

CBP Trade Enforcement Bulletin



U.S. Customs and Border Protection



Quarter 3

Bulletin Index

Import Safety

- ◆ Port of Chicago - Hoverboard Seizures pg. 1
- ◆ Commercial Targeting and Analysis Center for Import Safety—Operation Atlantic pg. 1

Intellectual Property Rights

- ◆ Jackets and Pants with Suspicious Trademark pg. 2
- ◆ National Intellectual Property Rights Coordination Center pg. 2

Kimberly Process Certification Scheme

- ◆ Bona Fide Jewelry pg. 3

PGA Collaboration

- ◆ Weapon Parts Seized pg. 3

Trade-Based Money Laundering

- ◆ A Carousel Scheme pg. 4

Additional Trade Enforcement Information

pg. 4

Import Safety

Port of Chicago - Hoverboard Seizures

Personnel at the Area Port of Chicago initiated and completed the largest seizures of self-balancing scooters for Intellectual Property Rights (IPR) violations nationally. These Chinese-made, self-balancing scooters presented a threat to public safety due to their propensity to catch fire while charging, resulting in injury or death to consumers.



Seized hoverboard

CBP officers at the port completed 88 seizures, with a total piece count of 37,000 over a two-month period in early calendar year 2016. The approximate domestic value of these shipments was \$10 million, with a manufacturers suggested retail price of \$13 million.

Commercial Targeting and Analysis Center for Import Safety – Operation Atlantic

In September 2015, the Import Safety Commercial Targeting and Analysis Center (CTAC), as well as other members of Operation Atlantic and CBP’s Office of Public Affairs (OPA), were awarded the Commissioner’s 2014 Special Act Award for Trade and Facilitation.

Operation Atlantic was developed as a result of *Operation Illegal Vehicles* conducted in 2014, which targeted potentially modified vehicles imported from the United Kingdom. *Operation Atlantic* is an ongoing bilateral enforcement operation formally launched in March 2014 between CBP, the U.K. Border Force, and the U.K. Association of Chief Police Officers – Vehicle Crime Intelligence Service. *Operation Atlantic* targets Land Rover Defenders and Austin Mini Coopers imported from the U.K. that are possibly modified fraudulently to take advantage of exemptions within the statutes and regulations administered by the U.S. Department of Transportation and the U.S. Environmental Protection Agency.

By sharing law enforcement information, CBP and U.K. law enforcement have identified many possible illegal shipments at various U.S. ports of entry. Since joint targeting efforts began, approximately 700 vehicles have been targeted for

examination at over 20 ports in the United States, with over 100 vehicles stopped from entering because they failed to meet U.S. safety standards. In addition, the operation has led to several criminal investigations in the U.S. and the U.K.



Operation Atlantic participants meet at the U.S. Embassy in London

Operation Atlantic is an important initiative and a model of international cooperation, as it clearly demonstrates the significance and benefits of multilateral information exchanges in the enforcement of the laws of both countries. Furthermore, OPA coordinated a media event held in December 2014 that featured the destruction of a violative Mini Cooper at a salvage yard in New Jersey, resulting in increased exposure to the problem. OPA estimated that up to 30 million people had watched, read, or viewed the *Operation Atlantic* news story online.

Intellectual Property Rights (IPR)

Jackets & Pants with Suspicious Brand Name Trademark: MSRP Value \$546,000



In April 2015, the Port Everglades Anti-Terrorism Contraband Enforcement Team (A-TCET) referred a container to Port Everglades' Trade Enforcement Team (TET) for possible trade-related issues. A "Do Not Release Hold" was placed for further review by the Port Everglades TET. An inbound immediate transportation was prepared and presented by the broker for a shipping company. The shipment was manifested as 177 cartons of apparel (i.e., jackets, pants, and gloves) and was en route to Bogota, Colombia.



Seized merchandise

Upon inspection by TET, a suspicious brand name trademark was noticed. The entire shipment was detained and samples of the items bearing the marks were taken to an import specialist team. After careful review of the markings, they were determined to infringe the trademarked recordation number. The 1,200 jackets and 15 samples were seized.

A-TCET conducted the initial physical inspection of motorcycle jackets based on a non-intrusive inspection density variation. A CBP officer conducted a more in-depth physical inspection and determined the jackets were possible IPR violations, and the subsequent referral to the import specialist confirmed the agent's suspicion. Future shipments will be inspected; none have arrived at Port Everglades as of June 2016.

The merchandise was appraised with a manufacturer's suggested retail price value of \$546,000.



Seized merchandise

U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI)

National Intellectual Property Rights (IPR) Coordination Center

The IPR Center is a joint task force organization led by HSI made up of 23 partner agencies, consisting of 19 U.S. agencies and four international agencies, including INTERPOL, EUROPOL, and law enforcement from the governments of Mexico and Canada. The task force structure enables the IPR Center to effectively leverage the resources, skills and authorities of each partner agency and provide a comprehensive response to traditional customs fraud and the trafficking of various types of contraband.

The overall defined mission of the IPR Center is to stand at the forefront of the government's response to global intellectual property theft, enforce international trade laws, and ensure national security by protecting the public's health and safety, the U.S. economy, and by combating predatory and unfair trade practices that threaten the global economy. We accomplish that mission through a multi-layered approach that includes investigations to identify and dismantle criminal organizations; interdiction through targeting and inspections to keep illegal goods out of the U.S. supply chain; and outreach and training with domestic and international law enforcement to strengthen capabilities worldwide.



*National Intellectual Property
Rights Coordination Center*

Kimberly Process Certification Scheme

Bona Fide Jewelry

In September 2015, while performing courier service outbound operations, a CBP officer selected a parcel sent from Canada to Belarus for inspection. The package was manifested as “pendant” with a declared customs value of \$87. When the envelope was opened, inspectors found a magazine concealing a small white box inside. Once the magazine was opened, it revealed what appeared to be pictures of small precious stones with numbers written beside each image. Further inspection of the small white box revealed one dough bracelet with what appeared to be 27 uncut rough diamond stones. The stones were referred to Laboratory and Scientific Services (LSS) personnel, who analyzed the stones. Laboratory results showed that the stones were positive to the properties of diamonds.

Pursuant to the Clean Diamond Trade Act (CDTA), the president shall prohibit the importation into, or exportation from the United States of any rough diamond, from whatever source, that has not been controlled through the Kimberley Process Certification Scheme (KPCS). According to the KPCS, rough diamonds can be lawfully shipped only from or to a Kimberley Process participant country accompanied by a Kimberley Process Certificate and sealed in a tamper-resistant container.

Due to the fact that none of the CDTA conditions for shipping the rough diamonds were met, 27 rough diamonds were seized. Once the LSS concludes testing of the rough diamonds, and the property has been forfeited, CBP will transfer the remaining rough diamonds (i.e., not consumed by the LSS analysis) to the Smithsonian Institute, according to the disposition process of forfeited rough diamonds.

Partner Government Agency Collaboration

Air Cargo from China—Weapon Parts Seized



Seized merchandise

On Feb. 5, 2016, CBP Kansas City was contacted by a logistics company concerning the importation and entry requirements for an inbound air cargo shipment that had arrived at a local container freight station (CFS) on Jan. 17, 2016. The merchandise was invoiced as “telescope ring mounts,” reflecting a declared value of \$288,000. Upon intensive examination, 1,000 pieces of AR-15/M4 style handguards were discovered, with China as the country of origin. The importer and customs broker involved were advised that an Application and Permit for Importation of Firearms (commonly referred to as an ATF-6) would be required for the importation of the weapon parts. The shipment was held at a local CFS while the importer filed for the required ATF-6.

Digital images were forwarded to the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF-E) for a binding determination on the merchandise. They ruled that the components detained were accurately defined as weapon parts (versus “accessories”), thus being a regulated item requiring a completed ATF-6 for importation. ATF personnel declined the acceptance of the importation application, driven by the country of origin of the firearm parts and the in-effect Department of State embargo on certain munitions. On approximately Feb. 15, 2016, the importer of record was advised of the ATF-E determination and applied to export

the merchandise back to the country of origin for failing to make entry. The request for exportation was forwarded to local ATF-E offices for a determination.

On Feb. 29, 2016, CBP officers interdicted a similar shipment addressed to the same consignee. The merchandise was invoiced as “sporting mounts”, with a declared value of \$380. Further research indicated that the importer of record had nearly 50 previous express shipments, all consigned to the known domicile previously identified. It was determined the importer was attempting to circumvent CBP inspection and the previous ATF determination by importing similar goods through the express consignment mode of transportation.

Based on the circumstances of the case, both shipments were determined to be prohibited weapons parts from China and were seized under 22 U.S.C. § 2778 and 19 U.S.C. 1595a.

The seized merchandise were 1,050 pieces of AR-15/M4 style handguards with a domestic value of \$59,600 and an appraised manufacturer’s suggested retail price (MSRP) of \$198,600, and 66 pieces with a domestic value of \$3,300 and an appraised MSRP of \$9,900. Additional shipments of identical merchandise were also identified and seized by Kansas City CBP.

Further investigation by CBP and the regulating authority continues into the importer of record.



Seized merchandise

Trade-Based Money Laundering

A Carousel Scheme

The Office of Assistant Chief Counsel, Laredo, provided legal assistance pertaining to a trade-based money laundering case. Specifically, Office of the Chief Counsel (OCC) provided litigation support by drafting a criminal indictment in connection with an ongoing U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) investigation into potential monetary transactions involving wire fraud and international monetary laundering. These monetary transactions derived from various importations of silver coins, which had been significantly undervalued and were imported through the Port of Laredo under the claim that they would be smelted into silver bars for exportation.

In reality, the silver coins were smuggled out of the United States into Mexico and the same shipments were repeatedly imported into the United States using a carousel scheme. CBP determined that the coins were not silver, but mostly comprised of nickel and other metals. Although silver bars were exported from the United States, it was discovered that they were undervalued to Mexican Customs, resulting in significant loss of revenue to the Government of Mexico.

In April 2015, three Mexican nationals were arrested in the United States. To date, the government has secured a conviction for violation of 18 U.S.C. § 371 and 18 U.S.C. § 554 against the corporation set up by the three original defendants. In October 2015, the U.S District Court, Southern District of Texas, Laredo, sentenced the corporation to a \$250,000 criminal fine with a \$400 special assessment, as well as the forfeiture of the silver coins and \$558,000, equivalent to the fair market value of a warehouse used in this scheme.

CBP import specialists were instrumental in discovering the scheme, in conjunction with HSI special agents. CBP's Laboratory and Scientific Services assisted in determining that the coins were not composed of silver. In addition, the Fines, Penalties, and Forfeitures (FP&F) Office was instrumental in the forfeiture process. This successful case demonstrates the engagement of multiple CBP offices to pursue the agency's trade enforcement mission. OCC continues to evaluate the case file to determine whether other potential legal remedies are available.

Additional Trade Enforcement Information

Forced Labor

Section 307 of the Tariff Act of 1930 (19 U.S.C. § 1307) prohibits the importation of merchandise mined, produced or manufactured, wholly or in part, in any foreign country by forced labor – including forced child labor. Such merchandise is subject to exclusion and/or seizure, and may lead to criminal investigation of the importer(s).

More information can be found at <https://www.cbp.gov/trade/trade-community/programs-outreach/convict-importations>

Dog and Cat Fur

It is illegal in the United States to import, export, distribute, transport, manufacture or sell products containing dog or cat fur. The Dog and Cat Protection Act of 2000 calls for the seizure and forfeiture of each item containing dog or cat fur.

More information can be found at <https://www.cbp.gov/travel/us-citizens/know-before-you-go/prohibited-and-restricted-items>



e-Allegations

CBP has established an online procedure by which concerned individuals can report illegal import and export activity.

If you have any suspicion of or information regarding suspected fraud or illegal trade activity, please contact CBP through the e-Allegations website. You can help CBP prevent international trade violations by completing and submitting the form at the following link:

cbp.gov/eallegations