

Wang Hanpo, Partner Lawyer of the Beijing Hua Yi Law Office and patent agent. He graduated from the Law School of Zhongnan University of Economics and Law and was granted a bachelor's degree in Law in 1984. He worked in the Ministry of Science and Technology of China from 1984 to 2002, and served there as section chief of the Regulation and Intellectual Property Rights (IPR) Division of the Department of Policies, Laws and Regulations. During the same period he held a concurrent post as the managing secretary of the State Council IPR Working Meeting Office. He participated in or directed the drafting and formulating of a number of laws and regulations on science, technology and IPR and has been once awarded the Second Prize of Science and Technology Development. He started to practice law in 2002 specializing in legal services in the field of science, technology, IPR, civil law and administrative law. He also serves as legal council to several governmental departments and enterprises.

Some Thoughts on Trade Secret Protection Strategies

Wang Hanpo

I. The strategic significance of protecting trade secrets

Protection of trade secrets is a permanent topic in competition law as well as intellectual property law. At all times and across the world, where there are innovations and creative ideas, driven by competition, there will be negative elements to impede their advancement, whether the related laws are in complete or not. Such phenomenon as profiting by others' toil may not be easily terminated, but they can and should be curbed, so as to contain its spreading and reduce its erosion of the economy. The only effective tool to achieve this end is the law.

The "*Law of the People's Republic of China Against unfair Competition*" (the Law) adopted in 1993 is a milestone in the progress of China's legal system on trade secrets protection. In previous related laws and regulations, much confusion exists as to definition, criteria for determining violations and level of punishment. For instance, the

definitions of technical knowhow, proprietary technology, and non-patented technology are used in an interchangeable manner. After the promulgation of the Law, relevant definitions are standardized and unified. The Law not only established the core role of Industry and Commerce Administrative Department as the provider of administrative protection but laid the legal foundation for civil and criminal protection. In the past two decades, the Law remained intact, even in time of the China-US IPR negotiation, the fierce negotiation over China's accession to the WTO and the signing of TRIPS. Whereas other IPR laws usually are amended or changed every 7 or 8 years. Events have proven that the Law is a good law which is both in line with international norms and suitable to China's realities.

We have no intention to deny the fact that in some fields or regions and in certain period, there are instances of serious infringement of trade secrets, just as no country can say the criminal law will eradicate crimes. Some people have made one-sided accusation that China's economic growth is achieved by infringing their IPR; as a matter of fact, the major victims of these infringements are China's real economy and the Chinese market. For example, such serious infringement cases involving cloisonné enamel and rice paper making technologies in the past and today's Rio Tinto case have all caused heavy losses to China.

Today's China is the world's third largest economy and the focal point of the world's attention. This achievement is the reasonable result of China's fair competition in the international economic arena, of the effective operation of its legal system and the efforts of the country's half a million law enforcement officers in implementing the law and maintaining a healthy market order. Now many people are talking about the "Chinese Model", suppose there is also a model to China's trade secret protection legal system, it can be summarized as follows: "connecting related laws

with international norms; taking a proactive stance to crack down on infringing acts, Having the administrative departments serve as vanguard and the judiciary system serve as back-up; comprehensive management; coordinated approach in the whole process; taking solving cases as the priority and advancing our cause in a strategic manner.”

II. Trade secret is the secret weapon in market competition

As the saying goes, it's easy to stay away from open attacks but hard to guard against sneak raids. Such scenario appears in nearly every Chinese Kongfu novel: when two martial artists of comparable Kongfu accomplishments are in a fight, the one uses concealed weapons will always kill the other and win out. When two with a wide disparity of strength are in a fight, the losing side will usually launch a surprise attack with secret weapons and win the fight. By the same token, in the increasingly competitive market, trade secret can be used as a secret weapon in the competition in IPR innovation. In the ammunition of market competitors, patent, trademark, copyright, computer software, new varieties of plants and layout designs of integrated circuits and so on are all weapons of IPR protection, and trade secret is the most effective secret weapon.

Trade secret has a long history. As demand increases, market expands, competition intensifies and the protection of trade secrets becomes harder, people begin to turn to public authority and law for protection. As a result, the modern IPR legal system gradually comes into being. In today's China, with the WIPO, TRIPS and other international IPR conventions ratified, the repeated amendments to IPR laws and regulations and the unremitting law enforcement efforts, governmental departments, social organizations and individuals are all aware of, to different degrees, the concept of IPR, the need to protect IPR and the legal risks and consequences of infringing on others' IPR. However, not everyone is

clear about how it works in real world, such as how to protect it and how to make use of them, just as having weapons is one thing, knowing how to employ them is another.

All the weapons of IPR except trade secrets are open to the public. For instance, patents, trade marks and new varieties of plants are subject to the review and authorization system; copy rights come into being automatically when the works is done, and every piece of work must be published and known to the public; and there are supporting mechanisms such as voluntary registration, software submitting and so on. Any violator, benign or malign, intentional or inadvertent, can obtain a copy of the above mentioned IPR through open channels, while the story with trade secret is a totally different one. It is unknown to others and is not supposed to be known. But it can not restrict what others know about it, vice versa. This secret weapon is neither exclusive nor proprietary. Taking the form of information, it not only must be kept in secret, but is also asymmetric. It is usually used without prior notification and can cause huge damage without leaving any traces, that's why it is so deadly and valuable.

Another distinctive feature of trade secret is its management and protection by the owners themselves. Of course, as an IPR, it is also under the protection of law. And the prerequisite for legal protection is that its owner must have taken secret-keeping measures themselves. The protection methods of trade secrets are different from those of other IPR. Usually protection extended by law to other IPR is made public in advance. For example, the law protects patents by granting their obligees monopoly over them, this can in some way be said as a compensation for the obligee's opening its technologies. On the other hand, protection to trade secrets are done in an ex post manner, because the public authority has no idea what the obligee's trade secrets are until the secrets are

infringed upon. It's like the rule allows players to use secret weapons but the referee doesn't know what exact these weapons are. Only when the secret weapons are stolen by a player's rival will the referee intervene and pass judgment. Of course, when made public, secret weapons will cease to be secret. As we know the most lethal secret weapons are those known to none but their user, if everyone knows what they are, they won't be a threat. It is permitted by the rule for a player's rivals to use the same secret weapons, as long as they are obtained by lawful means. And the referee won't intervene in such a case. When a player found that his rival is using the same secret weapon as his, he must be surprised. If he then finds out that that's because his secret weapons haven't been well kept and have been stolen by the rival, or have been revealed by his own people (a strictly forbidden act) , he can complain to the referee and require that his rival be punished. At this point, the referee will investigate the case to make sure if the alleged secret weapons are indeed the complainer's secret weapons and what has he done to keep them in secret. It must be noted that secret weapons must be valuable and are the product of intellectual work. So a handful of sand grabbed from the ground in a fight shall not be termed as secret weapon.

III. Law enforcement on trade secret protection should be enhanced

The legal definition to trade secrets is “any technology information or business operation information which is unknown to the public, can bring about economic benefits to the obligee, has practical utility and about which the obligee has adopted secret-keeping measures”. Simple as the concept is, it is very broad and very hard to be applied to determine if a piece of information constitutes trade secret and then extend protection on it. In the course of my practice as a lawyer, I have had the following observations about the characteristics of trade secret.

First, the uncertain state of its existence. The protection scope of patents

is clearly defined in the claims; copyrights have substantive pieces of work to demonstrate its existence and trademarks are registered, there is clearly a defined time point as to when they come into being in all three cases. Whereas it is very hard to determine the time point when trade secrets come into being and this time point is only meaningful when compared with the opened information. Besides being used by the obligee itself, trade secrets usually appear in contracts when it is transferred to others or in labor contracts with those with access to the secrets. The basic precondition for its existence is its being unknown to the public, while in particular relations, such as in transactions or in the judicial process, it must be made known to particular people to prove its existence, and this is usually proved in an ex post manner (such as when a lawsuit is brought). There is folk adage in China which goes “it will die when seeing the light of the day”, which is most fitting to describe the feature of trade secret.

Second, non-exclusiveness of its inherent rights. According to law, ownership is exclusive. An object owned (including by joint-ownership) by a subject broods no second ownership over it. The same can be said about patents. Unlike them, trade secret can be owned by more than one party, as long as it remains unknown to the public and the parties involved all have taken secret-keeping measures on it. Even though two trade secrets are exactly the same in content, or one trade secret is obtained by lawful counter-projecting another trade secret, or one secret comes into being far earlier than the other, no secret can restrict the existence of the other.

Third, diverse forms and manifestations. The legally defined form of trade secret is information, including operation intelligence and technology data. A wide range of items are covered in this definition. Under particular circumstances, seemingly useless information may have

certain constitutive elements of trade secret, such as economic value. When other standards are also met, this piece of information can become trade secret.

The State-owned Assets Supervision and Administration Commission recently released the “Interim Regulation on Protecting Trade Secrets of State Owned Enterprises under the Control of Central Authorities ” lay out what will be protected as trade secrets: strategic plan, management method, business model, and operation intelligence concerning restructuring, public listing, merger, acquisition, reorganization, equity deal, financial condition, investment and financing decisions, plan of production, purchasing or sale, resources reserve, clients bidding and offering and so on; design, program, product formula, production method and technique, technical know-how and other technological information. The listing highlights the wide range of operation information. At the same time, trade secret must be specific and particular. Usually many aspects of a technology have been made public or patented, but one or two parts of it may still remain in secret, then these parts should be the secret point of the technology and where its legal value lies. Many so called trade secrets lose its secrecy when certain aspects of it become known to the public.

Fourth, effectiveness of the secret-keeping measures on it. Another basic condition for the existence of trade secret is that the obligee has taken secret-keeping measures on it themselves. However, in China many such measures are nothing more than formality or lack pertinence. While the judicial authority usually only focus on if the obligee has taken such measures instead of reviewing too their effectiveness. Self protection of trade secret by the obligee itself is the precondition for its protection by law. If the obligee doesn't take secret-keeping measures or the measures taken are ineffective, with the legal protection overly broad, then what

will the patent system be good for?

Your comments on the above observations are welcomed. Thank you!