

Global LED Manufacturer Alleges Half Billion-Dollar Theft and Industrial Espionage by Former Employees and Fierce Rival

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Seoul Semiconductor, a leading LED manufacturer, has asked Korean police to find and detain a former managing director and his two subordinates on suspicion of delivering sensitive LED design information to a major industry competitor, Everlight Electronics in Taiwan. The technology at issue was for automotive lighting, a premier, higher-margin segment of the general LED market, which has been suffering downward price pressure from oversupply and increased competition from China.

Earlier last year, the Seoul Central District Court had found the managing director to be in violation of his non-competition agreement with his former employer, awarded Seoul Semiconductor US\$ 100,000, and enjoined him from working at Everlight on pain of a daily \$2,000 penalty for each day that he worked there within the non-compete period. Various sources report that the managing director enlisted his two former subordinates at Seoul Semiconductor to bring home and share their work laptops over the weekend, take pictures of sensitive design data, and disclose the technical information to Everlight. Seoul Semiconductor estimates the company's loss to be over KRW 560 billion along with 7 years' of R&D lead-time.

In addition to its unfair competition and trade secret misappropriation claims, the company has sought criminal charges for cross-border, industrial espionage against its former employees. Seoul Semiconductor is also seeking to hold Everlight and its Taiwanese executives liable for violating South Korea's Act on Prevention of Divulgence and Protection of Industrial Technology, which was amended in 2016 to carry the hefty legal penalties of up to 15 years of imprisonment and up to around US\$ 1.5 million in fines for foreign leakage of "National Core Technology," such as that in the field of electronics. The provincial police agency has appealed to national authorities to assist in restricting imports and denying entry to suspected foreign offenders, and promised to "leverage all legal procedures" to chase down and arrest suspects who remain at large outside of Korean borders.

TIP: This case highlights the importance of (i) monitoring weekend or private access to company trade secrets on remote devices and (ii) maintaining stringent onboarding procedures, especially when hiring a competitor's employees or someone who has signed a non-compete. Company executives should also understand that improper hiring practices could have drastic ramifications and carry criminal penalties in other states.

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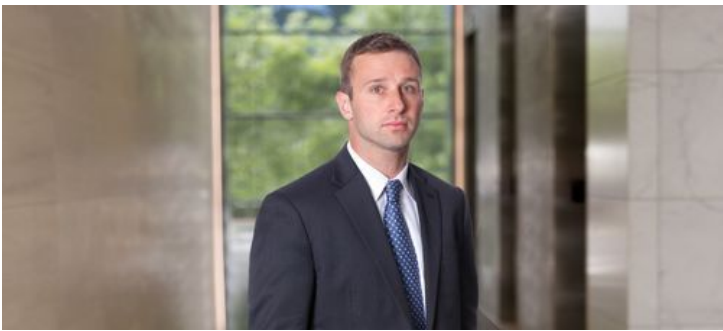
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