



**United States Attorney's Office
District of Columbia**

**Channing D. Phillips
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PRESS RELEASE

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Three California Family Members Indicted in Connection with Sales of Counterfeit High Tech Parts to the U.S. Military

--counterfeit integrated circuits sold to the United States Navy--

Washington, D.C. - An eleven-count Indictment was unsealed on October 8, 2009, charging Mustafa Abdul Aljaff, 29, his sister, Marwah Felahy (formerly Aljaff), 32, and her husband, Neil Felahy, 32, all of Newport Coast, California, with Conspiracy, Trafficking in Counterfeit Goods or Services, and Mail Fraud, in connection with their sale of counterfeit integrated circuits to the United States Navy, announced Acting U.S. Attorney Channing D. Phillips, Special Agent in Charge James A. Dinkins, Immigration Customs Enforcement (ICE), Washington, D.C., Special Agent in Charge Sandy Macisaac, Naval Criminal Investigative Service (NCIS), Washington, D.C., and Special Agent in Charge Andre Martin, Internal Revenue Service (IRS), Criminal Investigation, Washington, D.C. Field Office.

On October 8, 2009, the government executed search warrants at three business locations, two residences, and a storage facility in California alleged to be connected to the case. The defendants were also arraigned in Federal District Court in California on October 8, 2009, and will make their appearances in U.S. District Court in Washington, D.C., where the case was indicted, at a date to be set in the near future.

As described in the Indictment, integrated circuits are a type of semiconductor that function as amplifiers, oscillators, timers, counters, computer memory, and microprocessors. Integrated circuits are used in a wide array of modern electronic products including consumer electronics and transportation, medical, aircraft, spacecraft, and military applications. The use of counterfeit integrated circuits can result in product malfunction or failure, and can also cause serious bodily injury from electrocution and, in some circumstances, death. Markings on integrated circuits that indicate a part is "military grade" signify that the part has been specially manufactured, among other things, to withstand extreme temperature ranges and high rates of vibration. Legitimate manufacturers subject such parts to specialized testing not used in the production of "commercial grade" parts. Military grade integrated circuits are sold to the U.S. Military at a higher price than commercial grade parts because of the special manufacture and testing required.

According to the Indictment, the defendants engaged in the interstate trafficking of counterfeit integrated circuits, in a variety of ways. They acquired integrated circuits from supply sources in China, imported them into the United States, and sold them to the public via the Internet. They also obtained trademark-branded integrated circuits from unknown sources, and then scraped, sanded, or ground off the original markings, repainted the devices in a process referred to as “black topping,” and remarked the devices with another trademark thereby fraudulently indicating, among other things, that the devices were of a certain brand, newer, higher quality, or were of military grade.

The defendants are alleged to have operated the conspiracy through a number of California companies: MVP Micro, Inc., BeBe Starr, Consulting, Inc., Red Hat Distributors, Inc. (also known as “RH Distributors”, and “Red Hot Distributors”), Force-One Electronics, Inc., Labra, Inc., subsequently renamed Labra Electronics, Inc., then Becker Components, Inc., and Pentagon Components, Inc. The defendants also operated websites related to those companies, including: www.mvpmicro.com, www.labrainc.com, www.rhdistributors.com, and www.pentagoncomponents.com.

As alleged in the Indictment, on March 3, 2009, June 26, 2009, and July 14, 2009, the defendants entered into contracts with the U.S. Navy and other government agencies for the sales of integrated circuits. Subsequently, the defendants shipped integrated circuits bearing false, counterfeit trademarks to the U.S. Navy, in Washington, D.C. The Indictment also alleges that on 22 separate occasions, the defendants imported into the United States from China and Hong Kong, approximately 13,073 integrated circuits bearing counterfeit trade marks, including military-grade markings, valued at approximately \$140,835.50. Those counterfeit integrated circuits bore the purported trademarks of a number of legitimate companies, including: Fujitsu, Analog Devices, Inc., Atmel Corporation, ST Microelectronics, Inc., Altera Corporation, Intel Corporation, Elantec Semiconductor, Inc., TDK Corporation, National Semiconductor, Inc., and VIA Technologies, Inc.

“Product counterfeiting undermines the value of trademarks by allowing perpetrators to benefit economically from the hard work, ingenuity, and investment of others,” said Acting U.S. Attorney Phillips. “This case highlights the significant potential impact such crimes also can have on public health and safety as well as national security. We will aggressively investigate and prosecute those who seek to profit by engaging in product counterfeiting to the detriment of legitimate rights holders.”

“The illegal importation of counterfeit products into the United States represents not just an economic and public safety threat, but can also impact the safety and security of U.S. Department of Defense personnel and our nation's security. Immigration and Customs Enforcement is determined in its efforts to pursue and bring to justice those seeking to engage in these illicit activities,” said Jim Dinkins, Special Agent in Charge, ICE.

"Contract fraud--in this case, product substitution involving counterfeit microchips--presents a security and safety risk to our sailors and marines. NCIS will continue to aggressively investigate these criminal cases in order to prevent any defective material from entering the DoD

(Department of Defense) supply system," said Sandy Macisaac, Special Agent in Charge, NCIS, Washington Field Office, Washington D.C.

Based upon the conduct alleged in the Indictment, the defendants face possible statutory sentences of up to 5 years incarceration and a fine of \$250,000, for the crime of Conspiracy, up to 20 years incarceration and a fine of \$250,000, for each count of Mail Fraud, and up to 10 years incarceration and a fine of \$5,000,000, for each count of Trafficking in Counterfeit Goods or Services. In addition, the defendants could face an order of restitution, a term of supervised release, and an order of forfeiture and destruction. Under the U.S. Sentencing Guidelines, there is a likely sentence of 63-78 months incarceration. However, the potential sentence is subject to increase pending continuing investigation.

In announcing the arrests and Indictment today, Acting U.S. Attorney Phillips, Special Agent in Charge Macisaac, Special Agent in Charge Dinkins, and Special Agent in Charge Martin commended the work of ICE Special Agents Misty Price and Julie Hilario, NCIS Assistant Program and Operations Director for Economic Crimes, Marie R. Acevedo, NCIS Special Agents Erin Michaels and Stewart Thompson (Ret.), NCIS Forensic Auditor Stephen Green, IRS Special Agent Troy Burrus, and the staff of the U.S. Attorney's Office, including Paralegals Carolyn Cody and Diane Hayes, and Assistant U.S. Attorneys Sherri L. Schorntein and Daniel Friedman, who are prosecuting the case. They also acknowledged Retired Vice Admiral Albert H. Konetzni, Jr., as well as the Semiconductor Industry Association, STMicroelectronics, Inc., Texas Instruments, Inc., Analog Devices, Inc., and National Semiconductor, Inc.

An Indictment is merely a formal charge that a defendant has committed a violation of criminal laws and every defendant is presumed innocent until, and unless, proven guilty.

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