Intellectual Property Spotlight



Contents

Introduction 1
Significant Sentences in IP Crimes 2
Combating Trade Secret Theft 3
Health and Safety 3
Enforcing Our Rights Internationally 4
Coordination with State and Local Law Enforcement 4

Introduction

In September and October, the Administration was actively engaged in the fight against intellectual property theft and counterfeit and pirated goods:

On October 3, Attorney General Eric Holder, Deputy Attorney General James Cole, U.S. Attorney for the District of Maryland Rod Rosenstein, and Bureau of Justice Assistance Deputy Director Kristen Mahoney announced more than $2.4 million in grants to 13 states and municipalities as part of the 2012 Intellectual Property Crime Enforcement Program. The grants will assist enforcement by improving the ability to enforce, investigate, and prosecute IP crimes.

Also on October 3, U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI), in coordination with the Department of Justice (DOJ), executed seizure warrants for 686 U.S.-based domain names linked to the sale of counterfeit pharmaceutical drugs as part of Operation Pangea V. In all, Pangea V involved a record **100 participating countries** and led to the shutdown of **more than 18,000 illegal pharmacy websites** and the seizure of about **$10.5 million** worth of pharmaceuticals worldwide.

On October 10, as a result of investigations by ICE-HSI, the U.S. Department of Transportation's National Highway Traffic Safety Administration issued a consumer safety advisory to alert vehicle owners and repair professionals to the dangers of counterfeit airbags.

On October 18, the DOJ Criminal Division and U.S. Attorney's Office for the Eastern District of Virginia announced the unsealing of an indictment charging Kolon Inc., a Korean chemical manufacturer, with engaging in a campaign to steal trade secrets owned by DuPont. The indictment seeks at least $225 million in forfeiture.

Victoria A. Espinel

U.S. Intellectual Property Enforcement Coordinator

Significant Sentences in IP Crimes

Federal law enforcement obtained significant sentences against defendants charged with intellectual property crimes, including the following:

- 46 Months – California Man Sentenced for Counterfeit Media Conspiracy; Woman Pleads Guilty to Same Conspiracy: On October 15, 2012, Mariano Vega Hernandez was sentenced to three years and 10 months in prison for conspiring to traffic in counterfeit media, including music CDs and motion picture DVDs. Earlier, on September 17, 2012, Vicenta Munoz-Peralta pleaded guilty to the same conspiracy. The total retail value of copyrighted media that was counterfeited in the conspiracy exceeded $2 million. (USAO E.D. Cal., FBI, Sacramento Valley Hi-Tech Crimes Task Force, Stanislaus County Sheriff's Department)
- 44 Months – Pennsylvania Man Sentenced to Prison for Trafficking in Counterfeit Goods: On October 3, 2012, Yi Ping Zheng was sentenced to 44 months in prison for trafficking in counterfeit goods. Zheng had pleaded guilty in July 2012 after ICE-HSI special agents seized more than 3,000 pieces of counterfeit merchandise from his business, including fake luxury items and apparel, with an estimated MSRP of $1.25 million. (ICE-HSI, USAO E.D. Pa.)
- 40 months – South Korean National Sentenced to Prison for Criminal Copyright Infringement: On October 12, 2012, Sang Jin Kim was sentenced to 40 months in prison for two counts of criminal copyright infringement. The individual was indicted in December 2011 and pleaded guilty in July 2012. According to court documents, Kim had operated websites which allowed members of the public to download pirated copies of movies, television shows, software, and workout DVDs. (ICE-HSI, USAO W.D. Wash.)
- 36 Months – Seven Michigan Individuals in Counterfeit Goods Organization Sentenced: On October 16, 2012, Hassan Aoun was sentenced to 36 months in federal prison based upon his April 2012 conviction by a jury for conspiracy to traffic in counterfeit goods and three counts of trafficking in counterfeit goods. Six other members of the Aoun Organization also pleaded guilty to conspiring to traffic in counterfeit goods and were similarly sentenced. Evidence at trial established that between 2004 and 2010, the Aoun Organization imported counterfeit goods, including luxury items and apparel, that they transported from New York and sold at their retail stores in the Detroit area. (USAO E.D. Mich., FBI, IRS)
- 30 Months – Sacramento Man Sentenced to Prison for Trafficking in Counterfeit Media: On September 24, 2012, Abel Febala Zaragoza was sentenced to 30 months in prison for trafficking in counterfeit CDs and DVDs. According to court documents, Zaragoza sold counterfeit CDs and DVDs with counterfeit labels, documentation, and packaging to the public in Sacramento. Approximately 546 counterfeit motion picture DVDs and 18,299 counterfeit music CDs were seized from Zaragoza's possession. (USAO E.D. Cal., FBI, Sacramento Valley Hi-Tech Crimes Task Force)
- 27 Months – San Jose Resident Sentenced to Prison for Selling Counterfeit Movies: On October 30, 2012, Ricardo Blanco was sentenced to 27 months in prison for criminal copyright infringement. He admitted in his plea agreement that he operated a store in San Jose where he sold unauthorized copies of movies, that he manufactured thousands of unauthorized copies of movies to sell in his store, and that he hired several individuals to make copies of the movies. (USAO E.D. Cal., FBI)

Combating Trade Secret Theft

Indictment Unsealed in Korean Trade Secret Theft Case

On October 18, 2012, the DOJ Criminal Division and U.S. Attorney's Office for the Eastern District of Virginia announced the unsealing of an indictment charging Kolon Inc., a Korean chemical manufacturer, and several of its senior executives with engaging in a multi-year campaign to steal trade secrets related to various Kevlar fibers produced by DuPont. According to the indictment, from July 2002 through February 2009, Kolon allegedly sought to improve its Heracron product by targeting current and former employees at DuPont and Teijin, hiring them to serve as consultants, and then asking those consultants to reveal information that was confidential and proprietary. The indictment seeks at least $225 million in forfeiture. (USAO E.D. Va., DOJ CCIPS and Criminal Fraud, FBI)

Health and Safety

Law Enforcement Arrest Several Individuals for Trafficking in Counterfeit Airbags

On October 10, 2012, as a result of investigations by ICE-HSI, the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA) issued a consumer safety advisory to alert vehicle owners and repair professionals to the dangers of counterfeit airbags.



"Organized criminals are selling dangerous counterfeit and substandard airbags to consumers and suppliers with little to no regard to hazardous health and safety consequences," said ICE Director John Morton.

Following the announcement, law enforcement activities relating to counterfeit airbags included the arrest of two Detroit men on October 15 for trafficking in counterfeit airbags and a North Carolina man's October 22 guilty plea to trafficking in counterfeit airbags. In the latter case, court records show that ICE-HSI special agents recovered over 1,600 counterfeit airbags from the individual's business and residence. Court records also show that the man sold at least 7,000 counterfeit airbags online, and between February 2011 and May 2012, he earned at least $1.4 million in revenue from eBay sales of counterfeit airbags.

ICE-HSI Seizes 686 Websites Selling Counterfeit Medicines

On October 3, 2012, as part of an international effort to dismantle the global online counterfeit drug trade, ICE-HSI, in coordination with the Department of Justice, executed seizure warrants for 686 U.S.-based domain names linked to the sale of counterfeit pharmaceutical drugs. The domain name seizures were a result of an In Our Sites Operation dubbed "Project Bitter Pill," managed by the IPR Center.

Project Bitter Pill was a part of Operation Pangea V, which ran from September 25 and October 2, 2012. Operations were conducted in Europe and throughout the United States that targeted websites linked to the illegal Internet supply of pharmaceuticals. U.S. Customs and Border Protection (CBP) intercepted packages that were believed to contain fake or illicit drugs, and payment processing companies supported the Operation by identifying and blocking payments connected to illicit online pharmacies, identifying individuals responsible for sending spam emails, and identifying abuse of electronic payment systems. In all, Pangea V involved a record **100 participating countries** and led to the shutdown of **more than 18,000 illegal pharmacy websites** and the seizure of about **$10.5 million** worth of pharmaceuticals worldwide. FBI

Distributor of Counterfeit Pharmaceuticals Sentenced to Prison: On September 20, 2012, Luis Angel Garcia Torres was sentenced to 21 months in prison on 12 counts related to the sale of counterfeit pharmaceuticals. He was convicted by a jury on all counts following a four-day trial. During trial, evidence established that Torres had operated an online business selling counterfeit Viagra and Cialis pharmaceutical drugs. (USAO S.D.Tex., ICE-HSI, FDA OCI)

New Zealand National Sentenced to Prison for Trafficking in Counterfeit Pharmaceuticals: On October 12, 2012, Robin Han was sentenced to serve 18 months in federal prison after pleading guilty to three counts of criminal counterfeiting. Han, a New Zealand citizen and resident of China, sold counterfeit drugs over the Internet. (USAO C.D. Cal., ICE-HSI, CBP)

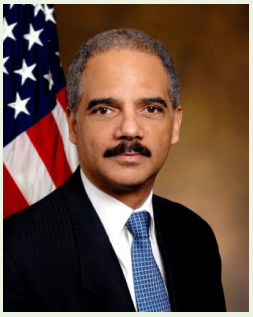
Enforcing Our Rights Internationally

Paraguayan Authorities Partner with ICE-HSI to Seize More Than $34 Million in Counterfeit Goods: Between 2011 and 2012, ICE-HSI provided extensive training and capacity building to Paraguay's customs office and other Paraguayan law enforcement partners, leading to extensive seizures of counterfeit goods. For example, on September 26, Paraguayan Customs, working with ICE-HSI, identified and seized a shipment of counterfeit gaming systems. On October 16, Paraguayan authorities, working collaboratively with ICE-HSI, seized counterfeit merchandise, including fake luxury watches and counterfeit cellular phones, with a manufacturer's suggested retail price (MSRP) of $34 million. The seizures are a result of ICE-HSI's Illicit Pathways Attack Strategy, designed to target transnational organized crime (TOC) and focus resources in a manner that best targets, disrupts and dismantles TOC while maximizing efficiency.

Coordination with State and Local Law Enforcement

Attorney General Eric Holder and Justice Department Officials Announce More Than $2.4 Million in Grants to Combat Intellectual Property Theft

On October 3, 2012, Attorney General Eric Holder, Deputy Attorney General James Cole, U.S. Attorney for the District of Maryland Rod Rosenstein, and Bureau of Justice Assistance (BJA) Deputy Director Kristen Mahoney announced more than $2.4 million in grants to 13 states and municipalities as part of the 2012 Intellectual Property Crime Enforcement Program.



"IP theft is not a victimless crime. It can devastate lives and businesses as well as undermine our nation's financial stability, jeopardize the health of our citizens, and even threaten our national security," said Attorney General Eric Holder.

The grants are provided through the Justice Department's BJA and will assist 13 jurisdictions in enforcing criminal laws related to IP theft, through improving their ability to enforce, investigate, prosecute and implement prevention initiatives that address IP crimes. Since the inception of the Intellectual Property Crime Enforcement Program, BJA has awarded over $13 million in grants to fight IP theft.

Jurisdictions receiving grants include the following: Baltimore County, Maryland; Board of Police Commissioners, St. Louis Metropolitan Police; California Department of Justice, California; City of Austin, Texas; City of Central Point Police Department, Oregon; City of Los Angeles, California; City of Orlando, Florida; City of San Antonio, Texas; Cook Country Sherriff's Office, Illinois; New York County District Attorney's Office, New York; Office of the District Attorney for Riverside County, California; Sacramento County, California; and Virginia State Police, Virginia.



If you feel that you have been the victim of an intellectual property crime, you can report the crime by clicking on the button to the left, calling the IPR Center at 1-866-IPR-2060, or contacting a field office of the FBI. To help you determine what to do when reporting an intellectual property crime, see DOJ's "Reporting Intellectual Property Crime: A Guide for Victims of Counterfeiting, Copyright Infringement, and Theft of Trade Secrets." DOJ also has created forms/checklists that identify the information you will need to provide when referring copyright infringement and trademark offenses and theft of trade secrets.

If you would like to subscribe to the newsletter in the future, email IntellectualProperty@omb.eop.gov. If you would like more information about the Office of the IPEC, including a copy of the 2010 Joint Strategic Plan on Intellectual Property Enforcement, please visit our website.