


Department of Justice

Office of Public Affairs

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Zimmer Biomet Holdings Inc. Agrees to Pay \$17.4 Million to Resolve Foreign Corrupt Practices Act Charges

Subsidiary Agrees to Plead Guilty to Violating the Foreign Corrupt Practices Act

Zimmer Biomet Holdings Inc. (Zimmer Biomet), an Indiana-based manufacturer of orthopedic and dental implant devices, has agreed to pay a \$17.4 million criminal penalty in connection with a scheme to pay bribes to government officials in Mexico and for violations of the internal controls provisions of the Foreign Corrupt Practices Act (FCPA) involving the company's operations in Mexico and Brazil. Zimmer Biomet had been in breach of a 2012 deferred prosecution agreement (DPA) with the department resolving an earlier investigation into FCPA violations committed by Biomet Inc., which became part of Zimmer Biomet in 2015.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division and Assistant Director Stephen Richardson of the FBI's Criminal Investigative Division made the announcement.

"Zimmer Biomet had the opportunity to avoid criminal charges but its misconduct allowed the bribes to continue," said Assistant Attorney General Caldwell. "Zimmer Biomet is now paying the price for disregarding its obligations under the earlier deferred prosecution agreement. In appropriate circumstances the department will resolve serious criminal conduct through alternative means, but there will be consequences for those companies that refuse to take these agreements seriously."

"Zimmer Biomet failed to rectify their misconduct and get back on track in compliance with the law, and now they are facing the consequences of their corrupt actions," said Assistant Director Richardson. "The FBI will not stand idly by when companies operate outside the law and attempt to play by different rules in the marketplace. We remain vigilant and committed to holding those accountable who disregard the rule of law in the United States."

According to admissions made in the resolution documents, even after the 2012 DPA between the department and Biomet, the company knowingly and willfully continued to use a third-party distributor in Brazil known to have paid bribes to government officials on Biomet's behalf. Biomet also failed to implement an adequate system of internal accounting controls at the company's subsidiary in Mexico, despite employees and executives having been made aware of red flags suggesting that bribes were being paid. By failing to require appropriate due diligence and documentation and contracts for payments to third parties, Biomet allowed its Mexican subsidiary, Biomet 3i Mexico S.A. de C.V. (3i Mexico), to pay bribes to Mexican customs officials through customs brokers and sub-agents so 3i Mexico could import contraband dental implants into Mexico. Importing those products into Mexico violated Mexican law because they lacked proper registration or labeling.

Zimmer Biomet entered into a three-year DPA in connection with a superseding criminal information, filed today in the District of Columbia, charging the company with failing to implement a system of effective internal accounting controls. Pursuant to its agreement with the department, Zimmer Biomet agreed to pay a \$17.4 million criminal penalty and retain an independent corporate compliance monitor for three years.

JERDS Luxembourg Holding S.à.r.l. (JERDS), an indirect subsidiary of Zimmer Biomet, agreed to plead guilty to a one-count criminal information, also filed in the District of Columbia, charging it with causing Biomet to violate the books and

records provisions of the FCPA through the actions of 3i Mexico, a wholly-owned subsidiary of JERDS. The plea agreement is subject to court approval. The case was assigned to Senior U.S. District Judge Reggie B. Walton of the District of Columbia and the change of plea is scheduled to take place on Jan. 13, 2017 at 3:45 p.m.

In related proceedings, the U.S. Securities and Exchange Commission (SEC) filed a cease and desist order against Zimmer Biomet whereby the company agreed to pay to the SEC disgorgement of \$6.5 million including pre-judgment interest and \$6.5 million as a civil penalty.

The Criminal Division's Fraud Section reached this resolution based on a number of factors, including that Zimmer Biomet was in breach of the 2012 DPA between Biomet and the department. That agreement resolved an earlier investigation by the department into violations of the FCPA committed by Biomet, including the bribery of government officials in Argentina, Brazil and China as well as the falsification of the company's financial records to conceal the true nature of the bribe payments. Pursuant to the 2012 DPA, Biomet had been required to retain an independent compliance monitor. The monitor's term was extended for one year in 2015, due to both the bribery in Brazil and Mexico and the fact that the Zimmer Biomet compliance program did not meet the requirements of the 2012 DPA. At the conclusion of the extended period, the independent monitor was unable to certify that the company's compliance program satisfied the requirements of the 2012 DPA and the department notified Zimmer Biomet that it was deemed to be in breach of the agreement. Zimmer Biomet fully cooperated with the current investigation and provided to the Fraud Section all relevant facts known to the company, including information about individuals involved in the misconduct. Nevertheless, because Zimmer Biomet failed to implement an effective compliance program and committed additional crimes while under a DPA and monitorship, the current DPA requires Zimmer Biomet retain an independent compliance monitor for a term of three years.

The FBI's International Corruption Squad in Washington, D.C., investigated the case. Assistant Chief Tarek J. Helou and Trial Attorney John Borchert of the Fraud Section prosecuted the case. The Office of International Affairs also provided substantial assistance in this matter.

The Criminal Division's Fraud Section is responsible for investigating and prosecuting all FCPA matters. Additional information about the department's FCPA enforcement efforts can be found at www.justice.gov/criminal/fraud/fcpa.

Court Documents:

[Zimmer Superseding Information](#)

[Zimmer DPA](#)

[JERDS Information](#)

Component(s):

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[Criminal Investigative Division \(FBI\)](#)

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