

Love is the Drug

How counterfeiting impacts the Pharmaceutical industry like no other



By Stuart Fuller

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“Criminals involved in the illegal supply of medical products through the Internet aren't interested in your health – they are interested in your money”

– Alastair Jeffrey, Head of Enforcement at the UK's Medicines and Healthcare Products Regulatory Authority

Counterfeit goods have never been hard to find. They have been an inescapable presence for many years, and unfortunately for brand holders and consumers alike, the percentage of fakes continues to rise against the real deal, due to the advancements in technology and the sheer popularity of online shopping and e-commerce. Whilst many inferior, counterfeit goods are of poor quality, one particular group of fake items pose serious risks to human life.

The attitude of consumers towards the growing issue of counterfeiting is a major concern for both the industries impacted but also the authorities who are tasked with tackling the problems. One of the worrying growing trends in the purchase of counterfeit goods, with availability and price of genuine goods being the two overwhelming factors. One industry that feels the pain more than most is the Pharmaceutical industry, where one of the biggest consequences of counterfeiting is serious illness and death.

Counterfeiting in the Pharmaceutical industry is an issue that not only challenges the profitability of the industry but also threatens the health and safety of the consumer. While the sale of counterfeit products is inherently problematic for every brand holder, every geographic region and every industry, the Pharmaceutical industry is the one industry that. Worryingly, reports have shown that counterfeiters are responsible for a growing number of deaths each year

due to toxic or ineffective drugs – it is hard to know what the more dangerous issue is, fake drugs that counterfeiting can be a matter of life and death.

An article in the Guardian in March 2019 reported that 250,000 children a year are thought to die after receiving fake drugs intended to treat malaria and pneumonia alone. Consider the impact of fake antibiotics to treat more common infections and that number becomes staggering.

With the world living under the threat of the COVID-19 in 2020 more news stories of fake vaccines and testing kits were headlines news as Governments and individuals searched the Internet for good news. In one seizure made by the US Customs and Border Protection Agents in March 2020 at Los Angeles Airport, 100 fake COVID-19 testing kits, sent from the UK, were discovered and thankfully taken out of harm's way.

Pharma Facts

- The World Health Organization (WHO) estimates that counterfeit drugs and medicines worth up to \$200 billion are traded annually.
- Pfizer reported in 2019 in the previous year they had identified 95 fake products in 113 countries.
- Up to 30% of all pharmaceutical drugs in circulation worldwide are counterfeit, whilst up to 70% of all pharmaceutical drugs in developing countries are counterfeit.
- In 2015, INTERPOL's Operation Pangea VIII seized 20.7 million illicit and counterfeit medicines.
- One online pharmaceutical network dismantled by US authorities earned \$55 million in just two years.
- The UK's Medicines and Healthcare Products Regulatory

Agency (MHRA) seized nearly £16million worth of dangerous counterfeit and unlicensed medicines back in 2015.

Counterfeit medicines pose an extreme risk on numerous levels: they may be contaminated, contain the wrong active ingredient or have no at all. In many cases across the world the patients receiving counterfeit medicines are already seriously ill and so it's difficult to quantify the number of deaths being caused. This illicit trade also has indirect effects on all consumers.

The sale of counterfeit medicines online has been fuelled by the demand for lifestyle drugs that are only available on prescription such as Viagra and Cialis but due to the growth of the Internet and demands across the globe it has now expanded to those that control obesity and baldness and worryingly the high-value, high-demand, life-saving medicines.

The ineffective treatment of infectious diseases through fake drugs means they will continue to spread, endangering even more lives.

One reason that these drugs are now being found more online is their cost and scarcity. Pharmaceutical companies spend billions of dollars on research and development every year, which in turn makes certain drugs too expensive. Unfortunately, they are often the only option for a cure for some illnesses. Health care organizations, especially those Government controlled such as the National Health Service in the United Kingdom, have strict budgets which mean they often cannot afford to buy these drugs to treat patients and that is what drives desperate families online for a cure. Fraudsters use the same business strategies as legitimate organizations and will look to supply the fake drugs if they see a demand. The fraudsters are playing on vulnerable consumers who are unaware that they are putting their lives at risk.

Consumers remain, for the most part, innocent victims. Fraudsters use increasingly sophisticated tactics to dupe the average consumer, employing social media campaigns and building legitimate-looking online stores. It is estimated that for every consumer who intentionally buys a counterfeit item online (normally a price-based decision), thirty others will unknowingly buy the same.

To put the issue into context fraudsters continue to exploit the demand from consumers who choose to buy

their drugs and medicines online, mainly due to the convenience and cost savings that online-based business models offer. Whilst the exact number is almost impossible to calculate, The World Health Organization estimates that counterfeit drugs and medicines worth up to \$200 billion are traded annually. One of the world's leading Pharmaceutical companies is the German firm Bayer.

The extent of the problem varies greatly between regions and individual countries, and also depends largely on temporary supplies. The problem is highly dependent on how tight legal controls are.

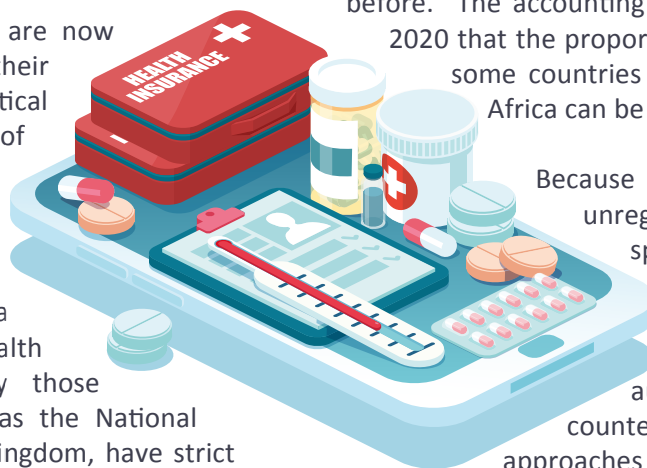
"The WHO estimates that in some areas in Africa, Asia, and South America, more than 30 percent of medicines in circulation are fakes. In some countries of Eastern Europe, the proportion of fake medicines can be more than 20 percent. In Europe and in the USA, as well as in other developed countries, less than one percent of the medications sold are counterfeits."

Another Pharma giant, Pfizer, reported in 2019 in the previous year they had identified 95 fake products in 113 countries, up from 29 fakes in 75 countries a decade before. The accounting firm PwC reported in January 2020 that the proportion of fake pharmaceuticals in some countries in developing regions such as Africa can be as high as 70%.

Because the internet is a hugely unregulated, constantly growing space, it is easy for fraudsters to hide their true location, often untouchable and unreachable by the authorities. The Internet allows counterfeiters to refine their approaches and increase the reach of their scams by targeting specific target customers through the same methods that legitimate businesses do.

Today, 'Internet Pharmacies' are not hard to find at all online. For the fraudsters, e-commerce offers low overheads, high profits and few risks of being caught. Intervention by law enforcement and pharmaceutical brands has been partially successful. However, authentic-looking domain names can be purchased and websites launched within minutes meaning that as soon as one seller of fake medicines is taken offline, at least one more will appear in their place.

In a study conducted by the FDA in 2018 of 10,000 online pharmacies, they found 97% were either illegal or not conforming to the regulations. Unfortunately, the detection and prosecution of the organizations running



these pharmacies is extremely difficult, with the Medicines and Healthcare Products Regulatory Agency stating that it was completely impossible to control online pharmacies, due to the sheer number of them present on the internet. This has given rise to a perfect storm of high reward and low risk, which has fuelled the continued growth of illegal online pharmacies. It should also be noted that some of these online pharmacies are simply fronts for other fraud – some will be simply gathering financial information, which in turn is then sold on for financial gain, whilst others use them as a mechanism to deploy malware and spyware onto unsuspecting victims, so that the consumer, whilst being complete unaware, is complicit in future Internet attacks on others.

Counterfeit medicines are a huge source of illegal capital for the fraudsters and with the risk of capture and prosecution still relatively low, it is a profitable business for many. An illicit pharmaceuticals network, dismantled by US authorities in 2010, earned € 55 million in just two years.

It's not all doom and gloom. Whilst new technology has been a growth factor for the fraudsters, it has also been deployed by the authorities in allowing better detection rates for stopping fake medicines from being imported. The UK's

Medicines and Healthcare Products Regulatory Agency seized nearly £16 million worth of dangerous counterfeit and unlicensed medicines back in 2015 and again in 2018 through Operation Pangea which also led to 859 arrests and the shutting down of over 120 online pharmacies in the UK alone.

So how can pharmaceutical companies protect their products, brand reputation, customers and revenues? Firstly, it is essential for Pharma companies to create an effective brand protection strategy in conjunction with a specialist Internet monitoring and enforcement company such as BrandShelter. They will be able to monitor the web to look for copycat websites, Social Media accounts and campaigns as well as infringing domain names, and have the skills to take the infringing properties offline.

In order to fight against the rising threat of counterfeit pharmaceuticals, brand holders should at the very least be in control of their online presence and protect their domain names. Investing in the education of the consumer on how to identify potential counterfeit products (and how to report them as such) is highly recommended for Pharma brands too, which is even

more important since the majority of counterfeit medicines bought online are by customers unaware that they may be fake and thus contain harmful or non-active ingredients.

The Pharmaceutical companies recognize the issues caused by counterfeit medicines. Many realize that by tackling the source of the problem head on and identifying the most active infringers on websites and marketplace sites globally, the industry can fight back against those who seek to do so much harm. There also needs to be tighter regulations and heavier sanctions from the authorities for those who transgress.

But there are other issues that the Pharmaceutical companies face. Whilst the major growth in counterfeits has happened through online channels, with consumers feeling more at ease buying certain drugs such as Viagra or Cialis anonymously online rather than face to face, a number of pharmaceutical companies have faced the real concern of fake drugs being inserted into the supply chain without their knowledge and ending up on the

shelves of retailers. A few years ago Reckitt Benckiser, the makers of Nurofen, had to recall hundreds of thousands of packets of the painkiller after it was confirmed that this nightmare scenario was very real indeed, with another drug being maliciously

inserted into genuine packets before they hit the shelves, leading to not only revenue but reputational damage to the brand and manufacturer.

The dilemma caused by technological advances works both ways. It has been an enabler for Pharmaceutical companies to reduce their packaging costs, speed up their manufacturing processes and increase sales through the use of new digital channels but it has also allowed the counterfeiters to create almost identical products for distribution through the same legitimate marketplaces. The damage to revenues and reputations (and in some cases, consumer health) can take significant amounts of time to recover to those brands who have suffered which is why it is so important for Pharmaceutical companies organizations to invest not only in anti-counterfeit measures but also consumer education programmes.

Using solutions such as Domain Name Monitoring to detect and enforce against websites that are set up using cyber and typo squatted brand names is a starting point but the key to win the battle against the packaging fraudsters also needs to incorporate a marketplace monitoring solution, such as that offered by Brand-

In a study carried out in 2018 by Pharma Technology Focus, it's estimated there are approximately 40,000 illegal online pharmacies, a number that will have be sure to grow significantly since. Not all online pharmacies are illegal – in fact many sell genuine drugs and medicines and abide by regulations.

Shelter, which will detect websites offering the products and allow the brand holder to determine whether these are genuine products sold on the grey market or are simply fakes, designed to mislead or even damage the health of the consumers who unwittingly buy them.

One final area of concern to Pharmaceutical companies when it comes to intellectual property abuse relates to a step in the process of drugs becoming licensed. Today, medical research and clinical trials are a serious business and a vital part of improving the quality of life for hundreds of thousands of people every year. Professor Dame Sally Davies, Chief Medical Officer and Chief Scientific Adviser at the Department of Health in the UK has underlined the importance of clinical trials:

“Clinical Trials are a vital element of the work supported and funded by the National Institute for Health Research (NIHR). Our role is to develop the research evidence to support decision making by professionals, policy makers and patients, make this evidence available, and make it available through publication to encourage its uptake and use.”

The NIHR funds a wide range of programmes and infrastructure initiatives to support this aim and most NHS Trusts will use the day to raise awareness of the work that their Clinical Trial Teams carry out, how vital the work is and what safe guards are in place to protect their patients.

Research and Clinical Trials are often assumed to be part of the “business as usual” within the pharmaceutical industry. However there have been cases of individuals and organizations setting up bogus trials, putting lives at risk, for financial gain. It is vital that the reputation of the healthcare system as a whole as a safe place to trial new drugs and advance treatments is protected, which means applying the same diligence as any commercial organization would with regard to product testing and quality assurance, putting a monitoring solution in place that can detect bogus trials and take expedient action to shut them down before any damage can be done.

The lengthy process from laboratory to first patients within a clinical trial is costly with drug companies investing billions of dollars. Unless the pharmaceutical companies take the same diligent steps as a non-medical brand holder would, they could find their intellectual property, such as domain names that match patents, falling into the wrong hands, and potentially putting the lives of patients at risk. Every Pharmaceutical brand should have a strategy for monitoring, detecting and preventing the spread of fake medicines bearing their name. A proactive and collaborative approach, including a domain name management strategy and monitoring solution will provide that initial line of defence and will not only protect the brand’s revenues and reputation but also safeguard the health and safety of unsuspecting consumers.

Why use BrandShelter?

For over a decade, BrandShelter has been working with some of the most recognisable brands on the planet, to deliver domain name, security and brand protection solutions, advice, and create effective and risk mitigating policies. Our priority is to help our clients meet their digital and business objectives, using our industry expertise and knowledgeable staff to craft solutions that deliver.

About the Author

Stuart has been working in the domain name industry for over a decade, providing guidance and advice on domain name policy and brand protection strategies for some of the world’s largest organizations.

About BrandShelter

BrandShelter manages hundreds of thousands of domain names for organizations across the world, providing expert guidance and a range of value-added products including SSL, Registry Locks and Brand Protection services. With global customer support desks, enterprise and premium DNS solutions and flexible billing options, BrandShelter is the natural choice for ambitious brands wanting to secure their online presence whilst taking advantage of the opportunities the global digital economy brings.

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