Industrial Espionage (6):
Cases

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In the first five articles in this series, I reviewed some of the information on industrial espionage methods in the annual reports of the National Counterintelligence Center (NACIC) and later the Office of the National Counterintelligence Executive (ONCIX) and then provided a short review of some survey results on costs and origins of these attacks. In this article, I begin a review of some interesting specific cases of industrial espionage from these government reports and others. I am summarizing and paraphrasing liberally to keep the length manageable and have deliberately not used quotation marks and ellipses to avoid cluttering the text. All of the information comes either from the NACIC/ONCIX reports or from my INFOSEC Year in Review database (PDF reports and Access MDB file freely available from <http://www.mekabay.com/iyir>).

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Standard Duplicating Machines Corporation (SDMC) was the victim of unauthorized intrusion by a disgruntled former employee into a voice-mail system. John Hebel was employed by SDMC as a field sales manager from 1990 to 1992 when his employment was terminated. Hebel was subsequently hired by the US affiliate of Manufacturing Corporation of Japan (Duplo), the main competitor of SDMC. Through an unsolicited phone call from a customer, SDMC discovered that Hebel accessed SDMC's voice-mail and used the information to Duplo's benefit. Hebel was charged with one count of violating 18 USC §1343 (Wire Fraud) and on 14 March 1997, he was sentenced to two years probation. In addition, a civil suit brought against Duplo had a final settlement close to $1 million in SDMC’s favor.

Harold Worden retired from Eastman Kodak in Rochester, NY after 30 years of service in the mid 1990s. He founded a consulting firm that hired up to 60 other Kodak retirees and proceeded to try to sell information gleaned from thousands of stolen confidential documents about Kodak's top-secret acetate-manufacturing machine. Both Agfa and Konica, competitors of Kodak approached by Worden, informed Kodak and the FBI of the attempts. In August 1997, Worden pleaded guilty to one count of interstate transportation of stolen property and went to jail for 15 months as well as having to pay a $30,000 fine. Kodak also sued him in civil court for damages.

Patrick Worthing and his brother Daniel tried to sell confidential information from Pittsburgh Plate Glass Industries (PPG) information for $1,000 to an FBI Special Agent posing as a representative of Owen-Corning (OC), a major competitor. This was a particularly interesting case because OC reported the attempted sale of stolen data to PPG at once and fully cooperated with PPG and the FBI in capturing the thieves. Both subjects were and convicted under 18 USC Section 1832 (Theft of Trade Secrets) in April and June 1997. Daniel Worthing was sentenced to six months of home confinement, five years probation, and 100 hours of community service whereas Patrick Worthing was sentenced to 15 months in jail and three years probation.
On 14 June 1997, Hsu Kai-Lo and Chester H. Ho (naturalized US citizens) were arrested by the FBI for attempting to steal the formula for Taxol, a cancer drug patented and licensed by the Bristol-Myers Squibb (BMS) Company presumably on behalf of their employer, the Yuen Foong Paper Manufacturing Company of Taiwan. In July 1997 the two accused along with Jessica Chou (a Taiwan citizen actively involved in the attempted theft) were indicted on 11 counts including violations of 18 USC Section 1832. Chou remained in Taiwan and that nation refused to extradite Chou.

In September 1997, Pin Yen Yang and his daughter Hwei Chen Yang (a.k.a. Sally Yang) were arrested with Dr Ten Hong Lee for trying to steal valuable industrial secrets from the Avery Dennison Corporation (ADC), Pasadena, California, for transfer to the Four Pillars Company in Taiwan. Dr Lee, a Taiwan native and US citizen, had been an Avery Dennison employee since 1986 at the company's Concord, Ohio, facility. Dr Lee allegedly received between $150,000 and $160,000 from Four Pillars and Pin Yen Yang for his involvement in the illegal transfer of ADC's proprietary manufacturing information and research data over a period of approximately eight years. Economic losses to ADC were estimated at $50-60 million. This case marked the first conviction of foreign individuals or a foreign company under the Economic Espionage Act of 1996. On 5 January 2000, a Youngstown, Ohio, federal judge sentenced Pen Yen Yang to two years probation along with six months of home detention; Hwei Chen Yang was sentenced to one-year probation. Four Pillars was fined $5 million by a US District Court for accepting the pilfered secrets. Moreover, in February 2000, a jury verdict in US District Court, Cleveland ruled in favor of ADC in a civil case against Four Pillars and the judge awarded $80 million in damages.

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More cases in my next article: stay tuned to this newsletter!

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