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Criminal Protection of Trade Secrets in China

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This publication takes the form of a comprehensive overview of the current situation, laws and regulations on the Criminal Law protection of trade secrets in China, including measures and practices in dealing with trade secret infringement and suggestions for refining the legislation. The study aims to provide a reference for the Chinese criminal enforcement authorities for better understanding and handling of a relatively less explored area of industrial property protection.

It is undertaken in the framework of the EU-China IPR2 Project. Since its launch in 2007, IPR2 has developed a series of activities in support of strengthening the legislative framework and administrative, civil and criminal enforcement capacity in China and to promote cooperation between the EU and China on the protection of IP and international standards of IPR enforcement.

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Criminal Protection of Trade Secrets in China

by

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Chapter 1: The Current Situation of the Protection of Trade Secrets

In the era of commodity economy, the major purpose for people to work and produce is changing from meeting one's own needs to gaining profits through market competition. In this circumstance, producers and operators need to protect their trade secrets which are unknown to the public and are to be used to squeeze out their competitors in order to maintain and expand their competitive edge and maximise their economic benefits. The market economy stimulated people's initiative to create and fostered the information necessary to develop new or improved goods or services, the information that enables a company to compete effectively is a "trade secret"; however, it also induced the rampant infringement upon trade secrets. If such kinds of infringement are not deterred, reaping without sowing would be encouraged and to the detriment of business ethics and deterioration of the competitive environment. The permission of such infringement would impede the healthy and orderly development of market competition, frustrate the initiative of the market subjects who abide by business ethics, and thus hinder the increase of productivity. Today, the value of a trade secret is like the value of a factory to an enterprise. The damage suffered from a trade secret being stolen is bigger than that suffered from setting the factory on fire.[1] In the fierce market competition, trade secrets are indispensable for core competency of enterprises. Protecting trade secrets is an important way of gaining international competitive edge for enterprises. The case of "Rio Tinto Commercial Espionage" in 2009, with its high economic value and large damage to the enterprise, once again drew great attention on trade secrets from people all over the world. Countries all over the world again reached consensus on thorough protection of trade secrets and severe punishment for its criminal infringement.

1. The Definition of Trade Secrets

There were provisions on protection of general secrets in ancient times of the history of human civilisation, for example, *Hammurabi's code of laws* of 2100 B.C., provided that the one who spied upon others' secrets should get an eye gouged. However, legal systems especially for the protection of trade secrets were the result of the Industrial Revolution and the rapidly developing market economy in the early 19th century. In common law countries such as the United Kingdom and the United States, legal precedents on trade secrets constitute special laws on the protection of trade secrets.

[1] Kong Xiangjun: *The Theory of Legal Protection of Trade Secrets*, China Legal Publishing House, 1999, preface.

What is a trade secret? Different countries and relevant institutions each have their own definitions. Some refer to it as “trade secret”, some a “technical secret”, and some use both; others call it “business secret” or “nonpublic information” etc. However, there is no consensus on the concept of trade secret yet.[2]

(1) The Definition of Trade Secrets in Britain

Britain was the cradle of modern trade secret law. However, until now, there is no statute law on trade secrets protection in Britain; definitions on trade secrets primarily exist in legal precedents. In the long history of legal practice, British judges expressed their views in specific cases and formed some representative opinions. The mostly quoted definition on trade secret is from Lord Grill, “A trade secret is neither public property nor public knowledge.” This definition is very vague; it only set up a very low standard for trade secret. After that case, many judges quoted that definition, and set higher or lower specific standards according to the circumstance of specific cases.[3] At present, the criminal law of Britain only focuses on tangible materials for data storage, such as documents, computers, disks, microchips, not the intangible, such as data (information). Those who steal or acquire other people’s tangible materials which store trade secrets by fraudulent means can be convicted of the crime of infringement of property, sentenced to criminal detention, fined or given up to five years imprisonment. However, those who steal trade secrets by memorising them cannot be punished.

(2) The Definition of Trade Secrets in the United States

In the early period of American industrialisation more than 100 years ago, U.S. courts started to recognise trade secrets as property rights and protected them. More and more protection systems for trade secrets were established on this basis, and played an important role in preventing and restraining infringement of trade secrets.

The United States is a federal country. Based on its legislative system and history, the legislative power on trade secrets was primarily exercised by every state, and there is no unified statute law on trade secrets at the federal level. *Restatement of Torts* and *Uniform Trade Secrets Act* played an important role not only in unifying state laws, but also in developing and perfecting the legal system on protection of trade secrets. As part of *Restatement of the Law, Restatement of Torts* illustrated important legal principles induced from case law by The American Law Institute. In *The First Restatement of Torts* drafted by The American Law Institute in 1939, the definition of trade secrets was: All kinds of formulas, patterns, designs and source indexes used in commercial activities. Trade secrets could be chemical formulations, ways of manufacturing, processing or preserving materials and supplies, mechanistic models or client lists. The owner of trade secrets held a great advantage towards its competitors. *Uniform Trade Secrets Act* was approved by The National Conference of Commissioners on Uniform State Laws in 1979. It was a model law, and it only came into effect when adopted by the states. Until now, 38 states in the United States have adopted the basic frame of *Uniform Trade Secrets Act,* corrected and improved it in some

[2] Zhao Tianhong: *Research of Criminal Law Protection of Trade Secrets*, China Procuratorate Publishing House, 2007, Page 1.
[3] Peng Xuelong, Xiong Chengzhou: *Comparative Study on the Definition of Trade Secrets*, Journal of Guangxi Institute of Politics and Laws Management Personnel, 2003, the third issue.

respects according to different situations in different states. [4]The National Conference of Commissioners on Uniform State Laws improved *Uniform Trade Secrets Act* again in 1985, and defined trade secrets as: Trade secrets are specific information including formulas, models, products, plans, designs, means, techniques and crafts. In *The Economic Espionage Act* established by the American Congress in October, 1996, the definition of a trade secret was: a trade secret is any financial, commercial, scientific, technical, economical, engineering information of independent economic value, which is protected by the owner, not known to the general public, and can not be easily aquired through proper means.[5]

(3) The Definition of Trade Secrets in Germany

In Germany, the legal provisions on the protection of trade secrets are embodied in the *Anti-Unfair Competition Law*. However, this law did not set up a definition for trade secrets. The German Federal Court defined trade secret as: trade secret is all business-related, nonpublic information which the owner intended to keep confidential and has proper economic interests.[6]

(4) The Definition of Trade Secrets in Japan

In 1911, in the draft *Anti-Unfair Competition Law* established by the Ministry of Agriculture and Commerce Japan, Article 8, Article 9 and Article 15 were provisions on the protection of trade secrets. Article 8 was: "The aggrieved party can claim for damages if the secrets of business model, sample, manufacturing method or other technique were leaked or used by others without reason." Article 9 was: "In clientage or employment relationship, if the employee leaked any trade secrets acquired in its clientage or employment relationship, the aggrieved party can claim for damages." Article 15 was: "Those who convicted crimes described in Article 8 and Article 9 are to be sentenced up to 5 years in prison or fined up to one thousand RMB." In 1967, the Patent Association of Japan brought about "the proposal of protecting proprietary technology", suggesting the revisal of *Anti-Unfair Competition Law*. The proposal suggested that the law should specifically regulate the civil liability and criminal responsibility of stealing or disclosing proprietary technology. To meet the needs of trade secret protection, the draft amendment of the Criminal Law in 1974 once provided criminal responsibility of disclosing trade secrets. In 1990, provisions on trade secret protection were added to the amendment of *Anti-Unfair Competition Law.* In this amendment, the definition of trade secrets was: trade secrets are technological information and business information such as manufacturing or sales mode, which are of practical use in business, kept in secret, and unknown to the public. [7]In the amendment of *Anti-Unfair Competition Law* in 1993, the definition of trade secrets was: trade secrets are useful product manufacturing methods, marketing strategies or other practical technological or operational enterprise information. This kind of information must be kept in secret and can not be easily known by the public.

[4] Tang Haibin: *How the United States Protects Trade Secrets*, Law Press, 1999, Page1-2.
[5] Ni Cailong: *Laws on Protection of Trade Secrets*, Shangda Press, 2005, Page 1.
[6] Ni Cailong: *Laws on Protection of Trade Secrets*, Shangda Press, 2005, Page 3.
[7] Kong Xiangjun: *The Theory of Legal Protection of Trade Secrets*, China Legal Publishing House, 1999, Page 118-121.

(5) The Definition of Trade Secrets in France

In France, there is no *Anti-Unfair Competition Law* to regulate the protection of trade secrets. The trade secret protection is based on *French Civil Code*. Article 1382 of *French Civil Code (1804)* was deemed as the starting point of torts provision, the unfair competition was deemed as a special kind of tort, thus formed a series of legal precedent of restraining unfair competition. Article 1382 was: “The one who’s whatever intentional or negligent act caused damage to another should compensate for it” Moreover, the *Penal Code of France* provided the crime of stealing trade secrets. French law recognised three kinds of trade secrets: manufacture secrets, technology secrets and confidential business information.

(6) The Definition of Trade Secrets in TRIPS

Article 39 of TRIPS expressly provided the Protection of Undisclosed Information, is also the provision of trade secret protection. Though trade secret was in the name of “undisclosed information”, this was the first time that an international treaty provided protection for trade secrets. The “undisclosed information” should satisfy several conditions: (1) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (2) has commercial value because it is secret; and (3) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

(7) The Definition of Trade Secrets in China

The PRC Technology Contract Law enacted in 1987 was the first law concerning trade secrets in China. It provided for a claim in contracts concerning technology secrets. *The PRC Civil Procedure Law* enacted in 1991 first mentioned the concept of trade secrets, provided that civil cases concerning trade secrets can be tried *in camera*. In The Supreme Court’s Judicial Interpretation of *the PRC Civil Procedure Law* in 1992, Article 154 provided that trade secrets mentioned in Article 66 and Article 126 of the Civil Procedure Law, refers to one’s confidential technology secrets and business intelligence or information, such as manufacturing art, formulas, trade contacts, distribution channels, etc.” Though the judicial interpretation confined the trade secrets protection in the scope of civil suits and did not reveal the essential meaning of trade secrets, it specifically defined the range of trade secrets, which declared the direction of legislation on trade secrets protection. In the *Memorandum of Intellectual Property Protection* signed by the Chinese and U.S. government in 1992, China committed to protect trade secrets and submit relative legislation bills to the legislative body as soon as possible.

In *PRC Anti-Unfair Competition Law* enacted in December, 1993, Article 10 provides a definition of trade secret. Pursuant to Article 10*,* trade secret is technical information and operational information which is not known to the public, capable of bringing economic benefits to the right holder and has practical applicability; and the right holder has taken measures to keep it confidential. Not known to the public, means the information can not be required through public channels. Capable of bringing economic benefits to the right holder and has practical applicability means the information has definite practical applicability,

capable of bringing actual or potential economic benefits or competitive advantages. The enactment of *Anti-Unfair Competition Law* was a milestone of China's legislation on the protection of trade secrets. *Several Provisions on Prohibiting Infringement upon Trade Secrets*, Article 2, Clause 5 provided that "information about technologies and business operations" as mentioned in these Provisions includes designs, procedures, formula of products, manufacturing techniques and methods, management secrets, name list of customers, information about resources, production and sales strategies, bottom price of a bid, contents of a bidding document, etc. In *Notice of Strengthening State-owned Enterprises' Trade Secrets Protection* promulgated by the General Office of the National Economic and Trade Committee in July 2nd, 1997, Article 1 provided that trade secrets mainly are manufacturing methods, technologies, crafts, formulas, data, programs, designs, client lists, information about resources, bidding documents and other information about technologies and business operations. In *Several Provisions on Strengthening the Management of Technology Secrets in scientific and technical personnel Flow*, Article 2 provided that the technology secrets owned by enterprises, including but not limited to design papers (including drafts), experimental results and experimental records, craft, formula, samples, data and computer programs, etc.. Technological information could be technological plans with complete content about a product, a craft or materials, or the key technology of a product, consumable materials or other technologies.

In the amendment of PRC Criminal Law in 1997, the "crime of infringing upon trade secrets" was added in the chapter of crime of intellectual property rights. It was the first time that China's legislation defined trade secrets as intangible property, which belonged to the scope of protection of intellectual property.

2. The Characteristics of Trade Secrets

(1) Secrecy

Secrecy is the most distinct characteristic of trade secret which distinguish it from patent technology and publicly-known technology. It is also the precondition of trade secrets' economic value and legal protection, and one of the primary characteristics which distinguish trade secret from other intellectual property rights. Publicly known, easy-to-get information can not enjoy any advantages, thus it needs no protection from the law. Once a secret becomes piblic, its owner will lose the competitive advantages and no longer need protection. Trade secrets are not absolute secrets; its secrecy consists of relative secrecy and taking measures to keep it confidential. The condition of the secrecy of trade secrets is the integration of "not known to the public" and "the owner has taken measures to keep it confidential". The former reflects the secrecy of trade secrets, while the latter reflects the efforts made by the owner for the protection of trade secrets.

(2) Value

A trade secret must have value; otherwise there is no need to protect it. Value means the technology information or operational information has definite applicability, and can bring actual or potential economic benefits or competitive edge to the owner. Being capable of bringing actual or foreseeable competitive advantage to the owners the reason why the law

should protect it. In other words, the law protects that the competitive advantage maintained by a trade secret shall not be weakened unreasonably. If secret information has no business value or cannot bring competitive advantage, then it cannot be deemed as a trade secret.

(3) Practicability

Practicability means a piece of information has definite applicability and operability, and can be applied in the practice of business management and operation. Practicability distinguishes trade secrets from abstract theory of technology and theory achievements of operating management. This is not just because abstract theory can be freely applied and excessive monopolistic protection would hinder public interests, but also because the embodiment of abstract concept, principle and theory must require more labor. To judge the practicability of a piece of information, consideratnion should be laid upon the integrity of its content, the independence from the subject, and whether it can be transferred for a quid pro quo.

(4) Novelty

Clause 2 of Article 39 of TRIPS, defined a trade secret as: “a secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known (secrecy) among or readily accessible (novelty) to persons within the circles that normally deal with the kind of information in question.” The minimum requirement for novelty is a negative requirement, which is the information can not be existing ordinary information in the industry. As long as the requirement is met, the information could possibly be protected by law. The level of novelty of trade secrets could be different.[8]

In real life, the standards for judging novelty are as follows: Firstly, whether the information has been published in publications. The publications include officially published books, newspapers, magazines and patent documentations etc. Other written publications include printing materials, manuscripts, advertising materials, as well as microfilm, recording, video cassette, etc. Secondly, whether the information has been publicly used, namely whether the trade secret has been broadly applied in industry and commerce, teaching or scientific research, or personal exhibition, implementation, sale, transfer, etc. Except for using trade secrets by means that lead to public knowlege, the public usage of trade secrets also includes showing, selling or exchanging products manufactured by using trade secrets. Thirdly, whether the information has been acquired by the public through other ways, include conversation, statement, audio-visual presentation, and simulation presentation that could lead to public knowledge of the content of the trade secret.[9]

3. The Legal System of Protection of Trade Secrets in China

(1) The Basic Protection from the Civil Law

Trade secrets are usually infringed by breaching contract or tort, thus the Civil Law relief is necessary. Article 118 of *General Principles of the Civil Law of the People's Republic of China* provides that: “If the rights of authorship (copyrights), patent rights, rights to exclusive use of trademarks, rights of discovery, rights of invention or rights for scientific and technological

[8] Zhang Yurui: Trade Secrets. *Legal Risks and Countermeasures for Commercial Bribe*, Law Press, 2005, Page 50.
[9] Xu Defeng: *Legal Practice of Enterprises' Protection of Trade Secrets,* China Machine Press, 2004, Page 10.

research achievements of citizens or legal persons are infringed upon by such means as plagiarism, alteration or imitation, they shall have the right to demand that the infringement be stopped, its ill effects be eliminated and the damages be compensated for."

(2) The Legal Protection from the Anti-Unfair Competition Law

The *Anti-Unfair Competition Law of the People's Republic of China* adopted by the Third Session of the Standing Committee of the Eighth National People's Congress On September 2nd, 1993, prescribed infringement upon trade secrets as unfair competition, marking the initial establishment of the legal system of protection of trade secrets in China. Article 10 of the *Anti-Unfair Competition Law* provides the types of infringement in detail, " The following acts infringe upon another's trade secrecy: 1. obtaining right holder's trade secrets by stealing, luring, coercing or any other unfair means; 2. Disclosing, using or allowing another person to use trade secrets obtained from the right holder by means mentioned above; 3. Disclosing, using or allowing another person to use trade secrets he or she knows, in breach of an agreement with the right holder or against the right holder's demand to keep secret; 4. Obtaining, using, or disclosing other's trade secrets by a third party who already knows or should have known the illegal acts about the trade secrets above mentioned is deemed an infringement". Nowadays, most countries in the world provide legal protection for trade secrets via Anti-Unfair Competition Law.

(3) The Legal Protection from the Contract Law of the People's Republic of China

Many articles of the *Contract Law of the People's Republic of China* promulgated in 1999 involve trade secrets. Article 43, Article 60 and Article 92 respectively provide each party's duty of secrecy in the step of concluding, performing and termination of a contract. Article 43 specifically provides: "A party may not disclose or improperly use any trade secret which it became aware of in the course of negotiating a contract， regardless of whether a contract is formed. If the party disclosed or improperly used such trade secret， thereby causing loss to the other party， it shall be liable for damages." This article clearly increases the level of protection of trade secrets. Article 347 provides that the transferor under a contract for the transfer of technological secret shall, in accordance with the contract, supply technological materials, provides technical guidance, and warrant the practical applicability and reliability of the technology, and be bound to maintain confidentiality. Article 348 provides that the transferee under a technological secret transfer contract shall use the technology, pay the licensing fee and maintain confidentiality according to the terms of the contract.

(4) The Legal Protection from Labor Law of the People's Republic of China

The *Labor Law of the People's Republic of China* enacted on January 1st, 1995, provides that laborers should "observe professional ethics". The professional ethics includes that laborer should undertake the duty of keeping trade secrets. Meantime, *The Labor Law of the People's Republic of China* and *The Labor Contract Law of the People's Republic of China* also provide that an employer may enter into an agreement with his employees in the labor contract to require his employees to keep the trade secrets confidential. The parties can reach an agreement on the scope of trade secret, the ways of keeping confidential, the period of secrecy and its form etc. The purpose of this clause is to protect the economic interests of

the employer, prevent employees from leaking the employer's trade secrets on purpose and the resulting economic loss to the employer. Once an employee breaches this clause, he or she should undertake corresponding legal responsibilities.

(5) The Legal Protection from Administrative Laws and Regulations

China has made great efforts in protecting trade secrets by administrative laws and regulations. *Several Provisions on Prohibiting Infringements upon Trade Secrets* promulgated by the State Administration for Industry and Commerce specifically provides that if an employee breaches the contract or its confidentiality clause and causes economic loss to the emplyer, he or she should be liable for damages. There are similar provisions in *Temporary Provisions for Administrative Penalty made by the Administrative Agency for Industry and Commerce*. When an enterprise believes that its trade secrets have been infringed, it can apply to industry and commerce administrative institutions/authorities for investigating and punishing the infringement. It may make a request for mediation of compensation to the industry and commerce authority when it suffers damage, and the industry and commerce administrative authority may mediate after acceptance. The enactment of the *Interim Provisions on the Protection of Trade Secrets of Central Enterprises* promulgated by the State-owned Assets Supervision and Administration Commission of the State Council on March, 25th, 2010, gives definitions on central enterprises' trade secrets. The Interim Provisions provides that a central enterprise shall legally determine the scope of protection of its trade secrets, mainly covering: business operation information including strategic plans, management methods, business model, restructuring and listing, merger, acquisition and deinsitutionalising, property right transactions, financial information, investment and financing decisions, production, purchase and sales strategies, reserve of resources, clients information, and bidding and tendering issues, etc.; and technical information It also requires the central enterprise to determine the term of confidentiality of a trade secret by itself.

(6) The Legal Protection from the Criminal Law

China first established criminal law protection of trade secrets on account of state interests. In the *Criminal Law of the People's Republic of China* enacted in 1979, Article 186 provides: "Any state functionary who divulges important state secrets, in violation of state laws and regulations on the protection of secrets, if the circumstances are serious, shall be sentenced to fixed-term imprisonment of not more than seven years, criminal detention or deprivation of political rights. If a person who is not a state functionary commits the crime mentioned in the preceding paragraph, he or she shall be punished in the light of the circumstances and in accordance with the provisions of the preceding paragraph." In *Supplementary Provisions of the Standing Committee of the National People's Congress Concerning the Punishment of the Crimes of Divulging State Secrets* promulgated in September 5, 1988, "Persons who steal, spy on, buy or illegally provide state secrets for institutions, institutions and people outside the country shall be sentenced to fixed-term imprisonment of not less than five years and not more than ten years; if the circumstances are relatively minor, the offender shall be sentenced to fixed-term imprisonment of not more than five years, criminal detention or deprivation of political rights; if the circumstances are especially serious, the offender shall be sentenced to fixed-term imprisonment of not less than ten years, life imprisonment or the

death penalty and shall be deprived of political rights concurrently." These regulations were closely related to China's situation at that time. When China just began to open to the outside world, the secrets in every industry were basically in the form of state secrets, thus there was no protection measure for trade secrets of enterprises or individuals. Until the end of 1980s, the range and amount of China's opening to the outside world in the economic sphere was rapidly increasing, and it was a desirability to strengthen the protection of state secrets. However, at that time, the protection of trade secrets for private enterprises and joint ventures has been provided by civil laws.[10] From the *Law of the People's Republic of China on Technology Contracts* in 1987, to the *Civil Procedure Law* in 1991, to *Anti-Unfair Competition Law* promulgated in September 2nd, 1993, which specifically defines the infringement upon trade secrets as an act of unfair competition, these laws did not provide the infringement upon trade secrets as a crime. Due to the vacuum in the criminal law legislation, judicial officers often encountered situations where a person infringed upon trade secrets seriously and caused great economic damage to the owner of the trade secrets, but could not be convicted any crime. Given the circumstances, *Several Interpretations on the Application of Law in Handling Larceny Cases* promulgated in December 11th, 1992, provided that public or private property not only includes tangible money and property, but also includes "intangible property such as electricity, coal gas, natural gas and important technological achievements." According to this interpretation, if the infringement upon trade secrets constituted a crime, it could be convicted larceny. It signified that China began to incorporate the protection of trade secrets into the system of criminal laws. Article 5 of The *Opinions on Handling Economic Crimes in Scientific and Technological* Activities promulgated in June 1994 by the Supreme People's Procuratorate and State Scientific and Technological Commission provides: "For illegally stealing technological secrets, if the circumstances are serious, larceny should be convicted." The *Notice on Further Strengthening Legal Protection of Intellectual Property Rights* promulgated by the Supreme People's Court in September 1994 provides that those who steal important technological achievements should be convicted larceny.

In the amendment of the Criminal Law in 1997, "the crime of infringing upon trade secrets" was added in the chapter of the crime of intellectual property rights. It was the first time trade secrets are defined as intangible property in Chinese legislature, namely intellectual property rights. In short, to treat serious infringement upon trade secrets as a crime and pursue the offender's criminal responsibility is a common legal practice to protect trade secret for countries all over the world. The system of criminal responsibility strengthens the system of civil liability of the *Labor Law, Civil Law, Contract Law* and *Anti-Unfair Competition Law*.

(7) Other Legal Protections

Article 14 and Article 36 of The *Audit Law of the People's Republic of China* adopted in August, 1994, provides the auditing officers and auditing offices' duty of keeping trade secrets confidential. Article 33 of the *Law of the People's Republic of China on Lawyers* adopted in May, 1996, provided that a lawyer shall keep trade secrets he became aware of during his practices confidential Article 36 and Article 46 of the *Price Law of the People's Republic of*

[10] Dang Jianjun: *The Crime of Infringing upon Intellectual Property Rights*, Chinese People's Public Security University Press, 2003, Page 15.

China respectively provided that government pricing officials should not disclose trade secrets that he or she knows and the legal consequences of leaking trade secrets.[11]

4. The Theoretical Basis of Criminal Protection of Trade Secrets

(1) The Meaning of Criminal Law Protection of Trade Secrets

Based on the legislation and judicial practice of countries all over the world, with the developing of social economy and the increasing amount of infringement upon trade secrets, the all-wave legal protection of trade secrets, especially the criminal law protection, has become a common tendency of legislation. The reasons for countries all over the world providing serious infringement upon trade secrets as a crime and combating trade secrets infringement with a criminal approach are as follows:

I. The Objective Requirement for Protecting the Interests of the right holders of Trade Secrets

As a special kind of intangible property, trade secrets play a more and more important role in the market economy nowadays. Enterprises can take advantage of the technological advantage and operational advantage brought about by the trade secrets they owned to gain excess profits than others. However, though trade secrets themselves imply great commercial value, they have very high risk. To explore a trade secret, an enterprise must devote tremendous manpower, material resources and financial resources into it. At the same time, the enterprise still needs to spend some money to keep its secrecy. Therefore, if the trade secret is illegally acquired by others, or disclosed to the public, or used by competitors without compensation, the enterprise is not only difficult to recover its huge amount of research cost, but also difficult to maintain its competitive advantages. Consequently, the developer would suffer great loss, people's creativity and enthusiasm would be frustrated seriously and the development of technology and operation would be hindered. The rules and regulations of an enterprise and ethics cannot restrain its flowing employees who know trade secrets. Regulations with compelling force enacted by state authorities are needed to protect enterprises' legitimate interests and restrain the infringement upon trade secrets by its emplyees. Therefore, conducts such as stealing trade secrets by espionage, or using the former employer's trade secrets when employed by a new employer, should be punished by law. Otherwise a healthy and orderly economic order could not be established, thus affecting the development of production and the prosperity of commerce.

II. The Need for Respecting Business Ethics and Maintaining Market Competition

In theory, trade secret is information which the owner acquired by investing money and energy, and the owner's purpose is to take advantage of it to maintain its competitive advantages.[12] As above mentioned, trade secrets play an increasingly important role in the economic development, thus the infringement upon trade secrets not only damages the legal rights of the owner, but also endangers the normal order and normal activity of the entire social economy. The infringement also goes against the business ethics of honesty and

[11] Xu Hualan: *The Current Situation of the Protection of Trade Secrets in China*, Market Weekly. Theory Research, 2008, the 11th issue.

[12] Kong Xiangjun: *The application and improvement of Anti-unfair Competition Law*, Law Press, 1998, Page 387.

credibility. It can be said that the protection of trade secrets implies the preservation of business ethics from the start. Back in Ancient Rome, there were provisions on the protection of trade secrets and the idea of relating it to the preservation of business ethics was formed. In 1973, the Supreme Court of the United States pointed out: “The purpose of the protection of trade secrets is preserving business ethics; good faith, honesty and credibility guarantee the vitality and energy of commercial activities.” [13]On the other side, fair competition is the basic principle of market economy, infringement upon trade secrets is an unfair competitive act, and it not only damages the legal rights of the owner, but also destroys the environment of fair competition of the market and disturbs the orderly development of market economy. Therefore, infringing upon trade secrets goes against business ethics and harms the competition order. The purpose of trade secret protections provided by the anti-competition law, law of torts and the contract law is to preserve business ethics and fair competition. Many countries regulating the infringement upon trade secrets in the law of anti-unfair competition is a demonstration of this purpose.

III. The Need for the Protection of Economic Globalisation

With the development of foreign trade and people’s increasingly deepening understanding of trade secrets, more and more people accept the idea that trade secret is a special kind of intellectual property right. In the era of WTO, intellectual property rights together with trade in goods and services has become one of the three pillars of world trade. The criminal law protection of trade secrets is the need for further stimulating the cooperation and exchange of international economic technology, and also the need being in line with international practices.

(2) The Legal Principle of the Criminal Law Protection of Trade Secrets

I. The Contract Law Theory

In early theory of legal protection of trade secrets, the contract law theory was the main theoretical basis. The contract law theory was based on contract. On the one hand, the contract made it clear that both parties should undertake the duties of keeping trade secrets confidential; on the other hand, when there was no clause on the duty of confidentiality, if both parties implied ipso facto they should keep trade secrets confidential, it could be deemed that both parties agreed to keep the secrecy. No matter which kind of contract was adopted, the contract per se should be the basis for holding the existence of tort. However, this theory has its flaws: first, there were limitations for the clauses of a contract. For infringement upon trade secrets which the contract did not prescribe at the beginning, effective protection is hard to realize. Second, when there was even no implied contract, the protection of trade secrets lost its basis. For example, if a third person who has no direct relationship or contractual relationship with the owner of trade secrets, acquired the secrets illegally and leaked the secrets, the person could not be punished for tort according to the theory of contract. Therefore, the largest limitation of contract law theory is that it could not confront the third party’s infringement upon trade secrets. To make up for this limitation, countries which adopted this theory are making efforts to change the jurisprudence of ttrade secrets ptotection from contract law theory to torts law theory.

[13] Dai Yongsheng: Comparative Study on Trade Secrets Law, East China Normal University Press, 2005, Page 3.

II. Torts Theory

As there were limitations in the contract law theory when there was no contract, the torts theory emerged. This theory regards the leaking or unlawful use of trade secrets as torts, and the tor-feasor should undertake tort liability. This theory directly reflected the protection of the owner's legal rights and interests. The emergence and development of torts theory makes up for the flaw of contract law theory, when there were no implied rights and obligations, based on the doctrine of equity, the infringement could be punished and the legitimate interests of the owner of trade secrets could be protected. Due to the fact that torts law no longer emphasises the contract between the parties, it could be said that the torts law theory was a theory with strong applicability. However, it did not manifest the punish-worthy of the infringement's impacts on damaging fair competition and fair trade. Based on the view of maintaining the order of market economy, people changed their approach to anti-unfair competition theory.

III. Anti-unfair Competition Theory

The anti-unfair competition theory considers trade secrets as a kind of competitive advantage, and infringement upon trade secrets is unfair competition. Regardless of the nature of the trade secrets, the anti-unfair competition theory focuses on analysing whether there is a justified subjective intent or legitimate means in acquiring trade secrets. If a person intends to illegally acquire someone else's trade secrets, and takes measures which the law forbids to acquire trade secrets, his behavior is infringing upon trade secrets, thus ought to be restrained and punished. The anti-unfair competition theory protects the trade secrets from the perspective of maintaining the order of social economy; it not only corrects the illegal behavior of infringing upon trade secrets, but also attains the goal of optimising the interests of the whole society by regulating the individual's behavior in society.

IV. Property Rights Theory

The property right theory emerged and developed in the 1950s, in this theory, trade secrets were deemed as a kind of intellectual property right or intangible property, and were as valuable as tangible property. Property is the recognized material basis for any social formation or any period of social development. Every country in the world protects property by criminal laws. The property right theory of trade secrets has been adopted by the legislation of our country. In *Several Provisions on Prohibiting Infringement upon Trade Secrets*, Clause 6 of Article 2 provides: "In this provision, the right holder includes citizen, legal person or other institution that enjoys the proprietary right or the right of use of trade secrets." We can easily conclude that the laws in our country has admitted trade secrets as an intangible property, it has its own value and can bring competitive advantage to the owner. The owner of trade secrets enjoys the rights brought by the trade secrets. As a result, according to this theory, it is well-reasoned that the protection of trade secrets needs criminal law.[14]

(3) The Basis for Criminal Protection of Trade Secrets

[14] Zhao Tianhong: *Research of Criminal Protection of Trade Secrets*, China procuratorate Publishing House, 2007, Page 41-44.

In real life, for common infringement upon trade secrets, most of them are solved by civil or administrative remedy. However, for infringement which brings serious damage to the owner, the civil or administrative remedy is far from enough. Judging from the legislation in countries all over the world, protecting trade secrets by criminal law has become a tendency for modern criminal legislation.

I. Serious Social Harmfulness is the Premise for Incrimination

It is well known that the premise for incrimination is social harmfulness. Only acts that are harmful to the society need be incriminated. This is a basic principle. With regard to economic crime, when the lawmakers and judicial officials are determining whether an act should be deemed as a crime, they probably would consider factors such as social harmfulness, the function of criminal law and function of crime. Among them, social harmfulness probably would be the factor of first importance.[15] With the development of market economy in China, the tendency of scientific, technologic and economic globalisation, and the growing competition of technology and trade, trade secrets' proportion in an enterprise's property rights has been increasing, and their importance has been constantly appreciated. Meantime, more and more enterprises not only protect their trade secrets with greatest effort, they also try their best to control others' trade secrets. The infringement upon trade secrets is getting more and more serious, it brings serious harm to China's normal socialist market economic order as well as the owner of trade secrets. As the most rigorous law in protecting social relations, the criminal law bears the responsibility of the protection and promotion of social economic development. Richard Allen Posner, a famous American scholar of economic analysis of law, considers that the major function of the criminal law is to prevent people from avoiding the market efficiency of voluntory compensatory transaction. The crime of infringing upon trade secrets is a most serious theft which steals intellectual property rights from the owner, brings serious damage to the owner and is a mandatory transaction that evades market. As the most rigorous law to protect rights, the criminal law is the first requirement and best choice for the protection of intellectual property rights and the absolute denial of illegal infringement. As we know, as an intangible property, trade secrets can bring tremendous economic benefits to the owner. Serious infringing upon this kind of property rights would bring serious economic loss to the owner. Compared to other crimes which bring economic loss to the owner, the social harmfulness which the infringement upon trade secrets brings could not be less. At the same time, intellectual property rights relate to the public interest of the society. Infringement upon trade secrets not only damages the benefits of the owner, but also damages the normal order and activity of the whole social economy, ruins the environment of fair competition and harms the public interests. Therefore, the criminal law should intervene and play its unique role of punishment and deterrent to enhance the protection of trade secrets, stimulate innovations effectively, arouse the enthusiasm of laborers, defend the legal rights of the owner of trade secrets, strengthen the vitality of market and advance the development of social economy.

II. The Deterrence of Penalty is Irreplaceable

[15] Wei Dong: The Basis of the Incrimination of Modern Criminal Law, China Democratic Lgeal Press, 2004, Page 10-12.

The crime of infringing upon trade secrets is different from other ordinary violent crimes. The criminals of infringement upon trade secrets want to acquire economic benefits and competitive advantages. They are often well-educated and possess the knowledge and skills of certain areas. To these people, the severity of criminal law can bring them great deterrence, and only criminal law can do that. The protection of criminal law is the final protective screen of the legal protection of social relations, and it is also the final legal measure for adjusting and protecting social relations. The criminal law can punish criminals through depriving or limiting the rights of criminals, deter and educate the potential criminals, and finally achieve the purpose of controlling crime and protecting rights. Therefore, it is of great importance to those who try to steal or illegally uses others' trade secrets that criminal law defined infringement upon trade secrets which causes certain consequences as a crime and renders severe penalty. Besides, the criminal laws of many countries have adopted the crime of infringing upon trade secrets and punish it, such as Germany, the United States and Japan. Therefore, protecting trade secrets by criminal law is consistent with world jurisprudence trends and its practical requirements.

Chapter 2: The Causes and Characteristics of the Crime of Infringing upon Trade Secrets

1. The Causes of the crime of infringing upon Trade Secrets

As the lifeline and significant property of business operation, the value of trade secrets to an enterprise is as blood to a person, which certainly brings about complex economic problems as well as law issues[16]. The crime of infringing upon trade secrets closely accompanies the steady increase of the importance of trade secrets in the era of knowledge economy. Nowadays, the crime of infringing upon trade secrets has spread all over the economy and social affairs, which seriously undermines the rights and interests of the legal owner and causes a rather negative social influence.

(1) Commercial Incentive is the Main Cause of the Crime of Infringing upon Trade Secrets

The very basic underlying force as well as the root of trade secrets leakage crimes is the massive property value and competitive advantages brought about by trade secrets. In a circumstance of economic globalisation together with technological progress and intense worldwide competition, the creation, possession and operation of intellectual resources have become key factors for the occupation of competitive advantages and the enhancement of overall national strength. It is because that the intangible properties as trade secrets are more and more valuable and are capable of providing enterprises with considerable economic benefits as well as competitive advantages in market to procure larger commercial revenue, or even are critical to their life and death. Thus some lawbreakers do all manner of evil in pursuit of interest, risk danger in desperation with fluke to commit crimes in spite of law and look forward to maximum return at the price of minimum cost, and hence trade secrets usually become the target for these lawbreakers as well as the object of infringement. As what Karl Max criticised capitalism, "Once there're appropriate profits, capital is bold up. With

[16] Zhang Yurui, *Trade Secrets and Trade Bribe—Legal Risk and Countermeasure*, Law Press, 2005, p6

10% of profits, it is ensured to be used everywhere; with 20% of profits, it is active; with 50% of profits, it is desperate; to 100% of profits, it dares to trample on all human laws; to 300% of profits, it dares to commit any crime or even to take the risk of hanging." For instance, Wu, Li and Xiao used to be employed by a heavy industry machinery group at Liuzhou, Guangxi Province. Wu was responsible for the manufacture and management of machineries such as horizontal directional drilling machine. Li was the whole machine verification director of quality control department of heavy industry machinery group. Xiao was the head of technology development department of the group. All three of them were the technical backbones of the group in control of some core technologies within the group. They resigned successively during May, 2006 and incorporated a drilling machine company at Liuzhou. Wu didn't hand in the laptop of the former company when he quitted, but copied a great deal of confidential documents, operation information and technical information stored in the laptop on the contrary, including a type of horizontal directional drilling machine designed by a subsidiary corporation of the group, a heavy industry machinery company in Guilin, as well as its digital blueprint. Relying on these stolen core technologies, the Liuzhou drilling Machine Company founded by them manufactured products very quickly, and the process of manufacturing certain type of horizontal directional drilling machine designed by the Guilin heavy industry machinery company was fully applied to their own product line, which had already produced a batch of drilling machines. 47 machines had been sold until July, 2008 and the turnover was over 21 million RMB. The overspeed of product development and manufacture of the Liuzhou drilling Machine Company attracted their former employer, the Liuzhou heavy industry machinery group's attention. The Guilin heavy industry machinery company found these products were exactly the same as theirs after a comparison on samples. Therefore, the Liuzhou drilling machine company was sued in court. After identification by the judicial expertise of intellectual property, the technology information contained in the blueprint of the horizontal directional drilling machine owned by the Liuzhou heavy industry machinery group was determined not known to the public, and the defendant, the Liuzhou drilling machine company's technology information noted by its blueprint of the horizontal directional drilling machine was identical to it. The Liuzhou drilling machine company was convicted of infringement upon trade secrets, resulting in a loss of over 2.38 million RMB to the Liuzhou heavy industry machinery group and the Guilin heavy industry machinery company according to preliminary estimate[17].

(2) Inadequate Measures of Trade Secrets Protection

An enterprise in a market of keen competition should protect its trade secrets from theft by its competitors in order to be established in a changing market or even to make significant development. Once its trade secrets are obtained by competitors, the enterprise can face fatal losses, which will threaten its existence. Speaking from the point of view of an enterprise, the inadequate legal consciousness on trade secrets protection and the lack of strict security mechanisms as well as the failure of management will make it easier for competitors to obtain this information. Trade secrets are the primary source of income of a company, however ensuring their protection is not always given due consideration; instead opening up

[17] Chen Ruihua, *A Guangxi Company was Penalized for over 2.38 Million RMB due to The Crime of Infringing upon Trade Secrets*, http://news.qq.com/a/20100804/001513.htm, last visit at Jan 20th, 2011

opportunities to be exploited by the competition. Although some companies contracted with employees on the confidential affairs, but most of them become a mere formality that they only provided their relevant responsibilities in a general form with ordinary content, and they hardly make any agreements on non-competition. Some of the senior staff, especially the technical backbones, lack trust on the company when they retire, while the young technical staff and employees lack the tradition of confidentiality, plus the company seldom carries out propaganda and education on the law and regulations on secrecy. They disclose trade secrets consciously or unconsciously driven by the incentive of economic interests and the temptation of money, favor, and relationship etc. According to an investigation of some US enterprises, 30% of the leakages of trade secrets are due to the present employees and 28% due to the retired employees. For example, an eastern chemical factory spent 150 thousand RMB to introduce a technology for producing cystine and its economical return was considerable after this product was launched. But a technician named Wang who engaged in the testing manufacture job-hopped to a biochemical factory established at suburb because of luring by the biochemical factory. He made use of the trade secrets, such as product formulation and technical process controlled by him, to direct the manufacture of cystine product; with the success of the first trial run, the cost of research was reduced and the period of production shortened. Additionally, it competed with the eastern chemical factory with a lower price and dominated the market quickly, bringing significant financial losses to the chemical factory[18].

(3) The Loopholes of Criminal Law Legislation

The technology developed at the cost of huge amount of capital would be cheaply resold or stolen, which making the company suffers a great loss, but the relevant infringing parties are at large because of the loopholes of law. The loopholes of criminal law legislation for trade secrets protection affected the criminal law protection of trade secrets.

I. The Criminal Threshold for the crime of infringing upon Trade Secrets is comparably high

According to Article 219 of the *Criminal Law*, in the objective aspect, this crime can only be convicted when a harmful consequence which brought about significant losses to the right holder of trade secret occurred. *Interpretation on Several Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Rights* (hereinafter referred to as The Judicial Interpretation), promulgated by the SPP and SPC in December 2004, further makes it clear that an act provided in Article 219 of the *Criminal Law* which causes loss over 500 thousand RMB to the trade secrets right holder is deemed as "bringing significant loss to the right holder", and will be punished. Therefore, in the course of dealing with the crime of infringing upon trade secrets in judicial practice, apart from the verification of whether the victim's technology meets the legal requirements of trade secrets, whether the victim's trade secret is the same as what the defendant possessed or used in practice, the most difficult task for the police, procuratorate and court is the determination of the amount of losses. According to The Judicial Interpretation, "significant loss" in the

[18] Dongguan Intellectual Property Knowledge Database, *Protection of Trade Secrets*, http://www.dgzl.gov.cn/repository/client/detail.jsp?infoID=1113530291190748, last visit at Feb 18th, 2011

Criminal Law means" causing a loss over 500 thousand RMB to the right holder" via restrictive interpretation, hence the identification of "significant loss" is based on a certain amount of money.

Take Shenzhen Huawei Company, which suffers from many cases of its intellectual property rights being infringed, as an example. The vice chairman of the board, Song Liuping said that the market value of a source code of a product developed by them was evaluated at 200 million RMB. But to her surprise, Tang, an employee at the research and development department sold the source code at a price of 1.2 million RMB to a Shenzhen communication company and received 200.000 RMB illegal profit as the first installment. Tang was arrested after Huawei reported it to the police but was not prosecuted for criminal liability because of the failure to identify whether the loss suffered from Tang's act reached the criminal threshold of 500.000 RMB. The buyer was free of liability for good faith acquisition.

There was another similar case: Shenzhen ZTE Company also experienced a case of secret divulgence. ZTE had a high possibility of winning a public bid for a communication project worth millions based on its competences. However, ZTE failed to win the bid when it was opened. The reason for the failure was that an employee of ZTE sold the company's bid document to its competitor for 60.000 RMB. Similarly, due to the unsuccessful identification of whether the loss of ZTE amounted to 500.000 RMB, plus there maybe multiple causes to the failure of bidding, the report by the company to the police was not filed, even though the judicial authority was willing to help but unable to do it[19].

It is obviously unreasonable that a direct financial loss over 500 thousand RMB should be the line between crime and other illegal act. The value of trade secrets lies in its confidentiality, and once the information is attained or disclosed illegally, its value will be destroyed. Therefore, it can't be incriminated solely based on a criterion of a direct financial loss over 500 thousand RMB. Article 73 of The Provisions on Prosecution Standard within the Jurisdiction of the Public Security Institution in Criminal Case Part.2 (hereafter referred to as The Prosecution Standard 2), promulgated in May, 2010, prescribed new standards for the identification of "significant loss": (1) the loss suffered by the right holder exceeds 500 thousand RMB; (2) the illegal gains by the crime of infringing upon trade secrets are over 500 thousand RMB; (3) it incurs the bankruptcy of the right holder of trade secrets; or (4) any other circumstance causing significant loss to the trade secrets owner. The reiterant changes on the standard of prosecution could reveal that the understanding of "significant loss" is at variance continually changing. Judicial practice proves this. For example, as some scholars summarised the basic model of identification of "significant loss" by judicial departments based on media reports and the study of judgments: the first is by the defendant's profit gained from the infringement; the second is by the value of the trade secrets; the third is other models such as the market price of the trade secrets or the value of the products manufactured by the defendant, but among these different models, the first one prevails.

[19] See Xu Xuanli, *The Crime of Infringing Trade Secrets: Whether it is Suitable to Set The Criminal Threshold at 500 Thousand RMB*, http://news.sina.com.cn/o/2009-06-15/083015791117s.shtml, last visit at Dec 26th, 2010

II. Light Punishment for the crime of infringing upon Trade Secrets

According to relevant Articles of the *Criminal Law*, criminals infringing upon trade secrets can be sentenced to a fixed-term imprisonment of no more than 3 years or criminal detention, or a fixed-term imprisonment of no more than 7 years but no less than 3 years for particularly serious consequences. Thus the tort-feasors are willing to take the risk of pirate, for they can make big profits with a small cost by it. Even in case of the exposition of crime, the punishment is not severe. The obsolete and incomplete legislation induced a great deal of crimes of infringing upon trade secrets that were not restrained and punished timely, the victim's right was not protected efficiently, and enterprises' incentive to innovate was badly harmed. At the same time, it also tolerated tort-feasors, the deterrent force of the law was not put to use. At the Summit Forum of Criminal Law Protection of Intellectual Property and Construction of National Innovative City in Shenzhen held by the Research Center of Criminal Law on Intellectual Property of the People's Procuratorate of Shenzhen, numerous high and new technology enterprises represented by Huawei and ZTE, appealed for the legislation authority and judicial authority making a new breakthrough in protecting intellectual property rights of corporations and greater effort on the crackdown on crimes against intellectual property rights[20].

2. The Characteristics of the Crime of Infringing upon Trade Secrets

(1) The Amount of Cases Rises, Huge Social Harmfulness

Trade secrets are referred to as the "Nuke of Commercial War" by some people. The consequences of trade secret divulgence can be fatal to the future of a company. A US study found that one thousand American companies lost about 45 billion USD due to theft of business secrets[21]. The case that trade secrets were stolen from the largest domestic professional company focused on GPS industry, UniStrong, in 2002, caused a profit loss over 2 million RMB to the company[22]. The first crime of infringing upon trade secrets in Chongqing caused the right holder a direct financial loss of more than 5 million RMB. In 1980s, some so-called International Friends came to China in flocks at the beginning of the Economic Reform, and then some traditional arts and patents were disclosed to foreign countries, such as the process of the manufacture of cloisonné enamel, the technology of polishing stainless steel cap of pen owned by Hero and Kingstar, several prescriptions of Chinese herb, the making of rice paper, and the process of producing Hunan fine grass mat[23]. From 1998 to 2003, over 500 cases of the crime of infringing upon trade secrets were registered by the police of the whole country, accounting for 9% of the registration of all cases of intellectual property crime, involving 600 million RMB, which occupying 32% of all intellectual property crimes[24]. Merely within a single year of 2003, the nationwide courts accepted and heard 50 cases on the crime of infringing upon trade secrets, accounting for 13.43% of all 401 cases on intellectual property crime[25]. In 2004, among the 387 cases heard by the People's Court at

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[20] *ibid.*

[21] See George Friedman, *The Sword of Information*, p16, translated by Yao Hongfei, Shanghai People's Press,1999

[22] Hu Rong, *Trade Secret Case Shocked Zhong Guancun Village*, Beijing Legal Paper Aug 20th,p3,2002

[23] See Wang Lei, *The Upgrade of China's Industry Should Avoid The Information Gate at Full Steam*, China Youth Paper Sep 11th,p4,2009

[24] See Sun Chunying, *Seven Characteristics of Current IPR Crime*, http://news.sina.com.cn/c/2004-12-21/13114586771s.shtml, last visit at Dec 28th, 2010

[25] See Jiangsu Province IPR Public Service Platform, *The Situation of China's IPR Protection in 2004*, http://www.jsipp.cn/pub/jsip/jypx/yjbg/jb/200611/t924.htm, last visit at Dec 9th, 2010, also see SIPO, *China IPR Yearbook 2004*, p96,Intellectual Property Press,2004

all levels, the crime of infringing upon trade secrets was only next to the trademark crime, taking up to 13.43% of all[26]. In 2006, the procuratorates of the whole country ratified the arrests of 77 people due to the crime of infringing upon trade secrets[27]. Till the end of 2007, the People's Procuratorate had approved the arrest of 101 people in 54 cases of the crime of infringing upon trade secrets cases, and accepted 57 transferred cases and 107 people for examination and prosecution[28]. According to the report of the People's Procuratorate of Shenzhen, 12 high technology companies, including Huawei, Tencent, ZTE and Hanslaser, had reported 22 people in 11 cases to the police for the crime of infringing upon trade secrets from 2006 to 2008, and the public security institution authorities placed 17 people on file in 8 cases for investigation. The procuratorial authorities approved to arrest and prosecute 16 people in 7 cases, and the judicial authorities convicted 6 people guilty in 4 cases which caused a direct loss of 42.22 million RMB and an indirect loss of 95 million RMB[29]. The Ministry of Public Security had launched special countrywide campaigns against intellectual property crime The Eagle Action and The Eagle Action 2 since 2004, which had effectively enhanced the ability of and strongly promoted the level of the police at all levels in cracking down the crime of trade secrets. Based on statistics from 2004 to 2008, the police of the whole country had accepted 1,174 cases of the crime of infringing upon trade secrets, out of which 675 cases were filed. 680 suspects were caught, and the involved amount of money was 2.202 billion RMB. A batch of major criminal cases and extraordinarily serious cases, such as Guangdong Huawei former employee's case of the crime of infringing upon trade secrets, Hubei Chen ChunRMB's case of the crime of infringing trade secrets against WISDRI and Sichuan "3.30" confidential blueprint theft case were solved successfully one after another[30].

(2) The Particularity of the Subject of Crime

Although the subject of this crime is general in accordance with the *Criminal Law*, in judicial practice, the criminals infringing upon trade secrets are divided into several categories as follows: the employees of the company, such as senior executives, technical staff, middle and lower class cadres, skilled workers, general personnel, casual laborers and security guards; business personnel with a certain identity, such as technical staff in scientific research institutions, attorneys probably getting to know the trade secrets of clients though the execution of duties, patent agents, accountants, tax agents, economic auditors, business consultants, social counsel or investigation institutions; personnel with a certain post, such as civil servants, people with special public obligations, persons executing the same mission or authority according to agency laws; the victims' commercial transaction partners, such as raw material suppliers, warehouse companies, banks and venders[31]. These people have numerous chances to get in touch with trade secrets, and hence they are easy to steal or disclose them. The scarcity of high-tech productions and their "actual monopoly" of market provide them with a comparably high profit. These backbones of operation usually can't resist

[26] See SIPO, *China IPR Yearbook 2005*, p98,Intellectual Property Press,2005
[27] See RMB Ming, *The Review of China's Procuratorate Authorities' Work on IPR Protection*,p96, Intellectual Property Press,2008
[28] See SIPO, *China IPR Yearbook 2008*,p149,Intellectual Property Press,2008
[29] Zhan Yijia, *Is The Criminal Threshold for The Crime of Infringing Trade Secrets Comparably High? Which Experts Suggest Lower*, http://www.techweb.com.cn/news/2009-09-01/433878.shtml, last visit at Feb 25th, 2011
[30] See the investigation materials of Ministry of Public Security.
[31] Ni Cailong, *Trade Secrets Protection Law*,p214,Shanghai University Press,2005

the temptation of benefits and rush hastily into danger, steal their former corporations' trade secrets by taking advantages of their positions and sell them at a high price to the competitors, or take away them after resign and set up a "separate kitchen" to seize the market of the old companies, became criminals consequently.

It was reported that 2000 companies were newly founded within the first two months of 2007 at Zhong Guancun Village, which means 34 new corporations were born daily on average at Haidian Science Park, 70% of which were high-tech enterprises. Correspondingly, the mobility of talents of high-tech companies was enlarging continuously. According to an investigation, the resigned personnel could be partitioned by positions such as technical specialists, managers, salesman and skilled workers, among which the technical specialists account for the highest rate of voluntary resignation, with managers and salesman next to them.

Based on the statistics from the Supreme People's Court, the nationwide courts had accepted about 6,547 cases on disputes of infringement upon trade secrets during the ten years time from 1995 to 2005, 98% of the cases of the crime of infringing upon trade secrets involved staff, which demonstrated that employees had become the major hunters of the enterprise's trade secrets.

(3) Diversification of ways in which Trade Secrets are disclosed

Trade secrets are mainly disclosed in the following ways from the perspective of actus reus.

I. The leakage of trade secrets occurs during the course of frequent talent mobility in large scale.

In modern society, the mobility of technical staff grows and their part-time engagements increase, accompanied with the constant reform of science system as well as the personnel system. But some employees who did not set their minds to their current works job-hopped to other positions blindly, or take several concurrent posts, only in order to get extra income by illegitimate means such as disclosing or taking advantages of the trade secrets of the former companies. It is known to all that trade secrets are derived from the huge devotion of time, money and energy by the right holder, and are of great value for the enhancement of the core-competitiveness of an enterprise. Particularly in the IT industry, the lifecycle of technology in which is 18 months according to Moore's Law, the market lifecycle of business is comparably short with a keen market competition and a rapid alteration of enterprises. The comparatively high instability of talents aggravates the risk of trade secrets leakage. The mobility of talents has become the major reason for the leakage of trade secrets. Some expert pointed out, "The mobility of talents and the protection of trade secrets are twin brothers.[32]" Given the frequent mobility of talent, trade secrets are mostly disclosed in the following ways as: a. The conduct of employees' obtaining the trade secrets by means of theft or other malfeasances in the course of talent mobility and then disclosing, using or permitting others' use of the trade secrets under their control. Obtaining the trade secrets by means of

[32] Fu Yin, *Discussion on the Solutions of the Relationship between Trade Secrets Protection and Talent Mobility: The Consummation of Legislation on Non-competence in Our Country*, 9J. Renmin University Investigation, 2001

theft or other malfeasances and then disclosing, using or permitting others' use of the trade secrets under their control will certainly depreciate the value of the trade secrets, bringing damage to the confidentiality of trade secrets as well as the profit of using or reselling them, which infringes the right of trade secrets of companies and results in loss to the corporations who possess the trade secrets; b. Employees breach the contract with enterprises, or breach the terms on keeping trade secrets in the course of talent mobility, disclosing, using or permitting others' use of the trade secrets under their control. Generally speaking, enterprises will sign confidentiality agreements with staff who may possibly get in touch with trade secrets, where the employees should take legal obligations for the disclosure of trade secrets under their control to the others during the mobility of talents in accordance with the confidentiality agreements; c. In the mobility of talents, where third parties know or should know that the information obtained from employees are trade secrets disclosed by mistake, they still disclose, use or permit others' use of these trade secrets all the same. The Intermediate People's Court of Xuancheng in Anhui Province affirmed the original judgment on the crime of acceptance of bribes of company or enterprise personnel and the crime of infringing upon trade secrets committed by the sales manager Sun Yonglin of Anhui Guangxin Agrochemical Group at second instance in June 27th, 2007. Sun Yonglin was sentenced to the crime of acceptance of bribes of company or enterprise personnel and the crime of infringing upon trade secrets, and was punished with a fixed-term imprisonment of 7 years together with a fine penalty of 100 thousand RMB. The court found that during his tenure of sales manager of the Suzhou Office of Anhui Guangxin Agrochemical Group Company from 2003 to 2005, Sun Yonglin had accepted bribes many times from a Hongkong chemical company by taking advantages of his position, which was summed to 176,642 RMB. Sun Yonglin controlled the trade secrets which had been taken security measures of Guangxin Agrochemical Group during his tenure, such as the sales strategy and sales price. In December, 2005, Sun Yonglin left Guangxin Agrochemical Group without notice and disclosed Guangxin Agrochemical Group's trade secrets immediately to a Ningxia company in the same industry, who offered him a competitive remuneration of an annual salary of 150 thousand RMB with anonymous investment shares of 300 thousand RMB as well as the vice general manager of the company. Sun Yonglin had snatched the orders of Guangxin Agrochemical Group from its clients by means of carrying out the same sales strategy as Guangxin Agrochemical Group with a sales price 500 to 1000 RMB per ton cheaper than it from the end of 2005 to April 20th, 2006 to sell similar goods for the Ningxia company, which incurred an obvious decrease on sale from the major clients of Guangxin Agrochemical Group together with an obstruction to the performance of several contracts as well as an abnormal decrease on product price, and hence caused a financial loss of 28.28 million RMB to the company. The court held that the conduct of the defendant, Sun Yonglin, had constituted the crime of acceptance of bribes of company or enterprise personnel and the crime of infringing upon trade secrets[33]. Revealed by the relevant statistics, 80% of the cases related to the leakage of trade secrets are because of the mobility of employees who took away the trade secrets. Moreover, along with the mobility of talents knowing the trade secrets of enterprises, it is certainly that the corporations' trade secrets will be got in touch with or even taken away, the competitive

[33] Zhang Jun, Cui Jianhong and Cao Jicheng, *The Sales Manager was Penalized for Taking Away Former Employer's Trade Secrets, Bringing about 28.28 Million Loss,* http://www.chinacourt.org/html/article/200706/28/254184.shtml, last visit at Feb 18th, 2011

advantages will be weakened, inestimable damages will be brought about and the fair competitive market order will be disrupted. At the same time, it is a heavy blow to entities that developed the trade secrets, which discouraged them on the development of trade secrets and affected the economic efficiency. In July, 2005, the former global vice-president of Microsoft, Li Kaifu, transferred to Google by "job-hopping" and was in charge of the operation of the research and development center established by Google in China as well as responsible for the development of a planned product. Microsoft sued Li Kaifu for breaching the contract on non-competence together with Google's fully awareness of it as well as the encouragement on this behavior. Therefore, the curtain of the dispute between Microsoft, Li Kaifu and Google on trade secrets was raised. Finally the three parties reached a compromise out of court with a closed-door agreement to solve all of the problems, and thus the case, which attracted the worldwide attentions, came to an end. Although this dispute took place in US, and the right and wrong were only known to the insiders, it could be seen from the attention degree of this case that the high grade of attention was paid by companies to trade secrets as well as the importance of legal protection of enterprise's trade secrets in the course of talent mobility. As what the famous scholar Prof. Zheng Chengsi said, "No matter domestic or abroad, the trade secrets disputes mainly manifest in the way of employee's asportation of employer's trade secrets, then initiating competition with the latter.[34]"

II. Industrial Espionages. There're plenty of industrial espionage cases abroad, including some famous transnational corporations who hiring espionages to spy out trade secrets of the competitors. Industrial espionages spy out trade secrets in the form of buying off insiders or direct theft. As is known to us, a company which preserves its advantages to put itself in an invincible position should not only make great efforts to invest into, develop and manage its trade secrets, but also take a series of protection measures to maintain its properties. In the real life, in order to acquire more economic interests as well as to improve their own competitive forces, several corporations obsessed by a lust for gain steal their competitors' trade technical secrets by means of spy without hesitation. Business competitive information is just as a big red apple, at which the merchants who can't stand the temptation always want to have a bite in the dark. At the same time, the development of high technology makes industrial espionages feel like a duck to water, by which the theft of a company's business information could be implemented more easily. The commercial loss due to this was added up to 100 billion USD, which was 10 times of the market turnover of the global pay search engines, 10 billion USD, in 2005. An investigation revealed that the top 1000 enterprises listed in Fortune had 2.45 business spy cases in average every year with a total loss of 45 billion USD. Among them the high-tech companies at Silicon Valley were the first to bear the brunt. 54% of the individual loss due to the theft cases that happened to them amounted to 120 million USD[35].

III. Writings and Prelections on Technology. A majority of outstanding talents are willing to tell their craft brothers about their achievements on technology in order to show their

[34] Zheng Chengsi, *Anti-unfair Competition and Intellectual Property*, 5J. Law,1997
[35] Baidupedia, *Commercial Spy*, http://baike.baidu.com/view/299003.htm, last visit at Feb 27th, 2011

academic positions and prestige. However, it means that these technologies have come into the public domain, rendering them no longer a type of trade secret. Under some circumstances, even their technical achievements were not fully disclosed, which can also be mastered by many others through background knowledge.

IV. Suppliers. Some confidential parts have to be disclosed to suppliers on key links to meet the requirements of work. Sometimes the most creditable supplier is the hazard source of trade secrets leakage.

V. Factory Visiting. Factory visiting is a promotion of the enterprise's image as well as a channel of secret leakage.

VI. Advertisement and Commercial Exhibition. Right holders will do their endeavor to propagandise the technical advanced nature of products in order to promote them. The explanation and description of new-developed technologies by means of advertising will fall into the scope of disclosure to the public. Legally speaking, it is the same as harming the eligibility of acquiring protection of trade secrets.

(4) The Invisibility and Intelligence of Crime Modus Operandi

In the modern society, the application of e-Commerce in companies and enterprises is more and more popular, for it possesses characteristics as fastness, convenience and cost saving. Similarly, the infringement upon trade secrets also features fast, convenient and cost saving, which will further enhance the level of difficulty for corporations to protect trade secrets. The development of economy and the progress of technology provide the criminals with various available means to steal the trade secrets of the others. Furthermore, accompanied by the expansion of networks, illegal access to others' systems, theft of trade secrets and willful distribution of computer viruses is increasing continuously. Instruments and actions such as hacking, spying, monitoring telephone and mobile phones with advanced wireless devices, intercepting and deciphering the content of telegraph and fax or remote laser scanning emerge in an endless stream; bring about an unprecedented challenge to the protection of trade secrets. In an environment of internet economy, the virtuality, expansibility, complexity and invisibility of a network itself would make the efficient protection of trade secrets a very challenging and real problem. It is because that trade secrets transmitted via networks could be stolen by the others and the network itself could be a channel of trade secrets leakage. All these factors enhance the intelligence and invisibility of the crime of infringing upon trade secrets, make it impossible to defend by the right holders of trade secrets and enlarge the difficulty of trade secrets protection for enterprises.

Chapter 3: The Constitution of the crime of infringing upon trade secrets

1. The Object Elements of the Crime of Infringing upon Trade Secrets

There are disputes about the object elements of the crime of infringing upon trade secrets in the field of the criminal jurisprudence. Besides the different theories of complex object and the simple object, there are even differences between the concrete views of scholars who

share a same theory. The right of trade secrets is considered as one kind of private rights while the crime of infringing upon trade secrets, which is drawn up to protect the trade secrets is embodied in the crimes of offences against socialist economic order of the *Criminal Law*, so it is obvious that the crime of infringing upon trade secrets includes some objects involves public power. So I support the complex and oppose the simple object theory, believing that the crime of infringing upon trade secrets infringes upon both the private right and the public power and has a complex object.

First, there are different views that analyse the reason why the crime of infringing upon trade secrets infringes upon the public power: some think it infringes upon the public power because it offends against the trade secrets management regulation[36]; while others think it offends against market order[37]. I do not think the trade secrets management regulation of the nation itself could be the object of the crime of infringing upon trade secrets. As we know the trade secrets management regulation is simply a series of legal provisions that embody no legal interest themselves. The offence of the order that a nation makes a regulation to maintain and embodies some legal interest is the real infringement upon the legal interest itself. On one hand, only the social relation that the national administrative system of trade secrets adjusts rather than the system itself could be the object of the crime. On the other, it is improper to view the market order of fair competition as one of the direct object of the crime of infringing upon trade secrets, because the market order, indirectly infringed by the crime of infringing upon trade secrets, is a kindred object instead of direct object. In China, broadly speaking, it is the kindred object of the crimes of disrupting the order of socialist market economy that are embodied in the chapter III of the *Criminal Law*. Narrowly speaking, it is the kindred object of the crimes of disrupting the market order that are embodied in the Chapter III, Section 8 of the *Criminal Law*. The infringement upon trade secrets is one kind of the acts of unfair competition, which was not embodied in the *Criminal Law* in 1979. However, with the further deepening of reform and opening-up to the outside world, the competition among the enterprises goes fierce and most of the enterprises try to improve the performance of their products by technical renovation to attract clients, to boost their earnings by reducing the producing cost and to improve the sales by continuous exploitation of the market. But some of the enterprises try to compete with others by breaking the principle of fair competition and infringing the legitimate interest of other enterprises. The government has set up a series of systems to regulate the acts of unfair competition to maintain the order of the state's administration of trade secrets management. So the object of the crime of infringing upon trade secrets should be the order of the state's administration of trade secrets.

Secondly, with respect to private rights, a trade secret is generally considered as one kind of intellectual property right in the Civil Law field. But compared to other intellectual property rights such as patent right or the trademark, a trade secret has its own particularity. The value

[36] Zhan Fuliang *the Atricle on the crime of infringing upon trade secrets*, see Chapter one of *The Collection Essays on Penology*, edited by Gao Mingxuan&Zhao Bingzhi, Law press 1998, P110; Gao Xijiang: *the Revision and Application of the Criminal Law of PRC*, the Fangzheng Press 1997,P496.

[37] HuangJinping: *Some Controversial Questions of the Crime of Infringing upon Trade Secrets*, see Zhao Bingzhi: *The Criminal Protection of IPR of China and the Anlehnung to the European Experience*, Law press 2006, P189,. *The Research on the crime of infringing upon trade secrets*,YouWei&ZhangBenyong, see Chen Xinglian: *The Analysis on Criminal Judicial Precedent(Chapter Ⅱ),* Law press, 2000, P102.

of the trade secrets comes from its secrecy, and once the secrecy is broken, the value of the trade secrets disappears or at least decreases. Different viewpoints about problems, such as who should be considered as the owner of the trade secrets, or what are the trade secrets really like, reflect the difference of the cognition about the trade secrets among the scholars. Some believe that "the object of this crime is the exclusive right of the owner to the trade secrets"[38]; and another people think that "the object of the crime is the right to maintain the secrecy of trade secrets"[39]; While the last view is to consider "the object of the crime as the market order of fair competition and the ownership of the owner to the trade secrets"[40].

The conception of exclusive right is opposite to condominium in the civil law area and it is possible that the right and benefits of trade secrets is shared by several individuals or even belongs to a group, so it is unreasonable to emphasise that a trade secret is some kind of exclusive right. Because of the effort the owner of the trade secrets made in the technical or operation field, they get some achievements that could provide them with handsome economic benefits, secure the interrelated information, make them the owner of the trade secrets and enjoy the rights of holding, exploiting, benefiting and disposal. While other companies could also get the interrelated technology by independent development, reverse engineering or researching the related information on public exhibition. In such cases the original owner of the trade secrets cannot exclude others from exercising their rights of trade secrets, which means that the right of the owner on trade secrets is never exclusive.

The viewpoint that trade secrets are some kind of ownership is not so reasonable either. The functions of trade secrets include holding, exploiting, benefiting and disposal. The owner of trade secrets enjoys the rights on trade secrets by law but could also choose to allow others to exploit the trade secrets and instead benefit from the royalty. In this case the licensee of trade secrets becomes the owner of trade secrets because of the permission of the owner. The licensee could only exploit trade secrets but cannot enjoy the benefit of trade secrets by allowing others to exploit trade secrets that he was permitted to use. Neither could he dispose trade secrets or publish trade secrets to decrease the business value of trade secrets.

Although the owner of trade secrets includes both the owner and the user of trade secrets, they have different rights on trade secrets. Only the owner of trade secrets has the perfect ownership on trade secrets, the licensee only has the right to use. It is unreasonable to consider trade secrets as an ownership because trade secrets could function only as the right to use.

It is unilateral of the theory of secrecy right to excludes the positive right and consider the passive right of trade secrets as the object of the crime. As the foundation of trade secrets, secrecy measure is an essential condition of the verification of trade secrets. The right of trade secrets owner rises when the keeper of the interrelated information takes secrecy measure to creat a trade secret.As set before, the owner of trade secrets include both the owner and the user of trade secrets, and the owner of trade secrets has to take measures to

[38] Gao Mingxuan, *The Criminal Jurisprudence,* Peking University Press 1998, P384.
[39] Zhao Bingzhi: *The Formulation of the New Criminal Law*, Law Press 1997, P286.
[40] Yu Zhigang: *The Deconstructional Comparison and Application of the New Criminal Law China* Economy Press 1997, P713.

prevent trade secrets from leaking so that he could maintain the secrecy and the commercial value of the trade information. Meanwhile the licensee has to fulfill the secrecy obligation to prevent trade secrets from devaluing. So secrecy is an obligation to both the owner and the user of trade secrets. As an obligation that aims at asserting the right of the trade secret owner, secrecy can be considered as one kind of right of the owner as well. Since it is legal of the third party to know trade secrets due to the negligence of the secrets owner, actually it is also one kind of obligation of the secrets owner. If the owner failed to fulfill the secrecy obligation, the leaked information would not be a trade secret any more. So the secrecy of trade secrets is both right and obligation to the owners. Trade secrets exist because of secrecy, as secrecy issues of trade secrets is the foundation of other rights of the owner; we should not focus on the importance of the foundation while ignoring the other rights.

Trade secret rights include the following content: (1) secrecy right, which refers to that the owner has right to keep his trade secrets away from the public information field, which is the most important and essential content of trade secrets rights. The existence of trade secrets rights depends on the valid secrecy, once the secrecy state were broken trade secrets would be delegalised. The concrete content of the secrecy right includes: (i) the right of asking the employees and the concerned institutions for secrecy of trade secrets; (ii) the right to hold、control and manage trade secrets confidential; (iii) the right of asking the business transferees for the secrecy of trade secrets; (iv) the right of asking other individuals who know trade secrets to keep confidential.

(2) right of status. As an important intellectual achievement, trade secrets are closely related to the intellectual work and the status of the developer or the inventor. The same as the author who enjoy the right of signature to his work, the developer or the inventer of trade secrets enjoys some kind of status right, including: (i) the right to claim his status as a developer or inventer in the documents of trade secrets; (ii) mark the developer's or the inventer's name on the product or the packing of the product made by himself or by others he authorised. (iii) right of use which means that the owner could exploit trade secrets according to its functions to actualise its value. Anyone else has no right to intervene on the use of trade secrets by the owner unless it violates mandatory provisions of law, harms the public interests or the public virtue or violates the legal rights of others; moreover, the right of use allows the owner to ask the individuals who illegally get trade secrets to stop using and claim for compensation.

(3) Right of control. It refers to the actual eminent domain of the owner to trade secrets. In fact the secrecy right mentioned before contains the content of control right, the only difference is the different perspective they chose. Based on the control right, the owner is allowed to take some secrecy measures to prevent others from obtainning, disclosing or using trade secrets illegally.

(4) The right of disposition. It refers to the right to determine whether to keep the trade secret or not, includes the following content: (i) right of use, the owner may allow others to use trade secrets freely while reserving the right of controlling, using, profiting and disposition; (ii) the

benefit of cession, the owner has the right to transfer trade secrets to others integrally, paid or unpaid, and do not enjoy the right of trade secrets anymore.；(iii) Right to apply for patent, the owner is entitled to apply for patent with his trade secret. Although the trade information would be no longer a trade secret, the owner get the right to use the patent separately, thereby excluding other people's use of this information in a certain period of time; (iv) Capital authority, the owner may use trade secrets as a contribution to buy shares for investment, which is actually a special kind of benefit of cession; (v) the right to create security interest. Based on this, the owner could impawn trade secrets to the creditor as the subject matter of the creation of security interest so that he can get loan from the creditor；(vi) the right to socialise trade secrets，allows the owner to make trade secrets known to the public, so as to create public wealth for the whole society；(vii) the right to exclude the hindrance, authorises the owner to require the infringing party to cease the infringing act, eliminate the ill effect, make an apology or pay the compensation when their legal rights are infringed by means of acquiring, disclosing or using illegally.

From the above, the object of the crime of infringing upon trade secrets is a complex object. On one hand, the crime infringes upon the private rights involving trade secrets of the owner; on the other hand, it undermines the management order of trade secrets of the government.

2. The Objective Elements of the Crime of Infringing upon Trade Secrets

According to clause 1, article 219 of the *Criminal Law*, an act may constitute a crime only if it causes heavy losses to the owner of trade secrets. So the crime of infringing upon trade secrets is consequential offence according to the current law. We have mentioned the definition of heavy loss, so we would only study the way of the act of the crime of infringing upon trade secrets in our country here. To the crime of infringing upon trade secrets, there are totally four kinds of way of acts, including the acts of acquiring trade secrets illegally, illegally disposing the trade secrets acquired in an improper way, breaching the secrecy obligation and infringement upon trade secrets by a third party.

(1) Acquiring trade secrets illegally, refers to the act of stealing, luring, coercing or acquire trade secrets in other improper ways.

Stealing refers to the act that the actor obtains trade secrets of the owner in a secret way. The actor do not have to take the corporeal information carrier when stealing the technical or operating information because trade secrets could be copied and the expected carrier could be separated in different ways. The stealing act could be either stealing the corporeal items carrying trade secrets like the documents disks or tapes or the samples that contain trade secrets, or obtaining the copy of trade secrets by copying, photographing, monitoring, simulating or other technical methods. In particular situation, some acts without stealing the corporeal carrier of trade secrets, e.g., reading the files of trade secrets and then reproducing the information by memory, should also be viewed as stealing. What we have to make clear is that the situation embodied in the Article 219 of the *Criminal Law* provides that the actor commits the stealing while fully aware that it is a trade secret, which means the crime of infringing upon trade secrets may be constituted only when the actor steals trade secrets with

a definite purpose of obtaining trade secrets. So it does not commit the crime of infringing upon trade secrets but an abstract mistake of fact that the actor obtains trade secrets with a purpose of stealing property. But where the actor goes on disclosing, using or allowing others to use trade secrets after realising the information he has got is trade secret, this act can be considered as the crime of infringing upon trade secrets by other means more than acquiring trade secrets illegally.

Luring refers to the act that the actor, with either material or non-material benefits, lures the person who legally knows trade secrets, e.g., he knows trade secrets because of his work or cooperation, to reveal trade secrets to the actor without the permission of the owner. In practice luring usually acts in the way of luring the insider who works for the owner of trade secrets with high payment to get trade secrets. What we have to distinguish the act mentioned above and the legitimate personnel mobility. To allocate resources effectively, market economy encourages the appropriate flow of personnel and capital, which is the effective allocation of resources that makes the employees flow from one enterprise to another for better pay, better working condition and wider development space. Although personnel mobility between enterprises, especially the flow of staff that controls the core technology and key management information may cause improper use of trade secrets, it should be realised that personnel mobility only makes the probability of trade secrets leakage rise. One person may disclose trade secrets illegally without leaving his company while an employee with professional ethics might not do so even having left the company where he worked before. So the point is whether the enterprise has taken the secrecy measures, such as the measures of signing non-complete clauses with employees who is going to leave his post to secure trade secrets. Besides the flow of personnel, there has to be an act of disclosure of information that involves trade secrets, otherwise, it cannot be identified as an infringement upon trade secrets.

Coercing refers to the act of compelling the person who knows about trade secrets to disclose them by means of threatening or menacing. The target of this act could be the owner of trade secrets or others who know about trade secrets, including employees, co-partners, consultants or other people who know or get hold of trade secrets.

Other improper means refers to other acts that are different from the three acts mentioned above to obtain trade secrets against the will of the owner, e.g. obtaining trade secrets through electron reconnaissance, video and audio recording, anesthesia or getting others drunk, or embezzling, robbing or plundering the technical data of trade secrets. With the development of the technology and the increasingly fierce market competition, more ande more high-tech means are used to obtain trade secrets of others. So it is impossible to embody all the means by which the actor get trade secrets in provisions due to the stability of law and the provision of “other improper means” make it possible to incorporate some new-type criminal acts into the scope of regulation. In fact, few of the countries have defined the conception of “improper means”. The “*Restatement of Torts*” just describes the improper means as acts that do not meet generally accepted business ethics and reasonable methods. Whether an act is proper or not should be judged by legal principle and concrete facts of a

case. To determine whether an act is proper, we should view it separately, but take the circumstance and the determination of whether it violates public policies or the will of the owner into consideration. The act of obtaining trade secrets in proper ways refers to acquiring trade secrets by means that comply to public policies and the will of the owner, while the opposite act can be considered as improper means.

Some scholars believe that the act of purely getting and holding trade secrets is actually harmless to the owner, and that it will be punished only when the actor discloses, uses or allows others to use the information illegally. However, there is no case where the actor purely obtains trade secrets illegally without the preceding acts mentioned above.[41]In fact, obtaining trade secrets illegally is the most severe infringement upon trade secrets and the premise and foundation of the other acts of infringing upon trade secrets. The reason why no such case occurs in our country lies in the fact that all the acts of the crime of infringing upon trade secrets are offense of consequence requiring the element that the criminal act has caused heavy losses. Even if there is pure act of obtaining trade secrets, it would not be treated as a crime, because it does not cause any loss at all.

(2) Illegal disposal of trade secrets illegally obtained. Illegal disposal of trade secrets illegally obtained includes acts of disclosing, using or allowing others to use trade secrets that are obtained illegally.

Disclosure refers to the act that the actor tell the trade he obtained illegally to a third party or make it public, e.g., dictation, dissemination through news media or providing opportunity for other to transcribe or copy the original document, with the essence of infringement upon confidentiality. The degree of disclosure makes no difference to the confirmation of the act. No matter what does the actor do, to make the trade secret public, thereby completely destroying the confidentiality of trade secret, or to tell trade secrets to a third party, making it possible that trade secrets may be obtained by the corrival or potential corrival of the owner, all these acts should be viewed as some kind of disclosure.

Use refers to the act that the actor utilises trade secrets acquired in an improper way into production and management to enjoy the value in use of trade secrets. Illegal use refers to using trade secrets obtained illegally on sundry occasions, either utilising trade secrets in the production or using them in product sales or enterprise management. The actor may use the technical information in the production to produce new products, update and maintain the production facilities, while using the operation information to provide consulting service, make sales program or advertising material or widen the marketing channel.

Allowing others to use means that, without the permission of owner, persons who obtain trade secrets with improper measures mentioned above, provide trade secrets to others, or transfer them to others, which are used for their production and management. This permission can be either for value or for free. The act of the crime of infringing upon trade secrets embodied in the *Crininal Law* of our country includes disclosing and allowing others to use, both of which

[41] Kong Xiangjun: The Principium of Law of Protection to Trade Secrets, China Legal Publishing House1999, P273.

have the essense of providing trade secrets to someone who didn't know, breaking the confidentiality of trade secrets. It is improper of measures the actor take to get trade secrets; or the actor who legally hold trade secrets have confidentiality obligation, it is illegal for him to allow others to use trade secrets, the essence of which is some kind of disclosure, for the actor indulge or wish a third party he disclose trade secrets to use trade secrets subjectively. Since the crime of infringing upon trade secrets has an element of heavy loss or serious result according to the *Criminal Law*, disclosure of trade secrets usually result in losses to the owner because of the utilisation of trade secrets by a third party.

The difference between disclosure and allowing a third party to use is that the audient of disclosure could be either specific persons or not particular persons of the public, while allowing others to use usually means revealing the content of trade secrets to identified third parties. It makes no difference that uses trade secrets or what the scope and quantity of the use is to the constitution of the crime of infringing upon trade secrets. From the view of legislation in other foreign countries and regions, nearly all the countries and regions are apt to regard disclosure or divulging as an act of the crime of infringing upon trade secrets, but it is rare to solely regard the act of allowing others to use trade secrets as an infringement upon trade secrets, because there is no essential difference in the constitution and penalty measurement between the act of disclosure and allowing others to use.

According to Clause 4 of *Memorandum of Understanding on Intellectual Property Rights Protection*, signed by China and the USA in 1992, the act of infringing upon trade secrets is discribed as "disclosing, obtaining or using trade secrets in a manner that is contrary to honest commercial practices without the permission of the owner of trade secrets, including obtaining or using under the circumstance that the third party knows or should know the acts mentioned above occur during the course he obtains trade secrets". This document only adopted acts of obtaining, disclosure and using but did not mention the act of allowing others to use. So it is practical to cancel the expression of allowing others to use in the *Criminal Law,* for "disclosing" is definite enough to cover this expression.

The premise of this act is that the actor, who has obtained trade secrets by improper means like stealing, luring, coercing or other methods, discloses, uses or allows others to use trade secrets. Where the way the actor obtained trade secrets is legitimate, the act of disclosing and using is a breach of confidentiality obligation.

(3) Breach of confidentiality obligation.

Breach of confidentiality obligation refers to the acts that persons who hold trade secrets though work relations, trade relations, permissions or other legal ways, disclose, use or allow others to use technical information and management information he hold, breaching the contract between the owner and him or the statutory requirements. The same as all the other countries, China has embodied the breach of confidentiality obligation in legislation.

The actors of these acts obtain or know trade secrets in a legitimate way and have obligation of confidentiality. The confidentiality of trade secrets is relative, besides the owner, others

may know trade secrets as well. To get commercial interest and keep competitive advantage, enterprises will absolutely make use of trade secrets in production and management, so trade secrets can be known in certain scope. This does not infringe upon the confidentiality of trade secrets, because the natural persons and companies who know trade secrets have to go on keeping the secrecy to fulfill their confidentiality obligation, which roots in the professional ethics of some certain profession, legal rules and agreements or requirements they signed with owner, either explicit or implied.

This obligation may be based on the contract or special identity of concerned parties. In practice, it is easy to confirm explicit agreement, in which contents involving the confidentiality obligation, scope and duration will be embodied, once dispute appears all parties may just solve it in accordance with the agreement. We have to make a judgment based on the special identity of a party, e.g., the concerned public servant or the specific employee of an enterprise, and economic relationship, e.g., the permission to use relationship, partnership or principle agent relationship, if there is no explicit agreement on trade secrets between the concerned parties.

(4) An act that the third party infringes upon trade secrets, refers to the situation where the actor obtains, uses or discloses trade secrets while knowing or should know the three kinds of criminal acts embodied in article 219 of the Criminal Law, which is also called an act of infringing upon trade secrets or an act regarded as infringing upon trade secrets. The first party refers to the owner of trade secrets; the second party refers to the actor of the three infringements mentioned above, while "the third party refers to the person that get trade secrets indirectly rather than those who directly get trade secrets from the owner[42]. The behavioral feature of infringement upon trade secrets by a thirty party is that while knowing or should know there is a direct infringement upon trade secrets according to objective circumstance, the actor ignores such circumstance, gets trade secrets from others, or uses or discloses trade secrets after acquiring. Although the third party does not directly infringe upon trade secrets belonging to the first party, he still tries to gain, use or disclose them under the circumstance of knowing and should know that the second party has violated law for infringing upon trade secrets of the first party , so it is obvious that the third party should bear criminal liability because the act of the third part has the characteristics of the crime of infringing upon trade secrets, both subjectively and objectively, and it is criminal of indirect infringement upon trade secrets.[43]

The provision of investigating for criminal responsibility of the third party in the *Criminal Law* aims at reminding the third party of reasonable diligence, which is good for protection of interests of assignors of technical contract and inhibiting the profits of the wrongdoers. If the third party know or should know the infringement or breach of contract by the direct infringing person and goes on with the transaction to gain illicit profit or achieve wrongful purpose, his act will be regarded as an infringement, which therefore keeps the security and the

[42] Zhao Bingzhi&Tian Hongjie: *The Comparative Research on the Crime of Infringing upon Intellectual Property Rights*, Law Press 2004, P342.
[43] Zhao Bingzhi: *The Research on the Crime of Infringing upon Intellectual Property Rights*, China Founder Press 1999, P304

confidentiality of trade secrets in better condition.[44] Meanwhile it is favorable for regulating reasonable flow of personnel and urging the employer to undertake reasonable diligence rather than to illegally gain trade secrets of his former employer through the employees. So this provision is very effectual in punishing acts of illegal possession of fruits of others labour through luring qualified personnel to work for him.[45]

The four kinds of acts mentioned above can be divided into direct infringement by the direct actor and the indirect infringement by a third party with spiteful purposes. The direct infringement upon trade secrets can be divided into criminality of tort and defaulting criminality of breach of contract. As we know, the *Criminal Law* of China adopts theories of both tort law and contract law, trying to avert probable protection flaws that may exist in sole application of either of the two theories.

3. The Subjective Elements of the Crime of Infringing upon Trade Secrets

Most countries have legislation on the criminal subject of the crime of infringing upon trade secrets, some define the criminal subject as persons with specific identities or professions, while others regard specific subject as the condition of aggravated punishment beyond the maximum prescribed, e.g., in accordance with the provision of the crime of infringing upon taxation secrets in Clause 355 of the *German Crime Code*, public servants who disclose or sell trade secrets during the administrative proceedings caused by tax event or the criminal proceedings caused by tax crimes deserve aggravated punishment beyond the maximum prescribed. According to Article 317 of Chapter 1, the *Criminal Law of Taiwan*, which describes the crime of disclosure of secrets, "a person who discloses trade secrets without legitimate reason while bearing the confidentiality obligation for trade secrets that he knows or holds provided by statutes or contracts shall be sentenced to no more than 1 year's imprisonment, detention or imposed a fine no more than 1000Nt. Article 318 provides that if public servants, or those who have been public servants, disclose trade secrets that they know or hold due to their position without legitimate reason shall be sentenced to no more than 2 years' imprisonment detention or imposed a fine no more than 2000Nt.

In China the subject of this crime is considered as a general subject, including natural persons and legal persons.[46] It is a breakthrough to the limitation of the *Anti-Unfair Competition Law of the People's Republic of China* that only business operators can be the subject of infringement upon trade secrets.

As set forth, trade secrets are of confidentiality, which is relative, so not only the owner knows the content of trade secrets. To gain economic interest and keep competitive advantage, the owner must make use of trade secrets in production and management, so trade secrets can be known by persons of a specific scope. The owner of trade secrets takes some measures to prevent some person from knowing trade secrets, and, if those who shall not know trade secrets acquire trade secrets by means of stealing, luring, coercing or other improper

[44] Dang Jianjun: *The Crime of Infringing upon Trade Secrets*, The Press of Chinese People's Public secrecy University 2003, P177.

[45] You Wei&Zhang Benyong: *Issues on the Determination and Litigation of the Crime of Infringing upon Trade Secrets* P177, see *People's Judicature* issue NO.3, 2000.

[46] Gao Mingxuan: *the Criminal Jurisprudence*, Peking University Press1998, P384; Ma Kechang: *New Essays on Economic Crimes----Reasearch on the Crimes against Socialist Economic Order*,, Wuhan University Press 1998, P546.

measures, they may be the subject of illegal acquisition of trade secrets, while they may also be the subject of illegally disposition of trade secrets acquired by improper means if they disclose, use or allow others to use such trade secrets. Both of the two acts of illegal acquisition of trade secrets and disposition of trade secrets acquired by improper means are considered to be a kind of general subject.

It is regarded as an infringement upon confidentiality obligation if a person who legally holds trade secrets, through working relationship, business relationship or permission and other legal ways, discloses, uses or allows others to use trade secrets he holds while breaching agreements with owner or requirements of conserving trade secrets by the owner. This kind of subject is special to some degree, including:

(1) The Senior Executives or Core Technicians of Enterprises, and all Staff in Confidential Working Places.

Senior executives of enterprises who may know trade secrets, engineering staff and scientific researchers and all the employees or temporary workers that have a chance to handle or obtain trade secrets are general subjects of the crime of infringing upon trade secrets. The confidentiality obligation of these persons roots in the agreements they signed with enterprises, which can be either explicit or implied. To some specific persons, the confidentiality obligation they bear to enterprises is stipulated in law, e.g., Article 22 of the *Labour Law* reminds the enterprises of stipulating clauses concerning the confidentiality of trade secrets of the enterprises, and Article 62 definitely stipulates that unless allowed by the board of shareholders or supported by legal rules, directors, supervisors and managers of the company shall not disclose corporate trade secrets.

(2) Persons Who Know Trade Secrets due to Unilateral Termination or Expiration of the Labor Relationship

Flow of personnel is the symbol of advancement of society and the inexorable law of market economy. The more advanced the market economy is, the more society will accept the flow of personnel. Each country entitles laborers to work and to choose for whom to work. But as the competition goes fierce, flow of personnel gradually threatens the owner's right of trade secrets to some degree. Limited by their knowledge and skill, employees usually work for companies which do similar business to their former employers, or which have a competitive relation with them. If employees breach the agreements signed with former employers or the confidentiality obligation, disputes of trade secrets may arise.

As to the problem of solving the contradiction between trade secret right and labour right, as well as the right of choosing jobs freely, most countries reach a consensus that employees bear confidentiality obligation of trade secrets to their company during the period when they work for it, while the requirement to confidentiality obligation is loosened after they quit the job. To general secret information they bear no obligation unless there is an ostensive contract, while, for the important trade secrets, they should bear implied confidentiality obligation.[47] The later employer who bears the duty of reasonable care shall not seek to acquire trade

[47] ZhangYurui: Theories on trade secrets Law, page401, published by China Legal Publishing House, 1999.

secrets of the former employer from the employees. In practice it is very effectual of this regulation to punish criminals who possess the fruits of others labour by illegal means of luring personnel to work for him and is favorable for regulating the reasonable flow of personnel.[48]

It gets faster and faster of the flow of personnel in present market. Enterprises, on one hand, are trying to retain personnel they have employed, while on the other hand, with great interest in the technical and management information, they are seeking to poach the elites who work for the other enterprises of the same industry. So the “job-hopping” of personnel has become the main way that trade secrets leak. According to the cases of infringement upon trade secrets that happened in Jiangsu Province, most of them are caused by “job-hopping” of employees. So the “pirating job-hopping” that causes infringement upon trade secrets and threatens the survival of enterprises should be regarded as a main target of the public security institutions. Although relevant laws stipulate that one shall not use trade secrets belonged to its competitor, it is too little of the cost risk of this injuria comparing with the big commercial interest it earns. So the public security institutions should pay attention to the enterprises who incite or tempt the “job-hopper” to pirate others’ trade secrets. However, it is necessary to distinguish between the infringement upon trade secrets and lawful action in employment relations.

Under condition of present market economy, it is not rare of the infringement upon trade secrets in employment relation because the mobility of personnel is improving. So it is rather important to distinguish the infringement upon trade secrets and lawful actions in this condition. It shall be regarded as an infringement upon trade secrets that the employee discloses or uses trade secrets belonged to his former employer after quitting the job, those of which cause heavy losses should be prosecuted for criminal responsibility. However, the generic knowledge, experiences and skills the employee got in the course of working should be regarded as his personal capability, for which the former employer shall not claim for trade secrets right, even though the generating of these capabilities is relevant to the on-job-training or is directly based on the resource investment of the employer. It is unreasonable to prohibit employees from using proficient knowledge, experiences and skills because they have assimilated this information as one part of their personal knowledge and capability during the working process.

(3) Outsiders who provide some kind of Service for the Owner of Trade Secrets

This kind of subject includes senior consultants, lawyers, accountants, auditors, patent agents, appraisers etc. These personnel deal with a lot of trade secrets for work related reasons, so China promulgated a serial of laws to prevent and control the disclosure of trade secrets by these personnel. Article 23 of the *Law of the People's Republic of China on Lawyers* provides that lawyers should bear the obligation of conserving the trade secrets of his client and the state secrets he knows in practicing activities; the *Statistics Law of the People's Republic of China* provides that the confidentiality obligation the statistical agencies

[48] You Wei&Zhang Benyong, Issues on the Determination and Litigation of the Crime of Infringing upon Trade Secrets, People’s Judicature, issue NO.3, 2000.

and statisticians shall bear to trade secrets of objects of statistical inquiry they hold during their working course. There are corresponding laws regulating activities of all the other kinds of personnel so that trade secrets can be secured effectually. The confidentiality obligation of these personnel is mandatory, because generally legal obligation is more powerful than contractual obligation. Meanwhile, the confidentiality obligation of these practitioners with specific professions is the accompanying obligation of the primary contractual obligation they bear for their clients.

(4) The State Functionary

Because of the administrative function of the state administrative institutions and trial procedure of the judicial institutions, relevant public servants may deal with and know the relating trade secrets. Those national staff who know trade secrets should bear an obligation of confidentiality to the owner of the trade secrets. This kind of subject includes national staff that has the duty of supervising and managing enterprises like tax staff, business administration staff, greffiers for companies, commodity inspection staff and judicial personnel etc. Relevant laws, legislations and regulations all provide definite rules and legal responsibilities of offence of this kind of subject. Article 10 of *Regulations of Prohibiting Acts of Infringing upon Trade Secrets by the National Administration Bureau for Industry and Commerce* provides that government offices and national staff shall not disclose or allow others to use trade secrets of the owner. Article 47 of *the Accounting Law of the People's Republic of China* provides that staff of financial sector and other relevant administrations shall not disclose state secrets or trade secrets during the course of supervision and management.

(5) The Business Partner

This kind of subject includes the business partners of the owner of trade secrets like suppliers, agents, loan bank, alienees of trade secrets, sellers of trade secrets, joint venture partners, cooperative partners etc. This kind of subject knows the trade secrets of the owner because of their commercial dealings. According to the requirements stipulated in the contract or requested by the owners concerning confidentiality obligation of trade secrets, these subjects shall bear the confidentiality obligation of trade secrets to the owners. Relevant institutions and the persons directly responsible may be responsible for an infringement upon trade secrets if they disclose, use or allow others to use trade secrets they have known.

There is no coherent view on the problem of subjective elements of the crime of infringing upon trade secrets, which has captured wide concern of scholars. Generally speaking, there are three kinds of theories concerning this issue:

The first one argues that it can be only direct intent in the subjective aspect of the crime of infringing upon trade secrets, referring to the situation that the actor intentionally discloses some kind of trade secrets to others by different means. Disclosing the trade secrets negligently or in a manner of indirect intention does not constitute the crime of infringing upon trade secrets.[49]

[49] Jiang Wei: *Research on the Criminal Protection of Trade Secrets,* Law press 2004, P334; Gao Peide & Li Jinsheng: *New*

The second opinion argues that it is intention in the subjective aspect of this crime, and intention includes direct intention and indirect intention, excluding negligence.[50]

The third viewpoint believes that the subjective aspect of this crime can be either intention or negligence. The state of knowing in the indirect infringement reflects intention, while "should know" refers to negligence.[51]

There is no legal basis supporting the first view that the subjective aspect of this crime could only be committed by direct intention. The concepts of direct intention and indirect intention just reflect the theoretical classification; there is no essential distinction between the two of them, although there is indeed difference between them in the aspect of subjective culpability of the mind. It is insignificant to argue about whether the subjective aspect of this crime can be indirect intention or not, since it is not distinguished of the two concepts in the legal provision. In the intentional crimes of *the Criminal Law*, except for some special crimes that contain no indirect intention because of its internal particularity, e.g. the crime of rape, robbery, fraud, all the intentional crimes should be considered as containing two kinds of intentions, both direct and indirect. In fact, it is possible that the actor tolerates the outcome while knowing that his acts may cause a consequence of an infringement upon trade secrets of others, which means there is not only direct intention in the crime of infringing upon trade secrets but also indirect intention. The act of gaining trade secrets illegally can be constituted only by direct intention while it is possible that the act of using trade secrets illegally may be constituted by indirect intention, e.g. if the employee who bears a confidentiality obligation realise the possibility of leaking trade secrets that may be caused by acts of his own and tolerates the possible outcome, this should be regarded as indirect intention. For another example, the actor talks about trade secrets belonging to other people, and tolerates the consequence while realising that this act may encourage attention and leak trade secrets, and finally cause the leakage of the trade secrets, should be regarded as indirect intention. So it lack of legal basis to exclude the indirect intention from the subjective aspect of this crime.

There is no big divergence between the two viewpoints about the idea that the subjective aspect of the two direct infringements upon trade secrets is intention, while the main divergence lies in whether the subjective aspect of the fourth act of infringing upon trade secrets includes negligence. I think it is necessary to admit the indirect infringement upon trade secrets includes the mention of negligence, when considering either existing law of our own or legislation experience of other countries.

Criminal Law and the Crime of Infringing upon Trade Secrets, XiRMB Press 1998, P189; Yan Maokun, He Xiao dian, Zhai Yuhua: *New Essays on the Application of the Criminal Law*, first volume, Jilin People's Press 2001, P1031.

[50] Ma Kechang: *New Essays on the Economic Crime--Research on Crime against Socialist Economic Order*, Wuhan University Press 1998, P546; Chen Xingliang: *The Criminal Jurisprudence* Law Press 2000, P156; He Bingsong: *Criminal Law Textbook* Chinese University of Politics and Law Press 2000, P839; Zhou Daoying & Zhang Jun: *Refined Interpretation of the Accusations* People's Court Press 2003, P327-329.

[51] Zhang Mingkai: *The Criminal Jurisprudence*, Law Press 1997, volume two, page679 ; Gao Xiaoying: *The Determination and Penalty of the Crime of Infringing upon Trade Secrets,* China Procuratorate Press 1998, page 217.

According to the existing law of our country, the acts of acquiring, using or disclosing others trade secrets, while he knows or should know the three criminality embodied in Article 219 of the *Criminal Law*, should be viewed as the act of infringement upon trade secrets or regarded as infringement upon trade secrets. There is no divergence on the concept of "knowing" in the law circle. All scholars believe knowing is an intentional act. But there is no consensus about the concept of "should know" in the law circle.

Some scholars regard “should know” as illative intention, arguing that “should know” is a mental attitude of illative intention excluding negligence.[52]While others think that “should know” shall be considered as a kind of negligence, arguing that the understanding of the concept should firstly consider the requirements of principle of legality, because the concept of “should know” implies that the actor bears an obligation to know, as to the situation that the actor fails to realise the matter of fact, only could it be considered as a negligence.[53]

The concept of “should know” is an expression of the idea that the actor bear the obligation to know, which is the corresponding mention of “know”, meaning that the third party actually fails to realise the matter of fact although he should know under his obligation. This meets the feature of carelessness and inadvertence, which means that the actor should know that the act of his own may cause the consequence of infringement upon trade secrets of others but fails to know what he should because of carelessness and inadvertence, only could it be considered as a negligence.[54] I agree with this idea. There are two points implied by the concept of “should know”, firstly, as a matter of fact, the actor didn’t know the facts; secondly, he should have realised. It is obvious that he did not realise the facts because of negligence. While “knowing” means that the actor had realised the facts, so “should know” is definitely not “knowing”. In terms of provision of the *Criminal Law*, it is careless and inadvertent negligence that the actor should foresee the consequence of his acts but failed, and it is synonymous of the two words “should foresee” and “should know”, so the concept “should know” conforms to careless and inadvertent negligence. Meanwhile, it is an overlap of semantics to regard “should know” as intention, thereby losing its provided meaning, and what’s more, this interpretation is in breach of legislative technique.

This provision of our anti-unfair competition law is in accordance with the IPR related international treaties and the relevant regulations of other countries. For example, Article 39 of *Trips* provides the act of disclosing, acquiring or using the undisclosed information legally reserved by the actor by means against honest commercial activity. According to the relevant interpretation of the treaty, "means against honest commercial activity" includes acts such as breach of contract, disclosing secrets and tempting others to disclose secrets, with the mentation of “knowing” and “not knowing because of gross negligence”. Relevant laws of some countries or regions, e.g. Japan, the USA and Taiwan Province, provide the gross negligence in subjective aspect of the infringement upon trade secrets. For example, Article

[52] Liu Xianquan&Wu Yunfeng: *The Theory and Practice of the Crime of Infringing upon Trade Secrets* ,Peking University Press 2007, page377-342.
[53] HuangJinping: A Study on some Issues of the Crime of Infringing upon Trade Secrets,; Zhao Bingzhi: The Criminal Protection of IPR of China and European Experience's Reference page189, Law Press China,2006.
[54] LinYagang: One More Investigation on the crime of infringing upon trade secrets, see the Legality and Social Development, issue NO.1,2000.

10, Item 1, Clause 2 of Trade Secrets Act of Taiwan Province Provides that the acts of acquiring, using or disclosing trade secrets constitute the infringement upon trade secrets where the actor knew that trade secrets were acquired by improper means, and that the actor failed to realise the facts on gross negligence. So it conforms to the legislation when considering the subjective mentation of “should know” the crime of infringing upon trade secrets by a third party as careless and inadvertent negligence, because of which the actor should have foreseen the consequence but failed.

Chapter 4: The confirmation of the crime of infringing upon trade secrets

Because the amount of infringements of trade secrets is increasing, protection for trade secrets should be strengthened for civil liability, administration liability, and finally, criminal liability. There are lots of acts of infringement upon trade secrets in real life but every year the judicial authorities handling criminal cases accept and hear only a few. There are many judicial authorities who have not accepted any criminal case involving infringement of trade secrets at all. The main cause of this phenomenon is due economic considerations; some local officials may, for example, collude with the infringers and others may prefer to accept traditional cases like homicide and robbery, in order to avoid pressure and criticism when handling a trade secrets infringement case. Moreover, because the crime of infringing upon trade secrets is relatively new in terms of criminal legislation, there are many uncertain factors in the judicial handling.

1. The Distinction between the Crime of Infringing upon Trade Secrets and the Lawful Action

The confidentiality of trade secrets does not mean that only the owner of trade secrets is entitled to know trade secrets, others are also entitled to get trade secrets by legal actions. Because trade secrets are not exclusive in law, the owner of trade secrets can’t prevent others from getting the same secrets through legal means and he can only secure trade secrets of his own by legal measure. The legal way one gets trade secrets is called “exception of infringement”. It is proper of this exception because all the other civil rights is constrained to some degree, which also applies to the rights of trade secrets.

The exception of infringement is called legitimate means to get trade secrets in the American legislation system. The *Uniform Trade Secrets Act* stipulates five legitimate means of independent development, reverse engineering, getting by the permission of the owner, getting by observation of the products that are used in public or fairly revealed and getting from publication. The judicial interpretation of the Supreme People’s Court also stipulates five legal means, i.e., conceiving by oneself, independent development, reverse engineering, lawful assignment and licensing. In light of relevant provisions of the Civil Law, these following acts can be considered legal: first, getting right of trade secrets through independent development; second, getting right of trade secrets through reverse engineering; third, getting right of trade secrets through assignment; the fourth, acquiring trade secrets right through the negligent disclosure by the owner of trade secrets; the fifth, getting through the public newspapers and periodicals or the products and information used in public or acquiring trade secrets through the observation and research in public occasion; the sixth, disclosure for the

purpose of public interest. These acts are excluded from the injuria in practice so they are certainly excluded from the acts constituting the crime of infringing upon trade secrets. If the acts of perpetrating involves those six situations above, it should be dealt with respectively instead of regarded as the crime of infringing upon trade secrets in general terms.

(1) Getting through independent development. Independent development refers to acts of getting information same as others' trade secrets through the creative intellectual achievement, which is an important form of honest work and legal competition. It is a particularity of the subject of trade secrets and the rights according to it, that one technique can be respectively developed by more than two individuals who are total strangers to each other. It is not considered as an infringement that the product of the actor is the same as others' or similar to others', as long as the actor did not plagiarise the creation of others. The owner of trade secrets cannot prevent others from acquiring same trade secrets by means of research and development and the owner who got trade secrets earlier cannot prevent the later owner from utilising. The developer can also become owner of trade secrets after independently developing information the same as the preexisted trade secrets only if he takes necessary secrecy measures. There are two parallel rights of trade secrets when the actors get the same trade secrets through independent development and there is no problem of infringement, because unlike patent, the right of trade secrets is not exclusive. If the third party who develops the trade secrets independently does not take secrecy measures and disclose his achievement, it can't be regarded as an act of infringement upon the owner's trade secrets.

(2) Getting trade secret right by reverse engineering. Satisfying certain condition, reverse engineering is regarded as the exception of infringement upon trade secrets in the USA, German and Japan. Reverse engineering refers to the act that the actor gets the information of structure, ingredients and the techniques through dismantlement, dissection, testing, research and analysis of the product gained legally; or to get trade secrets by means of cost check and marketing survey. Reverse engineering can save research cost and time for the operator, so it is an important measure to gain others' technical secrets. However, the reverse engineering shall not breach the term of black-box closing. First, the actor has to get products legally. There is a strict restraint to the object of reverse engineering that only products gained through legal channel can be used in reverse engineering. Reverse engineering using products illegal gained is forbidden. Reverse engineering shall not proceed if the actor has not got the ownership of the product even if he has possessed it legally. Second, the subject of reverse engineering can be only the person who has no relation to the owner of trade secrets. Anyone who bears any obligation to the owner is not allowed to take part in the reverse engineering. Finally, the actor shouldn't breach the preceding primary obligation. If the actor promised not to carry out reverse engineering when he legally purchased the product, he shouldn't do from then on. Since this promise is an agreement between the two parties, the reverse engineering that breaches the promise would not be protected by law.

(3) Getting right of trade secrets through assignment. The acts of legally gaining trade secrets can be divided into the act allowed by the owner and the act not allowed by the owner. It is

obvious of the legality of the act of acquiring trade secrets of owner by signing a contract for technology transfer and use with the owner. Under this situation, the actor gets trade secrets legally through the transfer by the owner. Trade secrets are a kind of intangible assets and certainly the owner enjoys the right of transferring trade secrets to others. Meanwhile, the actor could acquire the using right of trade secrets by joint venture, cooperation or joint operation and allowing the owner to buy a share with his trade secrets. These acts are allowed by the owner and it is legal to get trade secrets in this way.

(4) Getting trade secret right by information analysis. Getting trade secret right through publication refers to the act that the actor summarises trade secrets similar to others' by research on the publication, public newspapers, magazines or other public information or the observation, research, analysis and tests on other public places, which is a kind of legal acquisition.

(5) Obtaining trade secrets through the negligence of the owner, acquiring trade secrets through legal visiting or the negligence of the owner. It has been remarked in the discussion about the definition of trade secrets that it is one of determining conditions that the owner must take proper secrecy measures to proetect the secret information he holds, so if the actor who gained trade secrets because of the negligence of the owner, not having trade secrets secured, should not bear legal liability.

(6) Restraints of public interest. By express provision of law, if there is one, the administration or judicial authority of the country could forcedly get information, including trade secrets, when performing their duties. For example in the course of environmental supervision and management, relevant institutions are not allowed to refuse on the ground of securing trade secrets when the state institutions lawfully exercise the supervising power, for example, Environmental Protection Agency asks them to provide related data and information. However, there are following constraints of public power: first, there has to be express provision stipulating the situation where they can exercise power; second, this power should be exercised by relevant institutions, and constrained in its term of reference; third, during the course of exercising public power for public interest, the executant shall always keep trade secrets confidential for the owner and shouldn't impair the interests of the owner of trade secrets.

2. The Determination of "Heavy Losses" Caused by Infringement upon Trade Secrets

The infringement upon trade secrets constitutes a crime only if it causes heavy losses to the owner of trade secrets; how, therefore, to determine the criterion of "heavy losses"?

(1) The Definition of "Heavy Losses"

According to Article 219 of the *Criminal Law,* the objective aspect of this crime has to fulfill the element of "causing heavy losses to the owner of trade secrets", but there is no definite provision of heavy losses. *Provision of the Prosecuting Criterion for Economic Cases* jointly issued by the Supreme People's Procuratorate and the Ministry of Public Security provides that the actor involved in the trade secrets infringement should be prosecuted under following

conditions: (1) causing a direct economic loss over 500.000 RMB; (2) leading to the bankruptcy of the owner or other serious consequences. However, whether the expression of "direct economic loss" refers to the internal value of the stolen trade secret and its carrier or the actual loss caused by the infringement upon trade secrets is not defined in this provision. Some scholars believe that the internal value of trade secrets is not equal to the heavy losses the actor caused to the owner.[55]

While some indicate that if the internal value is regard as losses the infringement caused to the owner, all infringements upon trade secrets with a very high value will constitute a crime, so that the penalty scope of the *Criminal Law* will be expanded improperly.[56] Economic losses do not necessarily refer to the internal value of trade secrets. First, losses are determined by the original intent of Article 219 of the *Criminal Law*. The common understanding of this provision is that actual loss is caused, which is the direct consequence of the infringement and is not equal to the internal value of trade secrets. Although some trade secrets are quite valuable, under some conditions, the injuria is quickly investigated after the action and causes no loss or just causes a loss far lower than the value of trade secrets; while in some other cases, some high-valued trade secrets are rent out for value(sure the license fee is usually far lower than the internal value of the trade secret), so the loss of owner is limited to the loss of the license fee when the trade secret is illegally used by the infringing person. If the internal value of trade secrets is regard as the loss of oligee, under the situation that the trade secret is very valuable, it is probable that the actual loss is small and a light act is considered fierce, so that the penalty scope of the Criminal Law is expanded improperly. Secondly, the value of trade secrets is the value reflected by the feature of itself, which contains the cost of the development activity and the competitive advantage it provides to the owner. It is a trait of the infringement upon trade secrets doesn't obstruct the use of trade secrets of the owner and the owner does not necessarily lose the internal value of trade secrets. Finally, it is a consensus among the law circle of some other countries which have a high level legislation to regard "causing direct economic loss" as the interest loss that results from the negative effect of the infringement upon trade secrets.[57]

(2) The Calculation of "Heavy Losses"

I. Calculating based on the losses caused by the infringement

Owner of trade secrets refers to the owner of the trade secrets and the user of trade secrets who is permitted to use trade secrets by the owner. The "losses" includes the real economic interest losses of the owner as well as the anticipated and potential economic interest losses. In present judicial practice, there is a divergence on the definition of "cause heavy losses to the owner of trade secrets". Main opinion about the criterion includes: (i) the balance between the profit before the infringement upon trade secrets and the profit after a certain period of the infringement to trade secrets; (ii) the loss of the anticipated profit in a certain term after the use of the trade secret by the infringing party; (iii) the developing cost of the trade secret; (iv) the license fee of the near-identical trade secrets; (v) the actual sales price acquired by the

[55] Zhou Guangquan: *Research on the crime of infringing upon trade secrets,* see *Corpus of Chinese Jurisprudence Annual Symposium*, page141,Law Press 2003.
[56] Huang Jingping&Li Fuyou: *Research on some Controversial Issues on the crime of infringing upon trade secrets*, see *Corpus of Chinese Jurisprudence Annual Symposium*, page126, Law Press 2003.
[57] Zhao Tianhong: *Research on the Criminal Protection of Trade Secrets*,page85-87, China Procuratorate Press, 2007.

infringing party during the infringing period; (vi) the real profit gained by the infringing party during the infringing period; (vii) the sales price obtained by the infringing party for sales of bthe products produced by trade secrets of the owner.

II. Calculating based on the profit of the infringing party

The calculation of losses based on the premise that the infringing party has not disclosed and transferred trade secrets to the third party and has not had trade secrets known to the public. As to the compensation issue under such situation that trade secrets enter the public domain because of the acts of the defendant, some scholars think it is effectual to draw lessons from the expected income model in the intangible asset evaluation, which is considered to be impartial to both of the complaint and the defendant. It is the fact that the intangible assets of the complaint has disappeared, resulting in the losing of competitive advantage and the abnormal profit; the defendant who destroyed the intangible assets of others' should compensate as the situation where he destroyed the tangible assets. If this theory is applied, the judge may order the defendant to pay the complaint the profit, which is supposed to be earned during the period before the trade secrets enter the public domain naturally because of the legal competition of the market.[58]

III. Calculating based on the license fee of the near-identical trade secret

The trade secret, especially the technical secret, is usually of novelty, but is not necessarily unique to the whole industry. It is reasonable to adopt this criterion in the judicial practice, for the following reasons: (i) although a trade secret relates to secret know-how and is secured by certain confidentiality measures, and licensing fees for its use by a licensee is out of the question, near-identical techniques are generally comparable, so the licensing fee for its near-identical techniques obtained by assessors are basically accurate, not far from its actual value. (ii) It is actual income of the owner gained by allowing others to use the technique, so it can be considered as the divestment of this profit to get trade secrets of the owner by illegal means, and this part of profit possessed by the infringing party can be determineed as direct loss of the owner.

3. The Distinction between the Crime of Infringing upon Trade Secrets and Other Crimes

In judicial practice there is confusion on the determination of trade secrets and other similar crimes, so it is necessary to define the boundary between the crime of infringing upon trade secrets and other relevant crimes.

(1) The Distinction between the Crime of Infringing upon Trade Secrets and the Crime of Larceny

According to Article 264 of the *Criminal Law*, the larceny refers to the act of stealing public or private property of a relatively large amount or secretly and repeatedly stealing public or private property. As one of the important performance of acts of illegally obtaining trade secrets, the act of stealing trade secrets is divided from the offence of larceny. Before the crime of infringing upon trade secrets is enacted, according to related judicial interpretations,

[58] Zheng Chengsi: Legal Issues in the Evaluation of the IPR, page125, Law press, 1999.

the act of stealing important technological secrets is convicted as larceny. It was an expedient result from temporal situation that there was no definite provision concerning cases like this. After the provision of the crime of infringing upon trade secrets in the *Criminal Law of 1997*, acts of stealing technological secrets belonged to trade secrets that cause heavy losses to the owner should be regarded as the crime of infringing upon trade secrets instead of larceny. Although the Criminal Law has stipulated the crime of infringing upon trade secrets, some judges still convict the acts of stealing trade secrets as larceny. So it is necessary to define the distinction of the two crimes. The difference between the two mainly lies in:

First, it is different of the object of the crime. The object of the crime of infringing upon trade secrets is the legal interest of the owner of trade secrets and the management order of trade secrets of the country, while the object of larceny is only the ownership of public or private property. Although trade secrets are a kind of intangible asset, and in general are private, individual and local interests, the protection of which is different from other properties, mainly because the consequence of the infringement upon trade secrets is usually more serious than that of other properties. As has been stated before, it undermines the socialist economic order and impairs national secrecy and interests in various degree. It is reasonable that the *Criminal Law of 1997* provided the crime of infringing upon trade secrets in Chapter 3 of the Crimes of Offence against Socialist Economic Order instead of the chapter of crime against property.

Second, the criminal targets are different. The criminal target of the crime of infringing upon trade secrets is the trade secret; while the criminal target of larceny is the public or private property. The trade secret is a kind of intangible asset, embodying some kind of IPR; while most of public or private property is tangible asset, embodying the real right, obviously different from the trade secret. As the trade secret usually exists in the form of information, the criminal target is usually the carrier of the information. The burglary doesn’t impact the control of the trade secret of the owner; the owner could use the trade secret even if it has been stolen. As to the common property, being stolen means the owner of property loses the possession and control of the property, and the actor acquires the property.

Third, the objective aspect of the crimes is different. The objective aspect of larceny only behaves as the act of obtaining property secretly. While the performance of the crime of infringing upon trade secrets includes acts of gaining others’ trade secrets or, allowing others to use trade secrets or disclosing trade secrets, by means of stealing, luring and coercing, stealing is only one of them. So it is more plentiful of the way of act of the crime of infringing upon trade secrets compared to the larceny.

The fourth, the scopes of subject of a crime are different. Although the subjects of the two crimes are general subject, the subject of the crime of infringing upon trade secrets can be either natural person or unit and the subject of larceny can only be natural person.

The fifth, it is not quite similar in the subjective aspect of crime. The subjective aspect of the crime of infringing upon trade secrets usually behaves as intention, and the acts that should

be regarded as the crime of infringing upon trade secrets stipulated in Article 219, Clause 2 of the *Criminal Law* could constitute a crime if the actor has a motive of gross negligence. The subjective aspect of larceny can only be intention, with the objective of illegal possession.

As a kind of intangible asset, trade secrets exist on some kind of tangible carrier, the actor may infringes upon the right of trade secrets or property rights while getting the carrier by secret theft. In this situation, to determine this kind of act, I think, we should analyse the subjective aim of the actor and the character of the carrier. The burglary should be determined under the principle of correspondence between subjective and objective in this situation. If the actor aims at gaining trade secrets carried by the carrier, the burglary should be determined as an act of infringement upon trade secrets; those that cause heavy losses to the owner constitute the crime of infringing upon trade secrets.

If the actor stole the carrier of trade secrets with a subjective aim of gaining common property, for he has no intention of infringing upon trade secrets in the subjective aspect, the burglary shouldn’t be regarded as the crime of infringing upon trade secrets. In this situation, we should judge whether the burglary constitutes larceny according to the value of the carrier, as well as whether the act caused heavy losses to the owner, but shouldn’t convert the value of trade secret into the amount of burglary to convict and sentence the actor. If the act doesn’t fulfill the condition of crime, the actor should be innocent of crime in principle. If the actor stole a trade secret, not knowing it was a trade secret, yet he disclosed and used it after knowing it was a trade secret, which conforms to the acts of disclosing, using, allowing others to use trade secrets acquired by improper means, or acquiring trade secrets by improper means provided in Article 219 of the Criminal law, so if it causes a heavy losses to the owner, it surely constitutes the crime of infringing upon trade secrets.
Before 1997 when the *Criminal Law* was revised, there was no crime of infringing upon trade secrets in the *Criminal Law*. The *Interpretation of Issues on Application of Law in the Larceny Cases* jointly issued by the Supreme People’s Court and the Supreme People’s Procuratorate in 1992 definitely provided that the "public and private property" refers to the tangible assets as well as the intangible assets like some important technical achievements. According to this judicial interpretation, all acts of infringing upon trade secrets are judged as larceny. The prevailing *Criminal Law* provides the crime of infringing upon trade secrets, dividing the act of stealing technological achievements out from larceny. It definitely stipulates that stealing trade secrets, thereby causing heavy losses to the owner, constitutes the crime of infringing upon trade secrets. Comparing to the larceny, provision of this crime is a special law, although the interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate is not annulled, this problem of overlapping of legal provisions could be solved according to the principle that special law should have priority over general law. If other technical achievements except trade secrets become the object of burglary, the act of stealing may still constitute larceny, according to the interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate mentioned above.

(2) The Distinction between the Crime of Infringing upon Trade Secrets and the Crime Involving State Secrets.

There are mainly three provisions involving state secrets: the crime of stealing, spying on, buying or illegally providing state secrets or intelligence to institutions outside the country; Article 282, the crime of obtaining illegally state secrets and the crime of divulging state secrets. According to Article 111 of the *Criminal Law*, the crime of stealing, spying on, buying or illegally providing state secrets or intelligence to institutions outside the country shall refer to the acts of stealing, spying on, buying or illegally providing state secrets or intelligence to an agency, institution or individual outside the country. According to *Article 2 of the Law of the PRC on Guarding State Secrets*, state secrets refer to"the affairs that is related to the secrecy and interst of a country, and could only be known by persons in certain scope, in certain period and determined in legal proceedings". Article 8 of *the Law of the PRC on Guarding State Secrets* stipulates the matters that belongs to state secrets: (1) the secret affairs of the important decision of the national affairs; (2) the secret affairs of the national defense constructions and activities of armed forces; (3) the secret affairs of the diplomatic activities and foreign affairs activities and the affairs for which the country bears confidentiality obligation externally; (4) the secret affairs in the development of the national economy and the society; (5) the secret affairs of science and technology; (6) the secret affairs in the activities of safeguarding national secrecy and the investigation into criminal offences; (7) other secret affairs that should be determined by the secrecy department for conservation. The objects of both of the crime of divulging state secrets and the crime of infringing upon trade secrets involve secret content, so it is probable to confuse one with another, it is necessary to distinct the two crimes.

The distinction between the trade secret and state secret: First, the objective of establishment is different. Different from the trade secret that is inclined to protect the partial interest of the owner, the state secret is to protect the secrecy and interest of the country, representing the community interest of the country. While the trade secret only concerns the competitive advantage and the economic profit, representing the partial interest. Second, the protective scope differs. It is far more extensive of the protective scope than that of the trade secret. It involves the aspects of politics, military affairs, foreign affairs, national secrecy, economy, science and technology, while the trade secret only protects the economic value of the related secret information. Generally the secret information that could bring direct economic profit is defined as technical information and management information, which only involves the economic and scientific and technical sphere.

So if a secret has nothing to do with the national economy and science and technique, but only involves the politics, military affairs, foreign affairs, national secrecy and the criminal judicature, this piece of information can only be a state secret instead of a trade secret. Third, the confidentiality level differs. Because the leak of state secret may undermine the national interest and security, meanwhile the country controls economic, material and manpower resources that could provide powerful support for the protection of state secrets, the confidentiality level of state secrets is different from that of trade secrets. According to *the Law of the PRC on Guarding State Secrets*, there are three confidentiality levels, that is, top-secret, classified information and secret. The state secret should be determined by the national secrecy department in legal proceedings, while the trade secret exists only if the

owner has the intention of secrecy and has taken proper secrecy measures. Moreover, the scope of rights of the two kinds of secrets differs. The state secret is absolutely exclusive, and not be allowed to be transferred in the market. While the owner of trade secrets could allow others to use his trade secrets for value, or buy a share with trade secrets of his own, as well as authorise others to use the trade secret.

The connection between the trade secret and the state secret: First, the scope of those who know the secret are specific. No matter it is the trade secret or the state secret, they all exist and are protected in a secret way, so it is an important trait that both of them are secret and the scope of the persons who know the secrets are specific. Second, secrecy measures have to be taken. This is the reflection of the specificity of the informed scope of the two kinds of secret in the aspect of practical operation. If the relevant owner do not take necessary measures to prevent others from obtaining the trade secret, that information shouldn't be protected as a trade secret in law. No matter it is a trade secret or a state secret, the act of obtaining may be legal under the situation where the actor gets the secret by the negligence of the owner, therefore, the actor lacks blameworthiness.

The third, there is convertibility between the two of them. In judicial practice, it is quite probable that some trade secrets involving the important interest of national economy and the development of science and technology, bought out by the country so that it upgrades to state secret to get corresponding protection. The economic and technical secrets that are important to the national economy and the science and technology of the nation controlled by enterprises, especially the state-owned enterprises, can be determined as state secrets through legal proceedings. That is to say, the secret affairs of economy and development of society of state secrets and the secret affairs of science and technology may includes a part of trade secrets, so there is overlapping of the scope of the state secrets and trade secrets in those two fields. It is obvious that the infringement upon this kind of secret information, whether state secrets or trade secrets, violates similar social relation and causes similar consequence. It violates normal economic order and causes unfair competition, or even undermines the economic foundation of our country in the worst situation.

There are different points about what principle should be adopted in the application of law in the situation of overlapping of legal provisions such as mentioned above. Some believe that according to the principle that special law is superior to general law and the principle of considering the object of crime, these acts should be regarded as the crime of infringing upon trade secrets.[59] And some other scholars think that according to the principle that serious law is superior to the soft law, applying Article 282 of the *Criminal Law* is propitious to strengthen the protection.[60] I prefer to the later point for following reasons:

[59] Pang Liangcheng: *The determineation and the Judicial Effect of the crime of infringing upon trade secrets*,see *People's Procurator*, issue No.2,1998; Gao Xiaoying: *The determineation and Penalty of the crime of infringing upon trade secrets*, page226, China Procuratorate Press,1998.

[60] ZhaoBingzhi: *Judicial Countermeasure against the Puzzle Question upon the crime of infringing upon trade secrets*, page451, Jilin People's Press, 2000.

First, the technical achievements accomplished by individuals or units in the scientific activities can be either reserved by the owner of trade secrets as trade secrets or converted into state secrets. But the course of converting should be accomplished through the course of reporting and examination and approval. Comparing to trade secrets, the legislation is strict with state secrets. State secrets come from trade secrets, and they can be regarded as some special trade secrets. As state secrets, the technical achievements can still be protected by civil law as trade secrets after its decryption. But there is no relationship between special law and general law among the provisions of the Criminal Law. So the crime of infringing upon trade secrets can't be the corresponding special law of the crime of divulging state secrets, and it is improper to apply the principle that special law is superior to the general law to determine the acts mentioned above as the crime of infringing upon trade secrets.

Second, a state secret is considered to be superior to a trade secret, it is usually more destructive of the offence of divulging state secrets than the crime of infringing upon trade secrets, because it directly undermines the security and interests of the country and may cause substantial losses, so it should be punished more seriously or correspondingly. The penalty setting of the Criminal Law reflects this. The basic legally-prescribed punishment of the crime of infringing upon trade secrets "shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention and concurrently or independently, to a fine, if a serious consequence is caused; to fixed-term imprisonment of not less than three years and not more than seven years and concurrently to a fine", and the offence of divulging state secrets can be sentenced to life imprisonment in the most serious situation. The legally-prescribed punishment is a quantitative criterion of the perniciousness of certain acts. It can be used to measure the serious law and the soft law by the comparison of the upper limit and lower limit of the extent for measurement of punishment.

Just because the punishment of the crime of divulging state secrets is more serious than that of the crime of infringing upon trade secrets, it is necessary to define the distinction between the two crimes. Even if the vital economic and technical secrets of the enterprises are very important to the national economy and the people's livelihood, it can only be measured as trade secret unless it is determined as state secret through the legal proceedings. But once the relevant secrets of the enterprises have been determined as state secrets through legal proceedings, even if it matches the condition of trade secret, according to the principle that serious law is superior to soft law, it should be protected by the application of the provisions of the crime of divulging state secrets in the situation of an infringement.

Chapter 5: The Acceptance and Filing of Cases of crime of infringing upon trade secrets

1. The General Situation of the Acceptance of Cases of crime of infringing upon trade secrets

(1) Condition of Sources of Cases

Recent Cases of crime of infringing upon trade secrets are found in different ways. On the one hand, the cases are informed by the infringed enterprises and citizens, as well as by the

public; on the hand, there are letters and visits from people, as well as the intelligence and clues directly acquired by public security institutions. In general, due to the lack of initial self-protection by entities, the public security institutions, more often than not, get the cases through various informants' materials rather than through information and clues acquired by proactive investigation. The main causes are as follows: The public are not active to inform of such offences; informants are often more willing to inform such offences to the administrative law enforcement agencies or infringed enterprises, which promise to offer rewards, than to the public security institutions; infringed enterprises report more cases to the administrative law enforcement agencies than to the public security institutions on account of the limit of the standards of criminal prosecution; some of the administrative law enforcement agencies do not transfer or do not transfer in time the cases needing to be transferred to the public security institutions. In contrast, developed cities and regions are more civilised, and people live there have stronger consciousness of safeguarding rights; therefore, there is a higher proportion of infringed enterprises and citizens there investigating and reporting cases.

(2) The Characteristics of the Acceptance of Cases of crime of infringing upon trade secrets

I. Rapid increase in number. According to statistics, there are 947 criminal cases of infringing upon trade secrets accumulatively accepted by the public security institutions with the total involving value of 1.39 billion RMB from 2004 to 2007. They respectively account for 11%, 6.3%, 6.7% and 31% of the criminal cases of infringing upon intellectual property rights each year, which is more than the total number of the cases of crimes of copyright infringement, crimes of selling infringing copies and Crimes of counterfeiting a patent. In developed regions, the upward trend of criminal cases of infringing upon trade secrets becomes more obvious. Of course, these numbers may also be related to other factors. For instance, with the support of related government department, some local enterprises make use of the power of the public security institutions against competitors outside the region. They use means of criminal law enforcement to interfere normal civil infringement cases, such as the flow of personnel, which makes criminal law an instrument to intervene in economic disputes.

II. The relative concentration of cases. From the view of modus operandi, the statistics show that 60% of cases of crime of infringing upon trade secrets are related to talents' job-hopping.[61] And some experts point out that cases related flow of personnel accounts for 90% of the total cases of crime of infringing upon trade secrets, and such cases are increasing by 100% each year.[62] From the view of manifestation, there are several types as follows: some enterprises use unfair methods to buy related staff over to appropriate other enterprises' trade secrets; some lawless persons try to be employed in hi-tech companies, and steal core trade secrets, then set up a company to gain high profits; the staff, who acquire the enterprises' trade secrets, unlawfully provide trade secrets acquired in former enterprises

[61] see Lili: Urgent to Disabuse on Criminal Protection for Trade Secrets in China,http://www.nipso.cn/gnwzacqxx/symm/t20061030 83269.asp;Special Topics on Former Huawei staff' Theft of Trade Secrets,http://tech.sina.com.cn/focus/hw_staff/index.shtml; Liu yangzi:Diffusion of Technical or theft of trade secrets--Thoughts on the first case of trade secret dispute in China, China IP News on August 24th ,2007

[62] *Request Instruction of Draft for Standardizing Law Enforcement on Cases of the Crime of Infringing upon Trade Secrets*, by the Ministry of Public Security

to new companies for a well-paid job. From the view of places of criminal cases, cases of infringing upon trade secrets are concentrated mainly in economically and culturally developed regions, ie. Beijing, Guangdong, Shanghai, Jiangsu, Zhejiang, Shangdong, etc. According to incomplete statistics, Economic Crime Investigation Department in Shenzhen has accepted 50 cases of crime of infringing upon trade secrets reported by Huawei, Tencent, ZTE Corporation, Han's Laser etc., involving with 81persons. It has saved huge economic loss for the enterprises. The main reason why the situation in the East is more serious than that in the West is that the people capable of committing the crime of infringing upon trade secrets and the consumer markets are in the developed regions.

III. The Enhancement of Professional Skills. With the economic and social development, the cases of crime of infringing upon trade secrets become more and more complicated. Evidence is numerous and difficult to identify; furthermore, the period of case handling is too long. Means and objects of these crimes emerge in the trend of technicalisation. The crime of infringing upon trade secrets is penetrating the telecommunications and technology market, talent market, e-commerce and other emerging economic sectors. The manufacturing equipments and production process used in the crime is improving and the level of counterfeiting is increasing. Means and objects of these crimes emerge in the trend of technicalisation. For instance, the departments of investigating cases of crime of infringing upon trade secrets in Zhuhai city, Guangdong Province, have accepted 8 cases in total from 2007 to the first half of 2010. Among these cases, three cases were not filed, five were filed, one was solved, and two were dismissed. Seven criminal suspects were caught for infringing upon trade secrets, and two cases involving trade secrets were handled. These cases took place in a balanced way. Some of the cases took place in famous enterprises in Zhuhai, while most of them in small-and-medium-sized enterprises. The scope of these cases was concentrated in softwares, drawings and production process. The people involved were all with high education level and high intelligence. When they committed crime of infringing upon trade secrets, they all had a complicated thought of curiosity, gaining profits, or hereby arousing the attention of the senior executives or vent their anger while being given short shrift in the company.[63]

(3) Major Problems in the Acceptance of Cases of the Crime of Infringing upon Trade Secrets

I. The determination of a trade secret. Article 219 of *Criminal Law of People's Republic of China* provides that a trade secret is technical information and business information that can create economic benefits for the legal owners with usefulness and is unknown to the public and is maintained secrecy by its legal owners. Therefore, in accordance with *Criminal Law,* trade secrets include technical information and business information. In practice, it is easy to understand technical information, though; business information is difficult to be ascertained. What does business information contain? When does the use of business information constitute the crime of infringing upon trade secrets? When dealing with cases, the public

[63] *The Research on the Problems in Law Application in Investigation of the Infringment upon Trade Secrets* by Ministry of Public Security

security institutions shall accurately define trade secrets. The prerequisite for the public security institutions to go into investigation is that there should be infringement of trade secrets. In consequence, informants shall provide related surveyor's report or evidence proving that the technology or business information infringed is trade secret. In order to solve the problem of defining a trade secret, it is necessary to stipulate standards for defining a trade secret and submit the cases to accrediting bodies of intellectual property rights to differentiate and identify. In accordance with *Criminal Law of People's Republic of China* and *Several Provisions of Handling Economic Cases for the Public Security*, economic criminal cases shall be under the jurisdiction of the public security institutions where the cases take place. As far as cases as to trade secrets are concerned, there are two different opinions: some hold that the place where the infringement takes place is the place of a crime; others hold that the place where the infringing party acquires trade secrets is the place of a crime, i.e. the place of the infringed party is the place where crime takes place. These two opinions are well-founded and reasonable. The first opinion conforms to *Criminal Procedure Law of People's Republic of China* and related regulations; the understanding of the place of a crime in the second opinion does not contradict laws and related regulations, because the infringing party has begun to commit a crime when he or she tries to get trade secrets through stealing and other improper means in the place of the infringed party, the understanding of which is propitious for protecting the lawful rights and interests of the legal owner of trade secrets. In practice, it is always the case that the infringing party sells trade secrets on the Internet and many other different places after stealing them, yet, any single infringement act does not meet the standards for filing a case and several acts exceed the standards. Therefore, in light of the special characteristic of the crime of infringing upon trade secrets, it is necessary to make it clear by legislation that the public security institutions in the place of actual infringement act and the place of infringed party both have the jurisdiction.

II. The boundary issues in the acceptance of cases. In the cases of infringing upon trade secrets, we shall note that the purpose of the criminal law, all other laws and even the whole economic and social development is to maintain harmoniousness and unity. Thereby, we shall accurately grasp civil protection and the coordination between civil protection and criminal protection and hold that criminal protection of trade secrets has a limited nature. From the view of social development, to protect and respect intellectual property rights and to fight against delinquency and crime of infringing upon intellectual property rights is getting more and more identification and attention. But the legal measures for the protection of human intellectual property should be limited. On Nov. 2nd , 2004, the Supreme People's Court and the Supreme Procuratorate promulgated *Interpretation of Several Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Rights*, in which it significantly lowered the prosecution standards of criminal cases of infringement upon intellectual property rights except for cases of infringement upon trade secrets. This judicial interpretation reflected the legislative spirit that limitation principle shall be maintained in the investigation of the crime of infringing upon trade secrets. Meanwhile, Criminal Procedure Law of People's Republic of China and related regulations make it clear that criminal cases of infringement upon intellectual property rights(excludes endangering social order and national interests) belongs to "minor criminal cases that a victim has

evidence to prove the crime", and the victim directly file a lawsuit to the people's court. As one kind of crime of infringing upon intellectual property rights, the crime of infringing upon trade secrets also belongs to "minor criminal cases that a victim has evidence to prove the crime". Hence, it is necessary to limit the standard of filing a case and the jurisdiction of a case for the public security institutions in criminal crime of infringement upon trade secrets, to stipulate that cases concerning trade secrets shall be under the jurisdiction of the public security institutions at or above the level of city and prefecture-level city, to ascertain that it shall be resolved through civil way or other way, if appropriate, in the case of unlawful use of former unit's trade secrets after resignation or retirement(Actually, the rights and interests of a party may be in a better protection due to the evidence rule of "preponderance of evidence" applied in civil procedure). The public security institutions shall mainly file and investigate cases that severely endanger social order and national interests by acquiring the carrier of trade secrets (including copies, etc.) through commercial espionage, theft and other improper means and by providing these trade secrets to foreign institutions or individuals.

2. The Filing of Cases of the Crime of Infringing upon Trade Secrets

(1). A Standard of Filing a Case of the Crime of Infringing upon Trade Secrets

In accordance with *Criminal Procedure Law of People's Republic of China,* the standards of filing a criminal case are that there is evidence that supports the facts of the crime and that the criminal responsibility shall be investigated. Cases of the crime of infringing upon trade secrets shall also comply with these two standards. Firstly, there is evidence that supports the facts of the crime, i.e., there is evidence that support the actor engages in the activities listed in Article 219 of the *Criminal Law*: (1) acquire a right holder’s trade secrets via theft, lure by promise of gain, threat, or other improper means;(2) disclose, use, or allow others to use a right holder’s trade secrets which are acquired through the aforementioned means;(3) disclose, use, or allow others to use, in violation of the agreement with the right holder or the right holder's request of keeping the trade secrets, the trade secrets he is holding. Whoever acquires, uses, or discloses other people’s trade secrets, when he knows or should know that these trade secrets are acquired through the aforementioned means, is regarded as an infringement upon trade secrets. Secondly, the criminal responsibility shall be investigated, i.e. the activities of infringing upon trade secrets have caused legal significant losses. For the infringement of trade secrets, Article 219 of the *Criminal Law* provides as follows: Whoever engages in one of the following activities which infringes upon trade secrets and brings significant losses to persons having the rights to the trade 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 seven years of fixed-term imprisonment and a fine, if he causes particularly serious consequences. As is shown above, the determination of significant loss is of great importance, because it directly decides the distinction between a crime and a non-crime. It is necessary to determine this issue with the criminal theories in our country. Generally speaking, there are three aspects of losses as follows: (1) the Research and Development Cost of the trade secrets (or the expense of acquiring the trade secrets in a legal way); (2) the losses of its assignment value caused by the infringement of trade secrets (such as the use and disclosure of these trade secrets); (3) the losses arising from the decline or loss of

competitiveness, the decline of market share and the decrease of the corresponding profits and so on. For the calculation of the losses, it should make specific analysis of the case and comprehensively use the calculating methods for significant losses according to its own characteristics of the case, so as to give a complete protection of the right of trade secrets and thereby provide a legal deterrence to people who intend to infringe trade secrets.[64]

In the meantime, on the one hand, the *Criminal Procedure Law* only provides principle standards for filing a case of infringing upon trade secrets. Consequently, there is divergence in determination of the act as a crime, an economic dispute or an administrative dispute. The lawyer may hold that the case be filed, while the public security institutions do not. Different roles in the case have different interpretation. On the other hand, the standards of criminal evidence are very high, which makes evidence formidable to administrative law enforcement officials. Where a case does not meet the standards of filing a criminal case, it will not be filed, which hereby causes it difficult to get more evidence. Due to such a circle, fewer and fewer cases go into criminal judicial procedure. We suggest the Supreme Court redefine a specific standard of filing a case of crime of infringing upon intellectual property rights in accordance with the constitutive requirements of crime of infringing upon intellectual property rights provided by the *Criminal Law,* as well as *Interpretation II of the Supreme People's Court and the Supreme People's Procuratorate of the Issues concerning the Specific Application of Law in Handling Criminal Cases of Infringement upon Intellectual Property Rights*. And the Supreme Court shall issue this standard to the public security institutions and institutions with administrative law enforcement power to enforce and shall integrate the standards between judicial authorities and administrative institutions for law enforcements.

(2) Major Problems in the Examination of Case-Filing

At present, there are some deficiencies in the examination of case-filing, which mainly reflect in the following three aspects:

I. The Coordination Issue in the Law Enforcement. When the criminal law enforcement departments are examining whether a party commit a crime of infringing upon trade secrets, it is difficult for them to coordinate with the administrative institutions for law enforcement or their coordination is improper. *Provisions on the Transfer of Suspected Criminal Cases by Administrative Institutions for Law Enforcement* is a legal basis for the administrative institutions to transfer criminal cases of infringement upon trade secrets. But this Provision does not give a clear requirement for the subject of law enforcement and the supervisory and restraint mechanism is not specific enough, which disables the Provision to play its given role. In practice, the administrative institutions for law enforcement always degrade the seriousness of cases or replace punishment with a fine; therefore, most of the cases of crime of infringing upon intellectual property rights are without the reach of the public security institutions. The result reflected in reality is that the cases transferred by the administrative institutions for law enforcement accounts for a small proportion of the total number of the

[64] *The Difficulties in Handling Cases of the crime of infringing upon trade secrets* by the Public Security Bureau in Jiangsu Province

cases concerning infringement upon trade secrets.

II. The Problem of Civil and Criminal Handling Mechanism. In practice, whether it should try a civil dispute before a criminal offence or try a criminal offence before a civil dispute is still a controversy in the handling mechanism of criminal cases of infringement upon trade secrets. The *Criminal Law* and related judicial interpretations provide the definition of criminal cases and civil disputes of infringement upon trade secrets. Where the cases of infringing upon trade secrets involve not only with a criminal offence, but also with a civil compensation, it is a customary practice in China that the criminal offence is tried before the civil dispute. But after the defendant is sentenced to bear a fine and pay it, the defendant is, more often than not, unable to assume civil compensation liability in the infringement case. The prosecution mechanism that a criminal offence is tried before a civil dispute usually makes the civil compensation unlikely to be enforced after the defendant pays a big sum of fine, which makes it almost impractical to compensate the victim for civil loss according to the spirit of law. Thereby, for the defendant who may be prosecuted for criminal liability, shall require or at least encourage the infringed party to sue upon or before the criminal proceedings. In the meantime, because the prime prerequisite for handling the crime of infringing upon trade secrets is to determine the ownership, the establishment of tort and other issues, the prosecution model that the civil dispute is tried before the criminal offence will not only facilitate the professional determination of the infringement upon trade secrets, but also promote the compensation to the victim for the loss.

III. The way to turn a Case of Private Prosecution with Insufficient Evidence into a Case of Public Prosecution is not smooth. In practice, a private prosecutor is usually not able to collect sufficient evidence to support his or her claim, and the legislation in China only provides principles for this situation and endows the authority discretion power in individual cases. Practice has proved that this situation has caused the chaos in the standards of case-filing among the public security institution, the procuratorial institution and the court.

Chapter 6: The Investigation and Prosecution of Cases of Crime of Infringing Trade Secrets

1. The Investigation of Cases of the Crime of Infringing upon Trade Secrets

(1) Main Ways of Acts of Special Investigation

"Investigation" means the specialised investigatory work and related compulsory measures carried out according to law by the public security institutions and People’s Procuratorates in the process of handling cases. According to the provisions of *Criminal Procedure Law*, investigatory acts mainly includes: interrogation of the criminal suspect, questioning of the witnesses and victim, inquest and examination; search, seizure of material evidence and documentary evidence, expert evaluation, wanted order, etc. Statutory investigatory acts play an important role in the investigation of criminal cases. In the criminal cases of infringement upon trade secrets, the public security institutions and People's Procuratorates shall determine the direction of investigation and make the strategy of investigation in light of the

situation of each case, then carry out these investigatory acts.[65]

I. Interrogation of the Criminal Suspect

Interrogation of a criminal suspect is an investigatory act that the public security institutions and People's Procuratorates interrogate a criminal suspect about the facts of a case and other related issues in an oral way according to legal procedure.

Interrogation of a criminal suspect is a necessary procedure of the investigatory work of the crime of infringing upon trade secrets, and plays a significant role in the whole process of investigation. The public security institutions and People's Procuratorates will interrogate the criminal suspect accordingly after getting preliminary evidence through preliminary investigation. On the one hand, it is propitious to further collect and verify evidence and to ascertain the facts of the crime, hereby finding out new criminal clues or other criminal suspects who should be prosecuted for criminal responsibility to expand success; on the other hand, it provides the criminal suspect with an opportunity to give a true account and sufficient exculpation to clarify suspicion, which safeguards the lawful rights and interests of the criminal suspect, and saves innocent people from criminal responsibility. All is to make sure that the criminal responsibility does not fall on the innocent people and the criminal offender is not exempted from punishment.

Compared to a traditional crime, the crime of infringing upon trade secrets is a kind of intelligent crime. An actor of such a crime is required to grasp some business information and technical material, usually acquire good professional knowledge and technical competency and have a high education. When the criminal suspect has face-to face contact with the investigatory institutions and gets interrogated, he/she may have stronger awareness of anti-investigation, greater fluke mind and stronger ability of counter-interrogation. When interrogating such a criminal suspect, in order to promote the criminal suspect to give a true account, the investigatory institutions shall get full preparation, make interrogation strategies, disintegrate and defeat his/her fluke psychology and eradicate his/her mind on the basis of his/her own situation and status in a joint crime.

The investigatory institutions interrogate the criminal suspect of a crime of infringing upon trade secrets mainly concerning the following questions:

The basic information of the subject as a criminal suspect: Where the crime is committed by an individual suspect, it is necessary to find out the basic information of the individual.Where the crime is committed by a unit suspect, it is necessary to find out the unit's name, domicile, legal representative, industrial and commercial registration material and the person in charge and other personnel who are directly responsible； the motivation and intent of the criminal suspect; the process of the infringement upon trade secrets, including

[65] The principle of legitimacy for investigatory acts require the public security organs and People's Procuratorates to carry out investigation according to law, but the strategies for the application of the specialized investigatory acts are different in different cases. The featured characteristic of a the crime of infringing upon trade secrets is that it usually takes place in the same industry and is closely related to market competition and talents' flow. Therefore, the public security organs and People's Procuratorates often "pay close attention to the people who are responsible for keeping confidentiality or competitors to determine the scope and direction of investigation." See Xiaobai Cheng, Huiting Cai: The Investigation of Economic Crimes, China Renmin University Press 2000, P444.

premeditation process, time, place, methods, means, detailed process and aftermath of the crime; the relationship, status, function and specific criminal responsibility of each criminal suspect in a joint crime.

A trade secret is usually highly professional, especially for a crime of infringing technology secret. If the investigatory officials lack such professional knowledge, the interrogation will be aimless and pale and weak, and cannot achieve the effect. Therefore, the investigatory officials shall become familiar with relevant professional knowledge before interrogation, if necessary, employ experts with professional knowledge to assist in the interrogation.

II. The Questioning of Witnesses and Victims

The questioning of witnesses and victims is an investigatory act that the public security institutions and People's Procuratorates question witnesses and victims about the facts of the case in an oral way according to legal procedure.

The questioning of witnesses and victims, as an investigatory act constantly and widely taken in the process of investigation of the crime of infringing upon trade secrets, plays a significant role in investigatory activities. Because witnesses and victims, as the persons in the know, are very familiar with the trade secrets and the information of infringement, the investigatory institutions can get lots of effective information, acquire clues, determine the direction of investigation and develop investigatory strategies as soon as possible through the questioning of witnesses and victims.

The investigatory institutions question the witnesses and victims of the crime of infringing upon trade secrets mainly concerning the following issues:

The relationship between the witnesses, victims and the criminal suspect; the basic information of the subject as a criminal suspect; the type and scope of the trade secret, the process, maturity, degree of confidentiality and protection measures of the research and development of the trade secret; the duration of use of the trade secret and whether it is allowed for repeated use; the use and transfer situation, and supply and demand situation of the trade secret; the degree of infringement, and the estimated aftermath and loss.

In cases of a the crime of infringing upon trade secrets, the victim and the criminal suspect might have various contact or be in a relation of competition, so they have some knowledge about each other. The investigatory institutions can often target the criminal suspect by statements of the victim, and choose the breakthrough for the investigation.

III. Inquest and Examination

Inquest and examination is an investigatory act that the public security institutions and People's Procuratorates inquest and exam sites and articles related to a crime, thereby finding, collecting and fixing all kinds of traces and articles left by criminal activities.

Inquest and examination is an important way to acquire firsthand evidence material in investigation. The criminal suspect will inevitability leave various traces and articles in the

objective world when he/she commits a crime of infringing upon trade secrets. Through inquest and examination, the investigatory institutions can promptly find, collect and fix the criminal traces and articles, and learn about the means of infringement, thereby providing reliable basis for further investigation of the facts.

The inquest and examination taken by the investigatory institutions is mainly on-site inquest and examination of material evidence, the objects of which are as follows: tools and tool marks for criminal purpose of stealing trade secrets, the medium for disclosure of trade secrets, the samples for display of trade secrets, the original and copies containing trade secrets, the information downloaded from computers and network server, the record proving that the criminal suspect has logged in the computer of the legal owner of trade secrets, and the record of production and sale of the products infringing upon trade secrets, etc..

IV. Search

Search is an investigatory act that the public security institutions and People's Procuratorates search and exam the bodies and articles of a criminal suspect, and the domicile and other relevant places that may hide the criminal suspect and evidence of a crime.

Search is an important way for the investigatory institutions to investigate cases of the crime of infringing upon trade secrets, which plays a significant role in collecting evidence, investigating and capturing a criminal suspect, preventing the suspect from escaping, destroying or transferring evidence, and disclosing and verifying the crime.

The investigatory institutions mainly search the following issues: the site where a criminal suspect illegally acquires trade secrets; the site where a criminal suspect makes use of trade secrets to design, manufacture and sell products and where a criminal suspect may hide documentary evidence and material evidence related to the crime of infringing upon trade secrets.

V. Seizure of Documentary Evidence and Material Evidence

Seizure of documentary evidence and material evidence is an investigatory act that the public security institutions and People's Procuratorates take, keep and seal for safekeeping articles and documents relevant to the case in a mandatory way according to law.

Seizure of documentary evidence and material evidence is aimed to acquire and preserve evidence of the infringement upon trade secrets; therefore it is carried out at the same time as inquest and examination and search, i.e. when the investigatory institutions find the articles and documents which may be used to prove the criminal suspect's infringement upon trade secrets, they shall seize the articles and documents.

The investigatory institutions mainly seize the following documentary evidence and material evidence: the products, duplicates，imitations designed and manufactured by making use of other people's trade secrets; software and other documentary material containing trade secrets, includes product price, sales contract, an order sheet, bill of parcels, sales record,

invoice, account book, meeting minutes, communication and fax information, service drawing, process drawing, design drawing and technical specification, etc.

VI. Expert Evaluation

Expert evaluation is an investigatory act that for the purpose of ascertaining the facts of the case, the public security institutions and People's Procuratorates dispatch or hire experts to carry out scientific evaluation and judgement on certain specific issues and draw an evaluation conclusion.

Cases of crimes of infringing upon trade secrets usually involve specific knowledge in the economic and technical fields, some of which is state of the art. In fact, the investigatory officials do not grasp and are not able to grasp this knowledge in a short time, yet the resolution of specific issues relevant to this knowledge is the prerequisite of the determination of the facts of a case and the fixing of evidence. Therefore, expert evaluation plays a rather significant role in the investigation of cases of the crime of infringing upon trade secrets.

The expert evaluations that the investigatory officials need to take in the investigation of the crime of infringing upon trade secrets mainly include the evaluation of material evidence, documents, price, judicial accounting, i.e., To evaluate whether the business and technical information of the legal owner constitutes a trade secret, whether the design, manufacture of the process, equipments and products contain or carry on trade secrets of the legal owner, the assessment of the loss incurred on the legal owner of trade secrets, the assessment of the financial situation of the infringing party, etc.

(2) The Enforcement Situation of Special Means of Investigation

Special investigation is so called relative to statutory investigatory acts. The *Criminal Procedure Law* provides seven investigatory acts, but the means taken by the investigatory institutions in criminal investigation are far more than them. Although some investigatory acts are not provided in *Criminal Procedure Law*, they are favored in practice because its effectiveness in investigation and obtaining evidence. The reasons why special investigation is applied falls into two aspects: on the one hand, types of crimes are transmuting with the emergence of intelligent crimes, disguised crimes, non-victim crimes, institutionalised crimes; on the other hand, on the basis of the development of science and technology, especially the development of video technology, special investigatory means are applied in the investigation of the crime of infringing upon trade secrets.[66]

I. Tempting Investigation

Tempting investigation, also known as "Police Entrapment" or "Investigation Snare", refers to the acts taken by the police, judicial officers or their agents to tempt a person to commit a crime so as to acquire the evidence for instituting criminal proceeding against him or her.[67] As is shown in the literature, tempting investigation, as a way of investigation, originates from France prior the Great Revolution, which was used by Louis XIV as a spy policy to catch

[66] Lei Cheng: *Study on the Background of the Emergence of Clandestine Investigation*, Jurist 2008 5th Issue
[67] Huaizhi Chu: *US Criminal Law,* Peking University Press 1996, P128.

revolutionists and to quell the bourgeois revolutionary activities and was then used as a criminal investigatory act of a modern state by US FBI in the World WarII from 1935 to 1945 to investigate the sabotage of spies.[68]

Although tempting investigation is opposed by some commentators, it is still widely applied in criminal investigatory practice in China. [69]There are two types of tempting investigation in practice: model of chance offering and model of criminal intent tempting, the difference of which is whether the criminal intent is spontaneous or tempted by the police, i.e., where a criminal suspect has had a criminal intent, the intervention of the police only provides a chance of committing a crime or strengthen his/her determination to do so, it is the model of chance offering; where a criminal suspect's criminal intent is implanted by the police, it is the model of criminal intent tempting, which is generally not applied in the investigation of a the crime of infringing upon trade secrets. On the one hand, to tempt a person who do not have a criminal intent to commit a crime who is then punished is suspected of an instigation of a crime, which is widely recognised as an opposition of legal principle and fundamental human rights. On the other hand, the model of criminal intent tempting in investigation, unusually occurring, is only applied in the investigation of specific types of crimes, such as drug-related crimes, where the police may tempt a person for drug trafficking in order to reach the detection rate of crimes of drug trafficking. The model of chance offering in investigation exists in the crime of infringing upon trade secrets, but is not common. It is, to some extent, because this model of investigation is usually applied to drug-related crimes, duty-related crimes and other specific types of crimes and seldom applied to a the crime of infringing upon trade secrets. Even though the model of chance offering is applied in the investigation of the crime of infringing upon trade secrets, it may cause serious consequences; take the act of disclosing trade secrets and allowing others to use trade secrets as an example. When a criminal suspect has intent to commit a crime, the police offer the chance, thereby causing the intangible trade secrets be open to the public or known to others, i.e., there is no possibility to keep trade secrets confidential. Even though the police crack the criminal case and catch the criminal suspect, it will still cause a great loss to the legal owner of the trade secret; therefore the loss outweighs the gain, this model of investigation is to attend to the trifles and neglect the essentials.

It is worth to mention that a legal owner of trade secrets will usually take preliminary investigation after being infringed by a crime, sometimes, the way of which is different in form but same in approach as tempting investigation. For instance, the case of Jianxin Li's infringing upon trade secrets:"the defendant Jianxin Li, who was employed in Trust-Mart Department Stores and Commercial Plaza Co., Ltd. as a computer operator in the information management division after graduation and then was promoted to be a deputy section supervisor, knew that the information management division had the provision concerning computer operation forbid disclosing any internal trade secrets, uploading or downloading information by FTP without permission. In the mid of August, 1997, defendant Jianxin Li

[68] Yue Ma: *An Overview of the Legal Principle and Argument Concerning Tempting Investigation*, *Jurisprudence* 1998 11th Issue.
[69] In fact, "tempting investigation" existed in ancient China. For example, Han Fei Tzu proposed one of the seven power tactics as "say something opposite", which means a lord says something opposite to the real meaning to tempt his officials to see whether they are loyal or not. See: *Han Fei Tzu·the thirtieth of seven power tactics in the way to speak for Lord.*

downloaded the addresses of the suppliers, buying and selling prices of goods, operating performance and address list of clients of the company to his computer and copied it in a floppy disk, then he peddled it to Guangzhou Jusco Tiaomao Department Store and Guangzhou Zhengda Makro (Jiajing) Co., Ltd. at respective prices of 80.000 RMB and 100.000 RMB. However, Guangzhou Jusco Tiaomao Department Store rejected his offer, and Guangzhou Zhengda Makro (Jiajing) Co., Ltd. made a deal with him at a price of 20,000 after checking a printing sample of part of the material. In September, 1997, Trust-Mart Department Stores and Commercial Plaza Co., Ltd. began to investigate this issue due to a slump of operating performance, and found that the slump was caused by disclosure of trade secrets and suspected that it was done by Jianxin Li, therefore delegated Qian Li to get and use the number of the pager of Guangzhou Lan Wei Electronics Co., Ltd. (a company that had interviewed defendant Jianxin Li) to contact Jianxin Li for purchase of relevant trade secrets. After several contacts by telephone, Jianxin negotiated with Qian Li in Guangzhou Garden Hotel Greenery Cafe, and finally they entered into a sale agreement of trade secrets where Jianwei Li asked for a sum of 10.000 RMB. Jianwei Li provided the printout and floppy disk of part of the commercial material of Trust-Mart Department Stores and Commercial Plaza Co., Ltd. from the opening to the date of October 13rd, 1997. After the closing of the transaction, Qian Li, who had already got the commercial material of Trust-Mart Department Stores and Commercial Plaza Co., Ltd. took Jianxin Li into the car and sent him to the public security institution. According to the certified evaluation provided by Guangdong Control Risk Assets Appraisal Firm, Trust-Mart Department Stores and Commercial Plaza Co., Ltd. had declined in performance since the beginning of September, 1997. The monthly sales revenue had decreased by 15.63% with a sum of 6.69 million RMB compared with August. "[70]

II. Technical Investigation

Technical investigation refers to various investigatory means making use of modern scientific knowledge, methods and technologies. This concept especially means the application of some special means in investigation rather than the use of some apparatus in the general activities of evaluation or inquest and examination.[71] The interpretation of "technical detection "[72] provided by *National Security Law of the People's Republic of China* and *People's Police Law of the People's Republic of China* means special measures of investigation and monitoring taken for criminal investigation, which includes polygraph examination, electronic interception, phone and electronic monitoring, secret photography or videography, secret acquisition of physical evidence, mail inspection and other secret special technical means.

Interception and capture of communications, electronic monitoring and secret photography or videography are frequently used in the investigation of the crime of infringing upon trade secrets. In some cases of the crime of infringing upon trade secrets concerned recently, the investigatory institutions all use these investigatory means, such as the case of Jun xiang and

[70] *Guangzhou Tianhe People's Court Criminal Judgment*: (1998) the 327th Criminal Case at First Trial in Tianhe People's Court.
[71] Huiying Song: *Study on the Technical Investigation in Criminal Procedure*, *Chinese Journal of Law 2000 3rd Issue.*
[72] "Detection " , a locution used by the police in early time, is with no essential difference with the legal concept of investigation. See the discrimination of these two words in Zhengming Yang: *Principles of Criminal Investigation,* China Fangzheng Press 2007, P19.

Xiaobin Sun's disclosure of the source code of computer software for breach of contract[73], Zhijun Wang, Ning Liu and Xuejun Qin's infringement upon trade secrets of Huawei Technologies.[74] In 2008, when the investigation department of economic crimes in Zhongshan City, Guangdong Province, introduced the process of cracking the crime of the infringement upon trade secrets of a wind power technology company by He(first name of someone), they mentioned "The police use at least three or four high-tech means"[75]. But it was limited by relevant regulations, the technical investigation taken by the investigatory institutions in secret was almost not made public, which was translated into "Information Note"(documentary evidence) or "Statements of criminal suspect" to be provided in trial procedure of presentation of evidence.[76]

(3) Major Problems in Investigatory Acts

I. A serious shortage of investigatory resources. According to the Ministry of Public Security's *Provision on Allocation of Jurisdiction of Criminal Cases,* the crime of infringing upon trade secrets is under the jurisdiction of the department of economic crime investigation of public security institutions at or above the county level, and basic level public security institutions lack in investigatory resources due to the inverted-pyramid structural configuration. Take the deployment of police forces in one of China's 100 strongest municipal public security bureaus in Zhejiang province as an example: "The authorised size of the public security bureau is 888; actual number of the staff is 888, among which there are 825 policemen. Concerning the education level, bachelor's degree, college's degree, secondary technical school's (secondary school's) degree and junior school's degree respectively accounts for 22.1%, 56.5%, 19.3% and 2.0%. For the age structure, the age of -30, 31-40, 41-50 and 51-60 respectively accounts for 32.5%, 37.2%, 20.4% and 9.9%. As to the distribution of sectors, there are 6 bureau leaders, 69 staff in command center, political office, inspection brigade and office of legal affairs, 323 staff in brigades of domestic security, public security, criminal investigation, economic crime investigation, anti-drug, traffic police and supervision. The comprehensive police department accounts for 8.2%."[77]

The above statistics show that there are approximately 26 policemen in the department of economic crime investigation in a city public security institution, who undertake the investigatory work of finance, tax, enterprises, intellectual property rights, security accidents and other economic criminal cases. Such configuration of police force is prominent in the problem of shortage of police force, compared with the annual increase of the incidences of crime of infringing businesses and crime of infringing upon intellectual property rights.[78][14] A

[73] *Shanghai Xuhui People's Court Criminal Judgements*: (2001) the 275th criminal case at first trial in Xuhui People's court.
[74] Shenzhen Nanshan People's Court Criminal Judgements: (2004) the 439th criminal case at first trial in Shenzhen Nanshan People's Court.
[75] *The head of the department of R&D left with core technology worth 600 million RMB*, *Guangzhou Daily*, July 15th ,2009, A5
[76] Article 18 of *Secrecy Provision for People's Procuratorate in Handling Cases:"*the evidence acquired by means of technical investigation should not be in public use." *Item 2 of Article 263 of Procedural Provision on the Public Security Organs' Handling of Criminal Cases* provides:"if the material acquired by technical investigation need to be used in public, it should be taken appropriate treatment according to relevant provisions."

[77] *Special Research Reports on the Police Configuration of One Municipal Public Security Organs* by the Research Group of Political Department of Public Security Bureau in Zhejiang Province in 2005
[78] A statistics that reflects the quite frequent occurrence of crimes of infringing upon trade secrets: in 2009, Foreign Trade Chamber of Commerce in Ningbo did a survey of 400 medium-and-above enterprises, which showed that almost 100% of these enterprises had been infringed upon trade secrets. No enterprise escaped, furthermore, one third of the enterprises undergone a loss of more than 500,000RMB.

crime of infringing businesses is a kind of a crime with intelligence, trade secrets and the way of act of a the crime of infringing upon trade secrets involve lots of professional and technical knowledge that has a high requirement of case-handling ability and knowledge for investigators.

Especially, for high-tech and international cases of the crime of infringing upon trade secrets, such as the case of Rio Tinto, it is a great challenge for investigatory force. Although the investigatory institutions have accumulated some experience in the front line work, yet, generally speaking, their level of knowledge is not high enough to adapt to new situations and new problems and to effectively fight against the crime of infringing upon trade secrets in a high level and deep realm. In addition, the lack of budget is also a prominent problem, for it will take a lot of financial and material resources to carry out judicial expertise and evidence-obtaining of the crime of infringing upon trade secrets, which is reflected by the public security institutions for the difficulty in obtaining evidence. A large number of investigatory institutions, especially the ones at the grassroots level, shrink back at the sight of investigatory work for lack of funds. For instance, in the case of Yang's infringement upon trade secrets investigated and handled by the public security institutions in Zhutou city, Guangdong province, the criminal suspect made use of the position of customer manager for convenience to send customers' material and quotation to his relatives by QQ and ask them to produce the same products which were sold to customers at a low price. The investigatory institutions investigated and captured his sales status from Dec. 2008 until today. Although each business was worth only several thousand, it covered almost the whole nation, which made the expenses of evidence-obtaining huge. [79]

II. A not smooth relationship between case-filing and investigation. In accordance with the *Criminal Procedure Law* in China, all the legal investigatory acts should be taken after a case is filed. Article 86 of the *Criminal Procedure Law* provides the condition for filing a case: there are facts of a crime and criminal responsibility should be investigated. The condition of "there are facts of a crime" mentioned above refers to the acts that constitute a crime in accordance with the *Criminal Law* and can be proved for its occurrence and existence by some evidence. Therefore, for the information of the report of a crime, there should be some evidence that prove the occurrence and existence of facts of a crime prior to the investigation taken by the investigatory institutions. The subsequent problem is where the evidence is obtained and how to determine its authenticity and effectiveness. The investigatory institutions may fall into a dilemma: on the one hand, it is necessary to take certain methods of investigation to obtain evidence that proves the facts of a crime; on the other hand, before a case is filed, the investigatory institutions cannot take statutory investigatory acts to investigate. The contradiction, like the question “which came first, the chicken or the egg?” makes the investigatory institutions bewildered and perplexed. Some commentators point out that the self-contradictory provisions in the Criminal Procedure Law distort the relationship between case-filing and investigation, which is rather obvious in the investigation of the crime of infringing upon trade secrets. As is known to all, there are two conditions for determining

[79] *The Current Situation, Existing Problems and Suggestions of the Handling and Investigation of Cases of Trade Secrets in Shantou City* by Economic Investigation Detachment of the Municipal Public Security of Shantou City in Guangdong Province.

whether an act infringes upon trade secrets and constitutes a crime: whether the information of an owner belongs to trade secrets and the degree of loss that the owner is incurred. [16][80]That is to say, before the investigatory institutions file a case of the crime of infringing upon trade secrets, they must ascertain that the information of an owner is to trade secret and the degree of loss meets the standard of prosecution. The determination of these two conditions need the investigatory institutions to carry out investigatory acts such as questioning, inquest, examination，even seizure of material evidence, documentary evidence and expert evaluation. But the *Criminal Procedure Law* does not allow the investigatory institutions to carry out these investigatory acts, which makes it impossible for the investigatory institutions to file a case when they get reports of cases of the crime of infringing upon trade secrets, or prolongs the handling process and thereby causing a great loss to the owner, for a case may be filed after the owner request again and over and then the investigatory institutions report it to superiors for instruction on internal referrals. In addition, there are a few investigatory institutions or investigators handling the cases that should initiate criminal prosecution process as normal public security cases by making use of high standard of case-filing, thereby making the cases less serious and replacing punishment with a fine.

III. Lack of mechanism of assistance to investigation.

As one of crimes of infringing upon intellectual property rights, besides the common characteristics of technicality and elusiveness, the crime of infringing upon trade secrets also reflects some unique characteristics: Lots of criminal suspects are "insiders", i.e., internal employees of enterprises, including senior management, middle-level technicians and normal stuff, who learn trade secrets through their position or work. Insiders who infringe upon trade secrets in the inter-enterprises mobility of talents account for a quite high proportion of the cases of the crime of infringing upon trade secrets. Most of the infringed trade secrets are the core technical secrets that keep enterprises' core competitive advantage. The investigatory institutions need the assistance and support from other administrative authorities in the investigation of these issues. Take the investigation of the recruitment and mobility of high-tech talents for example, the investigatory institutions sometimes need assistance from the departments of technology and labour, apart from communicating with enterprises; they also frequently need support from institutions of technology, intellectual property rights, inspection and so on when determining and investigating technical trade secrets; they need cooperation of the industry and commerce administration authorities, tax authorities, banks, auditing bodies and other institutions. In practice, the investigatory institutions do not establish a docking mechanism of communication and coordination with other relevant institutions and departments; therefore, they lack support and assistance when investigating a case, which puts them at loss as to what to do and get half the result with twice the effort.

IV. Insufficient mandatory measures toward a unit. Provided by the *Criminal Procedure*

[80] According to Article 73 of *the Provisions (II) of the Supreme People's Procuratorate and the Ministry of Public Security on the Standards for Filing Criminal Cases under the Jurisdiction of the Public Security Organs for Investigation and Prosecution*, the loss standards of filing criminal cases of cases of the crime of infringing upon trade secrets: (1) causing a loss over 500,000RMB to the owner of trade secrets; (2) obtaining illegal gains over 500,000RMB due to the infringment of trade secrets; (3) causing the owner of trade secrets to go bankruptcy; (4)other situations that may cause heavy losses to the owner of trade secrets.

Law, the investigatory institutions can adopt mandatory measures as well as carrying out special investigatory work. There are five kinds of mandatory measures provided by the *Criminal Procedure Law*: summon by force, the bail pending trial with restricted liberty of moving, residential surveillance, detention and arrest. From the view of applicable subject, it is not hard to see that all the five mandatory measures are applied to a natural person, not to a unit, for which, according to the prevailing system of *Criminal Procedure Law*, only "seizure of material and documentary evidence"(provided in Article 114 of the *Criminal Procedure Law*) and "seizure and freezing of the property of a defendant unit"(provided in *Interpretation of the Supreme People's Court on Several Issues on Implementing the Criminal Procedure Law of People's Republic of China*) can be taken, the latter of which can be taken only when a case is into procedure of trial.

Hence，a system of mandatory measures toward a unit has not been established in the current system of criminal procedure, which might be appropriate in accordance with the economic and legal structure in 1997 when the Criminal Procedure Law was promulgated. But for the current and future tendency of a large number of crimes committed by a unit, the lack of mandatory measures in the investigatory procedure puts the investigatory institutions and victims in a passive and unfavorable situation. It is a characteristic of the crime of infringing upon trade secrets that a lot of cases are committed by a unit. In foreign legislation of the criminal procedure, mandatory measures toward a unit are standardised and stipulated in law. For example, the Criminal Procedure Law of France stipulates special provisions concerning the prosecution procedure of a crime committed by a legal person.Article 706-45 of the Criminal Law of France provided as follows: instruct a legal person to perform duties, such as the provision of bail, in judicial prosecution in case a legal person commits a crime; establish a third party's warranty or security interest to guarantee victims' right; prohibit the payment by drawing a cheque or using a credit card; prohibit a legal person from engaging in professional activities or social activities; place itself under the supervision of a designated judicial entrusted agent, etc.

2. The Prosecution of Cases of the Crime of Infringing upon Trade Secrets

There are two basic models of prosecution against a crime in modern criminal proceedings, i.e. public prosecution and private prosecution. A public prosecution means that the special state authority which has the right of prosecution initiates a prosecution representative of the state and the public to investigate into the criminal responsibility of a defendant. A private prosecution means that a criminal victim and his/her legal representative and near relatives, etc., initiates a prosecution representative of an individual to ask for protection of his/her lawful rights and interests and investigate into the criminal responsibility of a defendant. These two prosecuting models are both for the purpose of investigating into the criminal responsibility, the difference is that,"public prosecution is through the media of professional officials to realise procedural justice, and private prosecution is through the media of ordinary citizens to realise procedural justice"[81] The difference between private prosecution and public prosecution is essentially the difference in the attribute of right."Although the right of public

[81] Kawamura Youxing: *Criminal Justice and Due Process in Modern China*, translated by Li bin, Sun Haiping, recorded in Criminal Law Review(12th Volume), China Politics and Law University Press 2003, P359.

prosecution and the right of private prosecution both belong to rights of public law, the right of private prosecution is a right rather than a duty, a kind of relative right, which is exercised or not under the principle of autonomy of will and should not be regulated by mandatory provisions of law. The right of public prosecution is a kind of absolute right, which is a position requirement and should be regulated by law.[82] The model of prosecution in China currently is that private prosecution is subordinate to public prosecution.

The crime of infringing upon trade secrets is a kind of crime of infringing upon intellectual property rights. To prosecute a crime of infringing upon trade secrets through criminal proceedings is reflected in the Criminal Law and relevant judiciary interpretations. Concerning the model of prosecution, the crime that is to be handled only upon complaint is usually directly indicated after the specific count, such as the crime of interfering in the freedom of marriage by force. Article 219 of the Criminal Law does not provide that the crime of infringing upon trade secrets shall be handled only upon complaint; therefore, it is not wholly a case of private prosecution.

Article 1 *Interpretation of the Supreme People's Court on Several Issues on Implementing the Criminal Procedure Law of People's Republic of China* provides："the cases of private prosecution accepted by the people's court include..... (2)minor criminal cases which the people's procuratorate has not brought a public prosecution against and the victims have evidence to prove to be established..... 7、cases of crime of infringing upon intellectual property rights(as is provided in Part II, Chapter 3, Section 7, but excluding cases of the cases of undermining social order and national interests)..... For the eight kinds of cases mentioned above, when a victim initiates a prosecution, the people's court shall accept it according to law. For the cases that do not have sufficient evidence, they shall be transferred to the public security institutions to place on file for investigation, or for the cases in which the defendant may be sentenced to three years or more in prison, they shall be transferred to the public security institutions to place on file for investigation", from the above provisions, we can see that there are two types of prosecutions for the crime of infringing upon trade secrets: public prosecution and private prosecution. For a crime of infringing trade secrets that severely undermines social order and national interests, it must be prosecuted by public prosecution institutions; for an ordinary crime of infringing upon trade secrets, it may adopt private prosecution, but it does not absolutely adopt exclusive private prosecution.under the following situation, private prosecution may be turned into public prosecution: where the victim does not have sufficient evidence to prove the defendant guilty of the crime of infringing upon trade secrets, the case can be accepted by the public security institutions as a public prosecution; where the defendant may be sentenced to three years or more in prison, the case shall be transferred to the public security institutions to place on file for investigation.

(2) Basic Judgment Criteria of Private Prosecution and Public Prosecution

I. The Subject Whose Legal Interest is Infringed upon

The biggest difference between private prosecution and public prosecution is the difference in

[82] Chen Pusheng: Criminal Procedure Law Practice, Taibei Haitian Printing House Corp. Ltd., 1969, P340

subjects. Private prosecutor represent his or her own interest, while public prosecution institutions represent the interests of the nation and society and other super-individual interests, the classification of which provides a theoretical premise of the distinction of private prosecution and public prosecution. Where a criminal suspect only infringes upon super-individual interests, the public prosecution institutions should take the responsibility of public prosecution representative of the nation or the society. Where a criminal suspect infringes both individual interests and super-individual interests, the public prosecution institutions should also take the responsibility of public prosecution. That is because, although individual interests are infringed upon in such a case, the individual shall be entitled to prosecute the crime, yet the right of private prosecution can be disposed of, and, if the private waives such right and does not prosecute the crime, it must undermine the super-individual interests concurrent with individual interests.

Therefore, "even if a crime mainly infringes upon the legal interest of a victim, yet, if it also includes the infringement upon national and social legal interests, commitment of the victim does not obstruct its illegality."[83][19] Compared with the disposable individual legal interest, super-individual legal interest is comprehensive, inalienable and mandatory, therefore super-individual legal interest is an "advantageous legal interest", which explains why public prosecution is of indivisibility and does not initially accept compromise and mediation. It is worth mentioning that, under such a circumstance, the prosecution initiated by a public prosecution institution shall be regarded that public prosecution is prior to private prosecution and private prosecution is absorbed by and annexed to public prosecution, and shall not mean that individual's right of private prosecution withers away or deny private prosecution. When individual's legal interest is infringed upon by a crime, it is only the pre-condition of private prosecution and the case shall not be prosecuted wholly by a private individual, e.g., the act of intentionally killing another that severely infringes individual legal interest shall be prosecuted by the public prosecution institutions. The reason is as following: on the one hand, for some crimes that severely infringes upon individual legal interest, it is necessary for the intervention of national public prosecution right to make up for the insufficiency of the victim, who is in a weak position, in prosecution capability. On the other hand, in such crimes, individual legal interest is closely connected with super-individual legal interest, so if they are not effectively prosecuted, the infringement upon individual legal interest will be translated into the infringement upon super-individual legal interest.

II. Proving Capability

Criminal action is the same as civil action and pursues an age-old principle of burden of proof, "Who advocates, who bear the burden of proof". The prosecution subject shall bear the burden of proof of all accused crimes, which includes the burden of providing proof and persuading the judge with proof, while the defendant has the right to refute the accusation and does not have the burden of self-incrimination. Burden of proof is the core issue of Evidence Referee Principle and closely related to the outcome of the prosecution. Specifically, in a case of public prosecution, burden of proof shall be borne by the people's procuratorate，

[83] [J] Otsuka Ren: *The Overview of Criminal Law*(General Provisions), translated by Feng Junyi, China Renmin University Press 2003, P356.

while, in a case of private prosecution; it shall be borne by a private prosecutor. Where the people's procuratorate or the private prosecutor is not able to provide proof that certifies the defendant's accused crimes, or the proof they provided does not meet the criteria of proof, and is impossible to persuade, the interests of the prosecution belongs to the defendant.

Hence, a prosecution subject has the right of prosecution; in the meantime, he or she should bear the burden of proof and the risk of insufficient proof. The proving capability of a prosecution subject directly determines whether he or she is able to bear the burden of proof. Due to the special guarantee of the national power, public prosecution institutions can collect various evidences through strong investigatory capability of the public security institutions, initiate and support a prosecution by professional prosecuting attorneys. As far as a single case is concerned, public prosecution institutions have unlimited human, financial, and material resources, while a private prosecutor has to initiate an accusation on his or her own, whose resources are far fewer than public prosecution institutions, furthermore, a private prosecutor lacks prosecuting experience, legal knowledge and has deficiency in understanding and judging proof. This comparison indicates that there is an apparent and irreparable gap between private prosecution and public prosecution.

Theoretically, as long as a crime infringes an individual legal interest, citizens shall have a complete right of private prosecution, but if a private prosecutor that apparently lacks proving capability is given the right of private prosecution, this right of private prosecution is in name, not in reality, and will waste national judicial resources. Thereby, when the specific distinction between private prosecution and public prosecution is made, it is necessary to consider the strength of proving capability of the two models apart from the consideration of the right of prosecution, because to transfer the cases where a private prosecutor is unable to bear the burden of proof to public prosecution institutions for prosecution, or to assist private prosecution by public prosecution under the system of translating private prosecution into public prosecution, is protection of private prosecution.

(2) Problems in the Current Prosecuting Model

I. A unit as a victim does not have a right of private prosecution

According to a general principle in criminal legislation, crimes to be handled upon complaint are limited to the scope provided by express statutory provisions, except which shall all be crimes of public prosecution unless otherwise is provided. As is mentioned above, in accordance with relevant interpretations of the Supreme People's Court and the Supreme People's Procuratorate, the current situation of prosecution of crimes of infringing upon trade secrets is that public prosecution coexists with private prosecution.

A unit victim can't exercise a right of private prosecution. The prevailing *Criminal Procedure Law* does not endow a unit victim with a right of private prosecution, and relevant judicial interpretations also center on a natural victim and do not recognise a unit victim as the subject of private prosecution. The victim in a criminal case is certainly the private prosecutor, and the victim may be either a natural person or a unit. In fact, the right holders of most trade secrets are units rather than natural persons, thereby in the crimes of infringing upon trade

secrets, the number of unit victims is much more than that of natural persons. When a unit victim commits a crime, it will be prosecuted as a defendant, but when it becomes a victim, it is not able to be a private prosecutor to protect its own rights and interests, which is really a pity. A large number of unit victims can't initiate a private prosecution and have to resort to public prosecution. It not only violates the principle of criminal prosecution, but also waste lots of public prosecution resources.

II. The scope of the object of proof is too broad

The subject of a prosecution shall prove the accused crime with evidence, and the object of proof is the starting point and destination of prosecuting and proving activities and plays a very important role. The legislation of criminal procedure on the provisions of the case's object of proof will guide and bind the whole proving activities. For any accuser, he or she shall make clear that what is to be proved to support his or her claim. Only the accuser is clear about that, can he or she collect relevant proof centering on the decided object of proof. In the trial procedure, the accuser shall prove the fact with evidence centering on the object of proof to persuade the judge for support, which is the process of substantial testimony.

In the procedure for commencement of action, the accuser also need to give formal proof centering on the subject of proof, thereby demonstrating that he or she has proof of the accused crime, which meets the condition of holding a hearing. Article 150 of the *Criminal Procedure Law of People's Republic of China* provides:"After a People's Court has examined a case in which public prosecution was initiated, it shall decide to open the court session and try the case, if the bill of prosecution contains clear facts of the crime accused and, in addition, there are a list of evidence and a list of witnesses as well as duplicates or photos of major evidence attached to it." Article 171 herein provides:"After examining a case of private prosecution, the People's Court shall handle it in one of the following manners in light of the different situations:(1) If the facts of the crime are clear and the evidence is sufficient, the case shall be tried at a court session; or(2) In a case of private prosecution for which criminal evidence is lacking, if the private prosecutor cannot present supplementary evidence, the court shall persuade him to withdraw his prosecution or order its rejection." Therefore, the object of proof will specify the scope of the proof that the accuser collects, thereby impacting whether the accuser is able to initiate a prosecution or not.

There is no definite application of the concept of object of proof in Chinese legislation of prevailing criminal procedure. The general idea is that the object of criminal proof is considered to be facts of a case in criminal procedure, including facts in substantive law and facts in procedural law (i.e. facts in evidence law). This idea has been recognised and reflected in judicial interpretations, Article 52 of *Interpretation of the Supreme People's Court on Several Issues on Implementing the Criminal Procedure Law of People's Republic of China*:"facts of a crime that need testifying by proof" includes: (1) the identity of the defendant; (2) whether the accused crime exists or not; (3) whether the accused crime is committed by the defendant or not; (4) whether the defendant has any offense or not, and the motive and purpose of his or her act; (5) the time, place, means, consequence and other circumstances

of the crime; (6) the defendant's liability and his or her relation with other accomplices; (7) whether the defendant's act constitutes a crime, or whether there are statutory or discretionary circumstances for heavier, lesser, mitigated punishment or exempted from punishment; (8) other facts related to conviction and sentencing.

Although litigation proof is a concept closely related to a court's trial, yet, to define litigation proof as facts of a case is a view from a judge's stand, or is established on the basis of a judge's initiative ascertainment of facts of a case, which demonstrates the inquisitorial system of criminal procedure. In the frame work of inquisitorial system, the claims of litigants do not receive due concern and respect, and the right of prosecution is not in sufficient protection. Furthermore, with the influence of the doctrine of objective truism on proof, facts of a case from the view of a judge will determine the content of the object of proof as all aspects of conviction and sentencing, thereby causing the scope of the object of proof too broad. To analyse facts of a case provided in the above judicial interpretations, taking the crime of infringing upon trade secrets for example, it is necessary to ascertain the identity of the defendant for a judge to decide on a verdict, because it concerns whether the defendant has criminal capability.

But for an accusant, it is unnecessary to pay much attention. In other words, the accusant does not need to collect evidence to prove that the defendant has criminal capability, and to adduce evidence in the court. If the defendant claims that he or she does not have criminal capability, then the defendant need to collect and adduce evidence. The accusant can adduce disproof to retort the defendant's affirmative defenses until it is finally proved. Take the regulation of whether the defendant has any offense and motive for another example. When the accusant prosecutes, he or she only needs to collect defendant's act that infringes upon trade secrets and prove that this act is in conformity with the acts provided in the crime of infringing upon trade secrets of the Criminal Law.

If the defendant has any defensive claim for his or her offense or motive, for instance, the defendant proposes that the trade secret is acquired through reverse engineering or he or she does not know it is a trade secret, then the defendant shall give evidence to support his or her claim, while the accusant may present further disproof to retort the defensive claim. As for the relation between the defendant's liability and other accomplices, or whether there are circumstances for statutory or discretionary heavier, less, mitigated punishment and exemption from punishment, they are all the circumstances that the judge shall consider for sentencing and do not belong to the object of proof of the accusant in prosecution. If it may be said that, in a public prosecution of the crime of infringing upon trade secrets, the people's procuratorate is able to bear more burden of proof due to its position of public power and powerful national resources, while, for a case of private prosecution, if the scope of the object of proof is too broad, it will put obstacles in the way of prosecution and the accusant cannot afford that.

III. The Preservation System of Criminal Evidence in a Case of Private Prosecution Attaches a Wanting

The preservation of evidence is an important system in modern proceedings and *Evidence Law*. In Chinese procedural law, Article 74 of the *Civil Procedure Law*, Article 36 of the *Administrative Procedure Law*, Article 36 of the *Arbitration Law* and Article 63 of the *Special Maritime Procedure Law* all provides the preservation system of evidence, except for the *Criminal Procedure Law*. The preservation of evidence has been lack of attention both in legislation and theoretical circles of criminal procedure for a long time. In contrast, it was once held that it was unnecessary to provide the preservation of evidence in criminal proceedings. Actually, the preservation of evidence is a basic evidence system, which itself does not have any specific nature of any form of lawsuits and is not peculiar to criminal lawsuit or administrative lawsuit.

Although the three procedure laws stipulate different jural relations and solve different problems, the basic principle of proof and the applicable mechanism of proof is the same and the situation that one party of a lawsuit may preserve the evidence in his or her favor is the same. Furthermore, "Evidence is the basis of justice" (Bentham), criminal proceedings involve the defendant's crime and punishment and the victim's relief and protection, therefore it is necessary to comprehensively collect evidence, prudently affirm evidence and complete action of proof, in which the preservation system of evidence plays an important and irreplaceable role. So there is no reason to neglect or abandon the preservation system of evidence.

Some people point out that there are provisions concerning the preservation of evidence in *Chinese Criminal Procedure Law*, the reasons for which are as following: Article 37 of the *Criminal Procedure Law*, Article 43 and 44 of the *Interpretation of the Supreme People's Court on Several Issues on Implementing the Criminal Procedure Law of People's Republic of China*, Article 323 of the *Criminal Procedure Rules of the People's Procuratorate*, Article 17 of Provisions of the *People's Procuratorate on the Protection of Lawyer's Practising* about the system of application for collecting evidence. Another people point out that the application for obtaining evidence and the preservation of evidence are the right of the same nature:"Federal Rules of Criminal Procedure for the United States, which began to be stipulated in 1945 and was revised and finalised in 1975, specified this defendant's right(the right of application for mandatory procedure to collect evidence) in the statue law, under which the prosecuted party's application for collecting evidence in favor of himself or herself is called the preservation of evidence."[84]

This point of view confuses the content and nature of the application for collecting evidence with that of the preservation of evidence. The purpose of the system of application for collecting evidence in criminal procedure is to get rid of obstacle and difficulty in collecting evidence, safeguard defendant's right of investigating and collecting evidence and balancing the capability of the accusant and defendant in collecting evidence, which has been expressly explained in the interpretation of The Standing Committee of the National People's Congress on Modification of the *Criminal Procedure Law*:"to apply for the people's procuratorate and

[84] Yongsheng Chen: On Defendant's Right to Use Mandatory Procedure to Collect Evidence, Studies in Law and Business 2003, 1st.

the people's court to collect and obtain evidence means, when the defense lawyer is collecting relevant material, if the witness or other units or individual refuse to meet the defense lawyer, to provide material evidence, documentary evidence, video data, and to testify, the defense lawyer may apply for …"[85] While the preservation of evidence is "to point out that there is a possibility that the evidence for investigation will be annihilated, fabricated, doctored, hidden and difficult to use,……he or she takes action of preservation. The preservation of evidence is a precaution to prevent the evidence being annihilated or being difficult to use and is different from investigating evidence."[86]

Maybe the unapparent nature of the function of the system is difficult to be recognised and distinguished, yet the difference between the application for collecting evidence and the preservation of evidence in procedure and credibility is the core difference of the two systems. The application for collecting evidence is to collect evidence unilaterally out of court which lack procedural structure where the judge hosts, the accusant and defendant participate and confront and investigate evidence in the court, therefore, the defendant only has the procedure of collecting evidence, but does not have the credibility, so the evidence he or she collects still needs investigating. While the preservation of evidence is equivalent to forward lead evidence investigation in the court, so the evidence is investigated upon its collection, where not only the subject of prosecution, but also the content of prosecution is in procedural structure, thereby they have credibility. In addition, the subject of the application system for collecting evidence is the defendant, and it is of singularity. The preservation system of evidence protects both the defendant and the victim and private prosecutor. In consequence, we shall hold that "there is no provision on the preservation of evidence in the *Criminal Procedure Law*"[87].

As far as a crime of infringing upon trade secrets is concerned, the cases of private prosecution are of great practical significance in the establishment of the preservation system of evidence. As is mentioned above, compared with the people's procuratorate, the private prosecutor is weak in collecting evidence. In many cases, the criminal suspect will hide, destroy and fabricate evidence through all kinds of means in order to escape from liability. If the legal owner of the trade secrets does not collect evidence or does not collect evidence in time, it will give rise to a lot of difficulty in prosecution. Furthermore, in quite a large number of cases, the evidence exists in the form of electronic information, people are able to falsify, fabricate, destroy and remove electronic information by addition, reduction and edition of digital coding through various ways. Besides, computer virus, hardware failure, software problems, operational errors, network failure and other technical and accidental circumstances will impact the facility of electronic evidence."[88] The establishment of the preservation system of evidence will be propitious to solve the difficulty in adducing evidence for the private prosecutor. "

[85] Hu Kangsheng&Li Fucheng: *Interpretation of the Criminal Procedure Law of PRC*, Law Press 1996, P43.
[86] Zhang Liqing: The Theory and Application of Criminal Procedure Law, Wunan Book Publishing, Co., Ltd. 2007, P399.
[87] Chen Guangzhong: *Expert Draft of Evidence Law of PRC(Articles, Interpretation and Argumentation)*, China Legal Publishing House 2004, P325.

[88]Kangding Xu: *Analysis on the Basic Issues of Electronic Evidence*, *Law Review* 2002 3rd

Chapter 7: The Judgement of Technique and Evidence in the Trial of the Crime of Infringing upon Trade Secrets

(1) General Situation and Problems of Judicial Authentication

1. Basic approaches Taken by Judges to Judge Technique

Influenced by the overall situation, judicial authentication of trade secrets is almost in a disorder condition at present. There are common problems of whether the institutions of judicial authentication are qualified, where the personnel of judicial authentication are qualified, whether the procedure of judicial authentication is open and true, whether the conclusion of judicial authentication is objective and scientific and others issues, which brought about re-authentication and multi-authentication and so on and seriously restricts law enforcement work.

I. Issues on the Institutions of judicial authentication

In the end of 2004, Chinese Communist Party Central Committee transmitted *Preliminary Opinions of Central Leading Group for Justice Reform on Judicial System and Working Mechanism Reform* (hereafter refers to Central 21st Document), which determines the purpose and requirement of Judicial System Reform. On Feb. 28th, 2005, the Stand Committee of the National People's Congress adopted the *Decision on the Administration of Judicial Authentication* (hereafter refers to the Decision), and enforced it on Oct., 1st of the same year. The Central 21st Document and the Decision has made significant reform and adjustment on the administrative system of judicial authentication. In recent years, the administrative work of judicial authentication has been strengthened, the system reform has been steadily pushed forward, the uniform administrative system has been preliminarily formed, and the institutions of judicial authentication have begun to be channeled into the orbit of standardised, legalised and scientific development. At present, in order to handle cases of intellectual property rights, all provinces and Municipalities directly under the Central Government have established or designated some organisations as the centers of judicial authentication of intellectual property rights.

In the meantime, because lots of problems involved in judicial activities become more and more professional, complicate and integrated, the degree of complexity and difficulty in authenticating cases is higher and higher, the number of such cases is also increasing, judicial activities, especially trial activities has a higher requirement for the capability of institutions of judicial authentication. There are lots of prominent problems such as repeated authentication, no conclusion after long-time authentication that has not been fundamentally solved in the practice of judicial authentication. For that, 10 national institutions of judicial authentication have been selected in 2010 for their high qualification and strong capability to play an exemplary role in solving the current problems mentioned above, therefore promoting the overall improvement of the industry of judicial authentication, continuously strengthening the scientific, authoritativeness and social credibility of judicial authentication.

First of all, institutions of judicial authentication with good and poor qualification coexist. At present, research institutes and authentication centers affiliated to science and technology

departments at all levels, colleges and universities, scientific research institution and industry association, and authentication institutions established among the populace all can engage in the business of judicial authentication of trade secrets, yet, there are bad as well as good professional technicians employed in all these authentication institutions, so expert opinion and authentication conclusion are unavoidably not objective and comprehensive. In the case of Pingwu Guo's alleged infringement upon trade secrets handled by the public security institutions of Liaoning Province, because both parties entrusted respective authentications, the same authentication institution unexpectedly gave two opposite pieces of authentication conclusions, which was monstrous absurdity. Of course, the selection of authentication institutions shall be determined by the parties or decided by the public security institutions. If one party does not agree with the authentication conclusion, then where he or she shall submit the case for authentication and whether the authentication effectiveness of an authentication institution affiliated to Ministries directly under the Center Government is higher than that of a provincial authentication institution are to be made clear by relevant provisions.

II. Issues on authentication conclusion

In the past, in the cases of infringement upon trade secrets of technical information, because the infringing party used or sold the stolen trade secrets without any modification, the authentication institutions could usually give completely same or substantially similar conclusions. Judicial institution can accurately determine the commission of a crime according to the authentication conclusions. Nowadays, the infringing party usually modifies or improves trade secrets partially or largely after obtaining other people's trade secrets, only part of which are the same as the original ones. The authentication conclusion that the authentication institutions can give is only the proportion of the similarity and difference of both secrets, not a determination of the nature. Therefore, it is difficult for the judicial institutions to differentiate whether it is a general tort or a crime in light of the authentication conclusion in which the authentication institutions only provides partial similarity and partial difference.

For this reason, the authentication institution shall determine the proportion of the two parts by using tools and data or other material according to its designing principle when authenticating whether trade secrets are infringed. The judicial institutions shall also stipulate relevant provisions to define the degree of similarity that constitutes a crime, thereby accurately differentiating a general tort and a crime. The lack of basic system in the authentication work is easy to cause unfairness in authentication result and even the final settlement of the case. Because most of the cases of trade secrets involve professional knowledge in economic and technical area (much of which is cutting-edge knowledge), the public security institutions and personnel handling a case are not able to make a judgement as to whether it is a tort or a crime, and therefore, technical authentication work is of great significance in such cases.

Currently there is no basic system in the authentication work in the Crime of Infringing upon Trade Secrets in China, which not only puts public security institutions at a loss as to what to

do when handling a case, but also makes it difficult to insure the objectivity, fairness and scientificity of the authentication procedure and its conclusions, thereby causing the parties' petition, repeated authentication, the public security institutions' intervention in economic disputes, etc., and even giving rise to misjudged cases and cases of injustice. Furthermore, the lack of a scientific evaluation mechanism is problematic. The authentication of trade secrets involve many aspects of legal issues and professional knowledge, so the public security institutions usually cannot make their own judgement, and even a judge will find it difficult to decide whether or not to accept the authentication conclusion. A mistake by several experts may lead to a mistake in judicial adjudication. Once the parties raise an objection against the authentication conclusion, the public security institutions cannot make a judgement about the method of retrieval and analysis used in the authentication due to the lack of regulations of the number, withdrawal, period, responsibility of the authentication and other issues, and usually have to resort to repeated authentication, thereby causing frequent occurrence of repeated authentication, several institutions' authentication and multiple authentication.

III. The Authentication Procedure is Difficult to be Transparent and Fair

When the public security institutions entrust authentication, no uniform provisions are stipulated to specify the application for and decision on authentication, the entrustment and acceptance of authentication, the implementation and procedure of authentication, the reaching of an authentication conclusion, the presentation of an authentication document, the raising of complementary authentication, repeated authentication and check-up authentication. In specific implementation, due to the lack of the section of demur, the authentication personnel often can't see the ground of pleading and proof materials from the criminal suspect, so they can only make authentication on a basis of the proof materials unilaterally provided by the public security institutions (victim and owner), and the authentication conclusion reached by this way is likely to lose objectivity and fairness. So it is lack of the supporting system that is adapted to China's national conditions and requirements of practice.

For example, according to the Chinese prevailing laws, a criminal case shall be under the jurisdiction of the public security institutions where the crime was committed, but this jurisdiction system is usually not applicable in the practice of investigation of cases of infringement upon trade secrets. Take authentication cost for another example, in light of inquisitorial system and neutral status of criminal authentication, the cost of judicial authentication is usually paid by the State, but due to the professionalism and other characteristics of cases concerning trade secrets, the owner needs to provide relevant materials of authentication to the public security institutions to prove that the trade secret exists, so that the public security institutions can handle the case by law. In the case-handling process, the materials of authentication provided by the owner cannot be used as proof, which the public security institutions will entrust authentication institutions to authenticate again, but the public security institutions cannot charge the party funds for handling cases, furthermore, no special fund is provided by public finance, so the public security institutions can only deal with it by not filing a case or asking the party to pay for authentication cost,

which directly or indirectly impact the functioning and public credibility of the public security institutions and even bring out a bad situation that the authentication conclusion will be in favor of the party who pays for authentication.

IV. Too Much Dependence on an Authentication Conclusion

At present, the public security institutions and the procuratorial departments attach much importance to an authentication conclusion in the determination of trade secrets, and even blindly rely on an authentication conclusion: for the trade secret which has already been testified by an authentication conclusion, all other evidence is ineffective except for another repeated authentication; while for the trade secret which has been testified by other evidence has to be authenticated if no authentication is made. This condition seriously impedes the forward development of the handling of cases of the Crime of Infringing upon Trade Secrets.

Although, the authentication conclusion is of great importance in the determination of trade secrets, it is not the only proof, sometimes the problems cannot be solved completely by authentication. For example, when determining whether technical information is known to the public, the public security institutions must require the party to provide other evidence and then make authentication. As to the issue of determining whether it is known to the public, due to the limitation of the contents, methods, forms of proof, the authentication conclusion is not only the best form of evidence, but also there is a problem that it is not suitable to use the authentication conclusion as evidence. The reason is that the economic usefulness, non public-known and subjective and objective confidentiality and other characteristics of the technology or business information as trade secrets has already existed before the infringing acts took place, so it is a matter of fact rather than a technical matter and can be perceived by people, which shall depends on oral evidence, documentary evidence and other evidence rather than the proof done by authentication.

Therefore, compared with modern technologies, the authentication conclusion shall not be used directly as the conclusion whether the trade secret is known to the public or whether it is an infringing act. In essence, the authentication conclusion is a proof in prosecution, and needs to be cross examined in court for its authenticity, legality and relatedness with the case, and then a conclusion can be made whether the authentication conclusion is a basis of a judgement. Equally, the content of the authentication conclusion is only a reference for a judge to decide on a verdict, and it is not a must to accept all, otherwise, it will mix up the boundary between of judicial authentication and professional authentication.

Whether technical information or business information is a trade secret is what the parties dispute and this issue cannot be judged solely based on the authentication conclusion. In addition, from view of the characteristics of trade secrets, except for technical requirements, as for the problem of whether it shall take a confidentiality measure or not, or whether the confidentiality measure is appropriate, it requires the parties to testify each viewpoint with relevant evidence, so the problem of whether it is a trade secret and whether the defendant's act constitutes infringement belongs to the scope of jurisdiction and shall be judged by the court.

(2) Major Methods and Problems of the Examination of Evidence

Cases of the Crime of Infringing upon Trade Secrets have complicate legal relations and are high professional. It involves not only legal issues, but also hi-tech issues; it applies not only domestic laws, but also international treaties and bilateral treaties, which brings about difficulty in adjudicative work. In order to adapt to the requirement of the new situation, the judicial institutions shall adopt diverse forms and take different measures to optimise the adjudicative work of such cases.

I. Examination of Individual Case. Examination of individual case means, in the examination of cases of infringement upon trade secrets, it is necessary to exam the sources, contents of each evidence, the relationship between each evidence and facts of infringement upon trade secrets, whether each evidence is true and reliable and the probative value of each evidence. Generally, there are two ways to carry out the examination. One way is to carry out the examination in chronological order, i.e., make a judgement of the evidence proving facts of infringement upon trade secrets in chronological order, which is applicable to the cases where the chronological order of the evidence is very clear. The other is to carry out the examination in primary and secondary order, i.e., make a judgement of the evidence proving facts of infringement upon trade secrets in primary and secondary order, which is applicable to the cases where the core facts and core evidence are very obvious. 0020

II. Contrastive Examination. Contrastive examination is to compare and contrast two or more pieces of evidence that testify facts of one crime to see whether the content of and situation reflected by these pieces of evidence are consistent and whether these pieces of evidence both (or all) reasonably testify the criminal facts. Generally speaking, the pieces of evidence which are considered consistent after contrastive study are relatively reliable, while the pieces of contradictory evidence mean that one piece of evidence may be questionable or all pieces of evidence may be questionable. Of course, for the pieces of evidence that are consistent, do not blindly rely on them, because an act in collusion to make each other's confessions identical, perjury, an act of extorting confessions by torture and other factors may make the pieces of evidence fictitiously identical; As for the pieces of contradictory evidence or different evidence, it is not a reasonable way to denial all, because the discrepancies among different pieces of evidence may not impact their authenticity and reliability. There are two forms of comparison: one is vertical comparison, i.e., to do pre and post comparison of the statements of facts of one crime and see whether they are consistent; the other is horizontal comparison, i.e., to compare different kinds of evidence or the evidence provided by different people that testify facts of one crime of infringement upon trade secrets, and see whether they are consistent, or whether there is contradictory parts.

III. Comprehensive examination. It means that a comprehensive analysis and study of all pieces of evidence of the cases of infringement upon trade secrets to see whether the contents and situations reflected are consistent, whether they are in mutual collaboration and consistent with each other, whether they are sufficient to prove true facts of the Crime of Infringing upon Trade Secrets. The purpose of comprehensive examination is to find and

analyse contradictions. Judicial personnel shall be good at cross and logical analysis on various pieces of evidence and finding the contradictions among different pieces of evidence and then analysing the nature of these contradictions and the causes of their formation so as to give an overall judgement on the evidence of the cases of infringement upon trade secrets.

To do comprehensive examination requires not only to pay attention to the authenticity of evidence, but also to pay attention to the probative value of evidence. In other words, it requires not only to make a serious judgement whether the evidence is reliable, but also to judge whether the evidence is sufficient. In a sense, the task of examination of individual case and contrastive examination is to make sure whether the evidence is reliable, while comprehensive examination is to make sure not only the authenticity of the evidence, but also the sufficiency of the evidence as a key point. Especially in the cases where the parties wholly rely on indirect evidence to testify the disputed facts, the personnel responsible for examining evidence shall seriously analyse the quality, quantity and mutual relationship of the evidence, and must make all the evidence of a case a complete and integrated chain of evidence, furthermore, give undoubted and reasonable explanations for the case.

To exam the evidence of cases of infringement upon trade secrets is to serve for using evidence to prove the crime, therefore, the result of the examination and judgement of evidence will directly affect the success or failure of the use of evidence. In fact, the examination and judgement of the three aspects develop in a complementary way, of which, the examination of the authenticity of evidence is the prerequisite of the use of evidence, for inauthentic evidence can not prove true facts of a case at all; the examination of the probative value of evidence is the basis of the use of evidence, for only to know the probative value of evidence can it be possible to grasp its function and status in proving the Crime of Infringing upon Trade Secrets; the examination of the legality of evidence is a guarantee of the proper use of evidence, for only to use legal evidence can it be possible to prove the facts of a crime of infringing upon trade secrets.

2. The Criteria of the Technical Judgement by Judges

(1) The Criteria of the Judgement of Trade Secrets

A trade secret is an internationally accepted legalese and covers very comprehensive contents, but, till now, there is no uniform definition by the countries in the world. To integrate the descriptions of trade secrets in different national laws, there are several common ideas as follows: first, it is the information existing in different forms; second, it has economic value and exists widely in commercial activities; third, it is in reasonable confidentiality, which is the prerequisite of the economic interests for the legal owners of trade secrets.[89] [1] The constitutive requirements of a trade secret provide a reference or even a criterion for judges to make a technical judgement, so judges do in practice.

I. The criterion of confidentiality. Confidentiality means that a trade secret has not been made public and is in a secret condition. This is the fundamental distinction between a trade

[89] See Yuelin Du: *Several Issues in the Trial of Cases of Infringment upon Trade Secrets*, *Journal of Yunnan University(Law Edition)*2004, 5th

secret and other intellectual property rights, especially a patent right, and it is also the most essential characteristic of a trade secret. A trade secret is not like a patent right that is obtained by the legal affirmation of the exclusive right of a technology which is made public, it mainly protect its value by keep it confidential, for other business dealers do not know this information, thereby unable to use it, the dealer who has this information in hand can achieve competitive advantage by using this information. Once the trade secret is known to the public, it loses confidentiality, the value of which will be lost wholly or partially, then it makes no difference whether it is a trade secret or not.

Certainly, when a judge judges the confidentiality of a trade secret, he or she shall recognise that the confidentiality is not absolute, which is only relative to the public and the people in the same industry, so if most of the people in the same industry do not know and can not, in a general way, obtain this trade secret, then its confidentiality is established. For example, no value will be created without the help of the employees or product agents, therefore, it is necessary to disclose some information to them, as well as the people, apart from the legal owner of a trade secret, who obtain the trade secret through legitimate way and keep it in a confidential condition, where the trade secret has not lost its confidentiality.

II. The criterion of practicability. A trade secret has a distinctive quality, which is much concealed, i.e., it is not easy to be known by other people through study or summing-up in a long time. This distinctive quality that is different from the function of general information or knowledge is the practicability of a trade secret. In practice, different countries have different understanding of a trade secret; therefore their criteria of the evaluation of practicability are different. Generally speaking, a judge is accustomed to divide trade secrets into the secret of technology and the secret of business information. The secret of technology is the core content of a trade secret, mainly including the secret of technology meeting the requirements of a patent, technical know-how and the technology which does not belong to a patent right but can bring competitive advantage and economic interests to the legal owner.

The secret of business information mainly includes a way of sale, managerial expertise, client lists, source of supply, financial books, price lists, base amount of a tender, investment plan, etc. Comparatively speaking, trade secrets cover a very wide range, as long as one piece of information that is a little distinctive from the general practice in public-known area, it can be recognised to have the characteristic of practicability, so the requirement for the practicability of trade secrets is relatively low. As to the problem of reference system of the practicability of trade secrets, it is not necessary to require a high standard of the practicability of trade secrets, i.e., neither recognise it not as a trade secret because it is lack of a certain degree of advancement, scientificness, or integrity, nor provide no protection because it does not meet the stipulated technical and economic index.

III. The criterion of value. Value, also called economy, means that the use of a trade secret will bring economic interests to the legal owner, and enable him or her obtain more favorable status and competitive advantage, which is the main reason why a trade secret is protected. *Several Provisions of China's Industry and Commerce Administration Bureau on Forbidding*

Infringement upon Trade Secrets indicates that trade secrets "can bring the legal owner actual or potential economic interests or competitive advantage." According to this provision, trade secrets shall include actual value and potential value.

No matter if the one which has been successfully developed and can be put into immediate use, yet needs further development and research, or the one which may output immediately or after a long time, it will not impact on the determination of the value of the trade secrets. China's *Anti-Unfair Competition Law* defines trade secrets as "may create business interests or profit for its legal owners"， which further indicates that the value of trade secrets includes not only the actual value, but also the expected and potential value. Certainly, to evaluate the value of trade secrets should not think that the value is in direct proportion to the practicability. This thought does not conform to principles of Economics, because the practicability is equivalent to the use value of a thing, while the value equals to the exchange value of a thing, i.e., price. Price frequently deviates from value, they are not always consistent.

IV. The criterion of management. The management of trade secrets refers to the objective confidential measures taken by the owner; people call it difficulty of knowing or confidentiality. The management has two requirements: the subjective intention of keeping it confidential and the objective measures taken to maintain confidential. The requirement of management of trade secrets is reflected in the definition of management of trade secrets provided in China's *Anti-Unfair Competition Law* which “is maintained secret by its legal owners". As for the degree of management, the practices in different countries vary. According to China's *Anti-Unfair Competition Law*, it only requires the legal owner to take appropriate measures in accordance with the time, place, object and other situations, it does not require the measures certain to succeed. When the judge examine whether the plaintiff has taken confidential measures, he or she shall mainly examine whether the preservation, storage and secrecy measures taken by the owner are appropriate and whether the owner has taken appropriate warning measures to different crowds.

For example: whether the owner has proposed specific requirements to internal staff through employment contract, confidentiality agreement, operating discipline, etc; whether the owner and the counterparty involving the trade secrets have agreed to the obligation of confidentiality; whether the owner has given clear warning to irrelevant persons.[90]Certainly, the management of trade secrets is not absolute, as to the requirement of confidential measures; the judge shall make a judgement according to the actual condition. Just as what the judge pointed out in the case of US DuPont Company:"confidential measures are like”

(2) The Characteristics and Problems of the Application of the Judging Standard by Judges

The application of the judging standard of infringement upon trade secrets by judges is a very complicate work, which has lots of characteristics and some problems. The application of this standard is often closely related to the examination of evidence and facts and involves

[90] Du Yue Lin: Several Issues in the Trial of Cases of Infringing upon Trade Secrets, Yunnan University Law Edition 2004, 5th Issue.

various aspects of content; therefore, it may vary according to different cases, which makes it impossible to judge by following the same pattern.

I. The judgement of the criminal object and criminal target. The judgement of the criminal object mainly includes the judgement of the name and carrier of the trade secret infringed by the defendant, the scope or the secret point of the trade secret claimed by the victim，the process of the development and formation of the trade secret. In judicial practice, it is always the case that the public prosecutor will submit lots of material to the court which only tells the judge that the defendant has infringed upon the trade secret of the owner and caused a great loss to the owner, and the public prosecutor does not or cannot specify the name, scope or secret point of the trade secret, for which the judge shall hold that the public prosecutor has not finished the burden of proof, because the public prosecutor does not establish a corresponding relationship between the material and facts of the case.

The judgement of the criminal target is to judge whether the trade secret exists, i.e., to judge whether the defendant has infringed upon the object and whether the object is a trade secret. In practice, the judgement of a trade secret in the cases of infringement upon trade secrets largely depends on the authentication conclusion made by specialised institutions and professional personnel. Therefore, the judgement of the criminal target is realised by judging the authentication conclusion. Generally speaking, firstly, judge the qualification of the authentication institutions; secondly, judge the qualification of the authenticator; lastly, judge whether the authentication complies with the rules and requirements of authentication.

II. The judgement of the criminal subject and subjective elements of a crime. As to the subjective elements of a crime, the judge shall determine whether the natural persons are over 16 years old with criminal responsibility, or met with the owner of the trade secrets, or have the responsibility of keeping the trade secrets confidential, or whether the infringing unit has a competitive relationship with the owner according to the documentary evidence of identity documents of relevant natural persons and persons in charge of a unit, and information of industrial and commercial registration of a unit and identity documents of the legal representative, and the testimony of the witnesses and the verbal confession of the defendant. When judging the subjective intentions, the judge shall adhere to combining the subjective elements with the objective elements, so the judge shall judge whether the defendant has an intension subjectively, and an act of disclosure and use objectively, or whether the defendant know or should know subjectively, and has an act of obtaining and using of the trade secrets objectively.

III. The problem of professionalism of the judging subject. Currently, the make-up of judges in the cases of the Crime of Infringing upon Trade Secrets are fundamentally the same as that of the criminal adjudication tribunal, administrative adjudication tribunal, etc which is usually made up of judges who have acquired certain legal knowledge and qualification by passing the national unified judicial examination, neither with technically qualified judges, nor with the system , like Japan, where technical specialists are set up independent of the system of judges. Such a condition causes a situation that the tribunal has to hire experts temporarily

when there are technical problems in the trial of the cases of infringement upon trade secrets. This kind of practice may cause some problems.

First of all, the experts hired by the court are usually not familiar with laws, while the judges do not deeply and completely understand the professional conclusions made by the experts due to the limit of knowledge, which will definitely impair the quality of these trials; secondly, to hire experts will increase the cost of litigation, which is usually borne by the parties, thereby increasing the parties' burden of litigation. Therefore, it is necessary to consider the employment of technically qualified judges or the adoption of the Japanese model for the purpose of the improvement of trials and the decrease of the cost of litigation borne by the parties.

Because the practice of setting up a special committee independent of the system of judges in Japan is one of their judicial traditions, but there is no such tradition in China, it is more practical and feasible to pay attention to employing judges with technical background in joining the trial team of cases of intellectual property rights to ensure the efficiency and quality of the highly technical trials of intellectual property rights. From the perspective of the situation of personnel training in the academic cycle of intellectual property rights in recent years, there are more and more students with a background of science and engineering to further their study for a LL.M. Degree, who, as interdisciplinary talents, will gradually satisfy the needs in the trials of cases of intellectual property rights.

3. The Exercise of Discretion by Judges

(1) Practical Problems in the Exercise of Discretion by Judges

The prevailing *Criminal Law* adds the Crime of Infringing upon Trade Secrets to the chapter of crimes of undermining the order of socialist market economy, where clearly provides the count, charge, sentencing and criminal target --trade secrets, symbolising that the system of criminal protection of trade secrets have been formally established in China. But there are still some defects in substantive and procedural aspects of the protection of trade secrets in China, and when handling the cases of the Crime of Infringing upon Trade Secrets, the judges are often confronted with some difficulties, such as the difficulty in the determination of the trade secret, "heavy loss", criminal pattern and manner of criminal acts, etc..

I. The difficulty in the determination of trade secrets. It is very difficult to give a clear definition of trade secrets in theory and legislation, which perplexes the judges mainly in the following aspects. Firstly, the boundary of crime and non-crime: For instance, how to distinguish between the Crime of Infringing upon Trade Secrets and an act of unfair competition, between the Crime of Infringing upon Trade Secrets and an act of legally obtaining, disclosing, using and allowing others to use trade secrets, and between the Crime of Infringing upon Trade Secrets and staff's legal acts of secondary occupation and flow of personnel, etc. Secondly, the boundary of this crime and another crime: For instance, how to distinguish between a crime of trade secrets infringement and a crime of stealing, secretly gathering, purchasing, or illegally providing state secrets or intelligence for an organisation, institution, or personnel outside the country. Besides, as to the content, it is difficult to

determine the Crime of Infringing upon Trade Secrets. For example, it is hard to determine whether client's lists, computer softwares, so called negative information compared with the positive information that can bring economic interests and competitive advantage to the owner and the data submitted to the government are trade secrets.

II. The difficulty in the determination of "heavy loss". "Heavy loss" is the key element which determines whether an act of infringing upon trade secrets constitutes a crime; therefore, how to calculate "heavy loss" is of great significance in the exercise of discretion by judges. In the meantime, how to calculate "heavy loss" is also a tough problem for judges to exercise discretion. First of all, whether the own value of the trade secret itself shall be calculated as "heavy loss" is a question. Article 219 of China's *Criminal Law* only provides that one of the constructive conditions of the Crime of Infringing upon Trade Secrets is that the act causes heavy loss to the owner; yet it does not give detailed specification of "heavy loss".

Provisions of the Supreme People's Procuratorate and the Ministry of Public Security on the Standards for filing Economic Criminal Cases issued in 2001 provides, Where anyone infringes upon trade secrets, a case shall be filed for investigation and prosecution under any of the following circumstances:I. causing direct economic losses equivalent to more than 500.000 RMB to the owner of trade secrets. II. Causing going bankrupt or any other serious consequence to the owner. Although this provision means to make a clear definition of a "heavy loss", yet, the application is still uncertain. For instance, as to the problem whether the "direct economic losses" herein includes the lost commercial value of the trade secrets itself, it is rather difficult to deal with in judicial practice. Secondly, it is difficult to calculate a "heavy loss".

Provisions on the Standards for filing Economic Criminal Cases defines a "heavy loss" as "causing direct economic losses equivalent to more than 500.000 RMB to the owner of trade secrets", Article 7 of *Interpretation on Several Issues* defines it as "causing losses equivalent to more than 500.000 RMB to the owner of trade secrets", then as to the problem whether the "direct economic losses" herein refers to the value of the stolen trade secret and its carrier or the losses caused to the owner after the trade secret was infringed upon, the *Interpretation* does not clearly define. As a consequence, it is very difficult for judges to grasp, operate and determinethis issue in judicial practice, even in a case, it was sentenced guilty when no loss was caused to the owner when the technical drawing was recovered. Finally, due to the professionalism of trade secrets and the complexity of losses, ti is quite difficult to calculate the specific amount.

III. The difficulty in the determination of criminal pattern. It is manifested mainly in the difficulty in the determination of the stopped pattern of a crime. China's *Criminal Law* takes a way of qualitative and quantitative analysis to define a crime, so the determination of the Crime of Infringing upon Trade Secrets is made mainly through a comprehensive judgement of its degree of infringement, social impact and harmfulness, while the determination of these elements is a very complicate process, which is hard to deal with because of the lack of

uniform standard. Where a doer did an act of infringement upon trade secrets, although he or she failed to achieve the goal, yet caused a great loss to the owner, it is tough problem to solve.

Although the legislation takes "heavy loss" as the constructive element of a crime, it does not make a clear distinction between an attempted and consummated crime that may impact the sentencing and even the conviction, therefore, no explicitness in legislation will have a significant impact on judges' handling a case. In fact, there should be preparation for and attempt of a crime and other stopped patterns in the cases of the Crime of Infringing upon Trade Secrets, and as for the determination of these patterns, it is necessary for the judges to flexibly apply the principles of the general provisions in the *Criminal Law,* and comprehensively consider and judge various factors. Thus, it is urgent to issue judicial interpretation to explain in detail the stopped patterns of the Crime of Infringing upon Trade Secrets.

IV. The difficulty in the determination of criminal act. First of all, whether an act is legitimate or not is difficult to determine. In accordance with Article 219 of the Criminal Law, in crimes of infringing upon trade secrets, there may be four types of criminal acts, i.e., the acts of acquiring trade secrets vie improper means, illegally using trade secrets, legally acquiring but illegally using trade secrets and a third party's infringement. In practice, the following acts are very common and also difficult to determine. Firstly, the act of using the technologies in the job hoppers' mind is hard and complicate to determine. As to the questions whether the technologies are their own know-how, whether they can continue to use the technologies that do not constitute an infringement, and whether these technologies belong to the previous employment unit, they are relevant to the issue of proof, and to prove these questions is a difficult task.

Secondly, it is difficult to determine double infringements. Double infringing acts means that a doer commits an act of acquiring trade secrets vie improper means provided in Article 219, Item 1, Term 1 and then commits another act of illegally disclosing, using or allowing others to use provided in Term 2.The difficulty in the determination of double infringing acts is in the aspect of the judgement of the doer's subjective psychological characteristics, while the doer's subjective attitude is difficult to grasp, which, in judicial practice, is usually inferred from objective aspects, thereby causing deviation in judicature.

Finally, it is difficult to determine a crime caused by a third party's infringement. The Crime caused by a third party's infringement mainly refers to the act that is regarded as an act of infringing upon trade secrets provided by Article 219, Item 2 of the *Criminal Law*, i.e., where a third party knows or should know the trade secret provided by other people was acquired vie above mentioned illegal means, he or she still acquires, uses or discloses this trade secret. The "disclosure" herein means the doer makes the trade secret acquired by improper means known to the public, including making it known to a minority, the public, particular persons. It is not a necessary condition of constituting an act of disclosure that the trade secret is known to the public, i.e., the degree of openness of the trade secret does not impact the

establishment of an act of disclosure.

In accordance with the Criminal Law, a male fide third party shall be investigated for criminal liability, which is aimed to make the third party effectively fulfill their responsibility of reasonable care, to promote the protection of the interests of a transferor in a technology contract, and to prohibit a wrongdoer from getting benefits. In practice, there is another situation, i.e., an infringement upon trade secrets by a bona fides third party. A bona fides third party means that after a second party illegally acquired a trade secret or disclose a trade secret for breach of contract, a third party does not and should know that the second party broke the law, therefore, receive the trade secret from the second party and even use it with a bona fide. Because the male fide third party does not know or does not know not because of gross negligence that the trade secret is acquired from the infringing party, the male fide third party does not have a fault of infringement. It is difficult to determine this type of act.

(2) The Main Reference Standard of Discretion for Judges

The main reference standard of discretion for judges means when judges handle cases of infringing upon trade secrets, apart from taking general methods used in handling cases, they may take other way, adopt other methods and make reference to other standards according to the characteristics of the cases and the requirements of handling cases. The prominent manifestation is the employment of legal advisers to provide legal assistance, the designation of technical authentication units to provide the help of determining facts of the cases, and the hire of people's assessors.

I. The employment of legal advisers. China rapidly promulgated laws relevant to the protection of trade secrets in recent years, where the protection level is consistent with international treaties and practices, so the legal system of the protection of trade secrets has, as it were, been established and basically met the needs of law enforcement by judicial department. But due to the abstractness of law and the diversity of practice, the difficulty in the application of law is greater, which raises a higher requirement for judicial personnel. The judicial personnel lack trial experience in this area, some of them do not have a command of English, or lack special knowledge of science and literature and art, so they are not competent to try cases of intellectual property rights. Furthermore, in the practical cases of infringing upon trade secrets, the facts are complicate, new situations, new problems emerge one after another, and the trial of the cases are often adjourned for many times and cannot be concluded in time.

In the light of the above situations, the court usually took individual visits, symposiums and other forms to ask for the legal advisers' help to make sure that the laws were understood and applied in a correct way. But in specific operation, some courts do not know the specialty of the experts, and do not know who shall be employed. They may hire a group of experts in the first instance and another group of experts in the second instance, where the advice of these two groups of experts is inconsistent, and the conclusion is difficult to make; or they may hire the same group both in the first and second instance, which may impact the fairness and authoritativeness of the trial. Therefore, it is necessary to hire a group of experts and scholars

of the highest attainments in cases of infringing upon trade secrets in their personal capacity to be legal advisors of intellectual property rights in judicial system (three levels of courts). When trying a case of infringing upon trade secrets, the judge needs to ask the experts for legal advice, so he or she shall select experts in the hire range; to consult about a certain issue needs to select 5-7 experts; the advisory way may be individual visits, or symposiums; the experts' advice shall be written down and filed for preservation. In addition, as to significant cases of intellectual property rights, hired experts can give their advice directly to the presidents, judicial committee and presiding judges of the people's court of all levels, and supervise the trial procedure.

II. The designation of technical authentication units for cases of infringing upon trade secrets. In the trial of cases of infringing upon trade secrets, authentication is a rather important and indispensable work. Because the focus of the disputes in many cases is the issue of science and technology, authentication conclusions often concerns the outcome of the trial. According to Article 72 of the *Civil Procedure Law*, the people's court thinks it is necessary to authenticate the special issues, it shall transfer it to statutory authentication department to make authentication. But the authentication in the trial of cases of infringing trade secrets is different from that in the trial of other civil cases and criminal cases, because it involves various aspects of science and technology and literature and art, many of which are in the cutting-edge of science and culture, from the perspective of science and justice, it is quite difficult to reach a conclusive authentication advice by a certain unit or a certain department.

This issue in trial has been a social concern for years. Some of the people's courts can not find statutory authentication departments, so they arbitrarily designate an authentication department. Because these authentication departments do not understand trade secrets, their conclusions cannot be admitted by the people's courts, which can waste time and financial resources and increase the burdens on both parties. Meanwhile, it is impossible to supervise the justice and scientific nature of the designated authentication departments, which is opposed by many experts, scholars and litigants. In order to further specify the authentication work in the trial of cases of infringing upon trade secrets, according to the characteristics of cases of intellectual property rights, the people's courts shall hire or designate civil groups as the technical authentication units of cases of infringing upon trade secrets, which is a new explore and trial. The authentication work of a case will take the way of one entrustment for one case, and the authentication institutions shall present written authentication advice according to the entrusting content of the people's courts. For the authentication advice, it allows the parties to interrogate in court, and the result is for the reference of the court.

For some cases, the people's courts may organise interrogation meetings, where the parties can interrogate the authentication advice of the expert committee in court. In order to solve the procedural problem of authentication in the trial of cases of infringing upon trade secrets, it is necessary to stipulate a detailed and operable *rule of authentication on disputes of a technical contract*, and to take it as an important basis for dealing with authentication

problems in judicial practice. In addition, in order to determine the scope, basis and object of authentication, it is necessary to organise the authentication subject to the acceptance standard of the case of trade secrets involved and the national and professional and technical standards; if there is no standard, it is necessary to do in accordance with practical and general standard in this industry. It is also necessary to establish a security system of authentication. The people's courts shall notice the authentication units or personnel not to have personal contacts with the parties during the period of authentication; the people's court shall not notice the authentication units or personnel to assume the responsibility of confidentiality of the content of authentication.

All the material involved in the authentication, such as reports, drawings, data, samples, prototypes, etc., shall be returned back at the end of the authentication. If the authentication personnel have illegal acts, practice fraud, or collude with one party, or there is new evidence that is sufficient to overturn the original conclusions, the people's courts shall require a repeated authentication to ensure the quality of authentication. In addition, the people's courts shall make authentication conclusions known to the parties, and allow the parties to propose different opinions and explain for themselves. If necessary, the people's courts will allow the parties to interrogate the authentication personnel or the persons in charge of the authentication institutions on the authentication conclusions in open court.

III. The hire of people's assessors in trial work. In recent years, cases of infringing upon trade secrets have continuously increased, and due to the high specialty of such cases, judges competent to try these cases are of great insufficiency. In order to solve this problem, the people's courts select young persons, who have experience of teaching, research and practice in the legal area of trade secrets, from universities and colleges, scientific research institutions and other places to be hired as people's assessors to take part in the collegiate bench and the procedure of the trial and assist the people's courts to settle a lawsuit, and what's more, to theoretically help the judicial personnel, which is one of the methods of cultivating professional judicial talents.

Part II: Legislative Proposals

Chapter 8: The Legislative Perfection of the *Criminal Law* on the Crime of Trade Secrets Infringement

The article 219 of *criminal law* enacted in 1997 stipulating the crime of infringing upon trade secrets, provides a clear definition of trade secrets and the scope of right holders. The article 220 specifies the crimination and the measurement of penalty. The relative judicial interpretation made by the Supreme People's Court and the Supreme People's Procuratorate sets specification such as pleadings standard, criterion for imposing penalty, joint offence related to the crime of infringing upon trade secrets. Compared to civil legislation and administrative legislation, criminal legislation has the least provisions and the disparity makes the *criminal law* of China comes up with uncertainty and some other problems to be discussed and settled in the aspect of trade secrets. Compared with trade in goods and services, IPR enforcement has got no transition period and TRIPS has set lowest standards in legislation for all the WTO members. Therefore, China should reconsider the deficiency of our legislation about the crime of infringing upon trade secrets according to the stipulations of TRIPS and judicial experience.

1. The Consideration of Legislative Mode

With the furthering of China's reform and opening-up, the subjects of the market economy become more and more diversified, which leads to stronger competition, the more important role intangible property plays and more difficulties and crisis. As one of the important aspects in the intellectual property system, trade secrets will perform a vital function in the market competition. Corporations might pay more attention to keeping their technique information and management information in secret as a result of which more and more technique information and management information will be treated as trade secrets. However, since more trade secrets should be protected, the number of actions infringing upon trade secrets might increase correspondingly and the forms might diversify as well. All those changes require a more positive attitude of legal workers to deal with difficulties and problems. At present there are primarily two articles in the *Criminal Law* regulating the actions related to trade secrets. In order to guarantee the stability of *Criminal Law*, the proceedings of revising and annulling the law is complicated and strict, which contradicts the need of recruitment caused by the fast-changing reality. Consequently, China's legislation has adopted the method of judicial interpretation in general use which can solve some problems rising in practice such as pleadings standard and criteria of imposing penalty. However, when it comes to the definition of some new actions and enlargement of the protective scope, there seems to be an act in excess of authority. Since most behaviors aimed at the crime of infringing upon trade secrets can be found in the relative civil law, it might be possible to react to the new forms of actions infringing upon trade secrets if ancillary criminal provisions can be formulated or revised in the civil and administrative legislation protecting trade secrets.

However one looks at the present legislation aimed at protecting trade secrets, relative provisions are mainly dispersed in *criminal law, Anti-unfair competition law, contract law, labor*

law and some other relative laws. The excessive decentralisation of the provisions protecting trade secrets make against the practical operation. The provisions dispersed in the different laws and regulations connected with the trade secrets should be unified into a code according to the legislation experience of the foreign countries, which leads to an independent system in protecting trade secrets and clear rules for the definition of trade secrets, protective scope, legal responsibility and so on. It is important to protect trade secrets of corporations without hindering mobility of talents and obstructing the normal career of the stuff who has already quit his/her job.

2. The Increase of the Number of Charges

The actual situations of the crime of infringing upon trade secrets are extraordinarily complicated. They can be divided by the subjective aspects: intentionally or negligently. There are three kinds of subjects in the legal relations related to trade secrets: right holder, the second party and the third party. Meanwhile, there are different kinds of actions including spying, disclosing, using, permitting others to use trade secrets. The present *criminal law* has been regulated those complicated actions by a general provision, which results in ignoring the difference of those actions infringing upon trade secrets in the aspects of subjective content, subjects and forms. It makes against the punishment of criminal acts infringing upon trade secrets fairly deal with those acts without treating them separately while it might also violate the principle of punishment should correspond to the criminal act. From the standpoint of the author, the general and simple legislation should be changed while the crime of infringing upon trade secrets should be treated as one kind of crime. According to the clarification of behaviors by the article 219 of Criminal Law, specific crime should be stipulated as the same kind of crime.

(1) Set new accusations

Set regulations for the crime of commercial spy, referring to the acts of acquiring or illegally providing other people's trade secrets by stealing, cheating, spying on, buying or some other ways. The difference between the crime of commercial spy and the crime of infringing upon trade secrets mainly lies on the rule that the former is aimed at the benefit for the institutions, organisations and people outside the country. It not only infringes upon trade secrets, but also endangering the interest of the whole country resulting in much more social harmfulness.

With the economic integration of the whole world, the international competition goes increasingly fierce. Foreign corporations or persons' infringing upon trade secrets of corporations from other countries has come up as a public nuisance. It is more serious than the usual acts infringing upon trade secrets. It might even threaten the whole industry or the economic security of other countries. Therefore, trade secrets has been attracting the attention of all the parties involving in the competition while the importance of some trade secrets has risen to the country level, connected with economy security and the defense security. As a result, many countries have chosen to set the crime of commercial spy. The main member states of WTO such as the USA, England, Germany and France are very prudent in the regulation of crimes infringing upon trade secrets, placing particular emphasis on cracking down on acts aimed at providing information to the subjects outside the country.

The USA, Germany, Swiss, Russia and some other countries have set crime of commercial spy. With the consistent, further opening-up of China and the more frequent international commercial behaviors, it is extremely meaningful in protecting the safety and development of the China's national economy to treat the commercial spy as a unique crime and set more serious legally-prescribed punishment than the crime of infringing upon trade secrets in order to protect the right holders, users of the trade secrets from illegal acts.

When it comes to setting the constitution of the crime of commercial spy, the behaviors of spying on the trade secrets should be penalised, even if the information acquired by spying hasn't been dealt with. Meanwhile, since the behavior of spying on trade secrets itself might not bring right holders significant and serious economic damage, it is impossible to regulate it effectively by the present legislation about the crime of infringing upon trade secrets. That's why it is suggested that the crime of commercial spy should be set as the behavioral offence instead of continuing to adopt the mode of consequential offence and the limitations for the establishment of the crime should be cut down to emphasise on the prophylactic function and initiative of the *criminal law*.

(2) Set respective accusations

Although the accusations adopted by the *criminal law* and the law against competition by inappropriate means in some countries differ, they all regard the crime of infringing upon trade secrets as one kind of accusation. In this kind of accusation, specific accusations should be settled while there is only one accusation referring to the crime of infringing upon trade secrets in the *criminal law* enacted in 1997. The crime of infringing upon trade secrets regards all kinds of behaviours with different characters, subjects, and social harmfulness as one accusation. According to the present provision, there are only two situations: serious loss and serious result. The simplification of the criteria on imposing penalty, ignoring the harmfulness of the criminal behaviors and the differences among those behaviors, makes the criteria out of balance and contradict the principle of suiting penalty to crime and criminal responsibility so that criminal sanctions could not function sufficiently in guarding a fair and competitive market. Therefore, we should set criteria for imposing penalty respectively according to different behaviors and subjective situation and set respective accusations for different kinds of behaviors so that the accusations could be well targeted.

I. Crime of spying on trade secrets, referring to the acts of acquiring a right holder's trade secrets via theft, lure by promise of gain, threat, or other improper means. The accusation should be defined to behavioral offense unless the act has brought the right holder serious loss.

II. Crime of disclosing, using or permitting other people to use trade secrets, involving two behaviors: disclosing, using and permitting other people to use right holder's trade secrets which are acquired through the aforementioned means as well as disclosing, using, or allowing others to use in violation of the agreement with the right holder or the right holder's request of keeping the trade secrets which can be referred to as disclosing and using in nature. It might also be possible to regard the acquirement and the benefit as

circumstances for sentencing.

III. Infringing upon trade secrets indirectly. Whoever acquires, uses, or discloses other people's commercial secrets, when he knows or should know that these trade secrets are acquired through the aforementioned means, is regarded as an infringement upon commercial secrets. The difference is that this kind of act is indirect. The charge according to aforementioned provision could not set up until serious loss exists. The charge could set up by acts either intentionally or negligently.

3. The Adjustment of the Allocation of Punishment

The allocation of the penalty shows the concept of the penalty and reflects the scientificity of penalty. China divides the penalty imposed for the crime of infringing upon trade secrets into two levels by damage result: Whoever engages in one of the following activities which infringes upon commercial secrets and brings significant losses to persons having the rights to the commercial secrets is to be sentenced to not more than two 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 two years and not more than seven years of fixed-term imprisonment and a fine, if he causes particularly serious consequences.

(1) Severity of penalty applied

According to the research report collected by Ministry of Public Security from the areas all over the countries, the local Public Security Bureaus generally find the penalty for the crime of infringing upon trade secrets comparatively light in practice. In the case that Yang infringed San Bao Corporation's trade secrets investigated by the Public Security Bureau's detachment for investigations of financial crimes in the city of Shantou, criminal suspect admitted that lured by the commission and the annual wage of three hundred thousand RMB, he worked in a certain corporation in the city of Wenzhou and produced sericite powder using the technique acquired from his former company. His behavior has resulted in significant loss of San Bao Corporation. However, Yang was sentenced to one year of fixed-term imprisonment and after that, he can use the technique legally.

On the other hand, one who lures can't be charged because of the acquisition in goodwill (one doesn't know that the technique belongs to San Bao Corporation). According to the report from the Corps for investigation of financial crimes in the city of Shenzhen, the criminal acts infringing upon trade secrets found there in recent years have been sentenced to less than three years of fixed-term imprisonment or even probation in some cases. Compared to the benefit from infringing upon trade secrets, penalty is extremely light and a lot of people choose to run a risk. Relative departments in Jiangsu Province also admit that cases of infringing intellectual rights have become too numerous to list while those acts can't be effectively regulated because of powerless enforcement mechanism and the legal regulations unable to reflect the objective conditions in the market. Corporations and Public Security Bureaus invest large amounts of human and financial resources. However, according to the provisions the cases can't be placed on file for investigation and prosecution unless significant loss worth more than 500,000 RMB has been caused. Even if the case is submit to

the court, the penalty is merely fine, criminal detention or fixed-term imprisonment of not more than three years.

The phenomena described above leads to the fact that many cases about crimes of infringing upon trade secrets never come up. The reality of the acts infringing upon trade secrets can't be reflected exactly since the right holder must be faced with expensive costs of proceedings. The Public Security Bureau of Heilongjiang Province also suggests that acts infringing upon trade secrets bring high profits and the actor's illegally acquiring the trade secrets of the right holders is nothing short of robbery. The act tself might bring the right holder countless losses which could even be lethal. Therefore, it might not be sufficient to prevent it without strengthening penalty and raising the cost of criminal acts.

It is suggested that the penalty should be strengthened while revising the legislation related to the crime of infringing upon trade secrets. Since the crime of infringing upon trade secrets is connected with profit closely in nature, we should strengthen the penalty not only in imprisonment but also in property penalty and punishment of depriving rights.

(2) Mode of penalty system

In the mode of penalty system for the crime of infringing upon trade secrets, there are two kinds of penalties: imprisonment and fine. Usually the criminal is mainly sentenced to imprisonment with or without fines as subsidiaries. The punishment of depriving rights in China now is limited to deprival of political right, in lack of deprival of professional qualification. The penalty system is too simple to go with the characteristics of criminal behaviors infringing upon trade secrets, because of which the new mode of penalty system should be built. We should mainly rely on property penalty, make imprisonment subsidiary and set punishment of depriving rights.

I. The punishment model mainly relying on property penalty

The mode of penalty system in China now is not suitable for the economic crime like the crime of infringing upon trade secrets. Several years ago there was a case called "Huawei secrets stolen" which attracted a lot of attention all over the IT industry. In this case, three employees who have worked in Huawei set up a new corporation and cooperate with the other corporations to earn money, making use of technical materials they acquired legally about Huawei. Two years later they sold their corporation and earned 2,000,000 RMB and 15,000,000 USD of stock option. Then they were charged with the crime of infringing upon trade secrets. The court identified that their behaviors constituted the crime of infringing upon trade secrets. However, they were sentenced to imprisonment of two to three years with fines of 30,000 RMB to 50,000 RMB. The total value of the fines is 110,000 RMB. Since their benefit from the criminal behavior has reached up to one billion RMB, the benefit is almost 1000 times of the fine.

Such a ridiculous result shows that the regulations of the crime of infringing upon trade secrets are encouraging criminal behavior in nature instead of suppressing it. The penalty in this case follows the mode of penalty system which mainly relies on imprisonment. Therefore, China's present mode of penalty system ignores the economical elements hiding behind the

criminal behaviors infringing upon trade secrets and can't be regarded as a reasonably structured system of penalty.

The crime of infringing upon trade secrets is aimed at economic benefits in the market competition. Doers related acquire large amounts of technical materials and management information even by infringing upon other people's trade secrets in order to gain bigger advantage in the market competition and earn illegally economic interest. Otherwise the doers intentionally disclose the trade secrets of their competitors to ruin their business in order to raise the position of themselves in the market competition to earn economic benefits. Thus, the crime of infringing upon trade secrets is aimed at economic interest in most cases.

While setting up the penalty system, attention must be paid the penalty which deprived of economic benefits and make imprisonment subsidiary according to the characteristics of the crime of infringing upon trade secrets. In the penalty system of some other countries and areas about the crime of infringing upon trade secrets, fines are the main penalty and the relative regulations are clear. For example, in the *criminal law* of Russia, article 183 suggests: disclosing or use of the trade secrets or banking secrets for economic benefit or some other personal interest without right holder's agreement which has caused serious losses shall be punished with fine of 200 to 500 times of the minimum labor remuneration, or two to five times of the monthly salaries or other revenue of the criminal, or imprisonment of less than three years with or without a fine of less than 50 times of the minimum labor remuneration or monthly salary or other revenue. It might help give full play to the fine in cracking down on crimes economically to take the fine as the first option and raise the position of the fine in the penalty system of the crime of infringing upon trade secrets. As clearly identified in the judicial practice, it works much better to punish the economic criminals with the fine which costs economic losses or even bankruptcy than imprisonment. Certainly, both of the penalties should be used for the criminals with serious circumstances of crime.

The *criminal law* of China has set three situations in regulating the amount of any fine. In the first situation, certain amount is laid down. For example, whoever for the purpose of illegal possession illegally raises funds by fraudulent means shall be sentenced to a fine of not less than 50,000 RMB and not more than 500,000 RMB. In the second situation, the fine which is based on the illegal gains or the amounts related to the crime is floating. The fine could be a specific proportion or multiple of the base. In the third situation, no certain amount is stipulated. The case above belongs to this situation. Based on the principle regulation which is made in the article 52 in general provisions of *criminal law* of China, the amount of any fine imposed shall be determined according to the circumstances of the crime. From our research, Public Security Bureau of Jilin Province suggests that in the application of the penalty imposed on the crime of infringing upon trade secrets, the standard for the amount of any fine is not clear. This fact brings the judges excessive discretionary power, which makes it difficult to suit penalty to crime and makes the enforcement on the crime of infringing upon trade secrets weak or even wrong. Therefore, the amount of any fine aimed at the crime of infringing upon trade secrets should be certain and clear.

Since *criminal law* describes the principle of a legally prescribed punishment for a specified crime in the general provisions, the articles should have certainty and operability while the amount of the fine for the crime of infringing upon trade secrets should be defined in order to put the principle of a legally prescribed punishment for a specified crime into effect. There are comparatively big distinctions in the aspects of circumstances of the crime of infringing upon trade secrets and social harmfulness, which makes it difficult to identify a suitable amount of fine. If the lower limit is too high, it might be difficult to carry out; if the upper limit is too low, the penalty might not function well. Thus, it favors the maintaining of the relative stability of the provisions to adopt the multiple proportions fine system which is flexible and easy to operate without being influenced by the economic development and currency changes. To be specific, the amount of the fine of this crime should refer to the relative articles in the specific provisions of *criminal law* in our country, making use of the multiple proportion fine system. That is to say, the amount of the fine should be identified in the range of one to five times of the amount of right holder's losses or the criminal's benefits to be consistent with the amount of the fine of other economic crimes.

II. Set up the punishment of depriving rights

The punishment of depriving rights is one kind of penalty which deprives the criminals of the legal competency to enjoy or exercise certain rights and forbids them continuing engagement in relative industry or holding relative positions. Since most doers engage in industries related to trade secrets, they are aware of the circuit of production, circulation and management as well as some technical skills and information in certain domains, which provides the doers with the opportunity and ability to complete the crime. Therefore, it might also decrease their economic interest in the future to prescribe the punishment of depriving rights to make them unable to engage in certain industries or economic activities. The crime of infringing upon trade secrets is aimed at economic interest and thus it might punish the criminal trying to make use of their advantages better and help prevent the crimes to deprive them of professional qualifications. It might not only clear the opportunity of the criminal to carry out the criminal behavior again, where it functions as specific prevention, but also warn others where it functions as general prevention. According to all this, the punishment of depriving rights should be set up in the *criminal law* which could be referred to as "prohibition of engagement in certain profession" or "prohibition of holding certain position."

Chapter 9: The Norms of Basic litigating System and Procedure of Cases of the crime of infringing upon trade secrets

1. The Perfection of the Procedure for Acceptance and Investigation of the Cases

(1) The arrangement of the relationships between the procedure for acceptance and investigation

The present *criminal procedure law*'s regulation that the procedure for acceptance is the preceding procedure of that for investigation and the conditions for acceptance don't work well for the effective prosecution on the crime of infringing upon trade secrets. It is necessary to make it clear the logics of the procedure for acceptance and investigation and adjust the standard of acceptance. In fact, according to the experiences of the western countries, the procedure for investigation could be turned on at any time without a unique procedure for acceptance before investigation in the criminal procedure of the mainstream countries under the rule of law. For example, in England, the procedure for criminal investigation is usually turned on by the prosecution of the victim or other persons in the know. The police could carry out the investigation by examination, search or even arrest after registering and making a record of the case. The flexible procedure to turn on the procedure for investigation like this is consistent with the investigation department's epistemic logic of the details of the case and able to fill the need of the prosecution of the crime.

Accordingly, it's not necessary to set a limitative preceding procedure for the startup of investigation.[91] When it comes to the crime of infringing upon trade secrets, if the victim or other persons in the know prosecute or the investigation department find the criminal information and clues by other means and believe that the crime has happened or might happen, after necessary registration of the case's information, the investigation department could startup the investigation by means of examination, obtainment of material evidence and documentary evidence, search and so on. They can also go with the detention in the emergency. After the preliminary investigation, if the investigation department believes that the criminal fact exists while the criminal liability should be prosecuted, the formal investigation should be carried out and the case should enter into the formal procedure for acceptance. If they identify that the criminal fact doesn't exist or the act can't constitute a crime or the criminal liability shall not be prosecuted, they can quit the investigation and shall not file.

(2) Set up the mechanism assisting investigation

The crime of infringing upon trade secrets belongs to the range of crimes of intellectual rights which is part of economic crimes. Economic behavior is one of the most complicated and active social behaviors. The investigation of the economic crimes including the crime of infringing upon trade secrets should strengthen the integration of the internal resources of the

[91] There is also another point of view that it might lead to turning on the investigation too easily or cursorily to cut down the procedure of acceptance. In fact, what needs to be controlled is the behavior of investigation instead of the startup of the investigation procedure. Investigation behavior can be divided into the coercive investigation behavior and the noncoercive investigation behavior. In avoiding the abuse of the noncoercive investigation behavior, the examination procedure like proceedings could be set up for it while designing procedures. Although a preceding procedure is set up, since the investigation behavior is hardly under control after the preceding procedure, the effect could be much better compared to the existing system. And if you make a summary of the practice, is there any case of abusing investigation behavior without going through the proceeding for putting on record?

investigation department as well as explore the outside cooperation network to build effective supplementary investigation mechanism for acquiring more information and raising the investigation capability and level, which could be extremely meaningful to the case solving.

Measures could be taken in several aspects: the collaborating mechanism should be set up with the administrative and public resources department such as commerce and industry, tax, science and technology, intellectual property rights, finance and communication. The offices connected to the investigation department should be built up inside those institutions and departments. Permanent offices could be set up if necessary. It is also very important to perfect the information-sharing and collaborating inquiry mechanism among those institutions and departments. For the important investigation information such as the information of the mobility of talents, tax filing, business registration, bank account and communication, the departed method “one case by one investigation” should be changed into stated and long-acting collaborating method of inquiry. The mechanism of investigation assistance by the experts and employment should be set up. In those relative institutions and departments group of professionals should be built step by step so that the experts could be collected or employed to assist the investigation in the shortest period if there appears some technical or difficult problems during the investigation.

(3) Increase the compulsory measures aimed at the units

As a personified subject, units have stronger capability of infringing upon trade secrets and cause more significant damage, compared with natural person. In the investigation for the crime of infringing upon trade secrets with units as subjects, it is unavoidable to carry out the necessary limitation and control with the units, decrease the unit’s criminal capability and lower the harm to the victim and the society. Therefore, it is necessary to set up the enforcement measures for the investigation. According to the relative experience of the foreign countries, there are a lot of options of enforcement measures besides detention and arrest. Enforcement measures are not punitive. The main function for the suspects in the unit crime lies on the dissolution of the unit’s capability to commit the crime again. In view of this, the methods of depriving the unit of material conditions temporarily such as freezing, sealing up, distaining the properties as well as some business prohibition measures such as limitation on the production, management and some professional activities of the unit should be adopted.

2. The Appropriate Arrangement for Dualistic Prosecuting Mode

(1) Rely mainly on private prosecution while make public prosecution subsidiary

When it comes to the criminal cases of crimes of infringing upon trade secrets, it should be principal to rely mainly on private prosecution while make public prosecution subsidiary. In the specific systematic arrangements, it should be taken into scope of no trail without complaint. At present, there are three types in the private prosecution cases. The cases with acceptance at complaint only consist of crime of insult and defamation, crime of using force to interfere in others’ freedom of marriage, crime of mistreating and crime of illegally seizing another person’s property. For these kinds of crimes, the system of acceptance at complaint only

should be formally settled which means there won't be acceptance without complaint. [92]This system is aimed at the protection of certain private rights. The nature of the private rights hasn't changed although those private rights have been regulated by the *criminal law* which belongs to the range of public law. Trade secrets belong to intellectual property right which is originally regarded as the privileges of the feudal nobles commonly respected by the society. However, it origins in the environment which is not consistent with the private rights principle while it evolves into one kind of private right, civil right widely admitted by the most countries.[93] Right holders of trade secrets should hold the right to make the decision upon the crime infringing their rights and whether to turn on the criminal procedure or withdraw it.

According to the principle of acceptance at complaint only, usually the crime can only be prosecuted by complaint while the condition that the criminal prosecution institutions find it necessary to interpose the case on the basis of specific public good of prosecution is not limited to the usual method.[94] If the circumstance is extremely serious or interest of the society or the country or some other public interest are harmed in some criminal cases related to intellectual property rights, the system can't be applied and the procuratorate should come up with the public prosecution on behalf of the country. It could constitute a problem to solve how to judge the public interest. In the system of criminal prosecution, the consideration of the public interest is connected with the application of the discretion in public prosecution. Meanwhile, the concept of public interest itself is extraordinarily complicated and uncertain, leaving huge space for interpretation.

Different countries have different explanation about the content of the public interest while dealing with the public prosecution discretion. Some have made clear regulations in legislation while some others stipulate no more than general regulations. From the view of the scholars from Germany, the method of measuring legal interest involved in certain cases should be followed in the evaluation of the public interest. All kinds of values are divided into different stratums and it totally relies on the practical situation to decide whether one value should be given priority in certain cases.[95]

When it comes to the cases of the crime of infringing upon trade secrets, the procuratorate should pay attention to several elements in considering public interests: I. The harmfulness toward the public order of the criminal behaviors and the nature of the cases, such as the amount of infringer's benefits, the boundary, persistent period, scale and level of systematisation of infringement and the possibility of certain punishment after conviction; II. Interest of specific area and social group. For example, the level of development related to trade secrets in specific area, the attention-degree and reaction of the public, the level of increasing or decreasing in the benefits of the social group; III. Interests of the country. For example, whether it endangers the interest and security of the country, whether it damages national image and international relationship; IV. Elements of infringer and victim. For

[92] [J] Taguti Morikazu:
, translated by Liu Di and so on, Law Press China 2000, page 118.
[93] Zheng Chengsi: *On Intellectual Property Right*, Law Press China, 1998, page 4.
[94] [G]Korner: *Criminal Prosecution and Punishment in Germany*, translated by Xu Zetian, Xue Zhiren and so on, RMBzhao Press Co, 2008, page 151.
[95] [G] Lorentz: *Methodology of Jurisprudence*, translated by Chen Aie, Wunan Press Co. Limited, 1996, page 9.

example, whether the infringer has been punished for similar behaviors, whether the infringer has the special identity as institution of authority or credit department, the possibility that infringer behave similarly, whether the infringer has stopped the behavior and made up for the damage, the degree of the losses of the victims, whether there is special relationship between the victim and the infringer and the possibility of coming to an understanding.

(2) The intervention and supplement to the private prosecution of the public prosecution

After setting up the basic mechanism of prosecution on the crime of infringing upon trade secrets, the relationship between private prosecution and public prosecution should be linked in procedure and the way by which public prosecution supplements private prosecution should be designed. When it comes to the concrete procedure, the relative systems of Germany could be used. When the right holders of trade secrets are infringed by the criminal behaviors, they might not be aware of the rights of private prosecution belonging to them, or some of them prefer to prosecute making use of the public prosecution resources even if they know the existence of the rights. The right holders of trade secret might accordingly report the case to the police or the procuratorate and the police could hand the case to the procuratorate later). The procuratorate should evaluate the case and is able to deny the existence of the public interest and give instructions to the right holder of the intellectual property that they should raise a private prosecution if the infringement constitutes crime without but the influence doesn't exceed the scope of the private interest of right holder to touch upon the public interest.[96]

When the right holders of trade secrets submit a case to the court to prosecute the criminal behaviors, the court accepting it should inform the procuratorate the case and the facts related so that the procuratorate could decide to let the private prosecution go by itself or turn on the public prosecution which takes the place of private prosecution by evaluating the nature and seriousness of the crime of infringing upon trade secrets from the view of the country and the society. When the procuratorates suggest that the public interest has been damaged, they should submit the proof of the existence of the public interest to take place of the private prosecution procedure continuing and acquire the position to completely dominate the prosecution procedure.

On the other hand, after the procedure of private prosecution begins, once the private prosecutor becomes disappeared or incapable for civil conduct or unable to exercise the right of private prosecution by some reasons such as threats and coercion while there is no other people to go on with the prosecution, the procuratorate could join the private prosecution. In this condition, since the procuratorate is acting on behalf of the private prosecutor, the nature of the case doesn't change into public prosecution and the status of the private prosecutor who enjoys the relevant rights doesn't change either. Once the private prosecutor regains the capability of private prosecution, the procuratorate could retreat from the procedure.

(3) Affirm the right of private prosecution of the unit victim.

[96] There are annually more than ten thousand cases processed following this method. Refer to: [G]Korner: *Criminal Prosecution and Punishment in Germany*, translated by Xu Zetian, Xue Zhiren and so on, RMBzhao Press Co, 2008, page 161.

It was believed that “since the cases with private prosecution are basically involving some minor offences on infringement of the personal rights of citizens, the legal person is neither possible nor necessary to be regarded as the candidate of the private prosecutor, which has been admitted by the theory of the procedure and judicial practice”.[97] If this thesis could be regarded historically reasonable previously, it seems to be out at elbows and out of date now. Large amounts of legal persons and units are faced up with the infringement, which could be well illustrated by the criminal cases of the crime of infringing upon trade secrets with units as victims.

If this system which is regarded as part of the procedure system of the superstructure can’t keep up with the times, it is doomed to getting far away or even totally separating from the economic life. In the aspect of the reality, the unit as scaled organisation has the capability of private prosecution which might be even stronger and more effective than that of natural person. Therefore, the same status as subject should be given to the unit and natural person in the criminal cases involving intellectual property rights. In the condition with the unit as the victim, the unit should certainly become the private prosecutor and its legal representative can either raise the private prosecution on behalf of the unit or trust the prosecution to the agents ad litem. If the unit separates, the two or more units existing respectively have the right of private prosecution to become plaintiff. If the unit merges with another unit, the existing unit could have the right to file a lawsuit to become a private prosecutor.

3. The Systematic Construction of Jurisdictional System

In order to make sure that the obligation and responsibility is clear and the channel is smooth, the attention should be paid to the reinforcement of the judicial protection as well as the legalisation of the procedure. According to this, there is something that should be perfected by the legislation from the following aspects:

(1) Lower the standard of acceptance and perfect the case transfer system

In the judicial practice, there are quite a number of criminal cases involving the infringement of trade secrets which are originally raised up through civil disputes and administrative enforcement. In order to show the seriousness of the *criminal law* and the *criminal procedure law*, the standard for acceptance of the cases involving infringement of trade secrets should be made clear by the legislation to solve the difficulty in filing a case. In other words, the standard that the particular offenses exist and need to be prosecuted which is emphasised by the present *criminal procedure law* should become lower in case that the criminal cases are taking away from the criminal procedure too early because of insufficient proof.

Consequently, it might also be necessary to take the investigation activity by the police and the procuratorate before the acceptance of the cases in judicial practice into the scope of the legal adjustment and confirm the proof acquired by this investigation, such as the effectiveness as evidence of the productive equipment, fake and shoddy products and some others collected during the investigation of the cases involving counterfeit, fake and shoddy

[97] Zhang Zhonglin: *New Theory on Criminal Procedure Law*, Renmin University Press China, 1993, page 139.

products through legislation.[98]

Besides, the transfer of the criminal cases of infringement of trade secrets should be directed by the feasible regulations or standards in dealing with civil cases and administrative enforcement. The initial assumption is like this: in the process of dealing with the cases involving intellectual property rights, if the infringement behavior of the defendant might constitute a crime while the plaintiff hasn't raise the private prosecution, the case should be transferred to the Public Security Department as criminal cases; in the cases of administrative enforcement, if there is proof of the fact that the behavior of the infringer in the cases of intellectual property rights investigated might constitute a crime or the amount involving has reached up to the two times of that described in the relative conviction standard, the case should be transferred to the judicial departments and processed through criminal procedure.

(2) Make clear the connecting mechanism of cases accepted by different means of prosecution

It's necessary to make clear the connecting relationship between the private prosecution and public prosecution from the view of acceptance of the cases to avoid 'buck-passing' so that the criminal judicial protection of intellectual property rights could be strengthened. According to this, if the victim's prosecution to the court can't be supported because of insufficient proof in the minor cases involving infringement of trade secrets, or the suspects might be sentenced to imprisonment of more than three years in the cases of crime of infringing trade secrets, the Public Security Department could accept, register and investigate. After the investigation, if the suspect might be sentenced to the imprisonment of more than three years, the case should be transferred to the procuratorate for prosecution; if the suspect might be sentenced to the imprisonment of not more than three years, detention, punishment of control or fine, the case could be dealt with by the victim through the procedure of private prosecution. In this situation, the victim should be given the right of applying to the court for the obtainment of the proof in order to avoid the unfavorable influence to the victim caused by the distribution of the burden of proof.

(3) Construction of the scientific system of judicial jurisdiction

In view of the existing questions in the grade jurisdiction of criminal cases of the crime of infringing upon trade secrets, the first instance criminal cases involving intellectual property rights should be submitted to intermediate court instead of grass-roots court in order to strengthen the protection of the intellectual property rights. The grade jurisdiction while dealing with the cases involving intellectual property rights should be integrated by legislative interpretation or modification of the relative provisions of the *criminal procedure law*. The civil, administrative, criminal cases involving intellectual property rights inside the jurisdiction

[98] In the *Proposals of Several Questions on Application of Law in processing criminal cases of infringing upon trade secrets*, published by Supreme People's Court, Supreme People's Procuratorate, Public Security Ministry on January 10th, 2011, article 2 stipulates clearly: the material evidence, documentary evidence, audio-visual material, survey report, expert conclusion, record of inquest, record of the crime scene collected, acquired or produced by administrative execution departments, could be used as criminal evidence after the examination of the Public Security Bureau and People's Procuratorate as well as the confirmation by the People's Court through cross-examination in court. This provision can correspondingly solve the specific problems in practice and should be confirmed by legislation.

should be heard uniformly by the IPR court. [99]In the perfection of the territorial jurisdiction, relevant departments could make clear regulations of involvement jurisdiction and comparatively detailed explanation of the place where the crime is committed according to the concrete conditions which could be taken into the specific jurisdiction in order to avoid 'buck-passing' which could lead to poor protection and inefficiency.

In addition, in order to avoid the difficulty in filing the case caused by the regional protectionism and some other reasons, the investigation, examination and prosecution of the criminal cases of crimes of infringing upon trade secrets should principally be carried out by the Public Security Department and the Procuratorate Department of the place where the crime is committed. Therefore, exact regulations of the jurisdictions of the acceptance and investigation of criminal cases of infringing upon trade secrets should be made through legislative or judicial interpretation, which could help avoid the ambiguity of the territories in the pretrial step and lead to unnecessary disputes in the following jurisdiction.

In practice, the jurisdiction of criminal cases of infringing on trade secrets usually lies on the location of the victim. This doesn't obey the present legislative regulations. However, since it is objective fact that the jurisdiction of investigation and trial is corresponding and the regional protectionism exist, it is not beneficial to crack down on the crimes to simply emphasise that the jurisdiction of the place where the consequences of the crime appear might lead to inconvenience or obstruction of proof collecting. This problem should be solved by change of venue which means that the case should be filed by the investigation department of the place where the victim locates and then transferred to the place where the crime is committed, especially its investigation department.

(4) Set up the system of the jurisdiction objection

Criminal proceedings are the activities aimed at the realising the right of penalty of the country turned on by the particular departments of the country toward the citizens. In order to protect the side prosecuted with weaker power compared to that of the country, the legislation in all countries at present pays a lot of attention to the right of defense of the suspect and the defendant, which is reflected in the jurisdiction by the right of raising jurisdiction objection given to the one prosecuted. It's not only a means by which the one prosecuted exercises the right of defense but also an important limitation of the country's random startup or even abuse. [100]

Since there are a lot of technical elements involving, the disputes about the jurisdiction in the cases of the crime of infringing upon trade secrets have become an obvious problem in the judicial practice. Meanwhile, in consideration of the official achievements, economic benefits

[99] The advantages of the model mainly lies on: it could make up for the disadvantages caused by the lack of professional knowledge of intellectual property rights of the judges who have been engaging in criminal and administrative cases, which is good for forming expert judges to guarantee the quality of the trial; it could decrease the duplication of work and save the proceeding resources, which could help maintain the consistency of the legal application in different kinds of cases in order to protect the legal rights and benefits of the obliges and demonstrate the best distribution of trial resources. Refer to: *Speech by Chief Judge Jiang Zhipei of New District Court in Pudong of Shanghai at the Conference in Memory of Ten Years Anniversary for Intellectual Property Right Trial*. http://chinaiprlaw.com/html/faguanluntan/qitaleifaguanluntan/2004/0613/7072.html，2010-12-15。

[100] It constitutes the typical demonstration of the abuse of jurisdiction in the proceeding for putting a case on file to regard the civil case as criminal case, transfer the public prosecution case into the private prosecution case or process the private prosecution case as public prosecution case by force.

and some other aspects, many areas of our country have been widely covered by the departmental and regional protectionism. It becomes a scientific choice while designing the legislative system to entrust the right of the acceptance and trial jurisdiction objection to the suspect and defendant in the criminal cases of crimes of infringing upon trade secrets.

Concretely speaking, if the defendants would like to submit the objection toward the acceptance jurisdiction to the investigation departments, they could submit application to the investigation departments who have accepted the cases and the investigation departments should transfer the objection to the court at the same level. If the objections establish, the latter court should make the ruling to transfer the case to the investigation departments with jurisdiction. If the objections don't establish, the application should be rejected. In order to avoid the condition that the applicant abuse the right to hinder the timeliness of the proceeding, the investigation departments don't stop the investigation of the case while the court is examining the jurisdiction. And once the ruling is made that it comes into effect and the applicant or the opposing party and their legal representative can't prosecute an appeal.
For the objection toward the acceptance jurisdiction or trial jurisdiction, the court at the next higher level examines the objection toward the court at the next lower level and makes the ruling that certificates the establishment of the jurisdiction objection and transfers the case or that rejects the objection after the examination. During the period of the examination of the objection, the trial activities of the court who has accepted the case shall be stopped. Once the ruling which admits or rejects the objection is made that it enters into force and the applicants and their legal representatives can't appeal. Beside, according to the relevant measures taken by the western countries, while establishing the mechanism of sequential sanctions it's necessary to definite the sequential consequences of the mistakes in jurisdiction leading to the retrial of the case as well as elaborate the mechanism that the court examines the mistakes in jurisdiction forwardly.

4. The Direction of Improving the Trial organisation

(1) General idea: establish the solid model of criminal trial "three trials consolidated to one"

With the strengthening of the criminal judicial protection of the intellectual property rights, the construction of the trial organisation for the cases of crimes of infringing upon trade secrets should be taken into the general planning of the reform of the trial organisations in those cases and the arrangement integration should be carried out. The objective is to establish the model of trial organisation suitable for the trail activities and scientifically set the internal mechanism and distribution of the responsibility of the trial organisation for cases involving intellectual property rights.

Some courts in our country have tried to carry out the reform in recent years based on the objective above. The biggest influence relies on the adjustment of the trial division, which refers to the cancellation of the economic trial division and the settlement of the criminal, civil, administrative, intellectual property right, filing and execution divisions in order to confirm the authority and responsibility of the intellectual property right trial division.

Strengthen the authority and function of the intellectual property collegiate bench. Carry out the system of election of the chief judge and single judge. Enlarge the trial authority and power of the collegiate bench step by step. Emphasise the function of the conduction and that judicial committee can't discuss and make decisions of the cases which can't be changed by the president of the court or chief judge without the legal application of the collegiate bench.

The investigation and research should be carried out concerning the reform and perfection of the jury system in the judgement of the cases involving intellectual property rights. Correspondingly, the system of the qualification examination for the judges should be built up in order to promote the entrance level of the judges. The resources and the way of employment should be proved and then only the limitation on the number of the employees newly hired is decided by the personnel department while the court could hire the employees within the number by examination. The system of election of chief judge and single judge should be implemented and the collegiate bench should be set up with the chief judge as the center who is in charge of the organising and integrating the trial activities of the collegiate bench. We also need to gradually adopt the system according to which the judges of the courts with higher level should be selected from the judges of the courts with lower level as well as the system of the court function separation which suggests the separation of the acceptance and trial, trial and enforcement, trial and supervision. The function and the organisation structure in the different stages such as acceptance, trial, enforcement and supervision of the process of organising the court trial should be separated.

After China's joining the WTO, the trial about intellectual property rights have improved a lot. However, the contradiction that the mission and the capability can't get balanced becomes obvious and requests of the integration of the trial resources. In recent years, the number of all kinds of cases of intellectual property rights increases rapidly, which leads to the in harmony between the mission and capability of the trial. Some judges have been under the intense condition of excess load while it's difficult to have certain trial resources concentrating on the summary of the trial experience.

Meanwhile, some courts have earned good effects in experiment of the system "three trials consolidated to one" in the trial about intellectual property rights, which demonstrates the feasibility in practice. It could avoid effectively the problems above to adopt the system in which the civil, criminal and administrative cases about intellectual property rights are processed uniformly by the intellectual property court. In theory, the criminal cases about intellectual property rights are usually consequential offence the behavior basic of which is different from that of civil infringement in nature. Therefore, the judges of the intellectual property rights court are completely qualified for the trial of cases of this kind. From the view of the practice, courts in some areas of China have already implemented the system "three trials consolidated to one" or "two trials consolidated to one" and acquired good effect.[101]

It is the key organisational guarantee to implement the trial model "three trials consolidated to

[101] Jiang Yanju: *Specialization Trial of Intellectual Property Right Cases*, Electronic Intellectual Property Right, 2008, the first issue.

one" in cases about intellectual property rights. The People's Courts establish specific intellectual property rights divisions by the adjustment of trial distribution and structure of human resources. The criminal, civil, administrative cases about intellectual property rights are uniformly taken into the jurisdiction of the specific division at the same level of the other divisions which is called "IPR division". In the aspect of human resources, according to the requirements of leaders of different divisions combined with the practical needs, the relative personnel policy of other divisions should be carried out. In the aspect of the organisation and distribution of the members, there must be at least one collegiate bench with members who have comparatively abundant experience in the trial of criminal, civil and administrative cases while the members could respectively be charged with the criminal, civil, administrative cases about intellectual property rights according to their major, background and trial experience. There should be at least one judicial assistant (assistant attorney or court clerk).[102]

(2) The construction of the court under the trial mode "three trials to one"

It is the key of establishing the corresponding system of trial organisation under "three trials to one" to make sure the implement of departments, members and capability. In the initial period of the systematic construction of the mode, relative judges should be fixed to one kind of cases to strengthen the study and professional training of the judges. This could help upgrade the information in time and have the judicial spirit keeping up with the times.

The judges of the IPR divisions under the system "three trials consolidated to one", who have been engaging in the criminal and administrative trials, should accept more training related to intellectual property rights; the judges who have been engaging in the civil trial should accept more trainings upon criminal and administrative trial. In this way, the relative judicial spirits and professional knowledge could be upgraded in all sides while the team constituted by the compound talents could be established. It is necessary to go on with the exploration and research to smooth the links between the administrative and the civil as well as the criminal and the civil. At the same time, judicial procedure and the administrative procedure should be coordinated. They should be independent as well as helpful to each other. They should follow the rule that the former makes the decision and protect the unification of the justice. The trial procedure should be processed with high efficiency and coordination, which demonstrates the advantage of "three trials consolidated to one" in efficiency. Therefore, the construction and responsibility should be made clear.

I. The construction of court of first instance. According to the requirements of specialty and complexity of the IPR cases as well as the practical experience in recent years, the IPR trial division should be upgraded to the intermediate court as the court of first instance instead of grass-roots court considering the present situations of the distribution of the human resources and equipments. The attention should be paid to both the pursuit for the judicial efficiency and the procedural requirements by judicial justice.

II. The construction of the court of second instance. The IPR trial divisions should be set

[102] Lin Guanghai: *Three Trials to One—On New Mechanism of Judicial Protection in Intellectual Property Right Cases*, Hebei Jurisprudence, 2001, the second issue.

up in the Higher People's Court in charge of trial of the case on appeal. They should examine both the fact and the application of laws. The Higher People's Courts follow the settlement of provincial administrative districts and the judgement of the case on appeal is final. In this way, the power of final adjudication is gathered to the Higher People's Courts, which indicates sufficiently that the main responsibility is to realise the judicial justice and defend the legal uniform. Meanwhile, in order to solve the problem of insufficient resources, the court sessions from Higher People's Courts should be sent to the district court as the non-permanent trial organisation judging the cases on appeal. Therefore, it could be made sure that the trial organisations of second instance can't be far away from the courts of original jurisdiction and the goal for the proceeding convenience and judicial efficiency.

III. The duty of the Supreme People's Court. The Supreme People's Court is set up in the central level with maintaining the unification of the legal system as its main duty. The duty is mostly realised through the directive procedure of cases of first instance and the final procedures of some cases. At the same time, as a non-permanent trial organisation, the court sessions set up by the Supreme People's Court could judge the cases on appeal and counter appeal cases involving disputes upon the cross provincial administrative districts from the district courts at regular intervals. In the new construction of the courts, the advantages of the present system of level of trial regarding the trial of second instance final are still reserved while partial adjustments could be made against some existing problems to carry out the system of trial level giving first place to the rule that the trial of second instance is final and making the application of the rule that the trial of third instance is final limited.

Chapter 10: The Construction of the System of Evidence of Cases of Crime of Infringing upon Trade Secrets

1. The Construction of the Preservation System of Evidence in Litigation

With the increasing complexity of cyber crimes, hi-tech crimes and organised crimes, the preservation of evidence plays a rather important role in the construction of the criminal procedural system of intellectual property rights, as well as the criminal procedural system of trade secrets. For that, it is necessary to do a systematic design of the subjects, conditions and manners of an application, the jurisdiction and processing of an application, the preservation methods, use of evidence, judicial relief and other aspects.

(1) The Subjects of an Application for the Preservation of Evidence

Theoretically, "the Evidence Law ' fairly ' applies to the litigants "[103], the subjects of the preservation system of evidence includes the public prosecutor, private prosecutor, criminal suspect, and defendant, i.e., both of the prosecution and defence parties are allowed to apply for the preservation of evidence. But from the standpoint of the criminal protection of intellectual property rights, here it only focuses on the preservation of evidence in the private prosecution of criminal cases of intellectual property rights. Therefore, the subjects of an application for the preservation of evidence are restricted to the private prosecutors only.

[103] Zhaopeng Wang: *the Criminal Procedure Code of the United States,* RMB Zhao Press 2004, P453

(2) The Conditions and Manner of an Application for the Preservation of Evidence

To set the conditions of an application for the preservation of evidence shall reflect its institutional function. For instance, as to this issue, Article 251 of the *German Criminal Procedure Code* provides that there is a possibility that evidence might be lost, or a situation that may cause the accused party to be released, and illness, infirmity, the great distance involved or other insurmountable impediments prevent the witness, expert or co-accused from appearing at the main hearing for a long or indefinite period.[104] Article 329 of the Italian Criminal Procedure Code provides that due to natural causes or subjective and objective causes, it may become impossible to collect evidence or be likely to collect false evidence, or slow down the speed of a trial too much.[105] Article 219 of the *Criminal Law Procedure Law of China's Taiwan Region* provides that there is a possibility that evidence might be annihilated, forged， altered, concealed, or difficult to use. The conditions of an application for the preservation of evidence in different countries and regions are common in the possibility that evidence might be annihilated, altered or difficult to use, i.e. with "urgency".

In addition, an application for the preservation of evidence also requires the basic attribute of evidence-relatedness, i.e., when the applicant applies for the preservation of evidence, he or she must submit certain preliminary evidence and at least prove in form that the evidence needed preserving is indispensable for prosecuting a crime of intellectual property rights and belongs to the facts in the scope of the object of proof. Meanwhile, the applicant shall prove that if evidence is not collected in time, it might cause evidence annihilated, or difficult to be obtained or impossible to be used later. The applicant of the preservation of evidence shall record the following items for a written application: a brief of the cause of action, the type and place of the evidence applied for preservation, the name and domicile of a witness, the factum probandum, reason for that evidence and the preliminary evidence, and means of preserving evidence, etc.

(3) The Jurisdictional Subject and the Processing of an Application

The jurisdictional subject of the preservation of evidence shall be the people's courts which accept criminal cases of intellectual property rights. Meanwhile, in order to protect the owner's right, it may provide that the applicant also can file an application to the grass-roots court where the evidence to be preserved is located. If the application for the preservation of evidence does not fall under its jurisdiction, the court shall promptly notify the applicant to file an application to a competent court, or promptly transfer the application material to a competent court. The processing of an application for the preservation of evidence shall be carried out in accordance with inquisitorial procedure of evidence in court. The court shall hold a hearing of the preservation of evidence in private session within 3 days after it receives the application, notify in advance the private prosecutor, defendant, the holder of the evidence to be preserved and the provider of testimony to attend on time and listen to the opinions.

The defense party does not attend without good reason; the court may issue a warrant to

[104] [G]Thomas Weigend: The German Criminal Procedure, translated by Liling Wei, Xiaojie Wen, China Politics and Law University Press 2004, P185.

[105] Fengyi Huang: The Italian Criminal Procedure code, China Politics and Law University Press 1994, P140.

compel the appearance of the defense party. Both of the private prosecutor and defendant may question, cross-examine, and debate , the defense party may confront the holder of the evidence to be preserved and the provider of the testimony, and the prosecution and defence parties may also give closing remarks on the preservation of evidence. Through the hearing, the court shall make a decision within two days after the hearing. If the conditions of the application are satisfied, the court shall decide to preserve the evidence and promptly take preservation measures. If the application for the preservation of evidence is very urgent, the court shall make a decision at once.

The objects of the preservation of evidence are usually material evidence and a testimony of a witness, hence, the preserving measures of the evidence shall include: detention, search, inspection, examination, questioning witnesses, expert evaluation, query, and freezing. When carrying out the preservation of evidence, the court shall notify the prosecution and defense parties to be present, but if the notified party does not show up, it will not affect the processing of the preservation of evidence. Where the holder of the evidence to be preserved and the provider of the testimony refuse to provide the evidence, the court may summon them by force, force them to hand over the evidence, impose a fine on them , detain them or take other measures. In the whole process of the preservation of evidence, a court clerk should take notes, and all the participants in the preservation of evidence shall sign and seal, rewinding for future reference. As to the evidence preserved by the court which made the decision, the law agent and the defense party may go to the court to consult, extract and duplicate the evidence. The preserved evidence can be substantial evidence or evidence of impeachment after procedural explanation in the trial, the prerequisite of which is that the evidence has gone through the hearing of the preservation of evidence.

(5)The Relief of the Refusal of an Application

When refusing an application, the court shall explain the substantial reason for the refusal as well. Where the applicant refuses to accept the decision, he may ask for reconsideration within three days after receiving the written decision, and the court shall make a decision on reconsideration within three days after receiving the application for reconsideration, and give a written reply to the applicant with reasons.

2. Thoughts for the Construction of the System of Discovery and Disclosure

From the perspective of the institutional function, the necessity to establish the system of discovery and disclosure mainly reflects in two aspects, i.e., to realise the equality between the prosecution and defence parties and guarantee fair proceedings. But in the practical situation of China, there is certain distance between the operational condition of criminal procedure system and the equality between the parties and fair proceedings. In order to prevent judges from frequently contacting evidence, the *Amendment of the Criminal Procedure Law* in 1996 made a significant amendment in the model of prosecution in cases of public prosecution, which changes the way of transferring the whole case into the way of transferring the indictment, the list of evidence, the list of witnesses, copies and photos of primary evidence. This model of prosecution greatly limit the defense party's reviewing range of case files and documents, meanwhile, the legislation also sets a lot of limitation to the defense party's right of collecting evidence, for instance, the defense party must be agreed by

the informant or approved by the people's procuratorates or the people's courts.
As a consequence, the public prosecutor, as an accusant, can acquire evidence material by exercising the power of a criminal investigation institution to use the national public resources, while the defense party usually can only acquire very limited evidence material. In addition, legislation also limits the function and power of the judges, and emphasises the confrontation of the parties where the parties cross-examine the evidence, but the legislation does not stipulate the obligation of disclosure of evidence by the parties, so it makes the cross-examination lean to one party: when a party produces evidence that takes the other party by surprise, the other party may blunder through it and the trial, therefore, is reduced to a formality, which undermines justice in prosecution;or apply for postponing the hearing of the case, thereby causing the discontinuance of the trial and the delay of the litigation.

As for the cases of the crime of infringing upon trade secrets involving lots of technical issues, this kind of phenomenon is much more prominent than others. On the other hand, the time for a defense counsel's intervention in the criminal proceedings is advanced to the phase of investigation in the prevailing Criminal Procedure Law, and he is entitled to go to the people's procuratorates to consult case material, investigate and collect evidence on his own or apply to the people's procuratorates and the people's courts for collecting evidence. As a consequence, the defense party gets certain opportunity to acquire evidence, and there is also a possibility of litigation surprise. Therefore, the defense party would disclose the evidence to the public prosecutor prior to the trial rather than in the trial where the public prosecutor may apply for postponing the trial to collect disproof, thereby causing the discontinuance of the trial.

From the perspective of the development direction of criminal procedure system, the increasing substantiation of adversary system of court trial mode requires the disclosure of evidence. On the one hand, due to the limited capability of the defence counsel to investigate and collect evidence on his own, the defense party usually depends very much on the evidence collected by the prosecuting party; on the other hand, the requirement of efficiency and substantiation in the trial also opposes to an ambush of evidence in the proceeding confrontation. Yet, the provision of the disclosure of evidence in China's prevailing Criminal Procedure Law is too rough, which not only impedes the overall exertion of the function of defense, but also causes seriousness of the use of surprised evidence, thereby hindering the progress of adversary system of court trial mode, therefore, it is necessary to build a system of the disclosure of evidence to institutionally ensure the exchange of evidence between the public prosecutor and the defense party prior to the prosecution so as to promote the defense activities and safeguard the equality between the parties.

With the enforcement of the amended *Law of the People's Republic of China on Lawyers*, the legislative construction of the disclosure system of evidence is becoming rather urgent. Viewed from the basic idea, Chinese criminal procedure still adopts the inquisitional system, but it has introduced the adversary system in the reform of trial mode, furthermore, with the legislative trend of implementation of the criminal suspect's and defendant's right of obtaining help, the defense party will do something in the issue of the disclosure of evidence. Therefore, Chinese system of discovery and disclosure can be constructed in light of the overall frame

work of the system of discovery and disclosure in common law countries, and make the design of procedure in accordance with China's specific conditions.

(1) The Subject of Disclosure

Just as the Americans opposed to the disclosure of evidence in the beginning, some Chinese are also suspicious of the disclosing obligation of the public prosecutor, and even hold that the disclosure of evidence by the public prosecutor is against the spirit of the adversary system and inconsistent with his status in litigation. In fact, it is a misunderstanding of the adversary system of court trial mode, which also places emphasis on the function of discovering the truth and requires giving consideration to the needs of both of the parties. In criminal proceedings, the public prosecutor holds a strong national power, and is able to employ public judicial resources to acquire evidence, only it is shared by the defense party can it be propitious to realise the equality between the parties.

What's more, the public prosecutor's disclosure of evidence does not violate his status in litigation. Besides, according to the common views in China, the procuratorial institutions are the state judicial institutions which shall be in an objective and impartial standpoint, so it is quite reasonable for them to disclose the evidence they hold. Furthermore, if the procuratorial institutions hold the evidence in favor of the defense party but do not disclose, it is doubtless an act that undermines or disentitles the defense party's right to be treated equally in trial. In the history of the development of disclosure of evidence, to require the parties to disclose evidence has been a matter in recent several decades. Although the defense party is weak in collecting evidence, yet, if he acquires key evidence and does not disclose it in advance, it may cause litigation surprise and undermines substantial justice. Some Chinese Scholars point out that only the defense party also discloses evidence to the prosecuting party does the prosecuting party be able to disclose evidence to the defense party better and give the defense party a better chance to defend.

But we think that, due to the defense party's weakness in collecting evidence, the evidence he can disclose is not much, the substantial defense evidence less, so even if he does not disclose evidence, it only has limited impact on the prosecuting party. Therefore, the defense party's obligation of disclosure can only be required from the perspective of maintaining the equality between the parties in formality. Although the equality between the parties usually means to limit the prosecuting party's power to lift the defense party's rights, yet, since the parties shall be a pair of equal adversary, it is necessary to make the same requirements to them, even it is in formality. Therefore, when it requires the prosecuting party to disclose evidence, it also requires the defense party to disclose evidence, which is not only a requirement of the procedural rule of maintaining a balanced status of the parties in litigation, but also a respect to the parties as a subject of a litigation.

(2) The Scope of Disclosure of Evidence

For the prosecuting party, all the evidence prepared to be used in court should be disclosed, and the evidence, though not prepared to be used in court, yet in favor of the defense party, should also be disclosed, i.e., all the evidence prepared to be used in court, regardless of what type of evidence it belongs to in the 7 statutory types of evidence, should be disclosed.

Where the prosecuting party does not prepare to use the evidence in court, yet, as long as the evidence is in favor of the defense party and is helpful to strengthen the defense and weaken the accusation, the prosecuting party shall disclose it, which does not take the defense party's application as the prerequisite for disclosure. The reason why it requires the prosecuting party to take the initiative to disclose evidence is that the evidence held by the prosecuting party is not known to the defense party, so the defense party can not file a specific application, if it takes the defense party's application as the prerequisite for disclosure, it actually deprives the defense party of a right to ask for the prosecuting party to disclose the evidence which is not prepared to be used in court.

For the defense party, all the evidence that is in favor of the defense should be disclosed, regardless of what type of evidence it belongs to in the 7 statutory types of evidence. It should not be thought that because the capability of the defense party is weak in collecting, he shall have more reservations in disclosure of evidence. Generally, due to the defense party's limited capability in collecting evidence, the probative force of the evidence is usually weak; therefore, there is no big difference between the disclosure in advance and the disclosure in court. But, there is still a possibility that the defense party has collected the evidence that will be a deadly strike on the prosecuting party, if he is allowed to keep it to himself, it in fact openly connives at litigation surprise, which is not only unfair to the prosecuting party and prejudices substantial justice, but also does not meet the requirement of procedural justice.

Therefore, the defense party shall disclose the evidence that is in favor of him, but he is not responsible to disclose the evidence that is not known to the prosecuting party and not in favor of him, otherwise, it will confuse the functions of litigation of the parties and violates the distribution principle of criminal testified responsibility. As to the issue of whether the defense party is required to disclose his intention of defense, we think it is not necessary, because the defense party's defense must be supported by evidence, and as long as one know the defense party's evidence in advance, he is usually able to perceive and analyse the defense party's defense; while if the defense party file a surprise brief irrelevant to the evidence, his defense will not be supported because of no relevant evidence.

(3) The Time and Place of Disclosure

We hold that the date on which the case is transferred for examination before prosecution is the date of disclosure of evidence. Since it is admitted that the prosecuting party has a broad obligation of disclosure, it is not necessary to set a strict limit on time. We shall let the parties stand at the same starting line and examine the evidence collected by the investigatory institutions. Because the defense party is disadvantageous in material and human resources and means, the defense party need more time to examine the same evidence than the prosecuting party, it is apparently unreasonable to artificially limit the time of examination. To ensure that the evidence can be disclosed on the date when the case is transferred for examination before prosecution, the investigatory institutions may notify in advance the parties to attend.

When the parties consult the evidence, the defense party shall be allowed to abstract, duplicate and photograph the evidence for his later detailed study. Certainly, the disclosure

herein refers to the prosecuting party disclose evidence to the defense party, because the defense party usually does not have evidence to disclose in this phase. A second disclosure may be carried out in the period that is after the procuratorial institution files a prosecution and before the court open a trial. The prosecuting party shall continue to disclose the available evidence, including the evidence acquired in a supplementary investigation. The defense party shall also disclose the evidence that ought to be known to the prosecuting party. Although the defense party discloses his evidence late, because the defense party's evidence is no much and of limited value, the procuratorial institution are fully capable of examining it depending on its sufficient human and material resources and strong power.

Because the defendants[106] also have the obligation of disclosure, yet, most of them are in custody before a prosecution, the pre-trial disclosure of evidence usually proceeds in the special room for the disclosure of evidence in a detention house and other places of custody; where the defendant is not in custody, the place of disclosure should be in the place of the procuratorial institution, which is convenient for the defense party to know and also safeguards the security of the detainees and the disclosed evidence. For the evidence to be disclosed before a trial, it may proceed in a room of disclosure of evidence in the court. The parties shall keep their evidence in the room of disclosure of evidence for the counterpart to consult, and get back the evidence when the court opens the trial.

(4) Safeguard Mechanism of Disclosure

In order to promote the proceeding of disclosure, it is necessary to establish a mechanism of disputes ruling and liability constraint. For disputes ruling, it requires to establish judicial review of the courts which rule the parties' disputes on whether the evidence shall be disclosed or not or whether one party can request mandatory disclosure or not. In the process of preparing disclosure on the date when the case is transferred for examination before prosecution, because it is one-way disclosure of the prosecuting party, furthermore, the disclosure usually proceeds in the way of the defense party's consulting, abstracting, duplicating, it is not necessary to specially arrange a host of disclosure, therefore, the disputes arising at this time may be ruled by a judge in the process of disclosure after the case is filed.

Someone points out that the disputes of disclosure before the prosecution should be ruled by procuratorial institutions, and the disputes after prosecution should be ruled by judges. As to this view of point, one thing needs to be made clear that the procuratorial institutions, as one of the parties of disclosure of evidence, are not suitable to be the judges of their own cases. As to liability constraint, it requires to stipulate sanction measures for violation of the obligation of disclosure of evidence. For specific sanction measures, the theoretical cycle generally agree that the measures include as follow: to force the party who is in violation of his obligation to disclose the evidence, and give him some time to prepare for that; to approve one party's request of postponing the trial; to order one party to bear economic liability where the party causes economic losses due to his delay; to forbid the party who violates his

[106] In light of the definition of the time of disclosure, here it does not make a clear difference between the defendant and the criminal suspect.

obligation of disclosure of evidence to present evidence, Certainly, for which it is required to stipulate certain conditions.

If the prosecuting party deliberately conceals the evidence prejudicing the defendant, it is forbidden to use the evidence; if the prosecuting party does not do so by deliberate intention, or deliberately conceals the evidence in favor of the defendant, it should not be forbidden to use the evidence. As for the defense party, where the defendant does not employ a counsel and participates in the disclosure of evidence in person, if he deliberately conceals the evidence in favor of himself, it may refuse to use this evidence. If the counsel participates in the disclosure of evidence and privately decides to conceal the evidence without the permission of the defendant, it may not refuse to use this evidence, but if the defendant approves this decision, it shall be deemed as the defendant's act. To avoid substantial injustice due to the defendant's lack of rule consciousness, it is necessary to make the consequence of violating the obligation of disclosure of evidence known to the defendant ahead, therefore it should provide relevant authorities' obligations to inform.

3. Improvement of the System of Judicial Authentication

(1) Strict Control of the Qualification of Institutions of Judicial Authentication

As is mentioned above, good and bad institutions of judicial authentication are intermingled, which is related to lax qualification review of these institutions. In the early stage of development of market-oriented economy, it was understandable because of the objective situation, i.e., there were quite a few qualified institutions of judicial authentication, if they were strictly reviewed, the existing authentication institutions could not meet the social needs and the objective requirements of the authentication of trade secrets. But in contemporary China where socialist market economy is basically established, the objective cause can not be the reason for us to lower the entry standards of institutions of judicial authentication. The cases of trade secrets are of much specialty, therefore, in the practice of judicial authentication, the problem that which level of, or which authentication institution is capable of reaching an objective and fair authentication conclusion is the issue that the parties are greatly concerned about and relates to whether the parties are convinced or whether they will require a repeated authentication, etc.

Therefore, it should set up strict entry standard according to law at present. First of all, to ensure that the authentication institutions identify the facts of a case in a scientific and fair way, the institutions for examination and approval shall increase the minimum basic number of personnel, scientific and technical authentication standards of equipments and heighten the requirement of the authentication capability when authentication institutions are established. Secondly, it should set up dynamic entry-and-withdrawal mechanism and diverse evaluation mechanism for the existing authentication institutions, and urge the authentication institutions to increasingly improve their managerial mechanism and authentication level. Finally, it should evaluate and identify provincial excellent authentication institutions as well as national excellent institutions of judicial authentication, increasingly improve the authentication level of the authentication institutions, and finally establish a perfect national network of the authentication institutions to meet the needs of the

authentication of trade secrets and other professional authentication.[107]

(2) The Integration of Main Authentication Bodies

From the present situation of authentication institutions, the number of authenticators is usually too small. In the meantime, the authenticators with strong professional qualification are fewer, especially the ones in the area of trade secrets quite few. In China, the set-up of authentication institutions varies in personnel and system due to the difference of the subjects who establish the institutions, which causes the practice of perfecting the authentication personnel and corresponding effect to be different. The Supreme People's Court once promulgated *Provisions on the Administration of the People's Courts' Entrustment of Judicial Authentication*, and established a relatively complete system of authenticators' roll, the rule of drawing authentication institutions at random, the procedure of the parties' objection and hearing and other issues, which has been well applied to civil cases of trade secrets. But in criminal cases of trade secrets, the system has not been mature due to the prosecution mode and other limited factors.

For this reason, it should integrate all factors, make full use of prevailing provisions(in practice the drawing of authentication institutions, the organisation of hearing, etc., shall be entrusted to relevant departments of the courts to implement), implement the system of drawing authentication institutions at random in light of the characteristics of criminal procedure and the roll of authentication institutions determined by the courts in accordance with *Opinions on Several Issues Concerning the Handling of the Cases of crime of Infringing Trade Secrets*, safeguard social credibility of the authentication conclusions and reduce the phenomenon of frequent appeals by the parties who do not agree with the authentication conclusions; make it clear that the superior public security institutions are entitled to entrust authentication institutions by themselves to implement complementary authentication or repeated authentication, or order the lower-level public security institutions to implement complementary or repeated authentication.

Where the qualified authentication bodies are insufficient currently, we suggest integrating the existing capable and qualified institutions and personnel of judicial authentication of trade secrets, adopting a special system that combines stable department and mobile personnel, and setting up a technical committee by absorbing standing and temporary authentication personnel to satisfy the needs of authentication in the cases of trade secrets. In legislation, it should take the way of joint promulgation of judicial interpretations by the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security, which provides special regulations on the authentication bodies in the cases of infringing intellectual property rights, including trade secrets, and stipulates specific provisions of civil procedure, criminal private procedure and criminal public procedure, and add these interpretations to *Provisions for Procedures of Criminal Cases by the Public Security Institutions* and *Rules for Procedures of Criminal Cases by the People's Procuratorate* and other legal documents.

[107] See Wan Jindong: *Study on Difficult Judicial Issues in Cases of Infringing Trade Secrets*, Theorist 2009 6th

(3) The Standardisation of the Procedure of Judicial Authentication

In light of lots of questioning concerning issues of openness and justice in the procedure of authentication by applicants and the public, and the negative judgement of the moral level and even legal consciousness of authentication institutions and personnel, it is necessary to standardise the procedure of judicial authentication according to law[2], set a strict limit on times of authentication, and make clear the conditions of re-authentication and supplementary authentication so as to reduce repeated authentication, multiple authentication and many-time authentication, thereby improving prosecution efficiency and ensuring the justice in the procedure may not be done, but it must seen to be done". At present, the only regulation concerning the procedure of judicial authentication in criminal cases of infringing upon trade secrets is *the Summary of Minutes of the Symposium on the Trial of Cases of Intellectual Property Rights in Some People's Courts* issued by the Supreme People's Court on July 2oth, 1998.

It provides that where there is no statutory authentication department, the parties may negotiate and select a authentication department by themselves; if negotiation fails, the people's court may designate a authoritative professional organisation to be the authentication department, or entrust national department of science and technology or the competent authorities of each province(Autonomous Region and Municipality directly under the Central Government) to arrange experts to authenticate, but should not entrust State Intellectual Property Office，Trademark Office under the State Administration for Industry and Commerce, and State Copyright Bureau to do authentication. To regulate the procedure of the authentication in criminal cases of infringing upon trade secrets in the form of a summary of minutes neither complies to the requirements of a country under the rule of law, nor satisfies the needs of judicial practice, therefore, the legislature shall, with a strict and responsible attitude, stipulates a scientific procedure of the authentication in the criminal cases of infringing upon trade secrets according to law after summarising the characteristics and laws of authentication of such cases.

(4) To raise the level of Scientific Authentication

Currently, where there is no uniform standard for the authentication of trade secrets, different authenticators will unavoidably give different authentication conclusions, which has a great impact on authentication work and the standardisation and scientification of authentication conclusions; therefore, it should, based on the current condition, take all the factors of the basis and process of formation of authentication conclusions and other aspects into consideration and make trade-offs, and make clear that judicial authentication is to solve specific technical problems. When examining authentication conclusions in cases of infringing upon trade secrets, the authorities should not make a direct decision whether the authentication conclusion constitutes a trade secret or whether the defendant's act constitutes an infringement.

Because judicial authentication only gives advice concerning the matter of facts of some

[2] See the Ministry of Public Security: *Research Report on Issues of Criminal Cases of Trade Secrets*

information attributes involved in trade secrets, which are specific technical matter, neither a normal matter of facts, nor a legal issue. Where authentication conclusion gives advice on legal issues beyond the matter of facts, it constitutes a violation of judicial power and such conclusions do not have any credibility. Therefore, when the court entrusts judicial authentication, it should make clear which belongs to a specific technical issue and which belongs to a normal matter of facts.

One thing to emphasise is that to raise the scientificity of authentication conclusions does not mean that it cannot be suspected. Authentication conclusions in criminal cases of trade secrets shall be objective and fair. Through the judgement of the specific issues by authentication conclusions, it is helpful for the personnel handling the cases to make up for their insufficiency in professional competence, the essence of which is to seek truth from facts. But the truthful nature of these authentication conclusions is not absolute, so in judicial practice, judicial personnel should not blindly comply with or even absolutely rely on authentication conclusions, in contrast, they should make a careful and comprehensive judgement of the authentication conclusions. It shall be recognised that the subjective factors of authenticators and the objective limits on their understanding of the scientific nature will cause the existence of risk that the obtained authentication conclusions and judges' judgement of facts may not be true.

Therefore, when handling criminal cases of infringing upon trade secrets, judicial personnel should not make any judgement absolutely in accordance with authentication conclusions, they should integrate other evidence, such as records of inquests, lists of search and seizure, testimony of witnesses, etc., and make objective and precise judgement of facts of cases. Meanwhile, it is practical to reduce mistakes of authentication based on the existing condition, and to comprehensively hire expert witnesses, expert assessors and other people with professional knowledge by the courts to participate in the trial of cases, which is able to make up for the insufficiency of professional judges in knowledge of other aspects and other skills, thereby strongly proving the not "absolute truthful nature" of authentication conclusions.

4. The Construction of the System of Expert Witnesses

Expert Witness refers to the witnesses who has expertise and is hired by one party or both of the parties or designated by the court in the process of a trial to provide advice on the evidence or facts that need to be determined or clarified by expertise, thereby making the judge and jury clearly recognise and understand the evidence and facts of cases and make a correct judgement. An expert witness is in a relatively independent legal status, unlike ordinary witness, he provides "testimony" in accordance with his analysis of specific issues rather than what he sees or hears in person, so he is replaceable. An expert witness is also not counsel, he does not give legal advice and only objectively elaborates on scientific laws. An expert witness is neither an authenticator; he does not provide authentication conclusions. Therefore, it is necessary to have a correct understanding of the nature and requirements of an expert witness. In the meantime, due to the lack of express legal provisions, the system of expert witness in practice has a deficiency of arbitrariness, which causes negative impact on uniform law enforcement and judicial justice. Therefore, it is necessary to have a correct

understanding and scientifically construct the system of expert witness.

(1) The Advantage and necessity of the Construction of the System of Expert witness

As is mentioned above, there are a lot of difficulties in the determination of trade secrets, heavy losses, criminal pattern, the mode of criminal act and other problems in criminal case; as a consequence, the judicial institutions solve these problems with the help of authentication conclusions and legal advisers' advice. In addition, the court also absorbs the persons with expertise into the jury or absorbs experts to participate in the prosecution to solve these problems. In the judicial practice of criminal proceedings in China, it is always the case that authentication conclusions are used as evidence. But in the trial of cases of the crime of infringing upon trade secrets, because there are technical problems in the facts of the cases themselves, yet, the parties, including the judges, are not experts in this area; it is very difficult for them to carry out effective cross-examination and certification about authentication conclusions.

Furthermore, the technical issues involved in cases of trade secrets cover a very broad area; the judicial institutions cannot make sure that they be able to find authentication institutions with a statutory qualification to solve the specific issues involved in each case of trade secrets. Some scholars hold that where the judicial institutions cannot find any experts with authenticating qualification, the advice provided by experts without authenticating qualification can be used as a special form of evidence, and the judicial institutions decide to accept it or not. In addition, because trade secrets are strongly professional and specific, and even more with the development of science and technology, it is rather necessary to take more measures and means to solve the problems in criminal cases of trade secrets, among which the system of expert witness is a good choice.

Expert witness refers to "a witness who has special knowledge, skill, experience and special training or education and provides science, technology or other professional advice on evidence or controversial issues of facts".[108] With the development of science and technology and intellectual property rights, there are more and more new criminal objects and means related to new technologies and special knowledge in criminal cases of infringing upon intellectual property rights, the knowledge of the judicial personnel and the parties of the cases are far less than the requirements of criminal proceedings. Article 702 of *Federal Rules of Evidence* provides that where science, technology and other special knowledge is helpful for judges to understand the evidence, or determine the controversial facts, an expert who has special knowledge, skill, experience and special training or education can act as a witness, giving evidence in the way of advice or others.

Experts in the area of trademarks, patents, copy rights and others are all allowed to be invited by federal law enforcement agencies to participate in litigation activities as expert witnesses, who will assist and guide the investigatory and prosecuting work of the law enforcement agencies, explain relevant special knowledge in court and accept cross-examination of the parties and the court.

[108] Bryan A. Garner, Black's Law Dictionary,7th ed. 1999,1597.

Currently, it takes the system of "authentication+ expert accessor" to solve technical problems in cases of trade secrets. But due to the limitation of authentication conclusions and defect of expert accessor[109], this approach can not solve technical problems very well in cases of trade secrets. Therefore, many scholars suggest establishing the system of expert witness. In practice, many people in practical departments hold this point. Article 52 of Evidence Law (draft, the 5th edition) drafted by legislative committee which is made up of famous scholars and experts in practical departments provides that:"the cases of intellectual property rights, accidents, product quality and the cases involving occupational behaviour in high risk environment, the people's court shall notify the public prosecuting institutions or the parties, employ one or two experts witnesses"

The people's court may entrust one or two expert witnesses to attend at court to provide exert advice on special issues of cases and statement of opinion of the expert witnesses and authentication conclusions, and accept inquiring of the public prosecutors, the parties, other expert witnesses and the courts."[110][8] In the cases involving many special technologies, especially in the criminal cases of trade secrets, judges usually consult technical experts, but because there is no provision in Criminal Procedure Law, judges usually consult in private. Expert witnesses should not meet the parties, their testimony shall not be used as evidence, but can be used as an important basis for judgement by judges. Therefore, in order to solve the problem of violation of judicial openness principle and satisfy the needs of handling cases of trade secrets, it may make experts be expert witnesses, going from the backstage to the stage, and accept cross-examination by the parties.

(2) Thoughts for the Construction of the System of Expert Witness

I. To provide the qualification of expert witness

To facilitate judgement by judges and accurate determination of facts, the Supreme People's Court has promulgated several judicial interpretations establishing similar systems. Article 61 of *Some Provisions of the Supreme People's Court on Evidence in Civil Procedures* provides:" The parties apply to the people's court to hire one or two persons with expertise to attend at court to explain special problems. Judges and the parties can inquire the persons with expertise in court. With the approval of the people's court, the parties may apply to the persons with expertise to cross-examine the issues of relevant cases. The persons with expertise may inquire authenticators." We shall draw on the above practices, and make clear the litigation status of expert witnesses and their rights and obligations.On the one hand, in litigation, after the expert witnesses provide advice on dealing with cases, they should accept the consultation and cross-examination of the parties and help the public security institutions to explain some special problems and provide special advice to the people's procuratorial institutions and the people's court.

On the other hand, the expert witnesses may be granted authority to assist the public security institutions to interrogate, inquire and search, etc. It should expressly stipulate that expert

[109] Hu ZhengRMB: The Construction of the System of Expert Witnesses in China, jurisprudence 2007 8th Issue.
[110] Jiang Wei: Draft and Legislative Reasons of Evidence Law of the People's Republic of China, China Renmin University Press 2004, P549

witnesses should have special knowledge and skills in relevant technical areas and be competent in this technical area. When the technical disputes need to be ascertained by expert witnesses, the parties are entitled to hire their experts to attend at court to give statements. To overcome expert witnesses' laziness, complexity, tendentiousness, etc., it should limit the number of expert witnesses.

III. Establishing a system of cross-examination of expert witnesses. To make sure technical disputes enables the experts and the parties to shoot the arrow at the target. The court need to employ the most authoritative experts to play a leading rule when the experts hired by the parties have different ideas. Questioning and argumentation shall be carried out sufficiently, and the experts shall be allowed to modify their advice after they know the facts of cases relevant to technologies.

For that reason, it should also standardise the procedure of cross-examination of expert witnesses. In practice, the procedure of cross-examination of ordinary witness testimony sometimes can not apply to the cross-examination of expert witnesses, because if the traditional cross-examination is adopted, expert advice will be interfered with by prosecutors. While expert advice involves strongly professional technical problems, for judges who lack special knowledge, they may sometimes find it difficult to distinguish whether prosecutors mislead experts, therefore, the true meaning of the experts may be misunderstood, and even be distorted because of expression problems. For this reason, the procedure of cross-examination of expert advice should be different from that of traditional cross-examination to safeguard the fairness of expert witnesses. It should fix the technical disputes of the parties and require the experts of the parties to provide and exchange written expert advice or conclusions. In the cross-examination of expert witnesses in a trial, the court shall notify the experts of the obligation to testify truthfully and require the experts responsible for the court regardless of who hires them. When the cross-examination begins, it should require experts to give brief summaries of scientific and technical problems, and then the experts question each other and give brief conclusions. This process does not allow the legal counsels of the parties to intervene, but cross-examination does not proceed until this process ends. The advantage of this practice is to compress scientific and technical focus, which facilitates the trial of the court and overcomes the misleading of experts and saves the time of trial.

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