



Homeland Security Investigations

STATEMENT OF

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REGARDING A HEARING TITLED

“Intellectual Property: Enforcement Activities by the Executive Branch”

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES JUDICIARY COMMITTEE
SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE
INTERNET

May 7, 2024
2141 Rayburn House Office Building
10:00 A.M.

Homeland Security Investigations (HSI) and the National Intellectual Property Rights Coordination Center (IPR Center) welcome the opportunity to testify in front of the Subcommittee on Courts, Intellectual Property, and the Internet on the vital role of HSI in intellectual property rights enforcement, which protects our nation's public health and safety, national security, and economy.

Homeland Security Investigations Role

HSI, formed by the Homeland Security Act of 2002, is the largest investigative component of the U.S. Department of Homeland Security (DHS), empowered with broad legal authority to conduct federal criminal investigations into the illegal cross-border movement of people, goods, money, technology, and contraband throughout the United States. The mission of HSI is to investigate, disrupt and dismantle transnational criminal organizations and national security threats seeking to exploit the customs and immigration laws of the United States. HSI's footprint extends to more than 6,800 special agents assigned to 235 domestic field offices and more than 90 international offices in over 50 countries. HSI's international presence is the largest within DHS and enables HSI investigations to reach beyond our borders. HSI's cadre of internationally deployed special agents, criminal analysts, and mission support personnel work alongside locally employed staff and foreign law enforcement partners to advance the HSI and DHS mission around the world.

I serve as the Acting Assistant Director of the HSI Global Trade Division. The Global Trade Division provides oversight and support for criminal investigations of U.S. import and export laws to ensure national security, protect the public's health and safety, stop predatory and illegal trade practices, and prevent sensitive U.S. technologies and weapons from reaching transnational criminal organizations (TCOs) and foreign adversaries.

I also serve as the Acting Director of the IPR Center. The IPR Center leads the federal government's efforts to enforce international trade laws and to stop global intellectual property (IP) theft. In fiscal year (FY) 2023, HSI initiated 623 cases, conducted 434 criminal arrests, and obtained 327 indictments and 206 convictions related to IP theft and commercial fraud.

Impact of Intellectual Property Theft

IP theft, counterfeiting, and trade fraud are significant global issues. The Organization for Economic Co-operation and Development (OECD) estimates approximately 2.5% of all global trade – \$464 billion annually – is comprised of counterfeit and pirated goods.¹ The impact of this illicit trade reaches beyond the economy. According to the World Health Organization, up to 1 million people die each year as a result of counterfeit medication.² Counterfeit military equipment threatens the safety of America's service members. Criminal networks use counterfeiting to fund illegal activities including human trafficking, money laundering, and forced labor. These networks see counterfeiting as a low risk, high reward income stream. Oftentimes, this is because of the relatively low risk of detection and prosecution due to the

¹ *Global Trade in Fakes*, Home Page (Jun. 22, 2021) <https://doi.org/10.1787/74c81154-en>.

² Pathak, R. et al. (May 15, 2023) *Tackling Counterfeit Drugs: The Challenges and Possibilities. Pharmaceutical Medicine*. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10184969/>.

excessive volume of crime being committed, as well as low penalties compared to other crimes, such as drug trafficking, and high profit margins – especially in counterfeit pharmaceuticals.³

National Intellectual Property Rights Coordination Center

The IPR Center disrupts and dismantles criminal networks using a whole-of-government approach including interdiction, investigation, and outreach and training. Created in 2000 and codified by the Trade Facilitation and Trade Enforcement Act of 2015, the IPR Center is responsible for coordinating the federal government’s enforcement of IP laws. Together with IP administrative agencies including the U.S. Patent and Trademark Office and regulatory agencies such as the Department of Justice (DOJ), the IPR Center stands at the forefront of IP enforcement.

The IPR Center’s structure leverages the authorities, resources and skills of each participating agency. The IPR Center is headed by HSI with Deputy Directors from HSI, U.S. Customs and Border Protection (CBP), and the Federal Bureau of Investigation (FBI). Each of the agencies represented at the IPR Center bring their unique authorities, jurisdictions, and culture together to coordinate whole of government IP enforcement.

The IPR Center is made up of four units:

- (1) the Intellectual Property Unit, which is responsible for overseeing all IP enforcement programs for counterfeit goods sold outside of the government supply chain and for providing training and capacity building for domestic law enforcement and foreign partners.
- (2) the Commercial Fraud Unit, which oversees investigations of traditional customs fraud schemes such as anti-dumping and countervailing duty evasion, fraudulent claims under trade agreements, and other schemes that defraud the United States of revenue and detrimentally affect domestic industry.
- (3) the Government Supply Chain Investigations Unit (GSCIU), which maintains the U.S. government supply chain’s integrity, enhances national and economic security, and promotes public safety by identifying and investigating vulnerabilities, enhancing coordination, and information sharing among public and private sector partners and educating partners; and
- (4) the Wildlife and Environmental Crimes Unit (WECU), which coordinates investigations of violations of wildlife and environmental protection laws and their illicit trade.

Unique Public/Private Partnerships

Key to the IPR Center’s operating model are our partnerships. We partner with more than 20 federal agencies—including DOJ, Department of Commerce, Department of State (DoS), Food and Drug Administration, Department of Veterans Affairs (VA) and others—international law

³ Department of Homeland Security Report to the President of the United States, *Combating Trafficking in Counterfeit and Pirated Goods (Jan. 24, 2020)*, https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf.

enforcement agencies, academic institutions, and private industry. While each partnership is unique, the goal is always to enhance each organizations' capabilities in furtherance of investigative case support, training, and outreach.

HSI's expansive international footprint allows the IPR Center to access and build relationships with foreign governments for enforcement of customs offenses. The IPR Center also has formal partnerships with multiple international law enforcement agencies, including INTERPOL, Europol and the City of London Police, aimed to enhance cooperation and investigative efforts as we tackle transnational IP theft and counterfeiting.

We also work closely with DOJ's 12 International Computer Hacking and Intellectual Property (ICHIP) Attorney Advisors across four regions. Last year, working in collaboration with DoS Bureau of International Narcotics and Law Enforcement Affairs (INL), an HSI special agent was detailed abroad as an ICHIP Agent Advisor. This agent worked with ICHIP Attorney Advisors to improve our foreign partners' capacities to enforce trade and IP laws through trainings and technical assistance. Due to the program's success, HSI plans to detail two special agents abroad this year as ICHIP Agent Advisors. Domestically, we work with DOJ to build strong cases for the prosecution of IP and trade crimes.

Outside of our federal and international law enforcement partnerships, the IPR Center maintains robust partnerships and significant engagement with private industry. Our partners include a range of industry leaders including the Automotive Anti-Counterfeiting Coalition and the Pharmaceutical Security Institute. Two of our most public-facing partnerships are with the National Football League (NFL) and Motion Picture Association (MPA). Our work with the NFL aims to interdict the sale and trafficking of counterfeit sports merchandise, tickets, and apparel – a multimillion-dollar criminal industry. In collaboration with the MPA, we target digital piracy and illegal online streaming through law enforcement investigatory support and Public Service Awareness campaigns to educate consumers about the dangers and economic impact of piracy.

We also work with our industry partners to shut down digital piracy and illegal streaming services. Each year, online piracy costs the U.S. economy an estimated \$29.2 billion in lost revenue.⁴ In 2022, the IPR Center supported HSI Baltimore and DOJ efforts to work with international law enforcement partners and the Fédération Internationale de Football Association (FIFA) to seize 71 website domains attempting to illegally stream the World Cup. In FY 2023, HSI judicially seized 160 illegal streaming websites.

Additionally, the academic partnership with Michigan State University's (MSU) Center for Anti-Counterfeiting and Product Protection (A-CAPP) is critical to the IPR Center's access to large IP research databases and cutting-edge insights and information about the relationship between artificial intelligence (AI) and IP protection. Alongside A-CAPP, we developed the IP Protect program to help small and medium-sized enterprises defend themselves from IP infringement crimes, fraud, and cyber intrusion through a series of resource guides.

⁴ *Impacts of Digital Video Piracy on the U.S. Economy*, U.S. Chamber of Commerce (Jun. 15, 2019), <https://www.theglobalipcenter.com/report/digital-video-piracy/>.

Lead Evaluation and Dissemination

Most of the IPR Center's 30,000 annual leads come from our partners within private industry and CBP. The IPR Center evaluates each lead to identify the most viable and impactful leads based on public health and safety, national security, and economic impact. Additionally, the IPR Center provides feedback to our partners on the strengths and weaknesses of their lead referrals, building even stronger partnerships and cases.

Throughout this process, we work closely with CBP, the FBI, and the National Cyber-Forensics and Training Alliance (NCFTA) to research leads and identify linkages. This collaboration helps us leverage proprietary databases, deconflict law enforcement efforts and identify linkages amongst illicit networks.

An example of this collaboration is the IPR Center's support of HSI New York in their 2023 investigation that resulted in the largest seizure of counterfeit goods in American history. From October 20 to November 1, 2023, HSI New York executed 57 search warrants at two different locations, resulting in the seizure of approximately 219,444 counterfeit bags, clothing, shoes, and other luxury products with a total estimated manufacturer's suggested retail price of approximately \$1,034,990,531.

Growth of the Center

In FY 2023, the IPR Center received enhanced appropriations from Congress to build on the success of two existing programs. The IPR Center used these appropriations to transform these programs into standalone units: GSCIU and the WECU.

The GSCIU assumed responsibility for and expanded concepts developed in the IPR Center-initiated Operation Chain Reaction (OCR), which was stood up in 2011 to address concerns over counterfeit goods entering the Department of Defense (DOD) supply chain. OCR's objective was and remains to combat the introduction of counterfeit microelectronics into the DOD supply chain and mitigate significant health and safety consequences posed to U.S. defense, health, and cybersecurity systems. The GSCIU facilitates comprehensive supply chain risk management across the federal government including the ongoing threat posed by Chinese-made counterfeit microelectronics.

This new unit leverages key public and private partnerships to modernize existing infrastructure and processes by integrating and analyzing interagency data sources to identify and combat threats to our supply chain. By combining and leveraging the expertise and authorities of our partners, the GSCIU ensures a collaborative U.S. government response to government supply chain integrity, risk management, and overall supply chain security.

The GSCIU leads efforts to disrupt the introduction of counterfeit components in the defense supply chain, identify third parties who try to introduce counterfeits into the government supply chain, and combat infiltration of counterfeit medical products into the VA supply chain.

Partners within the IPR Center share and deconflict information and send leads to investigative

field offices. Through partnership with the VA's Office of the Inspector General, GSCIU created proactive educational outreach designed to foster a culture of vigilance and awareness within the VA.

Enhanced FY 2023 appropriations also enabled the IPR Center to turn our successful environmental crimes program into the WECU. The WECU supports and coordinates investigations pertaining to the trade of illegally obtained, protected, and endangered flora and fauna. This unit also supports and coordinates investigations pertaining to the illicit importation of hazardous materials, pesticides, and chemicals. Conservative estimates by the World Bank indicate the illegal wildlife trafficking, fishing, and timber trade is a \$215 billion per year industry.⁵

As a part of this growing area of concern, TCOs exploit natural resources to fund other criminal activity, including narcotics smuggling, weapons smuggling, and human trafficking. The WECU is already at the forefront of investigating these activities, including the Russian State-sponsored Wagner Group's involvement in natural resources crimes. As of April 2024, the Office of Foreign Assets Control has announced 17 sanctions against Wagner Group front companies involved in illegal mining. These actions are a direct result of WECU-supported investigations.

Future Trends

AI-enabled IP theft is an emerging threat. The IPR Center is using enhanced appropriations to further engage on AI, both in combating AI threats to IP and in leveraging AI to aid investigations. The President's 2023 Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence tasked the IPR Center to partner with private industry to identify emerging AI threats to IP and develop a training, analysis, and evaluation program to mitigate these threats. In response, the IPR Center stood up a working group, comprised of subject matter experts from industry, government, and academia. Alongside our MSU A-CAPP partners, the working group is developing a series of trainings to help small- and medium-size enterprises better protect their IP in the age of AI. We are also collaborating with the MPA Alliance for Creativity and Entertainment and Recording Industry of America to study emerging AI trends that pose a significant threat to the movie, television, and music industries.

This working group is also identifying new ways to leverage AI to aid in investigations. We utilize AI through HSI's Innovation Lab, which serves as HSI's physical and virtual hub for the development of new advanced analytics capabilities, tools, and enhanced processes. The HSI Innovation Lab utilizes AI to provide tools to agents and analysts to enhance capabilities and save time. For example, one application developed by the Innovation Lab enables users to expediently review and analyze email data acquired through legal process. As part of a recent case, investigators collected 180,000 emails with more than 130,000 attachments. Historically, the process of manually collecting, organizing, translating, and analyzing such a vast quantity of material would have taken an estimated eight months. Using the application, investigators were able to complete that process in just one week.

⁵ World Bank Group, *Illegal Logging, Fishing, and Wildlife Trade: The Costs and How to Combat It* (Oct. 28, 2019), <https://pubdocs.worldbank.org/en/482771571323560234/WBGReport1017Digital.pdf>.

Protecting IP is a global problem that requires a whole-of-government approach, strong partnerships with private industry, and continued collaboration with academic and public partners. HSI and the IPR Center are at the forefront of IP enforcement leveraging the strengths of our partners to constantly adapt to the evolving tactics of transnational criminal organizations as they attempt to evade U.S. IP laws and enrich themselves at the expense of others.

Again, thank you for the opportunity to testify before you today: I look forward to your questions.