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10 UNITED STATES DISTRICT COURT
11 CENTRAL DISTRICT OF CALIFORNIA

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 AVERY DENNISON CORPORATION,

17 Defendant.

Case No. CV09-5493 DSF (CWx)
COMPLAINT

19 1. This matter involves violations of the Foreign Corrupt Practices Act
20 ("FCPA") by Avery Dennison Corporation ("Avery") through its indirect
21 subsidiary, Avery (China) Co. Ltd. ("Avery China"), and several acquired entities.

22 2. From 2002 through 2005, Avery China's Reflectives Division paid or
23 authorized the payments of several kickbacks, sightseeing trips, and gifts to
24 Chinese government officials. The amount of illegal payments actually paid
25 amounted to approximately \$30,000. In addition, after Avery acquired a company
26 in June 2007, employees of the acquired company continued their pre-acquisition
27 practice of making illegal petty cash payments to customs or other officials in
28 several foreign countries, resulting in illegal payments of approximately \$51,000.

1 The payments and promises to pay were made with the purpose and effect of
2 improperly influencing decisions by foreign officials to assist Avery entities to
3 obtain or retain business.

4 3. Avery failed to accurately record these payments and gifts in the
5 company's books and records, and failed to implement or maintain a system of
6 internal accounting controls sufficient to detect and prevent such illegal payments
7 or promises of illegal payments.

8 4. By engaging in the conduct described in this Complaint, Avery
9 violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of
10 1934 (the "Exchange Act"), 15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B).

11 **JURISDICTION AND VENUE**

12 5. This Court has jurisdiction over this action pursuant to Sections 21(d)
13 and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa. The defendant,
14 directly or indirectly, made use of the means or instrumentalities of interstate
15 commerce, of the mails, or of the facilities of a national securities exchange in
16 connection with the transactions, acts, practices, and courses of business alleged in
17 this Complaint.

18 6. Venue is proper in this district pursuant to Section 27 of the Exchange
19 Act, 15 U.S.C. § 78aa. Many of the transactions, acts, practices, and courses of
20 conduct constituting violations of the laws alleged in this Complaint occurred within
21 the Central District of California, and the defendant may be found in this district.

22 **DEFENDANT**

23 7. Avery is a Delaware corporation headquartered in Pasadena,
24 California. It operates in over sixty countries and develops, manufactures and
25 markets a wide range of products, including self-adhesive materials, office
26 products, labels and graphics imaging media. Its common stock is registered with
27 the Commission pursuant to Section 12(b) of the Exchange Act and is listed on the
28 New York Stock Exchange.

1 **OTHER RELEVANT ENTITY**

2 8. Avery China is a wholly-owned subsidiary of Avery headquartered in
3 Shanghai, China. It is incorporated under the laws of China and wholly owned by
4 Avery Dennison Hong Kong BV, which is in turn wholly owned by Avery
5 Dennison Group Danmark ApS, which is in turn wholly owned by Avery Dennison
6 Corporation. The Reflectives Division is part of Avery China and is currently part
7 of Avery's Graphics Division. Avery China is overseen by Avery's Asia Pacific
8 Group, an unincorporated group based in Hong Kong within the Avery Dennison
9 Hong Kong BV entity.

10 **FACTS**

11 **A. Payments and Promises of Payments by Avery China's Reflectives Division**

12 *Promises of Payments to Wuxi Institute Officials*

13 9. Avery China sells reflective materials through the Reflectives
14 Division. Reflective materials are commonly used in printing, road signs and
15 emergency vehicle markings. In China, the Ministry of Public Security requires
16 that all products used in road communications and safety meet certain requirements
17 as certified by an authorized government entity. One such entity is called the
18 Traffic Management Research Institute under the Ministry of Public Security
19 located in Wuxi, Jiangsu Province ("Wuxi Institute"). The Wuxi Institute helps
20 formulate project plans, draft product and project specifications, and tests pilot
21 projects, and as such could play an important role in awarding government
22 contracts. From early 2004, Avery China's then-national manager for the
23 Reflectives Division ("Reflectives China National Manager") sought to obtain
24 business through the Wuxi Institute. As part of that effort, in January 2004, an
25 Avery China sales manager accompanied four Wuxi Institute officials to a meeting
26 and bought each a pair of shoes with a combined value of approximately \$500.

27 10. In May 2004, Avery China hired a former Wuxi Institute official as a
28 sales manager for the Reflectives Division, because his wife was also an official at

1 the Wuxi Institute who was in charge of two projects that Avery China wanted to
2 pursue: a “digital license plate” project for which Avery China had previously bid
3 unsuccessfully, and a pilot project to develop a new graphic design for police cars.

4 11. In August 2004, Avery China was awarded two government contracts
5 through the Wuxi Institute to install new graphics on approximately 15,400 police
6 cars for two Chinese government entities. The Reflectives China National
7 Manager obtained these contracts by agreeing to artificially increase the sales price
8 and then refund that amount back to the Wuxi Institute as a “consulting fee.” In
9 doing so, he understood at least a portion of that refunded amount would be for the
10 benefit of Wuxi Institute officials. The total sales under the two contracts were
11 \$677,494, and Avery China profited by approximately \$363,953. However,
12 Avery’s Asia Pacific Group discovered the kickback scheme before any illegal
13 payment was made. The attempted illegal payments would have amounted to
14 approximately \$41,138, or 6% of the total sales.

15 2002 Sightseeing Trip

16 12. In December 2002, another Reflectives Division salesman proposed,
17 and the Reflectives China National Manager approved, hosting a sightseeing trip
18 for five government officials with a budget of about RMB 35,000, or \$4,227. Two
19 reimbursement requests were used to conceal the expenses for the trip (one of
20 which was altered at some point in time).

21 Attempted Kickback to Project Manager at State-owned Entity

22 13. In August 2004, the Reflectives China National Manager approved a
23 kickback payment to an official at Henan Luqiao, a state-owned enterprise, to
24 secure a sales contract. The total sales under this contract were approximately
25 \$106,562, and Avery China profited by \$61,381. However, Avery China
26 discovered the kickback arrangement and never made the promised payment to the
27 official at Henan Luqiao, which would have amounted to approximately \$2,415.

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1 Kickback Arranged through Product Distributor (Hefei Anchang)

2 14. From May to June 2005, a Reflectives Division sales manager
3 negotiated a sale to a state-owned end user. To secure the sale, the sales manager
4 agreed to pay a commission to a project manager at the end user. He then asked a
5 distributor to fill the order and fund the agreed upon commission out of what
6 ordinarily would have been the distributor's profit. The transaction was booked as a
7 sale to the distributor, rather than to the end-user. The distributor claimed to have
8 paid the project manager approximately \$24,752 out of its own profit margin. The
9 total sales in the transaction were \$466,162, and Avery China profited by \$273,213.

10 2005 Sightseeing Trip

11 15. In late 2005, during a sales conference that Avery China sponsored in
12 a famous Chinese tourist destination, the successor to the Reflectives China
13 National Manager paid for sightseeing trips for at least four government officials.
14 The manager later attempted to cover up both his role in planning the trip and the
15 sightseeing during the conference. He asked his secretary to alter the conference
16 invoice by reallocating the sightseeing expenses to other expense categories, and
17 have the travel agency submit the changed invoice to Avery China for payment.
18 The changed invoice did not contain any sightseeing expenses; rather, they were
19 buried in expenses for rooms, meals, and transportation. The total cost for the
20 conference (which had more than 40 attendees overall) was approximately \$15,500.

21 **B. Improper Payments by Employees of Acquired Companies**

22 16. In 2005, Avery integrated the operations of an Indonesia contractor it
23 had acquired. The contractor operated out of a bonded zone in Indonesia, and had a
24 practice of paying approximately \$100 each to three customs officials who regularly
25 visited its warehouse to inspect goods. The contractor continued the practice after
26 the acquisition. To obtain cash for the payments, an employee of the acquired
27 subsidiary obtained \$10 petty cash on a daily basis for the \$300 needed each month,
28 and the accounting entry reflected \$10 of travel expense each day for the employee.

