The United States Attorney's Office

Southern District of Texas

News Release

Feb. 21, 2008

CHINESE CHEMIST INDICTED FOR THEFT OF TRADE SECRETS

(HOUSTON, Texas) - A chemist employed by a corporation headquartered in Houston, Texas, involved in researching, developing and supplying fire-proof coating and intumescent products has been indicted and charged with theft of trade secrets and computer fraud, United States Attorney Don DeGabrielle and FBI Special Agent in Charge Andrew R. Bland III announced today.

Qinggui Zeng, aka Jensen Zeng, 45, a legal permanent resident from China, was arrested by FBI agents Jan. 29, 2008, and ordered detained in federal custody pending further criminal proceedings. The indictment returned by a federal grand jury in Houston, Wednesday, Feb. 20, 2008, charges Zeng with two counts of theft of trade secrets and one count of computer fraud. Zeng is expected to appear in federal court for arraignment on the charges on a date to be set by the court in the near future.

A “trade secret” is defined under federal law as including all forms and types of information- financial, business, scientific, technical, economic or engineering- that the owner has taken reasonable measures to keep secret, and that has independent economic value because it is not generally known or ascertainable by the public. A confidentiality agreement is an agreement signed by an employee promising not to disclose the confidential, proprietary or trade secret information belonging to his employer.

According to allegations contained in the indictment, Zeng was employed in January 2005 as a formulation chemist by a subsidiary of a worldwide paint and coatings company based in the Netherlands and headquartered in Houston, Texas. The company is a researcher, developer and supplier of an epoxy-based fire-proof coating and intumescent products. The company is the only manufacturing company in the world which had developed proprietary and confidential manufacturing techniques, processes and mixtures that could successfully fabricate an intumescent fire-proofing product which it marketed in interstate commerce. The company took reasonable measures to keep the information secret.

According to the indictment, Zeng allegedly signed a confidentiality agreement with his employer and was aware of his responsibility to keep and maintain the confidentiality of his employer's proprietary interest in trade secrets. Between Nov. 1, 2005, and Jan. 29, 2008, Zeng is accused of accessing without authorization his employer's protected computer system and obtaining the trade secret formula for the intumescent fire-proofing product with the intent to defraud his employer. Zeng is accused of downloading the trade secret formula from the company's database with the intent to convert the trade secret to the benefit of a person other than his employer on or about Nov. 1, 2005, and again on Jan. 29, 2008, and concealing the formula in a box under the insulation in the attic of his residence. The indictment also alleges Zeng formed his own business in October 2007 for the purpose of marketing intumescent fire-proofing coating.

Each count of theft of trade secrets carries a maximum punishment of 10 years imprisonment and a $250,000 fine upon conviction. Computer fraud and abuse carries maximum punishment of five years imprisonment and a $250,000 fine upon conviction.

The investigation leading to the charges against Zeng are the result of an investigation conducted by the Houston office of the FBI. The case will be prosecuted by Special Assistant United States Attorney Bret Davis.

An indictment is a formal accusation of criminal conduct, not evidence. A defendant is presumed innocent unless convicted through due process of law.

###