

Alert | Health Emergency Preparedness Task Force: Coronavirus Disease 2019



April 15, 2020

Department of Justice Takes Swift Action to Combat Coronavirus-Related Fraud

Since the Department of Justice announced on March 23 that it formed a national task force to combat Coronavirus Disease 2019 (COVID-19)-related crime, U.S. Attorneys' Offices around the country have ramped up their efforts to team with federal, state, and local agencies to investigate and charge alleged hoarders, price-gougers, and fraudsters looking to profit from this national health emergency.

Pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, \$2 trillion will be going to direct payments to individuals and loans for major industries and small businesses. This unprecedented infusion of dollars to businesses and individuals may open the door to an increased level of false claims and other fraud. As a result, federal prosecutors, the IRS, the SEC, and other federal and state agencies around the country have warned the public to be vigilant against bad actors and fraud schemes that may crop up during the health crisis.

There has already been evidence of testing and treatment scams; medical supply scams; and investment scams, where promotions styled as "research reports" make predictions that certain products or services of publicly traded companies can prevent or cure COVID-19, and that the stock of these companies will dramatically increase in value as a result. Attorney General William Barr has identified examples of some of the schemes that are expected, including:

- individuals and businesses selling fake cures for COVID-19 online and engaging in other forms of fraud;

- phishing emails from entities posing as the World Health Organization or CDC;
- malicious websites and apps that appear to share coronavirus-related information to gain and lock access to your devices until payment is received;
- seeking “donations” for illegitimate or non-existent charitable organizations; and
- medical providers obtaining patient information for COVID-19 testing and using the information to fraudulently bill for other tests and procedures.

In the aftermath of past emergencies, such as Hurricanes Katrina and Sandy and the 2008 financial crisis, there was also an upsurge in claims against government contractors and other entities that received federal emergency funds. Based on the enormity of the amount of money that is tapped to be pumped into the economy, the extent of fraud related to this pandemic may be extraordinary.

First Wave of Federal Charges Already Filed

On March 24, Deputy Attorney General Jeffrey Rosen released a memo that detailed the tools available to crack down on a slew of crimes related to the pandemic. The memo further advised federal authorities to work in concert with state and local law enforcement agencies in pursuing COVID-19-related cases. As a result, several U.S. Attorney’s Offices around the country have joined forces with federal, state, and local agencies to dedicate resources to their own COVID-19 fraud task forces.

One of the first enforcement actions against alleged coronavirus fraud occurred in Texas. The DOJ obtained a temporary restraining order against the website “coronavirusmedialkit.com.” Prosecutors allege the site claimed to offer consumers access to vaccine kits from the WHO, although there are currently no vaccines for the disease.

The District of Columbia U.S. Attorney’s Office charged a Georgia man with wire fraud after he attempted to sell millions of nonexistent respirator masks to the federal government. The criminal complaint alleges that he made and caused to be made a series of fraudulent misrepresentations in an attempt to secure orders from the Department of Veterans Affairs for 125 million face masks and other personal protective equipment (PPE) that would have totaled over \$750 million, which he was requesting to be paid upfront. Through a series of misrepresentations, the man claimed to act as a supplier who could quickly obtain the scarce PPE and supplies.

In California, a man was arrested on a federal criminal wire fraud charge alleging he solicited investments in a company he claimed would be used to market pills that would prevent coronavirus infections and an injectable cure for those already suffering from COVID-19. The complaint alleges that he claimed to have personally developed a “patent-pending cure” and a treatment that prevents coronavirus infection. In another California case, a British man was named in a criminal complaint that alleged he smuggled into the United States mislabeled drugs purported to be a treatment for those suffering from COVID-19. He was charged with a felony of introducing misbranded drugs into interstate commerce.

A Brooklyn man was charged with lying to federal agents about accumulating surgical masks, medical gowns, and other medical supplies, and then selling them at inflated prices. During questioning by FBI agents, he allegedly coughed in the direction of the agents, without covering his mouth, and then told the agents that he had coronavirus. He was subsequently arrested and charged with assaulting a federal officer.

* * *

Companies receiving CARES or other government funding should consider what precautions may be necessary to protect against the risk of potential future liability, including under the False Claims Act. Now is the time to be vigilant about observing compliance processes and improving internal controls.

For more information and updates on the developing situation, visit [GT's Health Emergency Preparedness Task Force: Coronavirus Disease 2019](#).

Authors

This GT Alert was prepared by:

- [Matthew J. Cannon](#) | +1 312.456.1066 | cannonm@gtlaw.com
- [Daniel P. Filor](#) | +1 212.801.6758 | filord@gtlaw.com
- [Kyle R. Freeny](#)[#] | +1 202.331.3118 | freenyk@gtlaw.com
- [Wendy J. Dickieson](#) | +1 212.801.6445 | dickiesonw@gtlaw.com

^{*}Admitted in California. Practice in the District of Columbia limited to matters and proceedings before Federal courts and Agencies.

Albany. Amsterdam. Atlanta. Austin. Boca Raton. Boston. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Germany.[~] Houston. Las Vegas. London.^{*} Los Angeles. Mexico City.⁺ Miami. Milan.[»] Minneapolis. Nashville. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Sacramento. San Francisco. Seoul.[∞] Shanghai. Silicon Valley. Tallahassee. Tampa. Tel Aviv.[^] Tokyo.[#] Warsaw.⁻ Washington, D.C.. West Palm Beach. Westchester County.

This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. [~]Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ^{}Operates as a separate UK registered legal entity. ⁺Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. [»]Greenberg Traurig's Milan office is operated by Greenberg Traurig Santa Maria, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. [∞]Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. [^]Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. [#]Greenberg Traurig Tokyo Law Offices are operated by GT Tokyo Horitsu Jimusho, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ⁻Greenberg Traurig's Warsaw office is operated by Greenberg Traurig Grzesiak sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in Greenberg Traurig Grzesiak sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2020 Greenberg Traurig, LLP. All rights reserved.*