



Department of Justice

**United States Attorney Melinda Haag
Northern District of California**

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FORMER DuPONT SCIENTIST PLEADS GUILTY TO ECONOMIC ESPIONAGE

ADMITS HE PROVIDED TRADE SECRETS TO COMPANIES CONTROLLED BY CHINESE GOVERNMENT

SAN FRANCISCO - Tze Chao pleaded guilty in federal court in San Francisco late yesterday afternoon to conspiracy to commit economic espionage, United States Attorney Melinda Haag announced.

In pleading guilty, Chao, who was employed by DuPont from 1966 to 2002, admitted that he provided trade secrets concerning DuPont's proprietary titanium dioxide (TiO₂) manufacturing process to companies he knew were controlled by the government of the People's Republic of China (PRC). Chao admitted that beginning in 2003, the year after he left DuPont, he began consulting for the Pangang Group, a PRC government controlled company that produces TiO₂. According to his plea agreement, Chao had "learned that the PRC government had placed a priority on developing chloride-process TiO₂ technology in a short period of time and wished to acquire this technology from western companies."

In 2008, Chao submitted a bid to design a 100,000 ton per year TiO₂ facility for the Pangang Group. In connection with his bid, Chao provided DuPont information to the Pangang Group, including information that, according to his plea agreement, he "understood to be secret to DuPont and not available to the public." Chao did not win the contract but in 2009

was asked by Pangang Group to review design work done by USA Performance Technology Inc. He did so, and in the course of this review, provided additional DuPont trade secret information to Pangang Group.

Chao's plea comes in connection with the superseding indictment returned three weeks ago charging Walter Liew, Christina Liew, Robert Maegerle, and USA Performance Technology Inc., among others, for their efforts to sell DuPont trade secrets to companies controlled by the PRC government. Those companies – the Pangang Group and three subsidiaries – also were named as defendants in the indictment and charged with conspiracy to commit economic espionage and attempted economic espionage. As part of his plea agreement, Chao agreed to cooperate in the investigation and prosecution of this case.

Chao, 77 of Newark, Del., was indicted by a federal Grand Jury on Feb. 7, 2012. He was charged with one count of conspiracy to commit economic espionage, in violation of 18 U.S.C. § 1831(a)(5). Under the plea agreement, Chao pleaded guilty to this charge as alleged in the superseding indictment.

Chao was arraigned yesterday in San Francisco and released on his own recognizance. He entered his guilty plea before the Honorable Jeffrey S. White late yesterday afternoon in San Francisco. A date for sentencing was not set. The maximum statutory penalty is 15 years in prison and a fine of \$500,000, plus restitution if appropriate. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

This 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 National Security Division of the U.S. Department of Justice. The investigation is being conducted by the Federal Bureau of Investigation.

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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