Trade Secret Law in Major Asian Jurisdictions—Laws as Reflected in Leading Cases

1. Launching the second trilogy on Leading IP Cases in Major Asian Jurisdictions

After completing the first trilogy on Leading IP Cases in Major Asian Jurisdictions through a process of about four years, the ARCIALA is now launching the preparation for the second trilogy on trade secret protection, plant variety protection and design protection.

The second trilogy as 2.0 version strives to give a clearer overview of national laws and practices of the topic under examination in respective jurisdictions, which sometimes has not satisfactorily come to the fore in the first trilogy. As a result, the new trilogy will be a compilation of country reports with leading cases that deal with suggested subtopics, which allows some flexibility as each jurisdiction differs a bit.

2. The trade secret protection book

Trade secret protection law has been an important complement to the patent law and gained increasing importance over the last decade not the least in Asia, due to the escalating commercial values of trade secrets, fierce cross-border commercial competition and "large scale global labour mobility[1]". Thus far, no systematic study of trade secret protection law of major Asian jurisdictions has been made, except a recent publication that deals with China, Japan and Korea[2] and one volume that deals with Korea and China[3]. This present book is to provide detailed analysis of the statutory and case law in China, Hong Kong, India, Japan, Korea, Malaysia, the Philippines, Singapore, Thailand and Taiwan.

3. Structure and topics of the country report

Summary of the chapter (3-4,000 words)

The requirements of trade secret

Legal issues

The requirements of trade secrets can be summarized as "commercial value" and "secrecy" which includes "not known to others" and "reasonable measures taken". How to determine whether the information is "not known to and is difficult to be obtained by the relevant personnel in the relevant field"?

The statutory law

The statutory laws that are binding on judges will be collected and analyized (including its legislative history and reasoning). In addition to enacted legislation, the interpretations from the

[1] Anselm Sanders, The "Actio Servi Corrupti" from the Roman Empire to the Globalised Economy, in Christopher Heath/Anselm Sanders (ed.), "Employees, Trade Secrets and Restrictive Covenants" (Wolters Kluwer 2017), 3.
[2] Christopher Heath/Anselm Sanders (ed.), "Employees, Trade Secrets and Restrictive Covenants" (Wolters Kluwer 2017), Part III Employees, Trade Secrets and Restrictive Covenants in Asia.
[3] MENG Yanbei and LEE Hwang (ed.), China-Korea IP & Competition Law Annual Report 2018, Volumes I&II, 2019.

Supreme People`s Court (SPC) in the PRC are also binding on judges and therefore should also be included here.

The case law

How many cases are there?

Please first collect decisions rendered by various courts, including provincial 0r state intermediary courts (with an emphasis on IP Courts, which would be Beijing, Shanghai and Guangzhou IP Courts in the Chinese context) and high courts and the Supreme Court. Please then analyize them and groups them into various stances. Please o identify some common or general trends of court decisions, perhaps province by province, and point out what decisions stand out and why (dealing with new issues not foreseen by the statutory law etc.), the differing opinions among different provincial or state courts.

This section is to give an overall picture of the statutory law in action and builds the foundation for selecting the leading cases in the next section.

The leading case(s) (4-5,000 words for each case report)

The section will report on one or two leading cases. Three types of cases are preferred choice for leading cases: 1. Cases that are handed down by the Supreme Court, or in the context of China, cases chosen by the SPC as the so-called bulletin cases, classic cases or guiding cases that the SPC encourages other courts to refer to or even requires them to follow. 2. Cases that interpret and apply statutory law to cases in a detailed and convincing way and are widely cited or followed by other courts; 3. Cases that are the first to fill the loophole of statutory law.

The anatomy of the leading case will proceed similarly like the first trilogy with five subsections

Case information

docket number of the case, when it was decided by which court and by which judge(s)

Summary

Facts

Reasoning of the court

Plz cite the original text of the decision and let it speak for itself as much as possible. Plz also cite the page or paragraph numbers of the cited text. To enhance readability plz use subheadings (or subtitles) to guide readers through how courts are reasoning.

Legal analysis

To enhance readability please use subheadings (or subtitles) to guide readers through how you are analgising court decisions.

Commercial or industrial significance

How relevant is the leading case for the business or commercial world

The validity and scope of confidentiality and/or non-competition terms

Legal issues

The statutory law

The case law

How many cases are there?

The leading case(s)

Case information

Summary

Facts

Reasoning of the court

Legal analysis

Commercial or industrial significance

The burden of proof and its reversal

Legal issues

How are the burden of proof shared among parties? On what evidential difficulties failed the plaintiff? Is there a reversal of burden of proof?

The statutory law

The case law

How many cases are there? How often does the plaintiff win or lose his cases?

The leading case(s)

Case information

Summary

Facts

Reasoning of the court

Legal analysis

Commercial or industrial significance

The Damages

Legal issues

Are there statutory or punitive damages? what are the methods for calculating the damages? the causation between infringers' profits and infringement?

The statutory law

The case law

How many cases are there? On average how high are damages? Are they sufficient? How often do courts apply statutory damages and/or punitive damages?

The leading case(s)

Case information

Summary

Facts

Reasoning of the court

Legal analysis

Commercial or industrial significance

The criminal punishment for trade secret infringement (no such issue in India, HK, Singapore? Then replace with discussion on whether the respective jurisdictions are considering adopting one, and why or why not?)

Legal issues

the points of success or failure for criminal punishment, the reasons behind such application, and possible exceptions?

The statutory law

The case law

How many cases are there? The number of criminal cases, prosecution rate, conviction rate and sentence terms

The leading case(s)

Case information

Summary

Facts

Reasoning of the court

Legal analysis

Commercial or industrial significance

4. Model chapter

This model chapter focuses on statutory and case law in PRC and takes those from Taiwan as a comparison in the footnotes.

The requirements of trade secret

Legal issues

How to determine whether the information involved has commercial value? What are the standards or requirements for determining whether the information at issue, such as customer information and commodity quotations have commercial value?

Statutory law [4]

Article 9 of the Anti-Unfair Competition Law of the PRC defines the requirement for trade secrets as "technical, operational, or other commercial information unknown to the public and is of commercial value for which the right holder has taken corresponding confidentiality measures."

The requirements of trade secrets can be summarized as "commercial value" and "secrecy" (includes "not known to others" and "reasonable measures taken").

According to article 10 of the Interpretation of the SPC's "Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition", the SPC explains "commercial value" as "actual or potential commercial value, and can bring competitive advantage for the oblige."

Case law[5]

Chou Gang, etc. v. Painuote Trading (Shenzhen) Co. Ltd., Shanghai No.1 Middle Court (2014) Hu-Yi-Zhong-Min-Wu (Zhi) Zhong-Zi No.82 (仇刚等与派诺特贸易（深圳）有限公司侵害商标权及不正当竞争纠纷上诉案上海市第一中级人民法院（2014）沪一中民五(知)终字第 82 号)

- Clear and specific purchasing information can bring business opportunities and can satisfy the requirement for "commercial value".

The leading case

The requirements of secrecy

Not known to the public

Legal issues

How to determine whether the information is "not known to and is difficult to be obtained by the relevant personnel in the relevant field"? For example, what are the standards or requirements for determining whether the food recipes, customer information, ecological monitoring data,

[4] In Taiwan, article 2 of Trade Secrets Act defines trade secrets as "any method, technique, process, formula, program, design, or other information that may be used in the course of production, sales, or operations, and also meet the following requirements: 1.It is not known to persons generally involved in the information of this type; 2.It has economic value, actual or potential, due to its secretive nature; and 3.Its owner has taken reasonable measures to maintain its secrecy."

[5] Taiwan Intellectual Property Court (2017) Xing-Zhi-Shang-Su-Zi No.30 (智慧財產法院 106 年刑智上訴字第 30 號刑事判決) (which opines that consumer information with special demand that helps to improve the success of the deal and therefore contains commercial value.)

commodity quotations, etc. are confidential, and how to prove that the information is not known to others in the industry or not available through simple collection?

Statutory law

Article 9 of Interpretation of the SPC "Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition" stipulates "not known to the public" as "not known to and is difficult to be obtained by the relevant personnel in the relevant field". Besides, the article lists possible scenarios:

> "(1) The information is the common sense or industrial practice for the personnel in the relevant technical or economic field;
>
> (2) The information only involves the simple combination of dimensions, structures, materials and parts of products, and can be directly obtained through the observation of products by the relevant public after the products enter into the market;
>
> (3) The information has been publicly disclosed on any publication or any other mass medium;
>
> (4) The information has been publicized through reports or exhibits;
>
> (5) The information can be obtained through other public channels; or
>
> (6) The information can be easily obtained without any price."

Case law[6]

Zhongshan Baishengde Electronics Co. Ltd. v. Liao Xiaojun etc., PRC Guangdong Zhongshan No. 1 Court (2016) Yue 2071 Min-Chu No. 4755(中山百盛德电子有限公司诉廖小军等侵害经营秘密纠纷案, 广东省中山市第一人民法院 (2016)粤 2071 民初 4755 号)

- Judges, in this case, discuss in detail that ordinary customer information-list consisting of contact information cannot satisfy the requirement of secrecy. The lists need more specific information like demand, habit, price affordability, etc. to fulfil the requirement of "not known to the public".

The No. 2 Sub-Procuratorate of the People's Procuratorate of Shanghai Municipality v. Zhou Derong, etc. (上海市人民检察院第二分院诉周德隆等人侵犯商业秘密案，《最高人民法院公报》 2005 年第 3 期 （总：101 期）)

- This case decides that although part of this technology is disclosed through patent application, it still satisfies the requirement for "not known to the public" as most of the information is not disclosed.
- It is a bulletin case (公报案例)

[6] Taiwan Intellectual Property Court (2018) Min-Zhi-Su-Zi No.2 (智慧財產法院 107 年民營訴字第 2 號民事判決) (held that if the information can be obtained in the market or through an ordinary check, it cannot satisfy the requirement of "not known to the public".)

Zhou Huimin v. Qvzhou Wanlian Network Technology LTD, Shanghai High Court (2011) Hu-Min-Gao-San-(Zhi)-Zhong-Zi No. 100. (周慧敏与衢州万联网络技术有限公司侵害商业秘密纠纷上诉案，上海市高级人民法院（2011）沪高民三（知）终字第 100 号)

- Judges, in this case, held that database with users` information can be regarded as trade secrets.
- It is one of the ten creative cases in 2012 released by SPC. (最高人民法院公布 2012 年中国法院知识产权司法保护 10 大创新性案件之一)

Shenzhen Longshengwei Company v. Hu etc., (2016) Yue 03 Xing-Zhong No.372 (深圳隆升威公司诉胡某等被控犯侵害商业秘密罪案（2016）粤 03 刑终 372 号)

- For layout designs of integrated circuits that have been registered and put into the market, they cannot satisfy the requirements for “not known to the public”.

The leading case

“Reasonable measures” taken

Legal issues

To what extent the measures adopted by companies can satisfy the requirement for “reasonable measures”? Whether a single measure can meet the requirement for “reasonable measure”?

Statutory law

According to article 11 of Interpretation of the SPC ”Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition”, the “reasonable measures” refer to “proper measures suitable for the commercial value or other specific situation in order to prevent information leakage”. Several factors shall be considered when judging whether obligee has adopted reasonable measures: “the features of the relevant information carrier, the willingness of the oblige to keep the info confidential, the identifiability degree of the protection measures, the difficulty for others to obtain it by justifiable means and other factors.” Possible scenarios that satisfy requirements for “reasonable measures” include

> “(1) Limiting the access scope of the classified information, and only notifying the contents to relevant persons that should have access to the information;
>
> (2) Locking the carrier of the classified information up or adopting any other preventive measure;
>
> (3) Indicating a confidentiality mark on the carrier of classified information;
>
> (4) Adopting passwords or codes on the classified information;
>
> (5) Concluding a confidentiality agreement;
>
> (6) Limiting visitors to the classified machinery, factory, workshop or any other place or putting forward any confidentiality request; or
>
> (7) Adopting any other proper measure for guaranteeing the confidentiality of information.”

Case law[7]

Liquidation Team of Zhangjiagang Hengli Electrical LTD v. Jiangsu Guotai International Group International Trade LTD, Zhangjiagang Yuyang Rubber and Plastic Electrical Appliance LTD, PRC. Supreme Court (2012) Min-Jian-Zi No.253 (张家港市恒立电工有限公司清算组与江苏国泰国际集团国贸股份有限公司、张家港市宇阳橡塑电器有限公司侵害商业经营秘密纠纷案，最高人民法院（2012）民监字第 253 号)

- In this case, the judges held that simple nominal rules like contractual confidential obligations alone cannot satisfy the requirement of "reasonable measure".

Shanghai Furi Industry Co. Ltd. v. Huang Ziyu, Shanghai Safei Textile Co. Ltd., PRC. Supreme People`s Court (2011) Min-Shen-Zi No.122 (申请再审人上海富日实业有限公司与被申请人黄子瑜、上海萨菲亚纺织品有限公司侵犯商业秘密纠纷案，中华人民共和国最高人民法院 (2011) 民申字第 122 号)

- ordinary confidentiality terms in contracts without specifying the scope of trade secret and detailed obligations cannot satisfy the requirement for "reasonable measures".
- It is a bulletin case (公报案例)

The leading case

Validity and scope of confidentiality and non-competition terms

Legal issues

As legislation and interpretation from SPC have provide detailed rules, there are not many issues left unsolved. Issues may arise regarding the damages for contract violation. Whether and on what basis does the court can reduce or increase the amount of damages speculated in the anti-competition contract? When the former employee has paid liquidated damages for violating the non-competition contract, whether the former employer can ask the employee to return the compensation of anti-competition?

Statutory law: [8]

[7] Taiwan Intellectual Property Court (2018) Xing-Zhi-Shang-Su-Zi, No.4 (智慧財產法院 107 年度刑智上訴字第 4 號刑事判決) (discussed the definition of "reasonable measures" in the digital era.) Some decisions proposed new requirements for "reasonable measures" in receiving confidential information through new technologies. e.g. fax (Taiwan Intellectual Property Court (2017) Min-Shang-Geng-(Yi)-Zi No.2 (智慧財產法院 106 年民營上更(一)字第 2 號民事判決)), phone (Taiwan Intellectual Property Court (2016) Xing-Shang-Su-Zi No.11 (智慧財產法院 105 年刑智上訴字第 11 號刑事判決)), and management of digital information. (Taiwan Intellectual Property Court (2017) Min-Shang-Zi No.1 (智慧財產法院 106 年民營上字第 1 號民事判決)).

[8] In Taiwan, article 9-1 of Labor Standards Act lists the requirements for non-competition contracts/terms: "An employer shall not make an after-resignation business strife limitation agreement with an employee unless the following requirements have been met:
1. The employer has proper business interests that require being protected.
2. The position or job of the employee entitles him or her to have access to or be able to use the employer's trade secrets.

In China, Labour Contract Law lists the requirements for confidential/non-competition contracts/terms. Violation of those requirements may render the contracts/terms invalid:

Article 23 of Labour Contract Law (confidential contracts/terms)

> An employer may enter an agreement with his employees in the labor contract to require his employees to keep the business secrets and intellectual property of the employer confidential.
>
> For an employee who has the obligation of keeping confidential, the employer and the employee may stipulate non-competition clauses in the labor contract or the confidentiality agreement and come to an agreement that, when the labor contract is dissolved or terminated, the employee shall be given **economic compensations within the non-competition period**. If the employee violates the stipulation of non-competition, it shall pay the employer a penalty for breaching the contract.

Article 24 of Labor Contract Law of the People's Republic of China (non-competition contracts/terms)

> The persons who should be subject to non-competition shall **be limited to the senior managers, senior technicians, and the other employees, who have the obligation to keep secrets, of employers**. The **scope, geographical range and time limit for non-competition shall be stipulated by the employer and the employee**. The stipulation on non-competition shall not be contrary to any laws or regulations.
>
> After the dissolution or termination of a labor contract, **the non-competition period** for any of the persons as mentioned in the preceding paragraph to work in any other employer producing or engaging in products of the same category or engaging in business of the same category as this employer shall **not exceed two years**.

More detailed rules regarding to the validity of the contract/terms and compensation is under the Interpretation (IV) of the SPC “Several Issues on the Application of Law in the Trial of Labour Dispute Cases” (Article 6-10)

Article 6

> Where, in the labor contract or confidentiality agreement, the parties agree on non-competition but fail to agree on the payment of economic indemnity to the employee after the rescission or termination of the labor contract, if the employee performs the non-competition obligation and claims a monthly payment of economic indemnity from the employer as per 30% of the employee's average monthly wage for the 12 months before the rescission or termination of his or her labor contract, the people's court shall support such a claim.

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3. The period, area, scope of occupational activities, and prospective employers with respect to the business strife limitation shall not exceed a reasonable range.
4. The employer shall reasonably compensate the employee concerned who does not engage in business strife activities for the losses incurred by him or her.
The reasonable compensation referred to in Subparagraph 4 of the preceding paragraph shall not include the remuneration received by the employee during employment.
Any agreement in violation of any of the provisions of Paragraph 1 shall be null and void.
The period of business strife limitation shall not exceed a maximum up to two years. If such a period is more than two years, then it shall be shortened to **two years**.”

If the 30% of the employee's monthly average wage in the preceding paragraph is lower than the minimum wage standard at the place where the labor contract is performed, the indemnity shall be paid as per the minimum wage standard at the place where the labor contract is performed.

Article 7

Where the parties agree on non-competition and economic indemnity in the labor contract or confidentiality agreement, except as otherwise agreed on, when a party rescinds the labor contract, if the employer requests the employee to perform the non-competition obligation or the employee claims economic indemnity from the employer after performing the non-competition obligation, the people's court shall support such a request or claim.

Article 8

Where the parties agree on non-competition and economic indemnity in the labor contract or confidentiality agreement, if the employee requests the removal of the non-competition clause on the ground of non-payment of economic indemnity for three months after the rescission or termination of the labor contract for reasons attributable to the employer, the people's court shall support such a request.

Article 9

Where the employer requests the rescission of a non-competition agreement during the non-competition period, the people's court shall support such a request.

If the employee claims an additional three-month economic indemnity for non-competition from the employer during the rescission of the non-competition agreement, the people's court shall support such a claim.

Article 10

Where the employer requests the employee's continued performance of the non-competition obligation as agreed on after the employee pays a penalty for his or her breach of the non-competition clause to the employer, the people's court shall support such a request.

Case law[9]

Most cases are just applying the statutory law. There are two types of cases: 1. Cases that discuss legal issues when there are no written rules;[10] 2. Cases that discuss whether judges can reduce or

[9] Taiwan Intellectual Property Court (2018) Xing-Zhi-Shang-Su-Zi, No.4(智慧財產法院 107 年度 民營上 字第 4 號民事判決) (Judges, in this case, held that the non-competition terms are invalid since they exceed the scope of reasonable restrictions and lack of compensation.); Taiwan Intellectual Property Court (2018) Min-Ying-Shang-Zi, No.5 (智慧財產法院 107 年度民營上字第 5 號民事判決) (Judges, in this case, held that non-competition contract between companies should not follow the rules in Labor Standard Law); Taiwan Intellectual Property Court (2014) Min-Ying-Su-Zi, No.3 (智慧財產法院 103 年民營訴字第 3 號民事判決) (Judges, in this case, discuss whether the contract could be invalid due to unconscionability.)

[10] Wang Chaoping v. Jiangsu Chuanzhi Education Technology Company, Beijing No.1 Middle Court (2018) Jing 01 Min-Zhong No. 618 (王超平与江苏传智播客教育科技股份有限公司劳动争议上诉案, 北京市第一中级人民法院 (2018)京 01 民终 618 号)

increase the amount of the liquidated damages of the contracts and what factors can be used to ascertain the amount of the damages.[11]

Wang Chaoping v. Jiangsu Chuanzhi Education Technology Company, Beijing No.1 Middle Court (2018) Jing 01 Min-Zhong No. 618 (王超平与江苏传智播客教育科技股份有限公司劳动争议上诉案, 北京市第一中级人民法院 （2018）京 01 民终 618 号)

- When has the former employee paid liquidated damages for violating the non-competition contract, whether the former employer can ask for the compensation of anti-competition terms? In this case, the judges held, as the labor contract law does not prohibit such behaviour, the employer can require the former employee to return the non-competition economic compensation if the contract is saying so.

Chi Shengwen v. Jinan Tuanjia Consulting Company, Jinan Middle Court (2017) Lu 01 Min-Zhong No.6461 (迟胜文与济南团家经济贸易咨询有限公司劳动合同纠纷上诉案，山东省济南市中级人民法院 （2017）鲁 01 民终 6461 号)

- Judges, in this case, held that the liquidated damage of the anti-competition contract should be equal to the former employer`s actual loss. Judges, in this case, reduce the amount of liquidated damage according to the former employer`s actual loss.

The leading case

Reversal of the burden of proof

Legal issues:

How to determine whether the information used is “substantially the same” as the trade secret?

Statutory law[12]

In April 2019, China modified Anti-Unfair Competition Law and added a new article specifying the reversal burden of proof. According to the new article 32, trade secret holders only need to provide prima facie evidence proving the information constitutes a trade secret and the trade secret is in danger of or has been infringed, or the defendant has access to the trade secret and the information defendant used is essentially identical to the trade secret. Defendants shall take the burden to prove there is no trade secret infringement.

Article 32 of Anti-Unfair Competition Law of the People's Republic of China

> “In the civil trial procedure for infringement of a trade secret, if the right holder of the trade secret provides prima facie evidence that it has taken confidentiality

[11] Chi Shengwen v. Jinan Tuanjia Consulting Company, Jinan Middle Court (2017) Lu 01 Min-Zhong No.6461 (迟胜文与济南团家经济贸易咨询有限公司劳动合同纠纷上诉案，山东省济南市中级人民法院 (2017)鲁 01 民终 6461 号)

[12] Judges in Taiwan held “where a plaintiff has proved that his or her trade secret is infringed or is in danger of being infringed and the defendant denies that claim, the court shall set a date for the defendant to prove the grounds of the denial.” Plaintiffs of trade secret cases in Taiwan need to prove that the information constitutes a trade secret and the defendants steal or disclose the trade secret without authorization. (Taiwan Intellectual Property Court (2017) Min-Shang-Geng-(Yi)-Zi No.1 智慧財產法院 106 年民營上更（一）字第 1 號民事判決).

measures for the claimed trade secret and reasonably indicates that the trade secret has been infringed upon, the alleged tortfeasor shall prove that the trade secret claimed by the right holder is not a trade secret as described in this Law.

If the right holder of a trade secret provides prima facie evidence to reasonably indicate that the trade secret has been infringed upon, and provide any of the following evidence, the alleged tortfeasor shall prove the absence of such infringement:

(1) Evidence that the alleged tortfeasor has a channel or an opportunity to access the trade secret and that the information it uses is substantially the same as the trade secret.
(2) Evidence that the trade secret has been disclosed or used, or is at risk of disclosure or use, by the alleged tortfeasor.
(3) Evidence that the trade secret is otherwise infringed upon by the alleged tortfeasor."

Before this amendment for Anti-Unfair Competition Law, the article 14 of Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition is the basis for determining the burden of proof.

"In case any party claims that someone else has infringed upon its business secret, it shall assume the burden of proof to prove that its business secret meets the statutory requirements, the information of the other party is similar or substantially similar to its business secret, and the other party has adopted unfair means. In particular, the evidence for proving that its business secret meets the statutory requirements shall include the carrier, specific contents, commercial value of this business secret, as well as the specific confidentiality measures adopted for this business secret."

Case law:[13]

Zhejiang NHU Company v. Fujian Fukang Pharmaceutical Company, Fujian Haixin Pharmaceutical Company, Yu, Zhejiang High Court (2017) Zhe-Min-Zhong No. 123 (浙江新和成股份有限公司与福建省福抗药业股份有限公司、福建省海欣药业股份有限公司、俞某侵害技术秘密纠纷案 浙江省高级人民法院（2017）浙民终 123 号)

- Judges, in this case, discuss the burden of proof in detail.
- It is listed as one of the ten 2018 annual cases in Zhejiang Province.

"essentially identical to the trade secret" is based on case law:

- Dalian Fangyuan Composite Material Bearing LTD v. Dalian Beirun Composite Material LTD, PRC. Supreme Court (2012) Min-Shen-Zi No.820 (大连方圆复合材料轴承有限责任公司与大连倍润复合材料有限公司侵犯商业秘密纠纷案，最高人民法院（2012）民申字第 820 号)

[13] Taiwan Intellectual Property Court (2017) Min-Shang-Geng-(Yi)-Zi No.1 智慧財產法院 106 年民營上更(一)字第 1 號民事判決. (Judges, in this case, discuss the burden of proof.)

- Shijiazhuang Paint Factory v. Hou Sujun, Heibei Piaozhiwei Waterproof Material LTD, PRC. Supreme Court (2012) Min-Shen-Zi No. 1403 (石家庄市油漆厂与侯素君、河北朴智伟业防水材料有限公司侵犯商业秘密竞业限制纠纷案，最高人民法院（2012）民申字第 1403 号)
- Harbin Sanhuanmeida Machinery Equipment LTD v. Hou Shiyong, Zhao Xiaoguang, PRC. Supreme Court (2014) Min-Shen-Zi No. 1368 (哈尔滨三环美达机械设备制造有限责任公司与崔士勇、赵小光商业贿赂不正当竞争纠纷案，最高人民法院（2014）民申字第 1368 号).

The leading case

Damages

4.1. Methods and scope

Legal issues

Whether the R&D costs could be calculated in the “actual loss of the business incurred for the infringement”? How to define the causation between infringers` profits and infringement acts? How to calculate losses of market sharing and competitive force?

Statutory law [14]

Article 17 of Anti-Unfair Competition Law of the People's Republic of China lists three types of methods to determine the amount of the damage:

> “A business causing any damage to another person in violation of this Law shall assume civil liability according to the law.
>
> A business whose lawful rights and interests are damaged by any act of unfair competition may institute an action in a people's court.
>
> The amount of compensation for the damage caused to a business by any act of unfair competition shall be determined as per the actual loss of the business incurred for the infringement or if it is difficult to calculate the actual loss, as per the benefits acquired by the tortfeasor from the infringement. If a business infringes upon a trade secret in bad faith with serious circumstances, the amount of compensation may be determined to be more than one time but not more than five times the amount determined by the aforesaid method. The amount of

[14] In Taiwan, article 13 of Trade Secrets Act speculates: “An injured party may choose any of the following provisions to request for damages in accordance with the preceding Article:
1. To make a claim based upon Article 216 of the Civil Code. However, if the injured party is unable to prove the amount of damages, the party may take as damages the amount of profits normally expected from the use of the trade secret minus the amount of profits earned after the misappropriation; or
2. To request for the profits earned through the act of misappropriation from the one who misappropriated. However, if the one who misappropriated is unable to prove the costs or the necessary expenses, the total income gained from the act(s) of misappropriation shall be deemed the profits.
Based on the provisions set forth in the preceding paragraph, if an act of misappropriation is found to be intentional, the court may, at the request of the injured party and by taking into consideration the circumstances of the misappropriation, award an amount greater than the actual damages, provided that the amount shall not exceed three times the amount of the proven damages.”

compensation shall also include reasonable disbursements made by the business to prevent the infringement.

Where a business violates Article 6 or Article 9 of this Law, and it is difficult to determine the actual loss suffered by the right holder due to the infringement or the benefits acquired by the tortfeasor from the infringement, a people's court may, based on the circumstances of the infringement, render a judgment to award compensation in the amount of not more than five million yuan to the right holder."

Case law:[15]

there is a preference to apply statutory damages instead of using the other two methods for damage-calculation in Mainland China. noteworthy are cases that discuss the reasons to apply statutory damages and factors to consider in deciding the exact amount of the damage.

Zhejiang NHU Company v. Fujian Fukang Pharmaceutical Company, Fujian Haixin Pharmaceutical Company, Yu, Zhejiang High Court (2017) Zhe-Min-Zhong No. 123 (浙江新和成股份有限公司与福建省福抗药业股份有限公司、福建省海欣药业股份有限公司、俞某侵害技术秘密纠纷案 浙江省高级人民法院（2017）浙民终 123 号)

- First case to apply punitive damages.
- Judges, in this case, also discuss issues like the methods of calculating damages, burden of proof, preservation measures, etc.
- It is listed as one of the ten 2018 annual cases in Zhejiang Province.

Cheng Jizhong, Shandong Green House Real Estate Marketing Planning LTD v. Hongya Real Estate (group) LTD, PRC. Supreme Court (2013) Min-San-Zhong-Zi No. 6 (程济中、山东绿城房地产营销策划有限公司与虹亚房地产开发（集团）有限公司、虹亚集团等侵害商业秘密纠纷案，最高人民法院（2013）民三终字第 6 号).

- Discusses how to define the causation between infringers` profits and infringement acts. Judges, in this case, held that benefit derived from infringement does not equal to the rights holders` expected benefits.

Xian`s People`s Procuratorate v. Pei Guoliang, Shanxi High Court (2006), Gazette of the Supreme People`s Court PRC., 2006.12 (西安市人民检察院诉裴国良侵犯商业秘密案，陕西省高级人民法院（2006），载《最高人民法院公报》2006 年第 12 期)

- Judges, in this case, discuss the calculation methods for losses of market sharing and competitive force.

The leading case

Application for statutory damage

Legal issues

Statutory law

[15] Taiwan Intellectual Property Court (2013) Min-Su-Zi No.6 (智慧財產法院 102 年民營訴字第 6 號民事判決) (Discusses whether the R&D costs are included in losses and the application of punitive damages.)

Statutory damages may be necessary when the first two methods (actual loss, benefits acquired by the tortfeasor from the infringement) cannot offer a precise amount of damages, but it also contains the risks of judges` abuse their discretion in deciding the number of damages. Issues arise as to whether there is a preference for judges in different jurisdictions to apply statutory damages and whether this preference could help to reflect the actual damages.

Case law:[16]

More and more cases in Mainland China awarded statutory damage, and judges in appeal cases are inclined to uphold such decisions.

Su Zhenwei, etc. v. Zhengzhou Yutong Bus Company, Henan High Court (2017) Yu-Min- Zhong No. 714 (苏振伟等与郑州宇通客车股份有限公司侵害商业秘密纠纷上诉案,河南省高级人民法院（2017）豫民终 714 号)

- In this case, judges in the second instance affirm statutory damages awarded by the first instance.

Zoucheng Yanmei Mingda Electrical Equipment Co. Ltd. v. Yanzhou Quantum technology Co. Ltd., Shandong High Court (2016) Lu-Min-Zhong No. 1364 (邹城兖煤明兴达机电设备有限公司等与兖州市量子科技有限责任公司侵害商业秘密纠纷上诉案，山东省高级人民法院 （2016）鲁民终 1364 号)

- Judges, in this case, awarded statutory damages based on the calculation of benefits acquired by the tortfeasor from the infringement.

The leading case

The application of criminal punishment for trade secret infringement

Legal issues:[17]

The criminalization of trade secret infringement and their practical application could vary in different jurisdictions. The number of criminal cases for trade secret infringement and the conviction rate in Mainland China are quite high. According to the search on the case database (http://en.pkulaw.cn/),

[16] Taiwan Intellectual Property Court (2017) Min-Shang-Zi No.1 (智慧財產法院 106 年民營上字第 1 號民事判決). (Judges, in this case, held negative attitudes in applying statutory damage by saying that only where it is impossible to prove the amount or there are significant difficulties in doing so, that judges can apply statutory damages.)

[17] Although Taiwan provides criminal punishments for trade secret infringements, relevant cases are quite limited and with low punishments. According to the search, as of October 2019, there are 21 criminal cases decided by the Taiwan Intellectual Property Court concerning trade secrets (except the ruling of jurisdiction, etc.). Among these cases, there are 11 cases where the defendants are decided not guilty and only 10 cases where the defendants are sentenced to prison. While among the 10 cases, judges in 6 cases provide fine in exchange lieu of for prison or probation and another one case is decided for breach of trust instead of crime of trade secret infringement. The number of cases and the conviction rate in Taiwan for the crime of infringing trade secrets are both quite low. Besides the preference to not offer a heavy punishment in Taiwan, several reasons may also lead to this result. Fist, according to article 41 of Criminal Code, the punishment may be commuted to a fine within certain circumstances. Many of the defendants who are sentenced to prison can provide fine to replace imprisonment. Second, this search is based on cases decided by Taiwan Intellectual Property Court, many criminal cases may be decided in district courts without appealing to the Intellectual Property Court.

there are 236 cases concerning the crime of infringing trade secrets from 2006 to June 2019. Deducting the cases not accepted or dismissed, the conviction rate of crime of infringing trade secret ups to 97%.[18] Besides the strong punishment preference for trade secret infringement, another possible reason for the high conviction rate may be the strong prosecution power in Mainland China, which could help to collect evidence and filter cases before filing to the court. More reasons for the high number of cases and conviction rate shall be explored.

Statutory law:[19]

Article 219 of Criminal Law of the People's Republic of China

> "Whoever engages in one of the following activities which encroaches upon commercial secrets and brings significant losses to persons having the rights to the commercial secrets is to be sentenced to **not more than three years** of fixed-term imprisonment, criminal detention, and may in addition or exclusively be sentenced to a fine; or is to be sentenced to **not less than three years and not more than**

[18] Global Law Office, Case Retrieval Report of Crime of Violating Trade Secrets (Criminal Section), at https://www.lexology.com/library/detail.aspx?g=7421413d-e2ad-4584-b38e-802e68f97b1a.

[19] Article 13-1 (Criminal Liabilities)
Any person committing an act falling under any of the following circumstances for the purpose of an illicit gain for himself/herself or for a third person, or inflicting a loss on the holder of a trade secret shall be sentenced to **a maximum of 5 years imprisonment or short-term imprisonment, in addition thereto, a fine between NT$1 million and NT$10 million** may be imposed:
1. Acquiring a trade secret by an act of theft, embezzlement, fraud, threat, unauthorized reproduction, or other wrongful means, or using or disclosing a trade secret so acquired.
2. Committing an unauthorized reproduction, usage, or disclosure of a trade secret known or possessed.
3. Failing to delete or destroy a possessed trade secret as the trade secret holder orders, or disguising it.
4. Any person knowingly acquires uses or discloses a trade secret known or possessed by others is under circumstances prescribed in the preceding 3 subparagraphs.
An attempt to commit a crime specified in the preceding paragraph is punishable.
In case a fine is to be imposed, if the gain obtained by the offender exceeds the maximum fine, such fine may be increased within the extent of 3 times of the gain.
Article 13-2 (Using Trade Secret in Foreign Jurisdictions)
Any person committing a crime prescribed in the first paragraph of the preceding article for the purpose of using the trade secret in foreign jurisdictions, mainland China, Hong Kong, or Macau shall be sentenced to **imprisonment between 1 year and 10 years, in addition thereto, a fine between NT$3 million and NT$50 million** may be imposed.
An attempt to commit a crime specified in the preceding paragraph is punishable.
In case a fine is to be imposed, if the gain obtained by the offender exceeds the maximum fine, such fine may be increased within the extent of 2 to 10 times of the gain.
Article 13-3 (Prosecution)
Prosecution for a crime specified in Article 13-1maybe instituted only upon a complaint.
The filing or withdrawal of a complaint against one of several co-offenders shall not be considered to be a filing or withdrawal of a complaint against the others.
In case a civil servant or a former civil servant who knows or possesses others' trade secrets within the scope of his/her authority or employment and intentionally commits a crime prescribed in the preceding 2 articles shall be sentenced to the punishment prescribed for such an offense by increasing it up to one half.
Article 13-4 (Criminal Liabilities to Juristic Persons)
Where the representative of a juristic person, the agent, employee or any other staff of a juristic person or natural person commits any of the crimes prescribed in Article 13-1 or 13-2 in the course of business, not only the actor, but the juristic person or the natural person shall be punished with the fine prescribed in the Article. However, if the representative of a juristic person or natural person has done his/her utmost to prevent a crime from being committed, the juristic person or natural person shall not be punished.

seven years of fixed-term imprisonment and a fine, if he causes particularly serious consequences:

(1) Acquire a rightful owner's commercial secrets via theft, lure by the promise of gain, threat, or other improper means;
(2) Disclose, use, or allow others to use a rightful owner's commercial secrets which are acquired through the aforementioned means;
(3) Disclose, use, or allow others to use, in violation of the agreement with the rightful owner or the rightful owner's request of keeping the commercial secrets, the commercial secrets he is holding.

Whoever acquires, uses, or discloses other people's commercial secrets, when he knows or should know that these commercial secrets are acquired through the aforementioned means, is regarded as an encroachment upon commercial secrets.

The commercial secrets referred to in this article are technical information and operation information that is unknown to the public, can bring economic profits to their rightful owners, are functional, and are kept as secrets by their rightful owners.

The rightful owners referred to in this Article are owners of the commercial secrets and users who have the permission of the owners."

Article 220 of Criminal Law of the People's Republic of China

"When a unit commits the crimes stated in Article 213 through Article 219, it is to be sentenced to a fine; its directly responsible person in charge and other personnel of direct responsibility should be punished in accordance with the stipulations respectively stated in these Articles of this section"

Case law [20]

The leading case

Jiangxi Yibo Technology Company v. Yu Zhihon, etc., (江西亿铂电子科技有限公司、余志宏等侵犯商业秘密罪刑事案)

- It is reported as the case for trade secret infringement case that imposed the highest penalty of 37 million RMB
- It is reported as the successful criminal case after Guangzhou applied the "three-in-one" model to hearing IP cases. ("Three-in-one model" refers to reform to integrate the trials of civil, administrative, and criminal IP cases in one specialized court) (广东省法院系统实行知识产权审判"三合一"模式审理知识产权刑事案件的成功范例)
- It is one of the eight classical IP cases released by SPC (最高人民法院公布八起知识产权司法保护典型案例之七)

[20] Taiwan Intellectual Property Court (2016) Xing-Zhi-Shang-Su-Zi No.35(智慧財產法院 105 年度刑智上訴字第 35 號刑事判決) (The defendant in this case was sentenced to seven years and six months in prison. The punishment in this case is heavy and uncommon.)