

On the Objective Joinder of Actions

— Based on a Dispute over Technical Secret Infringement and Patent Ownership Tried at the Supreme Court ¹

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Introduction

In judicial practice, actions are of a variety of forms. In addition to a single action, there are lots of consolidated actions. Joinder of actions can be further divided into objective joinder of actions and subjective joinder of actions. In view of complexity in joinder of actions, there are still controversies in the theory and judicial practice of civil procedure law. In face of the joinder of actions involving complex legal relations, judges tend to fall into a dilemma of trying the cases separately or in consolidation, and different trying methods may lead to different results. In intellectual property lawsuits, there are also large amount of joint actions, the consolidation of disputes over technical secret infringement and patent ownership is a typical example. In previous cases, these two legal relations were usually tried separately, and the joinder of actions was very rare. ² The reason is that it is easier for courts to try the cases separately since

the legal relations will be simpler. It is noteworthy that in some cases apparently with only one single cause of action, the parties concerned claimed on various legal bases, which made it actually a joinder of actions. ³

In 2019, the Supreme People's Court tried a dispute over technical secret infringement and patent ownership. The case is a typical complicated joinder of actions as it includes the objective joinder of actions as well as the subjective joinder of actions. On the basis of the analysis of the said case, together with the theories of civil procedure law and judicial policies, this article is going to sort out the basic principles for joinder of actions and factors to be considered.

I. Case brief

Dalian Bomexc Technology Development Co., Ltd. (hereinafter referred to as "Bomexc"), founded in 2007, is

an enterprise specialized in chromatographic separation, as well as analytical instrument development and production. On 1 December 2014, Bomexc signed the Re-employment Contract with Retiree and the Non-Disclosure Agreement with He Kejiang, hiring him for technical and management work from 1 December 2014 to 31 December 2016. Bomexc had succeeded in developing several "multiple-fluid periodic directional deflector" from August 2015 to April 2016. Suzhou Microwants Biotech Co. Ltd. (hereinafter referred to as "Microwants") applied for an invention patent (hereinafter referred to as "the patent in suit") titled "a multiple-fluid periodic directional deflector" with He Kejiang as the first inventor and Wang Jifeng as the second inventor. The patent in suit was granted on 20 March 2018 with the issue number of CN106321897B. After the publication of the patent in suit, Bomexc found that the said patent was related to its technical secret and a service invention made by He Kejiang during his employment with Bomexc. The patent in suit should belong to Bomexc. Since He Kejiang violated the Non-Disclosure Agreement for disclosing Bomexc's technical secret to Microwants and allowing the latter to use it, and Microwants, though knowing the violation, also acquired, used and disclosed Bomexc's technical secret, their acts infringed Bomexc's technical secret. For the above reasons, Bomexc filed a lawsuit with the Dalian Intermediate People's Court of Liaoning Province, requesting the court to: (1) confirm that Bomexc is the owner of the patent in suit; (2) confirm that He Kejiang and Microwants infringed the trade secret of Bomexc; (3) award RMB 50,000 to Bomexc for its economic losses and reasonable expenses against He Kejiang and Microwants; and (4) order He Kejiang and Microwants to bear the costs of the action.

In the first-instance trial, Microwants and He Kejiang jointly argued that disputes over patent ownership and technical secret infringement are two different and independent causes of action in civil proceedings, which shall not be claimed in the same case simultaneously. Bomexc should explicitly choose one cause of action as the scope of trial in the present case.

II. Judgments of the first-instance and second-instance courts

The first-instance court held that Bomexc's claims in the present case include confirming its ownership of the patent in suit and requiring the defendant to bear the liability

for infringement of the technical secret. Although the act of infringing the technical secret may result in the dispute over patent ownership, and even if the inventor of the service invention is found to have infringed the technical secret, Bomexc's claims should not be raised in the same case because the technical secret characterized by secrecy and confidentiality and the patent characterized by publicity are different subject matters of action. The lawsuit for technical secret infringement belongs to action of infringement and the lawsuit for patent ownership belongs to action for confirmation, which means they have two different causes of action and are based on distinct legal relationships. Furthermore, the defendants involved are also different. Bomexc insisted that He Kejiang disclosed his technical secret to the other defendant, and to the public by filing a patent application which was granted later, and thus required for the joinder of actions due to their relevance. Bomexc's claims and request rendered the legal relations and corresponding defendants unclear in the case, so Bomexc's complaint did not meet the requirements of the law. The first-instance court ruled to dismiss the lawsuit brought by Bomexc.

As being not satisfied with the decision, Bomexc appealed to the Supreme People's Court. After the hearing, from the perspectives of the statutes and the application thereof, the Supreme People's Court revoked the original ruling and ordered the first-instance court to proceed with the trial. The second-instance court held that (1) as to whether the lawsuit brought by Bomexc complies with the legal provision, it is stipulated in the Notice of the Supreme People's Court on Issuing the Revised Provisions on Causes of Action in Civil Cases that where the party concerned brings the action on the grounds of two different legal relations that are both in dispute, the two legal relations can be tried in the same case by joinder of causes of action. Thus, the involvement of two different legal relations in the same case is not a reason for dismissing the lawsuit of the party concerned by the people's court. In the present case, Bomexc required the court to order He Kejiang and Microwants to bear the liabilities for infringement as they infringed its technical secret, and confirm its ownership of the patent in suit as the patent filed by Microwants is based on its technical secret. Bomexc filed the actions of technical secret infringement and of patent ownership in the same case, which falls within the circumstances as prescribed in the above provision. In addition, the defendants in the two

actions are specific and clear, so the lawsuit brought by Bomexc is compliant with the law in terms of the elements of an action. (2) As to whether the joinder of actions is applicable to the present case, addressing different legal relations, which are closely associated due to the same fact or for other reasons, in the same lawsuit is conducive to ascertaining facts, clarifying legal liabilities and preventing conflicts of judgments, as well as protecting the interests of the parties concerned and achieving the goal of procedural economy. The above two actions shall be joined for trial in consideration that the disputes over technical secret infringement and over patent ownership brought by Bomexc are highly overlapped in terms of the main facts and associated with each other in terms of judging results.

III. Comments on the case

Where the claim of a party concerned is based on two legal relations in one case, it inevitably involves the question of whether to try them as two separate single actions or to join them into one. Although separate actions surely render a case simple, it cannot be ignored that side-effects, such as heavier burden of litigation on the parties and conflicts of judgments, also exist. Especially when two legal relations are intertwined and closely related to each other, it may fall into a causality dilemma of “which came first: the chicken or the egg”? It seems inappropriate no matter which legal relation is handled first. The Bomexc case is a typical joinder of actions. The factors considered and value orientations reflected in the judging rationale is of great value for the trial of similar cases.

1. Basic theories of the joinder of actions

According to the theories of the civil procedure law, actions can be divided into single action and joinder of actions. A single action refers to the situation in which a plaintiff files one claim against one defendant. The joinder of actions is relatively complex. First of all, the joinder of actions is the consolidation of single actions. Second, the joinder of actions is further divided into subjective joinder of actions and objective joinder of actions. The subjective joinder of actions refers to the situation in which multiple parties concerned⁴ jointly bring actions. The objective joinder of actions refers to the situation in which there are multiple objects of action. For instance, the plaintiff sued a website for uploading its multiple copyrighted works without permission. The plaintiff may file one lawsuit for infringement of all

of the multiple works. It shall also be noted that in the objective joinder of actions, there may exist the situation in which a plurality of subject matters of action involve different legal relations, for example, consolidated actions of trademark infringement and unfair competition brought by the same plaintiff are based on the same infringing act of the defendant.

Actions can be divided into three types: the action for performance, the action for formation and the action for confirmation. The joinder of actions may be the joinder of the same type of actions or different types of actions. Take the present case for example. The action for technical secret infringement belongs to the action for performance, and the action for patent ownership belongs to the action for confirmation. Different types of actions are tried jointly in the present case. The action for performance has a long history and is the original form of action since the Roman law, whereas the action for confirmation is the type of action that has been recognized since the middle of the 19th century. Although the action for confirmation was theoretically formed at a later time, Japanese scholars have long noticed that “in reality, the action for performance and the action for confirmation are often brought in combination.”⁵

2. Status quo of China's legislation

The China's Civil Procedure Law sets forth the provisions on the subjective joinder of actions, without definitely clarifying the elements required for the objective joinder of actions. Article 52 of the Civil Procedure Law stipulates that when one party or both parties consist of two or more persons, the subject matters of action are the same or of the same kind and the people's court deems that, subject to the consent of the parties, the actions can be tried jointly, joinder of actions shall be constituted. Judging from the literal expression of the provision, when the subject matters of action are the same, the joinder of actions refers to the subjective joinder; and when the subject matters of action are of the same kind, the joinder of actions refers to the objective joinder because different subject matters of action are involved. In practice, however, the courts often place cases with subject matters of action of the same kind on separate files (which is often known as “serial cases”) and then try them in a combined hearing. For instance, in a dispute over copyright infringement, the court usually assigns a case number for each of the author's works, such that the same court may accept hundreds of cases with the identical parties concerned. The cases, though tried together,

are independent from each other and will be given different judgments by the court. Hence, the above-mentioned combined trial shall not be considered as the joinder of actions.

Nevertheless, the objective joinder of actions is not rare in judicial practice. For providing guidance for judicial practice, the Supreme People's Court issued the Notice on Issuing the Revised Provisions on Cause of Action in Civil Cases, stating that if two or more legal relations are involved in the same lawsuit, the cause of action shall be determined according to the nature of the disputed legal relations asserted by the party concerned; and if all the legal relations are in dispute, then two parallel causes of action shall be determined according to the two or more disputed legal relations.⁶ Although the judicial interpretation is a specific provision focusing on the cause of action, it confirms the following two points regarding the joinder of actions: one is that the same lawsuit may involve two or more legal relations, and the other is that the two or more legal relations can be placed on the same file as parallel causes of action. This provision not only acknowledges the objective joinder of actions in essence, but also provides a specific route. It can be said that this provision is in line with the theories of civil procedure law and judicial needs, and has been thoroughly implemented in judicial practice.

It can be seen that although single action and the joinder of actions are theoretical classifications in the civil procedure law, such classifications also originate from judicial practice. The joinder of actions is the product of judicial practice and judicial needs. The consolidated trial of different legal relations in the same case is not only theoretically feasible, but also a judicial requirement.

3. Factors considered in the objective joinder of actions

In view that the Civil Procedure Law sets forth no clear provisions on the objective joinder of actions and the judicial interpretation only provides guiding rules, it is the judge's discretion that interprets and decides the joinder of actions in judicial practice. But the discretion is neither arbitrary nor unbounded. It is the exercise of a judge's legitimate power in the judicial process.⁷ Such legitimacy should comply with the statutes and the spirit of fairness and justice, and also be established on the premise of facilitating the finding of facts, preventing the conflict of judgments and contributing to procedural economy. To be specific, the objective joinder of actions shall be considered from the following aspects.

(1) Relevance in essential facts and legal relations

The preliminary action, which is common in judicial practice, clearly shows the relevance in essential facts and legal relations. Take the dispute over infringement of the right of information network dissemination for example. The primary claim of the right holder is to request the court to determine that the network service provider committed direct infringement, and the secondary claim is that indirect infringement occurred if direct infringement was not established. Both claims are based on the same infringing fact that the work in dispute was uploaded to the website without the author's permission. In other typical cases such as disputes over copyright infringement and unfair competition, or trademark infringement and unfair competition, the right holders claim infringement of intellectual property rights with unfair competition as a supplement. It can be known by analyzing these cases that it is a common characteristic of objective joinder of actions that relevance exists in essential facts as well as in legal relations.

In the present case, Bomexc sued He Kejiang and Microwants for technical secret infringement mainly based on the following facts: He Kejiang disclosed the technical secret of Bomexc to Microwants in violation of his agreements with Bomexc and Microwants knew or should know the breach of contracts by He Kejiang but still acquired and disclosed Bomexc's technical secret. The application of the patent in suit was actually the infringing act of "disclosing" the technical secret. The facts based on which Bomexc claimed its ownership of the patent in suit overlapped with the facts on which the infringement claim was built, and they both involved the examination of the employment contracts, the determination of the scope of the technical secret and the comparison of the technical solutions. It can be seen that the facts to be ascertained in the action for infringement and the action for confirmation were substantially the same, and the legal relations therein were mutually intertwined. The first-instance court held that the lawsuit filed by Bomexc involved two different legal relations, namely, the action for infringement and the action for confirmation, thereby dismissing the lawsuit. However, the repetition in the primary facts and the relevance of the resultant judgments about the two legal relations in this case were overlooked.

When the two legal relations are intertwined, the joinder of actions is extremely important. In *Beijing Puran Rail Transportation Technology Co., Ltd. v. He An'an and He Qi*, a dispute over technical secret infringement, the plaintiff

claimed that the defendants took away the material formula in suit after their resignation, which infringed the plaintiff's technical secret. After hearing, the Beijing No.1 Intermediate People's Court dismissed the lawsuit, holding that the ownership of the material formula in suit is still in dispute and the plaintiff is not eligible as the subject of the lawsuit.⁸ That is to say, the court deemed that the confirmation of ownership is the premise of filing a lawsuit for technical secret infringement. However, the plaintiff in said case did not file another lawsuit for confirming the ownership of the technical secret, but file a new lawsuit against the same defendants for technical secret infringement with the Beijing Intellectual Property Court. Having considered the procedure and result of the previous case, the Beijing Intellectual Property Court did not follow the previous judging rationale to dismiss the lawsuit, but stated that the plaintiff failed to prove the details of the material formula in suit by evidence, so that the court was unable to judge whether the material formula constitutes a technical secret. Hence, the plaintiff's claim was rejected.⁹ It can thus be seen that although the two cases were based on identical facts and legal relations, they were handled in completely different manners. In the former case, the court believed that the ownership dispute shall be tried prior to the infringement dispute, whereas in the latter case, the court conducted substantive examination on the action for infringement. The authors think that the approach adopted by the latter court is more recommendable.

(2) Facilitating the finding of facts and preventing the conflict of judgments

As a complex form of lawsuits, the joinder of actions, especially the objective joinder of actions, is indeed more difficult to deal with than a single action. However, the difficulty in trial is not a good reason to try the actions separately. Instead, preventing the conflict of judgments is the most important function of the joinder of actions. Take the joinder of the action for performance and the action for confirmation for example. When it is separated into a single action for performance and a single action for confirmation, the two single actions may be tried at different courts due to the different jurisdiction rules concerning the two types of actions. Further, as the legal relations and claims differ from one another in the two actions, the courts may focus on different aspects during the trial, which may lead to conflicting judgments. On the contrary, if the two actions are tried jointly, such a conflict can be avoided.

The dispute over technical secret infringement and the dispute over patent ownership have different connecting points in terms of jurisdiction. The former comprises the defendant's domicile and the place of infringement, whereas the latter only comprises the defendant's domicile. The Bomexc case precisely shows this difference. The first-instance court is the court at the place where the infringement was committed, rather than where the defendants are domiciled. If the two actions were separated according to the first-instance judgment, Bomexc would have to file the lawsuit over patent ownership to Suzhou People's Court of Jiangsu Province, which is the court at the place of domicile of the defendants, while the action for technical secret infringement is subject to the jurisdiction of the court at the place where the infringement was committed (Dalian, Liaoning Province) or where the defendants are domiciled (Suzhou, Jiangsu Province). As a result, the two actions might be tried at different courts. In the single action for technical secret infringement, the examination on three characteristics¹⁰ of a technical secret certainly would involve the facts related to the R&D process of the technical secret, the execution of the confidentiality agreement, and the like. In the single action of patent ownership, the court would place the emphasis on whether the patent in suit belongs to a service invention, which also involves the examination as to the execution of the confidentiality agreement and the R&D process. Although the two cases are highly overlapped, it is still likely that the two judgments may be in conflict in the fact-finding of the R&D process due to the different judging rationales, emphases, evidence and understanding of the case between different judges. Or even worse, the judgments may contradict with each other as the patent may be determined as a non-service invention made by a natural person in one case, but as a service invention in the other case. Under such circumstances, the joinder of actions is conducive to preventing the conflict of judgments and maintaining the judicial authority. At the same time, since the facts that need to be ascertained in the action for infringement and the action for confirmation are intertwined, the joinder of the actions also contribute to better establishing and analyzing the facts of the case and avoiding the limitations that the single actions may have.

(3) Procedural economy and protection of litigation rights

The reform of the litigation systems, such as the case filing registration system and the circuit trial, fully demon-

strates the pursuit of the judicial values such as procedural economy, convenience for both the parties concerned and the court and protection of litigation rights. In the context of judicial policies, especially when the judges' overall professionalism and ability to handle complex legal relations are improved, emphasis shall be placed on procedural economy and protection of litigation rights, in addition to the basic function of dispute resolution. The joinder of actions can solve several disputes in one case, which not only reduces the costs of safeguarding rights, but also facilitates the mediation and substantive settlement of disputes.

In the Bomexc case, the confirmation of Bomexc as the owner of the patent in suit is premised on the fact that Micro-wants and He Kejiang infringed its technical secret. If, after the hearing, the evidence was no sufficient to prove that the technical solution in suit constitutes a service invention or the defendant infringed the plaintiff's technical secret, the plaintiff's claim for confirmation of its ownership of the patent cannot be supported. If it is determined that the defendant infringed the technical secret, the action for confirmation of the patent ownership may be absorbed and deemed as a part of the infringement liability. Hence, the result of the action for confirmation in the present case is the natural extension of the result of the action for infringement. The joinder of the two actions can lighten the burden on the parties concerned, and meanwhile the court can solve the disputes once and for all at a lower judicial cost, or even facilitate the mediation between the parties due to the combined pressure of multiple cases. What's more, it lasted one year from the filing of the case to the dismissal of Bomexc's lawsuit by the first-instance court due to jurisdictional objection and the following appeal. The dismissal itself will further impose heavy burden on the parties concerned and render it impossible for the right holder to protect its rights in a timely and effective manner.

IV. Conclusion

There is still room, in theory and judicial practice, for research and exploration concerning the joinder of actions as a complex litigation form. Especially since the Civil Procedure Law sets forth no clear provisions, it is still the judge's discretion that decides the objective joinder of actions. The authors believe that the joinder of actions in which the essential facts and legal relations are related is not only helpful for ascertaining the finding of facts and preventing the

conflict of judgments, but also complies with the policies on procedural economy and protection of litigation rights. ■

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¹ *Dalian Bomexc Technology Development Co., Ltd. v. He Kejiang and Suzhou Microwants Biotech Co. Ltd.*, a dispute over technical secret infringement and patent ownership. See the Civil Judgment No. Zuigaofazhiminzhong 672/2019.

² Searches were made with the keywords "technical secret infringement" and "ownership" in wenshu.court.gov.cn, and 34 judgements and rulings were found, most of which did not involve the joinder of actions. In the second-instance civil ruling over technical secret infringement No. Yizhongminzhongzi 8253/2014, the plaintiff claimed that the defendant infringed its technical secret concerning a material formula, and claimed damages of RMB 100,000. The second-instance court ruled to dismiss the plaintiff's lawsuit on the grounds that "the ownership of the technology has not yet been determined". In the jurisdictional objection appeal ruling No. Jiminxiazhong 45/2017, the plaintiff sued the defendant for technical secret infringement. In the observations, the defendant argued that the defendant had filed three lawsuits over patent ownership against the plaintiff based on the same facts and reasons.

³ For instance, in the Civil judgment No. Jingzhiminchuzi 148/2014, in which the cause of action is technical secret infringement, the plaintiff claimed that the defendant infringed its technical secret concerning a material formula, but also requested the court to confirm that the formula in suit belongs to the plaintiff.

⁴ Hiroshi Takahashi (JP). Lin Jianfeng (translator). *In-depth Analysis of Civil Procedure Law System and Theories* (2003 edition, p56). LAW PRESS·CHINA.

⁵ See *ibid*, p 60.

⁶ Item 3 in Part III of the Notice of the Supreme People's Court on Issuing the Revised Provisions on Cause of Action in Civil Cases.

⁷ Yang Kaixiang (1997). An Outline of Judges' Discretion. *Legal Science*, 2, 12.

⁸ See the Civil Ruling No. Yizhongminzhongzi 8253/2014.

⁹ See the Civil Judgment No. Jingzhiminchuzi 148/2014.

¹⁰ Namely, secrecy, confidentiality and value.