**Former Goldman Programmer Found Guilty of Code Theft**

**By**

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The case that put a spotlight on the world of ultra-fast, computer-driven trading of stocks has ended in a conviction.

Sergey Aleynikov, a 40-year-old former Goldman Sachs programmer, was found guilty on Friday by a federal jury in Manhattan of stealing proprietary source code from the bank’s high-frequency trading platform. He was convicted on two counts — theft of trade secrets and transportation of stolen property — and faces up to 10 years in prison.

Mr. Aleynikov’s arrest in 2009 drew attention to a business that had been little known outside Wall Street — high-frequency trading, which uses complex computer algorithms to make lightning-fast trades to exploit tiny discrepancies in price. Such trading has become an increasingly important source of revenue for Wall Street firms and hedge funds, and those companies fiercely protect the code underpinning their trading strategies.

During the two-week trial, Judge Denise L. Cote closed the courtroom to the public several times to protect Goldman’s proprietary source code. Yet several details emerged about the firm’s high-frequency trading business, including that the unit accounted for about $300 million in revenue last year, less than 1 percent of Goldman’s total revenue of $45 billion.

The verdict is a victory for the United States attorney’s office in Manhattan, which brought the case and has recently raised its profile with its aggressive pursuit of corporate crime. It is also a victory for the Justice Department more broadly, which has made the prosecution of high-tech crime and intellectual property theft a priority.

“As today’s guilty verdict demonstrates, we will use the full force of the federal law to prosecute those who steal valuable and proprietary information from their employers, whether those firms are on Wall Street or Main Street,” Preet Bharara, the United States attorney in Manhattan, said in a statement.

Until 18 months ago, Mr. Aleynikov was living the American dream. He came to the United States from Russia in 1990 with expertise in computer programming. His services were in demand at Goldman, which paid him $400,000 a year to write code for its high-frequency trading business, making him one of the bank’s highest-paid programmers.

He was recruited away from Goldman by Teza Technologies, a fledgling firm founded by an executive from the Citadel Investment Group, a giant Chicago hedge fund. Teza offered to pay about triple his Goldman salary.

During his last three days at Goldman, Mr. Aleynikov uploaded source code to a server in Germany that allowed him to do an end around the company’s security systems. After discovering that he had stolen code, Goldman reported him to federal authorities.

On the evening of July 3, 2009, six agents from the Federal Bureau of Investigation met Mr. Aleynikov as he landed at Newark International airport and arrested him.

There was no dispute that Mr. Aleynikov had violated Goldman’s confidentiality agreements when he uploaded portions of the bank’s trading code to a server in Germany.

The case, then, boiled down to this: Did Mr. Aleynikov intend to steal Goldman’s proprietary source code to benefit his new employer?

Kevin Marino, Mr. Aleynikov’s lawyer, mounted a defense that tried to draw the distinction that while his client foolishly breached Goldman’s confidentiality agreements, he did not commit a crime.

Mr. Aleynikov acknowledged uploading code but told the F.B.I. that he never intended to steal Goldman’s proprietary information. Instead, he merely wanted to take some publicly available open-source code with him on the way out the door.

Mr. Marino portrayed his client as a humble and hard-working Russian who came to the United States with $300 in his pocket. Mr. Aleynikov, who is separated from his wife, lives in New Jersey and has three young children.

Mr. Marino ridiculed the notion that Mr. Aleynikov was taking Goldman’s “secret sauce algorithms” and somehow hurting the banking giant.

“There’s not a law in the land that makes it a crime to use of collect or download open-source code,” said Mr. Marino during the trial. “I will dispute to my death that violating a Goldman Sachs confidentiality provision is a federal crime.”

Federal prosecutors depicted Mr. Aleynikov as a brazen crook who was “meticulous, deliberate and clever” in filching thousands of files and hundreds of thousands of lines of code from Goldman. He sought to use that code, prosecutors argued, as the building blocks to create a hedge fund trading platform at Teza.

The government’s strategy was to play to the jury’s basic sense of right and wrong.

“This is a case about theft and greed,” said Joseph Facciponti, the lead prosecutor, in his opening statement.

The government made much of Mr. Aleynikov’s deleting and encrypting various files after he took them from Goldman’s servers.

“Like a good thief, he covered his tracks, brushing aside his digital footprint,” Rebecca Rohr, a prosecutor, said in her closing remarks.

After receiving the case Thursday afternoon, the jury deliberated for three hours Friday morning.

Mr. Aleynikov sat stoically as Judge Cote read the verdict. A family friend comforted Mr. Aleynikov’s mother, who had watched the trial each day from the spectators’ gallery.

Both Mr Aleynikov and Mr. Marino, his lawyer, declined to comment.

All 12 of the jurors declined to speak about the case. Before dismissing the panel, Judge Cote warned them that if they were going to speak about the case, they must not discuss anything related to Goldman’s code.

Mr. Aleynikov remains free on bail but because he holds dual United States and Russian citizenship, the judge placed him under home confinement and electronic monitoring until his sentencing, which is set for March 18.