

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

3D Systems Corporation
333 Three D Systems Cir.
Rock Hill, SC 29730-7811

Respondent

ORDER RELATING TO
3D SYSTEMS CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified 3D Systems Corporation, of Rock Hill, South Carolina (“3D Systems”), of its intention to initiate an administrative proceeding against 3D Systems pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ through the issuance of a Proposed Charging Letter to 3D Systems that alleges that 3D Systems committed 19 violations of the Regulations.² Specifically:

¹ The Regulations originally issued under the Export Administration Act of 1979, as amended, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“the EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, including the Notice of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), continued the Regulations in full force and effect under the International Emergency Economic Powers Act, 50 U.S.C. § 1701, et seq. (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801-4852 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2022). The charged violations occurred in 2015-2019. The Regulations governing the violations at issue are found in the 2015-2019 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2022 Regulations set forth the procedures that apply to this matter.

Charge 1-2 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting EAR-Controlled Technology to China Without the Required License

1. On two occasions from on or about October 2, 2015 through on or about October 3, 2015, 3D Systems exported technology subject to the Regulations to China without the required license from the Department of Commerce. Specifically, 3D Systems exported design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, via e-mail to its then-subsidiary's office located in Guangzhou, China. These design documents were technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities, classified under Export Control Classification Number (ECCN) 9E515. The 9E515 technology at issue was controlled for national security and regional stability related reasons, and, pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to China.

2. At all times relevant to Charges 1-2, 3D Systems had a business unit that provided on-demand manufacturing ("ODM") solutions. Quickparts.com, Inc. ("Quickparts") was a wholly owned subsidiary of 3D Systems and part of the ODM business unit that provided quotation and manufacturing services for third-party customers within the United States and abroad. Quickparts provided prototypes and low-volume production parts, traditional computer numerical control ("CNC") machining, cast urethane modeling, and injection molding services. In September 2021, 3D Systems sold its ODM business unit, including Quickparts.

3. While Quickparts maintained its own manufacturing facilities in the United States, it also regularly exported technology primarily to third-party companies abroad for quotation and potential production. As part of the quotation and order process, Quickparts customers uploaded their design documents, including blueprints, design drawings, specifications, or other requirements, to the Quickparts web portal, or sent the design documents directly to Quickparts employees via email. Quickparts then used the customer-provided information to generate a quotation for the services requested.

4. Quickparts maintained an office in Guangzhou City, China, that was staffed by sales and project management personnel who assisted Quickparts employees in the United States with obtaining quotations from third-party suppliers in China and managing projects that proceed from quotation to production. As part of the quotation process, Quickparts employees in the United States provided Requests for Quotations (RFQ), which included associated technical specifications received from Quickparts customers in the United States, to Quickparts employees in China.

5. Upon receiving inquiries for requests for quotation and associated technical specifications from its United States customers, Quickparts forwarded the requests, together with the controlled United States technology, via e-mail to its office in China to evaluate and provide a quotation. Such conduct constitutes an export of technology subject to the Regulations. Under Section 734.14(a)(1) of the Regulations, an "export" is defined as "an actual shipment or transmission out of the United States, including the sending or taking of an item out of the United States, in any manner."

6. In exporting the technology to its subsidiary in China without the required BIS license on two occasions, 3D Systems committed two violations of Section 764.2(a) of the Regulations.

Charge 3-6 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation by Exporting EAR-Controlled Technology to China Without the Required License

7. On four occasions from on or about June 14, 2016 through on or about February 7, 2018, 3D Systems exported technology subject to the Regulations to China with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur in connection with the export. Specifically, 3D Systems released design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, via e-mail to its Chinese subsidiary located in Guangzhou, China. The design documents were technology required for military electronics, classified under ECCN 3E611 and technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities, classified under ECCN 9E515. Both 3E611 and 9E515 technology are controlled for national security and regional stability related reasons. Pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to China.

8. On November 30, 2015, a Quickparts customer notified Quickparts of potential violations of the Regulations in connection with the export of technology subject to the Regulations to China. The customer also informed Quickparts that it had submitted a disclosure to the United States Government regarding such potential violations.

9. On April 19, 2017, in connection with the disclosure, a BIS Special Agent conducted an outreach with 3D Systems' then-Director of Operations and Special Projects. On April 20, 2017, BIS issued a Warning Letter to 3D Systems regarding the conduct described in the disclosure.

10. 3D Systems therefore knew or had reason to know³ that the technology it handled regularly as part of its ODM business unit was subject to the Regulations and likely required BIS licenses prior to its release to most countries, including China. However, despite the outreach and explanation by a BIS Special Agent of the Company's export control compliance obligations under the Regulations, 3D Systems failed to seek or obtain a license for such technology before exporting it.

11. By forwarding technology subject to the Regulations to China without the required BIS license with knowledge that a violation of the Regulations had occurred, was

³ See 15 C.F.R. § 772.1, which provides that "Knowledge of a circumstance (the term may be a variant, such as 'know,' 'reason to know' or 'reason to believe') includes not only positive knowledge that the circumstance exists or is substantially certain to occur, but also an awareness of a high probability of its existence or future occurrence. Such awareness is inferred from evidence of the conscious disregard of facts known to a person and is also inferred from a person's willful avoidance of facts."

occurring, or was about to occur in connection with the export, 3D Systems committed four violations of Section 764.2(e) of the Regulations.

Charges 7-10 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting EAR-Controlled Technology to Germany Without the Required License

12. On four occasions between on or about January 21, 2015 through on or about June 14, 2016, 3D Systems exported technology subject to the Regulations to Germany without the required license from the Department of Commerce. Specifically, Quickparts' employee emails containing design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, were stored on a server located in Germany. These design documents were classified under ECCN 3E611, technology required for military electronics, and ECCN 9E515, technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities. Both the 3E611 and 9E515 technology at issue was controlled for national security and regional stability related reasons, and pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to Germany.

13. At all times relevant to Charges 7 to 10, all Quickparts employee emails and attachments were stored on a server located in Germany, which "mirrored" the email server in the United States. When the mirrored server was activated in December 2014, any emails in an employee's inbox as of that date, and those that the employees sent or received after that date, were transferred to the German server. The Company ceased the practice for U.S. Quickparts employees in December 2017 and fully decommissioned the German server in October 2018, since which time all employee email is hosted exclusively in the United States.

14. By exporting the technology to a server in Germany without the required BIS license on four occasions, 3D Systems committed four violations of Section 764.2(a).

Charge 11 15 C.F.R. § 764.2(i) – Failure to Comply with Recordkeeping Requirements

15. Between on or about January 21, 2015 and on or about February 7, 2018, in connection with the transactions described in Charges 1-10 above, 3D Systems failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. 3D Systems failed to retain documents required to be retained under Section 762.2, including contracts relating to these exports. In so doing, 3D Systems committed one violation of Section 764.2(i) of the Regulations.

Charges 12-19 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Exporting Metal Alloy Powder Subject to the Regulations to China Without the Required License

16. On eight occasions between on or about November 17, 2016 and on or about July 12, 2019, 3D Systems exported items subject to the Regulations without the required license from the Department of Commerce. Specifically, 3D Systems exported and transferred metal alloy powder, valued in total at approximately \$182,107, classified under ECCN 1C002, and controlled for national security and nuclear nonproliferation reasons, to China without the required BIS license pursuant to Sections 742.2 and 742.3 of the Regulations. In so doing, 3D Systems committed eight violations of Section 764.2(a) of the Regulations.

WHEREAS, I have taken into consideration the existence of the Consent Agreement between 3D Systems and the U.S. Department of State's Directorate of Defense Trade Controls ("DDTC Consent Agreement"), and the Settlement Agreement between 3D Systems and the U.S. Attorney's Office for the Northern District of Texas ("USAO Settlement Agreement");

WHEREAS, BIS and 3D Systems have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein;

WHEREAS, 3D Systems admits committing the alleged conduct described in the Proposed Charging Letter; and

WHEREAS, I have approved of the terms of such Settlement Agreement;
IT IS THEREFORE ORDERED:

FIRST, 3D Systems shall be assessed a civil penalty in the amount of \$2,777,570, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of the Order.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2012)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and if payment is not made by the

due date specified herein, 3D Systems will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, 3D Systems shall complete two (2) audits of its export controls compliance program. 3D Systems shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports, reexports, or transfers (in country) that are subject to the Regulations. The results of the audits, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 225 E. John Carpenter Fwy. #820, Irving, TX 75062 (“BIS Dallas Field Office”). The first audit report shall be due to the BIS Dallas Field Office no later than twelve (12) months from the date of the Order. The second audit report shall be due within thirty-four (34) months from the date of the Order. Said audits shall be in substantial compliance with the Export Compliance Program (ECP) sample audit module, and shall include an assessment of 3D Systems’ compliance with the Regulations. The ECP sample audit module is available on the BIS web site at <https://www.bis.doc.gov/index.php/documents/pdfs/1641-ecp/file>. In addition, where said audits identify actual or potential violations of the Regulations, 3D Systems shall promptly provide documentation supporting the audit, including all pertinent export control documents, to the BIS Dallas Field Office.

FOURTH, compliance with the terms of the Settlement Agreement and the Order, including the full and timely payment of the civil penalty, and the completion of the audits and submission of the audit results as set forth above, are hereby made conditions

to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to 3D Systems.

FIFTH, for a period of three (3) years from the date of this Order, 3D Systems, with a last known address of 3D Systems Corporation, 333 Three D Systems Cir., Rock Hill, SC 29730-7811, shall be made subject to a three-year denial of its export privileges under the Regulations (“denial”). As authorized by Section 766.18(c) of the Regulations, such denial shall be suspended for a probationary period of three years, and shall thereafter be waived, provided that 3D Systems has made full and timely payment as set forth above, has completed the audits and submitted the audit results as set forth above, and has not committed another violation of ECRA, the Regulations, or any order, license, or authorization issued under ECRA or the Regulations. If 3D Systems does not make full and timely payment as set forth above or, during the three-year probationary period under this Order, has not completed the audits and submitted the audit results as set forth above, or commits another violation of ECRA, the Regulations, or any order, license, or authorization issued under ECRA or the Regulations, the suspension may be modified or revoked by BIS pursuant to Section 766.17(c) of the Regulations and a denial order (including a three-year denial period) activated against 3D Systems. If the suspension is modified or revoked, the activation order may also revoke any BIS licenses in which 3D Systems has an interest at the time of the activation order.⁴

SIXTH, should the suspension of the denial be modified or revoked pursuant to Section 766.17(c) of the Regulations, and a denial order (including a three-year denial

⁴ Such a revocation would include licenses existing at the time of the activation order, whether the license had issued before or after ECRA’s enactment on August 13, 2018. *See* note 1, *supra*.

period) be activated against 3D Systems, for the duration of such denial order, 3D Systems, and when acting for or on its behalf, its successors, assigns, representatives, agents, or employees (hereinafter collectively referred to as “Denied Person”), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- A. Applying for, obtaining, or using any license, license exception, or export control document;
- B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or engaging in any other activity subject to the Regulations; or
- C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or from any other activity subject to the Regulations.

SEVENTH, should the suspension of the denial be modified or revoked, and a denial order be activated against 3D Systems, for the duration of the denial order, no person may, directly or indirectly, do any of the following:

- A. Export or reexport to or on behalf of the Denied Person any item subject to the Regulations;

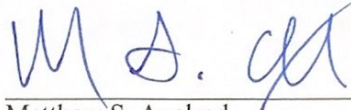
- B. Take any action that facilitates the acquisition or attempted acquisition by the Denied Person of the ownership, possession, or control of any item subject to the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby the Denied Person acquires or attempts to acquire such ownership, possession or control;
- C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from the Denied Person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from the Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or
- E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and which is owned, possessed or controlled by the Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by the Denied Person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

EIGHTH, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the Denied Person by ownership, control, position of responsibility, affiliation, or other connection in the conduct of trade or business may also be made subject to the provisions of this Order.

NINTH, 3D Systems shall comply with all of the terms in the above-referenced DDTC Consent Agreement and USAO Settlement Agreement.

TENTH, the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Matthew S. Axelrod
Assistant Secretary of Commerce
for Export Enforcement

Issued this 27th day of February, 2023.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

3D Systems Corporation
333 Three D Systems Cir.
Rock Hill, SC 29730-7811

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between 3D Systems Corporation, of Rock Hill, South Carolina (“3D Systems”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations”).¹

WHEREAS, 3D Systems responded to BIS administrative subpoenas and subsequently filed voluntary self-disclosures with BIS’s Office of Export Enforcement in

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accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

WHEREAS, BIS has notified 3D Systems of its intentions to initiate an administrative proceeding against 3D Systems, pursuant to the Regulations;²

WHEREAS, BIS has issued a Proposed Charging Letter to 3D Systems that alleges that 3D Systems committed 19 violations of the Regulations, specifically:

Charge 1-2 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting EAR-Controlled Technology to China Without the Required License

1. On two occasions from on or about October 2, 2015 through on or about October 3, 2015, 3D Systems exported technology subject to the Regulations to China without the required license from the Department of Commerce. Specifically, 3D Systems exported design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, via e-mail to its then-subsiary's office located in Guangzhou, China. These design documents were technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities, classified under Export Control Classification Number (ECCN) 9E515. The 9E515 technology at issue was controlled for national security and regional stability related reasons, and, pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to China.

2. At all times relevant to Charges 1-2, 3D Systems had a business unit that provided on-demand manufacturing ("ODM") solutions. Quickparts.com, Inc. ("Quickparts") was a wholly owned subsidiary of 3D Systems and part of the ODM business unit that provided quotation and manufacturing services for third-party customers within the United States and abroad. Quickparts provided prototypes and low-volume production parts, traditional computer numerical control ("CNC") machining, cast urethane modeling, and injection molding services. In September 2021, 3D Systems sold its ODM business unit, including Quickparts.

3. While Quickparts maintained its own manufacturing facilities in the United States, it also regularly exported technology primarily to third-party companies abroad for quotation and potential production. As part of the quotation and order process, Quickparts customers uploaded their design documents, including blueprints, design drawings, specifications, or other requirements, to the Quickparts web portal, or sent the design

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documents directly to Quickparts employees via email. Quickparts then used the customer-provided information to generate a quotation for the services requested.

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5. Upon receiving inquiries for requests for quotation and associated technical specifications from its United States customers, Quickparts forwarded the requests, together with the controlled United States technology, via e-mail to its office in China to evaluate and provide a quotation. Such conduct constitutes an export of technology subject to the Regulations. Under Section 734.14(a)(1) of the Regulations, an “export” is defined as “an actual shipment or transmission out of the United States, including the sending or taking of an item out of the United States, in any manner.”

6. In exporting the technology to its subsidiary in China without the required BIS license on two occasions, 3D Systems committed two violations of Section 764.2(a) of the Regulations.

Charge 3-6 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation by Exporting EAR-Controlled Technology to China Without the Required License

7. On four occasions from on or about June 14, 2016 through on or about February 7, 2018, as described in additional detail in the attached Schedule of Violations, 3D Systems exported technology subject to the Regulations to China with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur in connection with the export. Specifically, 3D Systems released design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, via e-mail to its Chinese subsidiary located in Guangzhou, China. The design documents were technology required for military electronics, classified under ECCN 3E611 and technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities, classified under ECCN 9E515. Both 3E611 and 9E515 technology are controlled for national security and regional stability related reasons. Pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to China.

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On April 20, 2017, BIS issued a Warning Letter to 3D Systems regarding the conduct described in the disclosure.

10. 3D Systems therefore knew or had reason to know³ that the technology it handled regularly as part of its ODM business unit was subject to the Regulations and likely required BIS licenses prior to its release to most countries, including China. However, despite the outreach and explanation by a BIS Special Agent of the Company's export control compliance obligations under the Regulations, 3D Systems failed to seek or obtain a license for such technology before exporting it.

11. By forwarding technology subject to the Regulations to China without the required BIS license with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur in connection with the export, 3D Systems committed four violations of Section 764.2(e) of the Regulations.

Charges 7-10 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting EAR-Controlled Technology to Germany Without the Required License

12. On four occasions between on or about January 21, 2015 through on or about June 14, 2016, and as described in additional detail in the attached Schedule of Violations, 3D Systems exported technology subject to the Regulations to Germany without the required license from the Department of Commerce. Specifically, Quickparts' employee emails containing design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, were stored on a server located in Germany. These design documents were classified under ECCN 3E611, technology required for military electronics, and ECCN 9E515, technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities. Both the 3E611 and 9E515 technology at issue was controlled for national security and regional stability related reasons, and pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to Germany.

13. At all times relevant to Charges 7 to 10, all Quickparts employee emails and attachments were stored on a server located in Germany, which "mirrored" the email server in the United States. When the mirrored server was activated in December 2014, any emails in an employee's inbox as of that date, and those that the employees sent or received after that date, were transferred to the German server. The Company ceased the practice for U.S. Quickparts employees in December 2017 and fully decommissioned the German

³ See 15 C.F.R. § 772.1, which provides that "Knowledge of a circumstance (the term may be a variant, such as 'know,' 'reason to know' or 'reason to believe') includes not only positive knowledge that the circumstance exists or is substantially certain to occur, but also an awareness of a high probability of its existence or future occurrence. Such awareness is inferred from evidence of the conscious disregard of facts known to a person and is also inferred from a person's willful avoidance of facts."

server in October 2018, since which time all employee email is hosted exclusively in the United States.

14. By exporting the technology to a server in Germany without the required BIS license on four occasions, 3D Systems committed four violations of Section 764.2(a).

Charge 11 15 C.F.R. § 764.2(i) – Failure to Comply with Recordkeeping Requirements

15. Between on or about January 21, 2015 and on or about February 7, 2018, in connection with the transactions described in Charges 1-10 above and the attached Schedule of Violations, 3D Systems failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. 3D Systems failed to retain documents required to be retained under Section 762.2, including contracts relating to these exports. In so doing, 3D Systems committed one violation of Section 764.2(i) of the Regulations.

Charges 12-19 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Exporting Metal Alloy Powder Subject to the Regulations to China Without the Required License

16. On eight occasions between on or about November 17, 2016 and on or about July 12, 2019, and as described in additional detail in the attached Schedule of Violations, 3D Systems exported items subject to the Regulations without the required license from the Department of Commerce. Specifically, 3D Systems exported and transferred metal alloy powder, valued in total at approximately \$182,107, classified under ECCN 1C002, and controlled for national security and nuclear nonproliferation reasons, to China without the required BIS license pursuant to Sections 742.2 and 742.3 of the Regulations. In so doing, 3D Systems committed eight violations of Section 764.2(a) of the Regulations.

WHEREAS, 3D Systems has reviewed, with the assistance of counsel, the terms of this Agreement, the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter, and the Proposed Charging Letter, and understands the terms of all three documents;

WHEREAS, 3D Systems enters into this Agreement voluntarily and with full knowledge of its rights, after having consulted with counsel;

WHEREAS, the Parties enter into this Agreement having taken into consideration the existence of the Consent Agreement entered between 3D Systems and the U.S.

Department of State's Directorate of Defense Trade Controls ("DDTC Consent Agreement"), and the settlement agreement entered between 3D Systems and the U.S. Attorney's Office for the Northern District of Texas ("USAO Settlement Agreement");

WHEREAS, 3D Systems states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, 3D Systems admits committing the alleged conduct described in the Proposed Charging Letter; and

WHEREAS, 3D Systems agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over 3D Systems, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.
2. The following sanctions shall be imposed against 3D Systems:
 - a. 3D Systems shall be assessed a civil penalty in the amount of \$2,777,570, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions.
 - b. 3D Systems shall complete two (2) audits of its export controls compliance program. 3D Systems shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports, reexports, or transfers (in country) that are subject to the Regulations. The results of the audits, including any relevant

supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 225 E. John Carpenter Fwy. #820, Irving, TX 75062 (“BIS Dallas Field Office”). The first audit report shall be due to the BIS Dallas Field Office no later than twelve (12) months from the date of the Order. The second audit report shall be due within thirty-four (34) months from the date of the Order. Said audits shall be in substantial compliance with the Export Compliance Program (ECP) sample audit module and shall include an assessment of 3D Systems’ compliance with the Regulations. The ECP sample audit module is available on the BIS web site at <https://www.bis.doc.gov/index.php/documents/pdfs/1641-ecp/file>. In addition, where said audits identify actual or potential violations of the Regulations, 3D Systems shall promptly provide documentation supporting the audit, including all pertinent export control documents, to the BIS Dallas Field Office.

c. For a period of three (3) years from the date of the Order, 3D Systems shall be made subject to a denial of its export privileges under the Regulations (“denial”). As authorized by Section 766.18(c) of the Regulations, such denial shall be suspended during this three-year probationary period and shall thereafter be waived, provided that 3D Systems has made full and timely payment in accordance with Paragraph 2.a above, has completed and submitted the audits in Paragraph 2.b, and has not committed another violation of ECRA, the Regulations, or any order, license or authorization issued under ECRA or the Regulations. If, during the three-year probationary period of the Order, 3D Systems does not make full and timely payment, has not completed and submitted the audits, or commits another violation of ECRA, the Regulations, or any order,

license or authorization issued under ECRA or the Regulations, the suspension may be modified or revoked by BIS and a denial order (including a three-year denial period) activated against 3D Systems. If the suspension is modified or revoked, the activation order may also revoke any BIS licenses in which 3D Systems has an interest at the time of the activation order.⁴

Should the suspension of the denial be modified or revoked pursuant to Section 766.17(c) of the Regulations, and a denial order (including a three-year denial period) be activated against 3D Systems, for the duration of such denial order, 3D Systems, and when acting for or on its behalf, its successors, assigns, representatives, agents, or employees (hereinafter collectively referred to as “Denied Person”), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- i. Applying for, obtaining, or using any license, license exception, or export control document;
- ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the

⁴ Such a revocation would include licenses existing at the time of the activation order, whether the license had issued before or after ECRA’s enactment on August 13, 2018. *See* Note 1, *supra*.

United States that is subject to the Regulations, or engaging in any other activity subject to the Regulations; or

iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or from any other activity subject to the Regulations.

d. Compliance with the terms of this Agreement and the Order, including the full and timely payment of the civil penalty agreed to in Paragraph 2.a, above, and the timely completion of the audits and submission of the audit results in Paragraph 2.b, are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to 3D Systems.

3. Subject to the approval of this Agreement pursuant to Paragraph 7 hereof, 3D Systems hereby waives all rights to further procedural steps in this matter, including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued. 3D Systems also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, in connection with any violation of the Act or the Regulations arising out of the transactions identified in the Proposed Charging Letter or in connection with collection of the civil penalty or enforcement of this Agreement and the Order, if issued, from the date of the Order until the later of the date 3D Systems pays in full the civil penalty agreed to in

Paragraph 2.a of this Agreement, has completed the audits and submitted the audit results in Paragraph 2.b, or the three-year suspension period under the Order has successfully run.

4. BIS agrees that upon successful compliance in full with the terms of this Agreement and the Order, if issued, BIS will not initiate any further administrative proceeding against 3D Systems in connection with any violation of the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

5. 3D Systems shall comply with all of the terms in the DDTC Consent Agreement and the USAO Settlement Agreement.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

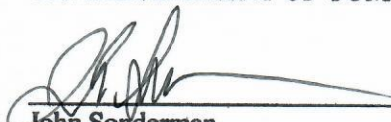
8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the Order, which

will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.


10. Each signatory affirms that he/she has authority to enter into this Settlement Agreement and to bind his/her respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND
SECURITY
U.S. DEPARTMENT OF COMMERCE



John Sonderman
Director of Export Enforcement

3D SYSTEMS CORPORATION

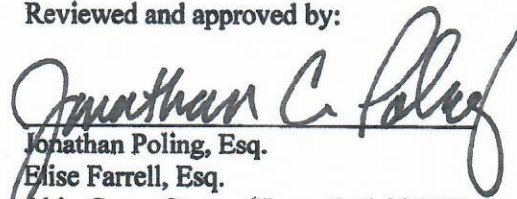


Dr. Jeffrey A. Graves
Chief Executive Officer and President

Date: 2/21/2023

Date: 2/13/2023

Reviewed and approved by:



Jonathan Poling, Esq.
Elise Farrell, Esq.
Akin Gump Strauss Hauer & Feld LLP
Counsel for 3D Systems Corporation

Date: 2/13/2023

PROPOSED CHARGING LETTER

3D Systems Corporation
333 Three D Systems Cir.
Rock Hill, SC 29730-7811

Attn: Dr. Jeffrey A. Graves, Chief Executive Officer and President

Re: Proposed Charging Letter for 3D Systems, Corp.

Dear Dr. Graves:

The Bureau of Industry and Security, U.S. Department of Commerce (BIS), has reason to believe that 3D Systems Corporation (3D Systems or the Company) of Rock Hill, South Carolina, has committed violations of the Export Administration Regulations (the “Regulations”).¹ Specifically, BIS alleges that 3D Systems committed the following violations:

Charge 1-2 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting EAR-Controlled Technology to China Without the Required License

1. On two occasions from on or about October 2, 2015 through on or about October 3, 2015, and as described in additional detail in the attached Schedule of Violations, 3D Systems exported technology subject to the Regulations to China without the required license from the Department of Commerce. Specifically, 3D Systems exported design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, via e-mail to its then-subsidiary’s office located in Guangzhou, China. These design documents were technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities, classified under Export Control Classification Number (ECCN) 9E515. The 9E515 technology at issue was controlled for national

¹ The Regulations originally issued under the Export Administration Act of 1979, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (EAA), which lapsed on August 21, 2001. The President continued the Regulations under the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-1708 (2012) (IEEPA), including during the time period of the violations at issue here. On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801 - 4852 (ECRA). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment, shall continue in effect according to their terms until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA. The 2022 Regulations govern the procedural aspects of this case.

security and regional stability related reasons, and, pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to China.

2. At all times relevant to Charges 1-2, 3D Systems had a business unit that provided on-demand manufacturing (ODM) solutions. Quickparts.com, Inc. (Quickparts) was a wholly owned subsidiary of 3D Systems and part of the ODM business unit that provided quotation and manufacturing services for third-party customers within the United States and abroad. Quickparts provided prototypes and low-volume production parts using traditional computer numerical control (CNC) machining, cast urethane modeling, and injection molding services. In September 2021, 3D Systems sold the ODM business unit, including Quickparts.

3. While Quickparts maintained its own manufacturing facilities in the United States, it also regularly exported technology primarily to third-party companies abroad for quotation and potential production. As part of the quotation and order process, Quickparts customers uploaded their design documents, including blueprints, design drawings, specifications, or other requirements, to the Quickparts web portal, or sent the design documents directly to Quickparts employees via email. Quickparts then used the customer-provided information to generate a quotation for the services requested.

4. Quickparts maintained an office in Guangzhou City, China, that was staffed by sales and project management personnel who assisted Quickparts employees in the United States with obtaining quotations from third-party suppliers in China and managing projects that proceed from quotation to production. As part of the quotation process, Quickparts employees in the United States provided Requests for Quotations (RFQ), which included associated technical specifications received from Quickparts customers in the United States, to Quickparts employees in China.

5. Upon receiving inquiries for requests for quotation and associated technical specifications from its United States customers, Quickparts forwarded the requests, together with the controlled United States technology, via e-mail to its office in China to evaluate and provide a quotation. Such conduct constitutes an export of technology subject to the Regulations. Under Section 734.14(a)(1) of the Regulations, an “export” is defined as “an actual shipment or transmission out of the United States, including the sending or taking of an item out of the United States, in any manner.”

6. In exporting the technology to its subsidiary in China without the required BIS license on two occasions, 3D Systems committed two violations of Section 764.2(a) of the Regulations.

Charge 3-6 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation by Exporting EAR-Controlled Technology to China Without the Required License

7. On four occasions from on or about June 14, 2016 through on or about February 7, 2018, as described in additional detail in the attached Schedule of Violations, 3D Systems exported technology subject to the Regulations to China with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur in connection with the export. Specifically, 3D Systems released design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, via e-mail to its Chinese subsidiary located in Guangzhou, China. The design documents were technology required for military electronics, classified under ECCN 3E611 and technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities, classified under ECCN 9E515. Both 3E611 and 9E515 technology are controlled for national security and regional stability related reasons. Pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to China.

8. On November 30, 2015, a Quickparts customer notified Quickparts of potential violations of the Regulations in connection with the export of technology subject to the Regulations to China. The customer also informed Quickparts that it had submitted a disclosure to the United States Government regarding such potential violations.

9. On April 19, 2017, in connection with the disclosure, a BIS Special Agent conducted an outreach with 3D Systems' then-Director of Operations and Special Projects. On April 20, 2017, BIS issued a Warning Letter to 3D Systems regarding the conduct described in the disclosure.

10. 3D Systems therefore knew or had reason to know² that the technology it handled regularly as part of its ODM business unit was subject to the Regulations and likely required BIS licenses prior to its release to most countries, including China. However, despite the outreach and explanation by a BIS Special Agent of the Company's export control compliance obligations under the Regulations, 3D Systems failed to seek or obtain a license for such technology before exporting it.

11. By forwarding technology subject to the Regulations to China without the required BIS license with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur in connection with the export, 3D Systems committed four violations of Section 764.2(e) of the Regulations.

² See 15 C.F.R. § 772.1, which provides that "Knowledge of a circumstance (the term may be a variant, such as 'know,' 'reason to know' or 'reason to believe') includes not only positive knowledge that the circumstance exists or is substantially certain to occur, but also an awareness of a high probability of its existence or future occurrence. Such awareness is inferred from evidence of the conscious disregard of facts known to a person and is also inferred from a person's willful avoidance of facts."

Charges 7-10 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting EAR-Controlled Technology to Germany Without the Required License

12. On four occasions between on or about January 21, 2015 through on or about June 14, 2016, and as described in additional detail in the attached Schedule of Violations, 3D Systems exported technology subject to the Regulations to Germany without the required license from the Department of Commerce. Specifically, Quickparts' employee emails containing design documents such as blueprints, drawings, plans, diagrams, engineering designs and specifications, computer-aided design files, were stored on a server located in Germany. These design documents were classified under ECCN 3E611, technology required for military electronics, and ECCN 9E515, technology required for the development, production, operation, installation, repair, overhaul, or refurbishing of spacecraft and related commodities. Both the 3E611 and 9E515 technology at issue was controlled for national security and regional stability related reasons, and pursuant to Sections 742.4 and 742.6 of the Regulations, a BIS license was required to export such items to Germany.

13. At all times relevant to Charges 7 to 10, all Quickparts employee emails and attachments were stored on a server located in Germany, which "mirrored" the email server in the United States. When the mirrored server was activated in December 2014, any emails in an employee's inbox as of that date, and those that the employees sent or received after that date, were transferred to the German server. The Company ceased the practice for U.S. Quickparts employees in December 2017 and fully decommissioned the German server in October 2018, since which time all employee email is hosted exclusively in the United States.

14. By exporting the technology to a server in Germany without the required BIS license on four occasions, 3D Systems committed four violations of Section 764.2(a).

Charge 11 15 C.F.R. § 764.2(i) – Failure to Comply with Recordkeeping Requirements

15. Between on or about January 21, 2015 and on or about February 7, 2018, in connection with the transactions described in Charges 1-10 above and the attached Schedule of Violations, 3D Systems failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. 3D Systems failed to retain documents required to be retained under Section 762.2, including contracts relating to these exports. In so doing, 3D Systems committed one violation of Section 764.2(i) of the Regulations.

Charges 12-19 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Exporting Metal Alloy Powder Subject to the Regulations to China Without the Required License

16. On eight occasions between on or about November 17, 2016 and on or about July 12, 2019, and as described in additional detail in the attached Schedule of Violations, 3D Systems exported items subject to the Regulations without the required license from the Department of Commerce. Specifically, 3D Systems exported and transferred metal alloy powder, valued in total at approximately \$182,107, classified under ECCN 1C002, and controlled for national security and nuclear nonproliferation reasons, to China without the required BIS license pursuant to Sections 742.2 and 742.3 of the Regulations. In so doing, 3D Systems committed eight violations of Section 764.2(a) of the Regulations.

* * * * *

Accordingly, 3D Systems is hereby notified that an administrative proceeding is instituted against it pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including, but not limited to any or all of the following:

- The maximum civil penalty of an amount not to exceed the greater of \$356,579 per violation or an amount that is twice the amount of the transaction that is the basis of the violation with respect to which the penalty is imposed;³
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

If 3D Systems fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If 3D Systems defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to 3D Systems. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

3D Systems is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. 3D Systems is also

³ *See* 50 U.S.C. § 1705(b) (prescribing civil monetary penalty amount for IEEPA violation); 50 U.S.C. § 4819(c) (prescribing civil monetary penalty amount for ECRA violation); 15 C.F.R. §§ 6.3(c)(4), 6.4 (adjusting for inflation the civil monetary penalty amount for IEEPA and ECRA).

entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should 3D Systems have a proposal to settle this case, 3D Systems should transmit it to the attorney representing BIS named below.

3D Systems is further notified that under the Small Business Regulatory Enforcement Flexibility Act, 3D Systems may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

The United States Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, 3D Systems' answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of 3D Systems' answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Andrea Duvall and Kimberly Hsu
Room H-3839
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Andrea Duvall and Kimberly Hsu are the attorneys representing BIS in this case; any communications that 3D Systems may wish to have concerning this matter should occur through her. Ms. Duvall and Ms. Hsu may be contacted by e-mail at aduvall@doc.gov and khsu@doc.gov, respectively, and by telephone at 202-482-5301.

Sincerely,

John Sonderman
Director
Office of Export Enforcement

Schedule of Violations

Charge #	Date of Export	ECCN	Destination	Violation
1	10/2/2015	9E515	China	764.2(a)
2	10/3/2015	9E515	China	764.2(a)
3	08/26/2016- 09/01/2016	9E515	China	764.2(e)
4	6/14/2016	9E515	China	764.2(e)
5	6/15/2016	9E515	China	764.2(e)
6	2/7/2018	3E611	China	764.2(e)
7	1/21/2015	3E611	Germany	764.2(a)
8	10/27/2015	3E611	Germany	764.2(a)
9	4/20/2016	3E611	Germany	764.2(a)
10	6/14/2016	9E515	Germany	764.2(a)
11	1/21/2015- 2/7/2018	N/A	N/A	764.2(i)
12	11/17/2016	1C002	China	764.2(a)
13	2/15/2018	1C002	China	764.2(a)
14	2/23/2018	1C002	China	764.2(a)
15	6/8/2018	1C002	China	764.2(a)
16	12/14/2018	1C002	China	764.2(a)
17	12/27/2018	1C002	China	764.2(a)
18	12/31/2018	1C002	China	764.2(a)
19	7/12/2019	1C002	China	764.2(a)