



FBI Fiscal Year 2015
Report to Congress on
Intellectual Property Rights Enforcement

Submitted to:

Committees on Appropriations of the
United States House of Representatives and the
United States Senate

Prepared by:

Federal Bureau of Investigation
Department of Justice

Table of Contents

I. Overview of Congressional Reporting Requirement 3

II. Executive Summary 3

III. Personnel Allocation 4

IV. IPR Strategy 5

V. IPR Efforts and Activities 8

VI. Conclusion/Looking Forward 15

I. Overview of Congressional Reporting Requirement

The Joint Explanatory Statement accompanying the Consolidated and Further Continuing Appropriations Act of 2014, P.L. 113-76, adopted language from both the House Report, 113-171, and Senate Report, 113-78, which directed the Federal Bureau of Investigation (FBI) to submit a report on its Intellectual Property Rights program, as described below:

House Report, 113-171, “The FBI shall submit a report, not later than 120 days after enactment of this Act, on the activities of its dedicated agents investigating IPR cases.”

Senate Report, 113-78, “The FBI shall submit a report, not later than 120 days after the enactment of this act, on the activities of its dedicated agents investigating IPR cases.”

The Joint Explanatory Statement accompanying the Consolidated and Further Continuing Appropriations Act of 2013, P.L. 113-6, adopted language from both the House Report, 112-463, and Senate Report, 112-158, which directed the Federal Bureau of Investigation (FBI) to submit a report on its Intellectual Property Rights program, as described below:

House Report, 112-463, “The FBI shall submit a report, not later than 120 days after enactment of this Act, on the activities of its dedicated agents investigating IPR cases.”

Senate Report, 112-158, “The Committee directs the FBI to submit a report on the activities of its dedicated agents investigating IPR cases. The report shall be submitted to the Committee no later than 120 days after enactment of this act.”

II. Executive Summary

The FBI’s overall strategy for IPR enforcement is to disrupt and dismantle international and domestic criminal organizations and individuals that manufacture or traffic in counterfeit and pirated goods and/or steal, distribute or otherwise profit from the theft of intellectual property (IP). Investigative priorities include theft of trade secrets; counterfeit goods that pose a threat to health and safety; and copyright and trademark infringement cases which have a national security, organized crime, or significant economic impact. For Fiscal Year (FY) 2015 and beyond, the FBI will pursue an intelligence-driven approach to all aspects of IPR enforcement.

The FBI is a primary partner at the National Intellectual Property Rights Coordination Center (IPR Center) along with Homeland Security Investigations (HSI). The FBI pursues IPR enforcement by coordinating investigations with law enforcement partners at the IPR Center but also utilizes the IPR Center to leverage ongoing relationships and coordination within the private and public sectors, including U.S. government, governments of other nations, private industry in the forms of brand owners, copyright holders, trademark holders, and collaboration with third parties, trade groups, and other entities in strategic positions. This coordination includes establishing initiatives based on current or emerging threats, communicating between intelligence components, and synchronizing investigative strategies with private industry as well as domestic and foreign law enforcement partners.

As of September 30, 2015, the FBI had 317 pending IPR matters with the following focus:

Theft of Trade Secrets, Copyright Infringement, Trademark Infringement

- 91 investigations—theft of trade secrets
- 39 investigations—copyright infringement related to software
- 65 investigations—other copyright infringement
- 37 investigations—trademark infringement
- 11 investigations—copyright infringement related to signal theft

Counterfeit Goods—Health and Safety

- 36 investigations—counterfeit health products
- 18 investigations—counterfeit electrical parts
- 8 investigations—counterfeit aircraft parts
- 10 investigations—counterfeit automotive parts
- 2 investigations—other counterfeit health and safety products

The following is a statistical summary of IPR investigations for FY 2015:¹

- 65 investigations initiated
- 63 arrests
- 39 information/indictments
- 38 convictions
- Seizures—\$3,068,155.07
- Forfeitures—\$770,288.69
- FIRE (Frozen, Indicted, Restrained, Encumbered) —\$185,074,234.02

III. Personnel Allocation

The FY 2009 Appropriations Bill provided for the “creation of an additional and distinct operational unit at FBI Headquarters with at least five full-time SAs dedicated to working with CCIPS on complex, multi-district, and international criminal IPR cases.” Accordingly, the FBI established its Intellectual Property Rights Unit (IPRU) and, in April 2010, IPRU physically relocated to the IPR Center in support of the FBI mission.

For FY 2015, the Criminal Investigative Division created within the Financial Crimes Section (FCS) a dedicated unit to provide cohesive, focused program management and strategy leadership to the FBI’s IPR efforts. The Intellectual Property & Cyber-enabled Crimes Unit² (IPCCU, now IPCCIU) brings together expertise and program management focus to IPR matters and other cyber-enabled financial crimes and leverages its position within FCS to bring the section’s extensive financial crimes investigative experience to bear on the IPR mission.

¹ Source: Sentinel as of 10/19/2015

² The Intellectual Property & Cyber-enabled Crimes Unit (IPCCU) was subsequently renamed the Intellectual Property & Criminal/Cyber Integration Unit (IPCCIU) in FY2016

In FY 2015, the FBI had approximately 45 Special Agents (SAs) in field offices working IP investigations. The majority of these SAs were located in field offices near Department of Justice (DOJ) enhanced Computer Hacking and Intellectual Property (CHIP) units. In FY 2015, the FBI expended 24 Fulltime Equivalent (FTE) work-years investigating IP crimes.³ These resources are separate from, and in addition to, FBI SAs assigned to investigate violations of the Economic Espionage Act, (18 U.S.C. § 1831) as well as FBI SAs working other criminal, cyber, and national security matters that may have a nexus to IPR violations.

The FBI staffed the IPR Center with one Unit Chief and three Supervisory Special Agents (SSAs) who provided strategic guidance, promoted the development of intelligence, and managed FBI field office and Legat IPR Programs including complex, multi-district, and international investigations. In addition, the FBI staffed the IPR Center with one Management and Program Analyst (MAPA) and one Intelligence Analyst (IA). An additional MAPA is stationed at the National Cyber-Forensic Training Alliance (NCFTA) in Pittsburgh, Pennsylvania.

IV. IPR Strategy

The IPR crime problem has changed dramatically in the seven years since passage of the PRO-IP Act of 2008. The continued expansion of the online marketplace environment is further fueled by a global economy. Whereas previously, counterfeiting operations relied on bulk shipping and distributors, current online marketplaces bring together manufacturers, distributors, buyers, and sellers of counterfeits in an entirely different way. Individual, retail-level small shipments of counterfeit goods flood US ports daily, as international sellers of counterfeit products cut out middlemen and sell directly to consumers. Global communications has also challenged industry protection of intellectual property by facilitating cross-border crime and by bringing together criminals with different, complimentary skills.

The strategy for theft of trade secrets investigations continues largely unchanged, with an added emphasis on three aspects: a preference for rapid response and attempted prevention/interdiction (where thefts can be prevented or contained by swift action, the FBI should strive to act quickly), coordinated strategic outreach to emphasize cross-program marketing for a “one FBI” solution, and deliberate and ongoing coordination between all FBI programs that address theft of trade secrets to ensure all cases are addressed appropriately. This coordination has the secondary benefit of keeping all FBI investigators assigned to those investigations in communication, which fosters sharing of observations, trends, best practices, and subject tradecraft.

In response, for FY 2015 and beyond, the FBI established a new collaborative strategy for addressing the counterfeiting crime problem that builds upon the work previously done by the department while also working with industry partners to make enforcement efforts more effective. As part of the strategy, the FBI will partner with third-party marketplaces to ensure they have the right analytical tools and techniques to combat intellectual property concerns on

³ Because many SAs work part time on IP matters, it is inaccurate to simply report the “number of SAs working IP matters.” Instead, the total hours spend by all SAs was divided by 2080 hours to calculate a number that reflects the overall, average level of resource expenditure, as though the effort was accomplished only by fully-dedicated staff. Accordingly, 45 SAs together worked a total number of hours equivalent to having had 24 SAs working fulltime.

their websites. The FBI also will serve as a bridge between brand owners and third-party marketplaces in an effort to mitigate instances of the manufacture, distribution, advertising and sale of counterfeit products. This new strategy will help law enforcement and companies better identify, prioritize and disrupt the manufacturing, distribution, advertising and sale of counterfeit products. Crimes will then be investigated by the FBI and other partners of the IPR Center and finally prosecuted by the Department of Justice. Mitigation of the threat posed by counterfeit goods and overall reduction in the trade in counterfeit goods requires a multifaceted approach, including extensive collaboration within the United States government, with the governments of other nations, and with private industry. In addition to critical collaboration with brand owners, copyright holders, trademark holders, and the like, the FBI strategy further identifies other critical collaboration with third parties, trade groups, and other entities in strategically vital positions to implement mitigation efforts or provide broad-based intelligence. The FBI and IPR Center partners will identify, build, and maintain industry liaison in coordination with the respective field offices.

The FBI's IPR headquarters component remains committed to several national multi-agency investigative initiatives aimed at providing comprehensive resolution to several high-priority counterfeiting problems. These initiatives continue an important focus on health and safety in counterfeit goods. The initiatives address counterfeit goods in the defense supply chain, heavy equipment and aerospace industries, medical industry, pharmaceutical industry, and the automotive industry.

The FBI recognizes the importance of liaison and engagement with rights holders, victim companies, and representative organizations in effort to identify investigative opportunities, better address the IPR threat and emerging trends, and improve awareness of IP theft. In partnership with IPR Center partners, the FBI regularly hosted rights holders and their representatives at the IPR Center and elsewhere. These productive contacts facilitated communication about initiatives, emerging IPR threats and, in some instances, yielded new investigations.

The FBI is a founding member and key partner at the IPR Center. The HSI-led IPR Center co-locates agencies responsible for the enforcement of IPR crimes and optimizes the resources of its 23 partner agencies.⁴ To facilitate IPR Center operations, the FBI continues to provide funding, development, and web hosting services for www.iprcenter.gov. This website serves as the central information portal for the IPR Center and its partners to inform the public, rights holders, victims, and other government agencies about threats to IPR and the IPR Center's efforts to combat IPR violations. The site contains, among other things, links to agency homepages, reference material, publications, press releases, and notices of upcoming events related to IPR.

⁴ The IPR Center includes representatives from the Federal Bureau of Investigation (FBI), Homeland Security Investigations (HIS), U.S. Customs and Border Protection (CBP), Food and Drug Administration Office of Criminal Investigations (FDA-OCI), U.S. Postal Inspection Service (USPIS), U.S. Patent and Trademark Office (USPTO), INTERPOL, EUROPOL, Mexican Revenue Service, Royal Canadian Mounted Police (RCMP), NRC, AFOSI, DCIS, NCIS, U.S. Army Criminal Investigative Command Major Procurement Fraud Unit, DLA-OIG, Department of Commerce's Office of Intellectual Property Rights (OIPR), U.S. Consumer Product Safety Commission (CPSC), NASA-OIG, U.S. Department of State's Office of Intellectual Property Enforcement (IPE), GSA-OIG, Federal Maritime Commission, and U.S. Postal Service Office of the Inspector General.

The IPR Center is a clearinghouse for complaints, referrals, and inquiries. It serves as the hub for the strategic planning of multi-jurisdictional case initiatives against the most significant threats to the United States. This includes de-confliction of both public referrals and participating agency investigations to avoid duplication of effort and ensure coordination of investigations between agencies. As a key partner at the IPR Center, the FBI led or participated in numerous working groups and coordination meetings with significant industry partners affected by IPR crime. In collaboration with the IPR Center partners, the FBI participated in weekly de-confliction meetings with IPR Center partners. This de-confliction process ensured the efficient use of IPR investigative resources and provided additional information regarding subjects and persons of interest to IPR Center participants, at times resulting in either joint investigations or case closures by one agency.

The FBI also continues collaboration with other U.S. Government agencies through working relationships beyond those at the IPR Center. The FBI regularly participates with members of DOJ's IP Task Forces, DOJ's Computer Crime and Intellectual Property Section, the Office of the U.S. Intellectual Property Enforcement Coordinator (IPEC), Department of Commerce, Department of Treasury, Department of State, and the U.S. Patent and Trademark Office.

In addition to training and outreach with industry and other government entities, the FBI also engages in internal efforts to expand the capabilities of FBI personnel assigned to IPR investigations. These efforts span in-service training opportunities, both FBI and other agency sponsored, as well as interactive on-line training courses. On an ongoing basis, FBI personnel participate in the International IP Crime Investigator's College (IIPCIC), a fully interactive on-line IP crime training facility which benefits all law enforcement, regulatory authorities and private sector IP crime investigators. The IIPCIC's main objective is to deliver leading edge training to enable investigators to effectively combat current and emerging threats from transnational organized IP Crime. During FY 2015, the FBI hosted a three-day IPR Conference at the IPR Center for 37 employees assigned to IPR matters—including agents, forensic accountants and analysts—from 18 FBI field offices and FBI Headquarters. The training included an overview of U.S. IP law and legal perspectives and requirements for criminal IP prosecutions presented by DOJ's Computer Crime and Intellectual Property Section (CCIPS) attorneys.

V. IPR Efforts and Activities

FBI Initiatives

During FY 2015, the FBI advanced the following significant initiatives focusing on health and safety threats and increasing public awareness of the harm and illegality of intellectual property violations:

- **Operation Chain Reaction (OCR)**: OCR is an initiative targeting counterfeit, substandard, and unapproved goods in the government supply chain. Under OCR, the FBI partners with IPR Center partners to address this threat, including: Air Force Office of Special Investigations (AFOSI); Army Criminal Investigation Division (CID); Defense Criminal Investigative Service (DCIS); Defense Logistics Agency (DLA); Department of Energy (DOE); DOJ- CCIPS; General Services Administration-Office of Inspector General (GSA-OIG); Homeland Security Investigations (HSI); INTERPOL; National Aeronautics and Space Administration Office of Inspector General (NASA-OIG); National Reconnaissance Office- Office of Inspector General (NRO-OIG); Naval Criminal Investigative Service (NCIS); Nuclear Regulatory Commission (NRC); and U.S. Customs and Border Protection (CBP). Intelligence analysis indicates counterfeit components pose a high, but largely unreported, threat to all parts of the government supply chain, jeopardizing the safety of critical U.S. infrastructure and those who rely on mission-critical equipment. OCR has historically focused on a portion of this threat: the insertion of counterfeit microelectronics in the DOD supply chain. During FY 2015, the FBI and IPR Center partners held bi-weekly coordination meetings and worked to continue to generate high-priority leads of suspected traffickers of counterfeit microelectronics intended for U.S. government systems and equipment.
- **Operation Engine Newity**: Operation Engine Newity (OEN) is a jointly led FBI and HSI initiative that was established in response to the rising threat of counterfeit automotive equipment manufactured and sold to end-users in the United States. OEN has also expanded to counterfeiting concerns within heavy industry and civilian aviation. Safety demonstrations by the National Highway Transportation Safety Administration (NHTSA) show counterfeit automotive parts could be fatal, posing a health and safety risk for drivers and passengers. In 2014, the FBI, CBP, HSI and other investigative agencies established liaison relationships with brand protection teams from major automotive manufacturers and trade associations. For FY 2015, the IPR Center was instrumental in the establishment of an industry working group to share best practices, warn consumers of counterfeits of the safety concerns in purchasing counterfeits, identify existing and emerging criminal threats and trends, exchange investigative referrals and intelligence, and develop a better industry understanding of the criminal networks behind this health and safety threat. Automotive industry participants formed the Automotive Anti-Counterfeiting Council (A2C2) and are moving towards incorporation of that entity during FY 2016. The A2C2 is expected to promote industry coordination with government, law enforcement, and other industries with mutual counterfeiting concerns.

- Trade Secrets Initiative: The FBI's IPR program has created an initiative to combine the resources of FBI's Cyber, Counterintelligence and Criminal Investigative Divisions to coordinate information and to address the theft of proprietary, trade-secret material from U.S. firms by foreign and non-foreign actors. Under this initiative, agents and analysts from the IPR Center work closely with partners within the FBI and with the U.S. intelligence community, to apply a whole-of-government approach to mitigate trade secret theft. The FBI worked with the National Security Council, Department of Treasury-Office of Foreign Assets Control (OFAC), and the U.S. Intelligence Community to develop a new economic sanctions authority, targeting perpetrators of cyber-enabled criminal activity, threats to critical infrastructure, financial fraud, and trade secret theft. On April 1, 2015 Executive Order 13694 was signed which gave the FBI a new tool to use against overseas offenders who damage US interests, but who are often outside law enforcement's reach. These sanctions will effectively block targets from using the international banking system. The FBI will continue to leverage these partnerships to engage with victims of trade secret theft, to help further identify offenders, and to bring criminal prosecutions and a range of other possible policy actions against these offenders.
- Public Service Announcements/Private Sector Advisories: This initiative educates consumers, FBI field offices, and industry partners on health and safety dangers posed by counterfeit products. This initiative has a presence in nearly every other IPR initiative. Information gathered from open source information, complaints filed through the Internet Crime Complaint Center (IC3) and the IPR Center website, as well as industry liaisons, determines the focus of Public Service Announcements. If consumers discover they have purchased counterfeit products, they are directed to FBI field offices and/or the IPR Center website, www.iprcenter.gov, to provide the FBI with a better understanding of emerging threats. Private Sector Advisories rely on information provided by industry partners about company-specific threats, which are analyzed and reported in intelligence products identifying trends across the industry. The desired outcome places the FBI in a position to alert companies to potential vulnerabilities. During FY 2015, the FBI began development of updated outreach materials for all IP consumers, including industry, other government agencies, and other FBI programs with relevance to the IPR program.
- Personal Care Products: Led by the FBI, the Personal Care Products initiative focuses on counterfeit personal care products to include cosmetics, laundry detergent, shampoo, body wash, and razors. During FY 2015, the FBI established liaisons and organized meetings with individual industry partners and trade associations to share intelligence regarding emerging threats and trends. This relationship helps develop a more comprehensive understanding of the prevalence of counterfeit personal care products across the industry and throughout the U.S., particularly with regard to potential threats to the health and safety of the consumer.
- Pharma Sham: Operation Pharma Sham addresses the growing trend of counterfeit pharmaceuticals that are delivered to individual consumers by the express mail industry. In an ongoing attempt to disrupt the most serious drop-shippers of counterfeit drugs in the U.S., the FBI has implemented a strategy to identify and target the financing and

operation of illicit pharmaceutical websites. Pharma Sham seeks to identify, disrupt, and dismantle rogue sites as well as their suppliers and manufacturers who have conspired to sell and distribute counterfeit medicines to unwitting customers around the globe.

Investigative Case Highlights

An important aspect of the FBI's IPR program is the investigation of high priority and high impact IPR matters and successful criminal prosecutions. In FY 2015, the FBI achieved significant success in this area. These investigations varied in complexity and included the use of sophisticated techniques where appropriate. The following investigations serve as several examples of IPR investigations which occurred during FY 2015:

- Living Essentials, doing business as 5-hour ENERGY®, has annual revenue from their “energy supplement” in excess of \$1 Billion annually. During a 2012 investigation of a civil lawsuit, they discovered a criminal enterprise, led by a former distributor of 5-hour ENERGY®, manufacturing and distributing fake 5-hour ENERGY® bottles in the United States. Baja Exporting, owned by Joseph and Adriana Shayota, entered into an agreement with Living Essentials to be the distributor of 5-hour ENERGY® in Mexico, with the stipulation to only sell in Mexico at a reduced price point compared to the United States. Soon after Baja Exports received its first shipment of Spanish labeled 5-hour ENERGY®, it began to distribute in the United States. Shortly thereafter, Living Essentials issued a warning to Baja Exports to stop distributing in the United States. As a countermeasure, Baja began relabeling Spanish labeled bottles with illegally produced English labels before Living Essentials terminated their contract with Baja Exporting. By 2012, Baja Exporting began producing counterfeit 5-hour ENERGY® product in unsafe and unsanitary conditions. Through a resulting civil seizure order, attorneys for 5-hour ENERGY® eventually seized 105,876 counterfeit bottles of 5-hour ENERGY® from a warehouse in San Jose, CA. The resulting FBI San Francisco investigation supported the May 2015 federal indictment of 11 individuals for Trafficking in Counterfeit Goods or Services and Conspiracy.
- FBI Atlanta initiated an investigation of www.sharebeast.com, a cyber-locker used to distribute copyright-protected materials, such as songs and albums, via the Internet without authorization. Working with the Recording Industry Association of America (RIAA), investigators were able to determine that several dozen samples of albums and songs downloaded from www.sharebeast.com positively matched the commercially-released versions, in violation of Criminal Copyright Infringement statutes. Whenever copyright-protected material from their member companies is discovered on unauthorized websites, the RIAA sends a Digital Millennium Copyright Act ("DMCA") takedown notice to the website pursuant to 17 U.S.C. § 512. As part of the investigation, approximately 121 DMCA takedown notices were sent to www.sharebeast.com without a positive result. In August 2015, a global takedown of www.sharebeast.com was executed in Chicago, Denver, Atlanta, Los Angeles, the United Kingdom, and Amsterdam, Netherlands.
- FBI New Orleans, acting on a lead provided by Daimler/Mercedes-Benz (MB) to the FBI's Intellectual Property Rights program, investigated an aftermarket auto parts

distributor in Harahan, Louisiana, that manufactured and sold over 800 copyright-infringing copies of Mercedes-Benz diagnostic software, valued at over \$17 million. Investigation revealed The Brinson Company (TBC), in conjunction with two other companies, began developing, manufacturing and selling non-authentic versions of the Mercedes-Benz Star Diagnostic System (SDS), a portable tablet-type computer that contains proprietary software created by Mercedes-Benz to diagnose and repair its automobiles and that requires a code or “license key” to access. TBC eventually admitted that, without authorization, it obtained Mercedes-Benz SDS software and updates, modified and duplicated the software, and installed the software on laptop computers (which served as the SDS units). The non-authentic SDS unit sold for up to \$11,000 each. TBC, and its owner, Rainer Wittich, pleaded guilty in September 2015 before the U.S. District Court for the Eastern District of Louisiana to conspiracy to commit criminal copyright infringement in violation of the Digital Millennium Copyright Act and criminal copyright infringement.

- The FBI continues prosecution support of the international takedown of the Megaupload criminal enterprise, one of the largest criminal copyright cases ever brought by the U.S. This action directly targeted the use of a public content storage and distribution website which committed and facilitated IPR violations. Megaupload.com was advertised as having more than one billion visits to the site, more than 150 million registered users, and 50 million daily visitors. In 2012, the FBI coordinated and executed international arrests of four subjects, executed searches of several international and domestic locations and servers, and seized approximately 20 luxury cars, two motorcycles, 80 servers, 18 domains, several bank accounts worth millions of dollars, and various caches of cash and jewelry. As a result of FBI Washington Field investigation, seven MMG subjects and two corporations, Megaupload Limited and Vestor Limited, were indicted in the Eastern District of Virginia in 2012 on the following five charges: Conspiracy to Commit Racketeering; Conspiracy to Commit Copyright Infringement; Conspiracy to Commit Money Laundering; Criminal Copyright Infringement by Distributing a Copyrighted Work Being Prepared for Commercial Distribution on a Computer Network & Aiding and Abetting of Criminal Copyright Infringement; and, Criminal Copyright Infringement By Electronic Means & Aiding and Abetting of Criminal Copyright Infringement. Four of the defendants are currently fighting extradition from New Zealand. As of September 2015, the New Zealand Court of Appeals rejected Kim Dotcom’s latest motion to delay the extradition hearing and extradition hearings commenced in October 2015.
- Kansas City FBI was contacted by representatives from the Cerner Corporation (Cerner) regarding the unauthorized use and misrepresentation of the Cerner name and trademark. The resulting investigation focused on the sale of counterfeit magnetic resonance imaging (MRI) machines to various medical facilities. Cerner specializes in health care information technology solutions and entered into a reseller agreement with Phi Health in 2009 to provide MRI equipment and software. Cerner eventually provided quotes for the sale of MRI equipment to three medical facilities, including Dallas Medical Center (DMC) but Cerner later decided to discontinue the MRI business and its reseller agreement with Phi Health. DMC was unaware of Cerner's withdrawal

and eventually purchased what it believed to be an authentic Cerner MRI, resulting in a loss to DMC of over \$1 million. Investigation disclosed the MRI was actually purchased from Albert Davis and other co-conspirators, who fraudulently used Phi Health and Lux Imaging Systems to misrepresent they were working with Cerner. The case resulted in three convictions and pending federal charges against four other individuals.

- During a 2014 fire department inspection in Long Island, New York, a fire department inspector found several suspicious samples of health and personal care products. This routine inspection led FBI New York, Homeland Security Investigations (HSI), Food and Drug Administration, and Nassau County District Attorney's Office to one of the largest single seizures of counterfeit personal care products in U.S. history. FBI New York executed search warrants at five locations throughout Long Island, seizing evidence and counterfeit products that filled more than four tractor trailers, including: ChapStick®; Johnson's® Baby Oil; Vicks® VapoRub™; Vicks® Inhaler; Vaseline®; Always® sanitary pads; and, other over-the-counter cold medicines and painkillers. FBI New York's efforts helped uncover a criminal scheme to manufacture and sell over \$2 million in counterfeit products to unwitting consumers in New York, Pennsylvania and Florida. Four defendants were charged with federal IPR statutes involving the counterfeiting of various cosmetic, health and beauty supplies, and over-the-counter medications. Three of the four defendants were convicted during FY 2015 and federal charges against one additional defendant remain outstanding in the Eastern District of New York. The entire investigative team was awarded the Intellectual Property Champions Award from the U.S. Chamber of Commerce in April 2015.
- FBI Milwaukee continues to support the prosecution of Sinovel Wind Group and two Sinovel employees for their role in recruiting an insider to use cyber means to steal proprietary trade secret and copyright-protected source code from Massachusetts-based American Superconductor (AMSC). In June 2013, a federal grand jury indicted Sinovel, its employees, and a former AMSC engineer for their role in stealing source code used to regulate wind turbines. Sinovel's theft of this source code, and the subsequent cancellations of contracts Sinovel signed with AMSC, forced the U.S. company to layoff approximately 50 percent of its work force and lose hundreds of millions of dollars in cancelled contracts. In September 2014, a federal judge rejected Sinovel's claim they were exempt from criminal prosecution because they lacked a U.S. mailing address. During FY 2015, FBI Milwaukee continued to support foreign prosecution efforts in five countries, including China, to hold Sinovel accountable.

Engagement and Outreach

The IPR Center serves as a unique platform for ongoing engagement among government agencies as well as outreach between government and industry. During FY 2015, HSI estimated their outreach and engagement initiative, Operation Joint Venture, conducted approximately 422 events with participation of more than 21,000 individuals. While many of these events occurred outside the IPR Center, the IPR Center typically hosted an average of two or three events per week during FY 2015 for industry and government partners. With the

staffing of the FBI's IPR headquarters program at the IPR Center, the FBI was able to leverage these IPR Center events for engagement and outreach with industry and other government partners on a frequent, recurring basis. The FBI also conducted outreach and engagement with industry and government away from the IPR Center where appropriate, often in concert with IPR Center partners. These engagements included attendance at industry events with individual industry partners as well as trade groups, associations, and industry entities engaged in anti-counterfeiting efforts. The following examples are just a sample of the FBI engagement and outreach efforts in FY 2015:

Domestic and Foreign Government Coordination

The FBI recognizes the importance of providing IPR enforcement expertise to our foreign counterparts and fully supporting the anti-counterfeiting efforts of other nations, many with close economic ties with the United States. The FBI is also fully engaged with agencies of the U.S. government and the White House on IPR enforcement efforts. The following examples are representative of government coordination efforts by the FBI in FY 2015:

- In November 2014, the FBI presented at the Knowledge and Awareness Building Conference - Infringements of Intellectual Property Rights on the Internet Conference in Alicante, Spain. The conference was sponsored by the Office for Harmonization in the Internal Market (OHIM), Europol and Eurojust. The mission of OHIM is to promote and manage community trademarks and community designs within the European Union.
- In January 2015, the FBI participated in a panel discussion with China Police and International Enforcement Units, United States Patent and Trademark Office (USPTO) from China's Office of the National Leading Group for Combating IPR Infringement and Counterfeits, which is under the aegis of the Ministry of Commerce. The panel discussion highlighted how each Federal agency functions on IPR matters individually and jointly with their respective partners. The Chinese delegation consisted of 21 officials representing different IP enforcement agencies, from different provinces throughout China.
- In June 2015, the FBI attended the Southeast Asia Intellectual Property Enforcement Workshop in Hong Kong. The FBI presented on "Public-Private Partnership: Collaboration in IPR Enforcement". Participants from Bangladesh, Cambodia, China, Hong Kong, Macau, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand, Vietnam, and the United States were in attendance.
- In August 2015, the FBI and IPR Center partners met with IPEC Danny Marti and IPEC staff regarding a proposed IPEC strategy to address third-party marketplace issues.
- In September 2015, the IPR Center hosted a three member delegation from INTERPOL, including the Director, Ms. Roraima Andriani, and a FBI delegation attended the ninth annual INTERPOL International Law Enforcement IP Crime

Conference in Buenos Aires, Argentina. Attendance at this conference afforded the opportunity for personnel to extend liaison contacts, develop relationships with domestic and foreign law enforcement, rights holders and other corporations within the IP community.

- Throughout FY 2105, FBI personnel spoke to various groups at the IP Theft Enforcement Training program hosted at the United States Patent and Trademark Office's (USPTO) Global Intellectual Property Academy (GIPA) in Alexandria, Virginia. This program is co-hosted by the IPR Center/HSI and USPTO through the support of funding from the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL). Attendees included law enforcement and customs officials from China, Pakistan, Sri Lanka, Brazil, Colombia, Chile, Mexico, Panama, and Uruguay.

Engagement with Industry and Community

The FBI recognizes the importance of liaison and engagement with rights holders, victim companies, and representative organizations in effort to identify investigative opportunities, better address the IPR threat and emerging trends, and improve awareness of IP theft. In partnership with IPR Center partners, the FBI regularly hosted rights holders and their representatives at the IPR Center and elsewhere. Engagement with industry is of particular importance in light of the FBI's holistic strategy to address IPR enforcement, wherein industry is encouraged to work with industry elements that have similar IPR crime problems and solutions or can contribute to the success of the other. The following examples are representative of industry engagement efforts by the FBI in FY 2015:

- Through the IPR Center and the NCFTA, the FBI and HSI participates in monthly automotive manufacturer conference calls which are attended by brand protection staff from approximately 12 automotive manufacturers. The purpose of these conference calls is information sharing between industry and law enforcement for the purpose of targeting automotive counterfeiting activity. The FBI participates in conjunction with Operation Engine Newity.
- In December 2014, the FBI hosted corporate security employees with Bristol-Myers Squibb (BMS). The IPR Center meeting included IPR Center partner representatives of the FDA and HSI.
- In March 2015, the FBI and HSI hosted representatives from the Automotive Anti-Counterfeiting Council (A2C2) at the IPR Center to participate in a round-table discussion regarding mitigating counterfeiting risk in the automotive supply chain. The meeting also included legal counsel for anti-trust matters, and panel presentations by legal compliance representatives from Alibaba and Amazon. The A2C2 is viewed as a critical component in law enforcement involvement with the automotive industry.
- In April 2015, the FBI, HSI and the Personal Care Products Council hosted the Personal Care Products Roundtable. The event was attended by representatives from 15

different personal care products companies including Johnson & Johnson, Coty, Estee Lauder, L'Oréal and others.

- In May 2015, FBI personnel met with representatives of Underwriters Laboratories (UL) regarding their efforts to combat counterfeiting of their trademark.
- In May 2015, the FBI participated in the 2015 Mark Monitor Summit in New York City. The FBI delivered the keynote address entitled “Keynote: Best Practices for Partnering with Law Enforcement” at the event. In addition, FBI participated in a workshop entitled “Meet the Bad Guys” with two representatives from Mark Monitor.
- In June 2015, FBI personnel attended the 2015 Cyber Crime Conference hosted in Pittsburgh, Pennsylvania, by the NCFTA. During this event, FBI personnel engaged in panel events and lecture-style presentations. FBI IPR personnel benefited from information-sharing discussions with presenters and attendees.
- In September 2015, FBI personnel attended a Counterfeit Microelectronics Working Group (CMWG) meeting in support of Operation Chain Reaction. The CMWG is a consortium of industry, government, and academia with a common goal of mitigating counterfeit microelectronics.

VI. Conclusion/Looking Forward

The expanding global economy continues to challenge IP enforcement for government and industry alike. The threat to U.S. IP interests is both immense and growing in size and scope. The increase in global Internet adoption is accompanied with an increasingly international venue for IPR crime, and the increased use of the Internet as a tool to facilitate IPR crime. The FBI recognizes these challenges and is continuing to leverage its expertise and resources to address these crimes. The newly developed FBI strategy in FY 2015 is positioned to provide a solid framework for mitigation of the counterfeiting threat, with ongoing collaboration between government and industry along with improvements of industry-based anti-counterfeiting efforts. While this holistic approach to IP enforcement appears promising, realization of improved law enforcement and industry processes will take time. The FBI will continue to target the most serious IP crime while continuing to develop and leverage productive working relationships with its IPR Center partners, rights holders and groups, academia, other U.S. Government agencies, and foreign counterparts to increase efficiency in addressing IPR matters.