



U.S. Department of Justice

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PRESS RELEASE

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Owner and Employee of Florida-based Company Indicted in Connection With Sales of Counterfeit High Tech Devices Destined to the U.S. Military and Other Industries

Counterfeit Integrated Circuits Sold to U.S. Navy and Defense Contractors

WASHINGTON - A 10-count indictment was unsealed today in U.S. District Court for the District of Columbia charging Shannon L. Wren, 42, and Stephanie A. McCloskey, 38, with conspiracy, trafficking in counterfeit goods, and mail fraud. The indictment alleges that Wren, McCloskey and others imported counterfeit integrated circuits from China and Hong Kong and sold them to the U.S. Navy, defense contractors and others, marketing some of these products as "military-grade."

The charges were announced by U.S. Attorney Ronald C. Machen Jr., John P. Torres, Special Agent in Charge of U.S. Immigration and Customs Enforcement, Office of Homeland Security Investigations (HSI) in Washington, D.C., and Sandy Macisaac, Special Agent in Charge of the Washington, D.C. office of the Naval Criminal Investigative Service. Other agencies assisting in the investigation include the U.S. Postal Inspection Service, the Internal Revenue Service - Criminal Investigation, the Office of the Inspector General for the U.S. Department of Transportation, and the Office of Inspector General for the U.S. General Services Administration.

Wren, of Treasure Island, Fla., and McCloskey, of Clearwater, Fla., were arrested today in Florida on bench warrants issued by the U.S. District Court for the District of Columbia. Government agents executed search warrants for two locations and 17 seizure warrants for certain proceeds of criminal activity, including a Showhauler Motor home, a Ferrari Spider, a Bentley Arnage, a Mercedes Benz, motorcycles, and funds in several bank accounts.

According to the indictment, Shannon L. Wren is the owner of VisionTech Components, a business for which Stephanie A. McCloskey is in charge of administration and for which she was

a co-signatory on bank accounts owned by Wren. The indictment alleges that Wren, McCloskey, and others ran an integrated circuits counterfeiting operation from the VisionTech Components address at 5120 110th Avenue North, Clearwater, Florida. Companies related to VisionTech are Infuture, Inc., Infuture Electronics, and Carz, Inc.

The defendants are alleged to have advertised name-brand, trademark-protected Integrated Circuits (“ICs”) for sale on a website, www.visiontechcomponents.com after acquiring ICs bearing counterfeit markings from China and Hong Kong and importing them into the United States through various ports of entry.

“Product counterfeiting, particularly of the sophisticated kind of equipment used by our armed forces, puts lives and property at risk,” said U.S. Attorney Machen. “This case shows our determination to work in coordination with our law enforcement partners and the private sector to aggressively prosecute those who traffic in counterfeit parts.”

An integrated circuit is a high-tech device that controls the flow of electricity. Such devices are used in a variety of applications including consumer electronics, transportation, medical, spacecraft, and military. Counterfeit integrated circuits can result in product or system failure or malfunction, and can result in costly system repairs, property damage, and serious bodily injury, including death. Such counterfeits also raise national security concerns because the history of the device is unknown, including who has handled it and what has been done to it. The devices can also be altered and certain devices can be preprogrammed. Counterfeits can contain malicious code or hidden “back doors” enabling systems disablement, communications interception, and computer network intrusion.

According to the indictment, from about Jan. 1, 2007 through Dec. 31, 2009, Wren, McCloskey and others generated approximately \$15,868,009.62 in gross receipts through VisionTech Components from the sales of counterfeit integrated circuits. Between Dec. 6, 2006 and Aug. 18, 2010, Wren, McCloskey and others imported from China and Hong Kong, on 31 separate occasions, approximately 59,540 integrated circuits bearing counterfeit marks, including military-grade markings, valued at approximately \$425,293. “Military-grade” integrated circuits are sold at a higher price than those of commercial- or industrial-grade, because of the special manufacturing techniques and additional testing required by legitimate manufacturers. Such devices are tested to function at extreme temperatures (hot and cold) and/or withstand extreme vibration.

Also, according to the indictment, there were numerous customer complaints regarding the counterfeit integrated circuits sold by VisionTech, the defendants and others, including the following:

- An August 2007 sale of 75 counterfeit National Semiconductor Corporation ICs to a company in California that was fulfilling a joint contract with BAE Systems Technology Solutions & Services and the Naval Air Warfare Center Aircraft Division (“NAWCAD”),

Detection and Surveillance Branch, Integrated Logistics Engineering. The ICs were intended to be used for production of ship-based antenna equipment, the Identification Friend Foe ("IFF") system, which is used to determine an airplane's identification and intentions while in flight.

- An April 2008 sale of 1,500 counterfeit Intel ICs to a company in California. The ICs were in fulfillment of a purchase by Raytheon Missile Systems to support production and repairs of A9 (missile) circuit card assemblies ("CCAs") for a classified application.

- A January 2009 sale in which the defendants and others engaged in "bait-and-switch" fraud with a company in New York, involving 2,000 (13 authentic and 1,987 counterfeit) Motorola ICs. The devices were for fulfillment of a contract with Alstom, for an application in the controllers in high-speed trains. According to the indictment, Wren was advised by a representative of the buyer that the devices being ordered would be used in a "life critical application." Thereafter, the defendants and others sent the buyer 13 devices that were in conformance with expected product specifications. But on Jan. 16, 2009, the defendants and others sent the New York company 1,987 counterfeit devices.

- A June 2009 sale of one Texas Instruments, military-grade counterfeit device to MVP Micro, Inc. According to the search warrant affidavit in connection with the VisionTech business location, which was also unsealed today, MVP sold that device to a government undercover agent as part of a criminal investigation of MVP Micro. Last year, Mustafa Abdul Aljaff, the owner of MVP Micro, and Neil Felahy, the operations manager, pleaded guilty to charges in connection with the sale of that device and other counterfeiting activity. Aljaff and Felahy are cooperating with law enforcement authorities.

- A December 2009 sale of 350 counterfeit Cypress Semiconductor ICs to a company in New York in fulfillment of a contract with Northrup Grumman for integration into a beam steering control module board within the multiple sub-array of the testable antenna for the U.S. Navy Cobra Replacement Program (ballistic missile defense).

The indictment does not suggest that any of the counterfeit ICs forming the basis of customer complaints actually made their way into weapons systems.

As alleged in the indictment, there were also two undercover buys of counterfeit ICs from VisionTech Components, one in June 2009 and one in July 2010. The defendants and others are alleged to have sent Certificates of Conformance in connection with those sales, which certified that all items in the shipment were inspected and conformed with specifications and requirements.

The conspiracy charge carries a potential statutory penalty of up to five years of incarceration, a fine of \$250,000, a three-year term of supervised release, and an order of restitution. Trafficking in counterfeit goods carries a potential statutory penalty of up to 10 years incarceration, a fine of \$2 million, 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. Mail fraud

carries a potential statutory penalty of up to 20 years incarceration, a fine of \$250,000, a five-year term of supervised release, and an order of restitution.

The indictment also includes a forfeiture allegation for approximately \$16 million, which constitutes proceeds of the crimes.

The case is being prosecuted by Assistant U.S. Attorney Sherri L. Schornstein. Assistant U.S. Attorney Diane Lucas is working on the forfeiture component of the case.

Today's charges reflect the importance of a larger 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 <http://www.justice.gov/dag/iptaskforce/>

The public is reminded that 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.