Pfizer Corporate
Full Rap Sheet

EP-13 - A Trustworthy Vaccine - Pfizer

Pfizer made itself the largest pharmaceutical company in the world in large part by purchasing its competitors. In the last dozen years it has carried out three mega-acquisitions: Warner-Lambert in 2000, Pharmacia in 2003, and Wyeth in 2009. Then, in 2015, Pfizer announced a $160 billion deal to merge with Allergan and move its headquarters to Ireland to avoid U.S. taxes but subsequently had to abandon the plan.

Pfizer has also grown through aggressive marketing—a practice it pioneered back in the 1950s by purchasing unprecedented advertising spreads in medical journals. In 2009 the company had to pay a record $2.3 billion to settle federal charges that one of its subsidiaries had illegally marketed a painkiller called Bextra. Along with the questionable marketing, Pfizer has for decades been at the center of controversies over its pricing, including a price-fixing case that began in 1958.

In the area of product safety, Pfizer's biggest scandal involved defective heart valves sold by its Shiley subsidiary that led to the deaths of more than 100 people. During the investigation of the matter, information came to light suggesting that the company had deliberately misled regulators about the hazards. Pfizer also inherited safety and other legal controversies through its big acquisitions, including a class action suit over Warner-Lambert's Rezulin diabetes medication, a big settlement over PCB dumping by Pharmacia, and thousands of lawsuits brought by users of Wyeth's diet drugs.

Also on Pfizer's list of scandals are a 2012 bribery settlement; massive tax avoidance; and lawsuits alleging that during a meningitis epidemic in Nigeria in the 1990s the company tested a risky new drug on children without consent from their parents.

Product Safety

During the mid-1980s, watchdog organizations such as the Public Citizen Health Research Group charged that Pfizer's widely prescribed arthritis drug Feldene created a high risk of gastrointestinal bleeding among the elderly, but the federal government, despite reports of scores of fatalities, declined to put restrictions on the medication. A June 1986 article in The Progressive about Feldene was headlined DEATH BY PRESCRIPTION.

The Food and Drug Administration expressed greater concern about reports of dozens of fatalities linked to heart valves made by Pfizer's Shiley division. In 1986, as the death toll reached 125, Pfizer ended production of all models of the valves. Yet by that point they were implanted in tens of thousands of people, who worried that the devices could fracture and fail at any moment.

In 1991 an FDA task force charged that Shiley had withheld information about safety problems from regulators in order to get initial approval for its valves and that the company continued to keep the FDA in the dark. A November 7, 1991 investigation in the Wall Street Journal asserted that Shiley had been deliberately falsifying manufacturing records relating to valve fractures.

Faced with this growing scandal, Pfizer announced that it would spend up to $205 million to settle the tens of thousands of valve lawsuits that had been filed against it. Even so, Pfizer resisted complying with an FDA order that it notify patients of new findings that there was a greater risk of fatal fractures in those who had the valve installed before the age of 50. In 1994 the company agreed to pay $10.75 million to settle Justice Department charges that it lied to regulators in seeking approval for the valves; it also agreed to pay $9 million to monitor valve patients at Veterans Administration hospitals or pay for removal of the device.

In 2004 Pfizer announced that it had reached a $60 million settlement of a class-action suit brought by users of Rezulin, a diabetes medication developed by Warner-Lambert, which had withdrawn it from the market shortly befo the company was acquired by Pfizer in 2000. The withdrawal came after scores of patients died from acute liver failure said to be caused by the drug.

In 2004, in the wake of revelations about dangerous side effects of Merck's painkiller Vioxx, Pfizer agreed to suspen television advertising for a related medication called Celebrex. The following year, Pfizer admitted that a 1999 clinical trial found that elderly patients taking Celebrex had a greatly elevated risk of heart problems.

In 2005 Pfizer withdrew another painkiller, Bextra, from the market after the FDA mandated a "black box" warning about the cardiovascular and gastrointestinal risks of the medication. In 2008 Pfizer announced that it was setting aside $894 million to settle the lawsuits that had been filed in connection with Bextra and Celebrex.

With the acquisition of Wyeth (formerly American Home Products) in October 2009, Pfizer took on a new set of legal problems. The summary of legal proceedings in Wyeth's last annual financial report before the deal was announced went on for 14 pages. Most of the lawsuits discussed were product liability cases involving hormone therapy, childhood vaccines, the anti-depressant Effexor, the contraceptive Norplant and, most importantly, the combination diet drug known as fen-phen, which had been withdrawn from the market after reports that its use was linked to possibly fatal heart valve damage. Those findings unleashed a wave of tens of thousands of lawsuits against the company.

Pricing

Pfizer has been at the center of controversies over its pricing for more than 50 years. In 1958 it was one of six drug companies accused by the Federal Trade Commission of fixing prices on antibiotics. The company was also charged with making false statements to the U.S. Patent Office to obtain a patent on tetracycline.

In 1961 the Justice Department filed criminal antitrust charges against Pfizer, American Cyanamid, Bristol-Myers and top executives of the three companies. Two years later, the FTC ruled that the six companies named in its 1958 complaint had indeed conspired to fix prices on tetracycline. The commission also found that "unclean hands and bad faith played a major role" in the issuance of the tetracycline patent to Pfizer.

In 1964 the FTC ordered the six companies to reset their prices and told Pfizer to grant a production license for tetracycline to any company that applied for it. In 1967 a federal jury found Pfizer, American Cyanamid and Bristol-Myers guilty of conspiring to control the production and distribution of restraint of trade, conspiracy to monopolize and actual monopoly. The companies were each fined the maximum of $150,000, but payment was delayed while they pursued an appeal.

That effort was fruitful for the companies. In 1970 a federal appeals court ordered the case sent back to the district court for what it said were errors in the jury instructions by the judge. Three years later, another federal judge, sitting without a jury, dismissed the charges. In the interim, Pfizer and other companies had agreed to pay some $136 million to settle a class-action case and other civil suits that had been brought on behalf of consumers and state and local governments. Later settlements brought the amount to more than $150 million.

Pfizer, along with the other large pharmaceutical companies, were later targeted in a series of lawsuits brought by state attorneys general and other parties challenging the industry's pricing practices. In 1996 Pfizer was one of 15 large drug companies that agreed to pay more than $408 million to settle a class action lawsuit charging that they conspired to fix prices charged to independent pharmacies.

In 1999 Pfizer pleaded guilty to criminal antitrust charges that its former Food Science Group unit took part in two international price-fixing conspiracies—one involving the food preservative sodium erythorbate and the other the flavor enhancer maltol. Pfizer agreed to pay fines totaling $20 million.

In 2000, amid widespread criticism of the high price of AIDS medications, Pfizer offered to donate a two-year supply of its drug Diflucan worth $50 million to the South African government. Yet in 2003, after acquiring Pharmacia Corp., Pfizer backed away from the company's plan to license its AIDS drug Rescriptor for low-cost distribution in poor countries.

In 2002 Pfizer resisted cooperating with a General Accounting Office investigation of industry pricing practices but relented after chairman and CEO Henry McKinnell was served with a subpoena. Later that year, Pfizer agreed to pay $49 million to settle charges that one of its subsidiaries defrauded the federal Medicaid program by overcharging for its cholesterol-lowering drug Lipitor.

In 2003, as Congress was discussing legislation to legalize the importation of cheap prescription drugs from Canada, Pfizer sought to undermine the practice by telling major Canadian pharmacies that they would have to begin ordering directly from Pfizer rather than going through wholesalers. This put Pfizer in the position of cutting off supply if it suspected the pharmacies were selling to the U.S. market. The following year, Pfizer announced that it would begin requiring wholesalers to report on orders from individual drugstores.

In 2016 the Justice Department announced that Pfizer would pay $784 million to settle allegations that Wyeth underpaid rebates to Medicaid on two of its drugs.

Later in 2016 the UK's Competition and Markets Authority fined Pfizer the equivalent of $107 million for charging excessive and unfair prices for an epilepsy drug.

Advertising and Marketing Controversies

After the Second World War, Pfizer caused a scandal when it circumvented the traditional drug distribution networks and began marketing its products (especially the antibiotic Terramycin) directly to hospitals and physicians, making unprecedented use of splashy advertisements in the Journal of the American Medical Association. A prominent article in the Saturday Review in 1957 denounced the company for tactics such as running ads for its antibiotics that displayed the names of doctors who were supposedly endorsing the product but who turned out to be fictitious.

In 1991 Pfizer paid a total of $70,000 to 10 states to settle charges relating to misleading advertising for its Plax mouth rinse.

1996 the Food and Drug Administration ordered Pfizer to stop making unauthorized and misleading medical claims for its antidepressant Zoloft.

In 2000 the FDA warned Pfizer and Pharmacia, co-marketers of the arthritis drug Celebrex, that the consumer ads they were running for the medication were false and misleading. Two years later, the FDA ordered Pfizer to stop running a series of magazine ads that the agency said misleadingly suggested that its cholesterol-lowering drug Lipitor was safer than competing products.

In 2003 Pfizer paid $6 million to settle with 19 states that had accused the company of using misleading ads to promote its Zithromax medication for children's ear infections.

In 2004 Pfizer's Warner-Lambert subsidiary agreed to pay $430 million to resolve criminal and civil charges that it paid physicians to prescribe its epilepsy drug Neurontin to patients with ailments for which the medication was not approved. Documents later came to light suggesting that Pfizer arranged for delays in the publication of scientific studies that undermined its claim for the other uses of Neurontin. In 2010 a federal jury found that Pfizer committed racketeering fraud in its marketing of Neurontin; the judge in the case subsequently ordered the company to pay $142 million in damages.

In 2007 Pfizer subsidy Pharmacia & Upjohn agreed to pay $34.7 million to settle federal charges relating to the illegal marketing of its Genotropin human growth hormone.

In 2009 Pfizer agreed to pay $2.3 billion to resolve criminal and civil charges relating to the improper marketing of Bextra and three other medications. The amount was a record for a healthcare fraud settlement. John Kopchinski, a former Pfizer sales representative whose complaint helped bring about the federal investigation, told the New York Times: "The whole culture of Pfizer is driven by sales, and if you didn't sell drugs illegally, you were not seen as a team player." As part of the settlement, Pfizer had to enter into a Corporate Integrity Agreement with the Inspector General of the Department of Health and Human Services.

In 2010 Pfizer disclosed that during a six-month period the previous year it had paid $20 million to some 4,500 doctors and other medical professionals for consulting and speaking on the company's behalf. This was the first time the company had made public its spending of this kind.

In 2011 Pfizer agreed to pay $14.5 million to resolve federal charges that it illegally marketed its bladder drug Detrol.

In 2011 the FDA told Pfizer that its "Online Resources" webpage on Lipitor contained misleading statements.

In July 2012 Pfizer agreed to remove claims related to breast and colon health from its advertising for Centrum multivitamins as part of an agreement to settle a lawsuit brought by the Center for Science in the Public Interest charging that the claims were unsubstantiated.

In November 2012 Pfizer disclosed that it had taken a charge against earnings of $491 million in connection with an "agreement in principle" with the U.S. Department of Justice to settle charges relating to the improper marketing of the kidney transplant drug Rapamune by Wyeth. That agreement was finalized in July 2013. Pfizer later reached a $35 million settlement of Rapamune charges brought by more than 40 state attorneys general.

Bribery and Improper Payments

In 1976 Pfizer was one of the many companies that disclosed that it had made questionable payments to foreign government officials. The company said that about $265,000 had been paid to officials in three countries but did not identify them.

In August 2012 the U.S. Securities and Exchange Commission announced that it had reached a $45 million settlement with Pfizer to resolve charges that its subsidiaries, especially Wyeth, had bribed overseas doctors and other healthcare professionals to increase foreign sales.

Environment

In 1971 the Environmental Protection Agency asked Pfizer to end its long-time practice of dumping industrial wastes from its plant in Groton, Connecticut in the Long Island Sound. The company was reported to be disposing of about 1 million gallons of waste each year by that method.

In 1991 Pfizer agreed to pay $3.1 million to settle EPA charges that the company seriously damaged the Delaware River by failing to install pollution-control equipment at one of its plants in Pennsylvania.

In 1994 Pfizer agreed to pay $1.5 million as part of a consent decree with the EPA in connection with its dumping at a toxic waste site in Rhode Island.

In 1998 Pfizer agreed to pay a civil penalty of $625,000 for environmental violations discovered at its research facilities in Groton, Connecticut.

In 2002 New Jersey fined Pfizer fined $538,000 for failing to properly monitor wastewater discharged from its plant in Parsippany.

In 2003, shortly after Pfizer acquired Pharmacia, the company (along with Solutia and Monsanto) agreed to pay some $700 million to settle a lawsuit over the dumping of PCBs in Anniston, Alabama.

In 2005 Pfizer agreed to pay $22,500 to settle EPA claims that the company failed to properly notify state and federal officials of a 2002 chemical release from its plant in Groton that seriously injured several employees and necessitated a major emergency response.

Also in 2005, Pfizer agreed to pay $46,250 to settle charges that its Pharmacia & Upjohn operation had violated federal air pollution rules at its plant in Kalamazoo, Michigan.

In 2008 Pfizer agreed to pay a $975,000 civil penalty to resolved federal charges that it violated the Clean Air Act at its former manufacturing plant in Groton, Connecticut in the period from 2002 to 2005.

Environmental groups in New Jersey have criticized as inadequate a clean-up plan devised by Pfizer and the EPA for the American Cyanamid Superfund site in Bridgewater, which is considered one of the worst toxic waste sites in the country. Pfizer inherited responsibility for the clean-up through its 2009 purchase of Wyeth.

Human Rights

Pfizer apparently engaged in questionable practices abroad as well. In 2000 the Washington Post published a major exposé accusing Pfizer of testing a dangerous new antibiotic called Trovan on children in Nigeria without receiving proper consent from their parents. The experiment occurred during a 1996 meningitis epidemic in the country. In 2001 Pfizer was sued in U.S. federal court by thirty Nigerian families, who accused the company of using their children as human guinea pigs.

In 2006 a panel of Nigerian medical experts concluded that Pfizer had violated international law. In 2009 the company agreed to pay $75 million to settle some of the lawsuits that had been brought in Nigerian courts.The U.S. case was settled in 2011 for an undisclosed amount.

Classified U.S. State Department cables made public in 2010 by Wikileaks indicated that Pfizer had hired investigators to dig up dirt on Nigeria's former attorney general as a way to get leverage in one of the remaining cases. Pfizer had to apologize over the revelation in the cables that it had falsely claimed that the group Doctors Without Borders was also dispensing Trovan during the Nigerian meningitis epidemic.

Labor

In January 2012 a group of Pfizer employees in Puerto Rico filed suit against the company in federal court, charging that it failed to properly manage their pension plan and caused losses totaling hundreds of millions of dollars over the past decade.

Worker Safety

In 2010 a federal jury awarded $1.37 million to a former Pfizer scientist who claimed she was sickened by a genetically engineered virus at a company lab and was then fired for raising safety concerns.

Taxes and Subsidies

Pfizer is one of the numerous pharmaceutical companies that for many years took advantage of a provision in the Internal Revenue Code (Section 936) that gave special tax credits for their operations in Puerto Rico and was widely criticized as a form of corporate welfare. A 1992 report by the U.S. General Accounting Office found that Pfizer was enjoying $156,400 in tax savings for each of its 500 employees on the island. The amount was said to be 636 percent of the company's compensation costs.

During the Clinton Administration there was a move to eliminate Section 936, but Pfizer and other drug companies managed to get the termination phased out over a decade. During that period, drug companies began registering their Puerto Rican operations as foreign entities, which allowed them to escape taxes entirely as long as they did not send the profits back to the mainland United States.

Then the companies pressed Congress to enact a repatriation tax holiday that would allow them to bring all their foreign profits back home and pay an artificially low tax rate on them, supposedly to spur domestic job creation. When such a holiday was put into effect for 2005, Pfizer repatriated more foreign profits than any other company—$37 billion—and enjoyed an $11 billion tax break while cutting rather than increasing its U.S. workforce.

In 2014 Pfizer launched an effort to take over AstraZeneca that was designed not only to swallow a competitor but also to cut its tax bill by locating the headquarters of the combined operation in Britain. When AstraZeneca resisted the controversial move, Pfizer abandoned the bid. Then in November 2015 Pfizer announced a similar deal, worth $160 billion, to merge with Allergan and move the headquarters of the combined company to Ireland. The plan was dropped when the Obama Administration introduced new tax rules.

State and Local Subsidies

Connecticut. In 2001 Pfizer opened a new $270 million research facility in New London with the help of a $60 million subsidy package from state and local officials. The city also used its power of eminent domain to assemble the site used by the company, angering local residents and leading to a court challenge that went all the way to the U.S. Supreme Court. In that case, Kelo v. New London, the Justices upheld the city's right to take private property for economic development projects. In 2009, however, Pfizer announced that it would close its New London operation and relocate 1,400 jobs to its campus in nearby Groton, Connecticut.

Michigan. In 2001, the company committed to an $800-million expansion of its Ann Arbor research laboratories after receiving a state and local tax subsidy package worth more than $70 million. Five years later, however, the company announced that it was abandoning the facility and eliminating more than 2,000 jobs. The company also said it would eliminate 250 jobs in Kalamazoo, where in 2003 it received a 20-year subsidy package worth up to $635 million.

New York. In 2003 New York City and State officials offered Pfizer up to $47 million in the hope that the company would create 2,000 new jobs at its Manhattan headquarters and other New York City locations while retaining more than 5,000 positions. By 2010 Pfizer had, instead, eliminated large numbers of jobs in the city, in part from the closing of its longtime manufacturing plant in Brooklyn. In December of that year, Pfizer agreed to pay the city a penalty of $24.7 million—twice the tax subsidies it had received.

Other Information Sources

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