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FOR IMMEDIATE RELEASE
WEDNESDAY SEPTEMBER 1, 2010
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FORMER PAINT MANUFACTURING CHEMIST PLEADS GUILTY TO STEALING TRADE SECRETS VALUED UP TO \$20 MILLION

CHICAGO — A former chemist for a northwest suburban paint manufacturing company pleaded guilty today to theft of trade secrets, admitting that he stole numerous formulas and other proprietary information valued up to \$20 million as he prepared to go to work for an overseas competitor. **David Yen Lee**, formerly a technical director in Valspar Corp.'s architectural coatings group since 2006, admitted using his access to Valspar's secure internal computer network to enter databases containing trade secrets and to download approximately 160 original batch tickets, or secret formulas for paints and coatings. He also obtained raw materials information, chemical formulas and calculations, sales and cost data, and other internal memoranda, product research, marketing data, and other materials from Valspar's offices in Wheeling.

Lee, 54, formerly of Arlington Heights and currently of Jersey City, N.J., pleaded guilty to one count of theft of trade secrets after being charged in early 2009. U.S. District Judge Robert Gettleman set sentencing for Nov. 23. He faces a maximum penalty of 10 years in prison and a \$250,000 fine, or twice the gross gain or gross loss resulting from the offense. A written plea

agreement contemplates an advisory federal sentencing guideline range of 57 to 71 months in prison. The Court also must order mandatory restitution.

According to the plea agreement, between September 2008 and February 2009, Lee negotiated employment with Nippon Paint, located in Shanghai, China. On Feb. 27, 2009, Lee accepted employment with Nippon as vice president of technology and administrator of research and development beginning on April 1, 2009, in Shanghai. Lee purchased a ticket to fly from Chicago to Shanghai on March 27, 2009. He did not inform Valspar that he had accepted a job at Nippon until he resigned on March 16, 2009.

At Valspar, Lee's duties included scouting new paint technologies, coordinating with other paint laboratories, coordinating staffing and projects with Huarun Limited, a Valspar subsidiary located in China, and overseeing Valspar's technical service group, which conducted experiments for paint coloring.

Between November 2008 and March 2009, Lee downloaded technical documents and materials belonging to Valspar, including the paint formula batch tickets. He further copied certain downloaded files to external thumb drives to store the data, knowing that he intended to use the confidential information belong to Valspar for his own benefit. The total value of the trade secret information Lee took is estimated at between \$7 million and \$20 million, the plea agreement states.

The guilty plea was announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Robert D. Grant, Special Agent-in-Charge of the Chicago Office of Federal Bureau of Investigation.

The government is being represented by Assistant U.S. Attorney Jessica Romero.

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