



Trade Matters

Lowenstein Sandler's Global Trade & National Security Newsletter

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1. Teradyne Pulled \$1 Billion in Manufacturing Equipment from China in 2023

Teradyne, a Massachusetts-based supplier of semiconductor testing equipment, has reportedly **pulled \$1 billion of manufacturing equipment out of China** in 2023 following export controls on advanced computing materials and semiconductors issued by the Bureau of Industry and Security (BIS) in 2022 and 2023. Though of greater magnitude than others, this move parallels those of many other U.S. companies, which have been reducing their reliance on China in recent years as the U.S.-China technology battle ramps up and regulators limit trade in sensitive technologies like chip making.

2. Commerce Proposes KYC Rules for Cloud Providers

On January 29, BIS published a **notice of proposed rulemaking (NPRM)** for establishing know-your-customer (KYC) requirements for infrastructure as a service (IaaS) or cloud infrastructure providers. The proposed rules also authorize Commerce to impose special measures to prevent U.S. service providers from aiding malicious cyber actors. In the NPRM, BIS seeks feedback on several issues including: (1) minimum verification standards, access, and record-keeping requirements that providers must adopt; (2) the procedures by which the Secretary of Commerce decides when and how to impose a special measure; and (3) the definitions of several key IaaS and AI-related terms as they apply to the regulations. Any company interested in submitting comments can do so on the Federal eRulemaking Portal or by email to IAAScomments@bis.doc.gov until April 29.

3. BIS Announces Further Changes to VSD Policies

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for more information about any matters in this newsletter:

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On January 16, BIS published further [changes to its voluntary self-disclosure](#) (VSD) process. Most of these updates build off and clarify other recent changes from June 2022 and April 2023. The agency now strongly encourages the submission of VSDs via email to streamline and expedite follow-up and response. Under the “fast-track” resolution policy implemented in June 2022, companies disclosing violations with no aggravating factors can submit an abbreviated narrative account without the typical accompanying documentation and full five-year lookback required, unless the Office of Export Enforcement requests that information. In addition, BIS clarified that bundling multiple minor or technical violations in a disclosure if they occurred “close in time” means on a quarterly basis. These changes allow the agency to allocate more resources to investigating more serious disclosures and violations, which have increased significantly over the past year.

4. Treasury Sanctions UAE-based Shipping Company for Crude Oil Price Cap Violation

On January 18, the Department of the Treasury’s Office of Foreign Assets Control (OFAC) announced its first oil price cap enforcement action of 2024 against [Hennesea Holdings Limited](#), a United Arab Emirates-based shipping company. The United States belongs to a coalition of countries that prohibit the import of Russian-origin crude oil and petroleum products and restrict the transport of the same unless the oil is bought and sold at or below the specific price caps established by the coalition. This price cap seeks to reduce Russian profits from its oil but maintain a reliable supply to the rest of the global market. Hennesea Holdings transported Russian-origin crude oil priced above the \$60 per barrel price cap after the regulation went into effect. OFAC designated Hennesea and 18 of its vessels as Specially Designated Nationals (SDNs).

5. State Department Will Pay for Information to Stop Technology Used Against Ukraine

In response to recovering U.S.-origin components in Iranian drones recovered in Ukraine, the State Department is offering up to [\\$15 million for information](#) leading to the “disruption of financial mechanisms” of Iran’s Islamic Revolutionary Guard Corps, including mechanisms used by Hossein Hatefi Ardakani, an Iranian businessman who helps procure technology and parts for Iran’s weapons programs. Ardakani, who was charged in December with export control violations and placed on the SDN list, uses a network of companies in Malaysia, Hong Kong, and the United Arab Emirates to buy items from the United States and other countries and ship them to Iran, circumventing U.S. sanctions and export control regulations. Some of the weapons have been sold to the Russian armed forces for use against Ukraine.

TRADE TIP OF THE MONTH: Buckle Up: U.S. Trade Enforcement Promising a Fast Ride in 2024

Based on recent public comments by U.S. officials, as well as recent agency initiatives, we see the U.S. government

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using all potential weapons in 2024 to prevent national security breaches by stopping our adversaries from obtaining critical technology/software and the machines and parts to make such technology. The Disruptive Technology Strike Force, operating in 12 metro areas across the United States, will be working with D.C.-based authorities and global partners to prevent violations of U.S. export controls and economic sanctions to protect national security.

- We export more controls on:
 - We expect more government guidance and more requests for industry comments.
 - semiconductors
 - cloud software
 - quantum computing
 - biotechnology
 - biometrics
 - hypersonics
- We expect more presumptions of denial for export licenses to China and more notifications required for permissible exports.
- We expect more use of AI to watch the shift of money and electronics to adversaries.
- We expect more attention from investors and Congress on how U.S. companies engage with China.

Bottom line: 2024 will be a year to review your internal compliance activities and update your training and compliance documents to limit your risk and liability.

Additional Resources

- **Article:** "U.S. Patent and Trademark Office Introduces Pilot Program for Expedited Review of Semiconductor Manufacturing-Related Patent Applications"
February 2024
Intellectual Property & Technology Law Journal
Madhumita Datta, Ph.D.
- **Client Alert:** "Anti-Bribery Expansion: The Foreign Extortion Prevention Act"
January 12, 2024
White Collar Criminal Defense Client Alert
Scott B. McBride, Nicholas S. Matthews



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