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Five Defendants Convicted in Relation to Multi-Million Dollar Counterfeit Cellphone Scheme

BOISE – a Federal jury in Idaho convicted five defendants yesterday for their roles in operating a \$41 million dollar scheme wherein they sold counterfeit cellphones and cellphone accessories on Amazon.com and eBay.com which they misrepresented as new and genuine Apple and Samsung products.

Pavel Babichenko, Piotr Babichenko, Timofey Babichenko, David Bibikov, and Mikhail Iyerusalimets were convicted of a total of 24 counts of conspiracy to commit wire fraud, conspiracy to traffic in counterfeit trademarked goods, wire fraud, mail fraud and trafficking in counterfeit goods, all in connection with the online sale of these counterfeit cellphones and accessories. Two defendants, Kristina Babichenko and Anna Iyerusalimets, were found not guilty. The convicted defendants face up to 20 years' imprisonment and a \$250,000 fine on the wire fraud and mail fraud counts. They face up to 10 years' imprisonment and a \$5,000,000 fine on the trafficking in counterfeit goods counts. Sentencing is scheduled for November 2 and 3, 2022 before U.S. District Judge B. Lynn Winmill, who presided over the trial.

During the nine-week trial, the jury heard evidence that the defendants obtained counterfeit cellphones and cellphone accessories in bulk from manufacturers in China, repackaged them in the Treasure Valley area of Idaho, and then individually resold them to consumers on Amazon and eBay as genuine and new. The defendants continued to sell these items despite receiving numerous notices from U.S. Customs and Border Protection that they were importing counterfeit items. The defendants also repeatedly ignored cease-and-desist letters from companies like Apple, Inc. and Samsung Electronics America. When companies like Amazon identified the defendants as sellers of counterfeit products and suspended their selling privileges, the defendants would submit fake invoices and plans of actions to regain access to Amazon's platform and convince the company to release proceeds of the scheme. This pattern lasted for approximately a decade, with the defendants changing company names and tactics when confronted about their infringing behavior.

"By trafficking in counterfeit cellphones, chargers, and batteries, the defendants led an organized criminal conspiracy that violated intellectual property rights, cheated the American consumer, and endangered the safety of the public for their own financial gain," said U.S. Attorney Josh Hurwit. "The U.S. Attorney's Office is committed to working with its federal law enforcement partners to identify, arrest, and prosecute those who defraud businesses and consumers in an attempt to line their own pockets. I want to thank the FBI and HSI special agents and analysts for their tireless work on this investigation and prosecution."

"These individuals scammed the public into buying fake electronic goods, endangering people with counterfeit products while diminishing trust in respected brands," said Special Agent in

Charge (SAC) Robert Hammer, who oversees HSI operations in the Pacific Northwest. “The dedicated work of HSI agents through federal partnerships with the FBI, U.S. Postal Inspection Service, IRS-CI, U.S. Marshals Service, combined with our Idaho law enforcement partners the Treasure Valley Metro Violent Crimes Task Force, Ada County Sheriff’s Office, Boise Police Department, and the Meridian Police Department led to the disruption of this fraudulent transnational scheme.”

“The verdicts demonstrate the FBI’s unwavering commitment to combatting transnational organized crime which pose the greatest threat to the national and economic security of the United States,” said Special Agent in Charge Dennis Rice of the Salt Lake City FBI. “Our strong partnerships in Idaho and around the world are instrumental in dismantling these groups which seek to profit vast sums of money defrauding the American people and businesses.”

U.S. Attorney Josh Hurwit made the announcement and commended the cooperative efforts of the joint investigation led by the FBI and Homeland Security Investigations, along with IRS-CI, the U.S. Postal Inspection Service, and the U.S. Marshals Service. These federal agencies were joined in the investigation by the Treasure Valley Metro Violent Crimes Task Force, the Ada County Sheriff’s Office, the Boise Police Department, and the Meridian Police Department.

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