

92

Chengdu Jialing Electric Manufacturing Co., Ltd. v. Chengdu Xiwang Electronic Institute, et al.

Citation: The Supreme People's Court's Civil Judgment No. Minsanzhongzi 11/2001

Date of Judgment: December 19 2002

Procedural history

The Chengdu Jialing Electric Manufacturing Co., Ltd. (Jialing) sued, in the Sichuan Province Higher People's Court, the Chengdu Xiwang Electronic Institute (Xiwang), Chengdu Xiwang Senlan Frequency Converter Manufacturing (Senlan), Hu Xiangyun, Yu Xinxiang, Zheng Youbin and Deng Shifang (Hu, et al.) for infringement of its trade secrets. The infringement was not found in the first-instance judgment. Dissatisfied, Jialing appealed to the Supreme People's Court.

Issue

Determination of act of using trade secrets in trade secret infringement establishment

Facts

Jialing possessed the relevant technology of JP6C frequency converter developed by the Chengdu Jialing Electric Institute, and adopted measures to keep it secret, including setting up the system of confidentiality and concluding contracts with its employees for keeping the technology secret.

Xiwang and Senlan also engaged in designing, making and marketing frequency converter products, and had designed and made the BT40S frequency converter.

Hu et al. once worked for Jialing, and engaged in designing and developing the frequency converter technology, and they became employees of Xiwang after leaving Jialing.

Jialing argued, in the first-instance hearing, that the BT40S frequency converter was designed and made by those of the skill who were lured by Xiwang and Senlan with high salary by using the technical secret and manufacturing process they had at their disposal, infringing 19 technical secrets relating to the JP6C frequency converter.

The first-instance court invited experts to appraise as to whether the 19 technical secrets Jialing claimed were known technologies and whether Xiwang and Senlan had used these technologies. It was concluded in the appraisal that the theory and the technology of the 19 technical secrets Jialing claimed were known technologies, and some technological design parameters determined and choice of elements and parts of Jialing by using the known technologies were unknown technologies. In the BT40S frequency converter, Xiwang and Senlan had used the similar known technologies, and had not used its unknown technologies.

Rule of law

Article 10 of the Unfair Competition Law *A business operator shall not use any of the following means to infringe a trade secret:*

- (1) obtaining a rightholder's trade secret by stealing, luring, intimidation, or any other unfair means;*
- (2) disclosing, using or allowing another party to use the trade secret obtained from the rightholder by the means mentioned in the preceding paragraph; or*
- (3) violating the agreement or the rightholder's requirements for keeping trade secrets, disclosing, using or allowing another party to use the trade secret he has at his disposal. Obtaining, using or disclosing another party's trade secret by a third party who clearly knows or should know that the case falls under the unlawful acts mentioned in the preceding paragraph shall be deemed to be infringement of the trade secret. The "trade secret" mentioned in this Article refers to any technological information or business operation information which is unknown to the public, can bring economic benefits to the rightholder, has practical applicability, and about which the rightholder has adopted secret-keeping measures.*

Reasoning

Under Article 10 of the Unfair Competition Law, the infringement of a trade secret was constitut-

ed under three condition: (1) a rightholder legitimately owned the trade secret under the law; (2) an actor performed the act of obtaining, disclosing, using or allowing another party to use the trade secret; and (3) the actor's act of obtaining, disclosing, using or allowing another party to use said trade secret was contrary to the law. When accusing another person of infringing its trade secret, the rightholder was under the burden to prove the facts that the three conditions were met; where it was proven that any one condition was not met, the alleged infringer did not infringe the trade secret in suit.

One of the issues of the present case was whether Senlan and other appellees had used Jialing's trade secrets.

According to the appraisal conclusion made in the course of the first-instance hearing, the technologies Xiwang and Senlan used in making their frequency converters were different from the unknown technologies Jialing used for making its JP6C frequency converter. This showed that Senlan and Xiwang did not obtain Jialing's trade secrets from the four natural persons, Hu, et al., nor had they used the trade secrets.

On the basis of the facts that the performance and parameters of the products presented in the Operation Manuals of the two frequency converters, such as the BT40S, Senlan made were substantially identical with those of the JP6C frequency converter it made, and that its former employees Hu, et al., who knew about the technical secrets of its JP6C frequency converter, broke the employment, contract, went to work for Xiwang and Senlan to engage in the work along the same line, Jialing presumed that Xiwang and Senlan had obtained from Hu, et al., and used the technical secrets of its JP6C frequency converter, and made the BT40S and BT125 series of frequency converters. This presumption was factually groundless where the direct evidence proved that Xiwang and Senlan did not use Jialing's technical secrets. In particular, the presumption that the two products used the same technical solutions because the two products were identical in performance or performance parameter was technically baseless. It was quite possible that products of the same performance could be made with different technical solutions.

Holding

Xiwan and Senlan did not use Jialing's trade secrets.