SPP Guiding Case No. 102: Jin Yiying (Infringement of Trade Secrets)

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Supreme People's Procuratorate Guiding Case No. 102 (Procuratorial Example No. 102)

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Keywords

Infringement of trade secrets — judicial appraisal — expert assistance in case handling — chain of evidence.

Holding

In handling a criminal case of infringement of trade secrets where the defendant pleads not guilty, the procuratorial organ shall review both the evidence establishing the trade secret and the evidence of its infringement, and shall in accordance with law rule out any lawful source by which the defendant obtained the trade secret, so as to form a chain of evidence supporting the charge. In reviewing an appraisal opinion, a person with specialized knowledge may be engaged or assigned to assist in case handling where necessary.

Basic Facts

Defendant Jin Yiying, born in 1981, was, before the case arose, the legal representative and general manager of Wenzhou Fresnel Optical Instrument Co., Ltd. ("Fresnel Company").

Wenzhou Mingfa Optical Technology Co., Ltd. ("Mingfa Company") was established in 1993 and mainly produced and sold optical plastic products such as magnifying glasses and telescopes. Since 1997, Mingfa Company began researching and developing the production technology for ultra-thin flat magnifying glasses, and developed the manufacturing methods for the batch production of Fresnel magnifiers (a "Fresnel magnifier" being the generic name of a type of ultra-thin magnifier product): the three-in-one molding method of a high-temperature-resistant and wear-resistant special rubber plate, a stainless steel plate, and an electroformed nickel template, and the nickel mold manufacturing method. According to its special design, Mingfa Company commissioned Wenzhou Guangda Rubber and Plastic Products Company, Ningbo Jiangdong Jingjie Mold Processing Factory, and Ruian Yongxin Hydraulic Press Factory to produce the rubber plate, template, and hydraulic press respectively. As the research and development of the production technology advanced, Mingfa Company continuously adjusted the specifications and functions of the rubber plate, template, and hydraulic press and continuously changed its requirements for the suppliers. After long-term cooperation, the three suppliers were able to provide matching products and equipment.

Defendant Jin Yiying was recruited by Mingfa Company in 2005, and the two sides signed a labor contract, with the final contract stipulating a term of employment from July 16, 2009 to July 16, 2011. During this period, Jin Yiying successively served as a salesman, sales department manager, and deputy general manager, and gained a certain understanding of the manufacturing method of Fresnel ultra-thin magnifiers, as well as information such as equipment supply and sales channels and customer lists. Jin Yiying signed a confidentiality agreement with Mingfa Company, under which the information subject to his confidentiality obligations included: (1) technical information, including product design, product drawings, production molds, production manufacturing processes, manufacturing technology, technical data, patented technology, and scientific research achievements; and (2) business information, including the channels of supply, production, and sale of goods, customer lists, purchase and sale intentions, concluded or negotiated prices, and the performance, quality, quantity, and delivery dates of goods. It was also agreed that, during the term of the

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labor contract, within two years after termination of the labor contract, and during the period in which the aforesaid confidential content had not become known to the public, the aforesaid confidential content shall not be disclosed to any third party.

In early 2011, Jin Yiying left Mingfa Company, and on March 24 of that year established Fresnel Company in the names of his brothers-in-law Ying Moujia and Ying Mouyi. The company's 2011 annual Zhejiang provincial local tax (fee) comprehensive tax return listed Jin Yiying as the person responsible for finance. Immediately after its establishment, Fresnel Company purchased from the aforesaid three suppliers the same materials and equipment as Mingfa Company, such as rubber plates, molds, and hydraulic presses, and used the same process as Mingfa Company to produce the same type of magnifying glass for sale on the market, causing Mingfa Company economic losses of over RMB 1.22 million.

Judgment

Review for prosecution. On January 23, 2018, the Wenzhou Municipal Public Security Bureau of Zhejiang Province transferred the case to the Wenzhou Municipal People's Procuratorate (the "Wenzhou Municipal Procuratorate") for review and prosecution on the charge that Jin Yiying was suspected of the crime of infringing trade secrets. On January 25, the Wenzhou Municipal Procuratorate assigned the case to the Ruian Municipal People's Procuratorate (the "Ruian Municipal Procuratorate") for handling. Since the defendant in this case did not make an admission of guilt, in order to further strengthen the evidentiary foundation, the procuratorial organ returned the case to the public security organ for supplementary investigation of the following matters: whether Jin Yiying was the actual operator of Fresnel Company, the channels through which the company obtained its production technology, the payment of confidentiality fees by Mingfa Company to Jin Yiying, and the circumstances of Jin Yiying's arrest.

On August 16, the Ruian Municipal Procuratorate initiated a public prosecution in the Ruian Municipal People's Court of Zhejiang Province (the "Ruian Municipal Court") charging defendant Jin Yiying with the crime of infringing trade secrets.

Charge and proof of the crime. During the trial, the procuratorial organ applied for two appraisers to appear in court, and the defense applied for a person with specialized knowledge to appear in court to cross-examine the Judicial Appraisal Opinion. Defendant Jin Yiying and his defense lawyers raised the following defense opinions: (1) that the appraisers' search strategy was erroneous, no technical feature comparison had been conducted, and the thickness of the appraisal materials could not fully cover the appraisal conclusions, so the existing evidence was insufficient to prove that the production process of the Fresnel ultra-thin magnifier held by Mingfa Company constituted technical information "not known to the public"; (2) that the information about the three suppliers involved was information obtainable through public channels and did not constitute a trade secret; (3) that Fresnel Company had learned the relevant information through normal channels, that the production process it used had been learned by company shareholder Ying Moujia through inquiries of other manufacturers, and that Jin Yiying had no conduct or intent to use the technical or business information involved, and eight documents were provided to prove that the technical information involved had been made public; and (4) that the confidentiality agreement merely set out the confidential content in principle and was not operable, that the confidentiality agreement stipulated a confidentiality allowance, but that Mingfa Company had not paid the confidentiality allowance to defendant Jin Yiying as agreed.

The prosecutor replied as follows: First, the process involved was non-public. The appraisers of the intellectual property judicial appraisal institute of the Shanghai Science and Technology Consulting Service Center, after searching and appraising the existing patents, domestic and foreign literature, and Mingfa Company's external publicity materials, held that the special manufacturing process of Mingfa Company's Fresnel ultra-thin magnifier could not be obtained from public channels and was technical information "not known to the public." The Judicial Appraisal Opinion was issued by an institution with intellectual property judicial appraisal qualifications entrusted by the investigative organ, the appraisal procedure was lawful, and

the opinion was clear and had probative force. The manufacturing process of the Fresnel ultra-thin magnifier involved integrated a variety of technologies, and was not merely a simple combination of product dimensions, structure, materials, and components; it could not be directly and easily obtained through intuitive or simple surveying and mapping, disassembly, or the investment of a small amount of labor, technology, or funds in a publicly available product. On the contrary, it could be realized only through long-term research and repeated experimentation by professional technical personnel in the field. Therefore, the defense opinion could not raise a reasonable doubt about the appraisal opinion.

Second, the supplier information involved constituted a trade secret. Evidence such as the testimony of the suppliers and of Mingfa Company's employees proved that the rubber plate, mold, and hydraulic press products and equipment provided by the three suppliers had all been fixed after close cooperation during Mingfa Company's technological research and development, through gradual adjustment of specifications and functions until they finally met the requirements for batch production; therefore, the information on the supply capabilities of the relevant suppliers was business information unique to Mingfa Company and was confidential. Mingfa Company's accounting vouchers, special VAT invoices, and the testimony of the suppliers and of Mingfa Company's employees proved that the suppliers of the processing equipment and raw materials involved had all been selected after Mingfa Company spent a large amount of manpower, time, and funds to gradually debug and modify the specifications and functions of the supplied products and equipment according to the specific requirements of Mingfa Company's production process, and could bring Mingfa Company a cost advantage and thus had value. The Confidentiality Agreement signed between Mingfa Company and its employees clearly stipulated the confidentiality matters, and it should be determined that Mingfa Company had adopted reasonable protective measures for the supplier information, which was therefore confidential.

Third, Jin Yiying had come into contact with and mastered Mingfa Company's trade secrets during his employment. Evidence such as the testimony of Mingfa Company's employees proved that Jin Yiying, as the deputy general manager in charge of sales, was familiar with the technical information such as the production and manufacturing process, the production process, and the processing flow of the Fresnel ultra-thin magnifier due to the needs of his work, and knew the procurement information of the specific equipment and raw materials required for production and the sales information.

Fourth, Jin Yiying had used Mingfa Company's trade secrets. The manufacturing process of Mingfa Company's Fresnel ultra-thin magnifier involved a variety of technologies, and the process parameters such as the temperature, pressure, and pressure-holding time during processing all had specific requirements. According to the appraisal opinion and expert opinions, the manufacturing process of the ultra-thin magnifier used by Jin Yiying was substantively identical to Mingfa Company's Fresnel ultra-thin magnifier manufacturing process in the relevant technical secret points, and it could therefore be determined that Jin Yiying had used the trade secrets.

Fifth, the existing evidence was sufficient to rule out the possibility that Jin Yiying had obtained or independently developed the manufacturing process of the ultra-thin magnifier through other lawful channels. An audit of Fresnel Company's account books and business revenue confirmed that the company had made no research and development capital investment, and that none of the company's relevant personnel had any business or technical research and development background in ultra-thin magnifiers or similar products, and thus lacked the ability and conduct of independent research and development. Jin Yiying argued that his technology had been learned by his brother-in-law Ying Moujia from Cai Mou, a manufacturer of magnifying glass equipment, but investigation showed that Cai Mou had not taught him any magnifying glass production technology and that Cai Mou himself did not understand the technology.

Sixth, the confidentiality agreement was clearly stipulated, and defendant Jin Yiying should have known that he owed confidentiality obligations with respect to the technical information and business information involved. The witness testimony, the rights holder's statements, and the stipulation in the confidentiality

agreement that the confidentiality allowance was paid together with the monthly salary could prove that Mingfa Company had paid the confidentiality fee. The collegial panel adopted the prosecutorial opinions.

Disposition. On September 6, 2019, the Ruian Municipal Court sentenced defendant Jin Yiying to fixed-term imprisonment of one year and six months and a fine of RMB 700,000 for the crime of infringing trade secrets. After the judgment was pronounced, the defendant appealed, and the Wenzhou Intermediate People's Court ruled to dismiss the appeal and uphold the original judgment.

Reasoning

(1) In punishing the crime of infringing trade secrets in accordance with law, the first step is to accurately grasp the definition of a trade secret. As the core competitiveness of an enterprise, a trade secret embodies the intellectual achievements created by the enterprise in social activities and relates to the survival and development of the enterprise. Protecting trade secrets in accordance with law is an important part of the national intellectual property strategy. The procuratorial organ's strict punishment of crimes infringing trade secrets in accordance with law is of great significance to protecting the legitimate rights and interests of enterprises, creating a favorable business environment, and promoting the building of a strong country through science and technology. Whether a trade secret is established is the precondition for determining whether the crime of infringing trade secrets is constituted. The procuratorial organ shall focus on reviewing the following aspects: first, whether the information involved is not known to the public, with attention to whether the trade secret involved is not generally known and readily obtainable by the relevant personnel in its field, and whether it falls within the circumstances already known to the public as provided in Article 4 of the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trade Secrets. Second, whether the information involved has commercial value, with attention to reviewing evidence proving the research and development costs invested by the rights holder and the fees paid for licensing or transferring the trade secret in the process of its formation, and reviewing the accounting books, financial analysis reports, and other evidence reflecting the income, profits, and market share obtained by the rights holder from exploiting the trade secret and otherwise reflecting the market value of the trade secret. Third, whether the rights holder has adopted corresponding confidentiality measures, with attention to reviewing whether the rights holder has adopted the confidentiality measures provided in Article 6 of the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trade Secrets, and whether the confidentiality measures are commensurate with the commercial value and importance of the trade secret and have been actually implemented.

(2) Where the defendant does not plead guilty, the rules of evidence shall be skillfully used to rule out the possibility that the defendant lawfully obtained the trade secret, so as to form a chain of evidence supporting the charge. Due to the non-public nature of trade secrets and the concealment of the criminal means, determining whether the defendant committed acts of infringing the trade secret often faces evidentiary difficulties. Where the defendant does not make an admission of guilt, in order to ascertain the facts of the crime, the procuratorial organ shall guide the public security organ to comprehensively and objectively collect evidence on whether the information used by the defendant is substantively identical to the rights holder's trade secret, whether the defendant had the conditions to know and master the rights holder's trade secret, and whether there was a lawful source for obtaining and using the trade secret. In particular, it shall focus on reviewing whether the defendant lawfully obtained the trade secret, and, in light of the defense's arguments that the trade secret was obtained through lawful means such as licensing, succession, independent research and development, assignment, or reverse engineering, guide the public security organ to collect evidence such as the defendant's accounting books and expenditure vouchers that can prove whether there were research and development costs, capital investment, and research and development personnel wages; to collect evidence on the list of research and development personnel, research and development qualifications and capabilities, and the conduct and process of research and development of the defendant's

unit; to collect evidence on the transfer contracts and licensing contracts for the relevant trade secret and the payment of transfer fees and licensing fees; and to collect evidence on whether the defendant obtained the product through public channels and conducted reverse engineering by disassembling, surveying, mapping, and analyzing the product, as well as documentary evidence of the defendant's inheritance and succession of the trade secret. Where, through the mutual corroboration of evidence, the possibility that the defendant's acquisition and use of the trade secret had a lawful source is ruled out, the defendant's criminal conduct of infringing the trade secret may be confirmed.

(3) Attention shall be paid to the review of appraisal opinions, and a person with specialized knowledge shall be introduced to participate in the handling of the case where necessary. In handling criminal cases of infringement of trade secrets, because the determination of a trade secret and whether an infringement of the trade secret has been constituted are often highly specialized, it is usually necessary for an appraisal institution to issue a specialized appraisal opinion. The procuratorial organ shall conduct a comprehensive and meticulous review of the appraisal opinion in deciding whether to adopt it. The review of the appraisal opinion shall focus on the following aspects: first, reviewing the legitimacy of the appraisal subject, including whether the appraisal institution and appraisers have appraisal qualifications, whether the entrusted appraisal matters fall within the business scope of the appraisal institution, and whether there are circumstances under which the appraisers should recuse themselves; second, reviewing the objectivity of the appraisal materials, including whether the appraisal materials are authentic, complete, and sufficient, whether the manner of obtaining them is lawful, and whether they are consistent with the original materials; and third, reviewing the scientific nature of the appraisal methods, including whether the appraisal methods conform to national standards and industry standards and whether the selection of methods and standards conforms to the relevant provisions. At the same time, attention shall be paid to reviewing whether the appraisal opinion can be mutually corroborated with the other evidence in the case and whether contradictions in the evidence can be reasonably explained. Where necessary, a person with specialized knowledge may be engaged or assigned to assist in reviewing the case, and when presenting the prosecution in court, the procuratorial organ may apply for the appraiser and other persons with specialized knowledge to appear in court to give opinions on the scientific basis, reasonableness, and objectivity of the appraisal opinion, so as to accurately determine the facts of the case and strengthen the charge and proof of the crime through full cross-examination of technical issues.

Relevant Legal Provisions

Article 219 of the Criminal Law of the People's Republic of China

Article 105 of the Interpretation of the Supreme People's Court on the Application of the Criminal Procedure Law of the People's Republic of China

Article 73 of the Provisions (II) of the Supreme People's Procuratorate and the Ministry of Public Security on the Standards for Filing and Prosecuting Criminal Cases Under the Jurisdiction of Public Security Organs

Articles 4 and 6 of the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trade Secrets

Provisions of the Supreme People's Procuratorate on Several Issues Concerning the Assignment and Engagement of Persons with Specialized Knowledge to Participate in Case Handling (for Trial Implementation)

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