



Recent Export Penalties and How to Avoid Them

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An Export Administration Regulations (EAR) violation can result in penalties “of up to 20 years of imprisonment and up to \$1 million in fines per violation, or both.”¹ Export violations are widely publicized, so it is paramount to stay current on recent export enforcement to avoid penalties and understand the latest trends in enforcement. Thus, we will explore two EAR violations and the penalties that followed, according to recent publicly available knowledge. We will also touch on general trends in penalty violations from court orders of the last six months, and red flags to look out for in transactions that may require EAR licensing.

Recent EAR Violations:

Between November 8, 2020, and July 18, 2022, Applied Materials Inc., a semiconductor manufacturing equipment company based in California, and its subsidiary, Applied Materials Korea, based in South Korea, allegedly reexported or attempted to reexport items subject to the EAR without the proper licensing on fifty-six occasions, according to a court order released on 2/11/26. This was done even though they were informed by the Bureau of Industry and Security (BIS) that they were required to do so when exporting or reexporting ion implanters, which are semiconductor materials, to SMIC Subsidiaries. Specifically, they violated 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct and 15 C.F.R. § 764.2(c) – Attempting to Engage in Prohibited Conduct.

The company settled and agreed to pay a fine of \$252,500,300, one of the largest fines the agency has issued thus far, and the maximum fine allowed by the Export Control Reform Act of 2018. It must also complete two internal audits of its export controls compliance program. If the company failed to abide by the conditions of the settlement, it could lose export privileges for three years.²

Secondly, in October of 2022, Luminultra Technologies, located in Linthicum Heights, Maryland, allegedly sent PhotoMaster luminometers and aqueous test kits to Iran, forgoing the required licensing as set out in 15 C.F.R §746.7(e). A court order released on 09/30/2025 alleged that the company knew that Iran was its product's ultimate end-user, and that this violated EAR licensing requirements, but went ahead with the sale regardless.

Ultimately, Luminultra and BIS agree to settle. The company had to pay a fine of \$685,051. It was also ordered to complete an export compliance audit for 2025 and for each of the next three years, and all employees had to complete export compliance training. If the

¹ *Export Control Reform Act of 2018*, 50 USC §§ 4801-4852 (2018).

² *Order Relating to Applied Materials Inc. and Applied Materials Korea*, U.S Department of Commerce, Bureau of Industry and Security, February 11, 2026, 2-4,14-16.

company failed to abide by the conditions of the settlement, they would be subject to lose export privileges for three years.³

Trends:

In addition to the aforementioned violations, several other EAR penalties issued between September 2025 and February 2026 had to do with firearms, their parts, accessories, and ammunition, as well as airplane parts. Many of the times, these products were sent to Russia, China, South American countries, and Middle Eastern countries. However, as the Luminultra violation demonstrates, companies should not assume that only such products require EAR licensing. Likewise, it should not be assumed that only those sending products to the aforementioned countries require licensing. Rather, companies need to be aware of their products' end users and final destinations.

Red Flags:

This is because potential license violations depend on one's knowledge of the end use of their products. However, this does not mean companies or firms should intentionally blind themselves to potential red flags by discouraging buyers from sharing certain information, as this, too, may lead to penalties. Instead, the EAR highly encourages businesses and firms to become familiar with its extensive list of red flags one should be aware of when considering whether or not a product will end up in the appropriate end-user destination.⁴ Some of which include:

1. The product does not align with the buyer's business. For instance, an aquarium attempts to order complex commercial airplane parts.
2. A buyer offers to pay cash for an expensive product when it's typically paid for via financing.
3. The buyer evades questions concerning whether the product is for domestic use, export, or reexport.
4. A buyer declines routine installation, training, or maintenance services of a product he's seeking to purchase.
5. A buyer wants a highly technical product shipped to a country that does not have an industry to support it. For instance, a buyer ordering semiconductor parts to a country without an electronics industry.

If you have encountered a red flag, do not ship the product until it is resolved. It's generally advisable to hold the export and seek further guidance.

³ *Order Relating to Luminultra Technologies Inc.*, U.S Department of Commerce, Bureau of Industry and Security, September 30, 2025,1-9.

⁴15 CFR §732 Supplement No. 3, (2026).

Conclusion:

While recent trends in enforcement such involving enforcement tend to involve semiconductors, firearms, and aviation, as well as countries like Russia, China, and those in the Middle East and South America, this article only scratches the surface of EAR licensing, penalties, and violations. To avoid EAR penalties, companies must be vigilant when assessing the ultimate end use of their product. For further assistance in navigating the EAR, contact one of the trade attorneys at [Schulz Trade Law PLLC](#).