

## JUSTICE NEWS

### Department of Justice

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## **Teva Pharmaceutical Industries Ltd. Agrees to Pay More Than \$283 Million to Resolve Foreign Corrupt Practices Act Charges**

### **Companies Agree to Pay Nearly \$520 Million to U.S. Criminal and Regulatory Authorities, Representing the Largest Criminal Fine Imposed Against a Pharmaceutical Company for Violations of the FCPA**

Teva Pharmaceutical Industries Ltd. (Teva), the world's largest manufacturer of generic pharmaceutical products, and its wholly-owned Russian subsidiary, Teva LLC (Teva Russia), agreed to resolve criminal charges and to pay a criminal penalty of more than \$283 million in connection with schemes involving the bribery of government officials in Russia, Ukraine and Mexico in violation of the Foreign Corrupt Practices Act (FCPA).

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, Assistant Director Stephen Richardson of the FBI's Criminal Investigative Division, and Assistant Special Agent in Charge William J. Maddalena of the FBI's Miami Field Office made the announcement.

"Teva and its subsidiaries paid millions of dollars in bribes to government officials in various countries, and intentionally failed to implement a system of internal controls that would prevent bribery," said Assistant Attorney General Caldwell. "Companies that compete fairly, ethically and honestly deserve a level playing field, and we will continue to prosecute those who undermine that goal."

"No matter where corruption occurs, the FBI and our global partners are committed to diligently rooting out the corruption that betrays the public trust and threatens a fair economy for all," said FBI Assistant Director Stephen Richardson.

"As demonstrated by this case, the Foreign Corrupt Practices Act has a long reach," said William J. Maddalena, Assistant Special Agent in Charge, FBI Miami. "Teva's egregious attempt to enrich themselves failed and they will now pay a tough penalty."

According to the companies' admissions, Teva executives and Teva Russia employees paid bribes to a high-ranking Russian government official intending to influence the official to use his authority to increase sales of Teva's multiple sclerosis drug, Copaxone, in annual drug purchase auctions held by the Russian Ministry of Health. The corrupt arrangement occurred at the same time that the Russian government was seeking to reduce the amount spent on costly foreign pharmaceutical products, such as Copaxone. Between 2010 and at least 2012, pursuant to an agreement with a repackaging and distribution company owned by the Russian government official, Teva earned more than \$200 million in profits on Copaxone sales to the Russian government. Moreover, the Russian official earned approximately \$65 million in corrupt profits through inflated profit margins granted to the official's company.

Teva also admitted to paying bribes to a senior government official within the Ukrainian Ministry of Health to influence the Ukrainian government's approval of Teva drug registrations, which were necessary for the company to market and sell its products in the country. Between 2001 and 2011, Teva engaged the official as the company's "registration consultant," paid him a monthly fee and provided him with travel and other things of value totaling approximately \$200,000. In exchange, the official used his official position and influence within the Ukrainian government to influence the registration in Ukraine of Teva pharmaceutical products, including Copaxone and insulins.

In addition, Teva admitted that it failed to implement an adequate system of internal accounting controls and failed to enforce the controls it had in place at its Mexican subsidiary, which allowed bribes to be paid by the subsidiary to doctors employed by the Mexican government. Teva admitted that its Mexican subsidiary had been bribing these doctors to prescribe Copaxone since at least 2005. Teva executives in Israel responsible for the development of the company's anti-corruption compliance program in 2009 had been aware of the bribes paid to government doctors in Mexico. Nevertheless, Teva executives approved policies and procedures that they knew were not sufficient to meet the risks posed by Teva's business and were not adequate to prevent or detect payments to foreign officials. Teva also admitted that its executives put in place managers to oversee the compliance function who were unable or unwilling to enforce the anti-corruption policies that had been put in place.

Teva entered into a deferred prosecution agreement (DPA) in connection with a criminal information, filed today in the Southern District of Florida, charging the company with one count of conspiracy to violate the anti-bribery provisions of the FCPA and one count of failing to implement adequate internal controls. Pursuant to its agreement with the department, Teva will pay a total criminal penalty of \$283,177,348. Teva also agreed to continue to cooperate with the department's investigation, enhance its compliance program, implement rigorous internal controls and retain an independent corporate compliance monitor for a term of three years.

Teva Russia has signed a plea agreement in which it has agreed to plead guilty to a one-count criminal information, also filed today in the Southern District of Florida, charging the company with conspiring to violate the anti-bribery provisions of the FCPA. The plea agreement is subject to court approval. The case was assigned to U.S. District Judge Kathleen M. Williams of the Southern District of Florida and Teva Russia's initial court appearance has been scheduled for January 12, 2017.

In related proceedings, the U.S. Securities and Exchange Commission (SEC) filed a cease and desist order against Teva, whereby the company agreed to pay approximately \$236 million in disgorgement to the SEC, including prejudgment interest. Thus, the combined total amount of U.S. criminal and regulatory penalties to be paid by Teva is nearly \$520 million.

The Criminal Division's Fraud Section reached this resolution based on a number of factors, including the fact that Teva did not timely voluntarily self-disclose the conduct, but did cooperate with the department's investigation after the SEC served it with a subpoena. Teva received a 20 percent discount off the low end of the U.S. Sentencing Guidelines fine range because of its substantial cooperation and remediation. The company, however, did not receive full cooperation credit because of issues that resulted in delays to the early stages of the Fraud Section's investigation, including vastly overbroad assertions of attorney-client privilege and not producing documents on a timely basis in response to certain Fraud Section document requests. Because many of the company's compliance enhancements were more recent, and therefore have not been tested, the DPA imposes an independent compliance monitor for a term of three years.

The FBI's International Corruption Unit and Miami Field Office investigated the case. Fraud Section Trial Attorneys Rohan A. Virginkar and John-Alex Romano prosecuted the case. The Fraud Section appreciates the significant cooperation and assistance provided by the SEC in this matter. The Criminal Division's

Office of International Affairs and the Mexican Attorney General's Office (Procuraduría General de la República or PGR) also provided assistance in this matter.

The Fraud Section is responsible for investigating and prosecuting all FCPA matters. Additional information about the Justice Department's FCPA enforcement efforts can be found at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa).

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