

## Session 3

# Protecting Technical Information as Trade Secret

## Protection of Technical Information Trade Secrets

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## Legal basis for the protection of trade secrets

- 1. Anti Unfair Competition Law
- The ninth operators shall not commit the following acts of infringing upon commercial secrets:
  - (1) To obtain the business secrets of the obligee by theft, bribery, fraud, coercion or other improper means;
  - (2) disclosing, using or allowing others to use the previous means to acquire the business secrets of the obligee;
  - (3) To disclose, use or permit others to use the trade secrets held by the obligee in violation of the agreement or the obligee's requirement to keep the trade secrets.
- If a third party knows or should know that the employee, former employee or other unit or individual of the obligee of trade secrets who commits the illegal acts listed in the preceding paragraph but still obtains, discloses, uses or permits others to use the trade secrets shall be deemed to infringe the trade secrets.
- **The term "trade secrets" as used in this Law refers to the technical and business information which is not known to the public, has commercial value and has been taken by the obligee to keep secret.**



## Legal basis for the protection of trade secrets

- 2. criminal law
- The 219th section of the criminal law:
- “Whoever commits one of the following acts of infringing trade secrets and causes heavy losses to the obligee of trade secrets shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention, and shall also be sentenced to or shall be fined only; if the consequences are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years, and shall also be fined
- the term "obligee" as mentioned in this Article refers to the owner of the trade secret and the user of the trade secret with the permission of the owner of the trade secret.

## Thoughts on trial of trade secret infringement cases

- **The first step** is to examine whether the commercial information requested by the plaintiff as protection of trade secrets constitutes trade secrets under the Anti-Unfair Competition Law. Specific contents include: the plaintiff requests to protect the content of the business information fixed; whether the plaintiff has the right to claim the business information rights; whether the business information conforms to the statutory requirements of trade secrets, which focuses on the "unknown to the public" and the examination of confidentiality measures.
- **The second step** is to examine and determine whether the alleged infringement constitutes a violation of business secrets.
- Adopt the method of "identical or substantial similarity + contact - legal source".
- **The third step** is to determine the defendant's civil liability in accordance with the law when the defendant constitutes a tort.

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### Content and scope of technical secrets

- 1. the plaintiff should specify the specific contents of the technical secrets and distinguish them from the known technical information.
- 2. The plaintiff should clarify the basic contents of trade secrets before the conclusion of evidence exchange in court, and may not change the contents of trade secrets he claims after the beginning of court debate.
- **Case:** The court held that since the plaintiff could not specify the specific content and the required scope of protection of the best formulation and process, and did not have the necessary technical information, it was impossible to judge whether the technical know-how constituted a trade secret according to the requirements of the trade secret.

### Constitutive requirements of technical secrets

- 1. confidentiality measures: **subjective intent + reasonable confidentiality measures**
- **Identification:** This measure shows the obligee's subjective desire to keep secret, and defines the scope of information as the protection of trade secrets, so that obligee can know the obligee's desire to keep secret and the object of keeping secret.
- **Effectiveness:** this measure is sufficient to prevent leakage of confidential information under normal circumstances.
- 2. Economic Value: "The relevant information has realistic or potential commercial value and can bring competitive advantage to the obligee".
- Failed test data? How to protect?





## Constitutive requirements of technical secrets

- 3. the secret is not known to the public.
- The plaintiff shall bear the burden of proof that the information requested for protection of trade secrets is "not known to the public".
- (1) The relationship between "not being universally known" and "not being easy to obtain" is juxtaposed, and it is a requirement that must be met at the same time.
- It is not universally acknowledged that it is concerned about the extension of the subject and the secrecy in its formal sense.
- It is not easy to get: focus on creating, forming the degree of difficulty in information, and the secrecy in substance.
- (2) secrecy refers to relative secrecy and does not require the obligee to monopolize the secret information.

## Constitutive requirements of technical secrets

- Prove the specific way: presumption, contrary evidence, technical appraisal.
- According to the Supreme Court, "according to the specific circumstances of the case, reasonable grasp of the standard of proof of secrecy and improper means, moderately alleviate the difficulties of protecting the rights of the obligee of trade secrets. If the obligee provides the superior evidence to prove the secrecy or makes a reasonable explanation or explanation for the difference between the commercial secret information he claims and the information in the public domain, the secrecy may be ascertained to be tenable."

## Identification of infringement

- The anti unfair competition law provides for **three types of infringements**: the acquisition, use and disclosure of business secrets without permission.
- **The three category of infringement subjects:**
  - (1) Those who do not have any relationship with the right holder of trade secrets engage in the above three acts by unfair means;
  - (2) The person who has the obligation of confidentiality (including the requirement of confidentiality put forward by the obligee) or the contractual relationship with the right holder of trade secrets commits the above three acts in violation of the requirement or obligation;
  - (3) Knowing or should be aware of the illegal acts committed by the above-mentioned two categories of persons, but still accepting the results of the above-mentioned three acts.

## Identification of infringement

- Infringement identification method: **"same or substantial equivalence + contact — legal source" method**
- (1) It is necessary to compare the infringement information with the commercial secrets claimed by the obligee in order to judge whether the infringement information is "identical or substantially similar". If the infringement information contains part of the trade secret, it constitutes "the same or substantive similarity", which is different from the patent infringement identification method.
- (2) cognizance of "contact". "Contact" refers to the contact between the accused infringer and the obligee's trade secrets, including "actual contact" and "possibility of contact".
- (3) identification of "legitimate sources". "Legal sources" include self-developed or R&D acquisition, reverse engineering acquisition, and customer trust in customer list trade secrets. (anti judicial judicial interpretation twelfth, thirteenth)
- (4) the inverse relationship between the two.
- (5) it is not necessary to apply this method directly to prove improper means.



## Non infringement defence

- 1. the commercial secrets claimed by the plaintiff are not established. If the plaintiff does not specify the contents of trade secrets, trade secrets do not possess secretiveness, value or practicality.
- 2. the information used by the accused is legitimate.
- (1) self development, which is different from patents, reflects the relativity of business secrets.
- (2) reverse engineering ---- different from patents. Reverse engineering refers to the disassembly, mapping and analysis of products obtained from open channels through technical means to obtain the relevant technical information of the products. If the party concerned, after knowing the trade secrets of others by unfair means, claims that the act is lawful on the basis of reverse engineering, it shall not be supported.
- (3) personal trust----Only applicable to customer list infringement cases involving trade secrets, unless otherwise agreed by the employee and the original unit.
- (4) other legitimate sources, such as transfer, joint venture, capital contribution, etc.

## infringement liability

- Civil liability undertaking
- (1) **stop infringement**. There is no need to stop the infringement of commercial secrets that have been disclosed, and the time of stopping the infringement of commercial secrets should last until the commercial secrets are disclosed.
- (2) **compensation for losses**
- **Loss of holder**
- **Infringer profit**
- **Multiple of license fee**
- **Statutory/discretionary compensation**: Judges determine the amount of compensation for actual loss or tort proceeds on the basis of certain facts and data, and statutory compensation is limited by the maximum amount, whereas discretionary compensation is not.



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### infringement liability

- 1.If the infringement leads to the disclosure of trade secrets, the amount of compensation shall be determined according to the commercial value of the trade secrets, and the statutory compensation shall not be simply applied.
- **2.The value of trade secrets:** R&D costs, the benefits of implementing the trade secrets, the benefits available, and the time to maintain competitive advantage.
- **3.The principle of proportionality:** if the product involved involves not only the technical secrets of the obligee, but also other key technologies, the role of the technical secrets in the whole product should be taken into account when calculating the loss amount, and the amount calculated according to the profit of the whole product should not be regarded as the loss of the obligee.

THANKS A LOT