

United States Department of Justice

PRO IP Act Annual Report FY 2018



PRO IP ACT ANNUAL REPORT OF THE ATTORNEY GENERAL FY 2018

INTRODUCTION

The Department of Justice (the “Department” or “DOJ”)¹ submits this Fiscal Year 2018 (“FY 2018”) annual report to the United States Congress pursuant to Section 404 of the *Prioritizing Resources and Organization for Intellectual Property Act of 2008* (“PRO IP Act” or “Act”), Pub. L. No. 110-403. The Act imposes a number of annual reporting requirements on the Attorney General, including actions the Department has taken to implement Title IV of the Act (“Department of Justice Programs”) and “a summary of the efforts, activities, and resources the [Department] has allocated to the enforcement, investigation, and prosecution of intellectual property crimes.” The Act requires similar reporting by the Director of the Federal Bureau of Investigation (“FBI”) on its intellectual property (“IP”) enforcement efforts pursuant to Title IV of the Act.

To the extent a particular request seeks information maintained by the FBI, the Department respectfully refers Congress to the FBI Fiscal Year 2018 Report to Congress on Intellectual Property Enforcement (“FBI’s Annual Report”).

¹ Appendix A contains a glossary of acronyms referenced throughout this report.

Section 404(a) of the PRO IP Act requires the Attorney General to report annually to Congress on the Department's efforts to implement eight specified provisions of Title IV during the prior fiscal year. Those provisions and the Department's efforts to implement them during FY 2018 (*i.e.*, October 1, 2017 through September 30, 2018) are set forth below.

In addition, working closely with the Office of the Intellectual Property Enforcement Coordinator ("IPEC"), the Department contributed to the FY2017-2019 Joint Strategic Plan on Intellectual Property Enforcement, as it did with the 2013 Joint Strategic Plan on Intellectual Property Enforcement (June 2013), the Administration's Strategy on Mitigating the Theft of U.S. Trade Secrets (February 2013), the Administration's White Paper on Intellectual Property Enforcement Legislative Recommendations (March 2011), and the IPEC's annual reports, among other things. The Department continues to participate in a number of IPEC-led working groups.

(a)(1) State and Local Law Enforcement Grants

“(1) With respect to grants issued under Section 401, the number and identity of State and local law enforcement grant applicants, the number of grants issued, the dollar value of each grant, including a breakdown of such value showing how the recipient used the funds, the specific purpose of each grant, and the reports from recipients of the grants on the efficacy of the program supported by the grant. The Department of Justice shall use the information provided by the grant recipients to produce a statement for each individual grant. Such statement shall state whether each grantee has accomplished the purposes of the grant as established in Section 401(b). Those grantees not in compliance with the requirements of this title shall be subject, but not limited to, sanctions as described in the Financial Guide issued by the Office of Justice Programs at the Department of Justice.”

In FY 2018, the Office of Justice Programs ("OJP") awarded grants to support state and local IP law enforcement task forces under the statutory authority of the Department of Justice Appropriations Act 2018, Pub. L. No. 115-141, 132 Stat. 348, 421, and as informed by Section 401 of the PRO IP Act. The Intellectual Property Enforcement Program ("IPEP"), as the grant program is known, is designed to provide national support through training and technical assistance and improve the capacity of state and local criminal justice systems to address criminal IP enforcement, including prosecution, prevention, training, and technical assistance. Under the program, grant recipients establish and maintain effective collaboration and coordination between state and local law enforcement, including prosecutors, multi-jurisdictional task forces, and appropriate federal agencies, including the FBI and United States Attorneys' Offices. The information shared under the program includes information about the investigation, analysis, and prosecution of matters involving IP offenses as they relate to violations of state and local criminal statutes. The program is administered by the Bureau of Justice Assistance ("BJA"), a component of OJP.

In FY 2018, OJP was able to grant seven awards totaling \$2,253,259 to local and state law enforcement and prosecutorial agencies. The following FY 2018 new awards cover expenses related to: performing criminal enforcement operations; educating the public to prevent, deter, and identify criminal violations of IP laws; establishing task forces to conduct investigations, forensic analyses, and prosecutions; and acquiring equipment to conduct investigations and forensic analyses of evidence.

| Award Number | Grantee | Amount |
|------------------|---|--------------|
| 2018-H2197-CA-IP | City of Los Angeles, California | \$400,000.00 |
| 2018-H2188-OR-IP | City of Portland, Oregon | \$400,000.00 |
| 2018-H2178-NC-IP | North Carolina Department of the Secretary of State | \$400,000.00 |
| 2018-H2198-TX-IP | City of Houston, Texas | \$400,000.00 |
| 2018-H2080-TX-IP | The City of San Antonio Police Department | \$400,000.00 |
| 2018-H2179-CA-IP | County of Los Angeles | \$400,000.00 |
| 2018-H2195-KY-IP | Louisville Metro Government | \$24,999.99 |

Since the inception of the program, OJP has awarded \$28,610,772 in grants to support state and local law enforcement agencies, training and technical assistance providers, and an IP public education campaign. Of this total amount of funding, state and local law enforcement agencies have received \$21,312,108. Throughout the duration of the program, these agencies have made seizures totaling \$675,525,017, which includes counterfeit merchandise and other property valued at \$629,053,308, and \$16,471,705 in currency.

During a one-year period from July 1, 2017 to June 30, 2018, grantees reported seizures totaling \$143,296,457 (\$141,902,981 in counterfeit merchandise and other property, and \$1,393,476.27 in currency). Over this same one-year period, grantees engaged in the following law enforcement activities:

- 423 individuals were arrested for violations of IP laws;
- 187 state and local IP search warrants were served; and
- 428 piracy/counterfeiting organizations were disrupted or dismantled.

Examples of how state and local law enforcement used prior IPEP grants include:

- After a City of Austin Detective viewed a local news story about counterfeit “Tide” believed to contain dangerous chemicals being sold in five-pound buckets

in the Austin area, the Criminal Conspiracy unit researched and discovered four stores where this counterfeit product was sold. Initially, 188 five-pound gallon buckets were seized, and a distributor was identified. In addition, HSI Dallas seized an additional 125 buckets of the counterfeit “Tide;” police in Los Angeles and Houston also seized counterfeit “Tide.”

- The City of Phoenix Police Department’s program focused on multiple areas, including money laundering, counterfeit medicine, investment fraud, and cargo theft. The investigators identified supply lines for counterfeit medicine flowing into immigrant communities, targeted seven locations, and seized over 100,000 doses of counterfeit medicine. Several store owners were indicted. Indictments of eight suspects involved in investment fraud and money laundering also are pending. The program also conducted an investigation involving a cargo theft ring consisting of a third party delivery driver for Amazon and his associates. The ring leader used a stolen identity to secure employment at an Amazon fulfillment center; while working at the facility, he stole pallets that were assigned to other drivers. The Phoenix police executed search warrants that resulted in the recovery of tens of thousands of dollars in stolen cargo, and two subjects were indicted.

BJA also continues to support one-day training events on IP rights for state and local law enforcement agencies across the country through cooperative agreements with the National White Collar Crime Center (NW3C). Between July 1, 2017 and June 30, 2018, NW3C conducted these training sessions for 234 attendees from 103 agencies in 8 locations.² During this time, NW3C also conducted onsite technical assistance visits for two IPEP Grantee task forces and provided training to 40 students through NW3C’s online IP resource in order to improve their investigative and prosecutorial approaches to the problem of IP theft.

Since the inception of the program, BJA has supported the following:

- 104 trainings for 2,404 attendees from 1,246 agencies;
- 16 seminars for 538 attendees from 185 agencies; and
- 33 technical assistance visits for 399 attendees from 118 agencies.

Examples of how attendees utilized the training and technical assistance include:

- An attendee at an NW3C training in San Francisco modeled an investigation after a case example to launch an investigation into area liquor stores selling counterfeit goods. The investigation expanded to certain flea market vendors, and ultimately led to a primary supplier who maintained a local warehouse. A criminal search warrant was served and numerous pallets of thousands of infringing goods valued roughly at \$280,000 were seized, as well as \$65,000.00 in cash. Federal criminal charges are now pending against the supplier.

² Training sessions occurred in Mesa, AZ; Atlanta, GA; Humble, TX; Commerce, CA; Gonzales, LA; Sayreville, NJ; Hartford, CT; and Baton Rouge, LA.

- NW3C recently provided technical assistance to the St. Louis Police Department. This assistance included instruction on writing and properly executing search warrants related to IP theft, as well as direct work with attendees who were preparing to launch several investigations throughout the state. Through this engagement, the St. Louis Police were able to obtain search warrants on numerous targets selling counterfeit goods in the St. Louis area.

(a)(2) Additional Agents of FBI

“(2) With respect to the additional agents of the Federal Bureau of Investigation authorized under paragraphs (1) and (2) of section 402(a), the number of investigations and actions in which such agents were engaged, the type of each action, the resolution of each action, and any penalties imposed in each action.”

Please see the FBI’s Annual Report, which will be submitted separately pursuant to Section 404(c) of the PRO IP Act.

(a)(3) FBI Training

“(3) With respect to the training program authorized under section 402(a)(4), the number of agents of the Federal Bureau of Investigation participating in such program, the elements of the training program, and the subject matters covered by the program.”

Please see the FBI’s Annual Report, which will be submitted separately pursuant to Section 404(c) of the PRO IP Act.

(a)(4) Organized Crime Plan

“(4) With respect to the organized crime plan authorized under section 402(b), the number of organized crime investigations and prosecutions resulting from such plan.”

As in FY 2009 through FY 2017, Congress did not appropriate funds to support Section 402(b) of the PRO IP Act in FY 2018.³ Nevertheless, the Department has continued to take a number of actions in an effort to implement this provision. The actions, described below, include (1) increased information sharing and coordination and (2) training and outreach. However, the Department will not be able to provide a specific number of prosecutions directly resulting from these increased efforts for at least two reasons. First, the Department can retrieve statistical information from its database based on the statute charged but not based on the type of defendant or group that committed the offense. Second, it is difficult to determine whether prosecutions involving organized crime groups have resulted directly from these organized crime plan efforts or other ongoing efforts.

In addition to the ongoing activities detailed in PRO IP Act Reports for fiscal years 2009 through 2018, the Department has taken the following additional actions to address this important issue:

Increased Information Sharing and Coordination

The Department, through the Criminal Division, is continuing to coordinate with federal investigatory agencies to work with the International Organized Crime Intelligence and Operations Center in an ongoing effort to develop and implement a mechanism to both contribute data to the Center to address intelligence gaps as they relate to IP, among other things. The Center has provided operational, intelligence, and financial support to investigations where international organized crime groups are involved in IP offenses.

Training and Outreach

In FY 2018, the Computer Crime and Intellectual Property Section (“CCIPS”) of the DOJ’s Criminal Division has continued to strengthen the Department’s ability to combat organized IP crime through training and outreach with international counterparts and organizations, which often encounter IP crime committed by organized crime groups. These training and outreach activities are described in section (a)(7)(B) of this Report.

Executive Order

On February 9, 2017, President Trump issued an Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International

³ Section 402(b) provides that “[s]ubject to the availability of appropriations to carry out this subsection, and not later than 180 days after the date of the enactment of this Act, the Attorney General, through the United States Attorneys’ Offices, the Computer Crime and Intellectual Property section, and the Organized Crime and Racketeering section of the Department of Justice, and in consultation with the Federal Bureau of Investigation and other Federal law enforcement agencies, such as the Department of Homeland Security, shall create and implement a comprehensive, long-range plan to investigate and prosecute international organized crime syndicates engaging in or supporting crimes relating to the theft of intellectual property.”

Trafficking. DOJ is working together in partnership with the Department of State, Department of Homeland Security, and the Office of the Director of National Intelligence to implement Executive Order 13773. As part of this implementation, DOJ will continue to address the links between transnational criminal organizations and IP crime.

(a)(5) Authorized Funds Under Section 403

“(5) With respect to the authorizations under section 403—

- (A) the number of law enforcement officers hired and the number trained;*
- (B) the number and type of investigations and prosecutions resulting from the hiring and training of such law enforcement officers;*
- (C) the defendants involved in any such prosecutions;*
- (D) any penalties imposed in each such successful prosecution;*
- (E) the advanced tools of forensic science procured to investigate, prosecute, and study computer hacking or intellectual property crimes; and*
- (F) the number and type of investigations and prosecutions in which such tools were used.”*

Section 403 related to funds appropriated during FY 2009-2013. No funds were appropriated under this section or expended during FY 2018 based on funds previously appropriated under this section. Information about the cases, defendants, and types of investigations carried out by the Department may be found in greater detail below.

Please see the FBI’s Annual Report, provided separately under Section 404(c) of the PRO IP Act, for details on FBI allocation of resources.

(a)(6) Other Relevant Information

The Department did not receive any authorizations under Sections 402 and 403 of the PRO IP Act in FY 2018.

(a)(7) Efforts, Activities and Resources Allocated to the Enforcement of IP Crimes

“(6) Any other information that the Attorney General may consider relevant to inform Congress on the effective use of the resources authorized under sections 401, 402, and 403.”

“(7) A summary of the efforts, activities, and resources the Department of Justice has allocated to the enforcement, investigation, and prosecution of intellectual property crimes, including –

(A) a review of the policies and efforts of the Department of Justice related to the prevention and investigation of intellectual property crimes, including efforts at the Office of Justice Programs, the Criminal Division of the Department of Justice, the Executive Office of United States Attorneys, the Office of the Attorney General, the Office of the Deputy Attorney General, the Office of Legal Policy, and any other agency or bureau of the Department of Justice whose activities relate to intellectual property;

(B) a summary of the overall successes and failures of such policies and efforts;

(C) a review of the investigative and prosecution activity of the Department of Justice with respect to intellectual property crimes, including –

(i) the number of investigations initiated related to such crimes;

(ii) the number of arrests related to such crimes; and

(iii) the number of prosecutions for such crimes, including—

(I) the number of defendants involved in such prosecutions;

(II) whether the prosecution resulted in a conviction; and

(III) the sentence and the statutory maximum for such crime, as well as the average sentence imposed for such crime; and

(D) a Department-wide assessment of the staff, financial resources, and other resources (such as time, technology, and training) devoted to the enforcement, investigation, and prosecution of intellectual property crimes, including the number of investigators, prosecutors, and forensic specialists dedicated to investigating and prosecuting intellectual property crimes.”

(a)(7)(A) Review of the Department’s Policies and Efforts Relating to the Prevention and Investigation of IP Crimes

The Department investigates and prosecutes a wide range of IP crimes, including those involving copyrighted works, trademarks, and trade secrets. Primary investigative and prosecutorial responsibility within the Department rests with the FBI, the United States Attorneys’ Offices, CCIPS in the Criminal Division, the Counterintelligence and Export Control Section (“CES”) in the National Security Division (“NSD”), and, with regard to offenses arising under the Food, Drug, and Cosmetic Act, the Consumer Protection Branch of the Civil Division. Each of these components is described briefly below.

In addition to enforcing existing criminal laws protecting IP, the Department has continued its tradition of contributing to major legislative developments updating criminal IP laws, including: the Defend Trade Secrets Act of 2016, which was notable not only for creating a federal civil cause of action for misappropriation of trade secrets, but also increased criminal fines for organizational defendants who steal commercial trade secrets, and allowed prosecutors to bring racketeering charges based on the theft of trade secrets; the Foreign and Economic Espionage Penalty Enhancement Act of 2012, which increased fines for theft of trade secrets committed with the intent to benefit a foreign entity; the Theft of Trade Secrets Clarification Act of 2012, which clarified that the Economic Espionage Act applies to trade secrets that are “related to a product or service used or intended for use in interstate or foreign commerce”; the National Defense Authorization Act for FY 2012, which enhanced penalties for certain offenses involving counterfeit military goods; the Food and Drug Administration Safety and Innovation Act, which created a new offense for trafficking in counterfeit drugs; the PRO IP Act of 2008; the Family Entertainment and Copyright Act of 2005, which criminalized “camcording” (the illegal copying of movies in a theater) and unauthorized distribution of pre-release works over the Internet; the No Electronic Theft Act of 1997, which criminalized the unauthorized reproduction and distribution of copyrighted works even without a commercial purpose or financial gain; and the Economic Espionage Act of 1996, which criminalized the theft of trade secrets, including economic espionage.⁴

The Department made substantial contributions to the criminal enforcement proposals contained in the Administration’s White Paper on Intellectual Property Enforcement Legislative Recommendations (March 2011), the majority of which (described above) were enacted into law, with the exception of felony penalties for copyright infringement by online streaming. The Department looks forward to working with Congress as it considers additional proposals.

The Department coordinates closely with IPEC in addressing the Administration’s priorities on IP enforcement and implementing the IPEC’s FY2017-2019 Joint Strategic Plan (“JSP”) on Intellectual Property Enforcement. As part of the JSP implementation, the Department participates in a variety of interagency working groups designed to address topics including engagement with private stakeholders; money laundering / criminal financing; engagement with other countries; domestic application of the “Whole of Government” and “Specialized Office” approaches to IPR protection and enforcement; storage, destruction, and disposal of seized counterfeit goods; trade secrets / cybersecurity; and advancing the JSP’s “Calls for Research.”

CCIPS and CHIP Program

The Department carries out its overall IP criminal prosecution mission through the United States Attorneys’ Offices and CCIPS, which works closely with a network of over 270 specially-

⁴ For an overview of the Department’s policies and efforts in the five years prior to the enactment of the PRO IP Act in October 2008, the Department’s PRO IP Act First Annual Report 2008-2009 may be found online at <https://www.justice.gov/ip/f/pro-ip-act-reports>. The Department’s FY 2010-FY 2016 PRO IP Reports are available at the same location.

trained federal prosecutors who make up the Department's Computer Hacking and Intellectual Property ("CHIP") program.

CCIPS is a section within the Criminal Division consisting of a specialized team of forty prosecutors who are devoted to enforcing laws related to computer and IP crimes. Fifteen CCIPS attorneys are assigned exclusively to IP enforcement. These attorneys prosecute criminal cases, assist prosecutors and investigative agents in the field, and help develop and implement the Department's overall IP enforcement strategy and legislative priorities. CCIPS attorneys are available to provide advice and guidance to agents and prosecutors on a 24/7 basis. CCIPS attorneys also provide training on criminal enforcement of IP laws to prosecutors and investigative agents both domestically and abroad.

CCIPS also houses the Cybercrime Lab, which provides support in evaluating digital evidence in IP cases. The Lab is currently staffed with nine computer forensics experts. In addition to evaluating digital evidence, the Lab's experts have provided extensive training on the use of digital forensics tools in IP cases to law enforcement audiences around the world.

CCIPS continues to place a high priority on fostering international cooperation and coordination of criminal IP enforcement efforts. The Section has developed relationships with foreign law enforcement through international casework as well as through training and outreach. An important component of the Department's international enforcement efforts is the Intellectual Property Law Enforcement Coordinator ("IPLEC") program. Through the current program, the Department has had an experienced federal prosecutor in Bangkok, Thailand, to coordinate law enforcement activities in Asia since 2006. The IPLEC program has continued to expand, and with the assistance of the State Department, the DOJ has posted regional IPLECs in Bucharest, Romania; Hong Kong; Sao Paulo, Brazil; and Abuja, Nigeria.

The CHIP program is a network of experienced and specially-trained federal prosecutors who aggressively pursue computer crime and IP offenses. Each of the 94 United States Attorneys' Offices has one or more CHIP coordinator. In addition, 25 United States Attorneys' Offices have CHIP Units, with two or more CHIP attorneys.⁵ CHIP attorneys have four major areas of responsibility including: (1) prosecuting computer crime and IP offenses; (2) serving as the district's legal counsel on matters relating to those offenses and the collection of electronic evidence; (3) training prosecutors and law enforcement personnel in the region; and (4) conducting public and industry outreach and awareness activities.

⁵ CHIP Units are currently located in Alexandria, Virginia; Atlanta, Georgia; Austin, Texas; Baltimore, Maryland; Boston, Massachusetts; Brooklyn, New York; Chicago, Illinois; Dallas, Texas; Denver, Colorado; Detroit, Michigan; Kansas City, Missouri; Los Angeles, California; Miami, Florida; Nashville, Tennessee; Newark, New Jersey; New Haven, Connecticut; New York, New York; Orlando, Florida; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; Sacramento, California; San Diego, California; San Jose, California; Seattle, Washington; and Washington, D.C.

CES and the NSCS Network

Within NSD, CES—one of NSD’s principal litigating components—is responsible for coordinating and conducting investigations and prosecutions of a wide variety of national security offenses, including economic espionage.⁶ In June 2015, NSD, recognizing the increasingly acute and costly threat that economic espionage poses to the U.S. national and economic security, released its “Strategic Plan for Countering the Economic Espionage Threat.” This plan aims to heighten awareness of the threat in order to deter and mitigate economic espionage. The plan also seeks to coordinate efforts within the government to counter the threat, including through operational disruption, increased and improved training, and the provision of technical advice and expertise. In January 2017, CES released its “Strategic Plan for Countering the National Security Cyber Threat,” which recognizes that our nation’s adversaries are also stealing intellectual property through cyber-enabled means and proposes a strategy specifically designed to disrupt such efforts. NSD is currently in the process of implementing both plans.

In 2012, the Department established the National Security Cyber Specialists (“NSCS”) Network to create a “one-stop-shop” for attorneys, investigators, and members of the private sector looking to combat national security cyber thefts—including economic espionage and trade secret theft—with all appropriate legal tools. Each U.S. Attorney’s Office has at least one representative to the NSCS Network, and in each of the last six years NSCS Network representatives have convened in the D.C. area for specialized training focusing on legal and other issues at the intersection of national security and cybersecurity. The NSCS representative provides technical and specialized assistance to his or her colleagues within the relevant U.S. Attorney’s Office, and serves as a point of contact for coordination with the Department’s headquarters. At headquarters, all NSD components, CCIPS, and other relevant sections of the Criminal Division are members of the Network. The Department relies on the NSCS Network to disseminate intelligence and other information to the field, to train prosecutors on investigating national security cybercrimes, and to coordinate and de-conflict national security cyber investigations.

Interagency Coordination

In addition to investigating and prosecuting IP crime, the Department has worked closely with other federal agencies directly, and through the National Intellectual Property Rights Coordination Center (“IPR Center”), to improve IP enforcement domestically and overseas.⁷

⁶ In 2015, CES changed its name from the “Counterespionage Section” to better reflect the scope of its work.

⁷ These federal agencies include Customs and Border Protection (“CBP”), the Federal Bureau of Investigation (“FBI”), the United States Postal Inspection Service, the Food and Drug Administration’s Office of Criminal Investigations, the Department of Commerce’s International Trade Administration, the Naval Criminal Investigative Service, the Defense Criminal Investigative Service, the Defense Logistics Agency’s Office of Inspector General, Immigration and Customs Enforcement’s Homeland Security Investigations (“ICE-HSI”), the United States Nuclear Regulatory Commission, the United States Patent and Trademark Office (“USPTO”), the General Service Administration’s Office of Inspector General, the

These activities have included training investigators and prosecutors in the investigation and prosecution of IP crimes; contributing to the Office of the United States Trade Representative's Special 301 process of evaluating the adequacy of our trading partners' criminal IP laws and enforcement regimes; helping to catalogue and review the United States government's IP training programs abroad; and implementing an aggressive international program to promote cooperative enforcement efforts with our trading partners and to improve substantive laws and enforcement regimes in other countries.

(a)(7)(B) Summary of Overall Successes and Failures of Such Policies and Efforts

The Department achieved notable success in FY 2018 both domestically and abroad. Some of these efforts are highlighted below:

Prosecution Initiatives

The Department continues to prioritize IP investigations and prosecutions that involve (1) health and safety, (2) trade secret theft or economic espionage, and (3) large-scale commercial counterfeiting and online piracy. The Department has also increased its focus on IP crimes that are committed or facilitated by use of the Internet or perpetrated by organized criminal networks.

(1) Health and Safety

The Department's health and safety initiative brings together private, state, and federal enforcement resources to address the proliferation of counterfeit goods posing a danger to consumers, including counterfeit and illegally prescribed pharmaceuticals, automotive parts, and military goods. In FY 2018, this initiative resulted in a number of significant prosecutions, including those set forth below:

- *Defendant Sentenced To Prison For Selling Counterfeit Airbags.* On October 4, 2017, Vitaliy Fedorchuk was sentenced to one year and one day in prison and a \$5,000 fine for an international scheme to sell counterfeit airbags via eBay and other internet sales sites. Fedorchuk had pleaded guilty on May 31, 2017, to five counts of mail fraud. Between June 23, 2014, and July 27, 2016, Fedorchuk offered for sale airbag modules, covers, and manufacturer emblems at his eBay online store, redbarnautoparts. Fedorchuk falsely advertised that the counterfeit airbags were original equipment from major automobile manufacturers such as Honda, Fiat, Chrysler, Nissan, Toyota, GMC and Ford.
- *Drug Dealer Charged In Manhattan Federal Court For Selling Heroin And Counterfeit Oxycodone Over The Internet.* On October 23, 2017, Cristian Rodriguez was arrested and charged with one count of distributing and possessing with intent to distribute heroin and

Consumer Product Safety Commission, the National Aeronautics and Space Administration's Office of Inspector General, the Department of State's Office of International Intellectual Property Enforcement, the Army Criminal Investigation Command's Major Procurement Fraud Unit, the Air Force Office of Special Investigations, the U.S. Postal Service Office of Inspector General, and the Federal Maritime Commission.

oxycodone. Since at least May 2016, Rodriguez and his co-conspirators anonymously sold and distributed controlled substances over the Internet via online marketplaces and “dark web” sites. Rodriguez shipped various prescription drugs, including counterfeit oxycodone, which was actually made of heroin and other substances, to individuals across the United States.

- *Dominican National Arrested and Charged with Fentanyl Conspiracy Including the Distribution of Counterfeit Pain Pills.* On December 20, 2017, Santiago Pena was charged with conspiracy to distribute 40 grams or more of fentanyl. The charge stems from Pena’s participation in a large-scale fentanyl and heroin trafficking ring that was dismantled in August 2017. Pena is the seventh defendant related to the drug trafficking operation to be charged in federal court; approximately 10 other defendants have been charged in state court. A lengthy wiretap investigation revealed that James Ramirez, an individual charged separately, supplied large-quantities of fentanyl and heroin to drug dealers on Cape Cod. According to the indictment, Pena brokered fentanyl pill deals on Ramirez’s behalf, helping to connect Ramirez with a fentanyl pill supplier. Pena pleaded guilty on March 19, 2018, and is scheduled to be sentenced on November 27, 2018.
- *Three Individuals Sentenced for Operating an Illegal Steroid and Counterfeit Prescription Drug Lab.* On February 1, 2018, Ryan Anthony Sikora was sentenced to 41 months in prison, Ariel Anna Murphy was sentenced to 12 months, and John Joseph Bush, II was sentenced to 8 months for their involvement in a steroid and counterfeit prescription drug lab in Northwest Florida. The three received their sentences after pleading guilty to conspiracy charges for importing, manufacturing, and distributing anabolic steroids as well as counterfeit prescription drugs. The investigation began when U.S. Postal Inspectors determined that large amounts of steroid and counterfeit prescription drug ingredients were being shipped from China to various locations in South Alabama and Northwest Florida. They marketed the counterfeit drugs online using the brand name “Future Pharma” and they would typically process the orders through encrypted email, and then use the U.S. Postal Service to send the contraband products across the United States.
- *Four Individuals Indicted For Trafficking In Counterfeit Goods.* On March 7, 2018, Carlos Enrique Velázquez-Gines, Mayra Evelise Gines-Otero, Noriam Ivette Flores-Deleon, and Vanessa Marrero-Hernández, were charged with mail and wire fraud conspiracy, mail fraud, trafficking in counterfeit goods, introducing misbranded articles into interstate commerce, distribution of a controlled substance, international money laundering, and smuggling. According to the indictment, from at least on or about October 3, 2013, defendants purchased from overseas suppliers located in China, and imported into the United States, dietary supplements, latex condoms, and cosmetics that were counterfeit and/or misbranded under the Federal Food, Drug, and Cosmetic Act. Defendants marketed and sold the products through “online stores” on platforms such as eBay.com and Bonanza.com. Marrero-Hernández pleaded guilty on October 2, 2018, and Flores-Deleon pleaded guilty on October 18, 2018. The trial for Velazquez-Gines and Gines-Otero is scheduled to being on December 4, 2018.

- Six Massachusetts Defendants Sentenced for Roles in Counterfeit Steroid Conspiracy.* On March 15, 2018, Tyler Baumann was sentenced to 120 months incarceration; on March 15, 2018, Kathryn Green was sentenced to 1 year and 1 day incarceration; on March 30, 2018, Phillip Goodwin was sentenced to 130 months incarceration; on April 25, 2018, Melissa Sclafani was sentenced to 1 year and 1 day incarceration; on June 20, 2018, Brian Petzke was sentenced to 2 years incarceration and 2 years of supervised release; and on June 20, 2018, Elizabeth Green was sentenced to 2 years of probation. Baumann and Goodwin pleaded guilty to various offenses, including trafficking in counterfeit drugs. Kathryn Green pleaded guilty to one count of conspiracy to distribute controlled substances. Sclafani pleaded guilty to conspiracy to distribute counterfeit steroids. Petzke and Elizabeth Green pleaded guilty one count of conspiracy to distribute controlled substances. From approximately May 2015 until April 12, 2017, the defendants manufactured steroid products made from raw materials that they purchased overseas and marketed as “Onyx” steroids using “Onyx” labels that were also ordered from overseas suppliers. Onyx, now owned by Amgen Inc., is a legitimate pharmaceutical company that does not manufacture steroids. The defendants sold the steroids to customers across the United States using email and social media platforms, collected payment through money remitters, such as Western Union and MoneyGram, and used false identifications and multiple remitter locations to pick up the proceeds.
- Canadian Pharmacist Sentenced for Distributing Counterfeit and Adulterated Botox to Local Doctors.* On April 4, 2018, Nikhil Buhecha pleaded guilty and was sentenced to 36 months’ imprisonment for conspiring to distribute counterfeit, misbranded, and adulterated Botox® into the United States, including multiple shipments to two doctors located in St. Louis County, Missouri. Buhecha owned and operated a sophisticated wholesale drug distribution business involving multiple persons in Canada, Panama, and Turkey. Buhecha sourced Botox® from Turkey and shipped it to multiple U.S. doctors in Missouri and other states. The FDA issued several public safety alerts about these events.
- Mexican Nationals Plead Guilty to Trafficking in Counterfeit Goods by Operating Counterfeit Airbag Business in Albuquerque.* On May 9, 2018, Two Mexican nationals entered guilty pleas to operating a counterfeit airbag business out of their residence in Albuquerque, New Mexico. Dina Gonzalez-Marquez and Emilio Gonzalez-Marquez, conspired to traffic in counterfeit goods from January 2015 to March 2017, by operating a business that sold counterfeit airbag modules and airbag covers out of their Albuquerque residence. They facilitated the conspiracy by listing and selling counterfeit airbag modules and airbag covers online, shipping the counterfeit goods to purchasers, and conducting in person sales of the counterfeit goods.
- South Carolina Couple Sentenced to a Total of 138 Months in Prison for Trafficking Counterfeit Goods, Including Misbranded Pet Medicine.* On May 9, 2018, David Haisten and Judy Haisten were sentenced to 78 and 60 months of incarceration, respectively. A jury found the Haistens guilty in October 2017 of conspiracy as well as six counts of violating the Federal Insecticide, Fungicide, and Rodenticide Act, five counts of distributing misbranded animal drugs, and two counts of trafficking in counterfeit goods.

The defendants' products, including pesticides that are extremely toxic in the wrong dose, posed a serious risk to animals and humans.

- *Long Beach Man Sentenced to Over 26 Years in Prison for Leading Counterfeit Opioid Scheme that Distributed Fentanyl Analogue.* On July 9, 2018, Gary Resnik was sentenced to 320 months in federal prison. Resnik was the leader of a narcotics distribution ring that imported a powerful fentanyl analogue from China and produced hundreds of thousands of opioid pills that were distributed in bulk across the nation. Resnik pleaded guilty in August 2017 to two felony offenses—conspiracy to manufacture and distribute narcotics (including acetylfentanyl and ecstasy), and possession with the intent to distribute acetylfentanyl. Resnik admitted to importing from China bulk chemicals, including acetylfentanyl, that were used to manufacture opioid pills. His drug organization also illegally imported pill presses from China that were used to make pills in homemade labs in a Long Beach storage unit and Baldwin Park house. A co-defendant in this case – Christopher Bowen, of downtown Los Angeles – was sentenced in May 2018, to 320 months in federal prison for participating in the drug-trafficking conspiracy.
- *Two Indicted for Trafficking Counterfeit Oxycodone Pills Containing Fentanyl.* On July 19, 2018, Alfredo Sanchez of Madera, and Saybyn Borges, of Sacramento, were indicted on charges relating to their scheme to distribute counterfeit oxycodone pills that contained Fentanyl. Specifically, the defendants were charged with conspiracy to distribute fentanyl, distribution of fentanyl, possession with intent to distribute fentanyl, and being a felon in possession of a firearm. According to other court filings, Sanchez and Borges were involved in the sale of approximately 7,500 counterfeit oxycodone pills that contained fentanyl, a synthetic opioid.
- *Cheektowaga Man Pleads Guilty to Buying and Selling Counterfeit Airbags.* On August 30, 2018, Raymond Whelan pleaded guilty to conspiracy to traffic in counterfeit goods and is scheduled to be sentenced on December 17, 2018. Between June 2015 and March 2016, Whelan and co-defendant David Nichols entered into an agreement to sell counterfeit automobile airbags. Whelan would contact Nichols and order numerous airbags bearing counterfeit trademarks of Honda, Toyota, Nissan, Subaru, Mazda, Hyundai, Acura, and Mitsubishi. Nichols would then locate manufacturers in China to supply the requested airbags. In order to avoid detection during importation, the airbags were purposefully mislabeled. Once imported into the United States, Whelan would sell the airbags as genuine used airbags on eBay utilizing the name Rayscarparts71. Co-defendant David Nichols was previously convicted, and is scheduled to be sentenced on January 31, 2019.

(2) Protecting American Business from Commercial and State-Sponsored Trade Secret Theft

In FY 2018, Department prosecutors and the FBI have continued to emphasize the investigation and prosecution of commercial and state-sponsored trade secret theft. This

continuing focus has led to the investigation and prosecution of numerous trade secret thefts and economic espionage cases. Recent cases include:

- *Three Chinese Hackers Charged Firm for Hacking Three Corporations for Commercial Advantage.* On November 27, 2017, Chinese nationals Wu Yingzhuo, Dong Hao and Xia Lei were indicted for computer hacking, theft of trade secrets, conspiracy and identity theft directed at U.S. and foreign employees and computers of three corporate victims in the financial, engineering and technology industries between 2011 and May 2017. The three Chinese hackers work for the purported China-based Internet security firm Guangzhou Bo Yu Information Technology Company Limited (a/k/a “Boyusec”). The indictment alleges that the defendants conspired to hack into private corporate entities in order to maintain unauthorized access to, and steal sensitive internal documents and communications from, those entities’ computers. For one victim, information that the defendants targeted and stole between December 2015 and March 2016 contained trade secrets.
- *Chinese National Sentenced for Economic Espionage and Theft of a Trade Secret From U.S. Company.* On January 17, 2018, Jiaqiang Xu was sentenced to 5 years in prison after pleading guilty to theft of trade secrets and economic espionage on May 19, 2017. The six-count indictment returned in June 2016 alleged that Xu stole proprietary source code from a former employer with the intent to benefit the National Health and Family Planning Commission of the People’s Republic of China. From November 2010 to May 2014, Xu worked as a developer and was granted access to proprietary software and its underlying source code. In May 2014, Xu voluntarily resigned and subsequently communicated with undercover law enforcement officer that he had experience with his former employer’s proprietary software and proprietary source code. As a result of the communications, Xu uploaded a functioning copy of the proprietary software to an undercover computer network.
- *Chinese Intelligence Officer Charged with Economic Espionage and Theft of Trade Secrets from Leading U.S. Aviation Companies.* On April 1, 2018 a Chinese Ministry of State Security (MSS) operative, Yanjun Xu was arrested in Belgium, pursuant to a federal complaint, and then indicted by a federal grand jury in the Southern District of Ohio. The four-count indictment charges Xu with conspiring and attempting to commit economic espionage and theft of aviation trade secrets. Xu was extradited to the United States on October 9, 2018.
- *Two Businessmen Charged With Conspiring to Commit Economic Espionage for Benefit of Chinese Manufacturing Company.* On April 26, 2018, Shan Shi and Gang Liu were charged with conspiracy to commit economic espionage for the benefit of CBM-Future New Material Science and Technology Co. Ltd. (CBMF), a Chinese company based in Taizhou. Both businessmen were previously indicted in June 2017 for conspiracy to commit theft of trade secrets. According to court records, Shi and Liu conspired with others to commit economic espionage and steal trade secrets from a U.S. engineering firm that produces syntactic foam, a strong, lightweight material with commercial and military uses. Shan, Liu, Uka Kalu Uche, Samuel Abotar Ogoe, Kui Bo, and Hui Huang

were indicted in June 2017 on a charge of conspiracy to commit theft of trade secrets. An additional defendant pleaded guilty to the charge in December 2017. The superseding indictment includes that charge, adds the conspiracy to commit economic espionage count against Shi and Liu, and includes a federal money laundering conspiracy count against Shi. Uche pleaded guilty on April 27, 2018, and was sentenced on August 10, 2018 to 12 months probation. Ogoe pleaded guilty on October 17, 2018.

- *Court Imposes Maximum Fine on Sinovel Wind Group for Theft of Trade Secrets.* On July 6, 2018, a manufacturer and exporter of wind turbines based in the People's Republic of China was sentenced for stealing trade secrets from AMSC, a U.S.-based company formerly known as American Superconductor Inc. The Court found that AMSC's losses from the theft exceeded \$550 million, and imposed the maximum statutory fine in the amount of \$1.5 million on Sinovel Wind Group LLC. Sinovel was convicted of conspiracy to commit trade secret theft, theft of trade secrets, and wire fraud on January 24, 2018 following a jury trial.
- *Electrical Engineer Found Guilty for Intending to Convert Trade Secrets from Defense Contractor.* On July 9, 2018, Jared Dylan Sparks was found guilty for his conduct related to a scheme to convert trade secrets belonging to a defense contractor, related to, among others, an innovative naval prototype being developed for the U.S. Navy. The jury found Sparks guilty of six counts of theft of trade secrets, six counts of uploading trade secrets, and one count of transmitting trade secrets. According to evidence admitted at trial, Sparks, an electrical engineer, worked at LBI Inc., a defense contractor that designs and builds unmanned underwater vehicles for the U.S. Navy's Office of Naval Research and deployable ice buoys for the National Oceanic and Atmospheric Administration. Before he left LBI, Sparks surreptitiously uploaded thousands of LBI files to his personal account with Dropbox, a cloud-based file-storage application.
- *Former DuPont Employee Pleads Guilty to Stealing Trade Secrets and Lying to the FBI.* On July 11, 2018, Josh Harry Isler pleaded guilty to one count of trade secret theft and one count of making a false statement or representation to the FBI. As part of his guilty plea, Isler admitted that during August 2013, while employed with DuPont, but after having accepted an offer of employment from a competitor, he stole trade secrets of DuPont. In a plea agreement, Isler admitted that after he accepted employment with a competitor of DuPont in the ethanol fuel enzyme business, he transferred hundreds of DuPont's electronic files to an external device. Isler also admitted that when he was interviewed by the FBI in November 2013, he falsely denied he had downloaded files containing proprietary information.
- *Former Apple Employee Indicted On Theft of Trade Secrets.* On July 12, 2018, Xiaolang Zhang was indicted for theft of trade secrets. According to the Indictment, Zhang is alleged to have taken a confidential 25-page document containing detailed schematic drawings of a circuit board designed to be used in the critical infrastructure of a portion of an autonomous vehicle, knowing that the theft would injure the owner of the trade secrets, Apple, Inc. Court documents filed allege that on April 30, 2018, Zhang told Apple personnel that he was resigning from his job so that he could return to China to be

closer to his mother who was ill. Apple subsequently learned that Zhang went to work for X-MOTORS—a company focused on electric automobiles and autonomous vehicle technology with its headquarters in China. On July 7, 2018, FBI Agents learned that Zhang purchased a last-minute round-trip airline ticket with no co-travelers, departing for Hangzhou, China aboard Hainan Airlines. Federal agents intercepted and arrested Zhang at the San Jose International Airport after he had passed through the security checkpoint.

- *New York Man Charged With Theft of Trade Secrets.* On August 1, 2018, Xiaoqing Zheng was arrested in connection with a criminal complaint charging him with stealing trade secrets belonging to General Electric (GE). The criminal complaint alleges that on or about July 5, Zheng, an engineer employed by GE, used an elaborate and sophisticated means to remove electronic files containing GE's trade secrets involving its turbine technologies. Specifically, Zheng is alleged to have used steganography to hide data files belonging to GE into an innocuous looking digital picture of a sunset, and then to have e-mailed the digital picture, which contained the stolen GE data files, to Zheng's e-mail account.
- *Second Former GlaxoSmithKline Scientist Pleads Guilty to Stealing Trade Secrets to Benefit Chinese Pharmaceutical Company.* On September 14, 2018, Dr. Tao Li pleaded guilty to conspiracy to steal trade secrets from GlaxoSmithKline (GSK) for the benefit of a Chinese pharmaceutical company named Renopharma. Dr. Li and two of his friends, Dr. Yu Xue and Dr. Yan Mei, created Renopharma in Nanjing, China, supposedly to research and develop anti-cancer drugs. In reality, Renopharma was used as a repository of stolen information from GSK. The data contained information regarding multiple biopharmaceutical products under development, GSK research data, and GSK processes regarding the research, development, and manufacturing of biopharmaceutical products. On January 5, 2016, the FBI arrested Li and seized his computer on which they found a number of GSK documents containing trade secret and confidential information which he had received from Xue. Xue previously pleaded guilty on August 31, 2018.

(3) Large-Scale Commercial Counterfeiting and Online Piracy

The Department continues to pursue significant, large-scale piracy and counterfeiting operations. In FY 2018, the Department has had a number of significant prosecutions, including those set forth below:

- *Orlando Pair Sentenced For Copyright Infringement Of Microsoft Products And Conspiracy To Commit Wire Fraud.* On December 1, 2017, Robert F. Stout, and Kasey N. Riley, a/k/a Kasey Stout, were sentenced to 18 months' imprisonment and 12 months of home detention, respectively, for conspiracy to commit wire fraud and copyright infringement relating to the sale of illegal activation keys for Microsoft products. As a part of their sentences, the Court also ordered them to pay \$1,480,227, the proceeds of the charged criminal conduct.
- *Sacramento Man Sentenced To Prison For Criminal Trademark Infringement.* On December 15, 2017, Xavier L. Johnson was sentenced to two years and six months in

prison and three years of supervised release for trafficking in goods bearing counterfeit trademarks. From 2008 to 2011, Johnson and co-defendant Kristin Caldwell imported DVDs from China that contained counterfeit versions of children's movies.

- *Staten Island Man Sentenced For Trafficking Over \$2.5 Million In Counterfeit Footwear Through Port Of Newark.* On January 23, 2018, Shi Wei Zheng was sentenced to 30 months in prison and two years of supervised release for attempting to distribute more than \$2.5 million of counterfeit UGG-brand boots that were shipped into the Port of Newark. From September 2016 through February 2017, Zheng received certain shipping container numbers from an individual overseas that identified at least three containers containing counterfeit UGG boots. Cheng asked individuals working at the Port of Newark to remove the containers from the port before they could be examined by U.S. Customs and Border Protection. Once the containers were removed, Zheng directed that they be delivered to other individuals working for him, who would then distribute the boots in New Jersey and elsewhere.
- *Chinese National Pleads Guilty to Conspiracy and Trafficking of Counterfeit Apple Goods into The United States.* On February 2, 2018, Jianhua "Jeff" Li pleaded guilty for his role as a counterfeit distributor in a scheme to traffic and smuggle counterfeit electronics purporting to be Apple iPhones and iPads, from China into the United States. From July 2009 through February 2014, Li, working through his company, Dream Digitals, conspired with Andreina Becerra, Roberto Volpe, Rosario LaMarca, and others to smuggle and traffic into the United States from China more than 40,000 electronic devices and accessories, including iPads and iPhones, along with labels and packaging bearing counterfeit Apple trademarks. Li also received payments totaling over \$1.1 million in sales proceeds from U.S. accounts into his bank accounts. Becerra, Volpe, and LaMarca have also pleaded guilty to their roles in the conspiracy. LaMarca was sentenced on July 20, 2017, to 37 months in prison. Volpe and Becerra were sentenced on October 15, 2018. Volpe was sentenced to 22 months in prison, and Becerra was sentenced to three years of probation.
- *Owner of Sharebeast.com Sentenced for Copyright Infringement.* On March 22, 2018, Artur Sargsyan, of Glendale, California, was sentenced to five years in prison followed by three years of supervised release for his role in operating a massive file-sharing infrastructure that distributed approximately 1 billion copies of copyrighted musical works through Internet downloads. He was also ordered to pay restitution in the amount of \$458,200 and to forfeit \$184,768.87. Sargsyan owned and operated a number of websites including Sharebeast.com, Newjams.net, and Albumjams.com. Sargsyan pleaded guilty to copyright infringement on September 1, 2017.
- *New York Woman Sentenced for Trafficking Over \$3 Million In Counterfeit Footwear And Handbags Through Port Of Newark.* On May 23, 2018, Xiao Xia Zhao pleaded guilty to trafficking in counterfeit goods. In total, Zhao trafficked in thousands of pairs of fake Nike footwear, Louis Vuitton handbags, and other counterfeit items, with a total estimated retail value of over \$3 million. From November 2013 through February 2017, Zhao received certain shipping container numbers from an individual overseas that

identified at least three containers containing counterfeit merchandise. Zhao asked individuals working at the Port of Newark to remove the containers from the port before they could be examined by U.S. Customs and Border Protection. On October 22, 2018, Zhao was sentenced to 18 months imprisonment and three years of supervised release.

- *California Sentenced for Copyright Infringement.* On July 23, 2018, Craig M. Vincent pleaded guilty to one count of criminal infringement of a copyright. Vincent admitted he used eBay to resell aviation navigational database updates in violation of Jeppesen Company's licensing agreement for a trademarked product called NavData. Jeppesen's NavData includes airport information, runway characteristics, waypoints, arrival routes, departure routes, terminal procedures and general information that a Global Positioning System or flight management computer needs to navigate an airplane to final destination. Doing business as Merlin Enterprises, Vincent sold NavData cards and required customers to return old data cards to him. On October 15, 2018, Vincent was sentenced to serve three years on federal probation.
- *Five Defendants Charged In Manhattan Federal Court With Multimillion-Dollar Counterfeiting Scheme.* On August 7, 2018, defendants Miyuki Suen, Jian Min Huang, Kin Lui Chen, Songhua Qu, and Fangrang Qu were arrested on charges of importing hundreds of thousands of athletic shoes from China into the United States. The defendants are each charged with one count of conspiring to traffic in counterfeit goods, and one count of trafficking in counterfeit goods. From at least in or about January 2016 up to and including in or about July 2018, the defendants imported at least 42 shipping containers holding an estimated more than 380,000 pairs of sneakers from China. Once these shoes arrived, the defendants added trademarked logos to the shoes, rendering them counterfeit. The estimated loss attributable to the defendants' efforts amounts to more than \$70 million.
- *California Man Sentenced for Trafficking in Counterfeit Sports Apparel.* On August 10, 2018, Seyyed Ali Noori was sentenced to 12 months imprisonment and 12 months of supervised release for trafficking in counterfeit sports apparel, and ordered to pay restitution to victim companies, totaling \$27, 565.51. Noori had pleaded guilty on March 30, 2018. Noori owned and operated Goldstar Wholesale LLC, a regional wholesale distributor based in Tracy, California, and also sold goods at the Galt Flea Market in Galt, California.
- *22 Charged With Smuggling Millions of Dollars of Counterfeit Luxury Goods From China Into the United States.* On August 16, 2018, six indictments and one criminal complaint were unsealed in federal court, charging a total of 22 defendants with illegally bringing into the United States millions of dollars of Chinese-manufactured goods by smuggling them through ports of entry on the East and West Coasts. Twenty-one defendants were arrested on charges, including conspiracy to traffic, and trafficking, in counterfeit goods; conspiracy to smuggle, and smuggling, counterfeit goods into the United States; money laundering conspiracy; immigration fraud and unlawful procurement of naturalization. The defendants played various roles in the trafficking of counterfeit goods manufactured in China, brought by ocean-going ships to the United

States in 40-foot shipping containers, smuggled through ports of entry disguised as legitimate imports and distributed throughout the country. The counterfeit goods included items such as fake Louis Vuitton and Tory Burch handbags, Michael Kors wallets, Hermes belts and Chanel perfume.

Domestic Training

During the past fiscal year, the Department provided a number of training programs for federal, state, and local prosecutors and agents investigating IP crimes. These training courses covered a range of IP enforcement issues and were designed to increase coordination between prosecutors and investigators as well as coordination among federal, state, and local law enforcement agencies. Examples of such training included:

- In October 2017, CCIPS, in conjunction with the Executive Office of U.S. Attorneys (“EOUSA”), presented a one-hour webinar for federal prosecutors on the prosecution of cases involving counterfeit microelectronics. The presentation included a background on microelectronics production and procurement, relevant law and policy, practical guidance in counterfeit trademark investigations, and included a case study.
- In October 2017, NSD, with support from CCIPS, organized and led the annual NSCS Training in McLean, Virginia. The NSCS training builds on the technical skills covered by the annual CHIP conference to address the added complexity of working with classified information and issues related to the investigation, prosecution, and disruption of crimes impacting national security.
- In January 2018, CCIPS was scheduled to present its Intellectual Property Crimes Seminar at the NAC. Citing the lapse in appropriations, DOJ’s Office of Legal Education cancelled the seminar. The Seminar is an in-depth course on investigating and prosecuting trafficking of counterfeit goods and services, criminal copyright infringement, and theft of trade secrets, along with significant instruction on electronic evidence gathering for IP cases.
- In March 2018, CCIPS and the District of Kansas U.S. Attorney’s Office presented on the trial and conviction of Weiqiang Zhang at the National Security Seminar on Export Control, Counterproliferation and Counterintelligence. Zhang, a former rice breeder at Ventria Biosciences in Kansas, provided proprietary rice seeds to members of a visiting Chinese delegation during their visit to the U.S. in 2013. Zhang was convicted in the District of Kansas of conspiracy to commit theft of trade secrets and related charges in February 2017.
- In April 2018, CCIPS presented at FBI Headquarters for approximately 25 FBI Supervisory Special Agents and Analysts on *United States v. Sinovel*. The presentation focused on tips for “investigating a case for trial.”
- In April, June, and August 2018, CCIPS presented at Intellectual Property and Trade Enforcement Investigations course at the IPR Center Arlington, Virginia, to approximately 30 HSI and CBP agents. The presentation covered relevant law and policy, provide practical guidance in counterfeit trademark investigations, and include a case study.

- In June 2018, CCIPS hosted its annual CHIP Conference and Training at the NAC. Approximately 150 prosecutors attended the four-day event, which featured training on a wide range of investigative, litigation, legislative, and technology issues. The conference also included multiple breakout sessions, and an optional day with two tracks—a refresher track, and an advanced technology track.
- In July 2018, CCIPS presented to Naval Criminal Investigative Service (NCIS) and other federal agents at a day-long training in San Diego, California. The training, organized by the IPR Center, focused on Operation Chain Reaction, which targets counterfeit microelectronics in the government and military supply chains. The presentation covered relevant law and policy, practical guidance in counterfeit trademark investigations, and included a case study.
- In August 2018, CCIPS presented at FBI’s 2018 National Intellectual Property Rights Training at the FBI Field Office in Dallas, Texas. The presentation was titled “What You Need for a Successful Trade Secret Theft Prosecution.” CCIPS also presented a case study about the Sinovel prosecution. More than 50 FBI agents and other members of federal law enforcement attended. .
- In September 2018, CCIPS spoke at a symposium at FBI headquarters on the diversification of transnational crime in the Western Hemisphere. CCIPS gave a presentation focusing on the links between organized crime and intellectual property crime and cybercrime in Latin America as well as recent developments and trends in the region in these areas. The audience included approximately 150 people, primarily federal law enforcement agents and analysts.

International Outreach and Training

Global IP crime, from the manufacture and worldwide distribution of counterfeit goods, to the sprawling online businesses designed to reap profits from the distribution of copyrighted works, continues to grow and change in an effort to stay ahead of law enforcement. As a world leader in efforts to combat criminal IP infringement, the Department actively seeks to develop training and technical assistance programs to assist other countries in effectively enforcing IP laws and reducing the trafficking of counterfeit and pirated goods. Despite budgetary constraints, in FY 2018, the Department worked extensively with its law enforcement counterparts around the world. The Department sought to engage foreign law enforcement through meetings of officials, ranging from the Attorney General to line attorneys and agents.

CCIPS and DOJ’s Office of Overseas Prosecutorial Development, Assistance and Training (“OPDAT”) worked with State Department grants and in cooperation with other United States agencies in FY 2018 to provide training to foreign officials on effective enforcement of IP laws. CCIPS’s IP trainings are designed to increase cooperation between various law enforcement agencies with responsibility for IP offenses; to utilize various types of charges, including economic and organized crime statutes to combat IP crime; and to increase awareness amongst enforcement officials and the judiciary of the importance of reducing counterfeiting and piracy.

In FY 2018, the Department, with the assistance from the State Department, continued to expand the IPLEC program. Experienced DOJ attorneys now serve as regional IPLECs in Bangkok, Thailand; Bucharest, Romania; Hong Kong; Sao Paulo, Brazil; and Abuja, Nigeria.⁸

DOJ's IPLEC Program and Cyber Resident Legal Advisor in Kuala Lumpur



In addition to the Department's regional efforts through its IPLEC program, examples of DOJ's international engagement regarding various IP enforcement include:

ASIA

Presentation to Chinese Copyright Delegation. In November 2017, CCIPS presented on U.S. criminal copyright law, combatting online piracy, and international cooperation to a 17-person delegation from China's National Copyright Administration, Public Security Bureaus, and Cultural Market Enforcement Agency. The U.S. Patent and Trademark Office and OPDAT facilitated the meeting held in Washington, D.C.

Presentation to Pakistani Delegation: In November 2017, CCIPS presented to a delegation of Pakistani IP government officials and private IP attorneys. The discussion focused on U.S. intellectual property enforcement efforts and case studies. CCIPS also discussed Pakistani IP statutes and ways to bring them in-line with international best practices and norms through a comparative analysis with U.S. laws.

U.S.-China Joint Dialogue on Counterfeit Pharmaceuticals. In January 2018, CCIPS and DOJ Civil Division's Consumer Protection Branch, along with the Hong Kong IPLEC, met with six senior Chinese law enforcement officials from the Ministry of Public Security's Public Order Administration to discuss combatting the trafficking of counterfeit pharmaceuticals. The

⁸ For more information about CCIPS's international outreach, see <https://www.justice.gov/criminal-ccips/overseas-work>.

delegation's trip was coordinated by CCIPS and the IPLEC through the U.S.-China Joint Liaison Group's ("JLG") Intellectual Property Criminal Enforcement Working Group. The JLG is designed to strengthen law enforcement cooperation between the United States and China across a range of issues, including intellectual property. Representatives from the FDA's Office of Criminal Investigations, National IPR Center, and the U.S. Patent and Trademark Office also met with the delegation.

USPTO Workshop on Proliferation of Counterfeit Products in India. In February 2018, the Hong Kong IPLEC traveled to New Delhi, India to serve as an instructor at a workshop organized by the USPTO's South Asia Office, with assistance from FDA-OCI, on "Combating the Proliferation of Substandard, Unregistered, Unlicensed and Falsified Health and Safety Regulated Products," with particular emphasis on counterfeit pharmaceuticals. Workshop participants included 59 Indian delegates, most from the Central Drugs Standard Control Organization (CDSCO); two delegates each from Nepal and Sri Lanka; as well as representatives from INTERPOL, Her Majesty's Revenue and Customs Service and the recently established Border Force of the United Kingdom, U.S. CBP, and the United Nations Universal Postal Union (UPU).

Training Events Promoting Intellectual Property Right Enforcement in Vietnam. In March 2018, the Hong Kong IPLEC and Bangkok IPLEC participated in a series of events promoting IPR enforcement in Vietnam. The Asia IPLECs co-sponsored with the U.S. Embassy and Vietnam's Ministry of Science and Technology (MOST) a roundtable on IP enforcement in a digital world. The IPLECs met with senior officials at the MOST Inspectorate, which is responsible for coordinating training events for all nine Government of Vietnam (GOV) agencies involved in IPR enforcement. The IPLECs also participated in a roundtable for GOV agencies involved in IPR criminal enforcement, including the Supreme People's Court, the Supreme People's Procuracy, and the Ministry of Public Security, as well as private attorneys representing IP rights holders. The IPLECs also gave an address on IP enforcement at Hanoi Law University, and the Hong Kong IPLEC participated in an American Chamber of Commerce (AmCham) roundtable on innovation and IP sponsored by AmCham as well as met with officials of the provincial Department of Science and Technology to discuss training needs.

Meeting with Chinese Media Group on Enforcement of Copyright Laws. In April 2018, CCIPS met with representatives from the Shenzhen Media Group (a state-owned media company that owns TV channels and radio stations) to discuss copyright enforcement issues as well as U.S. copyright law. Officials from the U.S. Patent and Trademark Office, U.S. Copyright Office, U.S. Trade Representative, and IPR Center also participated in the meeting.

Presentation at Trade Secrets Workshop in Taiwan. In April 2018, CCIPS, the Southeast Asia Resident Legal Advisor for Cybercrime, and the Hong Kong IPLEC, in conjunction with the FBI and the USPTO, presented a Trade Secrets Workshop in Taipei, Taiwan. The audience included approximately 175 Taiwanese prosecutors, judges and investigators, and covered Taiwan's Trade Secrets Act, including presentations and panels regarding identifying and articulating trade secrets, using protective orders, assessing loss in theft of trade secrets cases, and more.

Digital Video Conference with Taiwan on Intellectual Property Issues. In May and August 2018, CCIPS participated in a half-day interagency digital video conferences on IP issues in Washington, D.C., with 20 Taiwanese government officials including prosecutors from the Taiwanese Ministry of Justice. Specific topics included internet piracy, illicit streaming devices, textbook piracy, and amendments to the Taiwan Copyright Act.

Meeting with Chinese Law Enforcement Officials to Discuss Coordinated Intellectual Property Cases. In May 2018, CCIPS, and representatives from the National IPR Center, met with Chinese law enforcement officials to discuss ongoing case cooperation. This meeting is a continuation of CCIPS's work under the former U.S.-China Joint Liaison Group's ("JLG") Intellectual Property Criminal Enforcement Working Group ("IPCEWG"). The JLG was designed to strengthen law enforcement cooperation between the United States and China across a range of issues, including intellectual property, and was subsumed last fall into the U.S.-China Law Enforcement and Cybersecurity Dialogue. A CCIPS attorney, who served as co-chair of the IPCEWG, led the meeting. The Chinese delegation was led by a Deputy Director General of China's Ministry of Public Security, Economic Crime Investigation Department.

Presentation to Chinese Delegation on Intellectual Property Rights. In May 2018, CCIPS addressed a Chinese government delegation in Washington, D.C., on U.S. criminal enforcement of IP rights. The presentation was a part of the U.S. State Department's International Visitor Leadership Program.

Meeting with Korean Law Enforcement Officials on Combatting Counterfeit Pharmaceuticals. In May 2018, CCIPS met with officials from Korea's Ministry of Justice and Ministry of Food & Drug Safety to discuss best practices in investigating and prosecuting counterfeit pharmaceutical cases, as well as the take-down/seizures of related websites.

Forum on Criminal Intellectual Property Cases. In July 2018, the Hong Kong IPLEC participated in the Quality Brands Protection Committee (QBPC) 2018 Criminal IP Forum. The Hong Kong IPLEC served as a panelist discussing the potential for plea bargaining in criminal cases in China.

IPR Training for Vietnamese Judicial Officials. In July 2018, the Hong Kong IPLEC and CCIPS, along with HSI, met with justices of the Supreme People's Court of Vietnam and other Vietnamese judicial officials in Hanoi and Ho Chi Minh City, Vietnam to provide training on best practices and techniques for criminal enforcement of intellectual property rights. Over the past several years, Vietnam's national legislature has enacted significant amendments to strengthen the country's criminal intellectual property laws, but these changes have thus far not resulted in substantial improvements in enforcement. The program, organized by the Hong Kong, is designed to assist Vietnam's Supreme People's Court in developing guidance for lower courts to implement these new changes to Vietnam's criminal laws, and to improve enforcement of IP rights in Vietnam.

Colloquium on Intellectual Property Rights in Myanmar. In July 2018, the Bangkok IPLEC presented on criminal enforcement of intellectual property rights to an audience of judges from Myanmar at a USPTO/USAID-sponsored judicial colloquium on intellectual property rights.

Presentation to Thai Prosecutors on Intellectual Property Crime. In August 2018, the Bangkok IPLEC presented on criminal enforcement of IP cases to an audience of Thai public provincial public prosecutors at a USPTO-Thai Attorney General's Office-sponsored workshop. This was one of a series of such workshops throughout Thailand to roll out a new manual on criminally prosecuting IP violations developed with USPTO support by the Office of the Attorney General of Thailand for use by Thai public prosecutors.

Regional Workshop on Counterfeit Goods in Thailand. In August 2018, the Hong Kong and Bangkok IPLECs, along with the USPTO, presented the "Asia Regional Workshop on Criminal Enforcement Against Online Trade in Pirated Content and Counterfeit Goods." Approximately 120 police, prosecutors, and IP administrative officials from 15 Asian nations attended the workshop. HSI, FDA-OCI, the ASEAN Secretariat, and the EUIPO IP Key program also supported the workshop. Subsequently, on August 24, also in Bangkok, the Hong Kong and Bangkok IPLECs participated in opening the third meeting of the ANIEE, which was established in November 2016 as a successor to the ASEAN Working Group on IP Crime.

Presentation at Sixth Asian IP Crimes Enforcement Network Meeting. In September 2018, DOJ IPLECs in Hong Kong and Bangkok and CCIPS hosted the sixth meeting of the Asian IP Crimes Enforcement Network in Hong Kong. About ten countries from the region gathered to discuss methods to facilitate the exchange of successful investigation and prosecution strategies in combating domestic piracy and counterfeiting crimes, and how to strengthen communication channels to promote coordinated, multinational prosecutions of the most serious offenders. The meeting included panel discussions by law enforcement officials, presentations by representatives of affected industries, and technical and legal discussions from U.S. experts.

NORTH AFRICA AND THE MIDDLE EAST

Workshop on Intellectual Property Offenses Related to Commerce and Terrorism. In March 2018, the Nigeria IPLEC traveled to Kuwait, City, Kuwait to instruct on IP offenses in a workshop co-sponsored by the Kuwait Ministry of Commerce and Industry, Anti-Money Laundering and Counter-Terrorism Funding Administration (KMCI-AML/CFT) and DOJ OPDAT. The workshop was entitled "Investigating Fraudulent Business Transactions to Prevent Money Laundering and Terrorism Funding," and it included, in addition to the segments on IP offenses, sections on basic fraud investigations, indicators of fraud, interview techniques and strategies, evidence needed for prosecutions, and case scenarios.

Judicial Training Conference in Uzbekistan for Uzbekistani Judges. In June 2018, CCIPS participated in a three-day training conference in Tashkent, Uzbekistan for Uzbekistani judges focusing on protection of intellectual property rights. The U.S. Patent and Trademark Office, in conjunction with the U.S. Embassy in Tashkent, DOJ, and the Uzbekistani judiciary, organized the conference, which included around 20 participants. CCIPS gave five presentations on various topics involving intellectual property and IPR enforcement in the U.S. and Uzbekistan. CCIPS also led a discussion of a case study and participated in additional panels and discussions as well as a reception at a local nongovernmental organization for a mock trial program they organized in Chorvoq, Uzbekistan for Uzbekistani and Afghan law enforcement.

Presentation to Middle Eastern and Northern African Judges at USPTO's Intellectual Property Judicial Exchange. In August 2018, CCIPS presented at the U.S. Patent and Trademark Office's Middle Eastern and Northern Africa Intellectual Property Judicial Exchange. The audience consisted of forty judges from Algeria, Egypt, Jordan, Kuwait, Oman, the Kingdom of Saudi Arabia, and United Arab Emirates. The four-day program was designed to provide a comprehensive overview of U.S. intellectual property law. CCIPS presented on DOJ's priorities in combatting intellectual property infringement and provided an overview of criminal trademark, copyright, and theft of trade secrets law as well as sentencing issues.

CENTRAL AND SOUTH AMERICA

Regional Intellectual Property Rights Enforcement Program in Brazil. In March 2018, the Brazil IPLEC participated in a regional IPR enforcement program organized by HSI Colombia and the IPR Center for approximately 40 police, prosecutors, and customs officials from the Ecuador, Colombia, Peru, and Guatemala. The IPLEC focused on IPR prosecutions involving the Internet, and provided an overview of online investigation principles and the basics of electronic evidence. The IPLEC also visited the Port in Cartagena, and met with both CBP and Colombian customs officials to discuss their challenges coping with the importation of counterfeit goods.

South America Regional Workshop on Measures Against Trade in Illicit and Counterfeit Agricultural Chemicals. In April 2018, CCIPS assisted DOJ IP Law Enforcement Coordinator Dan Ackerman, who is based in Sao Paulo, in hosting a DOJ and USPTO-sponsored "Workshop on Measures Against Trade in Illicit and Counterfeit Agricultural Chemicals" in Iguazu Falls, Brazil. Approximately 50 government officials from regulatory, customs, investigative, and prosecutorial agencies in the United States, Brazil, Paraguay and Argentina gathered to discuss methods to facilitate the exchange of successful enforcement strategies in combating trade in illicit and counterfeit pesticides. The program included panel discussions by law enforcement officials, presentations by industry representatives, and technical and legal discussions from U.S. experts. DOJ ENRD, EPA, CBP, HSI and USPTO representatives also served as instructors.

USPTO Judicial Workshop on the Protection and Enforcement of Intellectual Property Rights. In April 2018, CCIPS presented to a group of judges from Latin American countries, including Argentina, Brazil, Costa Rica, Dominican Republic, Panama, Peru, on the topic of U.S. Criminal Prosecution of Intellectual Property Crimes in the Digital Domain. Together, with Chief Judge Gustavo Gelpi of the U.S. District Court of Puerto, the group discussed a variety of topics, including the importance of international cooperation, public-private sector partnerships, and careful consideration of public health and safety issues. .

Participation in U.S.-Cuba Law Enforcement Dialogue (LED). In May 2018, in Washington, D.C., CCIPS participated in the U.S.-Cuba LED as a technical expert on cybercrime and intellectual property crime. The LED is a high-level dialogue designed to strengthen law enforcement cooperation between the United States and Cuba across a range of issues. Topics for discussion included legal cooperation, counterterrorism, human trafficking, human smuggling, counter-narcotics, anti-money laundering, and cyber issues. Representatives from the State

Department, DHS, ICE-HSI, U.S. Coast Guard, HHS, INTERPOL, DEA, and FBI also attended on behalf of the United States.

IPR Enforcement Program in Uruguay. In May 2018, the Brazil IPLEC participated in a regional IPR enforcement program in Montevideo, Uruguay, organized by HSI Argentina and the IPR Center for police, prosecutors, and customs officials from Uruguay and Paraguay. The IPLEC focused on IPR prosecutions involving the Internet, and provided an overview of online investigation principles, cyber-tracing techniques, and basics of electronic evidence. The IPLEC also spoke about international collaboration to obtain electronic evidence in criminal cases.

Training on Electronic Evidence in Copyright Infringement Cases. In July 2018, the Brazil IPLEC and USPTO trained approximately 60 Peruvian judges on best practices in handling of electronic evidence in digital copyright infringement cases. Two U.S. District Court judges as well as several US rights holders also served as instructors for the program. Participants learned about trending legal and policy issues in the acquisition and authentication of electronic evidence in digital copyright infringement cases as well as other cyber-enabled crime.

Training for Law Enforcement and Prosecutors on Intellectual Property Infringement. In July 2018, the Brazil IPLEC, CCIPS, and USPTO trained approximately 90 police and prosecutors from various Central American countries on best practices in IP infringement cases involving health and safety products in Santo Domingo, Dominican Republic. The program highlighted counterfeit pharmaceuticals and cosmetics case studies and addressed how authorities in different countries deal with the investigative and evidentiary issues that arise in these cases. Multiple pharmaceutical companies as well as Western Union presented on how they can assist law enforcement in these cases.

Training on Electronic Evidence in Intellectual Property Right Crime. In July 2018, the Brazil IPLEC and CCIPS trained approximately 60 Brazilian police and prosecutors from 16 Brazilian states and multiple cities within São Paulo state on the handling of electronic evidence in cybercrime investigations, including IPR crime. Facebook/Instagram and Microsoft participated in a panel for providers to share their insights on collaboration with law enforcement, especially on requests for overseas data. The program included a practical tabletop exercise on locating a target of a crime using open source applications, third-party data, and traditional methods of investigation.

Training on Intellectual Property Rights Cases in Mexico. In August 2018, the Brazil IPLEC and USPTO trained 30 Mexican prosecutors, police, and customs officials on best practices in IPR criminal investigations and prosecutions. The IPLEC co-presented on these issues along with the chief of the IP crimes section at the Mexican Attorney General's office (PGR).

Training with USPTO for Mexican Law Enforcement and Prosecutors. In August 2018, the Brazil IPLEC trained approximately 100 Mexican prosecutors, police, and customs officials on best practices in IPR criminal investigations and prosecutions at National IPR Center and Mexican Customs (SAT)-sponsored program held at the SAT headquarters in Mexico City. The IPLEC co-presented on these issues along with the USPTO Attaché for Mexico, Central America, and the Caribbean.

Training for Northern Triangle Prosecutors, Judges, and Law Enforcement on Intellectual Property Crime Prosecutions. In September 2018, CCIPS presented at a workshop on combatting intellectual property crime prosecutions at the International Law Enforcement Academy in San Salvador, El Salvador. The U.S. Patent and Trademark Office organized the workshop, and participants included judges, prosecutors, law enforcement, and customs officials from El Salvador, Honduras, and Guatemala. CCIPS presented on prosecuting intellectual property crime and sentencing issues, and also participated on panels addressing international cooperation, collaboration with customs officials, and the use of electronic evidence in intellectual property prosecutions.

Presentation at Workshop on Intellectual Property Rights. In September 2018, CCIPS presented at the Regional Workshop on Border Enforcement of Intellectual Property Rights in Chetumal, Mexico. Law enforcement, customs agents and prosecutors from Mexico, Guatemala, and Belize attended the workshop, organized by the U.S. Patent and Trademark Office. CCIPS presented on investigating and prosecuting intellectual property offenses, and participate on panels discussing infringement determinations and promoting regional cooperation.

EUROPE

EIPPN Third Annual Workshop. In October 2017, the Romania IPLEC provided an overview of the available legal assistance and cooperation channels with the U.S. in IP and cybercrime cases to approximately 70 specialized IP prosecutors from 28 countries at a two-day workshop in The Hague. The European Union Intellectual Property Office (EUIPO), Eurojust, and the European Intellectual Property Prosecutors Network (EIPPN) organized the program, which was the EIPPN's third annual workshop.

Open World Program on Criminal Enforcement of Intellectual Property Rights. In October 2017, CCIPS met with six Intellectual Property Rights specialists from Belarus, as part of the Open World Program at the Library of Congress. The Open World Leader Center, an independent government agency of the United States Congress, administers the program, which is designed to enhance understanding and cooperation between the Congress, American communities, and global leaders. Attendees were Belarusian nationals who work on intellectual property matters. The discussion focused on how U.S. law enforcement officials investigate, prosecute, and deter criminal intellectual property crimes.

Training Program Focused on Intellectual Property Violations and Computer Crime. In December 2017, in Bucharest, Romania, the Romania IPLEC and DOJ Intermittent Legal Advisor organized a two-day training program on combatting IP violations and investigating financial and computer crime for 30 judges, prosecutors, and law enforcement officers from Romania's Economic Crime, Organized Crime, and Anticorruption Divisions of the Prosecutor General's Office. FBI, DEA, NDIL AUSA, and a Council of Europe representative also participated in the program.

Presentation to American Chamber of Commerce in Romania. In February 2018, the Romania IPLEC presented to the American Chamber of Commerce (AmCham) in Romania about

improving cooperation and coordination in criminal IP cases and connecting resources and efforts of the private sector with law enforcement partners on national and international levels. The IPLEC provided an overview of DOJ's criminal IP enforcement efforts and the IPLEC program, including how the Romania IPLEC can work with rights holders in the region, other resources for assistance in IP matters, and best practices in working with law enforcement.

EUIPO and EIPPN Annual Conference. In April 2018, the Romania IPLEC participated in the European Union Intellectual Property Office (EUIPO) and the European Intellectual Property Prosecutors Network (EIPPN) annual conference in Alicante, Spain. Approximately 68 prosecutors, law enforcement officers, academia and private industry representatives from 26 countries attended. The program addressed health and safety aspects of intellectual property rights (IPR) violations, Internet protocol TV (IPTV) crime trends, and best practices for combating these crimes. The Romania IPLEC provided an overview of the United States' experience with IPR and health and safety, with special emphasis on counterfeit pharmaceuticals, personal care products, automotive parts, electronics and toys, and discussed recent developments in the legal assistance and cooperation channels available with the United States in IPR and cybercrime cases.

Meeting on Arbitration and Mediation of Intellectual Property Rights Cases. In April 2018, at the Romanian-American University in Bucharest, the Romania IPLEC and FSN participated in a meeting focused on mediation and arbitration in IPR cases organized by World Intellectual Property Organization (WIPO) in cooperation with the Romanian Copyright Office (ORDA) to mark the 2018 World IP Day. The IPLEC presented an overview of arbitration and mediation in IPR cases in the U.S., the IPLEC program, and avenues for assistance with the U.S. in IPR cases.

Training on Trade Secrets in Austria. In June 2018, the Romania IPLEC participated in two events hosted by the U.S. Embassy in Austria and the Federation of Austrian Industries. The events were designed to share international best practices and to help strengthen Austria's trade secrets legal regime. In the morning session, the Romania IPLEC participated in a trade secrets expert roundtable during which policymakers, officials, and business representatives from Europe and the United States exchanged best practices and discussed the development of effective trade secret laws. In the evening session, over 40 representatives from the Austrian business community attended the stakeholder event, and the Romania IPLEC participated in a panel session at that event designed to raise awareness about the importance of strong trade secrets protection.

National Conference at the Studies Institute for Public Order. In July 2018, the Romania IPLEC, in partnership with the Romanian counterparts, organized two joint workshops for Romanian investigators and prosecutors. 46 police investigators focusing on IP enforcement attended the first day-and-a-half workshop as part of their three-day annual national conference at Studies Institute for Public Order (ISOP). Subsequently, twenty-five prosecutors at the National Institute for Magistracy (INM) attended the second day-and-a-half workshop.

Workshop with USPTO Regarding Intellectual Property Rights Protection in Greece. In July 2018, the Romania IPLEC, in partnership with the USPTO and HSI, organized a joint two-day

workshop for law enforcement and judicial officials as well as industry involved in IPR protection in Greece. Forty-eight investigators, prosecutors and judges attended the workshop.

Judicial Training Conference for Armenian Judges. In September 2018, CCIPS participated in a three-day training conference at the USPTO on the protection of intellectual property rights for Armenian judges handling criminal cases at the trial, appellate, or administrative level. The conference was organized by USPTO in conjunction with the U.S. Embassy in Yerevan, DOJ, and the Armenian judiciary, and included around 20 participants. Armenia has one of the highest rates of piracy and counterfeiting in the world. CCIPS presented on relating to IPR enforcement in the U.S. and Armenia, and also participated in additional panels and discussions.

SUB-SAHARAN AFRICA

IP Meeting with Nigerian Officials. In February 2018, the Nigeria IPLEC traveled to Lagos to hold a series of meetings with IP stakeholders. Meeting attendees included representatives from the Nigerian American Chamber of Commerce (AmCham), National Agency for Food and Drug Administration and Control, Nigerian Copyright Commission, and International Trademarks Association.

Intellectual Property Workshop in Zimbabwe. In July 2018, the Nigeria IPLEC participated in WIPO and ARIPO's Training of Trainers IP Workshop. Representatives from thirteen of the nineteen member countries attended. The Nigeria IPLEC presented on U.S. perspectives on IP in Africa and on the elements of trademark counterfeiting. This was the first time WIPO and ARIPO have partnered with DOJ in the region, and the Nigeria IPLEC looks forward to further collaboration with these organizations.

Western Africa Workshop on Law Enforcement Capacity and Regional Coordination in Combatting Pharmaceutical Crimes. In August 2018, the Nigeria IPLEC led the Western Africa Workshop to Build Enforcement Capacity and Improve Regional Coordination in Combatting Pharmaceutical Crimes at the West Africa Regional Training Center in Accra, Ghana. Police, prosecutors, health regulatory officials, gendarmerie, investigative magistrates and customs officials participated from Nigeria, Ghana, Benin, Togo, Burkina Faso, Cameroon, and Niger. In addition to the Nigeria IPLEC, U.S. law enforcement and prosecutors as well as a Nigerian prosecutor, an INTERPOL official, and industry representatives served as workshop facilitators and instructors.

Dialogue on Anti-Piracy and Law Enforcement Issues. In August 2018, the Nigeria IPLEC convened numerous stakeholders in Nigeria's creative industry for a strategic dialogue on anti-piracy and enforcement issues at the American Guest Quarters at the U.S. Consulate in Lagos, Nigeria. In the morning session, the IPLEC team met with individuals from the literary and software sector, and in the afternoon session, they met with individuals representing the entertainment/art sector.

Outreach to the Private Sector

The Department continues to reach out to the victims of IP crimes in a wide variety of ways, including during the operational stages of cases and through more formal training programs and conferences. For example, in FY2018, CCIPS organized and planned its Eleventh Annual IP Industry and Law Enforcement Meeting held in Washington, D.C, in October 2017. The yearly meeting provides representatives from a broad range of industries with an opportunity to communicate directly with the law enforcement agents and prosecutors most responsible for federal criminal enforcement of IP law at the national level. This year, Deputy Attorney General Rod Rosenstein provided keynote remarks, and several senior DOJ and law enforcement officials, including Acting Assistant Attorney General Kenneth Blanco and officials from FBI, ICE-HSI, CBP, and FDA participated in the meeting. Approximately 90 government and industry representatives attended the meeting, including senior representatives from a broad range of industries such as pharmaceuticals, software, luxury goods, electronics, apparel, motion pictures, music, consumer goods, and automobiles.

In the past year, the Criminal Division's high-level officials and CCIPS attorneys, as well as the Civil Division's Consumer Protection Branch attorneys, have also presented at a variety of domestic and international conferences, symposia, workshops, and events attended by IP rights holders and law enforcement officials. These events included, among others:

- In October 2017, CCIPS presented at Michigan State University's Center for Anti-Counterfeiting and Product Protection (A-CAPP) Brand Protection Strategy Summit on a panel entitled "Organizational Adaptation and the Changing Nature of E-Commerce Retailers." The discussion focused on the changes to intellectual property rights enforcement in an age of increased e-commerce transactions, and addressed certain key factors affecting the evolving e-commerce landscape, including the multifaceted role of consumers, the nature and scope of collaborations between brand owners and e-commerce sites, and the impact of globalization on counterfeiters and their organizations.
- In November 2017, CCIPS addressed approximately 100 members of the International Trademark Association (INTA) Anticounterfeiting Committee as part of INTA's annual meeting in Washington, D.C. CCIPS discussed the roles of the section and other DOJ components, the CHIP Network, and the IP Law Enforcement Coordinator program in combatting intellectual property crime, with a particular focus on trademark counterfeiting and the international trafficking of fake hard goods.
- In November 2017, CCIPS participated in a panel discussion to an audience of approximately 100 intellectual property industry representatives and law enforcement officials at the 2017 IPR Center Symposium. The symposium was entitled "Solving the E-Commerce Puzzle," and included panels on topics such as fraud protection for consumers and business, efforts to reduce sale of counterfeits in online marketplaces such as eBay, Amazon and Alibaba, and challenges facing law enforcement.
- In March 2018, CCIPS attended meetings with the Automotive Anti-Counterfeiting Council (A2C2) and U.S. government representatives. The Intellectual Property

Enforcement Coordinator (IPEC) organized the roundtable discussion focused on A2C2's current and future initiatives as well as opportunities for further collaboration with the IPEC and other U.S. government agencies. The IPR Center hosted an additional meeting that consisted briefings and discussions focused on the sales of airbags and other automotive parts on e-commerce platforms as well as sharing best practices by industry and future training opportunities for law enforcement.

- In March 2018, CCIPS and NSD CES presented to the Electronic Components Industry Association (ECIA) Board in Crystal City, Virginia, and provided an overview of DOJ's criminal IP and export control enforcement efforts as well as best practices in identifying and reporting criminal activity. Approximately 20 executives from major electronic component manufacturers and their authorized distributors attended.
- In April 2018, CCIPS presented for the New York and New Jersey Intellectual Property Law Associations at a half-day conference entitled, "Trade Secrets / Cybersecurity: Protecting Your Corporate Client's Information." CCIPS's presentation, entitled "Cybercrime and Intellectual Property Crime: A Team Effort," focused on the importance of developing relationships with law enforcement in advance of an incident, and reaching out to law enforcement as soon as an incident does occur. More than 100 attorneys attended the presentation.
- In April 2018, CCIPS presented at the American Bar Association Intellectual Property Section's 33rd Annual Spring Conference in Arlington, Virginia. CCIPS was part of a panel on "The Dark Side of Knock-Off's." CCIPS's presentation focused on the challenges of investigating and prosecuting counterfeiting and how victims can work more effectively with law enforcement to deter counterfeiting. Approximately 100-150 IP attorneys attended the presentation.
- In April 2018, the Civil Division's Consumer Protection Branch presented to the Pharmaceutical Security Institute's 33rd General Assembly in McLean, Virginia, on prosecuting counterfeit drug cases. The presentation focused on federal prosecution priorities and recent cases involving counterfeit drugs.
- In May 2018, CCIPS and the IPR Center co-hosted a half-day meeting of the Counterfeit Microelectronics Working Group, which meets at least twice a year to discuss ways to detect and prevent counterfeit microelectronics in the U.S. supply chain. CCIPS, in conjunction with the IPR Center and industry partners, organized the meeting. Over 60 industry, government, and law enforcement representatives attended the meeting.
- In May 2018, CCIPS participated in a panel discussion at the International AntiCounterfeiting Coalition's (IACC's) Spring Conference in Seattle, Washington. CCIPS, and co-panelists from HSI, FBI, City of London Police, and the USPTO, addressed "Government Perspectives on Trends in and Evolution of Anti-Counterfeiting Enforcement." Topics included innovative enforcement programs at the national level and international, intergovernmental cooperation.

- In June 2018, the Civil Division’s Consumer Protection Branch moderated a panel at the Partnership for Safe Medicine’s Interchange in Washington, D.C. The meeting brought together policymakers, families of counterfeit drug victims, law enforcement, healthcare professionals, patient advocates, and pharmaceutical manufacturers and focused on the dangers of counterfeit drugs, particularly the upsurge in counterfeit opioids.
- In July 2018, CCIPS presented at the Smithsonian Museum of American History as part of the National Trademark Exposition. CCIPS served on a panel entitled, “Counterfeits and Con Artists: The Real Dangers and Costs of Fake Goods.” The president of the International Trademark Association and a USPTO Enforcement Team representative also participated on the panel.
- In August 2018, CCIPS presented for a live-stream hosted by the IP Owners Association. The presentation was entitled, “IP Crime and Cybercrime: A Team Effort” and focused on the importance of developing relationships with law enforcement in advance of an IP or cyber incident, and communicating with law enforcement as soon as an incident does occur. The presentation was live-streamed to over 100 participants.
- In August 2018, CCIPS and the Civil Division Consumer Protection Branch participated in a Roundtable on Counterfeit Drugs at USPTO. Participants included public health researchers, economists, and U.S. Government representatives. The roundtable focused in particular on the problem of internet sales of counterfeit drugs directly to consumers.
- In September 2018, CCIPS presented to the International Trademark Association as part of its program on U.S. Federal Government’s Work on IP Enforcement, Outreach, and Education. The presentation addressed the Department of Justice’s work investigating, prosecuting, and deterring intellectual property crime and how the private sector can partner with law enforcement to address these serious crimes.
- In September 2018, CCIPS and the Civil Division’s Appellate Section took part in a panel discussion in Los Angeles addressing the U.S. government role in copyright enforcement for an audience of approximately 400 representatives of the entertainment and copyright content industries.
- Throughout FY2018, DOJ CHIP AUSAs presented at China IP Road Shows, sponsored by the USPTO in Denver, Colorado; Salt Lake City, Utah; Indianapolis, Indiana; Chicago, Illinois; Portland, Oregon; Seattle, Washington; San Jose and San Francisco, California; Nashville, Tennessee; Louisville, Kentucky; Iowa City, Iowa; Kansas City, Missouri; and New York City. With the China IP Road Shows, the USPTO is partnering with a variety of organizations across the country — including universities, USPTO regional offices, business groups, state and local governments, and other federal agencies — to present a series of one-day events that delve into the details of how to better protect IP in China. These one-day events bring to local businesses and stakeholders the expertise and knowledge of the USPTO’s China specialists as well as that of special

invited guests, and have been tailored to address the needs of the specific locale in which it is held.

Several years ago, NSD placed additional focus on the protection of national assets from the threats of nation states, including economic espionage and trade secret theft. These changes included creating a new Deputy Assistant Attorney General position focusing on protecting national assets. Pursuant to this increased focus over the last several years, NSD leadership and other attorneys have reached out to senior managers and counsel at hundreds of companies over the last year to educate them about the Department's resources and efforts to combat economic espionage and trade secret theft and other national security threats. These outreach efforts have included presentations at universities and think tanks, cybersecurity summits and roundtable discussions, as well as one-on-one meetings with senior executives at Fortune 500 and other companies. The NSCS Network also periodically disseminated talking points and other resources to its members nationwide to facilitate their outreach to companies and other organizations in their home districts and facilitated FBI field offices' efforts to educate AUSAs on the national security threats in their districts and to include them in FBI's outreach efforts in their districts.

The Department maintains two websites that, among other things, provide the public with information on the Department's IP enforcement efforts, assist victims in understanding where and how to report an IP crime, and provide guidance on case referrals. Those sites can be found at <https://www.justice.gov/ipcf> and <https://www.cybercrime.gov>. The National IPR Center also has a website where the public can report IP theft. That site can be found at <https://www.iprcenter.gov>.

(a)(7)(C) Investigative and Prosecution Activity of the Department with Respect to IP Crimes

In addition to the examples of successful prosecutions listed above, there are of course hundreds of other worthy cases that could be cited. As demonstrated by the cases highlighted above, the Department has sought to increase the quality and scope of its investigations and prosecutions over the past years. Numerical statistics do not adequately convey the quality or complexity of these prosecutions, but they provide some insight into the effectiveness and impact of the Department's prosecution efforts. Accordingly, we have provided the chart below that contains statistics for FY 2018, listing the number of defendants and cases charged, the number of defendants sentenced, and the length of those sentences.⁹ Section 404(b) of the PRO IP Act

⁹ Case statistics were compiled by the EOUSA. The chart includes data on criminal cases/defendants where the following charges were brought as any charge against a defendant: 17 U.S.C. § 506 (criminal copyright infringement); 17 U.S.C. §§ 1201 to 1205 (circumvention of copyright protection systems); 18 U.S.C. §§ 1831 (economic espionage) & 1832 (theft of trade secrets); 18 U.S.C. § 2318 (counterfeit labeling); 18 U.S.C. § 2319 (criminal copyright infringement); 18 U.S.C. § 2319A (live musical performance infringement); 18 U.S.C. § 2319B (unauthorized recording of motion pictures); 18 U.S.C. § 2320 (trafficking in counterfeit goods); and 47 U.S.C. §§ 553 & 605 (signal piracy). The statutes were grouped together to eliminate double-counting of cases and/or defendants where more than one statute

also requests statistics on the number of arrests made. Please see the Annual Report of the Federal Bureau of Investigation, provided pursuant to Section 404(c) of the PRO IP Act, for an accounting of arrest statistics.

| District Totals | FY 2018 |
|--|----------------|
| Investigative Matters Received by AUSAs | 189 |
| Defendants Charged | 117 |
| Cases Charged | 67 |
| Defendants Sentenced | 65 |
| No Prison Term | 36 |
| 1-12 Months | 12 |
| 13-24 Months | 7 |
| 25-36 Months | 4 |
| 37-60 Months | 3 |
| 60 + Months | 3 |

was charged against the same defendant. However, this chart may not include cases or defendants if only a conspiracy to violate one of these offenses was charged.

In addition, we have provided the chart below with FY 2018 statistics for criminal IP cases broken down by type of charge.¹⁰

| Charge | Cases charged | Percentage |
|--|---------------|-------------|
| Trademark <i>Trafficking in counterfeit goods, 18 U.S.C. § 2320</i> | 53 | 77.9% |
| Copyright <i>Criminal copyright infringement, 17 U.S.C. § 506; 18 U.S.C. § 2319</i> | 4 | 5.9% |
| <i>Counterfeit labels, 18 U.S.C. § 2318</i> | 0 | 0% |
| <i>DMCA, 17 U.S.C. § 1201</i> | 0 | 0% |
| Economic Espionage Act <i>Economic espionage, 18 U.S.C. § 1831</i> | 1 | 1.5% |
| <i>Theft of trade secrets, 18 U.S.C. § 1832</i> | 10 | 14.7% |
| Total | 68 | 100% |

(a)(7)(D) Department-Wide Assessment of the Resources Devoted to Enforcement of IP Crimes

The Criminal Division currently devotes fourteen full-time attorneys, along with paralegals and support staff, in CCIPS to IP issues. CCIPS also provides substantial support to the IPR Center, assigning at least one attorney, and sometimes more, to help identify and de-conflict investigative leads, as well as develop and execute national enforcement initiatives.

The CHIP Network consists of AUSAs who are specially trained in the investigation and prosecution of IP and computer crimes. Every U.S. Attorney’s Office has at least one CHIP attorney, and those districts that have historically faced the highest concentration of IP and high-tech crimes tend to have multiple CHIP attorneys.

Over the last year, more than twenty NSD attorneys have worked on hacking investigations (most of which involve the theft of information, including but not limited to trade secrets) and economic espionage investigations. As described above, the NSCS Network consists of more than 100 AUSAs and attorneys at Department headquarters who receive specialized annual training in the investigation and prosecution of national security cyber offenses, including the theft of IP and other information.

Under the IPLEC program, DOJ has had a Department attorney stationed in Bangkok, Thailand, since January 2006 to handle IP issues in Asia. Between November 2007 and March

¹⁰ EOUSA compiled the statistics for number of cases charged broken down by IP statute. These statistics may not reflect cases where only a conspiracy to violate one of these offenses was charged, and there may be double-counting of cases where more than one statute was charged in the same case.

2011, a separate DOJ attorney was stationed in Sofia, Bulgaria, in order to handle IP issues in Eastern Europe. While funding for this position expired in 2011, DOJ has worked with the Department of State to post a DOJ attorney in Bucharest, Romania since 2015 to continue to handle IP issues in that region. DOJ also expanded its IPLEC program in FY 2015 by placing a DOJ attorney in Brasilia, Brazil, for a six-month term. With the assistance of the State Department, DOJ expanded the IPLEC program in FY 2016 by posting new regional IPLECs in Hong Kong and Sao Paulo, Brazil. Most recently, in FY 2017, the State Department and DOJ prepared fielded a new IPLEC position in Abuja, Nigeria. The Nigeria IPLEC deployed in October 2017, bringing the total number of regional IPLECs up to five DOJ prosecutors.

In addition to evaluating digital evidence, the CCIPS Cybercrime Lab technicians have provided extensive training on the use of digital forensics tools in IP cases to law enforcement audiences around the world.

IP enforcement is also an integral part of the mission of four sections of the Department's Civil Division: the Intellectual Property Section, the National Courts Section, the Consumer Protection Branch, and the Civil Appellate Staff. Through the Civil Division's Intellectual Property Section, the Department brings affirmative cases when United States' IP is infringed, including Uniform Domain-Name Dispute-Resolution Policy proceedings where domain owners have used trademarks owned by the United States in a manner that is likely to confuse the public. The National Courts Section initiates civil actions to recover various penalties or customs duties arising from negligent or fraudulent import transactions, many of which include importation of counterfeit goods. The National Courts Section also defends CBP enforcement of the ITC's Section 337 exclusion orders at the Court of International Trade; these orders are an important tool for patent enforcement. The Consumer Protection Branch conducts civil and criminal litigation under the Food, Drug, and Cosmetic Act, including prosecuting counterfeit drug and medical device offenses and assisting AUSAs throughout the country with their counterfeit pharmaceutical and device cases. Finally, the Civil Appellate Staff represents the United States in copyright and trademark cases in the courts of appeals, including participating as an amicus in private IP litigation involving important government interests and defending decisions of the Copyright Office and the U.S. Patent and Trademark Office against constitutional and statutory challenges.

(a)(8) Efforts to Increase Efficiency

“(8) A summary of the efforts, activities, and resources that the Department of Justice has taken to—

(A) minimize duplicating the efforts, materials, facilities, and procedures of any other Federal agency responsible for the enforcement, investigation, or prosecution of intellectual property crimes; and

(B) enhance the efficiency and consistency with which Federal funds and resources are expended to enforce, investigate, or prosecute intellectual property crimes, including the extent to which the Department has utilized existing personnel, materials, technologies, and facilities.”

The Department works hard to ensure the effective use of limited resources devoted to fighting IP crime. One of the most important ways to reduce duplication of effort is to ensure that law enforcement agencies are pursuing unique case leads, and that prosecutors are not following prosecution strategies that duplicate those in other districts. To that end, CCIPS continues to provide ongoing support to the IPR Center in Arlington, Virginia. Among other things, the IPR Center serves as an investigation clearinghouse for FBI, ICE-HSI, CBP, FDA, and other agencies. CCIPS also works closely with the CHIP Network to assist in coordinating national prosecution initiatives. Along similar lines, NSD works closely with the NSCS Network to assist in coordinating national prosecution initiatives designed to counter the national security cyber threat. Department attorneys will continue to work with the IPR Center and NCIJTF to identify and de-conflict investigative leads, as well as assist the CHIP and NSCS Networks to ensure that investigations and prosecutions are streamlined, not duplicated, and that charges are brought in the appropriate venue.

Appendix A – Glossary

| | |
|----------------------------|--|
| A2C2 | Automotive Anti-Counterfeiting Council |
| AUSA | Assistant U.S. Attorney |
| BJA | Bureau of Justice Assistance |
| CBP | Customs and Border Protection |
| CCIPS | Computer Crime and Intellectual Property Section |
| CES | Counterintelligence and Export Control Section |
| CHIP | Computer Hacking and Intellectual Property |
| DMCA | <i>Digital Millennium Copyright Act</i> |
| DOJ | Department of Justice |
| EOUSA | Executive Office for United States Attorneys |
| FBI | Federal Bureau of Investigation |
| FBI's Annual Report | FBI Fiscal Year 2017 Report to Congress on Intellectual Property Enforcement |
| FY 2017 | Fiscal Year 2017 |
| IC | Integrated circuits |
| ICE-HSI | Immigration and Customs Enforcement's Homeland Security Investigations |
| IP | Intellectual property |
| IPCEWG | IP Criminal Enforcement Working Group |
| IPEC | Intellectual Property Enforcement Coordinator |
| IPEP | Intellectual Property Enforcement Program |
| IPLEC | Intellectual Property Law Enforcement Coordinator |
| IPR Center | National Intellectual Property Rights Coordination Center |
| JLG | U.S.-China Joint Liaison Group |
| NAC | National Advocacy Center |
| NCIJTF | National Cyber Investigative Joint Task Force |
| NSCS | National Security Cyber Specialists |
| NSD | National Security Division |
| NW3C | National White Collar Crime Center |
| OJP | Office of Justice Programs |
| OPDAT | Office of Overseas Prosecutorial Development, Assistance and Training |

PRC

People's Republic of China

PRO IP Act

*Prioritizing Resources and Organization for Intellectual
Property Act of 2008*

USPTO

U.S. Patent and Trademark Office