictment, the Affpower enterprise sold controlled and non-controlled prescription drugs through numerous affiliated websites to customers who lacked prescriptions for the drugs from a personal physician. Affpower allegedly paid licensed doctors from different states and Puerto Rico to haphazardly review health questionnaire answers provided by customers over the Internet and issue prescriptions solely on the basis of those answers. The indictment alleges that Affpower doctors conducted no physical or mental examinations before issuing prescriptions, had no contact with customers, and had no physician-patient relationship with any customer for whom the doctors prescribed drugs. Affpower doctors usually reviewed hundreds of customer orders per day and were typically paid \$3 per review. In some cases, Affpower doctors allegedly issued prescriptions for pharmaceuticals even when a customer’s answers to the health questionnaire suggested that the ordered drug could pose a danger to the customer, or that the customer did not have a medical condition for which the ordered medication was an appropriate treatment. In some instances, orders for prescription pharmaceuticals were never reviewed by a doctor at all, but were instead approved by a non-physician member of the Affpower enterprise who had allegedly stolen the identity of a licensed physician, and issued prescriptions using that physician’s name and registration.

In an alleged attempt to evade U.S. law enforcement, the Affpower enterprise located its administrative headquarters in Costa Rica, and its computer servers in Cyprus. The Affpower enterprise further relied on foreign-based agencies, including RX Payments Ltd. of Tel-Aviv, Israel, to process credit card transactions, and used various bank accounts and an accounting firm in Nicosia, Cyprus, to distribute proceeds of the enterprise to Affpower participants while attempting to conceal and protect its illegal proceeds from U.S. authorities.

“IRS Criminal Investigation follows the money to dismantle the financial backbone of illegal organizations and to seize the profits of their illegal activities,” said Eileen Mayer, Chief of the Internal Revenue Service Criminal Investigation Division. “Through cooperative law enforcement efforts, such as this one today, we will hold accountable those individuals who put personal financial gain above the safety and well-being of the general public.”

“The subjects that have been arrested engaged in an elaborate scheme for personal financial gain at the expense of patients in need of prescription drugs. These fraudulent Internet pharmacies operating around the world are a threat to public health and safety,” said Assistant Director Kenneth W. Kaiser, FBI Criminal Investigative Division. “The FBI will continue to cooperate with its local, state and federal partners to investigate criminal activities such as these that threaten the American economy and prey on the American people.”

“Whenever someone uses the U.S. mail to send anything that is counterfeit, illegal or improper, postal inspectors are committed to finding them and bringing them to justice, so that the mail can remain safe for our customers and our employees,” said Chief Postal Inspector Alexander Lazaroff of the U.S. Postal Inspection Service (USPIS). “I thank the Department of Justice and our partner agencies for joining in our commitment to maintain the integrity of the U.S. mail.”

If convicted, the defendants face the following maximum prison sentences: 20 years in prison for RICO and RICO conspiracy; 20 years for mail and wire fraud; 20 years for conspiracy to commit mail and wire fraud; five years for conspiracy to distribute and dispense controlled substances; 20 years for money laundering; five years for conspiracy to violate the Federal Food, Drug, and Cosmetic Act (FDCA), and three years for violating the FDCA. The defendants also face millions of dollars in fines.

Criminal indictments are only charges and not evidence of guilt. Defendants are presumed to be innocent until and unless proven guilty.

The case has been investigated by a diverse task force based in San Diego consisting of agents from ICE, the FDA Office of Criminal Investigations, the IRS, the FBI, and the USPIS. Special agents from the DEA also provided substantial assistance to the investigation. Corbin Weiss, Senior Counsel for the Department of Justice’s Computer Crime and Intellectual Property Section, is prosecuting the case on behalf of the government, with support from Wanda Dixon of the Department’s Narcotic and Dangerous Drug Section.

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