



The United States Attorney's Office

Southern District of Texas

News Release

July 7, 2008

INTERNET DISTRIBUTOR CONVICTED OF TRAFFICKING IN FAKE CANCER DRUGS

(HOUSTON, Texas) - Kevin Xu, 36, has been convicted of conspiracy to traffic in counterfeit drugs and causing the introduction of counterfeit and misbranded drugs into interstate commerce, United States Attorney Don DeGabrielle announced today. A federal jury convicted Xu late Thursday, July 3.

Xu is the owner of Pacific Orient International Ltd., a foreign company based in the Peoples Republic of China. The nine-count indictment filed against Xu in August 2007 charged him with conspiring with others in the Peoples Republic of China to traffic in counterfeit goods and trafficking in counterfeit and misbranded pharmaceuticals.

During the four-day trial, the jury heard evidence that Xu met with an undercover agent with Immigration and Customs Enforcement (ICE) and discussed his ability to manufacture branded pharmaceutical drugs and packaging for the drugs. Xu provided the agent with a list of pharmaceutical drugs he could manufacture that included drugs manufactured and marketed exclusively by Pfizer Pharmaceuticals Inc., Eli Lilly Corporation, Hoffman La Roche, AstraZeneca and Sanofi-Aventis. Xu later shipped Tamiflu, Plavix, Zyprexa, Aricept and Casodex to agents in Houston that appeared to be identical to the drugs manufactured by the legitimate trademark holder. Xu later traveled to Houston to meet with an undercover agent to further discuss the supply of counterfeit pharmaceutical drugs. Testimony from chemists employed by the pharmaceutical companies and the Forensic Chemistry Center of the Food and Drug Administration (FDA) indicated the drugs contained less than the active ingredient listed on the label and contained unknown impurities. The pharmaceuticals were determined to be counterfeit.

An investigator with the Medicines Health and Regulatory Agency in London, England, testified that pharmaceuticals bearing the same lot number as the counterfeit pharmaceuticals sent by Xu to agents in Houston had penetrated the legitimate supply chain in London, prompting a massive recall for Zyprexa, Plavix and Casodex. Plavix is a

drug used in the treatment of blood clots. Zyprexa is a drug used in the treatment of schizophrenia, while Casodex is used in the treatment of prostate cancer. Tamiflu is used in the treatment of influenza, and Aricept is used in the treatment of Alzheimers.

At sentencing, Xu faces up to five years in prison and \$250,000 fine for the conspiracy charge. He also faces up to three years in prison and a \$10,000 fine for misbranding of pharmaceutical drugs and up to 10 years in prison and a \$2,000,000 fine for trafficking in counterfeit pharmaceutical drugs.

This case was investigated by the Department of Homeland Security-ICE and the FDA-Office of Criminal Investigation and is being prosecuted by Assistant United States Attorneys Samuel Louis and Vernon Lewis.

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