

# *Research on the Distribution of Proof Responsibility in Civil Litigation of Trade Secret Infringement*

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**Abstract:** In the civil litigation dispute of trade secret infringement, the allocation of the burden of proof is particularly important. According to relevant statistics, the successful rate of trade secret right holders is low, the reason why is mainly due to the right holder's limited ability to prove. The newly amended Anti-Unfair Competition Law has increased the allocation of the burden of proof in trade secret cases, not only made provisions for the proof of trade secret elements, but also clarified the application of the transfer of the burden of proof, which is intended to reduce the difficulty of the plaintiff's proof and strengthen the judicial protection of trade secrets. However, due to the amendment is to keep in line with the "China-US trade agreement", the process is relatively hasty. Accordingly, there are vague and insufficient provisions in the law. The preliminary proof and its standard of proof are not clear, and the effect of Article 32 of the new regulations on the reduction of the plaintiff's burden of proof and the increase of the defendant's burden of proof still needs to be tested in judicial practice as well.

## 1. Introduction

The Law of the People's Republic of China Against Unfair Competition (hereinafter referred to as the "Anti-Unfair Competition Law") was partially amended in 2019, in which the provisions on the burden of proof in civil litigation for trade secret infringement are especially important. Based on the context of the signing of the Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America (hereinafter referred to as the "China-United States Trade Agreement"), strengthening the protection of trade secrets is an important initiative to promote the agreement. A comparison of Article 32 of the Anti-Unfair Competition Law and Article 1.5, Paragraph 2 of the US-China Trade Agreement reveals that the two have maintained consistency in their main contents. Combined with the characteristics of trade secrets and the practice of the trial of cases analyzed, the allocation of the burden of proof has always been a pain point and difficulty in the trade secret infringement litigation. The underlying reason for the low success rate of trade secret right holders is their limited ability to prove their case. This amendment is intended to reduce the plaintiff's burden of proof, and increase the protection of trade secrets.

In September 2020, the Supreme People's Court promulgated and put into effect the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of

Civil Cases Involving Infringement of Trade Secrets(hereinafter referred to as the"Civil Provisions on Trade Secrets").The Civil Provisions on Trade Secrets clarify and refine the burden of proof based on the provisions of Article 32 of the Anti-Unfair Competition Law.The modification of the allocation of the burden of proof is a major system change,which highlights the policy tendency of the protection of trade secrets,fits the current background of cracking down on intellectual property infringement and optimizing the business environment,and has a positive significance in cracking the real dilemma of the difficulty in protecting trade secrets[1].However,it is undeniable that there are still ambiguities and room for flexibility in the interpretation of the provisions.

This paper is based on issues in civil litigation for trade secret infringement that still exist,such as the lack of a clear definition for preliminary evidence,uncertainty in the degree of preliminary evidence recognition,the need for practical testing to reduce the burden of proof for plaintiffs and increase the burden of proof for defendants.It attempts to seek corresponding optimization paths.

## **2. Examination of rights in trade secrets and proof of the elements of trade secrets**

In judicial practice,trade secret infringement civil litigation cases generally take three steps of review.Firstly,the court will examine whether the plaintiff has the right to trade secrets,which is called the right examination.Secondly,Subject to the establishment of the trade secret,the court considers whether the defendant has committed infringement.This,in turn,is known as rights review.The last is the court's determination of tort liability.This is also referred to as rights review.The first two steps are regulated accordingly in Article 32 of the Unfair Competition Law and Article 13 of the Civil Provisions on Trade Secrets.As for the review of the rights of trade secrets,it is necessary to clarify the attributes and constituent elements of the rights of trade secrets.

### **2.1 Attributes of rights in trade secrets**

Article 9 of the Unfair Competition Act elaborates on the concept of trade secrets.The essence of trade secrets is a kind of information,and the technical part of the information usually refers to the technical trade secrets.Technical secrets are generally in the exclusive possession of the right holder of the secret state,such as manufacturing technology,design methods and so on.Technical secrets generally do not consider applying for a patent.The business information of trade secrets is a hidden management methods,which has a very close relationship with the business activities.And it usually can bring economic benefits and real or potential competitive advantage to the right holders[2].

From the type of rights,trade secrets and patents,trademarks,copyrights and other intellectual property rights are all intellectual property rights,and they does not have absolute exclusivity.Different right holders can own the same or substantially the same trade secrets through transfer or reverse engineering.This is also one of the bases for the defense of the accused infringer.

In addition,trade secrets are different from other intellectual property rights such as patents,trademarks and copyrights.Trade secrets are protected by confidentiality measures taken by the right holder and are not made public as is the case with other intellectual property rights.The trade secret does not have the trademark and patent rights of the administrative grant as well.Obviously,there is no administrative department of the credibility of the endorsement.

Therefore,in civil disputes over trade secret infringement,the plaintiff needs to prove that the information in question is a trade secret,the content of the trade secret and he has taken appropriate and reasonable measures of confidentiality and so on.

Because of the right attributes of trade secrets,it leads to difficulties between both parties to a lawsuit in terms of the content of the evidence and the allocation of the burden of proof.

## 2.2 Proof of the Elements of Trade Secrets

The elements of trade secrets have three elements and four elements. And according to the relevant provisions of our legislation, the elements of trade secrets mainly include secrecy, value and taking reasonable measures of confidentiality. Based on the Supreme People's Court on the application of the civil procedure law of the People's Republic of China's interpretation of the provisions of article 90, which is so-called "who claims, who proves" principle, the three elements need to be proved by the trade secret right to provide evidence.

### 2.2.1 Proof of secrecy

Successful proof of secrecy is of pivotal importance to the plaintiff. Evidence of secrecy is divided into two categories, namely "not publicly knowledge" and "Not easy to get". The trade secret owner only needs to prove one of these aspects to fulfill the burden of proof of secrecy [3]. "Not public knowledge" means not generally known to the public. The so-called public general knowledge should refer to the competitor's industry generally known. It does not necessarily make the loss of secrecy of the trade secrets even if other competitors know the right holder's trade secrets. "Not easy to get" is the competitors need to obtain through improper means, or even through legitimate means can be obtained, but need to invest a lot of time, energy and money costs. And "not public knowledge" and "not easy to get" belongs to the negative facts. Both of these negative facts are realized through the corresponding confidentiality measures taken by the trade secret right holder. As long as the right holders have submitted the evidence that appropriate confidentiality measures have been taken, it can be presumed that it is difficult for competitors to obtain it without proper means.

### 2.2.2 Proof of value

Value, the so-called "competitive advantage". Value in this context is not the intrinsic or absolute value of the trade secret, but the value of the trade secret to competitors. The value of a trade secret must be economic or commercial, either in terms of actual economic benefits or potential future benefits. The value of the trade secret makes the secret of course have the corresponding applicability. Only when it has a certain degree of applicability can it bring economic or commercial value to the exclusive right holder who possesses the secret and be protected by law [4].

Although trade secrets must have an advantage over competitors, the "competitive advantage" does not have to be substantial. As long as it is greater than "insignificant", it can be considered to have an advantage in value. Therefore, in order to meet the burden of proof, the right holders must prove that the information is of more than trivial value. However, in judicial practice, the advantage of the value of trade secrets is easier to prove. It has resulted in fewer cases in which the lack of value of the information complained of has been held not to constitute a trade secret [5].

### 2.2.3 Proof of adoption of confidentiality measures

The premise of taking confidentiality measures is based on the fact that the owner of a trade secret treats the information as a secret. It is precisely because of the "secret nature" of trade secrets that the owner of a trade secret is required to take confidentiality measures to protect it.

It is not difficult for the plaintiff to prove the adoption of confidentiality measures. The law requires only that the adoption of confidentiality measures be reasonable, not thorough. As long as the right holder can prove that he or she had an intention to keep the information confidential and others could observe that intention [6]. Therefore, if the right holder does objectively implement

confidentiality measures,he or she will be able to successfully prove this positive fact.

Secondly,because the law does not stipulate that the right holder of trade secrets needs to take specific confidentiality measures,the suspected infringer can't defend on the grounds that the right holder's confidentiality measures are unreasonable.At the same time,in trade secret infringement civil litigation cases,the court is less on the trade secret owner to take confidentiality measures to evaluate whether it reasonable,and give the corresponding reason and basis,which also makes the trade secret infringement civil litigation appear in the same case of the situation of different judgment.

### **2.3 Article 32 of the Anti-Unfair Competition Law on the Proof of the Elements of Trade Secrets**

Prior to the amendment,civil litigation for trade secret infringement adopted the standard of"possession of trade secrets+confidentiality measures taken+substantial similarity+contact-legal source",while Article 32 of the new law adopts the standard of"possession of trade secrets+confidentiality measures taken+reasonable proof of infringement+contact-legal source".The new Law adopts the standard of"possessing a trade secret+having taken confidentiality measures+reasonable proof of infringement+access to a legitimate source/not substantially the same".In terms of the content of the trade secret and its constituent elements,the right holder first needs to provide prima facie evidence to prove the specific content of the trade secret,as this is the basis for civil litigation on trade secret infringement.If the plaintiff cannot prove the specifics of the trade secret,the court may not support the plaintiff's claim.Secondly,as to the proof of the constituent elements of trade secrets,Article 32 of the Anti-Unfair Competition Law mainly provides for the plaintiff's proof of the adoption of confidentiality measures,without elaborating on"secrecy"and"value".

According to the above analysis,even though Article 32 of the Unfair Competition Law and the Civil Provisions on Trade Secrets do not stipulate the proof of these two elements,the"secrecy"and"value"undoubtedly belong to the plaintiff's burden of proof.And in practice,the plaintiff,in addition to"proof of confidentiality",also needs to complete the proof of"secrecy"and"value".

## **3. Infringement review of trade secrets and shifting the burden of proof**

Article 32 of the Anti-Unfair Competition Law and the Civil Provisions on Trade Secrets are based on the principle of easing the burden of proof on the plaintiff, which in turn led to the design of the transfer of the burden of proof in the infringement review of trade secret infringement civil litigation. This is due to the special nature of proof in trade secret cases.

### **3.1 Principle of reciprocity of rights and obligations**

Trade secrets belong to a kind of intellectual property and are the private rights of the right holder. The right holder can obtain the competitive advantage through the trade secret, so as to obtain the commercial interests. When trade secrets are violated, the right holder, who is also using the trade secrets, must demonstrate infringement. The reciprocity of rights and obligations is based on this principle. Article 32 of the unfair competition law,the plaintiff only needs to provide prima facie evidence to prove that it has taken confidentiality measures for the claimed trade secrets,and reasonably demonstrated that the trade secrets have been infringed upon,and then,the relatively high burden of proof is transferred to the party being sued for infringement. This shifting of the burden of proof is based on the protection of trade secrets and can be considered a special provision of the

principle of reciprocity of rights and obligations.

### **3.2 Reversal of the burden of proof does not apply to civil litigation for trade secret infringement**

Some scholars believe that Article 32 of the Anti-Unfair Competition Law is a reversal of the burden of proof[7]. However, the author holds a different opinion. First of all, the application of the reversal of the burden of proof needs to be expressly provided by law. The burden of proof needs to be balanced allocation between the parties. It would be inconsistent with the concept of fairness to place a higher burden of proof on a party without a statutory provision. The burden of proof reversal exempts the plaintiff from the burden of proof for a certain element, and the burden of proof will be completely assigned to the infringing party. At the same time, the infringing party also needs to bear the risk of losing the case due to failure of proof. Therefore, a unique legal authorisation is required for the burden of evidence.

Law in our country provides eight kinds of the burden of proof reversal of circumstances. Cases of trade secret infringement in civil litigation do not fall under any of the eight categories of burden of evidence reversal of circumstances, hence this does not apply to trade secret infringement civil litigation. What's more, the process of allocating the burden of proof in civil litigation cases of trade secret infringement is as follows. First of all, the plaintiff is required to provide the following evidence:(1)to prove that he is the owner of the trade secrets;(2)the claimed trade secrets to take reasonable measures of confidentiality;(3)the fact that the trade secrets have been infringed. The infringer then proves that the information claimed by the plaintiff is not a trade secret or that there is no infringement. It is essentially a mutual conversion of the burden of proof between the plaintiff and the defendant. This process of proof does not exempt a party from the burden of proof. It is only the parties in order to prove their own claims or to refute the claims of the other party and the conversion of evidence. Therefore, it is not a reversal of the burden of proof. Last but not the least, the burden of proof is shifted to the infringing party due to the right to present evidence first, hence in practice there will be the use of litigation to thwart rival competitors' trade secret agreements and access to each other's trade secrets through spiteful litigation. The opponent is aware of the possibility of unintentional disclosure at the same time that the exact content of trade secrets will become blatantly apparent during the litigation process[8].

Therefore, whether from the provisions of the law, or from the practice analysis, trade secret infringement civil litigation is not a reversal of the burden of proof, but belongs to the transfer of the burden of proof.

### **3.3 Shift of the burden of proof in the review of infringement under Article 32 of the Unfair Competition Law**

After the right holder has provided prima facie evidence,the alleged infringer shall prove that the information claimed by the right holder does not belong to trade secrets or shall prove that there is no infringement of trade secrets.Obviously,the burden of proof of the alleged infringer is higher than the right holder,which is conducive to balancing the difficulty of proof of the plaintiff and the defendant.

It is quite difficult for the plaintiff to independently demonstrate that the material has not been made public in response to the proof of secrecy, one of the constituent elements. In order to refute the plaintiff's allegation, the defendant must present evidence to show that the information was known to the public. The same holds true for proof against infringement. Infringement evidence is generally held by the defendant or a third party. In reality, the rights holder can only rely on the other side of a product's circulation for comparison; it is harder to collect the essential facts, and it

might be challenging to show that the party being sued has infringed the law. But it is relatively easy for the respondent to prove that it has not infringed. Article 32 of the Anti-Unfair Competition Law reserves the burden of proof of reasonable confidentiality measures to the right holder for the same reason that it is easier for the right holder to prove this fact. The adjustment of the burden of proof for the plaintiff and the defendant in the review of infringement in Article 32 of the Anti-Unfair Competition Law has, to a certain extent, alleviated the difficulty of the plaintiff's rights, balanced the distribution of evidence between the plaintiff and the defendant, and innovated new paths for the protection of trade secrets in judicial practice.

#### **4. Problems with Article 32 of the Unfair Competition Act and recommendations**

Although Article 32 of the Unfair Competition Law plays an important role in the determination of trade secrets and the protection of trade secret rights holders, it is not easy to construct reasonable rules for the protection of trade secrets. After clarifying the constituent elements of trade secrets and the legal attributes of Article 32 of the Anti-Unfair Competition Law which belongs to the transfer of the burden of proof, this section is based on the practical status quo of civil litigation of trade secret infringement, specifically analyzes the problems faced by them and tries to put forward the corresponding recommendations for improvement.

##### **4.1 No clear definition of prima facie evidence**

There is no legal definition of "prima facie evidence". From the laws and regulations and judicial interpretations and other practical use of the situation, it is mainly concentrated in three types of legal norms. First of all, it is included in the legal norms of the transport category, such as the 1992 enactment of the "Maritime Law" chapter of the contract for the carriage of goods by sea, Articles 77, 80, 81, 1995, "Civil Aviation Law" chapter of public air transport, Articles 111, 118, 134 and so forth. In addition, Article 310 of the chapter on "Contract of carriage" in the 1999 "Transport Law" also contains this contents. The normative source is the common law rule of presumption for bills of lading. Secondly, it is included in the legal norms relating to environmental rights and interests and consumer rights and interests and other public interest litigation, mainly reflected in Article 284 of the judicial interpretation of the Civil Procedure Law implemented in 2015, and Article 4 of the Interpretation of Several Issues Concerning the Application of Law to the Trial of Civil Public Interest Litigation Cases on Consumption implemented in 2016. The purpose is mostly related to the public interest related to public interest and consumer protection. And thirdly, it is embodied in the legal norms of intellectual property, mainly reflected in the provisions of the protection of trade secrets in the Law Against Unfair Competition and the judicial interpretation related to copyright. In addition, the term prima facie evidence is also used in some judicial system minutes, decisions and other judicial policy guidance documents. But most of them are declaratory in the sense that they require the parties to fulfill the obligation to provide evidence [9].

It follows that it can be seen that prima facie evidence has more connotations. And it is not known whether the prima facie evidence stipulated in the Anti-Unfair Competition Law is evidence provided to satisfy a certain minimum standard, or evidence provided to presume another fact. It is also unclear whether, according to Article 32(1) of the Anti-Unfair Competition Law, prima facie evidence includes only the provision of prima facie evidence of the adoption of confidentiality measures (to be followed by the addition of evidence of the infringement of trade secrets) or whether it means that the right holder is required to provide both prima facie evidence of the adoption of confidentiality measures and prima facie evidence of the infringement of trade secrets.

Since prima facie evidence has not yet formed a legal concept with clear content and uniform standards, it may be possible to refer to the copyright registration procedure for treatment in practice. Compared with copyright, the rights of patent and trademark law are easier to identify the content of their rights because of their administrative grant. Copyright is relatively close to trade secrets in

terms of the exercise of rights and does not need to be confirmed by statutory procedures, but there is a procedure for copyright registration. The provisions of Article 3.1 of the Beijing Municipal Higher People's Court's Guidelines for the Trial of Copyright Infringement Cases and Article 19.2 of the Supreme People's Court's Provisions on Several Issues Concerning the Trial of Administrative Cases on Trademark Authorization and Confirmation of Rights are both related to the relevant provisions of the "prima facie" case.

Judicial interpretations have made pertinent enumeration regarding what types of recognition standards, can become a corresponding prima facie evidence of confidentiality measures, such as limiting the scope of the knower, the prevention of information carriers, marking confidentiality signs, signing confidentiality agreements, and so. However, the types of information of the right holder's trade secrets as well as the carriers of the information are varied, thus the determination of prima facie evidence remains vague, which may lead to different determination standards in judicial practice.

Therefore, in the case of prima facie evidence, on the one hand, the judicial organs must clarify the definition, type, and scope of prima facie evidence through judicial interpretation; on the other hand, we can take into consideration a reference to copyright registration, and trade secret registration system. Trade secret registration is not open to the public in order to safeguard its "secrecy". The registration agency has a duty of confidentiality. In exchange for the credibility of trade secret protection, the information of trade secrets can be disclosed to the registration agency. The certificate provided by the registry organization is "prima facie" for the purposes of this article.

#### **4.2 Degree of prima facie determination unclear**

At present, prima facie evidence as used in the legal norms of intellectual property is not a concept inherent in civil law systems, but is closer to its common-law origins. Prima facie evidence, as opposed to absolute evidence, is evidence established under the condition that there is no evidence to the contrary. It allows the parties to disprove it by evidence to the contrary and is rebuttable evidence [10].

The standard of proof adopted for evidence in civil proceedings in China is a high degree of probability. Preliminary evidence usually means that the evidence is not yet sufficient, or because of the special nature of trade secrets, the right holder needs to clarify the corresponding evidence of the right one by one with the gradual progress of the trial, and can not hastily present all at once. Therefore, the civil litigation case of trade secret infringement can not reach the usual high degree of standard. But prima facie evidence in turn must rise to the level of creating a rebuttable presumption of facts to be proven in the absence of evidence to the contrary [11]. Accordingly, the existence of the fact to be proved is initially proved by prima facie evidence. Even if the prima facie evidence does not meet the requirement of a high degree of probative value, it is considered to be civil evidence with full probative value in the absence of evidence to the contrary. The conclusion that the fact to be proved exists is made on the basis of the prima facie evidence and is then rebutted by the respondent. Another point of view, on the other hand, holds that while prima facie evidence must satisfy the high degree of likelihood threshold, it may still be refuted. This view is highly problematic because all evidence can be overturned. Therefore, it is necessary to find a solution to the problem of determining what constitutes prima facie evidence in judicial practice.

In summary, the determination of prima facie evidence should be a low degree of probability standard, or "preponderance of probability" standard, without the need to meet the high standard of probability. It is sufficient that the plaintiff has made a prima facie case that it is probative. At this point, the validity of the prima facie case is determined by whether or not the defendant presents a rebuttal and the probative value of the rebuttal.

### 4.3 The role of reducing the plaintiff's burden of proof and increasing the defendant's burden of proof to be tested in practice

Prior to the amendment of the new Anti-Unfair Competition Law, the right holder had to demonstrate that they owned the trade secret, that the information used by the alleged infringing party was the same or substantially the same as the right holder's trade secret, and that the defendant had access to the trade secret in a civil action for trade secret infringement. The defendant, on the other hand, needed to prove that the information claimed by the plaintiff was not a trade secret or that no infringement had been committed.

For Article 32 of the Anti-Unfair Competition Law, the right holder needs to provide evidence to prove that the trade secret has been infringed. Among them, the content specified in item (a) clarifies the previous legislation of the "discharge + substantial equivalence" standard, without reducing the burden of proof on the plaintiff or increasing the burden of proof on the defendant. And(b)(c)two articles need the plaintiff to provide their own trade secrets by the alleged infringer infringement of prima facie evidence. But obviously, in trade secret infringement civil litigation cases, the plaintiff's proof of difficulties lies in the provision of the other party's evidence of infringement. Therefore, this article for reducing the plaintiff's burden of proof, increase the defendant's burden of proof, still need to be further tested in judicial practice.

## 5. Conclusion

The provisions of Article 32 of the Anti-Unfair Competition Law have a positive guiding effect on the protection of trade secrets of right holders. However, the amendment of the new law is mainly to maintain consistency with the content of the US-China Trade Agreement, so there are ambiguities in the wording and flexibility in the application. The subsequent Civil Provisions on Trade Secrets refined the burden of proof in civil cases of trade secret infringement, while adding the consideration of "materiality". Based on the special nature of trade secret cases, as well as the lack of relevant provisions of the law, the role of this amendment still needs to be tested in judicial practice.

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