

## Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

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**Massachusetts Man Pleads Guilty to Importing and Selling Counterfeit Intergrated Circuits from China and Hong Kong**

Peter Picone, 41, of Methuen, Massachusetts, pleaded guilty today in U.S. District Court in Hartford, Connecticut to importing thousands of counterfeit integrated circuits (ICs) from China and Hong Kong and then reselling them to U.S. customers, including contractors supplying them to the U.S. Navy for use in nuclear submarines.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division and U.S. Attorney Deirdre M. Daly for the District of Connecticut made the announcement.

Picone pleaded guilty before U.S. Magistrate Judge Donna Martinez of the District of Connecticut to an indictment charging him with conspiracy to traffic in counterfeit military goods. As part of a plea agreement with the government, Picone agreed to a forfeiture money judgment of \$70,050 and the forfeiture of 12,960 counterfeit ICs seized during the execution of a search warrant at his business and residence. Sentencing was set for Aug. 22, 2014.

According to court filings, from 2007 through 2012, Picone conspired with his suppliers in China and Hong Kong to sell millions of dollars' worth of ICs bearing the counterfeit marks of approximately 35 major electronics manufacturers, including Motorola, Xilinx and National Semiconductor. Picone sold counterfeit ICs to contractors knowing that they would be supplied to the United States Navy for use in nuclear submarines.

Many of Picone's customers specified in their orders that they would not accept anything but new ICs that were not from China, but Picone told them that the ICs were new and manufactured in Europe. Testing by the Navy and one of its contractors revealed that in fact the ICs purchased from Picone had been resurfaced to change the date code and to affix counterfeit marks, all in order to hide their true pedigree. Federal agents searched Picone's business and residence on April 24, 2012, and recovered 12,960 counterfeit ICs.

This is the second conviction ever on a charge of trafficking in counterfeit military goods, a relatively new provision in the U.S. Criminal Code that was enacted as part of the National Defense Authorization Act of 2011.

The case was investigated by the Defense Criminal Investigative Service, the Naval Criminal Investigative Service and Homeland Security Investigations. The case is being prosecuted by Trial Attorney Kendra Ervin and Senior Counsel Evan Williams of the Criminal Division's Computer Crime and Intellectual Property Section (CCIPS), Special Assistant U.S. Attorney Carol Sipperly of the District of Connecticut, Trial Attorney Anna Kaminska of the Criminal Division's Fraud Section, and Trial Attorney Kristen Warden of the Criminal Division's Asset Forfeiture and Money Laundering Section. Significant assistance was provided by the CCIPS Cybercrime Lab.