

Taiwanese District Court Sentences Company Executive to Prison for Theft of Trade Secrets Relating to Optical Film Coating

JUNE 24, 2019

On June 18, 2019, the Taichung District Court convicted Chen Shih-Yu of two counts of violating Taiwan's Trade Secrets Act. As we previously [reported](#), Taiwan revised its Trade Secret Act in 2013 to include criminal penalties for trade secret misappropriation, which is now punishable by up to 10 years of imprisonment. Here, Chen was sentenced to 18 months and fined NT\$ 2 million (just over US\$ 60,000). The defendant had held the positions of general manager and special assistant to the president of Taichung-based A-Lumen Machine Co. Ltd. (A-Lumen).

Founded in 1997, A-Lumen developed and manufactured adhesive coating and laminating machines. By 2016, it had moved into the touch technology space as well as equipment for UV coating films, enhancement films, and diffuser films. Chen handled contracts for supplying coating equipment to one of A-Lumen's mainland Chinese customer's, Chengdu Trailblazer Technology Co., Ltd. (Trailblazer).

Chen was accused of starting his own competing company, Wellsun International Co., Ltd., and plotting with Trailblazer's owner to use A-Lumen's proprietary technology as a springboard to developing smart glass. The court found that Chen had leaked information relating to A-Lumen's UV optical film forming machine to Trailblazer, as well as machine schematics to a Taichung-based contract manufacturer, Ding Teng Machinery Co., Ltd., to reproduce the equipment for Wellsun and Trailblazer to sell in mainland China. In addition, the court found that Chen had enlisted the help of a BenQ engineer to fly to Chengdu multiple times teach Trailblazer engineers how to produce smart glass, which implicated BenQ Materials Corp.'s proprietary technology.

TIP: This case highlights how trade secrets may move through a supply chain and be vulnerable to disclosure by employees at the highest levels within company management. Counsel should consider implementing safeguards that flag suspicious behavior and identifies individuals who have both access to sensitive technology and access to upstream and/or downstream partners as being particularly high-risk.

1 Min Read

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