

# Red Notice

A monthly update on global investigations and prosecutions

**Akin Gump**  
STRAUSS HAUER & FELD LLP

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## ANTICORRUPTION DEVELOPMENTS

### [Additional Parents Plead Guilty and Receive Sentences in College Admissions Scandal](#)

On March 31, 2020, U.S. District Court Judge Nathaniel Gorton for the District of Massachusetts sentenced California resident Elizabeth Henriquez to seven months in prison, two years of supervised release and a \$200,000 fine for her role in the ongoing college admissions scandal known as Operation Varsity Blues. Henriquez had previously pleaded guilty to conspiracy to commit mail and wire fraud, honest services mail and wire fraud, and conspiracy to commit money laundering. She admitted to paying former college admissions consultant, William “Rick” Singer, to arrange for her children’s SAT scores to be corrected and paying an additional \$400,000 to present her daughter as a tennis recruit to a prominent university despite the fact that the girl did not play competitive tennis.

On March 13, 2020, Canadian citizen and former Canadian Football League player David Sidoo pleaded guilty to one count of conspiracy to commit wire fraud after paying Singer \$200,000 to arrange for a third individual to take his son’s college entrance exams. The individual who took the tests, Mark Riddell, has also pleaded guilty. Sidoo’s sentencing has been set for July 15, 2020.

On February 25, 2020, Judge Gorton sentenced Michelle Janavs for her role in the Varsity Blues scandal. Janavs paid \$100,000 to have a test proctor modify the test scores of her two daughters, and also agreed to pay Singer \$200,000 to have one of her daughters falsely tagged as a beach volleyball recruit. Janavs was sentenced to five months in prison, a \$200,000 fine and two years’ supervised release after pleading guilty to conspiracy to commit fraud and money laundering.

On February 7, 2020, Judge Gorton sentenced Douglas Hodge, former CEO of prominent investment management company, to nine months in prison, \$750,000 in fines and 500 hours of community service for his role in a similar scheme. Hodge paid more than \$850,000 to Singer over the course of a decade to obtain improper advantages for five of his seven children in the college admissions process. Hodge paid an unreported sum to a

prominent university tennis coach, who has also been charged in the scandal, to falsely flag one of his daughters as a tennis recruit. Hodge also paid \$200,000 to have another daughter improperly identified as a soccer recruit for a different university in 2012. Hodge pleaded guilty to conspiracy to commit mail fraud and money laundering.

As part of the widespread investigation [previously covered](#) by Red Notice, at least 31 people have already pleaded guilty for their roles in the college admissions scandal out of the 53 defendants charged thus far.

#### **More information**

- [DOJ Press Release \(Elizabeth Henriquez\)](#)
  - [Law360 \(David Sidoo\)](#)
  - [The Wall Street Journal \(Michelle Janavs\)](#)
  - [Law360 \(Douglas Hodge\)](#)
- 

### **New Trial Ordered in FCPA Corruption Case**

On March 11, 2020, U.S. District Court Judge Allison Burroughs threw out two Foreign Corrupt Practices Act (FCPA) convictions due to errors by one of the defense attorneys. As [previously covered](#) by Red Notice in June 2019, co-defendants Joseph Baptiste, a former U.S. Army colonel, and Roger Boncy, a former Haitian ambassador, were found guilty of conspiring to violate the FCPA along with other charges based on their roles in a scheme that solicited improper payments related to a Haitian port development project. However, the court recently found that Baptiste's attorney, Donald LaRoche, failed to review discovery and subpoena witnesses that could have helped his client. Judge Burroughs determined that these failings, along with additional shortcomings in the representation, established a "reasonable probability" that Baptiste was prejudiced by the defense. Judge Burroughs ordered a new trial for both defendants.

#### **More information**

- [Law360](#)
  - [The FCPA Blog](#)
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### **Energy Executive Sentenced to More than One Year for Money Laundering**

On March 6, 2020, Lawrence Hoskins, a former executive of French power and transportation company Alstom SA, was sentenced to 15 months in prison on money laundering charges. These charges stem from a scheme in which Hoskins hired consultants to make corrupt payments to Indonesian officials in order to obtain a \$118 million energy contract from 2002 to 2004. Hoskins was found guilty by a jury last year on conspiracy, money laundering and FCPA charges, but a week before Hoskins' sentencing, U.S. District Court Judge Janet Bond Arterton determined that prosecutors failed to establish that Hoskins—a British citizen who worked for Alstom in Paris and never visited the United States—was an agent of the former Alstom U.S. subsidiary alleged to have violated the FCPA. Accordingly, Judge Arterton overturned the jury's verdict and acquitted Hoskins of seven FCPA violations.

In 2014, Alstom agreed to pay \$772 million to the Department of Justice (DOJ) to resolve criminal charges that it paid more than \$75 million to win energy contracts around the world. Four other individuals have pleaded guilty as a result of the DOJ probe into the scheme, and charges were recently unsealed against two former Alstom executives.

#### **More information**

- [The Wall Street Journal](#)
  - [Law360](#)
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## Pharmaceutical Company Pays \$8.8 Million to Settle FCPA Charges with SEC

On February 28, 2020, Cardinal Health Inc., an Ohio-based pharmaceutical distributor, agreed to pay \$8.8 million to resolve charges that it violated the books and records and internal accounting control provisions of the FCPA. Between 2010 and 2016, Cardinal China formally employed thousands of employees and managed marketing accounts on behalf of a European supplier of non-prescription dermocosmetic products. According to the Securities and Exchange Commission's (SEC) Order, Cardinal China's marketing employees directed payments to state-employed health care professionals and state-owned retail companies to boost product sales, and pursuant to a profit sharing agreement, Cardinal China took a percentage of the profits derived from those improper payments. Due to Cardinal Health's alleged failure to apply proper accounting controls, it regularly authorized these payments and did not maintain complete and accurate books and records concerning the marketing accounts. Cardinal Health agreed to pay \$5.4 million in disgorgement, \$2.5 million in civil penalties and \$916,887 in prejudgment interest to resolve the charges.

### More information

- [SEC Press Release and Order](#)
  - [The Wall Street Journal](#)
  - [The FCPA Blog](#)
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## Former Union Official Sentenced to 28 Months in Prison for Pay-to-Play Scheme

On February 19, 2020, Michael Grimes, a former United Auto Workers (UAW) official, was sentenced to 28 months in prison for accepting over \$1.5 million in improper payments from UAW vendors and for conspiring to launder the proceeds. Grimes pleaded guilty in September 2019 to wire fraud and money laundering charges for his involvement in the scheme.

Beginning in 2006, Grimes conspired with two other high-level UAW officials, both of whom have also pleaded guilty, to seek and accept millions of dollars in improper payments from vendors seeking contracts with UAW's Center for Human Resources (CHR). Specifically, Grimes and the other officials demanded payments in exchange for approving lucrative vendor contracts with CHR for watches, jackets, backpacks and other branding. Throughout the 12-year scheme, Grimes collected over \$1.5 million in improper payments, which he spent on property, houses, cosmetic surgery for a relative and other personal expenses. As part of his plea, he will forfeit this sum.

As [previously covered](#) by Red Notice, Grimes is one of at least nine defendants to plead guilty in connection with an ongoing criminal investigation into the UAW's pay-to-play scheme, including vendor officials at Fiat Chrysler Automobiles and other UAW personnel.

### More information

- [DOJ Press Release](#)
  - [Law360](#)
- 

## Texas Man Sentenced to Prison for His Role in PDVSA Corruption Scheme

On February 19, 2020, Alfonzo Eliezer Gravina Munoz, a Texas resident and former procurement officer for Petroleos de Venezuela S.A. (PDVSA), Venezuela's state-owned energy company, was sentenced to 70 months of prison and ordered to pay restitution of \$215,000 for conspiracy to commit money laundering, tax evasion and obstruction of justice. Gravina's sentence follows an investigation by the DOJ into his receipt of approximately \$590,000 in improper payments from 2007 to 2014 in exchange for helping U.S.-based energy companies secure contracts with PDVSA. Gravina previously pleaded guilty to the money laundering and tax charges under a cooperation plea agreement in 2015, and the DOJ secured a \$590,446 forfeiture order against him pursuant to that plea in 2017. However, Gravina subsequently withheld information from the DOJ and warned

another individual about the ongoing investigation. These actions resulted in the destruction of evidence and an attempt by an individual under investigation to flee the country. Gravina was charged with and pleaded guilty to an additional count of obstruction in 2018.

As [previously covered](#) by Red Notice, Gravina's case is part of an ongoing DOJ investigation into corruption involving PDVSA in which at least 26 individuals have been charged and 20 have pleaded guilty.

#### **More information**

- [DOJ Press Release](#)
  - [The Wall Street Journal](#)
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### **NCAA Corruption Witness Avoids Prison, Ordered to Pay \$1.56 Million in Restitution**

On February 6, 2020, Marty Blazer, a formal financial advisor, received a sentence of time served for his improper use of client funds due to his extensive assistance in the DOJ's widespread investigation into corruption surrounding National Collegiate Athletic Association (NCAA) basketball. After admitting to using client funds to support various troubled investments, Blazer traveled across the country to assist investigators examining corruption in NCAA basketball. Blazer recorded conversations to help uncover a scheme in which improper payments were allegedly used to steer athletes to particular schools and business ventures. His cooperation led to the investigation, and in some cases conviction, of multiple individuals including coaches and business executives, as [previously covered](#) by Red Notice. Blazer was also ordered to pay restitution and forfeit approximately \$2.4 million.

#### **More information**

- [Law360](#)
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### **DOJ Criminal Fraud Section Releases 2019 Year in Review Report**

In February 2020, the DOJ's Criminal Fraud section published its annual year in review report including statistics on FCPA prosecutions and case resolutions. Reflecting its commitment to prosecute individuals involved in corruption, the DOJ charged 34 individuals with FCPA violations in 2019 and achieved 30 convictions. In addition, the DOJ reached nine corporate resolutions, including two declinations with disgorgement, resulting in monetary penalties of more than \$2.8 billion globally.

#### **More information**

- [DOJ Fraud 2019 Year in Review Report](#)
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### **SEC Issues Whistleblower Determinations**

On March 30, 2020, the SEC announced a whistleblower award of \$450,000. This whistleblower held a compliance role within his or her organization, reported the wrongdoing internally and waited 120 days before reporting the information to the SEC. This award represents only the third time that the SEC has made an award to an individual with compliance responsibilities.

On March 24, 2020, the SEC announced additional whistleblower awards of more than \$570,000 to a pair of whistleblowers who each provided original information to the SEC. The first whistleblower received an award of approximately \$478,000 and provided information to multiple agencies regarding the underlying conduct. The second whistleblower received an award of approximately \$94,000. The SEC also denied a whistleblower award on this date because it was submitted more than five years after the filing deadline.

On March 23, 2020, the SEC announced a further whistleblower award of \$1.6 million. Although the SEC determined that the whistleblower unreasonably delayed in disclosing relevant information, the information would otherwise have been difficult for the SEC to detect and resulted in the SEC opening an investigation that led to a successful enforcement action.

On February 28, 2020, the SEC announced a whistleblower award of more than \$7 million based on the whistleblower's "extensive and ongoing assistance" to uncover a "complex" scheme.

Whistleblower awards—provided for under the Dodd-Frank Act—can range from 10 to 30 percent of the money collected from monetary sanctions in an eligible enforcement action exceeding \$1 million. Notices of Covered Actions—enforcement actions with sanctions greater than \$1 million—are posted on the SEC and Commodity Futures Trading Commission (CFTC) websites, and claims must be submitted within 90 days of such posting.

The SEC has made 77 whistleblower awards totaling more than \$396 million since it first began the practice in 2012. Similarly, since issuing its first award in 2015, the CFTC has awarded more than \$90 million to whistleblowers. Neither agency discloses the identities of whistleblowers, nor identifying details regarding the covered actions in which they assisted.

### More information

- [SEC Press Release and Order – March 30, 2020](#)
- [SEC Press Release and Order – March 24, 2020](#)
- [SEC Denial Order – March 24, 2020](#)
- [SEC Press Release and Order – March 23, 2020](#)
- [SEC Press Release and Order – February 28, 2020](#)

## EXPORTS, SANCTIONS AND CUSTOMS ENFORCEMENTS

### Williams-Sonoma Reaches \$1 Million Settlement for False "Made in USA" Claims

On March 30, 2020, the Federal Trade Commission (FTC) announced that it had reached a settlement with Williams-Sonoma Inc., a San Francisco-based home products and kitchenwares company, related to misleading claims that certain of its products were made in the United States. Williams-Sonoma agreed to pay \$1 million to the FTC as part of this settlement.

According to the FTC Complaint, in 2018, the FTC first received reports that Williams-Sonoma advertised that its Pottery Barn Teen organic mattress pads were "Crafted in America from local and imported materials," even though the pads were actually made in China. As part of its inquiry, the FTC ordered Williams-Sonoma to conduct a review of its country of origin verification process. After Williams-Sonoma updated its website with the correct country-of-origin information for that product and committed to undertake a larger review of its country-of-origin verification process, the FTC closed its investigation of the matter without a formal enforcement action on June 13, 2018.

In May 2019, the FTC received a report that despite those representations, since June 2018, Williams-Sonoma was continuing to advertise that certain of its products (e.g., claiming all of its Goldtouch Bakeware and Rejuvenation-branded products, as well as its Pottery Barn Teen and Pottery Barn Kids-branded upholstered furniture products) were "all or virtually all made in the United States," when in fact, according to the FTC Complaint, many of these products are "wholly imported or contain significant imported materials or components." The FTC charged Williams-Sonoma with one count of false or unsubstantiated representation and stated that these representations constitute "unfair or deceptive acts or practices in or affecting commerce" in violation of Section 5 of the Federal Trade Commission Act.

According to the press release and proposed consent order, which will be open to public comment for 30 days after publication in the Federal Register, Williams-Sonoma is



unless: (1) “the final assembly or processing of the product occurs in the United States, all significant processing that goes into the product occurs in the United States, and all or virtually all ingredients or components of the product are made and sourced in the United States”; (2) “a Clear and Conspicuous qualification appears immediately adjacent to the representation that accurately conveys the extent to which the product contains foreign parts, ingredients or components, and/or processing”; or (3) for claims that a product is assembled in the United States, “the product is last substantially transformed in the United States, the product’s principal assembly takes place in the United States, and United States assembly operations are substantial.” Additionally, the company is prohibited from making any representation “regarding country of origin of any product or services unless the representation is non-misleading, and at the time such representation is made, [Williams-Sonoma] possesses and relies upon a reasonable basis for the representation.” Finally, the consent order requires Williams-Sonoma to pay \$1 million to the FTC. The FTC voted 5-0 to accept the proposed consent order, which will remain effective for 20 years from the date of issuance.

### **More information**

- [FTC Press Release](#)
  - [FTC Complaint](#)
  - [Agreement Containing Consent Order](#)
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## **Acting BIS Under Secretary Vacates \$31.4 Million Civil Monetary Penalty for Iran Export Control Violations and Remands for Reconsideration**

On March 11, 2020, the Acting Under Secretary of Commerce for Industry and Security vacated a \$31.4 million civil penalty recommended by an administrative law judge (ALJ) in a case brought by Commerce’s Bureau of Industry and Security (BIS) involving the reexport of controlled items to Iran in violation of the Export Administration Regulations (EAR). The Under Secretary affirmed the ALJ’s findings of liability but modified the denial order and remanded the case to the ALJ to reexamine the penalty amount.

According to the March 18, 2020, Federal Register Notice, Singapore-based Nordic Maritime Pte Ltd entered into a contract with Mapna International FZE, a company based in the United Arab Emirates with “significant ties to Iran,” to conduct seismic surveys in connection with Mapna’s exploration of Iran’s off-shore Forouz B natural gas field. To perform the contract, Nordic leased maritime surveying equipment from Reflect Geophysical, which also held the reexport license for the items. In an April 2012 letter to Nordic Chairman Morten Innhaug, Reflect’s counsel warned that the license did not authorize the reexport of those items to Iran. Nordic proceeded to transport and use the items in Iranian waters from May 2012 to April 2013 without the required U.S. government authorization.

In April 2017, BIS issued a charging letter to Nordic, alleging that it had (1) unlawfully exported controlled seismic survey equipment to Iran, (2) acted knowingly in doing so, and (3) made false statements to BIS during its investigation. BIS also issued a charging letter to Innhaug, alleging that he aided and abetted Nordic in violating the EAR. In February 2020, the ALJ issued a Recommended Decision and Order finding that BIS had proved all four allegations and recommending a fine of \$31,425,760 and imposition of a standard denial order until the fine was repaid in full.

The Under Secretary agreed with the ALJ’s findings of liability on all four charges but vacated the ALJ’s recommended civil monetary penalty of \$31,425,760, which is double the value of the contract between Nordic and Mapna (€11.3 million), and remanded for a reexamination of the monetary penalty in line with past precedents. Specifically, the Under Secretary found that there was insufficient precedent for such a penalty, citing cases in which respondents were not fined, fined only a fraction of the transaction at issue or fined but had a large portion of the penalty suspended and directed the ALJ, on remand, to conduct a proportionality analysis in comparison with the penalties in similar cases.

Additionally, the Under Secretary found that the ALJ’s recommended temporary denial order, which would run until Nordic and Innhaug paid the civil monetary penalty in full, did

not “serve the ends of justice.” The Under Secretary modified the length of the denial order to 15 years, concluding that would “adequately vindicate BIS’s interests in [the] case.”

### More information

- [Federal Register Notice](#)
- 

## Iranian Businessman Convicted of Violating Iran Sanctions, Other Iran National Charged with Bank Fraud and Other Illegal Acts in Scheme to Transfer Millions to Iranian Entities and Persons

On March 16, 2020, the U.S. Attorney for the Southern District of New York (SDNY) announced that, after a two-week jury trial, Ali Sadr Hashemi Nejad, an Iranian businessman, was convicted of five counts of conspiracy to evade Iran sanctions in violation of the International Emergency Economic Powers Act (IEEPA), conspiracy to commit bank fraud, bank fraud, money laundering and conspiracy to defraud the United States. Relatedly, on January 31, 2020, Bahram Karimi, an Iranian national residing in Canada, was charged with conspiracy to commit bank fraud, bank fraud and making false statements. Both cases relate to a multiyear scheme to evade U.S. sanctions on Iran through a network of front companies and accounts aimed at masking Iranian business dealings in Venezuela.

According to the indictments and Department of Justice (DOJ) press releases, in December 2006, Stratus Group—an Iranian conglomerate controlled by Sadr and his family and employing Karimi—incorporated the Tehran-based Iranian International Housing Corporation (IIHC). The following year, IIHC entered into a contract with a subsidiary of Venezuelan state-owned energy company, Petroleos de Venezuela, S.A. (PdVSA), to build 7,000 homes in Venezuela for \$475,734,000 (the “Project”). Sadr and Karimi were allegedly members of the Venezuela Project Executive Committee, which Stratus Group created to oversee execution of the Project. Sadr was responsible for managing the overall Project finances, while Karimi was allegedly responsible for managing the Project in Venezuela.

According to the DOJ press release, Sadr set up several front companies for the purpose of concealing the Iranian nexus of \$115 million in payments between PdVSA and IIHC from 2011 to 2013, in violation of U.S. economic sanctions law. Karimi allegedly helped to facilitate that scheme.

Sadr faces maximum sentences of 20 years for conspiracy to violate IEEPA, 30 years for bank fraud, 30 years for conspiracy to commit bank fraud, 20 years for money laundering and five years for conspiracy to defraud the United States.

If convicted, Karimi faces a maximum sentence of 30 years on the conspiracy charge, 30 years on the bank fraud charge and five years on the false statements charge.

### More information

- [DOJ Press Release re: Sadr](#)
  - [Sadr Indictment](#)
  - [DOJ Press Release re: Karimi](#)
  - [Karimi Indictment](#)
- 

## Iranian National Extradited to the Western District of Texas on Charges Related to Scheme to Acquire and Ship Sensitive Military Parts to Iran

On March 14, 2020, Merdad Ansari, an Iranian citizen and resident of the United Arab Emirates, was extradited from the Republic of Georgia to Texas to face charges for conspiracy to violate the Iran Transactions and Sanctions Regulations (ITSR), conspiracy to launder money and conspiracy to commit wire fraud.

According to the indictment and DOJ press release, in 1,261 transactions from October 2007 to June 2011, Ansari and his co-defendant Mehrdad Foomanie obtained or attempted to obtain over 105,000 parts with dual-use military and commercial capability for shipment to Iran. The parts could allegedly be used in systems such as nuclear weapons, missile guidance and development, secure tactical radio communications, offensive electronic warfare, radio jamming and radar warning and surveillance systems. Together, these parts were valued at more than \$2.6 million. In 599 of these transactions, Ansari and Foomanie allegedly engaged with 63 different U.S. companies to obtain parts without notifying the companies of their ultimate destination and without securing the required U.S. government licenses to ship these items to Iran.

If convicted, Ansari faces a maximum sentence of 20 years for conspiracy to violate the ITSR, 20 years for conspiracy to launder money and five years for conspiracy to commit wire fraud.

### More information

- [DOJ Press Release](#)
  - [Ansari Indictment](#)
- 

## Société Internationale de Télécommunications Aéronautiques SCRL Settles Apparent Violations of Global Terrorism Sanctions Regulations with OFAC for \$7,829,640

On February 26, 2020, the Department of Treasury's Office of Foreign Assets Control (OFAC) announced a \$7,829,640 settlement with Société Internationale de Télécommunications Aéronautiques SCRL (SITA) for apparent violations of the Global Terrorism

Sanctions Regulations (GTSR). SITA is an organization that provides telecommunications network and information technology services to the civilian air transportation industry.

According to OFAC's web notice, between April 2013 and February 2018, SITA appeared to have committed 9,256 violations of the GTSR, with a total transaction value of \$2,428,200, by providing commercial services and software subject to U.S. jurisdiction to certain airline customers that OFAC had designated as Specially Designated Global Terrorists (SDGT) pursuant to Executive Order 13224. Specifically, OFAC identified the following SDGTs which may have received or benefitted from SITA's goods, services or technology that was subject to U.S. jurisdiction: Mahan Air, Syrian Arab Airlines, Caspian Air, Meraj Air and Al-Naser Airlines.

This case is particularly notable due to the expansive application of OFAC's jurisdiction. Although no U.S. persons or U.S. banks were involved, OFAC found that it had jurisdiction because messages related to the services SITA apparently provided to SDGTs were "routed through" Atlanta, Georgia. Additionally, OFAC found jurisdiction because SITA provided access to global lost baggage tracing and matching services hosted on servers located in the United States and maintained by a U.S. subsidiary. OFAC also found these services were subject to U.S. jurisdiction because they were provided using U.S.-origin software "with knowledge that customers designated as SDGTs would benefit from the use of the software."

OFAC determined that the applicable statutory maximum penalty was \$2,453,077,327. According to OFAC's Enforcement Guidelines, OFAC determined that the base civil monetary penalty in this matter was \$13,384,000 because OFAC determined that SITA did not voluntarily self-disclose the violations and that they constituted a non-egregious case. In arriving at the settlement amount of \$7,829,640, OFAC considered the following aggravating and mitigating factors. OFAC determined the following aggravating factors to include: (i) SITA had actual knowledge it was providing services and software directly or indirectly to SDGTs; (ii) SITA harmed the foreign policy objectives of the GTSR in doing so; and (iii) SITA is a commercially sophisticated entity operating in almost every country. OFAC determined the following mitigating factors to include: (i) SITA had not received a Penalty Notice or Finding of Violation in the five years prior to the earliest violation; (ii) the relevant transactions represented a small percentage of SITA's business; (iii) SITA



implemented extensive remedial efforts to enhance its compliance program; and (iv) SITA cooperated with OFAC's investigation.

### More information

- [OFAC Recent Action Notice](#)
  - [OFAC Web Notice](#)
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## Huawei and Subsidiaries Indicted for Racketeering Conspiracy, Conspiracy to Steal Trade Secrets, and Export Violations

On February 13, 2020, the DOJ announced that a superseding indictment had been returned charging Huawei Technologies Co. Ltd. and two U.S. subsidiaries with conspiracy to violate the Racketeer Influenced and Corrupt Organizations Act (RICO). This new superseding indictment builds upon a previous superseding indictment issued by the DOJ in January 2019, [previously covered](#) by Red Notice, which included 10 charges against Huawei related to theft of trade secrets, wire fraud and obstruction of justice. The new superseding indictment includes 16 charges, including conspiracy to violate and actual violations of the IEEPA and the ITSR, among others. Under the superseding indictment, defendants include Huawei and four official and unofficial subsidiaries—Huawei Device Co. Ltd., Huawei Device USA Inc., Futurewei Technologies Inc. and Skycom Tech Co. Ltd.—as well as Huawei's Chief Financial Officer Wanzhou Meng.

According to the DOJ's press release and the superseding indictment, the new charges relate to a "decades-long" effort by Huawei and its subsidiaries to misappropriate U.S. intellectual property (IP), such as source code and user manuals for internet routers, antenna technology and robot testing technology. The indictment alleges that the parties accomplished this misappropriation through various methods, including: entering confidentiality agreements with IP owners and then misappropriating the IP for their own commercial use; directing new recruits to misappropriate IP from their former employer; and using proxies such as professors working at research institutions to obtain IP. The indictment also alleges that Huawei "launched a formal policy instituting a bonus program to reward employees who obtained confidential information from competitors." According to the DOJ press release, this conduct enabled Huawei to "drastically" reduce research and development costs and attendant delays, thereby giving the company a "significant and unfair competitive advantage."

Additionally, according to the superseding indictment, between November 2007 and November 2014, Huawei and its subsidiary Skycom conspired to, and actually did, export goods, technology and services to the government of Iran without a license from OFAC. Skycom is a corporation registered in Hong Kong and has its primary business operations in Iran. Through a series of transactions selling Skycom's shares between intermediary subsidiaries, Huawei allegedly concealed its ownership of Skycom and falsely claimed that Skycom was a local business partner in Iran rather than its own subsidiary. In so operating Skycom as an unofficial subsidiary, Huawei aimed to obtain otherwise prohibited U.S.-origin goods, technology and services, including financial services, for its Iran-based business.

Further, the indictment alleges that, beginning no later than 2008, Huawei made numerous false statements to the U.S. government and U.S. financial institutions regarding the nature and scope of its business activities in sanctioned countries, including Iran and North Korea, to avoid being restricted from U.S. markets and business opportunities.

### More information

- [DOJ Press Release](#)
  - [Third Superseding Indictment](#)
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## Five U.S. Persons Charged for Conspiring to Sell Iranian Oil to Refinery in China in Violation of Iran Sanctions

On February 7, 2020, DOJ charged Nicholas Hovan, Zhenyu Wang, Robert Thwaites, Nicholas James Fuchs and Daniel Ray Lane (collectively, “Defendants”) with conspiring to violate and violating IEEPA based on their attempt to transact in sanctioned Iranian oil.

According to the complaint, from July 2019 to February 2020, the Defendants conspired to evade Iran sanctions by attempting to purchase oil from Iran and sell it to a refinery in China, of which Wang was the U.S. representative. Hovan would then allegedly sell the refined oil to buyers in the United States, Panama and China. The Defendants allegedly sought to conceal the origin and sale of the oil by using a Polish shell company as the seller. Lane also agreed to use his company, STACK Royalties in Texas, to launder the commissions from the deal, and Fuchs and Thwaites applied for Antiguan passports to set up offshore Swiss bank accounts in which Defendants would keep their commissions.

If convicted, each defendant faces a maximum sentence of 25 years in prison, in addition to a maximum possible fine of \$1.25 million.

#### **More information**

- [DOJ Press Release](#)
- [Complaint](#)

## EXPORTS, SANCTIONS AND CUSTOMS DEVELOPMENTS

### **USTR Requests Comments on Section 301 Tariffs on COVID-19 Related Products**

On Friday, March 20, 2020, the Office of the United States Trade Representative (USTR) announced that it has opened a new public comment period for businesses and government agencies to request additional product exclusions from Section 301 duties for certain Chinese-origin medical-care products needed to respond to the COVID-19 outbreak.

USTR encourages parties to submit comments as promptly as possible, but will keep the comment period open until June 25, 2020, with further extensions as appropriate.

Interested parties can provide comments [here](#).

#### **More information**

- [Akin Gump International Trade Alert](#)

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### **OFAC Sanctions Key Rosneft Subsidiaries and Executive for Operating in the Oil Sector of Venezuela**

On February 18, 2020, OFAC designated Rosneft Trading, S.A., a subsidiary of Russia-based Open Joint-Stock Company Rosneft Oil Company, and its president, Didier Casimiro, on the Specially Designated Nationals and Blocked Persons (SDN) List for brokering crude oil shipments from Venezuela—activities that are restricted under Executive Order 13850. On March 12, 2020, OFAC additionally designated TNK Trading International S.A. (TTI) on the SDN List, another subsidiary of Rosneft Oil Company involved in brokering the sale and transport of Venezuelan crude oil.

As a result of this action, U.S. persons are generally prohibited from doing business with Rosneft Trading, TTI, Casimiro and entities they own 50 percent or more, absent OFAC authorization. These sanctions do not apply to Rosneft Oil Company or related entities that are not 50 percent or more owned by Rosneft Trading, TTI or Casimiro.

OFAC also issued GL 36 on February 18, 2020, which authorized U.S. persons to engage in otherwise prohibited activities in order to wind-down transactions involving Rosneft Trading and entities that it owns by 50 percent or more. On March 12, 2020, OFAC replaced this license with GL 36A, which additionally authorizes certain wind-down activity involving TTI. This license is valid through 12:01 a.m. EDT on May 20, 2020.

Non-U.S. persons could be subject to sanctions if OFAC determines that they provide

material assistance, goods or services to Rosneft Trading, TTI and/or Casimiro. OFAC states in an FAQ that non-U.S. persons will not be exposed to sanctions if they engage in activities with Rosneft Trading or TTI during the wind-down period that are consistent with General License 36A, but such authorized wind-down activities would not include entering into “new business” with Rosneft Trading or TTI. Non-U.S. persons unable to wind-down activities Rosneft Trading or TTI before prior to 12:01 a.m. EDT on May 20, 2020 are encouraged to seek guidance from OFAC.

### More information

- [Akin Gump International Trade Alert regarding Rosneft Trading](#)
- [OFAC Press Release regarding Rosneft Trading and Casimiro](#)
- [OFAC Web Notice regarding Rosneft Trading and Casimiro](#)
- [OFAC Press Release regarding TTI](#)
- [OFAC Web Notice regarding TTI](#)
- [General License 36A](#)
- [OFAC FAQs 817 and 818](#)

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### OFAC Issues FAQs Related to Reporting, Procedures and Penalties Regulations

On February 20, 2020, OFAC published two new FAQs related to the Reporting, Procedures and Penalties Regulations (RPPR). Both relate to OFAC’s June 21, 2019, amendment to the RPPR, which was [previously covered](#) in Red Notice.

FAQ 819 confirms that the June 21, 2019, amendment is in effect, including the expanded requirement under Section 501.604 of the RPPR that all U.S. persons and persons otherwise subject to U.S. jurisdiction—not limited to U.S. financial institutions—provide reports to OFAC regarding rejected transactions within 10 business days of the rejected transaction. Before the amendment, only U.S. financial institutions were required to submit reports regarding rejected fund transfers. In FAQ 819 OFAC confirms that it will continue to accept feedback and questions regarding the rule as it continues its review.

FAQ 820 clarifies that, when a U.S. person is required to file a rejected transaction report under Section 501.604 but does not have all the information required under Section 501.604(b), OFAC generally does not expect the filer to seek further information from their counterparty solely to obtain additional information required to be reported. Filers of rejected transaction reports are expected to provide required information that is applicable in all reject scenarios (e.g., information regarding the submitter of the report, the date the transaction was rejected, the legal authority or authorities under which the transaction was rejected, and any relevant documentation received in connection with the transaction).

### More information

- [OFAC Web Page](#)
- [FAQ 819 and 820](#)
- [June 21, 2019 Amendment](#)

## GLOBAL INVESTIGATIONS RESOURCES

- [Government Enforcers Focused on Coronavirus-related Actions](#)
- [President Trump Suspends Entry of Travelers from 26 European Countries Due to COVID-19](#)
- [Commerce Offers 15-Day Comment Period on Huawei TGL and Extends Validity Until May 15, 2020](#)
- [Treasury Releases Proposed Rule to Implement Filing Fee Requirements for CFIUS Voluntary Notices](#)
- [OFAC Sanctions Key Rosneft Subsidiary and Executive for Operating in the Oil Sector of Venezuela](#)

- [New Executive Order Targets Evasion of Customs Laws and International Posts in Light of DHS Action Plan to Combat the Rise of Online Counterfeit and Pirated Goods](#)
- [President Trump Expands Section 232 Tariffs on Aluminum and Steel; Calls for New Product Exclusion Application Process](#)

## FCPA RESOURCES

For a complete record of all FCPA-related enforcement actions, please visit the following websites maintained by U.S. Regulators:

- [DOJ Enforcement Actions \(2020\)](#)
- [DOJ Declinations](#)
- [SEC Enforcement Actions](#)

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