UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60393 / July 28, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3021 / July 28, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13564

In the Matter of **AVERY DENNISON CORPORATION,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Avery Dennison Corporation ("Avery" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making

Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.[1]

III.

On the basis of this Order and Respondent's Offer, the Commission finds[2] that:

Summary

1. This matter involves Avery's violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act ("FCPA") through its indirect subsidiary Avery (China) Co. Ltd. ("Avery China"), as well as certain potential violations Avery uncovered at entities it acquired after Avery's initial self-disclosure to the Commission.

2. From 2002 through 2005, Avery China's Reflectives Division paid or authorized the payments of several kickbacks, sightseeing trips, and gifts to Chinese government officials. The amount of illegal payments actually paid amounted to approximately $30,000. These payments and the promises to pay were made with the purpose and effect of improperly influencing decisions by foreign officials to assist Avery China to obtain or retain business.

3. In addition, after Avery acquired a company in June 2007, employees of the acquired company continued their pre-acquisition practice of making illegal petty cash payments to customs or other officials in several foreign countries. The amount of illegal payments actually paid after the June 2007 acquisition amounted to approximately $51,000.

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

Respondent

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

---

[1] The Commission has contemporaneously filed a complaint in the United States District Court for the Central District of California against Avery alleging violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and seeking a civil penalty. Without admitting or denying the Commission's allegations, Avery has consented to the entry of a final judgment by the Court that requires the company to pay a $200,000 civil penalty. *See SEC v. Avery Dennison Corporation*, No. CV09-5493 DSF (CWx).

[2] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Other Related Entity

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

Facts

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

Promises of Payments to Wuxi Institute Officials

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

8. In May 2004, Avery China hired a former Wuxi Institute official as a sales manager for the Reflectives Division, because his wife was also an official at the Wuxi Institute who was in charge of two projects that Avery China wanted to pursue: a "digital license plate" project for which Avery China had previously bid unsuccessfully, and a pilot project to develop a new graphic design for police cars.

9. In August 2004, Avery China was awarded two government contracts through the Wuxi Institute to install new graphics on approximately 15,400 police cars for two Chinese government entities. The Reflectives China National Manager obtained these contracts by agreeing to artificially increase the sales price and then refund that amount back to the Wuxi Institute as a "consulting fee." In doing so, he understood at least a portion of that refunded amount would be for the benefit of Wuxi Institute officials. The total sales under the two contracts were $677,494, and Avery China profited by approximately $363,953. However, Avery's Asia Pacific Group discovered the kickback scheme before any illegal payment was made. The

attempted illegal payments would have amounted to approximately $41,138, or 6% of the total sales.

2002 Sightseeing Trip

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

Attempted Kickback to Project Manager at State-owned Entity

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

Kickback Arranged through Product Distributor (Hefei Anchang)

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

2005 Sightseeing Trip

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

14. After discovering the arrangement with the Wuxi Institute in September 2004, Avery conducted an internal review of the Reflectives Division and another division of Avery China. Avery voluntarily approached Commission staff regarding the possible improper payments.

B. Improper Payments by Employees of Acquired Companies

15. After its initial disclosure to Commission staff in August 2005, Avery discovered two additional instances of possible improper payments by acquired companies.

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

17. The second instance involved illegal petty cash payments to customs officials by employees of Paxar Corporation, a NYSE listed company that Avery acquired in June 2007. In September 2007, through a whistleblower, Avery discovered that Paxar employees in Indonesia made illegal payments to customs and tax officials to obtain bonded zone licenses and to overlook bonded zone regulatory violations, and that the former general manager of Paxar Indonesia directed employees to fabricate fake invoices to conceal illegal payments. An internal audit review also uncovered payments to customs officials in Pakistan made by Paxar Pakistan through its customs broker. In April 2008, Avery commenced a global trade compliance review in twenty-seven countries, which included an FCPA review. In July 2008, Avery commenced a more comprehensive FCPA review in ten high risk countries, including China. Beyond the illicit payments identified at Paxar Indonesia and Paxar Pakistan, the ten country review has also identified problematic payments in Paxar China. In all three locations, illicit payments were made both before and after the acquisition, with the latest illicit payment occurring in January 2008. The post-acquisition payments amount to $5,000, $30,000 and $16,000 at Paxar Indonesia, Paxar Pakistan, and Paxar China, respectively.

Violations

18. The FCPA, enacted in 1977, added Exchange Act Section 13(b)(2)(A) to require public companies to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer, and added Exchange Act Section 13(b)(2)(B) to require such companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; and (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets. 15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B).

19. As detailed above, Avery's books, records, and accounts did not properly reflect the illicit payments, sightseeing trips and gifts that Avery China made or provided to government officials, and the illicit payments made to customs officials in several countries by employees of the acquired subsidiaries. As a result, Avery violated Exchange Act Section 13(b)(2)(A).

20. Avery also failed to devise or maintain sufficient internal controls to provide reasonable assurance that Avery China and the acquired subsidiaries complied with the FCPA and that payments, gifts or sightseeing expenses they provided to foreign officials were accurately reflected on its books and records. As a result, Avery violated Exchange Act Section 13(b)(2)(B).

Avery's Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts undertaken by Avery and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Avery's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Avery cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

B. Respondent Avery shall, within ten business days of the entry of this Order, pay disgorgement of $273,213 and prejudgment interest of $45,257 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Avery as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Andrew Petillon, Associate Regional Director, Los Angeles Regional Office, Securities and Exchange Commission, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036.

By the Commission.

Elizabeth M. Murphy
Secretary