

Original Documents, and Judgment Translation

Dongguan Intermediate People's Court of Guangdong Province

Civil Judgment (HDL/Smart)

No.: 253#

(Thank you China for Fairness)

Thank you China Always.

=====

Dongguan Intermediate People's Court of Guangdong Province

Civil Judgment

No.: 253#

Plaintiff: HDL Electronics Co., Ltd. , Guangzhou City , Guangdong Province, to build homes for the Road , Tianhe District, Guangzhou City , No. 22, 24 , first floor .

Legal Representative: Liang Guoqin , Chairman

Attorney: Liao early Han Dynasty, employees of Xiamen Xinhua Patent and Trademark Agency Ltd.

Attorney: Chen Xiaoju , lawyer from Fujian Li Hua Law Firm

Defendant : Dongguan Shima Electronics Co., Ltd.

Legal Representative: Chen Hu

Attorney: Qin Xun Hui, lawyer from Guangdong Ke Yuan Lawyer Firm

Attorney: Xu Jing , lawyer from Guangdong Ke Yuan Lawyer Firm

Defendant: Lin Weiyong

Defendant: Chen Dehua

Regarding the Plaintiff HDL accused the Defendant Dongguan Shima Electronic Co., the Defendant Lin Weiyong, and Chen Dehua for technical secrets infringement, the Court accepted it on August 21, 2012 and organized both parties to exchange the evidence on June 5, 2013. And on November 22, 2013 we had un-public court session, which the Plaintiff 's attorney Liao Hanchu, Chen Xiaoju and Defendant the legal representative of Shima Chen Hu, Attorney Qin Hui, Xu Jing , Defendant Lin Wei Chung and Chen Dehua participated in the proceedings. The case has been finished officially.

The Plaintiff HDL Company alleged that: In 2002, HDL has already begun a research and development project of lighting control system to achieve the intelligent control which initially called as "HDL Miracle intelligent lighting control system and later this integration system was officially named as" HDL Bus intelligent control System ". This system has become the backbone products and main business after 10 years' continuous research and development process with huge investment of a manpower, material and financial resources. Meanwhile, Plaintiff HDL has required that all R & D personnel involved in the project not to reveal any technical secrets to protect of their legitimate rights and intellectual property rights.

Lately , the Plaintiff HDL discovered the G4 series products produced by the Defendant Dongguan Shima Electronic Co., is extremely similar as HDL Bus system. Guangdong Xin Zheng Identification Authority checked and found:

1. the both Plaintiff HDL and Defendant Shima's firmware can run in both sides' hardware device;
2. the control command of both sides is basically compatible with each other and is highly similar to each other;
3. the defendant Shima 's intelligent control system firmware even includes HDL symbol, an employee

name of HDL sister company, the name of HDL database structure.

The plaintiff HDL Company believes that the defendant Shima directly copied their source code and data structure and their program which should be considered as an Copyright Infringement.

The defendant Lin Weiyong was a software engineer working for the plaintiff HDL and participated in the research and development of the intelligent control system, who should obviously know the plaintiff's relevant technical secrets. HDL signed the NDA with Lin Weiyong and paid him RMB15, 000 to make sure he will not reveal the tech secrets when he resigned from HDL.

The defendant Chen Dehua worked for HDL sister company as Electronics Engineers. He was involved in research and development of several projects which is related to HDL's confidential information. He should obviously know the plaintiff's relevant technical secrets. Moreover, according to the labor contract signed by the defendant Chen Dehua with HDL, he must keep the tech information as secrets. The defendants Lin Weiyong and Chen Dehua revealed HDL's tech infor to Shima and allowed the defendant Shima to use the technology secret from the plaintiff HDL. HDL believes that the defendants Shima, Lin Weiyong and Chen Dehua offend their copy rights and patents by copying the tech secrets and software. Meanwhile, the defendant Shima took advantage of the HDL tech secrets from the defendants Lin Weiyong and Chen Dehua and used it in its business to obtain improper commercial benefits. The defendant Lin Weiyong and Chen Dehua offend their copy rights and patents by unauthorized discoursing and allowing Shima to use HDL technology secrets.

In addition, the defendant Shima is in violation of the relevant provisions of good faith business ethics and anti-unfair competition.

Hence, the plaintiff HDL requested the Court to officially request:

1. Shima, Lin Wei Yong and Chen Dehua immediately stop infringement the plaintiff HDL "HDL Bus Intelligent Control System " technology secrets and stop from producing and selling G4 series products;
2. The three defendants jointly and severally to compensate the plaintiff HDL economic loss of 2 million yuan;
3. The three defendant take in charge of the cost of this litigation;
4. The appraisal fee borne by the three defendants;

The plaintiff HDL submitted the following evidence to the court before the deadline:

1. "HDL bus intelligent lighting control system" software programs data (including some source code, management software, management software programming manual). It proves that the plaintiff owns the software and the software program is the technical secrets of the plaintiff Hedong company. Meanwhile the plaintiff Hedong company also has the copyright for it;
2. The Division No. 8 [2012] "verified written opinion" from Guangdong Xin Zheng Identification of Justice, to prove that the case involved technical information of plaintiff's "HDL Bus Intelligent Control System" has the "not be known to the public." nature;
3. The defendant Lin Weiyong's personnel information proves that he was a software engineer of in the plaintiff's company, and he should be known and knowing the relevant technical secrets of plaintiff company Hedong;
- 4 The technical confidentiality agreement proves that the defendant Lin Weiyong has the Obligation of confidentiality about plaintiff's involved secret technology information;
5. The defendant Cheng Dehua's labor contracts, personnel information and resignation letter prove that the defendant Chen Dehua was an electronics engineer in Lichuang Electronics Company before, engaged in research and development work, and has the obligation of confidentiality about involved case's technology secret;
6. The "Company changes (for the record) memo" between Plaintiff Hedong Company and Lichuang Electronics and plus the copy of Lichuang Electronics Company's business license prove that the plaintiff

company and Lichuang Electronics Company are associated enterprises. The shareholders constitute, legal representative and consistent management of the two companies are as the same. The business scope of Lichuang Electronics Company includes the research and development of electronic products and related technology, computer software development, sales and others;

7. The "declaration letter" from Lichuang Electronics Company to prove that Lichuang Electronics Company commissioned by the plaintiff Hedong Company. And take in charge of partial projects develop designs with the involved intelligent control system of plaintiff Hedong Company. And the plaintiff Hedong Company owned the east all the results. Meanwhile also proves the defendant Cheng Dehua who involved with some technology R & D projects;

8. The allegedly infringing product photos, the Division No. 9 [2012] "verified written opinion" from Guangdong Xin Zheng Identification of Justice, Hu zhencheng's labor contracts and personnel data to prove that plaintiff Hedong Company's involving intelligent control system loaded program and the involved allegedly infringing products' loaded program from the defendant Shima Company could cross run on both sides of hardware equipment, the control command set from the functional to the actual results and other aspects of running all have basically the full compatibility, both from the target to achieve process (eg, logic, structure, command format, parameters, etc.) are highly similar. Meanwhile the defendant Shima Company's intelligent control system loaded program also includes the plaintiff Hedong company's symbol, Lichuang Electronics Company's employee Huzhen Cheng's name, plaintiff's database structures name are all plaintiff's Hedong Company's proprietary features;

9. The source code that contains plaintiff Hedong Company' involved HDL control system technology secret intelligence information to prove that the plaintiff company self-developed and design the software involved, and the source code is the technical secrets of plaintiff Hedong Company;

10. The Plaintiff's one set of HDL intelligent control system products and the plaintiff's product sales invoice prove that the involved confidential technology information of plaintiff company has great commercial value and practicality;

11. The "Letter of Commitment" signed among the defendants Linwei Yong, Chen Dehua and the plaintiff Hedong company prove that the defendant Lin Weiyong, and Chen Dehua admit that they master the involved secret technology information of plaintiff Hedong company and use the involved secret technology information of plaintiff Hedong Company when they worked in the defendant Shima Company after leaving Hedong, which infringed the plaintiff's technical secrets;

12. The Division No. 1922 [2013] "Verified Notes" from Guangdong Xin Zheng Identification of Justice, to prove that the source code of controlled program from Shima is similar with the source code of Hedong company's "HDL Bus intelligent control system";

The defendant Shima Company argued that: the sue from plaintiff Hedong Company has no factual basis, the defendant Shima Company does not implement the acts of violation of the technical secret's unfair competition. The reason as follow: First, the case involving multiple procedures, are different independent process, and involve different products, should not be co-processing, so the sue of plaintiff Hedong company should be rejected. Second, the case involving products are OEM products, all involved program are not gained from unfair competition by Shima Company, while supplied by smart-home group; What's more, when the defendant Shima Company review the data offered by smart-home Group indicate that the program development partner is Firas Khalid Mazloum. Third, the involved program does not have confidentiality, and the program can be obtained through public channels, the program can be downloaded from the public partner website. Fourth, there is no evidence that the plaintiff Hedong company have the evidence to prove the proof come from the defendant Linwei Yong, Chen Dehua, what's more the defendant Linwei Yong left the Hedong Company long ago, so he did not contact the involved HDL-Bus software that resist in after he quit the job; While the

defendant Chen Dehua serves others, has no confidentiality obligation for the plaintiff Hedong company. Fifth, the defendant Shima Company's program and source code are got from the contract manufacturers smart-home company, and smart-home company has advanced experience in this field. Sixth, the defendant Shima Company believes that the signed paper between the defendant Lin Weiyong, Cheng Dehua and HDL do not conform to the truth.

The defendant Shima Company submitted the following evidence to this Court:

- 1, Guangzhou Hedong Electronics Co., Ltd. and Firas Khalid Mazloun establishment of Sino-foreign joint venture contract, business registration basic information, Foreign Trade and Economic Cooperation Bureau documents, foreign-invested enterprises approved book to prove the fact of cooperation between Hedong Company and Firas Khalid Mazloun, contractual joint venture aims to: the use of Hedong company's production advantages and Firas Khalid Mazloun's intelligence aspects of technical superiority;
  - 2, The statement on September 18th, 2008 proves Hedong company confirmed together with Firas Khalid Mazloun about the facts of the miracle (miracle management Software) developed jointly;
  - 3, The email on September 28th 2008 proves the fact that Hedong Company cooperates with Firas Khalid Mazloun;
  - 4, The email sent by Liang Guoqin on June 2nd, 2008 on lgq@hdlchina.com.cn website proves the fact of cooperation and the S-bus program indication file is from Firas Khalid Mazloun;
  5. The email sent by Gan Congcai on February 4, 2009 via forrest@hdlchina.com.cn to prove the cooperation facts, in which s-bus programming and latest source code were from Firas Khalid Mazloun;
  6. The four emails sent by Gan Congcai during February 4 to April 8, 2009 via forrest@hdlchina.com.cn, to prove the cooperation facts, in which s-bus programming and newest code were from Firas Khalid Mazloun, while there were still about 100 bugs to be upgraded and updated, and rs232 control protocol was from Firas Khalid Mazloun;
  7. Authorization Letter and Business License of Guangzhou City Hui Tian Translation Co., Ltd., to prove Shima Company was commissioned to do OEM jobs, of which G4 software was from Firas Khalid Mazloun, whereas, G3 software was old version and G4 software was new version;
  8. Notarization acceptance notification and invoice, to prove emails were being notarized;
  9. The website and business card of Guangzhou Hedong Company, to prove downloading available from Hedong website;
  10. An automated control method and system's innovation application, and its reply, to prove Firas entrusted Shima Company to register the automated control method and system's innovation application, Patent Bureau had replied clearly that method and system were public, not entitled to apply for an patent right, the bureau did not accept the subject application.
- Thus it can be judged there are no secrets in the softwares of HDL Co,Ltd. And now applying for a patent application is online. Defendant Shima can't get the original copy of the patent.
11. OEM agreement can prove the fact that Shima is the OEM factory and G4 belongs to Firas Khalid Mazloun. G3 is the old one (involved in the case) and G4 is the new one;
  12. According to translations of emails and (2013) Guangdong DongGuan East No.011939 Notarial Deed,

S-Bus Programming software ,source code and control protocol belong to Mr. Firas Khalid Mazloun. HDL Co,Ltd got these from Mr. Firas Khalid Mazloun.

13. According to (2013) Guangdong DongGuan East No.017060 and No.017069 Notarial Deed ,it's a fact that Mr. Firas Khalid Mazloun has been set up a cooperation relationship with HDL Co,Ltd. And HDL is based on Mr. Firas Khalid Mazloun's company smart-home is the world's leading technology and successful experience to cooperation.

14. According to Guangdong 2014 CSI Forensic Identification Division word No.1 Notes, the source code from Website:[www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) has the identical with the source code from HDL.

15. According to the uploading time of the source code from Website:[www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) can not be identified, the uploading time of the file sbus software.rar from <http://smartbuscloud.com/open-source/sw/> and [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) is June,14,2011.

The defendant Lin Weiyong claimed that:

1. He has reached a settlement with the plaintiff HDL and HDL promised him they will not be investigated for his responsibility.
2. He was a staff of smart-home and has been authorized by HDL to modify the software for smart-home.
3. He has confirmed the authenticity of the letter of commitment signed with HDL.

The defendant Lin Weiyong submitted the following proof of evidence to the court within the deadline:

1. The United Arab Emirates (UAE) entry visa, health certificate which can prove that he worked in Dubai, 2008.
2. Passport, work visa, job card and the labor contract signed with smart-home which can prove that he was a staff of Smart-Home
3. Authorization can prove HDL has authorized him.
4. The statement of HDL and smart-home proves that the management software is the result of mutual cooperation.
5. The statement and the OEM statement of smart-home and Shima Co, Ltd which can prove the relation between them. smart-home authorized Shima Co,Ltd to OEM.
6. The letter of commitment proves HDL promised him will not be investigated for his responsibility
7. Resignation Letter proves Lin Weiyong quited on Dec.3 2012

The defendant Chen Dehua claimed that:

1. He has confirmed the authenticity of the letter of commitment.
2. He denied the leakage as he is Shima's employees.
3. He served for Shima Co,Ltd and there is no infringement.
- 4 .He signed a pledge with HDL who is committed to the withdrawal of the accused, not to pursue any

legal liability.

The defendant Dehua Chen submitted the following proof of evidence to the court within the deadline:

1. The social insurance list, to prove he worked for Shima Co,Ltd and was one staff of Shima Co,Ltd.
2. The letter of commitment proves he has reached a settlement with the plaintiff HDL and HDL promised him will not be investigated for his responsibility
3. The wage confirm manual signature can prove he is one of Shima Co,Ltd staff

The court found that:

First, the technical secret involved in the case. HDL claimed that they own the technology.

Lin Weiyong worked for HDL from August 9, 2004 to August 23, 2007. On September 10, 2007, HDL signed a technical confidentiality agreement with Lin Weiyong, agreed within five years from the date of agreement signed Lin Weiyong needs to keep secret of HDL intelligent lighting control system management software products and HDL paid him 15000RMB as Confidential expenses. Chen Dehua worked for Li Chuang electronics company from October 2008 to February 2011, as an electrical engineer, engaged in research and development. According to the labor contract signed with Li Chuang electronic company, Chen has an obligation to keep the secret of their knowledge about intellectual property rights. The shareholder of Li Chuang Co,Ltd is the same as HDL. On August 5,2012, Li Chuang Co, claimed that since the company was established on January 23, 2008, they started to design parts of "HDL bus intelligent control system". Their achievements belong to HDL. Also they confirmed Chen was in charge of the design.

HDL sued Shima, Lin Weiyong and Chen Dehua on August 21, 2012 that they infringed on its technical secrets, and apply to court for preservation of evidence. We copied the related source code, program, database and software accordingly. Then according to HDL's application, we selected third party appraisal to check.

According to Guangdong Xinzheng judicial authentication:

- 1、 Through both PC control program part of the source code comparison, to achieve "very high identity" within the coding layer of both database and found that the same person's name "Hu ZhenCheng" which indicates that the development of the program, there is a direct copy of the previous program;
- 2、 Through both the product source code comparison, get "very high identity" results. Its conclusion: According compatibility comparison, PC software source coding layer comparison replacement procedures compared to the product comparison of the source coding layer, it can know information the G4 intelligent Control system is highly similar with HDL control program and other related programs.

HDL Company, Lin WeiYong and Chen Dehua has no objection on the identification results. Shima Company thinks:

- 1、 "Identification of opinion" were identified only on the results but doesn't mean the source code is the same.
- 2、 "Identification of opinion" Annex 13 to display at the first page of the "The project modified on 21st July, 2009," proves the source code is from a third party because that Lin has no chance to touch the HDL's source code.

Shima company contended HDL company 's source code does not comply with commercial secrets in the Statutory conditions and HDL company did not provide evidence that its source code is not known by public. Shima company claims the fact of the cooperation relationship with Firas Khalid Mazloun and HDL. HDL's source code is from Firas Khalid Mazloun and Shima is Firas Khalid Mazloun's OEM partner and the source code used in the Shima company is from Firas Khalid Mazloun, and can be downloaded from [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) website

Hence, Shima provided the partnership documents between Firas Khalid Mazluom and HDL, a statement on Sept. 18, 2008, the e-mail exchanges between the two sides, the relevant information from HDL company's website, Firas Khalid Mazluom and Shima's OEM agreement, Firas Khalid Mazluom witness testimony, forensic CSI Guangdong [ 2014 ] Secretary Notes No. 1 " identification opinion" and added relevant evidence to prove that : On February 1, 2009, Hedong company signed a contract with Firas Khalid Mazluom to establish Guangzhou Hedong Electronic System Engineering Co., Ltd., aiming operating for the purpose of combining the advantages of using Hedong company's production advantages and Firas Khalid Mazluom intelligent's smart home technology to carry out smart home operations in China, operating range covers household appliances, lighting control and telephone intelligent control systems' installation, programming and maintains. The company establishment was approved on 12nd March, 2009. On the 18th September, 2008, HDL company and Firas Khalid Mazloun announced together: Miracle management software developed by HDL and its business partners. With the assistance of Smarthome, it's much easier to be operated and more user friendly.

On the 28th September, 2008, Firas Khalid Mazluom sent email to HDL CEO Mr. Liang Guoqin to thank HDL's joint efforts in the past one year to make the software more flexible and easier to be used and advice Smart-Bus should be changed to S-Bus similar with C-Bus which is better than Miracle. According to HDL company and Firas Khalid Mazluom emails from 4th February, 2009 to 2nd June, 2009, HDL company lost the S-BUS programming software and updated source code so Firas Khalid Mazloun sent the above documents to the HDL company. For the 124 bugs and problems and updatable part listed by HDL company, Firas Khalid Mazloun side expressed that all can be solved quickly. Regarding to the Smart-Bus for rs232 control protocol, HDL Company requires Firas Khid Mazloun party to program and write control instructions for them. In the year of 2011, Firas Khalid Mazloun signed authorization statement with Shima company saying: "Smart Group gives the permit to Shima using their 4th generation of Smart-Bus to produce the fourth generation Smart-Solutions products." Firas Khalid Mazloun witnesses to that S-BUS source code, G4 software and HDL-bus are the same just the name is different. The source code is developed by Firas Khalid Mazloun, HDL and a German and owned by the three companies jointly.

It's free to download the involved source code

from [www.4shares.com](http://www.4shares.com) and [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) website. According to Guangdong CSI forensic identification, the source code downloaded from [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) is the same as HDL Bus intelligent control system source code. Besides, the sbus software.rar file from [http://smartbuscloud.com/open\\_source/sw](http://smartbuscloud.com/open_source/sw) is same as the source code downloaded from [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) website, and the upload date (June 14th, 2011) was earlier than HDL Sue's time.

For the above evidence, HDL company confirmed the existence of partnership with Firas Khalid Mazloun, but the cooperation does not include the source code. And Guangdong didn't check the people who uploaded source code, upload date to [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com). Also evidence proves [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) website owner is Firas Khalid Mazloun, therefore it can not prove HDL company's source code is not publicly known.

Lin Weiyong confirms the source code involved in the case belongs to HDL's confidential secret while Chen Dehua insists that the source code does not meet the statutory conditions for business secret and claims any engineer can attain the source code through reverse engineering. At the same time, HDL did not take any security measure. But Chen Dehua's illustration lacks of evidence.

HDL submits two letters of commitment signed by Lin Weiyong and Chen Dehua. The letters of commitment indicate that Shima uses HDL's business secret to design and produce smart controlling products and Lin Weiyong and Chen Dehua got involved. But according to the letters, HDL holds the idea that after Lin Weiyong and Chen Dehua fulfill their promises, they will not be investigated for legal

responsibility. Lin Weiyong and Chen Dehua in their comments in writing as well as in the court consider that they agree to sign the letter of commitment because HDL promises to give up investigating their legal responsibility and withdrawing the lawsuit. In addition, according to the employee's card which the court collected as evidence, Lin Weiyong and Chen Dehua were working for Shima company.

This court is of the opinion that the case is violations of the technology secret dispute. On the basis of the party's plea opinion, we should investigate whether the so called technology secret from HDL is true or not.

According to Article 10 the third paragraph in Law of People Republic of China Against Unfair Competition, business secret means technology and operational information being unknown by the public, taken security measure by the obligee, bringing economy benefits for the obligee, and practical. Shima considers that HDL's source code does not meet one of the statutory conditions for business secret, being unknown by the public, and there is a cooperation relationship between HDL and Firas Khalid Mazloun . It is Firas Khalid Mazloun who provides source code for HDL.

Moreover, Shima is the OEM factory for Firas Khalid Mazloun and the source code Shima is using is from Firas Khalid Mazloun which can be publicly downloaded on the website of [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com). For such fact, Shima provides certain material to prove the cooperation relationship between HDL and Firas Khalid Mazloun, statement delivered on September 18th, 2008, emails communication, material on HDL's website, OEM agreement between Shima and Firas Khalid Mazloun, Firas Khalid Mazloun's statement, Guangdong judicial authentication first expertise report in 2014 and certain supplementary statement material .We court confirm that HDL admits the cooperation relationship between HDL and Firas Khalid Mazloun. For the statement on September 18th, 2008, though there is no original copy it can be proved by other evidence. In regard to the emails communication, HDL verifies the email content is no difference during the evidence exchange and affirms that the email address is the ones of legal representative and employees but denies the email content without evidence. We recognize the email communication. We recognize HDL's website material attained through notary way, OEM agreement between Shima and Firas Khalid Mazloun, and Guangdong judicial authentication first expertise report in 2014. But for the supplementary statement, we do not recognize because of the fact that the document of sbus software.rar on the <http://smartbuscloud.com/open.source/sw/> is the same as source code attained from website of [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) or the one HDL insists can not be proved. According to the collected evidence, we can prove that the HDL-bus which HDL advocates is the same software as Miracle software, Smart-bus or S-BUS. HDL cooperates with Firas Khalid Mazloun to develop these softwares together. During the cooperation, Firas Khalid Mazloun sent the above-mentioned documents to HDL because HDL lost S-BUS programming software and updated source code. Both of them discussed and communicated about the bugs and renewable parts, rs232 controlling protocol of Smart-Bus. Guangdong judicial authentication first expertise report in 2014 shows that Firas Khalid Mazloun publishes above-mentioned software on the website of [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com). HDL thinks the uploading time can not be confirmed and there is a possibility that Shima steals the source code from HDL and then uploads the source code onto the website [www.smarthomeuniversity.com](http://www.smarthomeuniversity.com) owned by Firas Khalid Mazloun. For this, we believe that Based on the recognition of the fact, when Firas Khalid Mazloun cooperates with HDL, Firas Khalid Mazloun has mastered S-BUS software and source code, therefore HDL's plea is false. To sum up, since HDL's source code has already been published on the Internet, and does not meet one of the statutory conditions for business secret, being unknown by the public, the business secret HDL insist is false.

Secondly, Lin Weiyong signs technology confidentiality agreement with HDL after leaving the company. When Chen Dehua signs the labor contract with affiliated company Lichuang electronics corporation, promising to keep intellectual property of the company which he knows. In addition, they began to work for Shima. But as is mentioned before, when Firas Khalid Mazloun cooperated with HDL, Firas Khalid Mazloun has mastered S-BUS software and source code and Shima is the OEM company for Firas Khalid Mazloun.

According to article three hundred and forty-one of Contract Law of the People's Republic of China, the right to use and transfer the technical secret resulting from a commissioned or cooperative development, and the method for allocation of benefits accrued there from shall be agreed upon by the parties. Where such matters are not agreed or the agreement is not clear, nor can they be determined in accordance Article 61 of this Law, all of the parties are entitled to use and transfer the technology, provided that the developer in a commissioned development may not transfer the technology to a third party before it delivers the technology to the commissioning party.

According to Interpretation of the Supreme People's Court concerning Some Issues on Application of Law for the Trial of Cases on Disputes over Technology Contracts, Contract Law Article 341 "The parties have the right to use and transfer" including both the parties use the technology secret or they authorize others in an way of ordinary license without the consent of the other. And thus exclusively owns the benefits. If one party transfers technology to others, or permits others to use technical secrets without a way of ordinary license nor without the other party's consent, such behavior shall be sentenced to be invalid.

Before HDL and Firas Khalid Mazloun figure out clearly who should have the ownership of the software involved in the case, Firas Khalid Mazloun has right to use the software involved in the case, and permits Shima to use them. Even though HDL's advocacy of business secret is set up, it can not prove Lin Weiyong and Chen Dehua steal HDL's tech secrets only depend on Lin Weiyong and Chen Dehua joined Shima after they left HDL.

Although Hedong Company submitted the Letter of Commitment signed by Lin Wei Chong and Chen Dehua signed to prove the two persons admitted they grasped HDL's technology secrets and they used it when they worked for Shima. However, the Letter also indicated that Hedong Company promised not to sue them after they fulfilled their promise; According to the two persons' written statements and what they said in Court, they advocated that they signed the Letter due to Hedong would withdraw the law suit once they signed the Letter. Therefore, the Court does not accept the verity of Letter of Promise.

### THE JUDGEMENT:

(HDL) Guangzhou Hedong Company's all claims are overruled by the court.

(HDL) Guangzhou Hedong Company is in charge of the cost for this case RMB22800.

(HDL) Guangzhou Hedong Company is in charge of the cost of appraisal RMB86600.

Appeal can be submitted to Guangdong Province People's Supreme Court within 15 days if Hedong doesn't accept the judgments from our court.

Chief Judge: Huang Yunwei

Judge: Tu Linzong

Acting Judge: Xie Baoming

April 30, 2014

