Alert
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COZEN O'CONNOR

Robust Compliance Efforts Earn Princeton Leniency for Violation of Export Administration Regulations

The path, once again, is clear: regulators look favorably upon organizations that flag compliance issues for internal investigations, self-report violations, and cooperate with government officials. This strategy was flawlessly executed by Princeton University. Last week, Princeton reached a $54,000 administrative settlement with the U.S. Department of Commerce, Bureau of Industry and Security (BIS), to resolve allegations of violations of the Export Administration Regulations (EAR).

The EAR restrict the transfer of certain commodities to foreign countries in an effort to preserve national security, foreign policy, and nonproliferation of weapons of mass destruction. Violations of the EAR can result in criminal fines of $1,000,000 and imprisonment up to 20 years for willful violations, civil penalties of $300,000 or twice the value of the transaction at issue, the loss of export privileges, and other statutory sanctions.

BIS alleged that Princeton violated the EAR on 37 occasions between November 2013 and March 2013. The violations occurred when Princeton representatives exported various strains and recombinants of animal pathogen from the United States to overseas research institutions without the requisite BIS licenses. The items were controlled for chemical and biological weapons reasons and valued at approximately $27,000.

Princeton proactively investigated and self-disclosed the EAR violations and cooperated with the investigation conducted by the New York Field Office of BIS's Office of Export and Enforcement. As a result, Princeton settled the matter for $54,000 — twice the value of the transactions at issue, yet a far cry from the maximum criminal and civil exposure. The university further agreed to complete one external audit and one internal audit of its export compliance program.

In a statement issued last week, BIS reiterated that it "strongly encourages research institutions to maintain robust export compliance programs to prevent violations of the EAR," and that, "[i]f violations do occur, voluntary self-disclosing the violations to BIS will help mitigate penalties imposed to protect U.S. national security." Beyond the realm of research institutions and export regulations, this underscores the importance of a vigorous compliance program. Especially in highly regulated industries, companies will often **save** money in the long run by investing in compliance. The Princeton settlement demonstrates that government regulators look favorably on companies that identify potential violations through auditing and internal investigations, self-report potential violations, and cooperate with government agencies' investigations.

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