



The United States Attorney's Office

FOR IMMEDIATE RELEASE

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TWO INDIVIDUALS CONVICTED OF IMPORTING AND SELLING COUNTERFEIT CISCO COMPUTER NETWORKING EQUIPMENT

WASHINGTON – Chun-Yu Zhao, of Centreville, Va., and Donald H. Cone, of Frederick, Md., were convicted by a federal jury in Alexandria, Va., for their roles in a sophisticated scheme to import and sell counterfeit Cisco-branded computer networking equipment, announced U.S. Attorney Neil H. MacBride for the Eastern District of Virginia and Assistant Attorney General Lanny A. Breuer of the Justice Department's Criminal Division.

In addition to the conspiracy conviction, Zhao was convicted of 15 additional counts, including importation fraud, trafficking in counterfeit goods and labels, false statements to law enforcement, false statements in naturalization and money laundering. She was acquitted on one count of false statements and one count of money laundering. The jury reached its verdict on May 24, 2011, after a 12-day trial and nearly four days of deliberations. Today, the jury returned a verdict regarding the forfeiture of numerous assets associated with Zhao, including two Porsches, one Mercedes, seven bank accounts containing more than \$1.6 million, and four homes and three condominiums with a total value of more than \$2.6 million.

“Zhao operated the U.S. headquarters of a Chinese company that was in the business of stealing intellectual property and defrauding customers,” said U.S. Attorney MacBride. “Customs and Border Protection and criminal investigators from Immigration and Customs Enforcement did an exceptional job of detecting this operation, despite the numerous false names and addresses used by Zhao to fly beneath the radar for many years. Zhao’s days of taking in millions of dollars from unsuspecting U.S. consumers and businesses are over.”

“Zhao and her co-conspirators trafficked in counterfeit networking equipment, to the detriment of consumers and of Cisco,” said Assistant Attorney General Breuer. “Intellectual property crime is a serious threat, and one that we are working hard with our law enforcement partners to fight. These guilty verdicts are strong signals to would-be counterfeiters and other intellectual property criminals that fighting these crimes is a priority for this Justice Department.”

“The creation, trafficking and sale of counterfeit goods is not a victimless crime,” said John Torres,

U.S. Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HSI) Special Agent in Charge in the District of Columbia. “Products that are produced and sold illegally do harm to trademark holder’s brand name and to consumers who thought they were obtaining a genuine product. This case is an example of a scheme that robbed the legitimate companies that made these products, undermined the U.S. economy by robbing Americans of jobs, stifled American innovation and promoted other types of crime like money laundering.”

According to the evidence introduced at trial, Zhao, Cone and Zhao’s family members in China operated a large-scale counterfeit computer networking equipment business under the name of Han Tong Technology (Hong Kong) Limited. Zhao and her associates used a number of sophisticated schemes to defraud U.S.-based purchasers through a Virginia-based company called JDC Networking Inc. JDC Networking Inc. altered Cisco products by using pirated software, and created labels and packaging in order to mislead consumers into believing the products it sold were genuine Cisco products. To evade detection, Zhao used various names and addresses in importation documents, and hid millions of dollars of counterfeit proceeds through a web of bank accounts and real estate held in the names of her family members in China.

Sentencing for Cone is scheduled for Aug. 19, 2011, at 9:00 a.m. Zhao is scheduled to be sentenced on Aug. 26, 2011, at 9:00 a.m. At sentencing, the defendants face a maximum sentence of five years in prison and a \$250,000 fine on the conspiracy charge. Zhao also faces 20 years in prison and a \$250,000 fine for each count of importation and sale of improperly declared goods, as well as 20 years in prison and a \$500,000 fine or twice the value of the property involved in the transaction for money laundering. She faces a maximum of 10 years in prison on each count of trafficking in counterfeit goods and a \$2 million fine. On the false statement in naturalization charge, she faces 10 years in prison and a \$250,000 fine. Finally, she faces 10 years in prison and a fine of \$250,000 or twice the amount of the transaction on the charge of monetary transactions with criminally derived proceeds.

The case was investigated by ICE HSI’s Washington, D.C., Office, as well as the offices of the Inspector Generals from the General Services Administration and the U.S. Department of the Interior. U.S. Customs and Border Protection made a criminal referral to the department after intercepting counterfeit products from China destined for addresses associated with Zhao and JDC Networking Inc.

The case is being prosecuted by Assistant U.S. Attorneys Jay Prabhu and Lindsay Kelly from the Eastern District of Virginia, and Senior Counsel Michael Stawasz from the Computer Crime and Intellectual Property Section in the Justice Department’s Criminal Division.

The conviction announced today is part of a larger department-wide effort led by the Department of Justice Task Force on Intellectual Property (IP Task Force). Attorney General Eric Holder created the IP Task Force to combat the growing number of domestic and international intellectual property crimes, protect the health and safety of American consumers, and safeguard the nation’s economic security against those who seek to profit illegally from American creativity, innovation and hard work. The IP Task Force seeks to strengthen intellectual property rights protection through heightened criminal and civil enforcement, greater coordination among federal, state and local law enforcement partners, and increased focus on international enforcement efforts,

including reinforcing relationships with key foreign partners and U.S. industry leaders. To learn more about the IP Task Force, go to www.justice.gov/dag/iptaskforce/.