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Google under government investigation for online pharmacy ads

By Jia Lynn Yang and Rob Stein, Published: May 12

Government officials are investigating whether Google profited by displaying ads from illegal online pharmacies, federal regulators said Thursday.



An explosion of online companies claiming to sell prescription drugs has forced the search giant into what it has called a “cat-and-mouse game” to sort out legitimate retailers from frauds.

Yet it appears Google would still be liable for running ads from so-called rogue pharmacies. The company said in an earnings filing this week that it had set aside \$500 million — equivalent to about one-fifth of the profits it made during the last quarter of 2010 — toward a settlement relating to a Justice Department investigation into its advertising practices.

Google and the Justice Department declined to comment Thursday. A spokeswoman for the Food and Drug Administration confirmed an ongoing investigation into the company’s advertising practices.

Google has said that illegal pharmacies have tried to circumvent controls in the tech firm’s powerful platform for selling ads, called AdWords.

The company has had to increase enforcement as ad spending by companies selling drugs has boomed. Healthcare and pharmaceutical companies spent an estimated \$1 billion on Internet ads, according to research firm eMarketer, up 13.9 percent from last year. The firm estimates that ad spending will grow another 13 percent this year.

Last September Google filed suit against a group of unnamed defendants for violating the company’s ad sales policies relating to drug sales.

“In recent years, we have noticed a marked increase in the number of rogue pharmacies, as well an increasing sophistication in their methods,” wrote Michael Zwibelman, the company’s litigation counsel, in a blog post on the company’s site at the time of the lawsuit. “This has meant that despite our best efforts — from extensive verification procedures, to automated keyword blocking, to changing our ads policies — a

small percentage of pharma ads from these rogue companies is still appearing on Google.”

Online ad sales are Google’s main source of revenue. Its share of the entire online advertising market, estimates eMarketer, is expected to reach 43 percent this year.

As consumers look for cheaper drugs, some industry experts say they are turning to online pharmacies that do not always meet legal standards, sell counterfeits or sell drugs without prescriptions.

“The illicit drug trade by rogue online pharmacies continues to be a huge concern for community pharmacists,” said Kevin Schweers, vice president of public affairs for the National Community Pharmacists Association.

In February, Google beefed up its policing by requiring pharmacies displaying ads to have a specific accreditation known as VIPPS, or Verified Internet Pharmacy Sites. Canadian pharmacies were also newly required to be accredited by the Canadian International Pharmacy Association.

“Google’s policy change is a major step toward ridding the Internet of these operations, and we applaud Google’s commitment to patient safety,” Gary Schnabel, president of the National Association Boards of Pharmacy, said at the time earlier this year.

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