



Trade Secret Litigation in China

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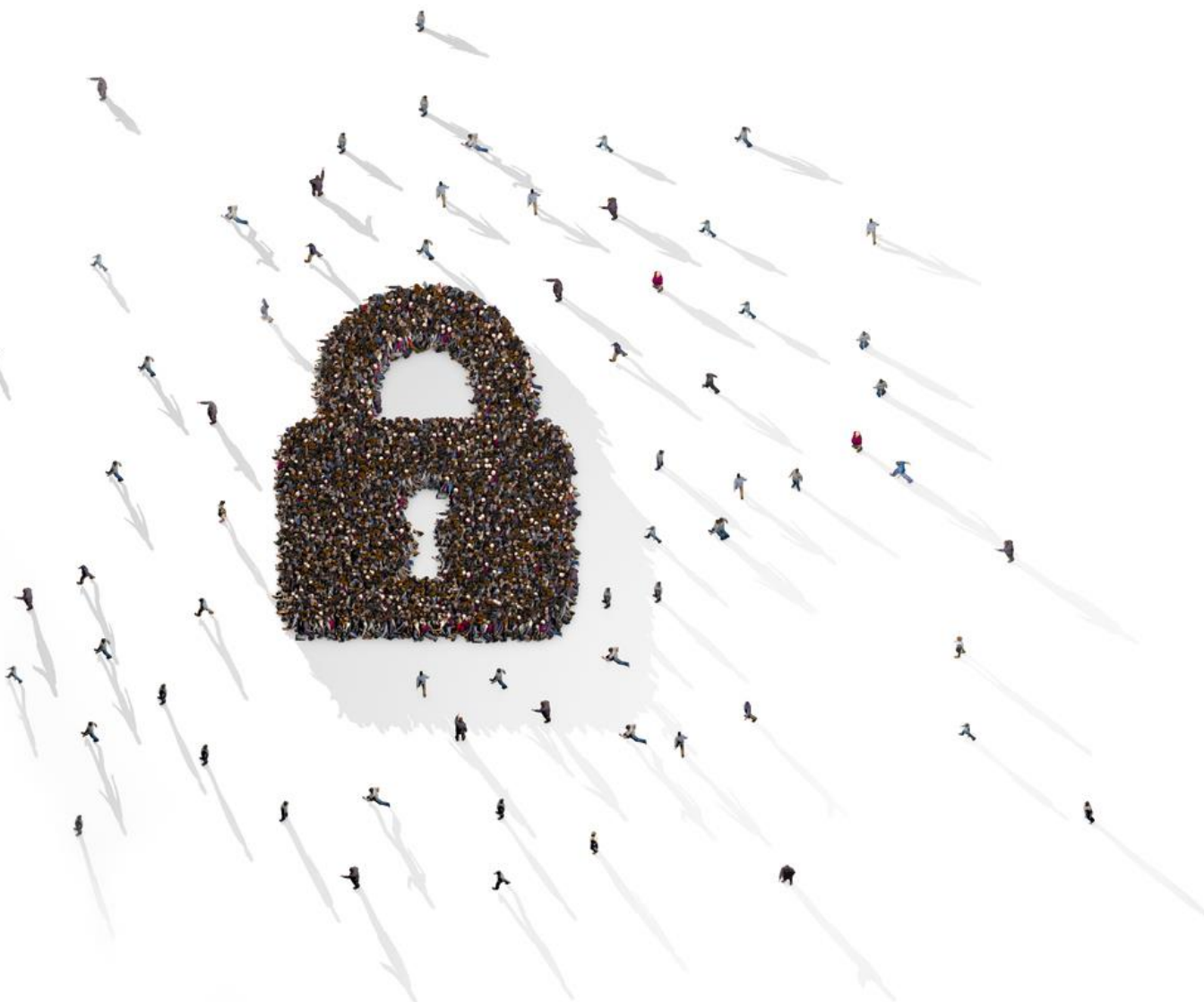
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In this report we focus on trade secret litigation in China. We examine a selection of published trade secret cases in our CIELA database from the senior courts, highlight key statistics and provide commentary and insights on how China's courts approach protection of trade secrets.

Background

Trade secrets are protected in China under Article 9 of the Anti-Unfair Competition Law ("AUCL"). The most recent amendments to the AUCL, which expanded the ambit of legal protection for trade secrets, came into effect on 23 April 2019 (the "Amendments").¹ Additional legislation was provided by Supreme People's Court Regulations ("SPC Regulations")² containing guidelines on the application of law in civil trade secret cases, replacing an earlier Judicial Interpretation,³ and a corresponding Supreme People's Procuratorate and SPC Judicial Interpretation on criminal cases.⁴

A detailed review of the Amendments, SPC Regulations and some early court decisions that apply this new legislation can be found in a report from IP Key "Study on Trade Secrets".⁵ This report therefore does not comment further on the Amendments but provides some data and commentary on the impact that this new legislation may be having on court decisions.

Our Dataset

As with all CIELA reports, we have limited our study to decisions issued in recent years: in this case from 1 January 2015 to 31 March 2022. The rapid development of China's judicial system and legislative changes mean that decisions made several years ago are less representative of the present state. Unlike previous CIELA reports however, in this report we have limited our analysis to decisions only from the senior courts (i.e., Higher People's Courts and Supreme People's Court). These decisions tend to be more authoritative, detailed and representative of current jurisprudence.

Trade secret infringement cases are complex from an evidentiary standpoint and therefore remain relatively rare compared to other IP cases. To illustrate this, according to the SPC's annual White Paper for 2020, there were 4,723 first instance lawsuits brought under the AUCL (which includes other types of unfair competition case as well as trade secret cases). In comparison there were 28,528 patent and 78,157 trademark cases accepted in the same year. In the period of our dataset (01.01.2015 - 03.31.2022) there are only 650 fully published⁶ trade secret decisions at all instances, and, within our dataset of senior court decisions, only 105 fully published decisions in total. Of these, only 13 were decided on the basis of the Amendments, giving us a relatively small pool of cases on which to assess the effect of the Amendments. A summary of the dataset is shown in **Table 1** below.

¹ The Amendments are accessible at https://gkml.samr.gov.cn/nsjg/fgs/201906/t20190625_302771.html.

² 最高人民法院关于审理侵犯商业秘密民事案件适用法律若干问题的规定, 法释(2020)7号.

³ 最高人民法院关于审理不正当竞争民事案件适用法律若干问题的解释(2007)2号.

⁴ 最高人民法院最高人民检察院关于办理侵犯知识产权刑事案件具体适用法律若干问题的解释(三)法释(2020)10号.

⁵ IP Key "Study On Trade Secrets" accessible at https://ipkey.eu/sites/default/files/ipkey-docs/2021/IPKey-China_jan2021_20201203%20Study%20on%20Trade%20Secrets%20-%20Final%20Report.pdf.

⁶ "Fully published" means that the contents of the decision were published. In trade secret cases the parties may request the decision to be kept confidential, so only the existence of the case but not the contents can be seen. In total we have records of 736 trade secret cases decided during our time period, but 86 were confidential, leaving a total of 650 fully published.

Table 1

# Published Trade Secret Cases in CIELA, All Courts (2015 - 03.2022)	# Published Trade Secret Cases in CIELA, Senior Courts (2015 - 03.2022)	# Cases Applying 2019 Amendments
650	105	13

It is important to note that only a portion of decisions are ever published in China, and publication can lag behind the issuance of the decision by several months, an issue which we have addressed in a recent article on patent litigation data.⁷ In addition, we have focused on senior court decisions, most of which are appeals of cases where the infringing behaviour occurred before the Amendments.

Nevertheless, our dataset reveals some valuable insights. **Part 1** of this report contains some key statistics from our dataset. **Part 2** contains commentary on some of these decisions what they tell us about how the courts are handling trade secrets disputes under the new legislation.



⁷ Chris Bailey, Douglas Clark, & Aria Tian, 'China patent litigation data: What it tells us and what it doesn't', (Rouse Insights, 18 Nov 2018) at

<https://rouse.com/insights/news/2021/chinese-patent-litigation-data-what-it-tells-us-and-what-it-doesn-t>.

PART 1: STATISTICAL SUMMARY

This part breaks down some key statistics about the nature and outcome of the cases in our dataset.

Section 1 - Parties

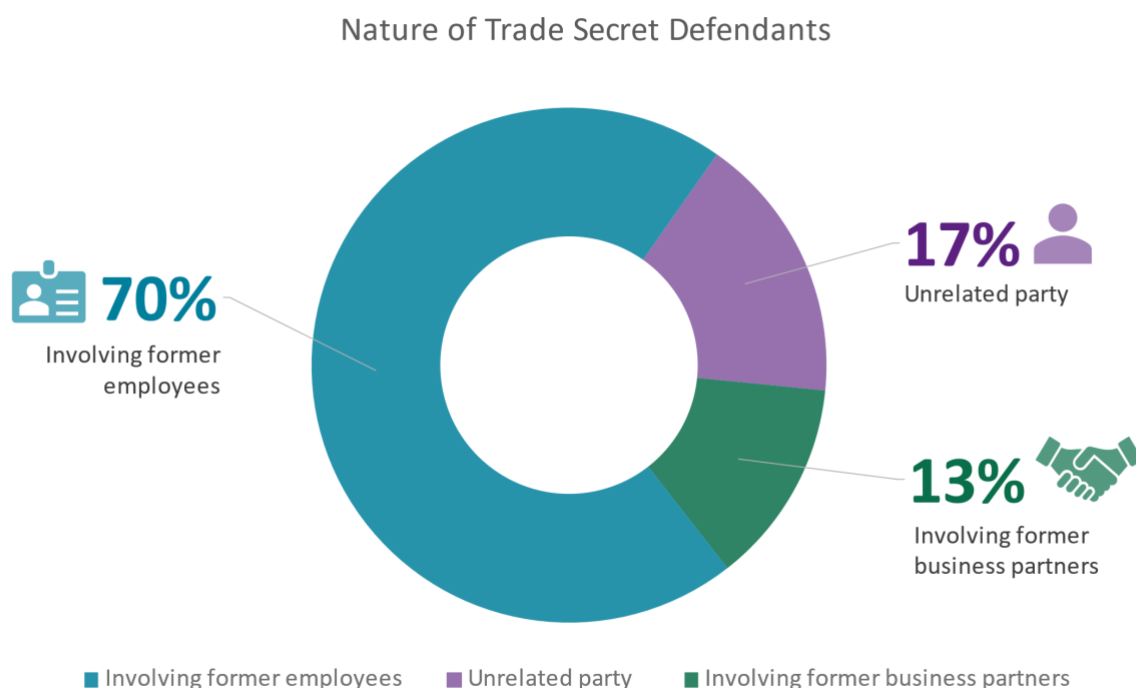
Plaintiffs

In our dataset, 84% of cases were between domestic parties, with only 12 cases having a foreign-invested plaintiff (including joint ventures). While foreign plaintiffs enjoyed a higher win rate and higher damages (9 wins in 12 cases or 75%), it is risky to draw any firm conclusions given this very small sample size. And while a higher win rate for foreign plaintiffs is consistent with CIELA data overall, we have previously cautioned about the potential for selection bias in publication of foreign-related cases.

Defendants

In the majority of cases, (70%), the defendants included former employees (often as co-defendants alongside their new employer), or former business partners (13%). A small proportion (17%) involve defendants not previously linked to the plaintiff where the case arose through another nexus between the parties.

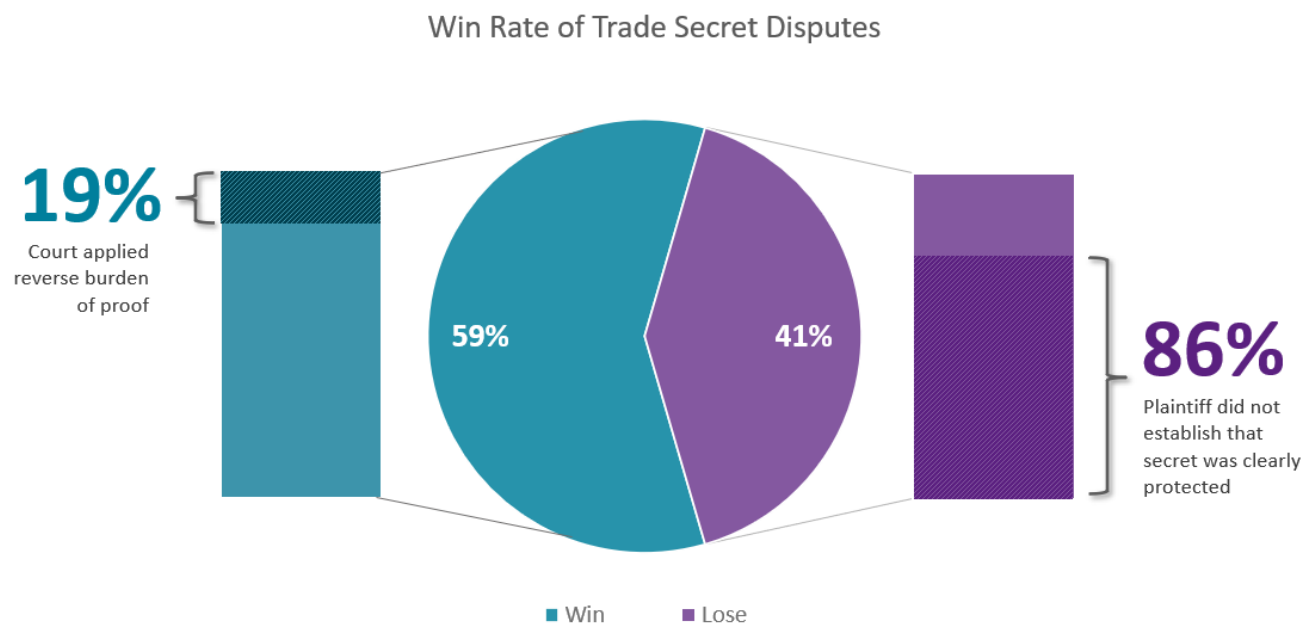
Diagram 1 shows the nature of trade secret defendants in this dataset.



Section 2 - Win Rates

On average, the plaintiff won in 59% of trade secret cases (62 wins, 43 losses). While it can be misleading to make direct comparison with other types of IP, this win rate is markedly below that for patent infringement cases - 79% in CIELA over the same period. The win rates also varied according to the type of trade secret, as covered in Sec.3 below.

Diagram 2 shows the overall win rates for cases in this dataset.



Not surprisingly, in 86% of the losing cases, the plaintiff failed to show that the claimed secret was sufficiently defined and protected. A minority of cases failed for other reasons, such as the plaintiff being unable to prove that the defendant had actually used the protected secret.

Conversely, and also not surprisingly, in nearly all of the cases where the plaintiff prevailed (89%), not only was there one or more protective agreements in place, such as NDA’s and confidentiality clauses in employment contracts, but also clear identification of what information fell under the protection of these measures.

In addition, 19% of winning cases involved the court applying the “reverse burden of proof” principle. In fact, 100% of cases where the reverse burden of proof was applied were successful. These points are covered further in Part 2.

Section 3 – Categories of Trade Secret

In terms of the nature of protected information, we have divided the cases into 2 main categories: “technical information” and “business information” - mirroring terms used in the Amendments. We have further divided each into 3 sub-categories, as follows:

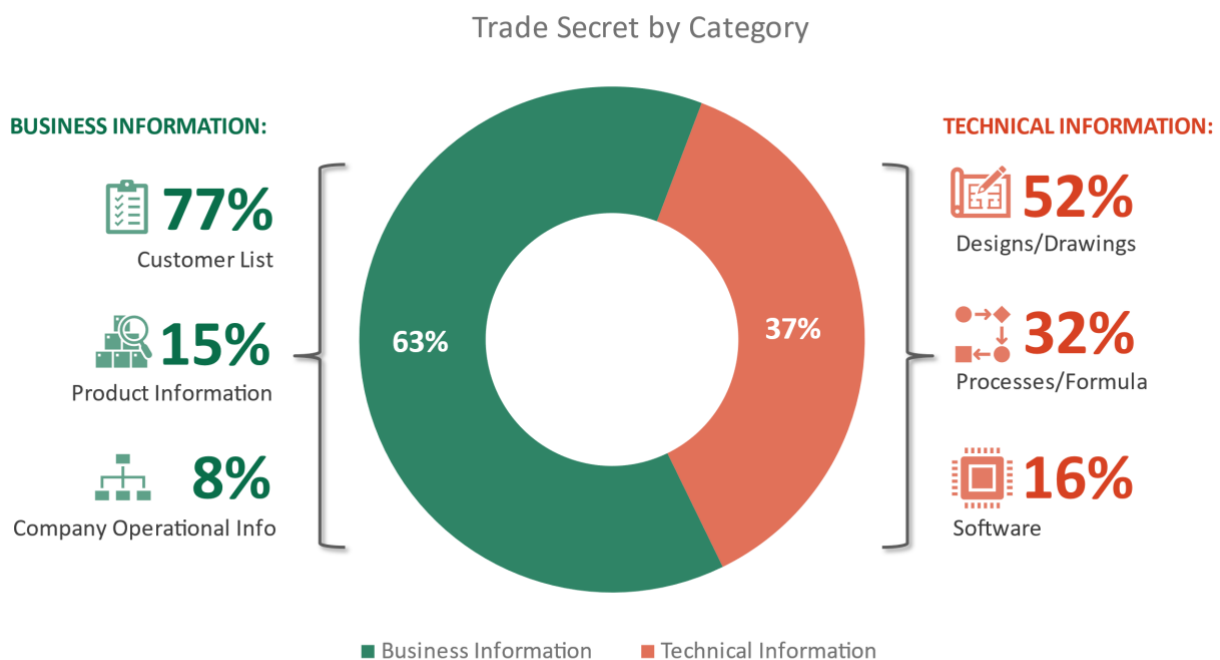
1. Business Information

- i. Customer lists and customer data;
- ii. Product information (i.e., price, components); and
- iii. Internal operational information (i.e., suppliers, business strategy, personnel).

2. Technical Information

- i. Software and source code;
- ii. Design drawings/design scheme; and
- iii. Production processes and formulae.

These are shown in **Diagram 3 – Trade Secret Cases by Category**⁸



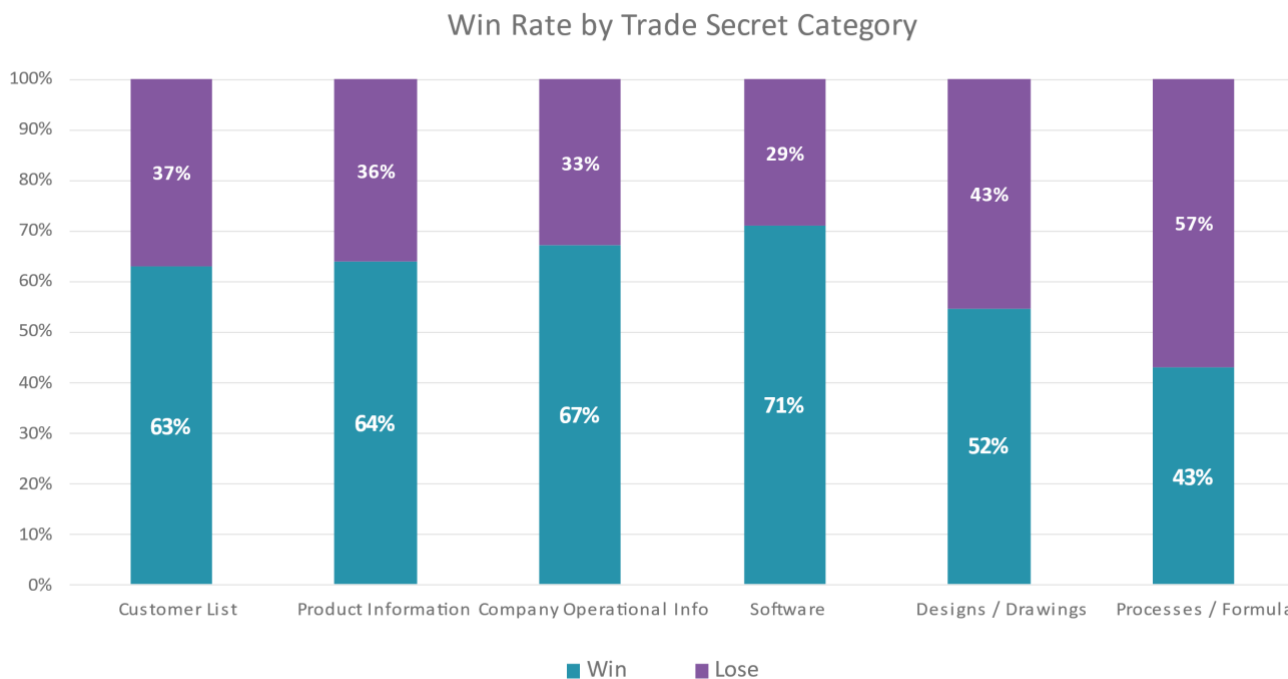
This shows that 76% of the Business Information cases, and over half of all cases in our dataset, involve misappropriation of customer lists or customer data, mostly taken by departing employees.

⁸ Some of the cases involve more than one category of information, and we have therefore included these in both.

Section 4 - Win Rates by Category

If we overlay the win rates from Diagram 2 with the categories from Diagram 3, we can see that the win rate varies between different categories of trade secret.

Diagram 4: Win rate by sub-categories under the Business and Technical Information categories



The sample size in some of the categories is small and therefore firm conclusions are less reliable, however, there do appear to be some significant differences:

- Overall, the categories of Business Information appeared to have a higher win rate than Technical Information categories.
- A slight majority (63%) of cases involving customer lists were successful, however, not only did these cases historically attract the lowest levels of damages in our dataset, but as discussed in the commentary in Part 2, the protection of customer lists as a form of trade secret has been inconsistently applied prior to the Amendments.
- Cases involving processes or formulas have only a 43% success rate, reflecting how challenging it can be to determine when information relating to production processes or formulae has been misappropriated.

These win rates have been influenced by application of the reversed burden of proof ("RBP") principle. It is not always clearly stated in the decisions when this principle has been applied, but in the 12 cases where this was explicit, all of the cases resulted in a win for the plaintiff. This principle tended to be applied in the Technical Information categories, such as process information and software, where it can otherwise be extremely challenging for a plaintiff to prove that a defendant is infringing protected secrets. The win rates for technical secrets would therefore be even lower if not for these RBP cases. This is discussed in more detail in Part 2.

Section 5 – Damages

In this dataset, as is common in other types of IP cases in CIELA, there tend to be a large number of cases with low damages awards and a small number of outliers with exceptionally high awards. In particular, the #1 ranking case, with an award of over CNY 155 million, is five times larger than the #2 ranking. To illustrate, mean damages in the whole dataset is CNY 1,941,714, while the median is CNY 210,000, illustrating how the mean is skewed by a few large cases. When excluding the top 10 damages awards, the mean drops to CNY 351,003.

Diagram 5 below shows the distribution of damages awards in our dataset. As noted in Sec. 3, the majority of lower damages awards were cases involving theft of customer lists.

Diagram 5: Distribution of Damages Awards

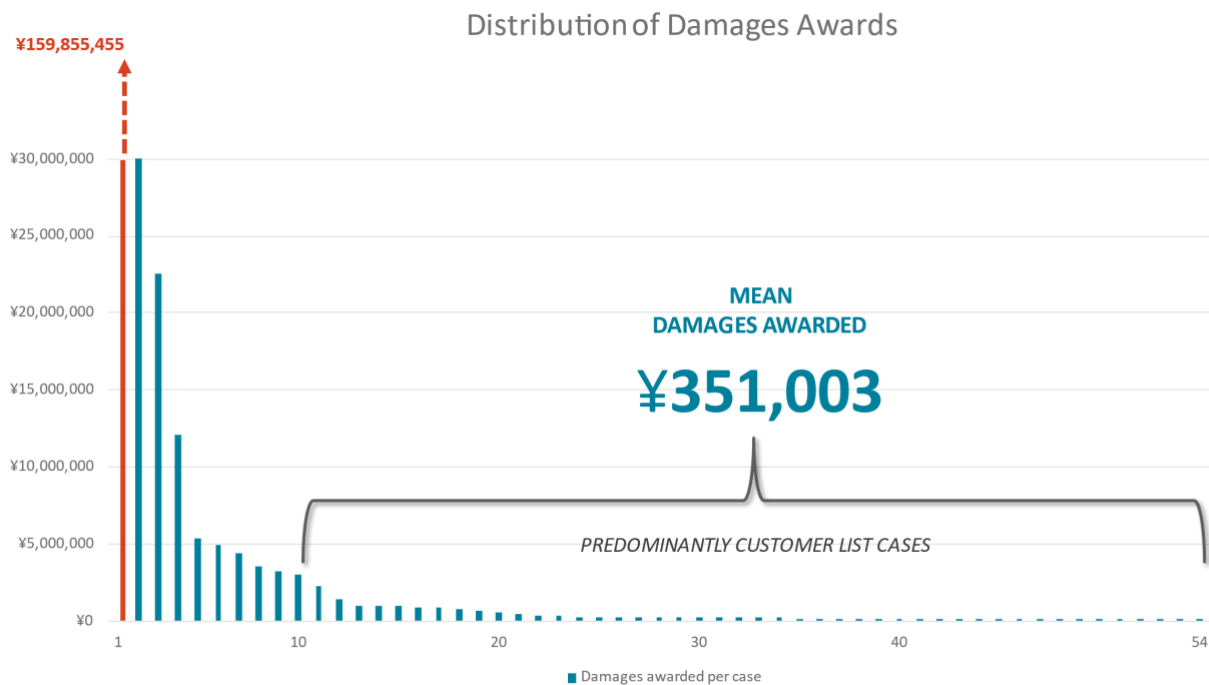


Diagram 6 summarizes the top 10 damages awards in our dataset. Further commentary on these cases is covered in Part 2.

Ranking of Highest Damages Awarded

RANKING	YEAR	PARTIES	FOREIGN OR PRC	DAMAGES AWARDED
1	2021	JiayingZhonghua ChemicalCo., Ltd et al vs WangGuojun	Sino-foreign joint venture (India & Italy)	¥155,829,455
2	2019	Guangzhou Tinci Materials Technology Co., Ltd et al vs Anhui Newman Fine Chemical Co., Ltd et al	PRC	¥30,000,000
3	2015	Beijing Xinyue Changcheng Investment Management Co., Ltd vs Zhongman Petroleum and Natural Gas Group Corp., Ltd et al	PRC	¥22,560,000
4	2015	Shenzhen Mindray Bio-medical Electronics Co., Ltd vs Edan Instruments Jnc	Sino-foreign joint venture (Hong Kong, Macau or Taiwan)	¥12,044,800
5	2016	Zhuhai Orbita Aerospace Science and Technology Co., Ltd vs Zhuhai Silicon Microelectronics Technology Co., Ltd et al	PRC	¥5,326,674
6	2019	Zhuhai Qianyou Co., Ltd et al vs Shenzhen Strategy 123 Network Co., Ltd et al	PRC	¥5,000,000
7	2017	Nuctech Company, Ltd vs Beijing Junehe Xinda Technology Co., Ltd et al	PRC	¥4,400,000
8	2018	Harbin Hi-Tech Machinery Co., Ltd vs Heilongjiang Linke Machinery & Equipment Co., Ltd	Sino-foreign joint venture (Canada)	¥3,533,952
9	2016	Yanzhou Quantum Technology Co., Ltd vs Zoucheng Yanmei Mingxingda Electromechanical Equipment Co., Ltd et al	PRC	¥3,192,000
10	2021	Luoyang Ruichang Environmental Engineering Co., Ltd et al vs Luoyang Yuanming Petrochemical Technology Co., Ltd	PRC	¥3,000,000



PART 2 – CASE COMMENTARY

In Part 2 we have selected a few cases that illuminate in more detail some issues around how trade secret cases are handled in China's courts.

Section 1 - Reversed Burden of Proof

As noted in Part 1, in all cases where the court applied the reversed burden of proof ("RBP") principle in our dataset, the plaintiff prevailed. Applying the RBP principle shifts the burden on the defendant to demonstrate that the alleged secret is either based on publicly available information (and therefore not a secret at all) or that the defendant has come upon similar information by their own efforts without access to the plaintiff's information.

However, to avail themselves of this principle, the plaintiff must already have made out a strong *prima facie* case of infringement. In our dataset, apart from the 12 winning cases where RBP had been applied, we found 3 decisions where courts rejected an argument for RBP because the plaintiff had failed to show convincingly that a trade secret was properly protected. In other words, the RBP principle can secure victory for a plaintiff with a strong case but will not help a weak case.

It is worth noting that although the principle of RBP was added into Article 32 of the Amendments, our dataset shows that this principle was applied by courts prior to the Amendments. It is yet to be seen whether the Amendments will result in RBP principle being applied more frequently.

In one notable case in November 2020, the SPC issued final judgement on an appeal from Guangzhou Intellectual Property Court in the case of *Guangzhou Tinci Materials Technology Co., Ltd et al. vs Anhui Newman et al* ("*Tinci*").⁹ The case involved former employees of *Tinci* and one of its affiliated companies taking a secret chemical formula for production of carbomer, an ingredient in cosmetics, and colluding with Anhui Newman to produce carbomer using *Tinci's* formula.

The court considered that plaintiff had amply fulfilled the burden of proof by producing labor contracts, NDAs, non-compete agreements and company regulations setting out information security rules. The SPC upheld the Guangzhou court's finding that Newman and *Tinci's* ex-employees had misappropriated the secret. The court applied the RBP principle under Article 32 of the Amendments and found the evidence produced by the defendants, which attempted to prove that the protected information was publicly-known, was not in fact relevant to the subject matter.

Chemical processes were also the subject of two other appeals at the SPC, both decided in 2021, where the RBP principle was applied: *Jiaxing Zhonghua Chemical Co et al vs Wang Guojun*¹⁰ ("*Jiaxing Zhonghua*"), leading to the largest damages award to date for a trade secret case, and *Beijing Junde Tongchuang Biotech Co Ltd vs Zexing Amino Acid Co Ltd*¹¹. In both of these cases, the courts made a thorough comparison of the protected information and the disclosures made by the defendants, finding that the essential elements were similar and concluding that the defendants could not have credibly obtained or created such information by any other means except expropriation from the plaintiff. These cases provide some assurance that the courts can make reasonable assumptions in favour of plaintiffs where the technology used by the defendants is not identical to, but may be derived from, the plaintiff's protected information.

⁹ (2019) SPC Zhi Ming Zhong No.562.

¹⁰ (2020) SPC Zhi Ming Zhong No.1667.

¹¹ (2020) SPC Zhi Ming Zhong No.621.

In another case, *Zhuhai Qianyou Co., Ltd et al vs Shenzhen Strategy 123 Network Co., Ltd et al*,¹² the trade secret in question was source code for an online game, which was misappropriated by two departing employees who took it to the defendant company.

The plaintiffs in this case successfully satisfied the burden of proof by establishing (1) that the source code was a trade secret to which the two former employees/individual defendants had access, and (2) that the defendant's game source code is substantially similar to the alleged trade secret.

The defendants attempted to refute this on the basis that they developed the game source code independently. The Guangdong Higher People's Court found this unconvincing, given that the defendants had completed the source code development within a much shorter timeframe than is normal in the industry and did not provide an adequate explanation to its similarity to the original code owned by plaintiff. The court rejected the defendants' arguments and found in favour of the plaintiff.

Section 2 - Failure to Establish a Trade Secret

The fundamental basis of a successful trade secret case is to demonstrate that the information in question was not publicly known, has commercial value, and that the owner took steps to protect it. On the last point, a key issue is around what measures are sufficient to establish effective protection.

The cases in our dataset are not consistent as to the standard that the plaintiff must meet to show it has taken effective measures to protect the trade secret, at least for those cases before the Amendments and SPC Regulations. In the SPC Regulations, Article 6 indicates that any one of the enumerated contractual or access control measures (such as NDAs, employment contracts, IT security measures) are deemed sufficient, and Article 10 provides for courts to recognise an obligation of confidentiality arising in a context where the parties "know or should have known" that it existed, even in the absence of a contract. In contrast to this broad approach to recognising confidentiality obligations, Article 5 requires the courts to determine if proportional and "corresponding" protection measures have been taken in relation to the information. In reality, most of the successful plaintiffs in our dataset were able to show they had applied more than one type of confidentiality measure to the protected information. To seek protection with China's courts it seems advisable then that trade secret owners do not leave important technical or business information "floating" around the organisation in an unstructured manner and protected only through generic confidentiality clauses in employment agreements, but have the protected information clearly defined and isolated, and covered by a specific set of protection measures.

The decision below provides a typical example where the plaintiff's case failed due to a lack of specificity around the information for which the protection was supposed to apply.

In final judgement in the case *Hecheng Power Company Ltd vs Shangu Steam Turbine Co. Ltd*¹³ ("*Hecheng Power*") before the Shanxi Provincial Higher People's Court (pre-dating the Amendments), the plaintiff claimed the defendants had misappropriated both technical information, relating to the production process of an electric motor component, and business information, relating to customers. However, the plaintiff failed to prove that either category of information qualified as protected trade secrets.

In regard to the protection measures, the plaintiff provided two documents as evidence: (i) a set of standard company regulations that included four paragraphs requiring all employees to maintain the confidentiality of the company's secrets of sales, business, and production technology, and (ii) a standard confidentiality clause

¹² (2019) Yue Zhi Ming Zhong No.457.

¹³ (2018) Shan Min Zhong No. 466.

in the labour contracts signed by all employees. The court found that these documents were not sufficiently specific as to provide protection for the particular claimed secret.

Regarding the customer list, the plaintiff claimed that through years of cooperation with customers it had accumulated detailed information about the clients, purchase history, buying intentions and knowledge of individuals within the customer company and that this constituted secret information which could not be derived through public sources. However, in support of this claim the plaintiff only provided invoices for transactions with 4 of its clients. The court found that this evidence did not prove that the plaintiff actually owned a body of information about customers that could be identified as a trade secret. There is further commentary on the issue of customer lists below.

This example shows the importance of having the claimed trade secret documented in a tangible form, and to ensure that specific protections are applied to those who have access to it. In contrast, in another case in our database, the plaintiff was successful, despite having only standardized confidentiality rules in place for employees, because the specific information for which they claimed protection had been clearly marked as “Confidential”. In that case, the combination of general confidentiality obligations on employees with specific markings on the confidential information was deemed a sufficient basis for protection.

While enforcement of restrictive covenants on ex-employees falls outside the scope of this report, it should be noted that Chinese law does allow employers to restrict their key ex-employees from engaging in competing business or working for a competitor for up to 24 months, provided that a certain minimum compensation is paid. Practitioners have noted some difficulties in enforcing these provisions in practice, and that Chinese courts appear to err in favour of mobility of ex-employees.

Customer Lists

Given that customer lists are the most common category of case in our dataset it is worth looking at these cases specifically. China’s courts have not been consistent in recognising when a customer list or customer data is protectable as a trade secret, given that customer lists may include publicly available information and common industry knowledge. A case decided by the SPC in 2019,¹⁴ which was listed amongst the SPC’s “model cases” for 2019 and which just pre-dates the Amendments, was decried by commentators as effectively eliminating customer data as a protectable category of information. However, the SPC Regulations Article 1 clarify that customer list and customer data, including customers’ purchase intentions and trading habits, can be protectable information. In contrast, Article 2 states that the mere fact of a trading relationship does not imply that customer information is protected, nor can protection be granted where a customer proactively deals with an ex-employee – in this case, the SPC Regulations try to prevent customer lists from becoming a barrier to competition.

Subsequent cases appear to be applying the SPC Regulations more consistently. In *Shijiazhuang Shimai Valve Manufacturing Co. Ltd vs Hebei Chuangmin Technology Co. Ltd et al*¹⁵, the SPC upheld a finding that merely providing contracts as proof of a trading relations did not imply that there was any protectable customer information, which is consistent with the earlier case mentioned in Sec.2 above, *Hecheng Power*.

In contrast, in the cases *Luoyang Ruichuang Environmental Engineering Co. Ltd vs Luoyang Yuanming Petrochemical Technology Co. Ltd et al*,¹⁶ heard by the SPC in Sep 2021, and *Shanxi Kexin Information Technology Co. Ltd et al vs Shanghai Xinlian Information Development Stock Corporation*,¹⁷ heard by the Shanxi

¹⁴ *Huayang Xinxing Technology (Tianjin) Group Co., Ltd. vs Mai Da Keer (Tianjin) Technology Co., Ltd* (2019) Zui Gao Fa Min Zai No.268.

¹⁵ (2020) Zui Gao Fa Zhi Min Zhong No.1695.

¹⁶ (2020) Zui Gao Fa Zhi Min Zhong No.726.

¹⁷ (2021) Jin Min Zhong No.3.

Higher Court in April 2021, the plaintiffs prevailed by demonstrating that the client data they held was highly detailed in relation to specific product and price requirements of the customers. The courts agreed that this information could not be obtained through public sources, was valuable, and that the plaintiffs had taken specific measures to protect it.

As noted in Part 1, customer list cases generally resulted in the smallest damages awards in our dataset, perhaps reflecting that the courts see this information as having less value than technical information. As trade secret litigation usually involves former employees, there may be an element of deterrence involved: while the case may not result in significant damages, the plaintiff might be aiming to send a message to its employees and personnel that it will actively enforce confidentiality obligations.

Section 3 - Statutory Damages, Punitive damages, & Injunctions

In common with other types of case in CIELA, in this dataset, 90% of winning cases resulted in damages awarded based on statutory compensation. Only 1 case saw an award based on punitive damages, 2 based on lost profits of the infringer, and 2 cases where no compensation was awarded.

The longstanding tendency for Chinese courts to use statutory (i.e., discretionary) limits for awarding damages is well known, owing to the pressures on courts to conclude cases quickly and avoid procedural complexity. It is a common misunderstanding that statutory limits are absolute limits on damages awards. This is not the case: courts may award damages based on the losses suffered by the plaintiff or the defendant's improper gains, which are not subject to specific limits, and even under the statutory damages methodology, there are examples of courts exceeding the statutory limits.

Article 17 of the Amendments has provided that punitive damages may be awarded of up to five times the number of actual losses suffered by the plaintiff, or the gains made by the defendant. This has been applied in only one case in our dataset: the judgement in *Tinci*, cited in Sec.1 above, was the first IP infringement case where punitive damages were awarded by the SPC. The SPC overturned the punitive damages of 2.5 times awarded by the first instance court and applied the maximum threshold of 5 times, awarding CNY 30 million. The SPC made this decision based on the egregious behaviour of Newman in several respects, notably its deliberate inducement of key technical personnel at *Tinci*, the international scale of its sales, which was solely based on the stolen trade secrets, its refusal to disclose its books and records for proper calculation of its profits, and its continuation of infringement, even after the arrest of its founder for the criminal offence of trade secret infringement.

Since this decision, a far bigger damages award has been issued by the SPC – an award of nearly CNY 159 million in the case of *Jiaxing Zhonghua*, involving misappropriation of a formula for producing vanillin. It is worth noting that this case was tried on the basis of the pre-Amendment law and therefore punitive damages were not available. Instead, the damages were calculated based on the plaintiff's losses, which nevertheless produced this enormous award. The SPC took into account a number of factors that, similar to the *Tinci* case, showed the defendant's wilful and egregious behaviour, including its violation of the lower court's injunction and its obstruction of evidence collection.

Historically unprecedented damages awards are a signal from the SPC to lower courts which is likely to bring an upward shift in damages for trade secret infringement.

Final & Interim Injunctions

As is common in China, final injunctions continue to be routinely granted by the courts. Our dataset shows 80% of winning plaintiffs were awarded injunctions, although breaches are not unheard of. On the other hand, preliminary injunctions, which can be particularly crucial to prevent imminent disclosure or use of a trade secret, remain rare for all types of IP case. There have been only a handful recorded since the first recorded case of a preliminary injunction for trade secret infringement granted to Eli Lilly and Company against a former employee.¹⁸ China's court databases still do not record the issuance of preliminary injunctions, so we have no clear data, but Chinese litigators confirm that preliminary injunctions are almost never granted.

Section 4 - Criminal Cases

While CIELA focuses exclusively on civil and administrative litigation data, trade secret misappropriation in China, as in other countries, can also attract criminal liability. Since the Public Security Bureau ("PSB") have extensive powers of interrogation and investigation compared with civil courts, it would seem preferable to have the PSB bring these powers to bear to uncover the surreptitious dealings that often lie behind trade secret infringement cases.

Based on a brief review of criminal judgments from 1 January 2015 to 31 March 2022, we found only 34 cases, of which 26 decisions were published in full. The majority of these cases involved technical secrets, and all but two resulted in successful criminal convictions.

Anecdotal information, including from practitioners, suggests that criminal investigation of trade secrets is challenging, partly because it is not a high priority of PSB units, and partly due to difficulties in establishing a monetary valuation for the secret subject matter, which is the legal threshold for prosecution. For example, data from Shenzhen City shows that between 2013 and June 2018, the City-level PSB received a total of 50 trade secret infringement complaints, of which 17 were rejected for investigation and 6 were withdrawn after the case was opened, meaning just over half proceeded to prosecution. In our dataset, only 2 of our civil trade secret cases were filed in conjunction with criminal prosecutions. This suggests that civil remedies are likely to remain as the main option for the aggrieved party to stop the infringement and obtain damages.



¹⁸ *Eli Lilly & Company vs Hwang Mou* (2013) Hu Yi Zhong Min Wu (Zhi) Chu Zi No.119.

CONCLUSIONS

Our report demonstrates that trade secret litigation in China has historically been rare and somewhat challenging for plaintiffs, with only a minority of cases where the plaintiff achieved a notably strong result. However, a shift is apparent with the Amendments and SPC Regulations, signalling an intention to give the courts more powerful measures to discover and sanction trade secret infringement. While trade secret protection is ultimately an internal matter for organizations, requiring diligent housekeeping of contracts, robust information security and a culture of compliance within the organization, IP owners can look to China's recent legislation and court decisions as a framework on how to make such measures most legally effective.

