

Taiwanese Officials Arrest Six Engineers Over Suspected Theft of Chemical Solutions and Process Flows to Aid Competing Chinese Electronics Manufacturer

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In early January, Taiwanese police officials arrested five former employees and one current employee of BASF Taiwan Ltd., a subsidiary of German chemical company, BASF SE, for alleged breach of Taiwan's Trade Secret Act.

These six engineers were allegedly bribed by Jiangyin Jianghua Microelectronics Materials Co., Ltd. ("Jianghua Micro"), a publicly traded Chinese manufacturer and supplier of chemicals for solar and flat panel display products, to disclose BASF's technology relating to proprietary semiconductor manufacturing processes. Various financial media outlets have reported Taiwan's Criminal Investigation Bureau (CIB) to estimate the value of the stolen technology to exceed 100 million Euros per year.

CIB suspects that Jianghua Micro, in an effort to build a competing factory in China's Jiangsu province, conspired with a retired, high-level former BASF employee to poach four employees from BASF's Taoyuan plant and to coordinate with a fifth, currently employed BASF executive to funnel information to the group. CIB was alerted to the arrangement by a tip last year, and after reportedly discovering evidence of remittances from China totaling NTD 40 million (approximately USD 1.3 million) to the group's offshore accounts, moved in to arrest the five former BASF employees when they returned to Taiwan, along with the BASF executive.

The Prosecutors Office has not brought formal charges yet. BASF has not filed a civil suit but has suspended its employee.

TIP: This case highlights how even a retired, former employee who does not immediately depart for a competitor may still pose a significant risk to the company, given his or her persisting contacts and ongoing influence. In addition to scrutinizing current employees in high-risk departments for suspicious activities, an employer should set rules and provide periodic training to help foster an environment where they are motivated to report any suspected misconduct.

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