



Department of Justice

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FORMER BOEING ENGINEER CONVICTED OF ECONOMIC ESPIONAGE IN THEFT OF SPACE SHUTTLE SECRETS FOR CHINA

SANTA ANA, Calif. – A former Rockwell and Boeing engineer from Orange County was remanded into custody this morning after a federal judge convicted him of charges of economic espionage and acting as an agent of the People’s Republic of China, for whom he stole restricted technology and Boeing trade secrets, including information related to the Space Shuttle program and Delta IV rocket.

Dongfan “Greg” Chung, 73, of Orange, Calif., who was employed by Rockwell International from 1973 until its defense and space unit was acquired by Boeing in 1996, was found guilty by United States District Judge Cormac J. Carney, who presided over a three-week bench trial last month.

In his ruling read this morning in court, Judge Carney found Chung guilty of conspiracy to commit economic espionage, six counts of economic espionage to benefit a foreign country, one count of acting as an agent of the People’s Republic of China and one count of making false statements to the FBI.

Immediately following the reading of the verdicts, Judge Carney remanded Chung into custody, where he will remain until his sentencing, which was scheduled for November 9. Chung had been freed after being arrested by special agents with the Federal Bureau of Investigation and investigators with NASA in February 2008.

Chung, a native of China who is a naturalized United States citizen, held a “secret” security clearance when he worked at Rockwell and Boeing on the Space Shuttle program. He retired from the company in 2002, but the next year he returned to Boeing as a contractor, a position he held until September 2006. At trial last month, the government proved that Chung took and concealed Boeing trade secrets relating to the Space Shuttle and the Delta IV rocket, materials he acquired for the benefit of the PRC.

“Mr. Chung stole restricted technology for the benefit of a foreign nation, and as a result he has lost the freedom he was offered by this nation,” said United States Attorney Thomas P. O’Brien. “The stolen technology compromised not only the American company that developed

and owned the trade secrets, but national security as well because the secrets could be used by the PRC to develop its own military technology.”

Salvador Hernandez, Assistant Director In Charge of the FBI in Los Angeles, stated: “The cost of Mr. Chung's traitorous actions to American security and the economy cannot be quantified, but have now been exposed, and his ability to exploit critical technology has come to an end. FBI counter intelligence agents and NASA received the full cooperation of the Boeing Company in building this three-year investigation, the successful outcome of which marks the first conviction by trial under the Economic Espionage Act of 1996. I’m confident this milestone conviction will serve as a deterrent to would-be spies contemplating theft of precious U.S. secrets.”

David Kris, Assistant Attorney General for National Security, said: “For years, Mr. Chung stole critical trade secrets from Boeing relating to the Space Shuttle and the Delta IV rocket – all for the benefit of the government of China. Today's verdict should serve as a warning to others willing to compromise America's economic and national security to assist foreign governments. The many agents, analysts and prosecutors who worked on this important case deserve special thanks for their efforts.”

The case against Chung resulted from an investigation into another engineer who worked in the United States and obtained sensitive military information for the PRC. That engineer, Chi Mak, and several of his family members were convicted of providing defense articles to the PRC. Chi Mak was sentenced last year to more than 24 years in federal prison (see: <http://www.usdoj.gov/usao/cac/pressroom/pr2008/032.html>).

According to the evidence presented during the trial, individuals in the Chinese aviation industry began sending Chung “tasking” letters as early as 1979. Over the years, the letters directed Chung to collect specific technological information, including data related to the Space Shuttle and various military and civilian aircraft. Chung allegedly responded in one undated letter

that “I would like to make an effort to contribute to the Four Modernizations of China.” In various letters to his handlers in the PRC, Chung referenced engineering manuals he had collected and sent to the PRC, including 24 manuals relating to the B-1 Bomber that Rockwell had prohibited from disclosure outside of the company and “selected federal agencies.”

Between 1985 and 2003, Chung made multiple trips to the PRC to deliver lectures on technology involving the Space Shuttle and other programs, and during those trips he met with PRC government officials, to include agents affiliated with the People's Liberation Army. Chung and PRC officials exchanged letters that discussed Chung’s travel to China and recommended methods for passing information, including suggestions that Chung use Chi Mak and his wife Rebecca to transmit information. A May 2, 1987 letter from Gu Weihao, an official in the Ministry of Aviation and China Aviation Industry Corporation, discussed the possibility of inviting Chung’s wife, who is an artist, to visit an art institute so that Chung could use her trip as

an excuse to travel to the PRC. This same letter suggested that passing information to the PRC through Chi Mak would be “faster and safer” and concluded with the statement: “It is your honor and China’s fortune that you are able to realize your wish of dedicating yourself to the service of your country.”

On September 11, 2006, FBI and NASA agents searched Chung’s house and found more than 250,000 pages of documents from Boeing, Rockwell and other defense contractors inside the house and in a crawl space underneath the house. Among the documents found in the crawl space were scores of binders containing decades’ worth of stress analysis reports, test results and design information for the Space Shuttle.

Each charge of economic espionage carries a maximum possible penalty of 15 years in federal prison and a \$500,000 fine. The charge of acting as an agent of a foreign government carries a maximum penalty of 10 years imprisonment and a \$250,000 fine. The charges of conspiracy to commit economic espionage and making false statements to federal investigators each carry a maximum possible penalty of five years imprisonment and a \$250,000 fine.

In this morning’s ruling, Judge Carney acquitted Chung of one count of obstruction of justice.

The investigation in this case was conducted jointly by the FBI and NASA Counterintelligence. The case was prosecuted by Assistant United States Attorneys Greg Staples (714-338-3535) and Ivy Wang (714-338-3549).