



**USA-IT**

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# Illicit Trade Prevention Program

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A SIX-PART SERIES



# WE ARE UNITED TO SAFEGUARD AMERICA FROM ILLEGAL TRADE (USA-IT)

Launched in 2021, USA-IT is a coalition led by Philip Morris International (PMI) and supported by more than 85 national and state brand enforcement experts, law enforcement agencies, academics, and leading business organizations working across the country to empower local officials, law enforcement, and other leaders with new information and training programs and raise public awareness of the depth and severity of this crime.

 @IllegalTradeUS

 United to Safeguard America from Illegal Trade

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[www.usait.org](http://www.usait.org)

## EXECUTIVE SUMMARY

**Illegal trade takes many nefarious forms, connected by shadowy webs of bad actors. No single company, industry, or government can address this complex problem on its own.**

Tackling illegal trade requires cooperation and public-private partnerships, making full use of existing expertise, information sharing, innovative solutions and evolving technologies. Public actors, the private sector and civil society alike all have a role to play.

Spanning from June to November 2023, United to Safeguard America from Illegal Trade (USA-IT) conducted its novel six-part Illicit Trade Prevention Program, convening over 250 business leaders, brand protection experts, and law enforcement personnel. The informational training expounded on methodologies and best practices applied to successful anti-illegal trade operations, and left registrants with an advanced comprehension of the legislation and multi-sector initiatives that target counterfeiters and other illegal trade profiteers. With speakers representing federal agencies, multi-national companies, non-profits, and world-class research institutions, the series also offered a unique opportunity for cross-sector networking and direct interaction with course instructors.

PROGRAM MODERATOR

**Alysa Erichs**

USA-IT Spokesperson and Former Acting Executive Associate Director for Homeland Security Investigations (HSI)





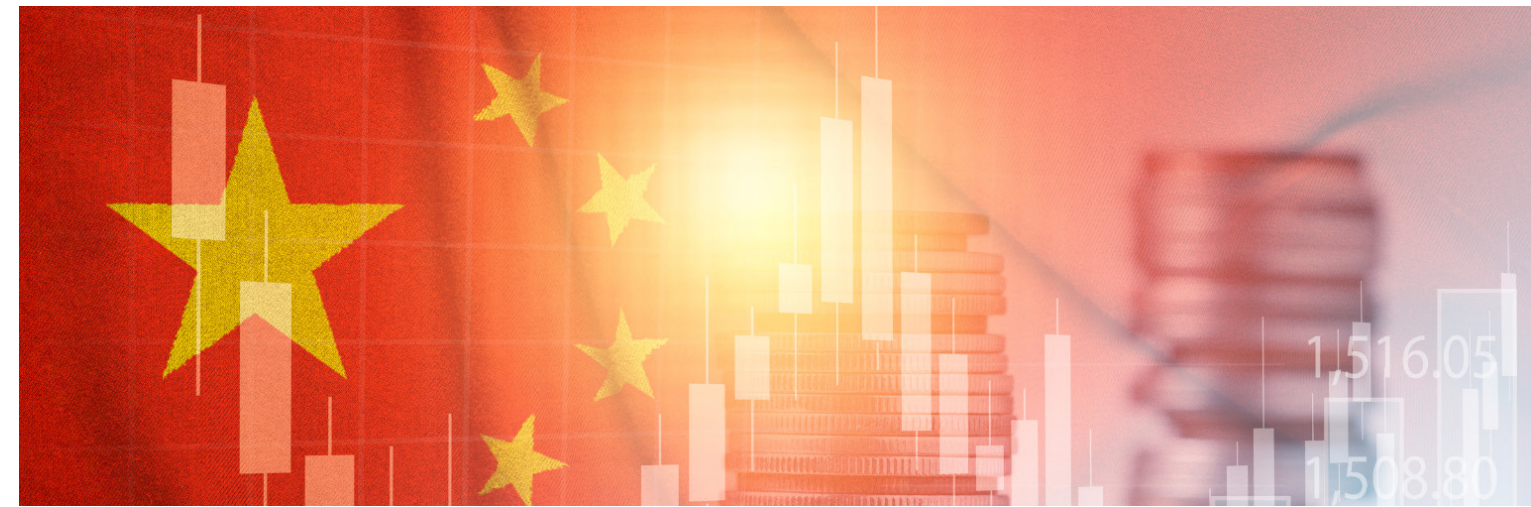
# KEY TAKEAWAYS

Following each session, key takeaways were extracted from presentations and dialogue with attendees. Recordings of each session are provided upon request.

## COURSE 1: EMERGING TRENDS OF ILLEGAL TRADE

During Course 1: Emerging Trends of Illegal Trade, John Cassara, author of *China - Specified Unlawful Activities: CCP Inc., Transnational Crime and Money Laundering*, shed light on how Chinese actors exploit the globalized marketplace and fuel transnational crime. Director of the National Intellectual Property Rights Coordination Center (IPR Center) James Mancuso, and Deputy Assistant Director of Homeland Security Investigations (HSI) Raul Aguilar, also provided crucial information on how industry partners can utilize public sector allies to conduct successful criminal investigations. Senior Vice President of the Global Innovation Policy Center Patrick Kilbride additionally examined what he coined the 'Partnership Matrix,' which detailed the building blocks needed to maximize cross-sector and inner-sector coordination against illegal trade. Key takeaways from their presentations included:

- 1** China is distinguished by the quantity of 'specified unlawful activities' it harbors. These are the largest categories of transnational crime, which include counterfeiting, narcotics trafficking, and human smuggling. China's involvement in these activities equates to approximately \$2 trillion. This estimate is roughly half the amount of money that is laundered globally each year.
- 2** In order for law enforcement to conduct a criminal investigation, private industry must work to develop actionable investigation and intelligence leads. The best information that can enhance a lead include: suspect identifying information (physical and online), historical information, loss calculation, and aggravating factors. Additionally, IPR Center's Lead Evaluation Matrix serves as a tool for law enforcement and industry to see where the quality of leads is ranked, allowing industry to formulate best practices when developing their leads.
- 3** It is estimated that organized retail theft was responsible for close to \$70 billion in retail merchandise stolen since 2019. Additionally, organized retail crime has resulted in \$125.7 billion lost in economic activity. Cargo theft is also estimated to create a financial loss of between \$15-30 billion each year. HSI's various partnerships with agencies such as the IPR Center, the International Organized Crime Intelligence & Operations Center, and the Border Enforcement Security Task Force are pivotal in curbing these trends.



- 4** Private-public partnerships, as well as partnerships among industry partners and between public agencies, have never been more important in combating illicit trade, especially given that intellectual property supports 41% of domestic economic activity, or 44% of U.S. employment. A successful partnership must contain three pillars: consumer awareness, strong capacity building, and a robust flow of information exchanged between parties.
- 5** As shopping through online platforms and social media has become more popular, we have seen a rise in scams which not only puts consumers at risk, but negatively impacts brand integrity. It is critical that consumers shop smart and safe when purchasing items online. Industry partners must also be fully transparent in sharing their data collected with law enforcement. This allows agencies and organizations to allocate their resources in the most meaningful and efficient way as many are facing challenges with bandwidth.

## COURSE PRESENTERS

**Raul Aguilar**  
Deputy Assistant Director  
Homeland Security  
Investigations (HSI)



**John Cassara**  
Former CIA Intelligence Officer  
and Treasury Special Agent



**James Mancuso**  
Director  
National Intellectual Property  
Rights Coordination (IPR) Center



**Patrick Kilbride**  
Senior Vice President of the  
Global Innovation Policy Center  
U.S. Chamber of Commerce





**counterfeit**

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## COURSE 2: BRAND PROTECTION AND ANTI-COUNTERFEITING

During our 2nd Illicit Trade Prevention Program course, Brand Protection and Anti-Counterfeiting, Special Agent and National Program Manager at HSI Thomas Sofia discussed HSI's IP Protect program, an outreach initiative supporting small and medium-sized enterprises. Senior Vice President of Corporate Strategy and Senior Legal Counsel at the International Anti-Counterfeiting Coalition (IACC) Marc Miller discussed the work IACC conducts with the financial sector and e-commerce platforms. He also explained how IACC works to gather information across different industries to pinpoint issues and use shared data to improve enforcement on various platforms. Head of Illicit Trade Prevention U.S. for Philip Morris International (PMI) Hernan Albamonte provided insight into the intersection between social media and counterfeiting, explaining how consumers can easily be tricked into buying unregulated and potentially harmful products in the process.

**1** The estimated size of the global counterfeit market is \$464 billion, representing close to 3% of global trade. Additionally, the U.S. Government Accountability Office shows that 40% of products purchased through online marketplaces were counterfeit. Even more concerning is that 70% of consumers have admitted that they have purchased counterfeit products in the past year online, with likely more not realizing that they had purchased counterfeits.

**2** It is very common for large businesses to have employees or departments that are dedicated to Intellectual Property (IP) protection, but small and medium-sized businesses may not have the resources to adequately protect their IP, leaving them vulnerable to IP loss. HSI's IP Protect program seeks to bridge that gap, collaborating with local government agencies, community organizations, and private sector companies to help businesses understand how HSI can help protect them from IP-related threats.

**3** Social media platforms have increased marketing and sales of counterfeit products, raising the overall volume of this activity in the online marketplace. A rising issue on these platforms are dupe influencers, who use their social media accounts to promote fakes or sought-after designer products. Wielding large followings, these influencers will review fake products such as counterfeit AirPods, which usually will sell for around \$200. However, the influencer will tell their followers they can be bought for only \$20 and share a link to purchase, driving large amounts of consumers to buy counterfeit products.

**4** The e-commerce landscape has drastically changed in the last 10 years, making collaborative cross- and inner-sector partnerships an indispensable asset to businesses' efforts against IP theft. Through such partnerships, organizations such as IACC have been able to gather information from across industries to best advise businesses on ways to protect themselves and their products from counterfeit merchandise.

### COURSE PRESENTERS

#### Marc Miller

Senior Vice President Corporate Strategy and Senior Legal Counsel International Anti-Counterfeiting Coalition (IACC)



#### Thomas Sofia

Special Agent and National Program Manager Homeland Security Investigations (HSI)



#### Hernan Albamonte

Head of Illicit Trade Prevention U.S. Philip Morris International (PMI)





## COURSE 3: ORGANIZED THEFT GROUPS

During Course 3: Organized Theft Groups, president of Learn it Media Kevin McMenimen, LPC, outlined the differences between organized retail crime (ORC) and other, similar crimes including shoplifting and 'smash-and-grabs.' He also discussed the utility of organized retail crime associations (ORCAs) and highlighted notable education programs for law enforcement and retail investigators. Kroger's director of Corporate Security, Investigations, and Organized Retail Crimes Frank Patercity spoke about combating ORC as a detective and the importance of education and training initiatives for the public sector. Acting president of The Coalition of Law Enforcement and Retail (CLEAR) Ben Dugan, CFI, explored the global reach of ORC syndicates and broke down the operational layers of their enterprises. Key takeaways included:

- 1 ORC is most often defined as multiple items being stolen over multiple occurrences in either multiple stores or jurisdictions with two or more individuals acting in multiple roles ex: boosters (people who steal products intending to resell them) & fences (the buyers of stolen goods). Additionally, ORC is often tied to other serious crimes such as drugs, guns, human trafficking, and terrorism. It is essential that retailers understand the global reach of this crime as they collaborate with law enforcement on cases.
- 2 On June 27, the INFORM Consumers Act went into effect. The law was enacted to add more transparency to online transactions and to deter criminals from acquiring stolen, counterfeit, or unsafe items and selling them through those marketplaces. Leveraging intelligence obtained as a result of this legislation, as well as information gathered from industry on specific sellers, allows agencies to define larger criminal groups and begin the process of dismantling them.
- 3 Retail is the largest industry in the United States, but because of ORC, retailers lose tens of billions of dollars each year. This creates a significant loss of state and local tax revenue, costing the average family \$500 annually. A survey conducted by the Retail Industry Leaders Association and Buy Safe America Coalition, found that 80% of surveyed asset protection managers (APMs) at leading retailers reported an increase in ORC-related crimes and 76% of those APMs reported crimes threatening the use of a weapon.
- 4 Private-public partnerships are a key component of generating credible cases against organized retail theft groups. Information-sharing between law enforcement, state-led task forces, ORCAs, and businesses allow parties to produce more precise and holistic data points, leading to quicker detections of criminal hotspots and more accurate classifications of high-risk commodities.

### COURSE PRESENTERS

**Kevin J. McMenimen, LPC**  
President  
Learn it Media



**Ben Dugan, CFI**  
President  
Coalition of Law Enforcement  
and Retail (CLEAR)



**Frank Patercity**  
Director of Corporate Security,  
Investigations, and Organized Retail Crime  
Kroger



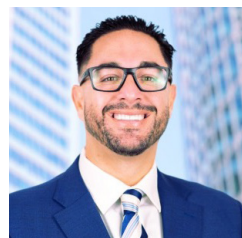




### COURSE PRESENTERS

#### Victor Cardona

Senior Vice President,  
BSA Officer  
Golden State Bank



#### John Tobon

Special Agent in Charge  
Homeland Security  
Investigations (HSI)



## COURSE 4: MONEY LAUNDERING AND ILLEGAL FINANCIAL FLOWS

Golden State Bank's Senior Vice President and BSA Officer Victor Cardona joined HSI Special Agent John Tobon in exploring the organizational structures and red flag anomalies tied to money laundering and illegal financing systems during USA-IT's fourth Illicit Trade Prevention Program course, Money Laundering and Illegal Financial Flows. The course instructors offered best practices to combat organized theft groups (OTGs) tied to money laundering, and shed light on the ways bankers and law enforcement can better exchange data and resources to dismantle large-scale money laundering systems. Key takeaways:

- 1 Bankers should be vigilant about spotting financial crimes, particularly those conducted by OTGs, because these crimes can easily impact their clients. There should be a baseline of normalcy for banks to follow to identify and notify law enforcement when financial anomalies present themselves. Through HSI's Boiling Point, bankers are able to pinpoint the transactional anomalies that don't align with the client's stated purpose of any given account.
- 2 OTGs create sophisticated money laundering structures and typically mirror the financial structures of legitimate businesses compatible to their own size. Common players in the OTG financial chain include:
  - ORChestrators: Head of OTG
  - Boosters: Those who commit the theft
  - Fencers: Those who take the stolen good(s) and prepare the product(s) for selling (or cleaning)
  - Diverters: Those who use front companies to receive clean merchandise for sale to legitimize goods
- 3 If bankers identify a suspicious activity, it is best practice to file a report to the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury. From there, agents seek to "flip" those who only loosely benefit from the proceeds of money laundering and rely more on legitimate sources of income. These individuals are critical for agents to gather more intelligence about the larger money laundering structure of the OTG.
- 4 Education and awareness are paramount for the anti-money laundering community to be in the best position to detect, report, and mitigate ORC. Bankers and law enforcement should utilize sections 314(a) and 314(b) of the U.S. Patriot Act, respectively, as a critical tool for information sharing. These sections allow law enforcement and financial institutions to exchange data in coordination with FinCEN to better identify and report transactional anomalies.

## COURSE 5: CASE INVESTIGATIONS AND PROSECUTION

HSI Special Agent Brian Sampson joined Assistant State's Attorney of Will County, Illinois, Mike Casson, and Reagan Reininger from the U.S. Attorney's Office (USAO) of the Northern District of Oklahoma during USA-IT's fifth Illicit Trade Prevention Program course, Case Investigations and Prosecution. During the course, Sampson broke down the structural components of an \$11 million Organized Retail Crime (ORC) syndicate and highlighted how his team brought these criminals to justice. Casson and Reininger explored the foundational tools that help turn cases into successful prosecutions. Key takeaways include:

- 1** Large-scale organized retail crime investigations need the assistance of private industry partners. Retailers and brands can offer a host of resources and expertise that aid law enforcement's capabilities – from the early stages of the investigation to the day of the seizure. In the investigation referenced during Brian's presentation, CVS, Walgreens, Kroger, and Target provided law enforcement with products to trace throughout each point of the syndicate's illicit network. They also provided agents trucks and product experts to support each seizure on the day search warrants were distributed.
- 2** Law enforcement should abide by the "3 M's" when initiating a strong case against ORC: Means, Market, and Money. First, officers should disrupt the means of theft, meaning that they should charge the individuals that are fueling the crime, many of which are repeat offenders. Second, officers must disrupt the market by taking away the criminal network's funding, buildings, and other properties. Third, they should disrupt the illicit monetary flows by targeting those who directly profit from proceeds.
- 3** Cases involving interstate crimes and that contain a high "loss amount," or high volumes of illicit proceeds, will be important factors when presenting a case to a USAO. Other elements a USAO will likely find attractive is whether the case involves a larger conspiracy, or the potential for a case to execute a seizure or forfeiture. Specific USAO interests should also be taken into consideration, including the time and resources the USAO would be willing to allocate to the case.

- 4** Both law enforcement and prosecutors must overcome substantial hurdles to achieve a successful case:

A) Law enforcement must take careful measures to detail their reports on criminal incidents and any property or product that lacks proper identification. Education on stolen goods and the recognition of legitimate vs. unreliable sources is also important, as is the consideration of how long a suspect would be detained.

B) From a prosecutorial perspective, proving that items are stolen and that the defendants knew those items were stolen is among the greatest challenges. Lenient sentencing guidelines can also spoil a case, especially on the federal level where sentences are often less stringent than on the state level.

### COURSE PRESENTERS

#### Brian Sampson

Special Agent  
Homeland Security  
Investigations (HSI) Chicago



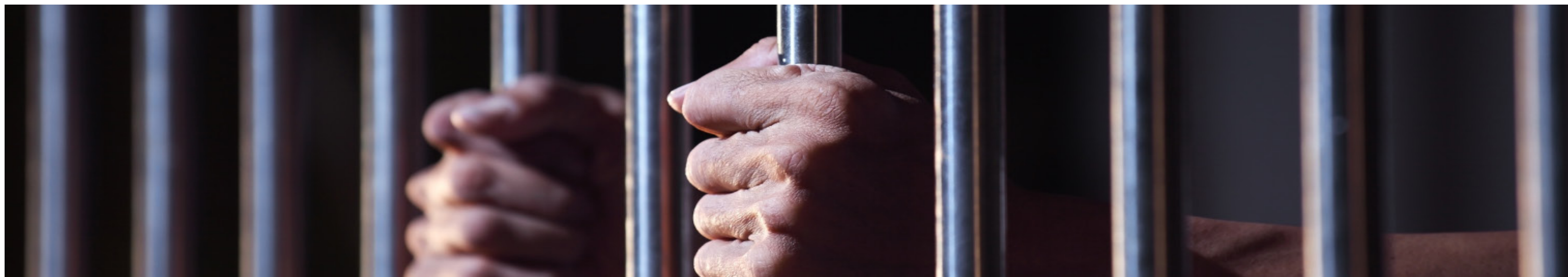
#### Mike Casson

Deputy Chief of Complaints &  
Supervisor of Computer and  
Financial Crimes  
Office of the Will County  
State's Attorney



#### Reagan Reininger

Assistant United States Attorney  
Northern District of Oklahoma





## COURSE 6: LEGISLATIVE PATHWAYS TOWARDS SECURITY

Director of Michigan State University's Center for Anti-Counterfeiting and Product Protection (A-CAPP) Kari Kammel joined Rob Karr, President & CEO of the Illinois Retail Merchants Association (IRMA), in closing out USA-IT's sixth and final course of its 2023 Illicit Trade Prevention Program. Entitled *Legislative Pathways Towards Security*, the course centered around the tools needed to pass effective legislation, and how state and federal legislation, both implemented and pending, are redefining the way enforcement is applied to counterfeiting, organized retail crime (ORC), and other forms of illegal trade. Key takeaways of the course include:

- 1** Understanding the political environment surrounding ORC and other forms of illegal trade is an essential step in passing favorable legislation. Elected officials want to remain in office, and they will seek opportunities to champion noble causes. A well-established, credible institution or broader coalition must arm lawmakers with facts and statistics to make their case in the legislature. Political cover is everything.
- 2** Building a broad coalition of those impacted by illegal trade crimes (ex. law enforcement, retail groups, social/community organizations, etc.) can produce momentum around the legislation for when it is needed most. Additionally, legislative advocates must be prepared to receive pushback from historic allies. In the case of Illinois' enacted 2022 anti-ORC legislative proposal, House and Senate Republicans typically sympathetic to anti-ORC initiatives did not wish to see the Democratic Governor take ownership of the legislation's success and attempted to hinder its passage during its infant stages.
- 3** A recent A-CAPP consumer survey shows that 52% of respondents had intentionally purchased at least one counterfeit good in the last year, and almost 70% were tricked into buying a counterfeit product. Almost 40% of consumers kept the purchased counterfeit product and approximately 5% reported the counterfeit to law enforcement. Consumers need direction on what to do with these products – state and local law enforcement as well as attorneys general offices should open reporting mechanisms for consumers.
- 4** The INFORM Consumers Act, which went into effect nationwide in June 2023, sets new standards for e-commerce and social media platforms with respect to vetting high-volume third-party sellers. Unlike brick-and-mortar environments where consumers can complain to a buyer if a product is sub-standard, sellers may often disappear online. The INFORM Consumers Act requires online marketplaces to collect, verify, and disclose information about high-volume third-party sellers, adding transparency to online transactions.

- 5** The SHOP SAFE Act was reintroduced in the U.S. Senate by Senators Coons (D-DE) and Tillis (R-NC) in September 2023. This legislation focuses on secondary liability for trademark counterfeiting, meaning that it provides safe harbor from liability for e-commerce platforms that proactively vet information on third-party sellers and screen the products of that seller. Today, if a counterfeiter repeatedly uses an e-commerce platform, that platform can become liable for that sale of goods.

### COURSE PRESENTERS

#### Kari Kammel

Director  
Center for Anti-Counterfeiting  
and Product Protection at  
Michigan State University



#### Rob Karr

President & CEO of the Illinois  
Retail Merchants Association  
(IRMA)





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