



THE UNITED STATES  
DEPARTMENT *of* JUSTICE



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## JUSTICE NEWS

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### **MASSACHUSETTS MAN SENTENCED TO 37 MONTHS IN PRISON FOR TRAFFICKING COUNTERFEIT MILITARY GOODS**

A Massachusetts man was sentenced today to 37 months in prison for importing thousands of counterfeit integrated circuits (ICs) from China and Hong Kong and 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, U.S. Attorney Deirdre M. Daly of the District of Connecticut, Special Agent in Charge Matthew J. Etre of U.S. Immigration and Customs Enforcement's Homeland Security Investigations (ICE-HSI) in New England, Special Agent in Charge Craig W. Rupert of the Defense Criminal Investigative Service (DCIS) Northeast Field Office and Special Agent in Charge Leo Lamont of the Naval Criminal Investigative Service (NCIS) Northeast Field Office made the announcement.

Peter Picone, 42, of Methuen, Massachusetts, pleaded guilty on June 3, 2014, to conspiracy to traffic in counterfeit military goods. In addition to imposing the prison term, U.S. District Judge Alvin W. Thompson of the District of Connecticut ordered Picone to pay \$352,076 in restitution to the 31 companies whose ICs he counterfeited, and to forfeit \$70,050 and 35,870 counterfeit ICs.

"Picone risked undermining our national security so that he could turn a profit," said Assistant Attorney General Caldwell. "He sold counterfeit integrated circuits knowing that the parts were intended for use in nuclear submarines by the U.S. Navy, and that malfunction or failure of the parts could have catastrophic consequences."

"Supplying counterfeit electronic components to the U.S. Military is a serious crime," said U.S. Attorney Daly. "Individuals who choose profit over the health and safety of the men and women of our armed services will be prosecuted."

“Counterfeit electrical components intended for use in U.S. military equipment put our service members in harm’s way, and our national security at great risk,” said Special Agent in Charge Etre. “HSI will continue to aggressively target individuals and companies engaged in this type of criminal act.”

“The sentencing today demonstrates the continued efforts of the Defense Criminal Investigative Service and our fellow law enforcement partners to protect the integrity of the Department of Defense’s infrastructure,” said Special Agent in Charge Rupert. “Distributors who opt for financial gain by introducing counterfeit circuitry into the supply chain of mission critical equipment create an environment ripe for potential failures. Such disregard puts the warfighter at an unnecessary risk, ultimately impacting the mission readiness of our military that the nation depends on. DCIS will continue to shield America’s investment in Defense by addressing all attempts to disrupt the reliability of our military’s equipment and processes.”

“The U.S. Navy submarine force is a critical component of our national security,” said Special Agent in Charge Lamont. “Protecting the Sailors who make up that force and their supply lines are top priorities for NCIS, to ensure our strategic deterrent remains effective.”

In April 2015, Picone founded Tytronix Inc., and served as its president and director until August 2010, when the company was dissolved. In addition, from August 2009 through December 2012, Picone owned and operated Epic International Electronics (Epic) and served as its president and director.

In connection with his guilty plea, Picone admitted that, from February 2007 through April 2012, first through Titronix and later through Epic, he purchased millions of dollars’ worth of ICs bearing the counterfeit marks of approximately 35 major electronics manufacturers, including Motorola, Xilinx and National Semiconductor, from suppliers in China and Hong Kong. Picone admitted that he resold the counterfeit ICs to customers both in the United States and abroad, including to defense contractors that Picone knew intended to supply the counterfeit ICs to the U.S. Navy for use in nuclear submarines, among other things. Picone further admitted that he knew that malfunction or failure of the ICs likely would cause impairment of combat operations and other significant harm to national security.

On April 24, 2012, federal agents searched Picone’s business and residence, and recovered 12,960 counterfeit ICs. In connection with his guilty plea, Picone admitted that he intended to sell the seized counterfeit ICs to defense contractors doing business with the Navy for use in military applications.

The case was investigated by the Defense Criminal Investigative Service, the NCIS and ICE-HSI. The case is being prosecuted by Senior Counsel Kendra Ervin and Evan Williams of the Criminal Division’s Computer Crime and Intellectual Property Section (CCIPS), Assistant U.S. Attorney Sarala Nagala and 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. The CCIPS Cybercrime Lab provided significant assistance.

The enforcement action announced today is related to the many efforts being undertaken by the Department of Justice Task Force on Intellectual Property (IP Task Force). The IP Task Force supports prosecution priorities, promotes innovation through heightened civil enforcement, enhances coordination among federal, state, and local law enforcement partners, and focuses 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 [www.justice.gov/dag/iptaskforce](http://www.justice.gov/dag/iptaskforce).

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