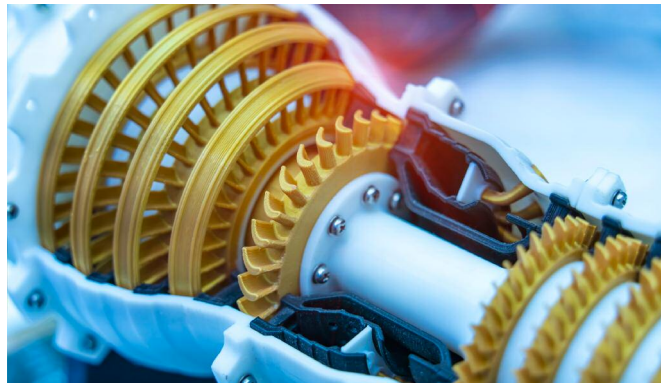


TDO for 3-D printer sending plans to China

On 8 June, three Wilmington, North Carolina companies had their export privileges rescinded for six months when the Bureau of Industry and Security (“BIS”) issued a temporary denial order (“TDO”) to Quicksilver Manufacturing, Inc., Rapid Cut LLC, and US Prototype, Inc., related companies in the business of providing 3-D printing services to manufacturers. BIS noted that the companies participated in “unauthorized export to China of technical drawings and blueprints used to 3-D print satellite, rocket, and defense-related prototypes. This type of information is subject to strict U.S. export controls due to its sensitivity and importance to U.S. national security.” The TDO was requested under Section 766.24 of the Export Administration Regulations (“EAR”).

While all three entities share the same physical address in North Carolina and the same CEO, Peter Lamporte, only US Prototype, Inc. appears to be a registered company. However, US Prototype doesn’t have its own website, but uses Rapid Cut’s website. Meanwhile, Quicksilver appears to have a manufacturing facility in Zhongshan China called Quicksilver MFG. It is unclear from BIS’s statement and from company registration information if the companies outsourced the 3-D printing of EAR-controlled products to China inadvertently or if they were established in North Carolina as the US arm of the China manufacturer, which



should become clearer after further investigation details are released.

“This is a case of illicit procurement,” says Steve Wilcox, Managing Director in the Export Controls and Sanctions offering at FTI Consulting. “If this entire matter was involving a US-based company unwittingly supporting an illicit procurement network, BIS would likely issue an ‘is informed’ letter informing the company (companies) that it is participating in an illicit procurement-related transaction, and request the company not conduct the transaction. In this case, BIS is ordering companies to not conduct any transactions.”

“This Order represents BIS’s first enforcement action for sending blueprints and technical drawings to China for 3D-printing,” notes Stephanie Siegmann, a Partner at Hinckley Allen in Boston. “It signals how seriously BIS considers this rapidly evolving area that poses

enormous national security concerns.”

BIS has identified additive manufacturing, i.e. 3D-printing, as an emerging technology. 3D-printers can produce sophisticated weaponry, including components for missiles, rockets, and satellite

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systems. Technical drawings and blueprints for 3D-printing are easily transferrable via electronic means and provide the ability for US adversaries to manufacture identical parts to those being used by the US military.

“Even if you are contracting with a company in the United States, you need to ensure no foreign national will be involved

in the 3D-printing if your technical drawing or blueprint is controlled under the ITAR. EAR-controlled data also may require an export license depending upon the nationality of the foreign person,” reminds Siegmann.

The TDO indicates that the Quicksilver/Prototype group of companies allegedly violated contractual provisions, including non-disclosure agreements and export control prohibitions, with several US companies; at least one was a US defense contractor that required that its designs not be exported outside of the United States without written approval and government licenses.

“Companies should endeavor to conduct thorough due diligence on an entity with which they intend to share confidential proprietary information and restrict the location of manufacturing if the blueprints or drawings are export controlled,” advises Siegmann. “Further, any foreign entity with which the US origin technology is shared must be vetted against prohibited end-users.”

Wilcox adds: “To avoid getting into situations involving the unwitting participation in illicit procurement networks, companies should ensure they conduct risk-based due diligence to KYC and KYCC, identify red flags, ask pointed questions, and verify the end use and end-user of the exports.”

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