



United States Attorney's Office District of Columbia

Channing D. Phillips

United States Attorney

PRESS RELEASE

FOR IMMEDIATE RELEASE

USAO Public Affairs

Wednesday, January 13, 2010

(202)(514-6933

www.usdoj.gov/usao/dc

California MVP Micro, Inc. Owner Pleads Guilty 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. - Mustafa Abdul Aljaff, 30, of Newport Coast, California, pleaded guilty today to Counts One and Six of an Indictment charging him and others with Conspiracy to Traffic in Counterfeit Goods and to Defraud the United States, in violation of Title 18, United States Code, Section 371 and Trafficking in Counterfeit Goods, in violation of Title 18, United States Code, Section 2320, announced U.S. Attorney Channing D. Phillips, Special Agent in Charge John Torres, Immigration Customs Enforcement (ICE), Washington, D.C., Special Agent in Charge Sandy Macisaac, Naval Criminal Investigative Service (NCIS), Washington, D.C., Special Agent in Charge Andre Martin, Internal Revenue Service (IRS), Criminal Investigation, Washington, D.C. Field Office, and Special Agent in Charge, Washington Regional Office, Kathryn Jones, U.S. Department of Transportation, Office of Inspector General (DOT OIG).

The guilty plea was entered before U.S. Magistrate Judge Deborah Robinson. Aljaff faces a statutory sentence for the crime of Conspiracy of up to 5 years incarceration, a fine of \$250,000, a one-year term of supervised release, and an order of restitution. For the crime of Trafficking in Counterfeit Goods, he faces up to 10 years incarceration, a fine of \$2,000,000, a three-year term of supervised release, an order of restitution, and an order of forfeiture and destruction for articles bearing or consisting of counterfeit marks and for any property used to commit or facilitate the commission of the offense. As part of the plea agreement, Aljaff agreed to forfeit to the United States industrial machinery which is designed to be used in the examination, testing, packaging, de-marking, and marking of integrated circuits, computer network servers, and his integrated circuit inventory, all of which was seized from his business location in connection with the execution of a search warrant on October 8, 2009. Under the U.S. Sentencing Guidelines, Aljaff faces a sentence of as much as 46-57 months incarceration, depending on certain factual issues to be decided by the sentencing court. Aljaff's sentencing

will likely occur in the Summer of 2010, before the Honorable Emmet G. Sullivan, United States District Court Judge, before whom the case is pending.

The guilty plea arises in connection with an eleven-count Indictment, unsealed on October 8, 2009, which charges Mustafa Abdul Aljaff, 30, 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.

As described in the Indictment and other pleadings filed with the court, 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 indicate a part is “commercial-grade,” “industrial-grade,” or “military grade.” Military grade markings 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 differently graded parts. Military grade integrated circuits are sold to the U.S. Military at a higher price than commercial or industrial grade parts because of the special manufacture and testing required.

According to the Indictment and other documents filed with the court, Aljaff and others engaged in the interstate trafficking of counterfeit integrated circuits, in a variety of ways. First, they acquired counterfeit integrated circuits from supply sources in China, imported them into the United States, and sold them via the Internet. Second, they acquired counterfeit integrated circuits from other distributors within the United States. Third, they obtained integrated circuits then sent them to another entity where the original markings were removed and the devices were remarked with that or another trademark and other markings thereby fraudulently indicating, among other things, that the devices were of a certain brand, and were newer, higher quality or of a certain grade, including military grade. Fourth, the defendants “harvested” dies from integrated circuits then sent them to another entity where they were repackaged to appear new, including trademarks and other markings indicating that the devices were of a certain brand, higher quality or were of a certain grade.

Aljaff and others 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. They also operated websites related to those companies, including: www.mvpmicro.com, www.labrainc.com, www.rhdistributors.com, and www.pentagoncomponents.com.

The Indictment alleged that on March 3, 2009, June 26, 2009, and July 14, 2009, Aljaff and others entered into contracts with the U.S. Navy and other government agencies for the sales of integrated circuits. Subsequently, they shipped integrated circuits bearing false, counterfeit trademarks to the U.S. Navy, in Washington, D.C. During the proceedings today, Aljaff agreed that on 23 separate occasions, that he and others 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, particularly of items for use by our armed forces, creates a risk to public safety and national security. There is also a concomitant harm to the economy and to those trademark holders whose creativity, investment of resources, and hard work brought the goods to market, said U.S. Attorney Phillips. “We will aggressively prosecute those who engage in product counterfeiting and who expose our military, other industry sectors, and the public to harm.”

“This investigation demonstrates the successes that can be achieved through the collaborative efforts of the private sector and the federal government to halt the importation and distribution of counterfeit commodities,” said John P. Torres, Special Agent in Charge for U.S. Immigration and Customs Enforcement (ICE), Washington Field Office. “ICE remains committed to aggressively pursuing individuals and organizations engaging in intellectual property rights crimes that threaten the safety of the American public.”

"NCIS continues to aggressively pursue individuals who sell counterfeit goods to the Department of the Navy, as it undermines the Navy's ability to defend the nation. The integrity of the war fighting capabilities of our country is dependent upon ensuring the highest possible quality of the systems, machines and technology used by our service members. This case represents how close coordination and partnership between NCIS, ICE and the Department of Justice can achieve success in thwarting defective material from entering the Navy's supply chain" said Sandy MacIsaac, Special Agent in Charge, NCIS, Washington Field Office, Washington D.C.

In announcing the guilty plea today, U.S. Attorney Phillips, Special Agent in Charge Macisaac, Special Agent in Charge Torres, Special Agent in Charge Jones, and Special Agent in Charge Martin commended the work of ICE Special Agent Misty Price, 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, US DOT Special Agent Jameel Bagby, and the staff of the U.S. Attorney's Office, including Paralegals Carolyn Cody, Diane Hayes, Sarah Reis, Sierra Tate, Mary Treanor, Maggie McCabe, and Assistant U.S. Attorney Sherri L. Schornstein, who is prosecuting the case. They also acknowledged the Semiconductor Industry Association, STMicroelectronics, Inc., Texas Instruments, Inc., Analog Devices, Inc., and National Semiconductor, Inc. for their cooperation and assistance. Also acknowledged were the Customs and Border Protection

Officers who prevented counterfeit goods from entering the United States via stops of certain shipments at the U.S. ports of entry.