

Research Integrity & Undue Foreign Influence

DOJ Delivers Strong Rebuke to Researcher Diverting Intellectual Property to China

The action reinforces research institutions' need to review and update the measures they are taking to protect their intellectual property, as well as ensure that they have robust conflict of interest and other institutional policies concerning researchers' outside activities.

On February 1, 2021, Li Chen, a former researcher at Nationwide Children's Hospital's Research Institute (the "Hospital") in Columbus, Ohio, was sentenced to 30 months in prison for conspiring to commit wire fraud and steal scientific trade secrets to sell in China. Chen was also ordered to pay restitution of \$2.6 million and forfeit approximately \$1.45 million, 500,000 shares of Avalon GloboCare common stock, and 400 shares of GenExosome common stock.

Chen and her husband each worked at the Hospital for ten years and were arrested in California in July 2019. Chen pleaded guilty to the charges in July 2020. Her husband pleaded guilty to similar charges in December 2020 and is awaiting sentencing.

Court documents state that Chen conspired to steal and monetize the Hospital's trade secrets related to exosomes and exosome isolation over the course of several years. Specifically, the government alleged that Chen, without the Hospital's knowledge or authorization:

- founded a biotechnology company in China specializing in products and services related to exosome research
- received benefits from China's State Administration of Foreign Expert Affairs and the National Natural Science Foundation of China
- applied to multiple Chinese government talent plans believed to be used as a method for transferring foreign research and technology to the Chinese government
- was awarded Chinese patents related to her research at the Hospital, and
- sought and received substantial payments related to the research underlying the Chinese patents

Prosecutors believed the offenses warranted at 52-month sentence under the Federal Sentencing Guidelines and described her conduct as "brazen," and "devastating to the people at [the Hospital] who trusted her the most."

Chen's lengthy sentence and the sizeable financial penalty in this case, amounting to over \$4 million, reflects the government's continued hardline approach to cracking down on efforts by foreign governments to steal American intellectual property.

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