

# Quarterly CBP Trade Enforcement Bulletin



U.S. Customs and Border Protection



"I am proud to introduce the *Quarterly CBP Trade Enforcement Bulletin*, which highlights some of the many successes in which U.S. Customs and Border Protection enforces U.S. trade laws at and beyond our nation's borders through interagency partnership and collaboration. The men and women in this bulletin represent CBP's Office of Chief Counsel, Office of Trade, Office of Field Operations, Office of Administration, and Department of Homeland Security Immigration and Customs Enforcement Homeland Security Investigations. As depicted in these success stories, CBP focuses its trade enforcement efforts on the agency's Priority Trade Issues, and is committed to facilitating a proactive, aggressive, and dynamic trade enforcement system that protects the American consumer and our nation's economic prosperity."

- Executive Assistant Commissioner Brenda B. Smith, Office of Trade



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## Intellectual Property Rights

### Electronics Center of Excellence and Expertise Supporting Partnering Government Agencies

On July 8, employees from the Electronics Center of Excellence and Expertise assisted U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) special agents and employees from the Food and Drug Administration, Washington State Liquor and Cannabis Control Board, Washington State Department of Labor Industry, and U.S. Department of Justice in the execution of a search warrant against an alleged violator in Lynnwood, Washington. Results indicate that the alleged violator had counterfeit and prohibited consumer items with an estimated Manufacturer's Suggested Retail Price value exceeding \$1 million.



An HSI Seattle agent from the Tacoma, Washington office developed a criminal investigation on the alleged violator based on a referral from the State of Washington Liquor Control Board. CBP has targeted and seized multiple shipments of drug paraphernalia, NFL and MLB labeled sports accessories and tobacco products. HSI has also conducted several undercover buys from the alleged violator. On June 29, the HSI agent obtained a search warrant from the assistant U.S. Attorney to search the alleged violator's business for counterfeit merchandise, misbranded or unapproved new drugs intended for male or female sexual enhancement, controlled substances, drug paraphernalia, and any records relating to their importation or sale.



Seized merchandise

Based on previous seizure history, the HSI agent contacted the Port of Seattle and CBP's Electronics Center of Excellence and Expertise for import specialist assistance to identify any products at the alleged violator's business suspected to be counterfeit.

On July 8 at 8:30 a.m., HSI Seattle agents from the Seattle South office entered and secured the warehouse in Lynnwood, Washington. HSI agents and CBP personnel discovered various prohibited and counterfeit goods in the 17,000-square-foot warehouse. Approximately 235,000 items were seized as evidence, including suspected counterfeit electronic cigarettes, apparel, misbranded/unapproved new drugs, and drug paraphernalia.

HSI arrested the owner of the company at his residence in Washington. HSI and the Washington State Department of Labor interviewed several employees at the warehouse, but no further arrests were made.

# Intellectual Property Rights (cont.)

## Orlando Trade Seizures— Purses & Sunglasses with Counterfeit Designer Trademark: Approximate MSRP Value of \$1.2M

On Oct. 15, during cargo examinations, several packages destined for the same address in Orlando, Florida were selected for enforcement examination. The descriptions of the contents were generic, such as “shopping bags” or “metal framework.” The shipments that were opened contained counterfeit designer-brand products. The import specialist team in Tampa concurred the items were counterfeit and infringed on recorded trademarks.

The seizures started out as “cold hits” at the express carrier hub, but the CBP officer noticed there were several other shipments going to the same address and started pulling packages going to that address.

It is difficult to conduct targeting in the express consignment environment, so as part of the daily assigned duties, CBP officers responsible for targeting and



*Seized counterfeit merchandise*



*Seized counterfeit merchandise*

examinations periodically examine incoming shipments at the express carrier hub. Seizures of significant values made by CBP officers at the beginning of the fiscal year have already exceeded the MSRP for Orlando in FY 2015.

One CBP officer intercepted multiple shipments of “smart balance” scooters (i.e., same technology as a Segway®, but on a smaller scale and without a handle). The scooters themselves are not IPR-protected, but the CBP officer discovered that many of them contained counterfeit batteries, and in some cases, counterfeit wiring, making them a potential hazard to consumers, as well. CBP provides HSI with photos and detailed information regarding every IPR seizure made by Orlando Trade Operations, many times leading to the initiation of trade fraud and IP criminal cases, which have resulted in significant arrests and seizures around the country.

## Import Safety

### Houston Seaport: Combating Trade Violations

CBP officers at the Houston Seaport participated in a press event on Nov. 6 to warn consumers to be wary when seeking holiday deals.

CBP provided an overview of its coordinated enforcement efforts to combat illicit trade in counterfeit and pirated goods that threaten America’s economy, business competitiveness, the livelihood of U.S. workers and, in some instances, the health and safety of consumers. On display were samples of merchandise intercepted by CBP at the seaport for various trade violations, such as infringing marks and health and safety issues.

CBP Houston works with other government agencies to further develop information related to CBP seizures in an effort to enhance local trade targeting and enforcement.

Proven results have forged a strong collaborative relationship with local enforcement agencies such as the U.S. Consumer Product Safety Commission, the U.S. Federal Drug Administration, and the U.S. Fish and Wildlife Service. This relationship is further enhanced by co-locating CBP officers and other government law enforcement agents on the front line within the port of entry.

The CBP Houston Seaport trade team looks forward to continued success by working innovatively and collaboratively to enforce U.S. trade laws that support the economy and protect consumers.



*CBP personnel showing media representative sample of seized Christmas lights*

# Antidumping/Countervailing Duty Enforcement

## Garlic Antidumping Enforcement Team

Antidumping/Countervailing Duties (AD/CVD) protect U.S. domestic industry against foreign companies selling goods for less than the goods cost to produce or when the foreign companies are subsidized by their government. In fiscal years 2014 and 2015, the CBP Garlic Antidumping Enforcement Team (GAET) coordinated a national effort to enforce antidumping duties on imports of fresh garlic from China.

GAET targeted entries of Chinese garlic valued at over \$16.84 million that were high-risk for evasion of antidumping duties. GAET required posting of additional single transaction bonds to strengthen security for revenue in jeopardy prior to the release of these shipments. Single transaction bonds can be thought of as an “insurance policy” for the government to assist with our ability to collect money due if there is nefarious activity involved in the transaction. Four importers/exporters challenged CBP’s authority to require additional bonding and filed several lawsuits at the Court of International Trade (CIT). As a result of the GAET enforcement efforts, CIT upheld CBP’s ability to request single transaction bonds.



*Illegally imported Chinese garlic*



*Illegally imported Chinese garlic*

This resulted in shipments valued at over \$5.8 million being exported back to the country of origin, as importers did not want to file additional bonds; shipments valued at over \$6.9 million being exported or destroyed; and shipments valued at over \$4 million released after an importer posted a \$1 million bond with CIT. The GAET team also protected revenue of over \$137 million from many entries in the assessment of the correct antidumping duty rate. CBP remains committed to enforcing the legal importation of garlic, as well as other commodities.

## Texas-Based Importers Agree to Settle Lawsuit for Alleged Violations

The Department of Justice stated that University Furnishings LLP and its general partner, Freedom Furniture Group Inc. (collectively University Furnishings), agreed to pay \$15 million to resolve a lawsuit brought under the False Claims Act. It is alleged that the companies made, or conspired with others to make false statements to avoid paying duties on wooden bedroom furniture imported from the People’s Republic of China.

It was suspected that between 2009 and mid-2012, University Furnishings knowingly misclassified or conspired with

others to misclassify wooden bedroom furniture on documents presented to U.S. Customs and Border Protection to avoid paying antidumping duties on imports of wooden bedroom furniture. University Furnishings allegedly classified the furniture as office and other types of furniture not subject to duties, while selling the furniture in the student housing market for use in dormitory bedrooms.

The claims resolved by this settlement are allegations only; there has been no determination of liability.

## CBP Penalizes Wire Hanger Importers



*Falsely classified Chinese wire hangers*

CBP imposed \$3.9 million in civil penalties on three importers for evading the antidumping duty order on wire hangers from China. CBP found these importers failed to properly report the imports as subject to antidumping and failed to pay the antidumping duties. This resulted in a potential loss of revenue of \$3.4 million in antidumping duties. CBP found the importers to be negligent by making false statements and false invoicing. CBP is continuing its enforcement of the antidumping duty orders on wire hangers from China, Vietnam and Taiwan.

# Free Trade Agreements

## Routine Verification Yields Million Dollar Recovery— How CBP is Protecting the U.S. Economy One Entry at a Time

What appeared to be a routine entry verification at an Area Port in Puerto Rico turned out to be a prospective million dollar recovery in lost revenue. It all began when a company specializing in food imports failed to present a pallet of baby food for inspection. This incident alerted a CBP import specialist, who began to inquire about the possibility of the company’s additional lack of controls.



*Import specialist’s vigilance and dedication to duty resulted in million dollar revenue recovery for CBP.*

The import specialist processed the request for redelivery for the U.S. Food and Drug Administration refusal and issued liquidated damages for failing to comply with the request. But the import specialist didn’t stop there. As part of the Free Trade Agreement Annual Verification Plan, he took the opportunity to perform an FTA verification for that company. During the verification, he discovered an error and followed through with the findings, resulting in a substantial positive impact in revenue recovery for CBP.

Although initially this verification did not seem the best prospect for a big recovery, the possibilities changed after the import specialist went the extra mile by reviewing it in more depth. A CBP Form 28 Request for Information was sent to the importer, and after several extensions, the importer finally answered the request for information along with a prior disclosure and a check for nearly \$1.1 million.

“CBP has an exceptional team of import specialists that are experts in their field,” said the San Juan Assistant Director for Field Operations. “Our import specialists continue to be vigilant for bona fide importers who claim duty preferences and sometimes do not comply with the requirements of the program resulting in recovered revenues in millions of dollars.”

## Additional Trade Enforcement Information

### Reporting Suspicious Trade Activity

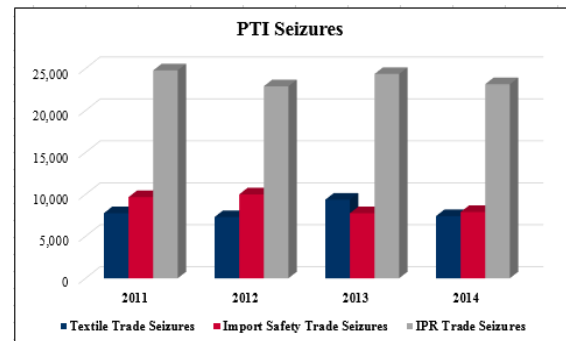
**If you have any suspicion of, or information regarding the following, please contact CBP through the e-Allegations website: <https://eallegations.cbp.gov/>**

**Centers of Excellence and Expertise (Centers)** transform the way CBP approaches trade operations and work with the international trade community to facilitate the timely resolution of trade compliance issues nationwide.

For more information, please visit: <http://www.cbp.gov/trade/centers-excellence-and-expertise-information>

Center	Email
Agriculture & Prepared Products	<a href="mailto:cee-agriculture@cbp.dhs.gov">cee-agriculture@cbp.dhs.gov</a>
Apparel, Footwear & Textiles	<a href="mailto:cee-apparel@cbp.dhs.gov">cee-apparel@cbp.dhs.gov</a>
Automotive & Aerospace	<a href="mailto:cee-automotive@cbp.dhs.gov">cee-automotive@cbp.dhs.gov</a>
Base Metals	<a href="mailto:cee-basemetals@cbp.dhs.gov">cee-basemetals@cbp.dhs.gov</a>
Consumer Products & Mass Merchandising	<a href="mailto:cee-consumer@cbp.dhs.gov">cee-consumer@cbp.dhs.gov</a>
Electronics	<a href="mailto:cee-electronics@cbp.dhs.gov">cee-electronics@cbp.dhs.gov</a>
Industrial & Manufacturing Materials	<a href="mailto:cee-industrialmaterials@cbp.dhs.gov">cee-industrialmaterials@cbp.dhs.gov</a>
Machinery	<a href="mailto:cee-machinery@cbp.dhs.gov">cee-machinery@cbp.dhs.gov</a>
Petroleum, Natural Gas & Minerals	<a href="mailto:cee-petroleum@cbp.dhs.gov">cee-petroleum@cbp.dhs.gov</a>
Pharmaceuticals, Health & Chemicals	<a href="mailto:cee-pharmaceuticals@cbp.dhs.gov">cee-pharmaceuticals@cbp.dhs.gov</a> <a href="mailto:cee-chemicals@cbp.dhs.gov">cee-chemicals@cbp.dhs.gov</a>

### CBP Trade Enforcement Metrics: PTI Seizures



#### What is a Priority Trade Issue (PTI)?

PTIs represent high-risk areas that can cause significant revenue loss, harm the U.S. economy, or threaten the health and safety of the American people. CBP focuses its actions and resources around five PTIs to better direct an effective trade facilitation and enforcement approach.

The above graph represents the total number of seizures conducted by CBP, broken down by three PTIs: Free Trade Agreements, Import Safety, and Intellectual Property Rights. This graph illustrates the aggressive trade enforcement practices that CBP engages in to promote a fair and competitive trade environment.

More information on CBP’s five PTIs can be found at:

<http://www.cbp.gov/trade/priority-issues>