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BLOG

Grand Jury Indicts Engineer and Businessman for Stealing Trade Secrets to Benefit the People's Republic of China

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Federal Prosecutors in New York recently unsealed a 14-count indictment that charges a former engineer of an American power company and a Chinese businessman with conspiring to commit economic espionage and to steal trade secrets for the benefit of the government of the People's Republic of China (PRC) and other entities owned or controlled by the Chinese government. In August 2018, prosecutors filed a criminal complaint against the same engineer and charged him with one count of theft of trade secrets after the engineer's employer discovered, by monitoring his electronic activities, that the engineer used sophisticated means, including hiding data in a photograph, to misappropriate trade secrets that relate to computations for sealing and optimizing turbines.

The indictment alleges that in 2015, the government of the PRC announced that it planned to enhance, among other things, the country's innovation, productivity, and efficiency, including in the aerospace, aviation equipment, and power generation industries by advancing projects related to aviation engines and gas turbines, including through research on materials and manufacturing processes. According to the indictment, the engineer and the businessman have interests in two Chinese companies that, together, form an organization that aims to develop and manufacture parts for turbines. The engineer allegedly stole numerous electronic files that contained his former employer's trade secrets relating to turbines and transmitted them to the businessman in China. The indictment asserts that the conspiracy was effectuated to benefit the PRC as well as instrumentalities of the Chinese government, including a university and several research institutes. According to the indictment, the engineer's and the businessman's companies received funding from the Chinese government, coordinated with government officials, and entered into joint research agreements with state-owned entities.

This indictment is part of the Department of Justice's China Initiative, which aims to combat the rapidly increasing Chinese economic espionage against the United States. When announcing the indictment, Assistant Attorney General for National Security John Demers stated that the case "alleges a textbook example of the Chinese government's strategy to rob American companies of their intellectual property and to replicate their products in Chines factories, enabling Chinese companies to replace the American company first in the Chinese market and later worldwide." He also said that the United States "will not stand idly by while the world's second-largest economy engages in state-sponsored theft. As part of the Attorney General's China Initiative, we will partner with the private sector to hold responsible those who violate our laws, and we urge China's leaders to join responsible nations and to act with honesty and integrity when competing in the global marketplace."

**TIP: Because the United States government remains committed to bringing cases in the United States against individuals with ties to China to protect valuable trade secrets,
companies should consider reporting suspicious activities to law enforcement, particularly given the seemingly growing prevalence of trade secret theft and economic espionage.**

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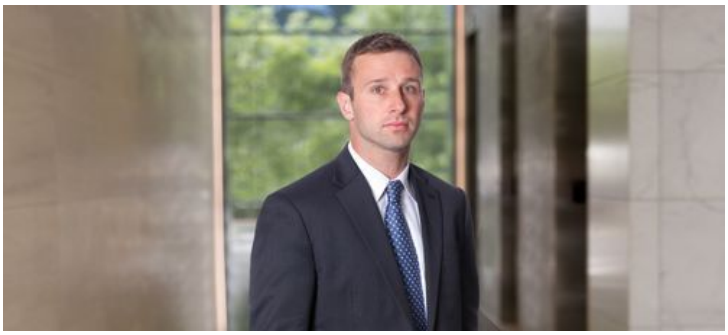

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