

Man ordered to pay Gilead \$31M for selling counterfeit HIV drugs

By David Houston
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A man who obtained HIV medications from patients in the Los Angeles area, repackaged them — mixed with over-the-counter analgesics, candy and other substances — and sold them as authentic medications through a wholesaler, has been ordered by a federal judge to pay Gilead Sciences Inc. \$31 million in restitution.

Lorik Papyan was indicted, along with three other men, in September 2019 by a federal grand jury in San Francisco.

They were accused of selling Gilead's HIV drugs, along with counterfeit "drugs," through a company called Mainspring Distribution LLC. Lorik pleaded guilty in September and, as part of his agreement with prosecutors, agreed to pay Gilead restitution for sales losses. *U.S. v. Papyan*, 18-CR-00533 (N.D. Cal., filed Nov. 1, 2018).

Gilead now has a trademark lawsuit pending in the Eastern District of New York against Scripts Wholesale Inc., and others accused of buying the products from Mainspring. *Gilead Sciences, Inc. v. Safe Chain Solutions, LLC*, 21-CV-04106 (E.D.N.Y., filed July 22, 2021).

"To be clear, the primary victims in this case are HIV-positive patients — those whom

Papyan and his co-conspirators convinced to sell their life-saving drugs rather than take them, as well as those who purchased the Mainspring products through Scripts without knowing that they were buying non-FDA approved counterfeits," Chief Judge Richard Seeborg of the Northern District of California wrote in his restitution order on Monday.

"Unfortunately, there is no evidence on this record as to the losses those victims have suffered — let alone who, exactly, they were," he added.

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— Chief Judge Richard Seeborg
Northern District of California

Prosecutors alleged the scheme generated more than \$70 million in revenue for Mainspring. Papyan's restitution was calculated based on the lost profits Gilead incurred, which were derived by multiplying the number of counterfeit bottles sold by the wholesale acquisition cost, minus manufacturing savings.

Scripts purchased from Mainspring 16,965 bottles of counterfeit Gilead drugs, Seeborg wrote in his order.

"According to the government, if Mainspring had not made these fraudulent sales, Scripts would have had to buy the products from Gilead through authorized distributors," the judge wrote.

Assistant U.S. Attorney Joseph F. Tartakovsky prosecuted the case. Glendale attorney Jilbert Tahmazian represented Papyan. Neither Tartakovsky nor Tahmazian could be reached immediately for comment.

Geoffrey Potter of Patterson Belknap Webb & Tyler LLP is representing Gilead.

Papyan's co-defendants both pleaded guilty previously. Stephen Silverman pleaded guilty in April to conspiracy to engage in the unlawful wholesale distribution of drugs. Hakob Kojoyan pleaded guilty in 2021 to unlicensed wholesale distribution of prescription drugs.

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