

A Look at Espionage in the Marketplace

Growing Business in

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Los Angeles

A LASER BEAM fired from an unmarked van stabs through the closed window of a building across the street and picks up conversations in a secret meeting.

An answering service operator taps into a telephone line and a man in an inconspicuous motel room listens to private talks between two electronics experts.

A beauty operator asks seemingly casual questions about the kind of work her customer's husband (a chemist) does and sells the intelligence to a buyer whose identity she may never know.

Code names, secret drops, infiltration, minicameras, spies, counterspies, telephone bugs, blackmail, double agents, radio transmitters an eighth the size of a penny, parabolic microphones — the instruments and elements of espionage.

But it's the kind of espionage that has nothing to do with military or diplomatic secrets.

The information sought is commercial secrets — ranging from chemical formulas worth millions to customer lists, from product designs to fashion designs, from manufacturing techniques to transportation routes.

Both amateur and professional agents steal an estimated \$6 billion a year in ideas, information and materials from American businesses and industries, and the practice is becoming more widespread.

The figure may even exceed \$6 billion, one investigator says, "because like rape, a lot of cases go unreported."

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IN THE majority of instances, the spy if caught isn't prosecuted. You can't put a man in jail for selling ideas, and to prosecute for stealing secrets a company would have to prove that the information is a secret in the first place — and you can only do that by revealing the secret.

Industrial Research magazine estimates there are hundreds, possibly thousands, of industrial espionage agents operating in the United States today.

They are often employees or ex-employees of the victimized firms. The amateurs will work in groups, the professional works alone. Their motives can be revenge or money or both. Their income ranges from a few hundred dollars a job to a \$100,000 yearly income.

Many professional spies are former policemen gone astray or unscrupulous private investigators.

Their victims are companies that produce toys, automobiles, fuel, electronic devices, drugs and chemicals, aircraft and flight components, fashion wear and cosmetics.

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ORGANIZATIONS have gone bankrupt when trade secrets were stolen by industrial espionage agents. One Los Angeles firm lost half a million dollars in sales in 90 days because of a stolen secret.

California and New York are especially vulnerable to commercial espionage — probably because of their vast industrial output, the great number of firms involved and the intense competition between them.

But they are also becoming more aware of the problem, and companies specializing in anti-espionage are introducing a whole new range of sophisticated gadgetry into the fight against spying.

The George Wackenhut Corp. of Florida, third largest industrial security organization in the nation, has seen its business double in four years to an annual revenue of \$100 million — an increase it traces directly to a new demand for anti-espionage work.

Industrial Spying

SOMETIMES just plain honesty will trap a spy. It did last year in Chicago in what is considered to be the largest industrial espionage case in U.S. history.

Two men tried to sell trade secrets of the Monsanto Chemical Co. valued at \$500 million. They offered them to the Stauffer Chemical Co. for \$5000 — and were turned in.

In another case, a former employee of Procter and Gamble tried to sell the company's sales promotion program and complete marketing for Crest toothpaste — which was valued at \$1 million — to Colgate-Palmolive for \$20,000.

Colgate co-operated with the thief just long enough for him to be arrested by the FBI.

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NOT EVERY case ends that way. A pesticide company employee quit after a violent argument. He took with him the secret of a successful pesticide formula and a customer list and handed them over to his new employer — the first company's competitor.

That wasn't enough for him, however. He went back to his first employer and altered that formula to render the product ineffectual. By the time the company discovered the change in the formula, its

business had disappeared and it eventually went bankrupt.

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WHILE EMPLOYEES and former employees constitute a good part of the industrial spy business, there is also a cadre of professionals.

They will often infiltrate a company for the specific purpose of stealing its secrets. If an agent can't get a job there, he may pose as a customer, a buyer, a salesman, a free-lance writer or even a fire inspector.

He will bring with him an assortment of miniature bugging devices — one that spikes into a wall to tap the conversations on the other side; one that fits into a pencil left casually on a desk, and a great number that work on telephones.

If he is a high-priced professional spy he might even utilize a \$22,000 laser gun microphone. He fires the beam through a window to pick up conversations 300 yards away.

Other spies have learned to tap computers and steal data stored in their information banks. But more often than not, they can discover what they want to know by just picking up used ribbons from electric typewriters, and by taking used carbon papers and crumpled notes from waste baskets.

One Industry Counterspy

Los Angeles

WHO HIRES professional industrial spies? Occasionally a firm that just plain wants its competitor's secrets. But also, according to a Los Angeles private investigator specializing in anti-industrial espionage, it's a company that doesn't know that what it is doing is illegal.

Milo Speriglio, director of Nick Harris Detectives, gets two or three telephone calls a day from businessmen or industrialists wanting his firm to engage in espionage.

"It's incredible," he says. "They look upon it as just another form of marketing research. I tell them that it's espionage and I won't do it."

"They figure spying might be borderline but that it's no big deal. Their logic is that other businesses are probably doing it to them, so they should do it too."

"When they ask us to spy and we turn them down, they almost invariably say, 'All right, then who do we call?'"

A GOOD industrial espionage agent "is limited only by his imagination," Speriglio points out—and most of the pros are quite imaginative. "A clever one can find out anything he wants to know."

The person who becomes a spy, he says, is looking for quick money and has no scruples. He is, on an average, about 25, white, single, without a criminal record, has had about a year of college and is accustomed to earning about \$8000 a year.

Usually, he is highly transient — moving in and out of an area fast when his work is done. He often gets into spying through association with other spies, and stays at it no longer than a year.

The average spy earns from \$500 to \$750 a week for a job that usually lasts three months. But the pay can go higher. Depending on the stakes, Speriglio knows of one who got \$25,000 for a single effort.

"Industrial spying," he says, "is

one of the easiest crimes to commit. The spy is rarely caught and seldom prosecuted."

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WHAT IS important about Speriglio's job is stopping the spy in the first place. That simple, yet complicated, act can save his client from being swept out of business.

A company may notice that its sales are suddenly sagging or that it is being consistently underbid or that its secrets are popping up in products manufactured by a competitor. They call on Speriglio.

He begins by checking on all the company's employees. He might place an undercover agent in the plant, thereby discovering who has access to what information, where it is discussed and where it is typed or otherwise recorded.

False information is fed out to discover leaks, and suspects are carefully followed to determine their contacts.