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Pfizer charged for bribing Chinese officials, to pay damages

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Mumbai: The Securities and Exchange Commission (SEC) of the US government recently charged Pfizer with violating the Foreign Corrupt Practices Act (FCPA). Pfizer has been ordered to pay a total of $60million in damages after its subsidiaries bribed doctors and other healthcare professionals, employed by foreign governments in order to win business.

The SEC alleged that employees and agents of Pfizer's subsidiaries in Bulgaria, China, Croatia, Czech Republic, Italy, Kazakhstan, Russia, and Serbia made improper payments to foreign officials to obtain regulatory approvals, sales, and

increased prescriptions for the company's pharmaceutical products. The SEC stated that they tried to conceal the bribery by improperly recording the transactions in accounting records as legitimate expenses for promotional activities, marketing, training, travel and entertainment, clinical trials, freight, conferences, and advertising.

Additionally, the SEC separately charged another pharmaceutical company that Pfizer acquired a few years ago, Wyeth LLC, with its own FCPA violations. Pfizer and Wyeth agreed to separate settlements in which they will pay more than $45 million combined to settle their respective charges. In a parallel action, the Department of Justice announced that Pfizer HCP Corporation agreed to pay a $15 million penalty to resolve its investigation of FCPA violations.

"Pfizer subsidiaries in several countries had bribery so entwined in their sales culture that they offered points and bonus programs to improperly reward foreign officials who proved to be their best customers," said Kara Brockmeyer, chief of the SEC Enforcement Division's Foreign Corrupt Practices Act Unit. "These charges illustrate the pitfalls that exist for companies that fail to appropriately monitor potential risks in their global operations."

According to the SEC's complaint against Pfizer filed in U.S. District Court for the District of Columbia, the misconduct dates back as far as 2001. Employees of Pfizer's subsidiaries authorized and made cash payments and provided other incentives to bribe government doctors to utilize Pfizer products.

The SEC, in its press release, points out the case in China where Pfizer employees invited "high-prescribing doctors" in the Chinese government to club-like meetings that included extensive recreational and entertainment activities to reward doctors' past product sales or prescriptions. Pfizer China also created various "point programs" under which government doctors could accumulate points based on the number of Pfizer prescriptions they wrote. The points were redeemed for various gifts ranging from medical books to cell phones, tea sets, and reading glasses.

The SEC further alleges that Wyeth subsidiaries engaged in FCPA violations primarily before but also after the company's acquisition by Pfizer in late 2009. Starting at least in 2005, subsidiaries marketing Wyeth nutritional products in China, Indonesia, and Pakistan bribed government doctors to recommend their products to patients by making cash payments or in some cases providing BlackBerrys and cell phones or travel incentives. They often used fictitious invoices to conceal the true nature of the payments. In Saudi Arabia, Wyeth's subsidiary made an improper cash payment to a customs official to secure the release of a shipment of promotional items used for marketing purposes. The promotional items were held in port because Wyeth Saudi Arabia had failed to secure a required Saudi Arabian Standards Organization Certificate of Conformity.

According to the SEC's complaint, Pfizer made an initial voluntary disclosure of misconduct by its subsidiaries to the SEC and Department of Justice in October 2004, and fully cooperated with SEC investigators. Pfizer took such extensive remedial actions as undertaking a comprehensive worldwide review of its compliance program. Following Pfizer's acquisition of Wyeth, Pfizer undertook a risk-based FCPA due diligence review of Wyeth's global operations and voluntarily reported the findings to the SEC staff. Pfizer diligently and promptly integrated Wyeth's legacy operations into its compliance program and cooperated fully with SEC investigators.
In settling the SEC's charges, Wyeth neither admitted nor denied the allegations.