

Taiwan's MOJ Raids 10 Chinese Tech Companies for Local Talent Poaching Immediately After Taiwan's Legislature Amends Its Anti-Espionage Law To Include Stiff Penalties

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In the last week of May alone, the Investigation Bureau of Taiwan's Ministry of Justice ("MOJ") and local prosecutors from various districts raided the offices of 10 semiconductor, device, and display companies suspected of ties to mainland China, alleging illegal cross-strait recruitment of local engineering and managerial talent. The string of raids occurred in Taipei, New Taipei City, Hsinchu, and Taoyuan. The companies under investigation include the local Taiwanese offices or affiliates of:

1. GigaDevice Semiconductor (HK) Ltd. and GigaDevice Semiconductor (Beijing) Inc.
2. Lianchuang Innovation Co., Ltd.
3. XEPIC Corporation Limited
4. Joulwatt Semiconductor Co.
5. Zhongke Guanteng Henan Technology Co., Ltd.
6. Henan Hozel Electronic Co., Ltd.
7. Sunny Optical Technology (Group) Co., Ltd.
8. Heroman Biotechnology Co., Ltd.
9. Allystar Technology (Shenzhen) Co., Ltd.
10. Jia-Ji RF-Pro Technology Co., Ltd.

The coordinated crackdown coincides with the recent May 20, 2022 passage of amendments to Taiwan's National Security Act and Act Governing Relations between the People of the Taiwan Area and the Mainland Area, which provisions complement its [Trade Secret Act](#). Under the May 20 amendments, attempts to infringe or use in mainland China or Hong Kong of trade secrets vital to Taiwan's core technological interests by PRC or offshore entities or their subsidiaries are punishable by law with a fine of up to NTD 100 million (about US\$ 3.4 million) and 12 years' imprisonment, for which corporate representatives may be individually liable. Significantly, the amendments also introduce new provisions (i) prohibiting for-profit mainland Chinese entities from setting up local offices and doing business in Taiwan through indirect shareholding of non-PRC entities or nominee arrangements without permission

and (ii) prohibiting current or former personnel employed in Taiwan’s core technological industries or businesses funded by the Taiwanese government from traveling to the PRC within 3 years of employment without prior government approval.

These restrictions are intended to address the pressing problem of a systemic brain drain of executives and highly-skilled engineers from Taiwan’s electronics and chemical industries to mainland China, which has reportedly accounted for a loss of about 10% of the local workforce from Taiwan’s scientific industrial parks over the past three years alone. As one example, the office director of the local unit of Hong Kong-based GigaDevice Semiconductor Ltd. has allegedly recruited more than 20 Taiwanese professionals to relocate and work in the PRC, according to Taipei prosecutors.

TIP: A greater risk of suspicion and exposure to trade secret theft or economic espionage claims calls for heightened scrutiny of hiring practices, especially where recruitment carries red flags such as involvement with former employees of a competitor; numerous or repeated hires from the same company or sector; highly specialized technology that is not easily replicated; and/or politically sensitive technology that may confer a significant competitive advantage or strategic military advantage. It is recommended that businesses and professionals considering lateral moves be mindful of the trade secret protection regimes in both the transferor and transferee jurisdictions and the significant consequences of a suspected violation.

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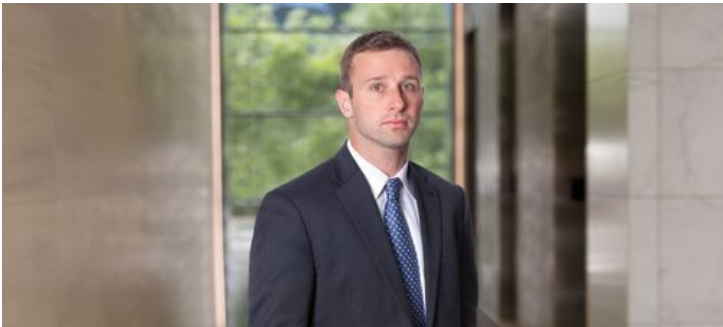
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