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BUREAU OF INDUSTRY AND SECURITY
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BIS IMPOSES $2.77 MILLION PENALTY ON 3D PRINTING COMPANY FOR EXPORTS TO CHINA AND GERMANY, INCLUDING AEROSPACE AND MILITARY DESIGN DOCUMENTS

WASHINGTON, D.C. – Today, as part of a settlement agreement, the Bureau of Industry and Security (BIS) issued an order imposing an administrative penalty of $2,777,750 on 3D Systems Corp. (3D Systems). 3D Systems is also required to retain a third-party consultant and to complete two audits of its export controls compliance program. This settlement resolves the allegations set forth in a Proposed Charging Letter (PCL) regarding 19 violations by 3D Systems of the Export Administration Regulations (EAR) by exporting controlled aerospace technology and metal alloy powder to China without the required license, and by exporting controlled technology to Germany without the required license. The PCL also included allegations related to 3D Systems failing to comply with the EAR’s recordkeeping requirements. 3D Systems admitted to committing the alleged conduct set forth in the PCL as part of this agreement. In addition to the BIS penalty, 3D Systems entered into corresponding settlement agreements with the Department of State and the Department of Justice.

“Sending export-controlled blueprints for aerospace and military electronics to China is detrimental to U.S. national security,” said Assistant Secretary for Export Enforcement Matthew S. Axelrod. “Today’s coordinated enforcement action demonstrates the whole-of-government approach we are taking to help ensure that our country’s sensitive technologies do not end up in the wrong hands.”

During the time period at issue, 3D Systems provided 3D printing, cast urethane modeling, and injection molding services to customers across the United States and abroad. While 3D Systems maintained its own manufacturing facilities in the United States, it also regularly e-mailed design documents, blueprints, and technical specifications to its then-subsidiary’s office in China to generate a price quote for the services requested. The e-mails, which included controlled U.S. technology, constitute an export of technology subject to the EAR.

On several occasions, and unbeknownst to the U.S. companies that requested the price quotes, 3D Systems e-mailed controlled design drawings, including those for military electronics as well as those used in the development, production, operation, or repair of spacecraft, to its then-subsidiary’s office in Guangzhou City, China. 3D Systems also exported controlled design documents to Germany, where 3D Systems maintained a mirrored server to store employee e-mails containing controlled technology. In addition to unlicensed exports via e-mail, 3D Systems also exported metal alloy powder, which is controlled for national security and nuclear nonproliferation reasons, to China without the required BIS license.
“Today’s enforcement action highlights a troubling trend of U.S. companies offshoring 3D printing operations and ignoring the export controls on the technical data sent overseas to facilitate the 3D printing,” said OEE Director John Sonderman. “The enforcement action would not have been possible without a defense contractor coming forward when they noticed that a price quotation indicated that the quoted parts were to be manufactured in Asia using controlled technology.”

The PCL contains 19 violations including two counts of engaging in prohibited conduct by exporting EAR-controlled technology to China without the required license, four counts of acting with knowledge of a violation by exporting EAR-controlled technology to China without the required license, four counts of engaging in prohibited conduct by exporting EAR-controlled technology to Germany without the required license, one count of failure to comply with recordkeeping requirements, and eight counts of engaging in prohibited conduct by exporting metal alloy powder subject to the EAR to China without the required license.

The full Order, Settlement Agreement, and Proposed Charging Letter is available online here (link). This case was a joint investigation with the U.S. Department of Defense Office of Inspector General, Defense Criminal Investigative Service, National Aeronautics and Space Administration Office of Inspector General, and Homeland Security Investigations. As referenced above, the Department of State and the Department of Justice have resolved additional allegations.

ADDITIONAL BACKGROUND: BIS actions are taken under the authority of the Export Control Reform Act of 2018 and its implementing regulations, the EAR. BIS controls exports of dual-use commodities, technology, and software for reasons of national security, missile technology, nuclear non-proliferation, chemical and biological non-proliferation, crime control, and regional stability. Criminal and administrative sanctions can be imposed for violations of the EAR. For more information, please visit https://www.bis.doc.gov/index.php/enforcement.

Report suspected export control violations through the BIS online tip portal. You can also call the Enforcement Hotline at 1-800-424-2980 or email EELead@bis.doc.gov.