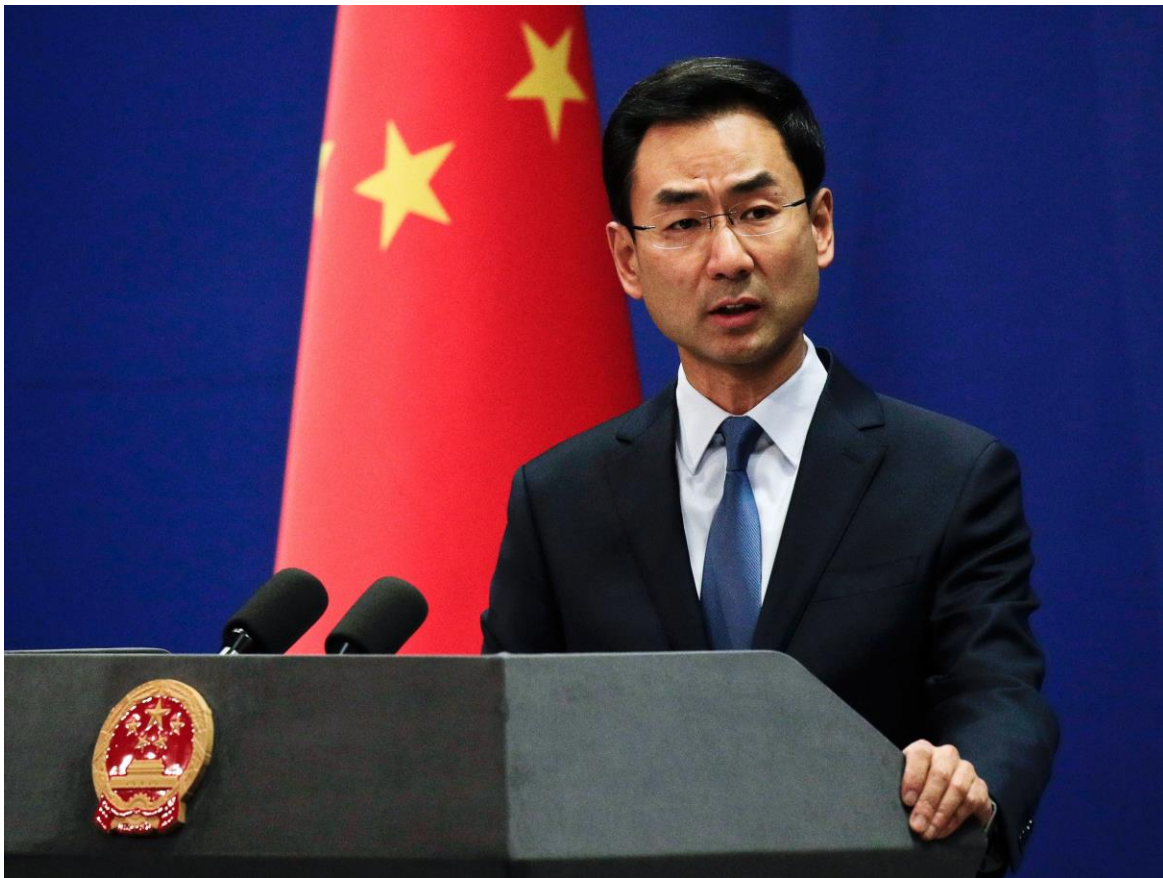


# IF CONVICTED, HUAWEI FACES BIGGER PROBLEMS THAN FINES

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Chinese Foreign Ministry spokesman Geng Shuang called on the US to drop charges against Huawei CFO Meng Wanzhou.

ANDY WONG/AP

**CHINESE TELECOM GIANT** Huawei could face millions in fines if convicted of all charges in [two indictments](#) unsealed by the US Department of Justice Monday. But the money is likely the least of Huawei's worries.

The [first indictment](#) accuses Huawei and its executives, including CFO Meng Wanzhou, of crimes including bank fraud, wire fraud, money laundering, and obstruction of justice related to alleged violations of sanctions forbidding the sale of US-made equipment to Iran. The potential blow to the company is particularly severe because Meng is the daughter of Huawei founder Ren Zhengfei; she was arrested in Canada last month and is awaiting extradition to the US.

The [other indictment](#) accuses the company of stealing intellectual property from T-Mobile, as part of an effort that included offering bonuses to employees who stole confidential information from competitors. According to the indictment, a company policy promised employees they wouldn't be disciplined for such actions, and encouraged them to use an encrypted email address for particularly sensitive information.

"The company denies that it or its subsidiary or affiliate have committed any of the asserted violations of U.S. law set forth in each of the indictments, is not aware of any wrongdoings by Ms. Meng, and believes the U.S. courts will ultimately reach the same conclusion," Huawei said in a [statement published on Twitter](#).

Huawei has already faced civil suits in the US over alleged intellectual property theft, but the new indictments raise the stakes for the company, and especially Meng.

"Obviously a company can't go to jail," says Ryan K. Hart, a former federal prosecutor who is now a white collar crime attorney at Dickinson Wright. "But there are real issues at stake."

Consider what happened to another Chinese telco giant, ZTE. That company admitted to violating US sanctions against Iran in 2017 and agreed to pay a fine of about \$900 million, fire four senior employees, and discipline many others. Last year, the US Department of Commerce said ZTE had failed to follow through on the discipline, and banned US companies from selling components or software to ZTE. ZTE said the

order would put it out of business, and began to shut down its operations. The US government [backed down](#) after ZTE agreed to pay about \$1.9 billion in total penalties, replace its entire board and senior leadership, and open itself to auditors from the US.

"The same fate that almost befell ZTE is a possible outcome if Huawei is convicted in the case," says Joshua Rich, partner and general counsel at the Chicago-based intellectual property law firm McDonnell Boehnen Hulbert & Berghoff.

Huawei is in a better position to survive sanctions than ZTE was, analysts say.

"Huawei is more financially stable than ZTE was," industry consultant Chetan Sharma told WIRED [earlier this month](#). "And Huawei is less dependent on the handset business than ZTE."

But sanctions would hurt, especially if the US were to ban financial institutions from doing business with Huawei. "If you can't interact with the US banking system, you're going to have a great difficulty selling products anywhere in the world," Rich says.

The 13 charges Huawei faces in the sanctions case carry fines of up to \$1 million each, says Hart. Rich says the IP theft charges carry maximum fines of several million dollars. But Huawei could be on the hook for even more money. Prosecutors are hoping to seize any funds related to illegal sales to Iran as well as money the company made from T-Mobile's IP. The DOJ hasn't said how much it will seek.

"That's where litigation and negotiation come in," says Hart. "The DOJ is going to go for the biggest number, go after anything that has been slightly tainted."

Meng could face prison if she's convicted, as could other executives if they're arrested. According to the indictment, more than \$100 million related to Huawei's Iran dealings flowed through one of the US financial institutions cited. It's not clear that prosecutors are blaming Meng for \$100 million worth of transactions, but Hart says if they are, then federal sentencing guidelines suggest a prison sentence of between 11 and 14 years, if Meng is found guilty of bank fraud, assuming she has no previous criminal history. Convictions for the other charges could add to the time. In theory, she could face decades in prison.

Hart and Rich agree that given the political climate, Huawei and the DOJ will probably reach plea deals that would keep the company, and Meng, from facing the worst possible outcomes. But Huawei is in a difficult position.