

Chiropractic Products Publisher Pays \$3.7 Million to Settle Postal Fraud Allegations

MEDICAL WORLD'S SETTLEMENT AVOIDS TREBLE AND PUNITIVE DAMAGES

Editorial Staff

TRENTON, N.J. - On Dec. 5, 2002, the U.S. government filed a lawsuit against *Chiropractic Products'* publisher, Medical World Communications, in U.S. District Court in New Jersey. The lawsuit accuses Medical World of fraud; filing false claims; conspiracy; breach of contract; and unjust enrichment.^{1,2}

The civil complaint alleges that *Chiropractic Products'* publisher defrauded the United States by failing to pay more than \$2 million in postage for mailing its magazines, U.S. Attorney Christopher J. Christie announced.³

The complaint alleged violations of the False Claims Act, and sought triple the amount of the company's more than \$2 million in fraud proceeds. The government also sought penalties of between \$5,000 and \$10,000 for each of "hundreds of false records and/or statements [used] to conceal, avoid or decrease their obligation to pay money to the Postal Service," according to Assistant U.S. Attorney Michael A. Chagares, chief of the U.S. Attorney's Office Civil Division in Newark. Mr. Chagares handled the case for the U.S. government.

The action is based on the allegation that *Chiropractic Products'* publisher fabricated subscription requests in order to get a reduced postal rate. The alleged fabrications occurred as recently as the year 2000.

On July 2, 2003, after only seven months of "vigorously defending itself," Medical World agreed to pay \$3.7 million to settle the allegations that it defrauded the United States by failing to pay adequate postage for mailing its periodicals. The Medical World publications involved were *Chiropractic Products; Physical Therapy Products; Plastic Surgery Products; Podiatric Products; Orthodontic Products; Compendium of Continuing Education in Dentistry; Cardiology Review; Resident and Staff Physician; Family Practice Recertification; Surgical Rounds; and Clinical Lab Products.*⁴

Medical World denied any wrongdoing as part of the settlement, but an Associated Press article quoted Assistant Attorney Chagares as stating: "The \$3.7 million is significantly more than the actual damage to the government."⁵

References

1. Jamesburg trade magazine publisher sued by government for defrauding postal service. U.S. Department of Justice press release, Dec. 19, 2002 www.njusao.org/files/me1219_r.htm.
2. *Chiropractic Products* publisher sued by U.S. Postal Service. *Dynamic Chiropractic*, Feb. 24, 2003. www.chiroweb.com/archives/21/05/04.html.

3. The entire complaint is available on the U.S. Department of Justice website at:
www.njusao.org/files/PDFfiles/MedicalWorld_civilcomplaint.pdf.
4. Jamesburg trade magazine publisher pays \$3.7 million to settle allegations of defrauding postal service. U.S. Department of Justice press release, July 2, 2003.
www.njusao.org/files/me0702_r.htm.
5. Medical publisher settles lawsuit for \$3.7M. *The Star-Ledger*, July 3, 2003.
www.nj.com/business/ledger/index.ssf?/base/business-4/105721158820060.xml.

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