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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

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11 SECURITIES AND EXCHANGE COMMISSION,
12 Plaintiff,
13 vs.
14 DAVID M. PILLOR,
15 Defendant.

Case No. **C 06 4906**
COMPLAINT

WHA

16
17 Plaintiff Securities and Exchange Commission ("Commission") alleges against defendant
18 David M. Pillor ("Pillor" or "Defendant"):

19 **SUMMARY OF THE ACTION**

20 1. This matter relates to violations of the Foreign Corrupt Practices Act ("FCPA") by
21 InVision Technologies, Inc. ("InVision"), a manufacturer of explosive detection systems used at
22 airports. In three instances from at least June 2002 through June 2004, InVision was aware of a high
23 probability that its sales agents or distributors made or offered to make improper payments to foreign
24 government officials in order to obtain or retain business for InVision.

25 2. Defendant Pillor was InVision's Senior Vice President for Sales and Marketing and a
26 member of the company's board of directors at the time of the violations. Pillor, as the head of the
27 sales department, had the authority to ensure that InVision's sales staff complied with the FCPA. As
28

1 described below, however, Pillor failed to devise and maintain a system of internal controls adequate
2 to detect and prevent InVision's violations of the FCPA.

3 JURISDICTION

4 3. This Court has jurisdiction over this action pursuant to Sections 21(d)(3) and 27 of the
5 Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u(d)(3) and 78aa].
6 Defendant, directly or indirectly, made use of the means and instrumentalities of interstate commerce
7 and the mails in connection with the acts, transactions, practices and courses of business alleged in
8 this Complaint.

9 4. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C.
10 § 78aa] because a substantial portion of the conduct alleged in this Complaint occurred within the
11 Northern District of California. In addition, as alleged in this Complaint, venue in this District is
12 proper because Defendant's conduct arose out his employment at InVision, which at the time
13 maintained its headquarters in the Northern District of California.

14 INTRADISTRICT ASSIGNMENT

15 5. Assignment to the San Francisco Division is proper pursuant to Civil Local
16 Rules 3-2(c) and 3-2(d) because the claims alleged in this Complaint arose out of Defendant's
17 employment at InVision, which at the time maintained its headquarters in Alameda County.

18 DEFENDANT

19 6. David M. Pillor, age 52, lives in Ashburn, Virginia. During the relevant period, Pillor
20 was InVision's Senior Vice President for Sales and Marketing and a member of the company's senior
21 management team. He joined InVision in 1994 and became a member of the company's board of
22 directors in 1999. Pillor resigned from InVision in December 2004.

23 RELATED ENTITY

24 7. At the time of the conduct described below, InVision was a Delaware corporation
25 headquartered in Newark, California. InVision's common stock was registered with the Commission
26 pursuant to Section 12(g) of the Exchange Act and was listed on the NASDAQ National Market
27 exchange. InVision filed reports with the Commission pursuant to Section 13 of the Exchange Act.
28

1 On December 6, 2004, InVision was acquired by an affiliate of General Electric Co. ("General
2 Electric"). The successor company, known as GE InVision, Inc., is an indirect wholly-owned
3 subsidiary of General Electric. The conduct described in this Complaint occurred prior to the
4 acquisition of InVision by General Electric.

5 **FACTS**

6 **A. Background**

7 8. During the relevant period, InVision designed and manufactured advanced detection
8 systems used by airport security personnel to scan baggage for explosives. Customers for InVision's
9 explosive detection systems included airport authorities owned and operated by foreign governments.
10 InVision derived a substantial portion of its revenue from sales of these systems to foreign airport
11 authorities.

12 9. As Senior Vice President, Pillor directed InVision's domestic and international sales
13 and marketing efforts during the relevant period. In order to facilitate the company's sales outside
14 the United States, Pillor hired Regional Sales Managers to oversee defined geographic markets. The
15 Regional Sales Managers coordinated sales in the countries that comprised their areas of
16 responsibility. As InVision employees, the Regional Sales Managers reported to Pillor.

17 10. In addition to the Regional Sales Managers, InVision recruited and retained local sales
18 agents and distributors in countries that InVision viewed as prospective markets. The sales agents
19 and distributors, typically foreign nationals, were familiar with the business practices and customs of
20 their respective countries. The sales agents and distributors negotiated directly with InVision's
21 customers, including foreign government officials, on behalf of InVision and reported to the InVision
22 Regional Sales Managers under Pillor's supervision.

23 **B. InVision's Lack of Internal Controls**

24 11. Under the FCPA, InVision was required to design a system of internal controls to
25 ensure that its foreign sales agents and distributors complied with the law. Pillor, as the head of the
26 company's sales department, had the authority to implement internal controls relating to the FCPA.
27 His failure to implement such controls contributed to InVision's violations of the FCPA.
28

1 12. For example, in selecting its foreign sales agents and distributors, InVision primarily
2 relied on introductions by other American companies, and conducted few, if any, background checks
3 of its own. InVision provided only informal FCPA training to the Regional Sales Managers and its
4 foreign sales agents and distributors. InVision, moreover, failed to monitor the company's Regional
5 Sales Managers and its foreign sales agents and distributors for compliance with the FCPA. Finally,
6 InVision provided no oversight to make certain that its foreign agents did not make improper
7 payments on its behalf. As described below, InVision's sales activities in three countries—China, the
8 Philippines, and Thailand—revealed material weaknesses in the company's FCPA internal controls.

9 **C. China**

10 13. In November 2002, with Pillor's involvement, InVision agreed to sell two explosive
11 detection machines for use at an airport under construction in Guangzhou, China. At the time, and
12 through the relevant period, the airport was owned and controlled by the government of China. The
13 sale to the airport was conducted through InVision's Chinese distributor, which was InVision's
14 primary representative to the airport and to associated governmental agencies.

15 14. Under the terms of the deal, InVision was obligated to deliver the two machines to the
16 Chinese distributor by mid-2003. Due to problems in obtaining an export license from the United
17 States government, however, InVision was delayed in delivering the machines. The distributor
18 informed InVision that the airport threatened to impose a financial penalty as result of the delay.

19 15. The distributor further informed InVision's Regional Sales Manager for Asia that, in
20 order to avoid the imposition of the penalty from the airport, it intended to offer free trips and other
21 unspecified compensation to airport officials. In September 2003, the Regional Sales Manager sent
22 e-mail messages to Pillor that alluded to the distributor's intentions. Pillor did not respond to the
23 Regional Sales Manager's messages or acknowledge their receipt. Because Pillor had failed to
24 establish a sufficient system of internal controls, however, InVision took no steps to ensure that the
25 Chinese distributor abided by the requirements of the FCPA.

26 16. When InVision delivered the machines in October 2003, the distributor asked Pillor
27 for reimbursement in excess of \$200,000 from InVision to pay for costs that it had allegedly incurred
28

1 as a result of the delay. After consulting with InVision's management team, Pillor agreed to pay the
2 distributor \$95,000. At Pillor's request, the distributor sent a one-page invoice, totaling \$95,000, and
3 itemizing the costs that it claimed were associated with the delay. Pillor submitted the invoice to
4 InVision's finance department for review, comment, and payment, without requesting further
5 documentation from the distributor to support the alleged costs itemized in the invoice.

6 17. InVision paid the invoice in full. At the time of the payment, InVision was aware of a
7 high probability that the distributor intended to use part of the funds to pay for airport officials' travel
8 expenses in order to avoid the imposition of the financial penalty for InVision's late delivery.
9 InVision nevertheless improperly recorded the payment in its books and records as though it were a
10 valid cost of goods sold.

11 **D. Philippines**

12 18. In November 2001, with Pillor's involvement, InVision sold two explosive detection
13 machines for use in an airport in the Philippines. Although InVision had retained a sales agent in the
14 Philippines, it concluded the sale through a third-party subcontractor. Soon after the sale was
15 completed, InVision's Filipino sales agent requested a commission under the terms of its agreement
16 with the company. The sales agent indicated that it hoped to complete additional sales on behalf of
17 InVision to the airport, which was owned and operated by the government of the Philippines.

18 19. In e-mail messages to the Regional Sales Manager for Asia, the Filipino sales agent
19 suggested that it intended to use part of any commission on the November 2001 sale to make gifts or
20 pay cash to Filipino government officials in order to influence their decision to purchase InVision
21 explosive detection systems. The Regional Sales Manager forwarded at least some of the sales
22 agent's e-mail messages to Pillor. Pillor did not respond to the Regional Sales Manager's messages
23 or acknowledge their receipt. Because Pillor had failed to establish a sufficient system of internal
24 controls, however, InVision took no steps to ensure that the Filipino sales agent abided by the
25 requirements of the FCPA.

26 20. Pillor agreed to pay the Filipino sales agent a commission of \$108,000, less than the
27 agent's standard commission in part because of the involvement of the third-party subcontractor.
28

1 InVision subsequently paid the reduced commission to the Filipino sales agent. At the time of the
2 payment, InVision was aware of a high probability that the sales agent intended to use part of the
3 commission to make gifts or pay cash to influence Filipino government officials. InVision
4 nevertheless improperly recorded the payment in its books and records as though it were a valid sales
5 commission.

6 **E. Thailand**

7 21. Beginning no later than 2002, InVision competed for the right to sell explosive
8 detection machines to an airport under construction in Bangkok, Thailand. Construction of the
9 airport was overseen by a corporation controlled by the government of Thailand. With Pillor's
10 involvement, InVision retained a distributor in Thailand to act as InVision's primary representative to
11 the airport corporation and the associated Thai governmental agencies.

12 22. From at least January 2003 through April 2004, the Thai distributor informed the
13 Regional Sales Manager for Asia that it intended to offer payments to government officials in order
14 to influence the airport corporation's decision to purchase InVision explosive detection systems. The
15 Regional Sales Manager alluded to the distributor's intention to make payments to Thai government
16 officials in e-mail messages to Pillor during the same period. Pillor did not respond to the Regional
17 Sales Manager's messages or acknowledge their receipt. Because Pillor had failed to establish a
18 sufficient system of internal controls, however, InVision took no steps ensure that the Thai distributor
19 abided by the requirements of the FCPA.

20 23. In April 2004, InVision and its Thai distributor agreed to sell 26 explosive detection
21 machines to the Bangkok airport for approximately \$35.8 million. At the time of the agreement,
22 InVision was aware of a high probability that the distributor intended to use part of its profits to make
23 payments to Thai government officials. InVision nevertheless publicly announced the sale, which
24 was later suspended.

1 **FIRST CLAIM**

2 *Violation of Rule 13b2-1 of the Rules and Regulations Under the Exchange Act*
3 *(Indirect Causing of Falsification of Accounting Records)*

4 24. Paragraphs 1 through 23 are re-alleged and incorporated by reference.

5 25. As described above, Pillor submitted requests for review and payment from InVision's
6 Chinese distributor and Filipino sales agent to InVision's finance department. InVision, which was
7 aware of a high probability that the distributor and sales agent each intended to use part of the funds
8 to make improper payments, improperly accounted for the payments as legitimate business expenses.

9 26. By reason of the foregoing, Pillor indirectly caused the falsification of a book, record,
10 or account subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)], in
11 violation of Rule 13b2-1 [17 C.F.R. § 240.13b2-1] promulgated under the Exchange Act.

12 **SECOND CLAIM**

13 *Aiding and Abetting Violations of Section 13(b)(2)(B) of the Exchange Act*
14 *(Internal Controls)*

15 27. Paragraphs 1 through 23 are re-alleged and incorporated by reference.

16 28. As described above, during the relevant period, InVision lacked a system of internal
17 controls sufficient to provide reasonable assurances that: (i) transactions were executed in
18 accordance with management's general or specific authorization; and (ii) transactions were recorded
19 as necessary to permit preparation of financial statements in conformity with generally accepted
20 accounting principles or any other criteria applicable to such statements, and to maintain
21 accountability for its assets, in violation of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C.
22 § 78m(b)(2)(B)].

23 29. Pillor, knowingly or with extreme recklessness, provided substantial assistance to
24 InVision's violation of Section 13(b)(2)(B).

25 30. By reason of the foregoing, Pillor aided and abetted InVision's failure to devise and
26 maintain a system of internal controls, in violation of Section 13(b)(2)(B) of the Exchange Act
27 [15 U.S.C. § 78m(b)(2)(B)].
28

1 **PRAYER FOR RELIEF**

2 WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment
3 enjoining Pillor from future violations of Rule 13b2-1 promulgated under the Exchange Act
4 [17 C.F.R. § 240.13b2-1] and from aiding and abetting any violation of Section 13(b)(2)(B) of the
5 Exchange Act [15 U.S.C. § 78m(b)(2)(B)], ordering Defendant to pay a civil penalty pursuant to
6 Section 21(d)(3) of the Exchange Act [15 U.S.C. §§ 78u(d)(3)], and granting such other relief as the
7 Court deems appropriate.

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9 Dated: August 14, 2006

10 Respectfully submitted:

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12
13 By: 

14 _____
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15 Attorneys for Plaintiff
16 SECURITIES AND EXCHANGE COMMISSION
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