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Brandjacking Big Pharma

Andy Greenberg, 08.20.07, 9:20 AM ET

Late last year, 57-year-old Marcia Bergeron ordered a package of what she thought was a generic form of the sleeping pill Ambien from an online pharmacy based in Eastern Europe. A few days after Christmas, she died from a heart arrhythmia in her British Columbia home.

Her liver was contaminated with fatal doses of metals such as aluminum and arsenic. Last month, the local coroner's office pronounced Bergeron the first casualty of counterfeit drugs purchased from the Web.

Her death, it seems, was an unusual case. The appalling quality of the drugs that killed her wasn't.

A study of online pharmacies released Monday by the consultant company MarkMonitor reveals a disturbing rate of fraud among drug-selling sites on the Web. By driving traffic to drug sales sites with spam e-mails, the more than 7,000 online pharmacies tracked by the study drew millions of daily visitors and estimated sales in the billions of dollars annually. Only a tiny fraction of the online businesses possessed the certifications they claimed.

"These kind of criminal businesses are drawn to selling online for the same reasons as legitimate businesses," says Fred Felman, a spokesman for MarkMonitor. "They get global reach, efficient marketing and far fewer obstacles between them and their customers."

The online pharmacy study is the latest update to MarkMonitor's quarterly Brandjacking Index, which tracks the abuse of corporate brand names in online scams designed to steal credit information, drive traffic to advertising sites or sell counterfeit goods. This month, the report honed in on a species of brand hijacking that clogs in-boxes daily: spam e-mails hawking name-brand discount drugs.

Analyzing more than 60 million spam messages linking to 7,090 sites, MarkMonitor tracked the six most commonly advertised drug brands, a list that the company declines to reveal. Given an estimated 0.5% sales rate and using the traffic measurement tool Alexa, the report roughly calculates that the most visited 3,000 sites alone drew more than \$4 billion in annual sales.

Though most of those 3,000 sites claimed certification as legitimate pharmacies, only four actually had credentials from the National Association of Boards of Pharmacy. The average cost of drugs on the uncredentialed sites was 75% less than on the legitimate sites, suggesting counterfeit, expired, stolen or diluted drugs.

Despite assurances that financial transactions on the sites were secure, more than half the sites that MarkMonitor tracked offered no protection of users' credit card data.

Putting an end to these black market practices isn't easy, says Mark Taylor, a spokesman for the drug company Eli Lilly and Company, which produces drugs like Prozac and the erectile dysfunction pill Cialis. "The real risk is from importations that circumvent U.S. law," says Taylor. "We make every effort to ensure the safety of our

medicine. But the hard part is tracking online sources back to a real company, not to mention determining whether the drugs are counterfeit."

MarkMonitor's study shows that 44% of the sites advertised in drug-selling spam were hosted in the U.S. China hosted 18% of the pages, while the former Soviet states gave rise to another 12%. The spam e-mails themselves mostly originated in China, Russia and Eastern Europe, with the U.S. contributing 21%.

Some parts of the black market's international supply chain aren't hidden on obscure spam sites, but instead listed on legitimate wholesale exchanges. The study examined 390 wholesale offers for drugs on sites like Yahoo!'s Alibaba or Tradekey.com. Half the listings originated in India or China, and most offered discounts of around 80% from retail prices.

Alibaba's offers include an Indian company selling Methadone and a Chinese supplier of a raw ingredient used in Ketamine. An advertisement from a Greek company on Tradekey offers a long list of substances like cocaine, ecstasy, codeine and heroin.

The cosmopolitan nature of online pharmaceutical sales makes government regulation nearly impossible, says Felman. "The FDA barely has enough manpower to cover what happens in the U.S.," he says. "When it comes to countries like China and India, they can hardly scratch the surface."

Controlling online pharmacies isn't any easier for the private sector, says Jean-Marc Podvin of Sanofi-Aventis the manufacturer of drugs like Allegra and Ambien, the drug Marcia Bergeron was attempting to purchase. "The Web has dramatically increased the counterfeiting problem, and we as a company can't handle it alone," he says. "We're a player, but we don't make the rules. We depend on legislators to become more involved and more aware."

MarkMonitor's Felman says that companies will have to work with government regulators to police their products and to foster a better-educated public. "As consumers, we have to be more aware about what we're buying," he says. "But brand holders also have a responsibility to be vigilant about defending their brands and preventing their customers from harm."

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