



Department of Justice

United States Attorney Melinda Haag
Northern District of California

FOR IMMEDIATE
RELEASE
February 8, 2012
6599

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U.S. and Chinese Defendants Charged with Economic Espionage and Theft of Trade Secrets In Connection with Conspiracy to Sell Trade Secrets to Chinese Companies

U.S. Citizens Alleged to Have Conveyed Valuable DuPont Technology to Companies Controlled by the Government of the People's Republic of China

SAN FRANCISCO – A federal grand jury in San Francisco has charged five individuals and five companies with economic espionage and theft of trade secrets for their roles in a long-running effort to obtain U.S. trade secrets for the benefit of companies controlled by the government of the People's Republic of China (PRC), announced United States Attorney Melinda Haag; Lisa Monaco, Assistant Attorney General for National Security at the Department of Justice; and Stephanie Douglas, Special Agent in Charge of the FBI San Francisco Division.

According to the superseding indictment, the government of the PRC identified as a priority the development of chloride-route titanium dioxide (TiO₂) production capabilities. TiO₂ is a commercially valuable white pigment with numerous uses, including coloring paint, plastics, and paper. To achieve that goal, companies controlled by the PRC government, specifically the Pangang Group companies named in the superseding indictment, and employees of those companies conspired and attempted to illegally obtain TiO₂ technology that had been developed over many years of research and development by E.I. du Pont de Nemours & Company (DuPont).

According to the superseding indictment, the Pangang Group companies were aided in their efforts by individuals in the United States who had obtained TiO₂ trade secrets and were willing to sell those secrets for significant sums of money. Defendants Walter Liew, Christina Liew, Robert Maegerle, and Tze Chao obtained and possessed TiO₂ trade secrets belonging to DuPont. Each of these individuals allegedly sold information containing DuPont TiO₂ trade secrets to the Pangang Group companies for the purpose of helping those companies develop large-scale chloride route TiO₂ production capability in the PRC, including a planned 100,000 ton TiO₂ factory at Chongqing, PRC.

According to the superseding indictment, the Liew family, USA Performance Technology, Inc. (USAPTI), and one of its predecessor companies, Performance Group, entered into contracts worth in excess of \$20 million to convey TiO₂ trade secret technology to Pangang Group companies. The Liew family allegedly received millions of dollars of proceeds from these contracts. The proceeds were wired through the United States, Singapore, and ultimately back into several bank accounts in the PRC in the names of relatives of Christina Liew.

The five individuals charged in the indictment are:

- Walter Lian-Heen Liew (aka Liu Yuanxuan), 54, of Orinda, Calif. Mr. Liew is a naturalized U.S. citizen and co-owner of USAPTI. Mr. Liew is charged with conspiracy to commit economic espionage, conspiracy to commit theft of trade secrets, attempted economic espionage, attempted theft of trade secrets, possession of trade secrets, conveying trade secrets, conspiracy to obstruct justice, witness tampering, conspiracy to tamper with evidence, and false statements. Mr. Liew was charged in August 2011 with obstruction of justice and making false statements to the FBI. He was arrested at that time and has been ordered detained pending trial based on a finding by Magistrate Judge Nathanael Cousins that he is a flight risk. Mr. Liew's next scheduled court appearance is before the Honorable Jeffrey S. White on Feb. 9, 2012, at 2:00 pm.
- Christina Hong Qiao Liew (aka Qiao Hong), 49, of Orinda, Calif. Mrs. Liew is a naturalized U.S. citizen and co-owner with her husband, Walter Liew, of USAPTI. Mrs. Liew is charged with conspiracy to commit economic espionage, conspiracy to commit theft of trade secrets, attempted economic espionage, attempted theft of trade secrets, witness tampering, conspiracy to tamper with evidence, and false statements. Mrs. Liew also was charged in August 2011 with obstruction of justice and making false statements to the FBI. She was released by the court on conditions that include travel restrictions and electronic monitoring. Mrs. Liew's next scheduled court appearance is before the Honorable Jeffrey S. White on Feb. 9, 2012, at 2:00 pm.
- Hou Shengdong, 42, a citizen of the PRC. Hou was the vice director of the Chloride Process TiO₂ Project Department for the Pangang Group Titanium Industry Company, Ltd. According to the superseding indictment, Hou and other Pangang Group employees requested DuPont blueprints as a condition of working on the Pangang Group project. Hou is charged with conspiracy to commit economic espionage, conspiracy to commit theft of trade secrets, and attempted economic espionage. A warrant has been issued for Hou's arrest.

- Robert Maegerle, 76, of Harbeson, Del. Maegerle was employed by DuPont as an engineer from 1956 to 1991. According to the superseding indictment, Maegerle had access to DuPont TiO₂ trade secrets, including specific information regarding DuPont's TiO₂ facility at Kwan Yin, Taiwan. Maegerle is charged with conspiracy to commit theft of trade secrets, attempted theft of trade secrets, conveying trade secrets, and conspiracy to obstruct justice. Maegerle was arrested this morning in Harbeson, Del.
- Tze Chao, 77, of Newark, Del. Chao was employed by DuPont from 1966 to 2002. Chao is charged with conspiracy to commit economic espionage. Chao was served with a summons to appear in court in San Francisco on March 1, 2012, at 9:30 am for arraignment on the superseding indictment.

The superseding indictment also names five companies as defendants:

- Pangang Group Company, Ltd. (Pangang Group). Pangang Group is a state-owned enterprise controlled by the State-Owned Assets Supervision and Administration Commission of the PRC State Council and located in Sichuan Province, PRC.
- Pangang Group Steel Vanadium & Titanium Company, Ltd. (PGSVTC). PGSVTC is a subsidiary of the Pangang Group.
- Pangang Group Titanium Industry Company, Ltd. Pangang Group Titanium is a subsidiary of PGSVTC and was the entity directly responsible for constructing the 100,000 ton chloride-route TiO₂ factory at Chongqing, PRC. Pangang Group Titanium entered into an agreement with USAPTI in 2009 under which USAPTI conveyed DuPont TiO₂ technology to Pangang Group Titanium and its employees.
- Pangang Group International Economic & Trading Co. (PIETC). PIETC is a subsidiary of PGSVTC and is responsible for financial matters related to the construction of the Chongqing TiO₂ factory. PIETC signed a 2009 agreement with USAPTI under which DuPont technology was transferred.
- USA Performance Technology, Inc. (USAPTI). USAPTI is an Oakland, California-based engineering consulting company owned and operated by Walter and Christina Liew. According to the superseding indictment, USAPTI succeeded two other companies owned by the Liews -- Performance Group USA and LH Performance -- which also were used in the conspiracy to convey DuPont trade secrets to PRC-based companies.

Each of the five corporate defendants named in the superseding indictment are charged with conspiracy to commit economic espionage, conspiracy to commit theft of trade secrets, and attempted economic espionage. Summonses were issued to each corporate defendant requiring them to appear in court in San Francisco on March 1, 2012, at 9:30 am for arraignment on the superseding indictment.

DuPont is a company based in Wilmington, Del., that manufactures a wide variety of products, including TiO₂. DuPont invented the chloride-route process for manufacturing TiO₂ in the late-1940s and since then has invested heavily in research and development to improve that

production process. The global titanium dioxide market has been valued at roughly \$12 billion, and DuPont has the largest share of that market.

The chloride-route process is more efficient and cleaner than the sulfate-route process prevalent in the PRC. The superseding indictment alleges that the object of the defendants' conspiracy was to convey DuPont's secret chloride-route technology to the PRC companies for the purpose of building modern TiO₂ production facilities in the PRC without investing in time-consuming and expensive research and development.

DuPont reported information to the FBI that its TiO₂ trade secrets had been misappropriated. The FBI opened an investigation in March 2011.

"As today's case demonstrates, technology developed by U.S. companies is vulnerable to concerted efforts by competitors – both at home and abroad – to steal that technology," U.S. Attorney Haag said. "Fighting economic espionage and trade secret theft is one of the top priorities of this Office and we will aggressively pursue anyone, anywhere who attempts to steal valuable information from the United States."

Assistant Attorney General Monaco said: "The theft of America's trade secrets for the benefit of China and other nations poses a substantial and continuing threat to our economic and national security, and we are committed to holding accountable anyone who robs American businesses of their hard-earned research. I thank the agents and prosecutors who helped bring about this important case."

FBI Special Agent-in-Charge Stephanie Douglas stated: "The conduct alleged in the superseding indictment reveals a methodical effort by foreign interests to misappropriate valuable U.S. technology by using individuals operating within our borders. The goal of this scheme was to obtain the benefit of research and development investments by U.S. companies, without making the same investment of time and money. This is not only unfair, but it does great damage to the U.S. economy and as a result undercuts on national security. The FBI is committed to rooting out commercial espionage that puts U.S. companies at a disadvantage in the global market."

The maximum statutory penalty for each of the charges alleged in the superseding indictment is as follows:

- Count One, conspiracy to commit economic espionage, in violation of 18 U.S.C. § 1831(a)(5): 15 years imprisonment, \$500,000 fine, and restitution. The fine for an organizational defendant is not more than the greatest of \$10,000,000 or twice the pecuniary gain or loss.
- Count Two, conspiracy to commit theft of trade secrets, in violation of 18 U.S.C. § 1832(a)(5): 10 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution. The fine for an organizational defendant is not more than the greatest of \$5,000,000 or twice the pecuniary gain or loss.
- Count Three, attempted economic espionage, in violation of 18 U.S.C. § 1831(a)(2) & (4): 15 years imprisonment, \$500,000 fine, and restitution. The fine for an

organizational defendant is not more than the greatest of \$10,000,000 or twice the pecuniary gain or loss.

- Count Four, attempted economic espionage, in violation of 18 U.S.C. § 1831(a)(3) & (4): 15 years imprisonment, \$500,000 fine, and restitution. The fine for an organizational defendant is not more than the greatest of \$10,000,000 or twice the pecuniary gain or loss.
- Count Five, attempted theft of trade secrets:, in violation of 18 U.S.C. § 1831(a)(2) & (4): 10 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution. The fine for an organizational defendant is not more than the greatest of \$5,000,000 or twice the pecuniary gain or loss.
- Counts Six and Seven, possession of trade secrets: in violation of 18 U.S.C. § 1832(a)(3): 10 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution. The fine for an organizational defendant is not more than the greatest of \$5,000,000 or twice the pecuniary gain or loss.
- Count Eight, conveying trade secrets, in violation of 18 U.S.C. § 1832(a)(2): 10 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution. The fine for an organizational defendant is not more than the greatest of \$5,000,000 or twice the pecuniary gain or loss.
- Count Nine, possession of trade secrets, in violation of 18 U.S.C. § 1832(a)(3): 10 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution. The fine for an organizational defendant is not more than the greatest of \$5,000,000 or twice the pecuniary gain or loss.
- Count Ten, conspiracy to tamper with witnesses and evidence: in violation of 18 U.S.C. § 1512(k): 20 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution.
- Counts Eleven and Twelve, witness tampering: in violation of 18 U.S.C. § 1512(b)(1): 20 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution.
- Count Thirteen, conspiracy to tamper with evidence: in violation of 18 U.S.C. § 1512(k): 20 years imprisonment, \$250,000 fine or twice the gross gain or loss, and restitution.
- Count Fourteen, false statements in a matter within the jurisdiction of the executive branch: in violation of 18 U.S.C. §§ 1001(a)(2) & 2: 5 years imprisonment, \$250,000 fine, and restitution.

The case is being prosecuted by the Special Prosecutions and National Security Unit of the U.S. Attorney's Office in San Francisco, and the Counterespionage Section of the U.S. Department of Justice in Washington, D.C. The investigation, which is on-going, is being conducted by the FBI.

Please note, an indictment contains only allegations and, as in all cases, the defendants must be presumed innocent unless and until proven guilty.

Further Information:

Case #: CR 11-0573-JSW

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

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