



## **New Burden-of-Proof Shifting Provision Favors Trade Secrets Rights-Holders**

**Featured  
Article**

On April 23, 2019, the 10<sup>th</sup> meeting of the Standing Committee of the 13<sup>th</sup> National People's Congress passed a bill amending the Anti-Unfair Competition Law, which took effect on the same day. Being another revision after November 2017 and the third revision overall, the amendment mainly covers four clauses on trade secrets to detail the torts types of trade secret infringement, to expand the subject of trade secret infringement, to reserve rooms for expanding the object of trade secret protection, and to greatly enhance monetary remedies. The most significant change in the amendment is the newly introduced burden-of-proof shifting provision, i.e., Article 32, under which the burden on the plaintiff is lowered to require only prima facie evidence on the establishment of the existence of a trade secret and the existence of misappropriation, and substantially favors trade secrets rights-holders.

Before the amendment, the Anti-Unfair Competition Law did not specify what kind of burden of proof trade secrets rights-holders shall meet. In practice, a people's court usually treats a trade secret as a right and examines the following factors in accordance with usual civil rights infringement cases, i.e., firstly, whether a trade secret exists; secondly, whether there is a misappropriation; thirdly, whether damages have consequently occurred; and fourthly, whether the causation of the damages is due to the misappropriation. Accordingly, the first hurdle a plaintiff needs to meet is to prove the existence of a trade secret. However, as we all know, unlike patent rights, trademark rights, etc., trade secrets are information held internally by a trade secrets rights-holder and has been kept confidential. Therefore, in reality, the plaintiff initially needs to prove the content of the information and the secrecy unknown to

the others; secondly, the plaintiff needs to prove that he has taken reasonable measures to maintain the secrecy, and that the information has commercial value and it can bring the holder a competitive advantage.

In handling specific cases, especially criminal cases, in the situation the plaintiff has provided a large amount of information, the public security bureau, procuratorate, and court handling the case will face great difficulties in identifying and extracting trade secrets. In the cases we represented, when our client submitted the technical manual stolen by the defendant to the court and claimed infringement, the defendant submitted existing technical documents ten times thicker than ours, claiming that the contents of the technical manual are all common known technologies and should not be protected by trade secrets.

In order to solve such practical difficulties and smoothly advance the cases, when the plaintiff reports to the public security bureau or initiates a lawsuit, the plaintiff is usually required to provide the following judicial expertise reports: (1) Non-public Expertise Report, also called as Secrecy Expertise Report, which is used to determine the “secret points” that can be used for infringement identification and comparison from the large amount of information submitted by the plaintiff; (2) Identity Report, which is used to compare the information used by the infringer with the aforementioned secret points to confirm that the infringer did indeed use the plaintiff’s trade secrets; (3) Value Report, which is used to present to the public security bureau the damage caused by the infringement to the plaintiff, and may not be provided in civil litigation. The above reports all are made by professional expertise agencies. Such an operational threshold greatly increases the difficulty of handling trade secret cases. In addition, in the process of handling trade secret cases, since trade secret cases, whether protected or theft, are in a state of confidentiality, the plaintiff also faces difficulties in proving the torts for stealthy secret theft.

In response to the above difficulties in practice, Article 32 of the Anti-Unfair Competition Law has made new provisions shifting the burden of proof. The specific provisions are as follows: **“In civil trial procedures for infringing trade secrets, where the obligee of trade secrets provides primary evidence proving he has taken confidential measures against the claimed trade secrets and reasonably indicates that the trade secrets have been infringed, the alleged infringer shall prove that the trade secrets claimed by the obligee do not constitute trade secrets as set forth in this Law. Where the obligee of the trade secrets provides primary evidence reasonably indicating that the trade secrets are being infringed and provides one of the following as evidence, the alleged infringer shall prove that he has not infringed upon the trade secrets: (1) There is evidence indicating that the alleged infringer had**

*access to the trade secrets or had an opportunity to obtain the trade secrets and that the information used is substantially the same as the trade secrets; (2) There is evidence indicating that the trade secrets have been disclosed, used or at risk of being disclosed, used by the alleged infringer; (3) There is other evidence indicating that the trade secrets have been infringed by the alleged infringer.”* Judging from the content of the above-mentioned provisions, Article 32 provides two aspects of “preliminary evidence” for the constitutive elements of trade secrets and the determination of the torts, and requires that while satisfying the “preliminary evidence”, “inversion” or “transfer” of the burden of proof is realized<sup>1</sup>.

Compared with the original requirements for burden-of-proof in practice, the changes provided in Article 32 of the Anti-Unfair Competition Law are mainly reflected in the following aspects:

1. Previous rules require a plaintiff providing evidences to respectively prove “secrecy” and “confidentiality” for comprehensive judgment.

Previously, a plaintiff is required to provide evidences respectively for “secrecy (non-publicity)” and “confidentiality (confidential measures)”. For example, regarding the “secrecy”, the plaintiff needs to provide an expertise report to prove that the trade secrets he claims are indeed information that is not known to the public. Regarding the “confidentiality”, the plaintiff still needs to provide evidence to prove whether reasonable confidentiality measures have been taken. According to Article 32, if the plaintiff can prove that the trade secrets have been infringed and reasonable confidentiality measures have been taken, the burden of proof can be transferred to reduce the requirement for proof of “secrecy”.

2. Regarding the confidentiality of the infringement constitution, the burden of proof would be shifted from the plaintiff to the defendant.

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<sup>1</sup> Song Jian: “The Impact of Article 32 of the Anti-Unfair Competition Law on the Thinking of Trial of Trade Secret Infringement Cases”, April 2020 issue of “China Patent and Trademark” .

In the original trial thinking, regarding the “secrecy”, the plaintiff needs to provide an expertise report to prove that the trade secrets he claims are information that is not known to the public. The expertise agency usually needs to conduct a comprehensive novelty search and comparison of the information, determine some “secret points” that are convenient for the court to compare and judge, and organize experts to discuss and judge whether the secret points can be easily obtained based on publicly known technologies. In the new proof requirements in Article 32, as long as the plaintiff can preliminarily prove that there are protective measures and that there is a tort, the defendant needs to prove that the trade secrets claimed by the plaintiff do not possess the “secrecy”.

3. Regarding the misappropriation, the plaintiff’s proof or the court’s presumption with the plaintiff’s proof is adjusted to a conditional transfer of the burden of proof. In the original scheme, the plaintiff needed to prove the defendant’s torts, such as illegal downloading, illegal storage, illegal carrying, deliberate theft, etc., in which there are usually many difficulties. For example, if the defendant holds a very high position and can legally contact and carry all the trade secrets of the company, it is difficult for the plaintiff to prove the intentional theft. For another example, when a certain period of time has elapsed for the theft of trade secrets, for example, the thief only used the stolen trade secrets after four years, and the defendant argue with independent research and development (hereinafter R&D) defense, the original company often had difficulty to determine the torts by using the evidence due to system

updates and other reasons. In the new proof requirements in Article 32, several standards for the transfer of the burden of proof are proposed:

- (1) Contact + Substantially the Same;
- (2) Disclose, Use the Same Information;
- (3) Other Situations.

In particular, the shift of the burden of proof in the above two specific cases eliminates the most difficult search and tracking for the torts in practice, greatly reducing the plaintiff’s burden of proof for the torts.

In the case we handled recently, the court adopted the above rules to hear the case, and compared the technical drawing of the entire chemical project submitted by the plaintiff, rather than some technical points confirmed by the novelty search and evaluation in the drawing, as the object of misappropriation. After the plaintiff claimed that the defendant’s personnel were all members of the plaintiff’s R&D team and the plaintiff provided evidence to prove that the accused infringing project constructed by the defendant was basically the same as the technical drawing project, the court required the defendant to prove that the technical drawing did not constitute a trade secret and that the defendant had detailed information R&D records.

In summary, we believe that this revision to the Anti-Unfair Competition Law is mainly aimed at solving specific difficulties in handling cases, greatly reducing the case filing requirements and burden of proof for trade secret cases, making it easier for companies to protect their trade secrets.



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Ms. Yan HONG has expertise in patent invalidity, patent administrative and civil litigation, patent prosecution, patent strategy design and portfolio development, patent due diligence and freedom to operate investigation, patent analysis, intellectual property anti-counterfeiting, etc., and she is very experienced in patent cases in technical areas of computer software and hardware, internet, e-commerce, electronics, telecommunication, semiconductor, image processing, display and lighting, mechanics, automation, etc.. Ms. Yan HONG has more than 15 years’ experience in patent field, familiar with all aspects of patent issue, good at formulating enterprise intellectual property protection programs by combination of technology, law, commerce, and social factors, with rich and effective practical experience. Ms. Yan HONG represented Molex, Object Video, Grundfos, Kistler, Suntory, OMRON, LG, Delta, Everlight, CIMC, Honfa and other well-known companies in various countries all over the world for cases of patent invalidity and infringement and has won full trust of customers as well as business reputation. In early 2015, director Ms. Yan HONG and other partners founded Lung Tin Law Firm.