

# Application and Prospect of Beijing Intellectual Property Court Reference for Proof in Civil Cases Involving Trade Secret Infringement

Xie Zhenke, Yang Jing and Zhang Di

Trade secrets are important intellectual property rights and strategic resources of enterprises for innovation and market competition. At present, many enterprises, however, are less aware of trade secret protection, and of limited capability to initiate or participate in litigation. Therefore, the Beijing Intellectual Property Court (hereinafter referred to as Beijing IP Court) released the Reference for Proof in Civil Cases Involving Trade Secret Infringement (Chinese and English versions) (hereinafter referred to as the Reference) on 29 October 2021. Over the past years, the Reference has provided domestic and foreign parties with guidance and assistance for civil trade secret litigation, and solved the problems of “difficulty in proof” and “difficulty in winning” to some extent. This article is going to analyze the formulation and implementation of the Reference, and make a prospect for judicial protection of trade secrets.

## I. Background and formulation of the Reference

### 1. Background of the Reference

China has attached great importance to strengthening protection of trade secrets. In September 2021, the State Council issued the Outline for Building China into an Intellectual Property Powerhouse (2021 - 2035), which confirms that China has made remarkable achievements in intellectual property development, seen a gradually improving intellectual property institutional system and made constant ef-

forts on strengthening trade secret protection; however, it is still necessary to formulate and revise laws and regulations on strengthening the protection of trade secrets. On 30 November 2020, President Xi Jinping presided over the 25<sup>th</sup> meeting of the CPC Political Bureau, emphasizing that China should “make IPR protection more law-based” and “improve legislation in the field of trade secrets”. So far, provisions on trade secret protection have been set forth in the Civil Code, the Anti-Unfair Competition Law and the Criminal Law. The Standing Committee of the National People’s Congress revised the Anti-Unfair Competition Law in 2017 and 2019 in a bid to refine the definition of trade secrets, clarify the acts infringing trade secrets, expand the scope of subjects that shall be liable for trade secret infringement, and increase legal liabilities for trade secret infringement. Relevant judicial interpretations, departmental rules and local regulations all stipulate provisions on the protection of trade secrets. However, in judicial practice, the parties concerned still face problems in proof, such as lack of probative value or relevance of evidence, and insufficiency of proof.

In 2021, the Beijing IP Court conducted research on trade secret cases heard by the courts at all levels in Beijing, finding that difficulties in proof have always been conspicuous. The main reasons for the difficulties include:

(1) The characteristics of trade secrets decide that evidence adduction is difficult. In comparison with disputes over conventional intellectual property rights, disputes over

trade secrets are subject to more criticism as the matters to be proved are much complex, the evidence is harder to collect, plaintiffs bear heavier burden of proof, and the application of general rules of evidence is unfavorable to the plaintiffs. First, the matters to be proved by the plaintiffs are much complex. In lawsuits regarding infringement of conventional intellectual property rights like patents, trademarks and copyrights, the plaintiffs can usually directly prove their legitimate rights to disputed intellectual property rights by means of the documents granted by the China National Intellectual Property Administration or works or products of authorship. In disputes over trade secret infringement, the plaintiffs must first adduce evidence proving the content and scope of the trade secrets claimed, and that the trade secrets claimed comply with legal requirements. Second, the evidence is harder to collect. When adducing evidence proving the content and scope of the trade secrets, the plaintiffs usually need to collect and sort out confidential information formed in different time periods and places on various carriers so as to construct and determine the scope of the trade secrets and further clarify the core of the claimed secrets. When adducing evidence proving that the trade secrets comply with legal requirements, the plaintiffs need to prove the confidentiality, secrecy and value of the secret points. To be specific, evidence shall be adduced to prove that the source or formation of the confidential information is legal, the plaintiffs have taken corresponding non-disclosure measures, and relevant secrets are practical and have generated or will generate economic values. Third, the plaintiffs bear heavier burden of proof. Facts in relation to infringement of conventional intellectual property rights are usually open and easy to obtain. Infringement of trade secrets is more concealed, acts such as theft, bribery, fraud and coercion in the cases involving trade secret infringement are difficult to detect, and collecting evidence is risky. Finally, the application of general rules of evidence is unfavorable to the plaintiffs. In view of the difficulties in proof, the general rule of evidence in civil proceedings, namely “the burden of proof is borne by the claimant”, discourages many right holders from asserting their rights.

(2) Right holders are less aware and incompetent in evidence collection. Some business operators do not care their trade secrets enough. Even some in-house lawyers focus on patents and trademarks only, but neglect other technical and business information. Decision makers often underestimate the present and potential value of trade se-

crets, and thereby do not take appropriate measures to protect trade secrets, not to mention preserving related evidence, during research and development, personnel change, cooperation, contract performance, marketing and advertisement, patent application and the like. All of the above lead to the arbitrary leakage of trade secrets. Even though some enterprises realize the importance of trade secret protection, the efforts made may still be ineffective due to insufficient non-disclosure measures, poor internal confidentiality system and inadequate supporting mechanism.

(3) Right holders are worried that confidential information may leak out during litigation. The worry about possible leakage of trade secrets in case trial is the major reason that the right holders do not dare or are unwilling to submit key evidence. When bringing a lawsuit, the right holder shall make a preliminary explanation about the claimed trade secret together with evidence so as to delimit the claimed secrets and the scope of infringement, which is the first step to determine the scope of case trial and the premise of infringement determination. However, right holders are sometimes unclear about what secrets are known to the defendant, so it is possible that evidence on secrets goes beyond the known part, thereby leading to further leakage of trade secrets. Meanwhile, various participants, such as attorneys, appraisers and experts, may have access to the trade secrets in the proceedings, posing the risk of further leakage of the trade secrets.

## 2. Formulation of the Reference

In order to guide the parties for better proof in a bid to build Beijing into an international sci-tech innovation center, promote the development of new-tech enterprises and provide equal protection for the legitimate rights and interests of Chinese and foreign parties according to law, the Beijing IP Court timely summarized trial experience, and drafted and released the Reference.

The Beijing IP Court has jurisdiction over first-instance civil lawsuits involving technical secret infringement within the Beijing Municipality and second-instance civil lawsuits involving business secret infringement within the Beijing Municipality (technical secrets and business secrets are hereinafter collectively called trade secrets) according to law.<sup>1</sup> From November 2014 when it was established to September 2021, the Beijing IP Court had accepted 163 disputes over trade secret infringement, including 136 first-instance cases and 27 second-instance cases, and concluded 120 cases in total, wherein 17 out of 43 cases closed with judg-

ments were won by plaintiffs, accounting for 40%. Researches showed that civil cases involving trade secret infringement demonstrate the following characteristics: (1) parties involved are often well-known companies, and cases have a great impact. Disputes usually occur in rapidly developing fields and among fiercely competitive business entities. (2) The majority (93%) of cases is initiated by companies against their existing or former employees. The existing or former employees are usually senior managers or sci-tech technicians who hold key positions during their tenure and have or had access to vital information of the enterprises. (3) Plaintiffs lost the cases mainly due to lack of evidence. In consideration of the above situations, it is necessary and urgent to help the parties to become more competent in proof.

To this end, the Beijing IP Court set up a research group composed of professional judges and assistants to summarize and generalize judicial experience, resolve the problems facing the concerned parties, solicit opinions from administrative authorities, lawyers associations, courts at all levels, some domestic and foreign industrial associations and enterprises in various symposiums. Through thorough discussion and repeated revision, as well as agreement by the trial committee, the Reference was finally issued on 29 October 2021.

### 3. Main contents of the Reference

The Reference consists of four parts, including 58 articles.

The first part is about the reference for proof of rights. It is clarified that trade secret refers to commercial information including technical and business information etc. that is not known to the public, has commercial value, and has been processed through corresponding non-disclosure measures by the right holders. Provisions are set forth on such matters as subjects who are eligible to initiate lawsuits, legal requirements for trade secrets and defenses against legal requirements in civil cases involving trade secret infringement. Detailed and comprehensive reference is provided for how to prove the legal requirements for trade secrets, including confidentiality (namely, being unknown to the public), secrecy (namely, taking corresponding non-disclosure measures) and value (namely, being of commercial value).

The second part is about the reference for proof of infringement. This part specifies the forms of infringement and defenses against infringement in civil cases involving

trade secret infringement. Common forms of infringement in practice are specifically listed. In view of the judicial practice that trade secret infringement lawsuits are often filed against existing and former employees, the scope of existing and former employees is clarified so as to guide plaintiffs to adduce valid evidence proving their infringement. Meanwhile, this part provides reference for how to adduce evidence by defendants who make a defense. The defendants can make a defense by adducing evidence on lawful authorization, independent research and development, or reverse engineering.

The third part is about the reference for proof of civil liabilities. This part specifies the civil liabilities, such as cessation of infringement, compensation for losses, and punitive damages, in civil cases involving trade secret infringement. Provisions on punitive damages are particularly specified to guide right holders, according to relevant provisions of law and judicial interpretations, to adduce evidence in relation to plaintiffs' losses, defendants' profits, reasonable multiples of royalties, statutory damages, etc. In light of the provisions on punitive damages system, evidence for proving willful infringement and serious consequences is specified so as to further restrain trade secret infringement.

The fourth part is about the reference for proof of procedural matters. This part specifies procedural matters such as preservation, investigation order, non-disclosure measures in litigation, and civil-criminal cross cases. The existing regulations on evidence preservation, behaviour preservation and property preservation are particularly systematized and a comprehensive guidance is provided for the application and use of investigation orders. Meanwhile, in order to prevent "further leakage of trade secrets", reference is provided to guide the parties concerned on how to apply to the courts for necessary non-disclosure measures in litigation activities such as evidence preservation, evidence exchange, cross examination and court hearing.

## II. Overview of application of the Reference

The Reference attracts extensive attention from lawyers' associations, industrial organizations and domestic and foreign enterprises and personnel, provides guidance for the parties concerned, and unifies adjudication criteria for such cases.

### 1. Overview of relevant cases

From 29 October 2021 to 8 July 2022 (hereinafter referred to as the application period), the Beijing IP Court accepted 28 cases involving trade secret infringement, and concluded 32 cases. As compared with the same period in a previous year, the number of accepted cases decreased by 37.93% (11 cases down) and the number of concluded cases declined by 43.75% (14 cases down). Among the 32 concluded cases, 21 cases were closed with judgments (wherein ten cases were won by plaintiffs). The primary courts in six districts (Chaoyang, Haidian, Fengtai, Shijingshan, Dongcheng and Xicheng) of Beijing accepted 32 cases involving trade secret infringement and concluded 20 cases, among which 10 cases were closed with judgments.

## 2. Overall characteristics of relevant cases

(1) Most cases are in newly emerging high-tech fields. Technical secrets claimed are mainly associated with the Internet, energy and chemical industry and bio-medicine, and business secrets claimed mostly cover the Internet, financial service, education and entertainment fields. During the application period, the courts of Beijing accepted 61 cases involving trade secret infringement, wherein 29 cases are about technical secrets, 32 cases about business secrets. Cases in the fields of the Internet, energy and chemical industry and bio-medicine amounted to more than half of the total. The percentage of trade secret cases in different fields can be seen from the chart below.

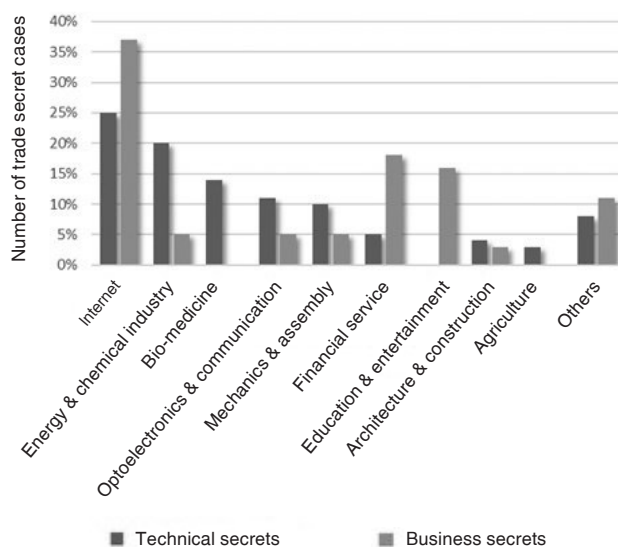


Fig. 1 Bar chart showing trade secret cases in different fields (%)

(2) The contents of trade secrets are concentrated in several aspects. Business information claimed by the parties concerned is primarily about customer list and techni-

cal information protected is primarily about computer programs and related documents. During the application period, the cases in which customer lists were claimed as trade secrets accounted for more than half (67.37%) of all business secret cases, and the cases in which computer programs and related documents were claimed made up nearly half (44.65%) of all technical secret cases.

(3) In a large proportion of cases, defendants are existing or former employees. During the application period, the cases in which the existing or former employees are sued as the infringers amounted to 71.05% of all trade secret cases, and those in which the existing employees, former employees and employers they are working for now are sued as joint defendants occupied 69.75% of all cases. It can thus be seen that trade secret infringement often associates with employee's departure.

(4) The reasons that the plaintiffs fail in lawsuits are concentrated. During the application period, the major reason for plaintiffs' failure in lawsuits is that they cannot adduce evidence proving that their trade secrets have confidentiality, secrecy and value. The plaintiffs in 43% of trade secret cases failed to prove that the information was not known to the public; the plaintiffs in 30% of such cases failed to prove that they took non-disclosure measures; the plaintiffs in 26.08% of the cases failed to delimit the scopes of their trade secrets; and the plaintiffs in 26.08% of the cases failed to prove that the defendants committed infringement of their trade secrets. The specific reasons are shown in the following chart.<sup>2</sup>

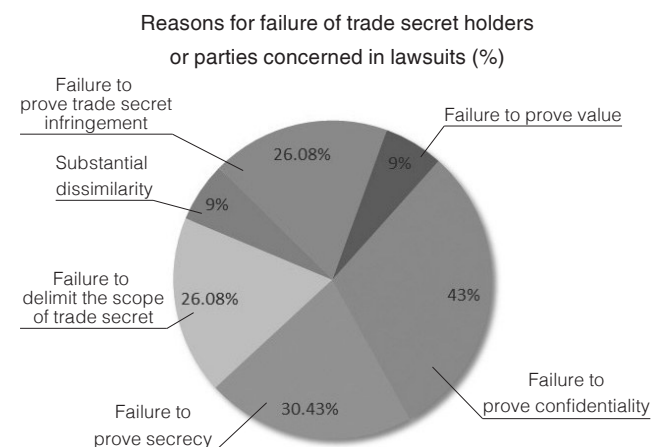


Fig. 2 Pie chart showing reasons for failure of right holders or parties concerned in lawsuits

(5) Discretionary damages are awarded in a high percentage of cases, and the amount of damages keeps going

high. Discretionary damages are awarded in 90% of cases which are won by plaintiffs. The average amount of damages per case is RMB 756,100 prior to the release of the Reference, and that amount rises to RMB 3,372,600 subsequent to the release of the Reference.<sup>3</sup>

Average amount of damages per case (Unit: ten thousand RMB)

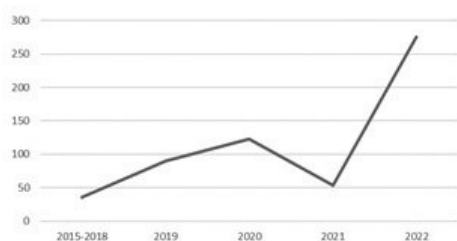


Fig. 3 Line chart showing the amount of damages awarded by the Beijing Intellectual Property Court in cases involving trade secret infringement<sup>4</sup>

(6) The percentage of lawsuits withdrawn has gone down, year on year. Prior to the release of the Reference, the percentage of trade secret cases withdrawn remained higher due to insufficiency of evidence adduced by the plaintiff or as a result of settlement between the parties. After the release of the Reference, the overall percentage of cases withdrawn declines, which shows that plaintiffs are more competent at collecting evidence and more optimistic about their chance of winning.

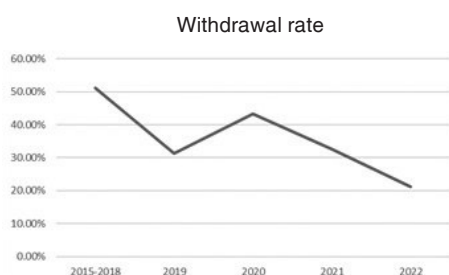


Fig. 4 Line chart showing the annual withdrawal rate of cases involving trade secret infringement at the Beijing Intellectual Property Court<sup>5</sup>

### III. Details about the application of the Reference

#### 1. "Subjects that are eligible to initiate a lawsuit according to law" and application thereof

The first part of the Reference summarizes the subjects eligible to initiate lawsuits against trade secret infringement, indicating that the subject eligible to initiate a lawsuit must be a natural person, legal person or other organization having a direct interest in the lawsuit,<sup>6</sup> and clarifies various cir-

cumstances under which an exclusive, sole or non-exclusive licensee of a trade secret may file a lawsuit independently or together with the right holder.<sup>7</sup> On this basis, Articles 1 and 2 of the Reference further set forth provisions on evidence required to be submitted by various subjects as plaintiffs, and explicitly confirm that the interested parties can initiate lawsuits against trade secret infringement according to law, meeting the needs in business operation. Considering the commercial and practical value, there also exist practical needs for, e.g., licensing, assignment, joint research and development, entrusted development, improvement and upgrading, in addition to control, disposal and use of their own trade secrets by the right holders, during the process of which the assignee, licensee and other interested parties may also desire to enforce trade secrets. The Reference provides guidance for the interested parties on how to adduce evidence, and the court will determine whether they are eligible to file a lawsuit according to law in comprehensive consideration of the actual possession of a trade secret, affiliation between enterprises, business conventions, etc.

In *Company W v. Company Y and others*, a dispute over trade secret infringement,<sup>8</sup> the technical secret claimed by the plaintiff, Company W, is the source code of a software analysis and detection module, which is derived from the software developed by a non-party, Q University. The plaintiff, Company W, submitted, according to the Reference, the Software License Contract executed between its affiliate and Q University, the Software Copyright Assignment Agreement executed between Company W and its affiliate, as well as all source codes and relevant document, proving that Q University licensed the right to permanently use a series of software for commercial purpose (including utilization of the subject technology and its derivatives for R&D, and production, sale, license and sublicense of the software) to the affiliate of Company W, and the latter assigned its software in suit developed based on Q University's software to the plaintiff, Company W. In comprehensive consideration of the above evidence, plaintiff's possession of the source code, industrial conventions of naming the same series of computer software products, software files, and opinions of the appraisal institution, the court determined that the plaintiff was the right holder of the source code in suit and eligible to initiate the lawsuit.

In *Company T in U.S. and Company K (a Chinese affiliate of Company T) v. Company J and others*, a dispute over

trade secret infringement,<sup>9</sup> the two plaintiffs claimed that the oil and gas exploration and development system in suit was their trade secret, and submitted a user manual, which, however, only recited Company T as the right holder. As guided by the court, the two plaintiffs further submitted, according to the Reference, an Authorization proving that Company K, as the exclusive licensee of the oil and gas exploration and development system in the territory of China, has the right to initiate a lawsuit independently or jointly with Company T. Hence, the court rejected the defendants' argument on the plaintiff's eligibility.

In *Company H v. Company B and other*,<sup>10</sup> a dispute over trade secret infringement, the court pointed out that according to the Reference, the Declaration of Waiver of Claim from another co-developer submitted by the plaintiff proved that the plaintiff, as a joint breeder, has the right to file a lawsuit for the technical information in suit where the co-developer explicitly waives its right.

## 2. "Legal requirements for trade secrets" and application thereof

Pursuant to the provisions of the Anti-Unfair Competition Law, trade secrets should have confidentiality, secrecy and value. The Reference provides guidance for the parties concerned on how to understand and prove the above factors in practice.

(1) Proof of "confidentiality" of trade secrets. Confidentiality is the most essential characteristic of a trade secret. Confidentiality means it is unknown to the public",<sup>11</sup> so it is also called "non-publicity". If the information claimed by the right holder is not widely known to or easily acquired by a relevant person in the field to which it pertains when the accused infringement occurs, the people's court shall determine that it is unknown to the public.<sup>12</sup> Article 3 of the Reference clarifies that "unknown to the public" includes "not widely known" or not "easily acquired by a relevant person in the field to which it pertains". On the basis of the relevant provisions of the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trade Secret Infringement (hereinafter referred to as the Provisions on Trade Secret Infringement Cases)<sup>13</sup>, Article 4 of the Reference provides detailed guidance on how to prove that new information formed through sorting, improving or processing is unknown. Articles 8 and 9 thereof listed the circumstances where the claimed trade secret does not meet the requirement of being "unknown to the public".

In *Company H v. Company B and other*<sup>14</sup> as mentioned above, the plaintiff claimed that the defendants infringed upon its technical secret of poultry breeding hybrid lines. The defendants argued that the technology is known to the public, and submitted the patent specification and published papers to prove that all of the secrets claimed by the plaintiff have been disclosed. Upon examination, it was found that the plaintiff is one of the patent co-owners. Pursuant to Articles 3 and 9(3) of the Reference, the court held that since the plaintiff has applied for patent for the relevant technology, it meant that it had consented to disclose the technical solution to the public. The poultry breeding hybrid lines claimed in this case lost its confidentiality and did not constitute a trade secret.

In *Company T and Company K v. Company J and others*<sup>15</sup> as mentioned above, the court stated that pursuant to Article 4 of the Reference, where the constituent elements of a piece of information have been published, if the combination of these constituent elements results in a special effect and constitutes a special confidential combination that cannot be acquired by others without certain efforts and costs, the confidential combination can be regarded as a trade secret. In this case, the hundreds of technical parameters claimed as the first secret are publicly known in the oil industry and the engineering data describing thousands of reservoirs of the second secret are all derived from public sources. However, the technical parameters in the first secret and the engineering data in the second secret contain abundant information. Even though some of them have been disclosed, it indeed requires efforts and costs to combine them together. Furthermore, their combination of technical parameters and corresponding engineering data generates special effects. In view of the appraisal opinion that the two secrets are not publicly known, the court determined that they satisfied the legal requirement on "confidentiality".

In *Company L v. Company Z and other*, a dispute over trade secret infringement,<sup>16</sup> the court held, according to Articles 9(2) and 9(3) of the Reference, that once products have been sold and circulated in the market, they are physically out of the plaintiff's control. The non-disclosure measures taken by the plaintiff for the confidential purpose shall be sufficient to prevent any third party obtaining its technical secret from purchased products. In this case, as shown in the notarial deed, anyone can directly see the internal structure of the sold product by opening the cover, and the personnel in the art can directly know the main components



and connecting structures of the product through simple observation. Hence, the technical information claimed by the plaintiff is not confidential.

(2) Proof of “secrecy” of trade secrets. Secrecy means that the right holder has taken corresponding non-disclosure measures to keep a trade secret confidential from the public. In the light of Articles 5.1, 5.2 and 6 of the Provisions on Trade Secret Infringement Cases, the Reference defines the “corresponding non-disclosure measures” in Article 5, enumerates some common non-disclosure measures in Article 6, and lists related defenses in Articles 8 and 10.

In *Company L v. Company Z and other*<sup>17</sup> as mentioned above, the court noted that according to Articles 5 and 10 of the Reference, where the products have been sold, at least two types of non-disclosure measures can be taken: one is measures by virtue of the nature of the technology, that is, others cannot acquire the technical secret through analyzing the products even when they are disassembled; and second is physical measures, such as using an integrated structure to prevent disassembly. The plaintiff in this case claimed that the defendant concealed the terms such as “prohibition of disassembly, reproduction and lending” in the sales contract at the time of notarized purchase, and there were obvious void labels at the junctions of the product for the sake of prohibition of disassembly. However, the photos attached to the notarial deed did not clearly show the void labels, and the plaintiff failed to provide any sales contract as counterevidence. Hence, the non-disclosure measures taken by the plaintiff cannot exclude the likelihood that the claimed technical information in suit has been acquired by a third party, or keep the technical information in suit unknown to the public.

In *Company B (a Chinese Branch of a well-known German Co.) v. Mr. Y (an employee thereof)*, a dispute over trade secret infringement,<sup>18</sup> in order to prove that the plaintiff took corresponding non-disclosure measures for information on business and customers, the plaintiff submitted the Confidentiality Undertaking signed by the defendant when he joined the company, indicating “confidential information” and confidentiality obligations and liabilities for breach of contract that an employee should bear during employment and after departure, the Job Description which indicates Mr. Y’s job responsibilities, as well as other documents such as Employment Contract and Employee Handbook which specify the consequences of breach of confidentiality obligations and protection of intellectual property

rights. In the light of Articles 5 and 6 of the Reference and in consideration of the physical measures taken by the plaintiff, including a specific-purpose email, regional access control and special-purpose computer, the court determined that the information in suit has secrecy because the plaintiff delimited the scope of secrets and effectively took protective measures which are highly identifiable and proportional to the value of secrets and the characteristics of secret carriers.

(3) Proof of “value” of trade secrets. The value of trade secrets is mainly embodied in present or potential economic benefits brought to right holders or interested parties in the market competition, which also explains why they are willing to pay costs and take protective measures. Article 7 of the Reference synthesizes the provisions of relevant judicial interpretations<sup>19</sup>, offers guidance on proof from multiple dimensions such as R&D costs, and affirms the potential value of phased achievements formed in production and business activities.

In *Mr. D v. Company G and other*, a dispute over trade secret infringement,<sup>20</sup> the court determined according to Article 7 of the Reference that a technical secret shouldn’t only involve basic information that is publicly available. The information in suit as claimed by the plaintiff is simple and general as it only involves the basic information, such as name and meaning, of the shuttle bus, which renders it hard to determine that the information has any current or potential commercial value.

### 3. “Trade secret infringement and defenses” and application thereof

Pursuant to the provisions of the Civil Procedure Law and the Anti-Unfair Competition Law, the basic route for determining trade secret infringement follows the steps of “contact, substantial similarity, legitimate source”. That is to say, on the basis that the plaintiff owns the trade secret, the court shall first judge whether the defendant has actually accessed or is likely to access the plaintiff’s trade secret, then judge whether the accused information and the plaintiff’s trade secret are similar or substantially similar, and lastly consider whether the defendant’s defense that the information used or disclosed thereby stems from a legitimate source can be established, thereby determining whether the defendant’s act constitutes infringement and what kind of infringement occurs. The plaintiff does not need to prove the defendant committed infringement, but is only required to provide *prima facie* evidence reasonably showing that

the trade secret was infringed and that the information used by the defendant was identical to the plaintiff's trade secret. Under such circumstances, the burden of proof is shifted to the defendant to prove that its information originates from a legitimate source or is not identical to the plaintiff's trade secret. This mechanism objectively lowers the plaintiff's difficulty in proof, makes the burden of proof consistent with the rights to be protected, and shows the legislative tendency of strengthening the protection of trade secrets.

In Part 2 of the Reference, Article 11 enumerates the most typical and common four types of facts that can be used to prove that the defendant committed trade secret infringement. Article 12 interprets "other improper means". Article 13 lists the evidence that can be adduced for proving defendant's specific infringing acts. Article 17 explains how to prove the "use" of trade secret by the defendant. Article 14 provides guidance on how to adduce evidence to prove "violation of non-disclosure obligation". Article 15 clarifies how to prove "likelihood of accessibility" and enumerates typical evidence where the existing or former employees commit infringement. Article 16 stipulates how to prove "the allegedly infringing information is substantially identical to the trade secret", as well as typical evidence associated thereto. Article 18 clarifies to which extent the plaintiff is required to adduce evidence to complete its preliminary burden of proof. Articles 20, 21 and 22 respectively enumerate the defense and standards of proof when the defendant denies trade secret infringement, or argues that the allegedly infringing information is obtained through reverse engineering or based on personal reliance, in order to balance the litigation capability of the parties.

In *Company T and Company K v. Company J and others*<sup>21</sup> as mentioned above, under the guidance of Articles 15 (1) to 15(4) of the Reference, the plaintiff submitted evidence proving the job responsibilities of its former employee Mr. Z and his engagement in oil reservoir development, as well as other evidence such as position description in the Employment Contract and Handover Checklist. Based on these evidence the court found that Mr. Z was in an advantageous position and likely to have access to the trade secret in suit. According to Articles 14 and 15 of the Reference, considering the Confidentiality Agreement and business ethics, the court determined that Mr. Z clearly knew and should know his confidentiality obligations. In the light of Article 16(1) of the Reference, the court accepted the

opinion in the Appraisal Report that the engineering data of thousands of oil-gas reservoirs were substantially identical to the disputed trade secrets and those of dozens of oil-gas reservoirs were partially identical, and found that the information in the defendant's development software and the first and second secret claimed by the plaintiff were substantial similar. In this case, Mr. Z could prove that the accused information was neither independently developed, nor obtained from any legitimate source. Hence, pursuant to the Reference, the court held that using the technical information in suit to complete the software development and registering the copyright for it by Mr. Z infringed the plaintiff's trade secret. The introduction of the software on website by the second defendant knowing Mr. Z's infringement constituted trade secret infringement as well.

In *Company B v. Company Z and Mr. Z*, a dispute over trade secret infringement,<sup>22</sup> the plaintiff submitted, according to Article 15 of the Reference, evidence proving that Mr. Z once worked for the plaintiff as the head of the R&D department and applied for a patent together with Company Z after his departure. The court determined accordingly that the two defendants were likely to have access to the technical information in suit. In the light of Article 16 of the Reference, the court pointed out that unlike the method for judging similarity of business information such as the customer list, as for a technical secret constituting an entire technical solution, it is generally required to examine whether the allegedly infringing information comprises the entire technical secret. Therefore, in this case, it is necessary to examine whether the patent application contains the technical information in suit in a manner similar to that for determining whether a solution falls within the scope of protection of a patent in a patent infringement case.

In *Company B v. Mr. Y*<sup>23</sup> as mentioned above, the plaintiff submitted evidence according to Article 18 of the Reference, proving that the defendant Mr. Y breached the confidentiality agreement during his employment at Company B and dismissal, forwarded confidential information to his personal mailbox without authorization, printed confidential documents out, and sent packages to others, and further claimed that Mr. Y's acts rendered the plaintiff lose the control of the confidential documents and at the risk of secret leakage. The court deemed that the plaintiff has fulfilled its preliminary burden of proof, and the defendant shall adduce evidence to defend against trade secret infringement claim according to Article 20 of the Reference, or otherwise



he shall be liable for infringement. In the absence of counter-evidence and reasonable explanation from the defendants, the court determined that the defendant infringed upon the plaintiff's trade secret.

In *Company L v. Company Z and other*<sup>24</sup> as mentioned above, the court held according to Article 18 of the Reference that "being unknown to the public" is a negative fact and is difficult to prove. Thus, in order to appropriately alleviate the burden of proof on right holders, in civil cases involving trade secret infringement, if a right holder provides *prima facie* evidence proving that corresponding non-disclosure measures have been taken for its trade secret and reasonably indicates that the trade secret has been infringed, the burden of proof shall be shifted to the accused infringer to prove that the trade secret "has been or may be known to the public" in the light of Article 20 of the Reference.

#### 4. "Requests for civil liability" and application thereof

The third part of the Reference is about the reference for proof on requests for civil liability. According to the Civil Procedure Law, the civil liability for trade secret infringement mainly includes cessation of infringement and damages. A judicial judgment that orders the defendant to cease infringement shall not only protect the rights and interests of the plaintiff effectively and comprehensively, but also avoid unnecessary hinderance and restrictions to the defendant's normal operation. Thus, Articles 23 and 24 of the Reference provides guidance on the duration, scope and manners of cessation of infringement.

"Difficulty in obtaining compensation" is another tough issue in cases involving trade secret infringement. As one of intellectual property rights, trade secret is immaterial, replicable and time-sensitive. Its value fluctuates enormously over time. Discretionary damages are awarded in most trade secret infringement cases in judicial practice. Where it is difficult to determine the plaintiff's loss and the defendant's profits, Articles 25 to 28 of the Reference provides guidance on how the plaintiff can support its claim for compensation by evidence. Article 30 further stipulates that the commercial value of the trade secret should be considered in the determination of the amount of damages. Articles 31 to 34 provide guidance on the constituent elements and procedures of application of punitive damages.

In *Company H v. Mr. K and other*, a dispute over trade secret infringement,<sup>25</sup> the plaintiff respectfully requested the court to retrieve defendant's customs declaration and export tax refund record from the Customs and Tax Offices

according to Article 25.2 of the Reference, in order to prove the profits gained by the defendants from infringement. Based on the above evidence, the court calculated the amount of damages according to the formula "damages = export price (converted using an exchange rate) - purchase price + export tax refund".

In *Company R v. Mr. Z and other*, a dispute over trade secret infringement,<sup>26</sup> under the circumstances that the right holder failed to prove its actual loss and the profits gained by two defendants from infringement, the court decided at its discretion the amount of damages that the two defendants should pay to the plaintiff in view of the difficulty of formation, content and competitive advantage of the trade secret in suit, the nature and details of infringement, and the subjective fault according to Articles 27, 28 and 30 of the Reference.

#### 5. "Procedural matters" and application thereof

In trade secret cases, the parties concerned will face inherent difficulty in proof, and are sometimes impeded during the protection of trade secrets by their own. Therefore, the Anti-Unfair Competition Law and relevant judicial interpretations provide various mechanisms to lower the cost of enforcement against infringement and help the parties concerned to obtain evidence by means of public power. In addition to rules on lowering standards of proof, shifting of burden of proof and *reverse onus* provision for certain specific situations, procedural measures such as evidence preservation, behaviour preservation and judicial appraisal in civil lawsuits also facilitate the proof. Articles 35 to 39 in the fourth part of the Reference summarize in detail the procedural measures that plaintiffs can choose, and Articles 40 to 46 address how to apply for preservation, how to prove "emergency" and "irreparable damages" and how to provide guidance on security and counter security. Articles 47 to 50 specifically explain the investigation order. Articles 52 to 55 specify the non-disclosure measures in litigation in a bid to strengthen the all-round protection of trade secrets of the parties concerned in the entire proceedings.

Civil lawsuits involving trade secret infringement are often intertwined with criminal proceedings, since infringing acts, such as theft, bribery, fraud, coercion, cyber invasion or other improper means, often seriously impair the legitimate rights and interests of others, which may also be a crime, and right holders can report it to the police. For better function of civil proceedings and fully compensate for the plaintiff's economic losses, Articles 56 to 58 of the Ref-

erence provide detailed guidance on “criminal-civil cross cases” in criminal proceedings, including that the parties concerned can apply for investigation and collection of evidence that has been preserved in criminal cases, claim the amount of damages based on the actual losses or illegal profits as determined by the criminal judgment, and request the court to suspend the trial of the civil case under particular circumstances.

In *Company X v. Mr. X and Mr. Q.*, a dispute over trade secret infringement,<sup>27</sup> an earlier effective criminal judgment has determined that “Mr. X and Mr. Q conspired to infringe the victim company’s trade secret, worked together and shared the illegal profits. Mr. Q has substantially the same status and function as Mr. X in the complicity, and thus is not an accessory”. For the same trade secret infringing act, the court determined according to Article 57 of the Reference that Mr. X and Mr. Q jointly committed infringement and should bear joint and several liability for the plaintiff’s economic losses, which alleviated the plaintiff’s burden of proof.

#### IV. Summary and prospect of the application of the Reference

Since the issuance of the Reference, for more than one year of implementation, the Reference has provided practical guidance on the trial of cases involving trade secret infringement, especially in the following three aspects:

First, the Reference facilitates the parties in proof and enhancing the predictability of litigation. The Reference provides detailed guidance for the parties concerned on key facts to be proved and forms of evidence, effectively assisting them in building up awareness of preserving and collecting evidence, improving the effectiveness of their measures for protecting trade secrets and enhancing their capabilities to collect and submit evidence. In particular, the Reference enumerates the perspectives and forms of evidence for proving the key facts like non-disclosure measures (Article 6), specific infringing act (Article 13), likelihood of access (Article 15), substantial identicalness (Article 16) and defenses (Articles 20 to 22), which is conducive to clearing up issues in relation to trade secrets infringement that may occur during the departure or transfer of researchers and managers. The Reference provides guidance for the parties concerned on how to safeguard their rights by means of, e. g., evidence preservation and investigation orders, in a bid

to urge the courts to strengthen the protection of trade secrets according to law and meanwhile protect the legitimate rights and interests of employees and promote reasonable talent flow.

Second, the Reference prevents further leakage of trade secrets in the process of litigation. Article 10 of the Reference lists the non-disclosure measures that are available for the parties concerned in litigation. Accordingly, the courts at all levels adopt various measures to prevent the parties’ trade secrets from being further disclosed. Particularly, the courts shall take the initiative in asking whether any party intends to apply for trial in camera at the beginning of the trial, or where a party applies for trial in camera on account of preventing the leakage of trade secret, the courts shall permit. During the case trial, the content and scope of the trade secret in suit shall be reviewed in written form, and the scope of persons having access to the trade secret shall be strictly controlled. The parties and other litigation participants having access to the trade secret shall be required to sign a non-disclosure letter and guarantee that they shall not disclose, use, or allow another person to use the confidential information to which the parties have accessed in the proceedings for any purpose other than the litigation in this case, or otherwise they shall bear corresponding legal liability. When the case is concluded, the court shall strictly review the judgment to be published, delete or conceal the confidential information, ensuring that the trade secret shall not be further disclosed while following the principle of open justice.

Third, the Reference is conducive to efficient litigation and standardizes judging criteria. It sorts out the judging rationales, constituent elements, liabilities and procedural matters in trade secret cases in a comprehensive manner, which assists judges in guiding parties to develop strategies for proof and clarify the aims and standards thereof, improving the accuracy and effectiveness of fact-finding, and further enhancing the consistency and stability of judgments and shortening the trial periods. In particular, the guidance on procedural matters in the Reference specifies the key points in examining the issues in relation to evidence preservation and the methods for the same, which fills up the gaps in relevant rules and details in judicial practice. Meanwhile, the Reference further helps the party anticipate the outcome of the proceedings, thereby elevating judicial effectiveness.

At present, China is making great efforts to build up a

unified national market that is efficient, standardized, fair, competitive and open, thereby continuing opening up. New economy, new business formats and new models have emerged constantly, trade secret infringement by means of, e.g., new technical means and data algorithms are more concealed and fast, and meanwhile, technical secrets in such industries as information technology, biomedicine, and high-end equipment are becoming increasingly complex, all of which set higher requirements for the judicial protection of trade secrets. In practice, there are still many parties who know little about the Reference, or face a variety of new difficulties in proof. The Beijing IP Court will further accumulate and summarize the trial experience, focus on the publicity, interpretation and revision of the Reference so as to achieve the timeliness and accuracy of trade secret protection, provide equal protection for Chinese and foreign enterprises according to law, and foster a market-oriented and world-class business environment governed by a sound legal framework.■

The authors: Xie Zhenke, Chief Judge of the Third Adjudication Tribunal of the Beijing IP Court; Yang Jing, Judge of the Beijing IP Court; and Zhang Di, Judge Assistant of the Beijing IP Court.

<sup>1</sup> According to the Provisions on the Causes of Action in Civil Cases issued by the Supreme People's Court, there are two sub-causes of action in disputes over trade secret infringement under the item of Unfair Competition, namely disputes over technical secret infringement and disputes over business secret infringement. In the light of Article 1 of the Provisions of the Supreme People's Court on the Jurisdiction of the Beijing, Shanghai and Guangzhou Intellectual Property Courts, the Beijing IP Court has jurisdiction over civil and administrative cases involving technical secrets within Beijing. Pursuant to Article 1 of the Several Provisions of the Supreme People's Court on Jurisdiction over First Instance Civil and Administrative Cases Involving Intellectual Property Rights, the Beijing IP Court has jurisdiction over the first instance civil and administrative cases involving technical secrets within Beijing, and pursuant to Article 3 thereof, the primary people's courts designated by the Supreme People's Court have jurisdiction over the first instance civil and administrative cases involving intellectual property rights other than those specified in Articles 1 and 2 thereof.

<sup>2</sup> In most cases, there are multiple reasons for the failure of trade secret right holders or interested parties. For example, in the case No. Jing73minzhong 68/2022, the court found that the business informa-

tion which was claimed as trade secret by the appellant did not have value and was not subject to any non-disclosure measures, and therefore held that the claimed information did not constitute a trade secret and rejected the appellant's claims. Hence, the sum of the reasons for losing exceeds 100%.

<sup>3</sup> Due to the small number of cases, it cannot be ruled out that the higher amount of damages awarded in several cases has an impact on the calculation of the overall amount of damages.

<sup>4</sup> On account of the small number of cases concluded in the period from 2015 to 2018, there is no need to analyze the cases concluded in each single year and the cases in those years are analyzed as a whole.

<sup>5</sup> *Ibid.*

<sup>6</sup> Article 122.1(1) of the Civil Procedure Law of the People's Republic of China.

<sup>7</sup> Article 15 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition.

<sup>8</sup> See the Civil Judgment No. Jing73minchu 63/2020.

<sup>9</sup> See the Civil Judgment No. Jing73minchu 709/2019.

<sup>10</sup> See the Civil Judgment No. Jing73minchu 1359/2019.

<sup>11</sup> See Article 9.4 of the Anti-Unfair Competition Law.

<sup>12</sup> Article 3 of the Provisions on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trade Secret Infringement (hereinafter referred to as the Provisions on Trade Secret Infringement Cases).

<sup>13</sup> Article 4.2 of the Provisions on Trade Secret Infringement Cases reads if the new information formed after sorting, improving and processing the information known to the public complies with the provision of Article 3, it shall be deemed that the new information is unknown to the public.

<sup>14</sup> See *supra* note 10.

<sup>15</sup> See *supra* note 9.

<sup>16</sup> See the Civil Judgment No. Jing73minchu1833/2019.

<sup>17</sup> *Ibid.*

<sup>18</sup> See the Civil Judgment No. Jing73minzhong 2200/2022.

<sup>19</sup> See Articles 7 and 19 of the Provisions on Trade Secret Infringement Cases.

<sup>20</sup> See the Civil Judgment No. Jing73minzhong 148/2022.

<sup>21</sup> See the Civil Judgment No. Jing73minchu 709/2019.

<sup>22</sup> See the Civil Judgment No. Jing73minchu 696/2019.

<sup>23</sup> See *supra* note 18.

<sup>24</sup> See *supra* note 16.

<sup>25</sup> See the Civil Judgment No. Jing73minzhong 2215/2020.

<sup>26</sup> See the Civil Judgment No. Jing73minzhong 2581/2020.

<sup>27</sup> See the Civil Judgment No. Jing73minchu 327/2020.