

A Comparison
Between Pre-Trial Remedies for Trade Mark Infringements in
Canada and China

By

Changli Gao

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Submitted to the Faculty of Graduate Studies
in Partial Fulfillment of the Requirements
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Trade Mark Infringements in Canada and China**

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Changli Gao

**A Thesis/Practicum submitted to the Faculty of Graduate Studies of The University
of Manitoba in partial fulfillment of the requirements of the degree**

of

Master of Laws

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Abstract
for
**“A Comparison Between Pre-Trial Remedies for Trade Mark
Infringements in Canada and China”**
by
Changli Gao, LL.M (Manitoba)

This thesis reflects the author’s recent five years’ practice as a lawyer in the trade mark regime of the People’s Republic of China, and how this regime compares with the Canadian legal approach.

This thesis does not include the general topic of trade mark law; rather, it focuses on the pre-trial remedies for trade mark infringements. Two forms of the pre-trial remedy, namely Interlocutory Injunctions and Anton Piller Orders, are analysed to illustrate the essence of the common law approach in Canada, as it has been influenced by recent English law. As well, the author analyses the practices regarding pre-trial remedies for trade mark infringements in China, from both administrative and judicial perspectives.

In the final chapter, feasible suggestions are posed to China in the hope that reliable and rational legal protections can be expanded there to reflect the ultimate domestic and international requirements in law that now exist.

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I have given my own detailed commentaries and translation because few Chinese academic writings are on point; but, none of my intellectual creditors can be blamed for errors remaining in this work, the responsibility for which is mine alone.

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9. *Trade-marks Act*, R.S.C. 1985, c. T-13, as amended.
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12. *Trade Mark Law of the People's Republic of China*, passed by the 24th session of the 5th National People's Congress Standing Committee on 23 August 1982, amended by the 30th session of the 7th National People's Congress Standing Committee on 22 February 1993.
13. *Notice On Implementation of "Trade Mark Law" and "Implementing Regulation"*, issued by National Industrial and Commercial Administration Bureau on 22 November 1994.

Chapter 1: Introduction

Section 1 : Brief Histories of Trade Mark Legislation in China and Canada

Recorded use of trade marks in China can be traced back to the Song dynasty (960 A.D. - 1297 A.D.). At that time people started to put special marks on their goods to distinguish their wares from those of others. Although the registration system for trade marks has existed only since the 1950s, the legal consciousness of protecting trade marks from being infringed remained off the agenda for an even longer time. The first *Trade Mark Law* was promulgated in 1982¹. As the first version, there were many deficiencies and gaps compared with those in developed countries; for example, service marks and certification marks were not under legislative protection. To meet the higher standard, in 1993 the 1982 law received its first amendment. Its most significant element is the extension of the scope of protectable trade marks by adding service marks and certification marks. Also, in 1993, another important statute, the *Anti-Unfair Competition Law*² passed, by which unregistered trade marks were protected. From then on, a whole framework for trade mark protection has been established in China. However, similar to other statutes, the 1993 *Trade Mark Law* places the needs of consumer interests, namely the public interest, at the top of the legislative purpose,³ which usually plays an important role in terms of trade mark infringements.

¹ Chidong Huang & Shuwen Liang, eds., *Latest Explanations on Trade Mark Law and Its Relative Regulations* (Beijing: Democracy Press of China, 1999) at 1.

² *Ibid.*

³ *Ibid.* at 1093-1099, Art 1, amended by the 30th session of 7th National People's Congress Standing Committee on 22 February 1993 [hereinafter "*Trade Mark Law*"].

Canada took steps to protect trade marks much earlier than China, with legislation commencing in 1860, although it simply addressed the definition of the misdemeanor and the fraudulent use of a trade mark.⁴ The *Trade Mark and Design Act*,⁵ passed in 1868, was the first federal trade mark law, and provided for registration of trade marks and industrial designs as shown by the title of the *Act*. In 1932, the *Unfair Competition Act*⁶ replaced the *Trade Mark and Design Act*. It was the first to deal with unfair competition and divided trade marks into word-marks and design-marks, which eventually caused conceptual and legal difficulties. Besides this complication, its constitutional validity was continually challenged, and in consequence it was superseded by the *Trade Marks Act* of 1953.⁷ In addition to maintaining the registration system set out by previous statutes, its main contribution was the creation of a right to license trade marks. After a couple of amendments, the most recent version of the 1953 Act is the 1985 *Trade-marks Act*.⁸

Apart from these advances in legislation, Canada has set up a coherent and well-developed system for protection of unregistered trade marks within its common law. It might not be appropriate to give much credit to Canada just on the basis of its relatively longer legislative history of trade marks; but indeed, it is one contributing factor in explaining the many differences in legal awareness and in the substantial focus on trade mark laws between Canada and China.

⁴ Harold G. Fox, *The Canadian Law of Trade Marks and Unfair Competition*, 3rd ed. (Toronto: Carswell, 1972) at 5.

⁵ R.S.C. 1868, c. 55.

⁶ R.S.C. 1932, c. 38.

⁷ R.S.C. 1953, c. 49.

Section 2: The Trade Mark Systems in Canada and China

In Canada, trade mark owners could bring an action for passing off under the common law of torts since the seventeenth century.⁹ Apart from that, a “passing off” action for an unregistered trade mark might also be brought pursuant to section 7(b) of the 1985 *Act*.¹⁰ Action for a trade mark infringement and “passing off” under the Act may be commenced in either federal or provincial jurisdictions, while a passing off action, based on the common law, is available only in a provincial court.¹¹ Obviously, there are distinctive requirements for filing the two kinds of actions, but the remedies for each are effectively the same. Therefore, when discussing remedies for trade mark infringements, references are related to both of them in this thesis with regard to the Canadian part.

As recognized, “outside the common law countries, passing off...is one aspect of unfair competition to which civil liability sanctions apply”.¹² This is the case in China, where no overlap regarding infringements of registered trade marks and unregistered trade marks can be found in the 1993 *Trade Mark Law*. They are in the *Trade Mark Law* and the *Anti-Unfair Competition Law*, respectively. Unlike Canada, the jurisdiction requirement is only specific for the action of infringement of a registered trade mark,

⁸ *Trade-marks Act*, R.S.C. 1985, c. T-13, as amended [hereinafter “*Trade-marks Act*”].

⁹ R. Scott Jolliffe, “The Common Law Doctrine of Passing Off.” in *Trade-marks Law of Canada* (Toronto: Carswell, 1993) 197 at 199.

¹⁰ Section 7(b) states : “No person shall...direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another.”

¹¹ James J. Kokonis, “The Scheme of the Canadian Trade-marks Act” in *Trade-Marks Law of Canada*, *supra* note 9 at 94.

¹² *Ciba-Geigy Canada Ltd. v. Apotex Inc.* *Ciba-Geigy Canada Ltd. v. Apotex Inc.* (1993), 44 C.P.R. (3d) 289 at 298 (S.C.C.).

which must be brought before the People's Court above the intermediate level. Unfair competition cases are free from this jurisdiction.

Section 3: The Nature of the Trade Mark Right

A trade mark is a mark used to distinguish wares or services of one person from those of others, and the goodwill attached to the goods or services, which is represented by the trade mark constitutes the crucial part of the trade mark right. No comment might be better than that given by Lord Macnaghten:

What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom.¹³

Goodwill is associated with advantages and reputation, although there are some subtle differences between them. At present, goodwill has expanded its meaning to a very broad sense, including not only people who are customers, but also the reputation and drawing power of a given business in the market.¹⁴

China shares the same idea about the meaning of a trade mark and trade mark rights with Canada.¹⁵ There the prevailing understanding is that the trade mark itself is only the representation of the goodwill, and indeed the latter is something deserving of legal protection through legislation.

Usually it will cost years for a trader or business to build up goodwill, by means of advertising, sales promotion, and the provision of products of superior quality. In contrast,

¹³ *Inland Revenue Commrs. v. Muller & Co.'s Margarine Ltd.*, [1901] A.C. 217 at 223-24, [1900-03] All E.R. 413 (H.L.).

¹⁴ *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, *supra* note 12 at 299.

goodwill might be easily impaired at an extraordinary speed by a competitor's intentional infringements. In such a sense, to protect the goodwill in a trade mark has become a central task for each country.

Section 4: What Are Infringements of a Trade Mark ?

It has long been held that using a mark that is likely to confuse the public into thinking that the goods in association with that mark originate from the same source as those of another person's mark constitutes infringement. Obviously, confusion serves as the major measurement in judging the infringement of a trade mark.

In Canada, the *Trade-marks Act* provides that, subject to provisions limiting the territorial ambit of a registration, the registration of a trade mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the mark the exclusive right to its use throughout Canada.¹⁶ Section 20 of the Act extends the rights of an owner of a registered trade mark. It provides that an owner's right to exclusive use of a trade mark shall be deemed to be infringed by a person not entitled to its use under the Act who sells, distributes or advertises wares or services in association with a confusing trade mark or trade name.¹⁷ Furthermore, no person is allowed to use a trade mark registered by another person which is likely to depreciate the value of the goodwill attaching to that mark.¹⁸

¹⁵ Art. 7, *Trade Mark Law*, *supra* note 3.

¹⁶ S.19, *supra* note 8.

¹⁷ *Ibid.*, s. 20.

¹⁸ *Ibid.*, s. 22(1).

Unlike the more flexible and less formalistic provisions in Canada's *Trade-marks Act*, in China infringements of trade marks are clearly specified in the 1993 *Trade Mark Law*. Four types of infringements can be found as follows:

- (1) To use a trade mark which is the same as or similar to any registered trade mark in respect of the same or similar wares without authorization of the proprietor of the registered trade mark;
- (2) To sell wares knowing that a counterfeit trade mark is being used as a registered trade mark;
- (3) To forge or to falsify representations of the registered trade mark, or to sell forged representations made without authorization of the trade mark owner;
- (4) To cause , in other respects, prejudice to the exclusive trade mark rights of another person.¹⁹

Since the *Trade Mark Law* cannot possibly cover the whole range of infringements of registered trade marks, the 1995 *Implementing Regulation of the Trade Mark Law* includes three other types of activities, to which Art 38(4) refers.²⁰ In spite of this effort, there are still some types of infringements which are beyond the prediction and consideration of legislators.

¹⁹ Art. 38, *Supra* note 3, translated by the author.

²⁰ Art. 41, *supra* note 1 at 1100-1112, amended by the State Council on 23 April 1995 (hereinafter "*Implementing Regulation*"), includes: (1) To deal in wares which were known or should have been known to have infringed the exclusive right of another person; (2) To use, as a product or label, written script or a design which is identical or similar to the registered trade mark of another person who uses it on the same or similar goods in the manner that is sufficient to have the effect of confusion; (3) To intentionally provide storage, transport, postage or harboring offenders in order to facilitate the

Section 5: What Are the Remedies ?

Subsection (a): The Nature and Forms of Remedies

A remedy is the device employed to enforce a right or redress for an injury. That is to say, “a remedy is a right, a right of a particular kind, namely, to redress or relief which will , so far as possible, rectify the consequences of a breach of duty by another party to a legal relationship.”²¹ Thus, the essence of remedies in trade mark cases is to correct the wrong done and to compensate the owner who has suffered or who will probably suffer loss and damage to the goodwill attaching to his or her goods or services.

When turning to civil remedies for trade mark infringements in Canada, the most common remedy sought is an injunction. In addition, a successful plaintiff can be granted provable damages or an account of the defendant’s profits. More than that, the losing defendant may be required to deliver up all materials bearing the infringing mark. Pursuant to the *Trade-marks Act*, the prohibition of imports is commonly granted by the Federal Court.²²

In Canada, remedies in trade mark actions may be considered under two broad categories, namely, those which can be obtained before a trial and those granted in compliance with the final judgment. The former category consists primarily of

infringement of the exclusive rights of another person to use a registered trade mark (translated by the author).

²¹ G. H. L. Fridman, “*Ubi Jus, Ibi Remedium*,” in *Law of Remedies : Principles and Proofs* (Ontario: Carswell, 1995) 1 at 2.

²² S. 53(4), *supra* note 8.

interlocutory injunctions, including the Anton Piller relief,²³ which will be illustrated mainly in this thesis.

In China, the remedies for civil liability are laid down in *The General Principle of the Civil Code of the People's Republic of China*, merging contractual remedies and tortious remedies without distinction. They include: cessation of infringement, removal of obstacles, elimination of danger, restitution of property, restoration to the original situation, repair or re-doing or replacement, compensation, payment for breach of contract, elimination of negative impact and restoration of reputation, and statement of apology. More than that, courts are authorised to seize the assets and profits that the wrongdoer gained from such illegal activities, and to order fines or an administrative detention in accordance with the corresponding regulations.²⁴

In the context of remedies for trade mark infringements, China's are almost identical to those of Canada. But when considering actions for trade mark infringement in China, the focus of courts and academics is primarily on damages and on accounting of profits, while injunctions are characterised by a lack of attention, appreciation and judicial comment. In particular, the injunction pending trial is treated as nothing more than a pre-execution to guarantee the execution of final judgments.

²³ In this kind of injunction, the plaintiff is allowed to search the premises of the alleged defendant and seize documentation and evidence which are in serious danger of being destroyed or concealed by the defendant. In Part 2 of Chapter 2, Anton Piller Orders will be fully addressed.

²⁴ Art. 134, passed by the 4th session of the 6th National People's Congress in April 1986 (hereinafter "*Civil Code*"), *supra* note 1 at 1038-1064.

Subsection (b): The Significance of Pre-Trial Remedies

It is conceded that, in considering trade mark cases, the focus is first upon the remedies because these are the whole object of the litigation. In a certain sense, remedies represent a combination of the motive, purpose and legal recourse of an action. Therefore, they should not be regarded just as the last paragraph of a judgment; in contrast, they are far more than an “ awarding of an injunction in the terms sought and a rough estimate of damage.”²⁵

The interlocutory injunction, which is sought to restrain interference with property rights , can be so strong as to make it more accurate to say that the injunction is already the presumed remedy.²⁶ In fact, in many trade mark cases, granting or withholding an injunction will settle the dispute and thus litigants have no need to proceed to the trial stage.²⁷ Therefore, the award of an interlocutory injunction is an extraordinary and discretionary remedy that should be granted only when required by the interests of justice.

Basically, the substantial pre-trial remedies for trade mark infringements adopted in Canada and China share a lot in common, but the procedures and considerations involved vary to an extent that cannot be ignored. While courts in Canada are paying more and more attention to considering whether an interlocutory injunction, or Anton Piller relief, should be granted, their Chinese counterparts are simply taking account of how to take expeditious steps to satisfy the application of a plaintiff.

²⁵ David J. A. Cairns, *The Remedies for Trademark Infringement* (Toronto : Carswell, 1988) at 3.

²⁶ Robert J. Sharpe, *Injunctions and Specific Performance*, 2nd ed. (Toronto: Canada Law Book ,1999) at para 2.322.

²⁷ *Ibid.*, at para 2.356.

Apart from that, in China the most important institution is the State Industrial and Commercial Administration Bureau (hereinafter “SICAB”). Being authorised by the *Trade Mark Law* and other regulations, it is entitled to grant administrative remedies in accordance with its authority or at the request of applicants. SICAB has been regarded as an indispensable incidental aspect of the broader social policy goal in handling trade mark infringements. Such a system, where both the civil jurisdiction and administrative jurisdiction co-exist, is named a “dual system” or “parallel system”. Since remedies awarded by SICAB take place before litigants go to court, they thus fall within the area of this thesis.

As briefly demonstrated, paramount concerns with the public interest, the weakness of procedures and the dual system of civil and administrative remedies constitute a number of features of Chinese law and legal process on this subject. At the same time, they provide a wide area to explore and develop both scholarship and practice, and to make some contribution to future law-making.

In subsequent chapters, I will examine the content and rules of Canadian jurisprudence regarding pre-trial remedies for trade mark infringements, as well as for their counterparts in China. However, this introduction and the illustrations that follow are designed to compare the substantial differences between the two countries. On the basis of as full an understanding as possible, I intend to analyse whether it is possible for China to set out a more prudent legal process, which would be similar to but not identical with that which has been established in Canada. More than that, I will shed light on how to shift or absorb the essential experience of Canada to China, while reconciling the new ideas with

Chinese cultural and legislative contexts. This can help to make China more consistent, mature and responsive to the needs of international law with respect to remedies for trade mark infringements preceding trial.

Chapter 2: Pre-Trial Remedies for Trade Mark Infringements in Canada

Part 1: Interlocutory Injunctions

An interlocutory injunction is an order which restrains the person to whom it is directed from performing a specified act, or , requires her to perform a specified act until the final hearing or determination by the court regarding the rights of the parties.²⁸ Thus, interlocutory injunctions are usually categorised as either a prohibitory or mandatory injunction, based on whether it is a prohibition or a demand for specific performance. Interlocutory injunctions may include further classification as *ex parte* injunctions which may be obtainable without notifying one party before the full hearing of the motion, as is the case with an Anton Piller Order.

Trade marks are valuable only on condition that they acquire “goodwill”; therefore any threat to or actual infringement of such incorporeal property is likely to lead to an application for an interlocutory injunction. Such injunctions can restrain the defendant from continuing or committing the alleged infringement or deceptive conduct.²⁹ More than that, once granted, the plaintiff need not proceed with multiple actions for successive infringements. Since it is less practicable for infringers to redress an injury to goodwill than to stop further infringements, Canadian courts have been willing to grant

²⁸ I. C. F. Spry, *The Principles of Equitable Remedies*, 4th ed. (Toronto: Carswell, 1990) at 317, 437.

interlocutory prohibitory injunctions more readily than interlocutory mandatory injunctions.

In some urgent trade mark cases, an *ex parte* injunction may be available if a court can be satisfied that the plaintiff has met all requirements, which will be fully addressed in the following sections.

Section 1: History of Interlocutory Injunctions

The granting of interlocutory injunctions has been viewed as a product of the inherent powers of courts of equity, specifically the English Chancery. They came into use as early as the sixteenth century and has proved to be the most important power of courts of equity.³⁰ The courts of common law had no equivalent power to grant injunctions, only the authority to award damages. Injunctions were awarded in harmony with equitable principles and particularly with the wide discretion of courts. Further, in order to accommodate jurisdictional boundaries between courts of equity and common law, there were a number of principles for the court of equity to follow. One fundamental principle was that they would grant an interlocutory injunction only when the common law remedy of damages was inadequate, namely when irreparable harm had occurred.³¹ Another crucial principle was that the court of equity was reluctant to make any assessment on the

²⁹ T. A. Blanco White & Robin Jacob, *Kerly's Law of Trade Marks*, 12th ed. (London: Sweet & Maxwell, 1986) at paras 15-65.

³⁰ Spry, *supra* note 28 at 317.

³¹ Paul M. Perell, "The Interlocutory Injunction and Irreparable Harm" (1989) 68 *Canadian Bar Review* 538 at 541.

merits of the action, given that that was a question which fell within the jurisdictional preserve of the courts of common law.³²

The unified standard for an interlocutory injunction was not crystallised until the mid-nineteenth century with the merging of courts of equity and common law. Also, more or less contemporaneously, a set of instructions was established by the courts in settling all cases of requests for interlocutory injunctions, with the preservation of some historic principles and rectification of others.³³

The evolution of all law is no less true for the law of interlocutory injunctions in Canada. In the subsequent section, such a continuing development will be fully illustrated in respect of its application to trade mark infringement cases.

Section 2: Test for Interlocutory Injunctions: *American Cyanamid Co. v. Ethicon Ltd.*³⁴

The most influential case in most jurisdictions in Canada remains the *Cyanamid* decision of the House of Lords in England. It is a patent case; nevertheless, it is considered equally applicable in trade mark cases.

Prior to *Cyanamid*, most case law required the plaintiff seeking an interlocutory injunction to establish a *prima facie* case. In other words, the plaintiff had to show that there was sufficient probability for him to win the case at the trial stage. Once satisfied on

³² L. David Roebuck, "The Present Test on Applications for Interlocutory Injunctions," in *Developments in Interlocutory Proceedings: Motions and Discovery* (Toronto: Law Society of Upper Canada, 1980) 1.

³³ *Ibid.*

³⁴ [1975] A.C. 396 (H.L.) [hereinafter "*Cyanamid*"].

this point, courts would turn to other items on “a checklist of factors”,³⁵ namely, irreparable harm, the balance of convenience and preservation of the *status quo*. It should be noticed that before *Cyanamid*, these traditional approaches were not exercised in a consistent manner. In some cases, the principles were viewed as a set of threshold questions and a negative response to any one question would allow refusal to move to the next question. In other cases, the principles were treated as factors which could be weighed in the balance and weakness on one factor could be compensated by strength on another.³⁶ Such judicial confusions provoked the House of Lords in *Cyanamid* to re-define a more unified and rigid formula for granting interlocutory injunctions.

Cyanamid was a patent infringement case where the plaintiff (*Cyanamid*), the patentee, launched an action for an injunction to restrain the respondents from marketing their products. After an eight-day hearing, the English Court of Appeal set aside an interlocutory injunction on the ground that the plaintiff had failed to show a strong *prima facie* case. Further, the court considered that the failure to demonstrate likely success at trial precluded the necessity of going on to the second question of the balance of convenience.³⁷ Apparently, the court took the view that the strength of the plaintiff's case was a threshold test.

The House of Lords reversed this decision of the Court of Appeal and restored the initial decision to grant the interlocutory injunction. Their Lordships strongly disagreed with the excessive emphasis on the strength of the plaintiff's case. Lord Diplock spoke for

³⁵ Sharpe, *supra* note 26 at para 2.70.

³⁶ Roebuck, *supra* note 32 at 3.

³⁷ [1974] F.S.R. 312 (C.A.) at 333.

a unanimous court and said the expression of “a probability,” “a *prima facie* case,” or “a strong *prima facie* case” only led to confusion. “The court no doubt must be satisfied that the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried.”³⁸ He continued to state that consideration of difficult questions of law and conflicts of evidence were not the court’s function at this stage. “These are matters to be dealt with at the trial.”

Following the traditional definition set out by equity, he reaffirmed irreparable harm as “inadequacy of damages” and suggested that inadequacy of damages formed a separate, second prong in the test:

It is where there is doubt as to the adequacy of the respective remedies in damage available to either party or to both, that the question of balance of convenience arises.

Lord Diplock described the object of the interlocutory injunction as being to protect the plaintiff against injury pending trial, but “the court must weigh the plaintiff’s need against the defendant’s need and determine where ‘the balance of convenience lies.’”³⁹ He further stated:

So unless the material available to the court at the hearing of the application for an interlocutory injunction fails to disclose that the plaintiff has any real prospect of succeeding in his claim for a permanent injunction at the trial, the court should go on to consider whether the balance of convenience lies in favor of granting or refusing the interlocutory relief that is sought.⁴⁰

The *Cyanamid* decision redefined the traditional approach in two fundamental areas. First, the plaintiff no longer need be asked to show “a strong *prima facie* case”.

³⁸ *Cyanamid*, *supra* note 34 at 407.

³⁹ *Ibid.*

Secondly, it set out a formula of sequential steps as the appropriate way, rather than a balancing of factors against each other.⁴¹

To a certain extent, the *Cyanamid* decision has been generally followed either expressly or inferentially by Canadian courts in determining issues of interlocutory injunctions.⁴² But meanwhile, it has created several questions of its own. First, in lowering the accessibility threshold of the first test, coupled with growing reluctance in assessing the final result of a case, it arguably made interlocutory injunctions easier to obtain. It is this point that has become the focus of much academic debate.⁴³ Secondly, the House of Lords viewed the function of the interlocutory injunction as the prevention of irreparable injury pending trial. It took for granted that there would be a trial. But in many cases, especially in trade mark cases, the hearing on the interlocutory injunction will rarely lead to an actual trial⁴⁴ because, as will be discussed later, usually interlocutory relief resolves the matter completely in trade mark cases. In such situations, it becomes crucial and necessary for courts to take account of the merits with greater scrutiny. Thirdly, in *Cyanamid*, when facing a patent dispute which was of extreme technical complexity, it was not surprising for the House of Lords to assert the impossibility of assessing the merits on the basis of only preliminary evidentiary material. However, *Cyanamid* overestimated the difficulty in making accurate assessment of the strength of the case.⁴⁵ It

⁴⁰ *Ibid.*, at 408.

⁴¹ Roebuck, *supra* note 32 at 7.

⁴² *Syntex Inc. v. Apotex Inc.* (1984), 1 C.P.R. (3d) 145 (F.C.A.).

⁴³ David A. Crerar, "The Death of the Irreparable Injury Rule' in Canada," (1998) 36 Alberta Law Review 957 at 962.

⁴⁴ Sharpe, *supra* note 8 at para 2.356.

⁴⁵ *Ibid.*, at para 2.230.

has been proved that in general there is a high degree of likelihood for courts to predict the final outcome where the parties do not argue the facts.⁴⁶

Generally speaking, *Cyanamid* has played and will maintain a role in Canadian jurisprudence. However, it is not a statute and has not been followed without criticism or flexibility. In fact, Canadian courts have made some refinements under its guidance, taking account of a large variety of factors. Such developments and discretion are obviously noticeable in trade mark cases.

Section 3: Content and Application of Interlocutory Injunctions in Trade Mark Cases

Canadian jurisprudence has posited a three-step test for interlocutory injunctions which is applicable to diverse types of cases, including trade mark cases. The contents of the test are the strength of the plaintiff's case, irreparable harm, and the balance of convenience. Meanwhile, courts are reluctant to restrict themselves to a series of mechanical steps. Conversely, they place a considerable weight on various circumstances and contexts when employing their discretion in the individual case.

(a) The Strength of the Plaintiff's Case

When dealing with an application for an interlocutory injunction, the first question for the court is "What is the strength of the plaintiff's case?" Since *Cyanamid*, the

⁴⁶ Cairns, *supra* note 25 at 18.

traditional threshold test of strong *prima facie* case has been replaced by a “serious question to be tried.”

The *Cyanamid* decision has been reasserted twice by the Supreme Court of Canada.⁴⁷ Although both cases concerned constitutional rights disputes, they have been influential in private law as well. In *RJR-MacDonald*, the court stated the strength of the case as:

What then are the indicators of “ a serious question to be tried”? There are no specific requirements which must be met in order to satisfy this test. The threshold is a low one. The judge on the application must make a preliminary assessment of the merits of the case....

Once satisfied that the application is neither vexatious nor frivolous, the motions judge should proceed to consider the second and third tests, even if of the opinion that the plaintiff is unlikely to succeed at trial. A prolonged examination of the merits is generally neither necessary nor desirable.⁴⁸

In an action regarding infringement of a trade mark, it has been held that the application cannot be said to be either frivolous or vexatious if the applicant has any statutory claims.⁴⁹ In other words, the first test can be satisfied if the case is brought for infringement, for deemed infringement, for confusion or for the likelihood of confusion within the meaning of the *Trade-marks Act*.⁵⁰ Under the requirement of the test of confusion, the plaintiff is usually not obligated to show actual confusion; instead, likelihood of confusion in the minds of the relevant public, with reference to people having

⁴⁷ *Metropolitan Stores (MTS) Ltd. v. Manitoba Food & Commercial Workers, Local 832* (1987), 38 D.L.R. (4th) 321, [1987] 1 S.C.R. 110 [hereinafter “*Metropolitan Stores*”]; *RJR-MacDonald Inc. v. Canada (Attorney General)* (1994), 111 D.L.R. (4th) 385, [1994] 1 S.C.R. 311 [hereinafter “*RJR-MacDonald*”].

⁴⁸ *Ibid.*, at 402-03.

⁴⁹ *Turbo Resources Ltd. v. Petro Canada Inc.* (1989), 24 C.P.R. (3d) 1 at 2, [1989] 2 F.C. 451, 22 C.I.P.R. 172, aff’g (1988), 22 C.P.R. 481 (F.C.A.).

average intelligence, eyesight and taking an average amount of care as to the source of the goods or services bearing a confusingly similar mark, is sufficient to satisfy the requirement that there is a serious case to be tried.⁵¹ This is really a lower threshold test. Normally, all that the plaintiff has to demonstrate is that she has a registered trade mark and that her products are likely to be placed in the same channels of trade with the products which are allegedly infringing.⁵²

In terms of the nature of trade marks, litigants, especially the defendant at the hearing, are likely to contest strenuously the validity of a trade mark. However, courts usually hold that the inquiry into the validity of the mark is inappropriate in an injunction motion. They are of the opinion that:

...a determination of the merits which involves extensive evidence and contentious and disputed factors which address the vital question of the validity of the mark should not be decided at the interlocutory injunction stage....When a court decides via an interlocutory injunction that an aggrieved party has 'proprietary rights in a trade mark', that court is deciding the very issue which is to be determined at trial.⁵³

Usually, courts just simply presume that the registration of the trade mark is valid and remains valid until a court of competent jurisdiction makes a final disposition otherwise.⁵⁴

⁵⁰ Ss. 19, 20, *supra* note 8. It should be noticed that under s. 22, depreciating the value of the goodwill attaching to a registered trade mark is an infringement as well. In a statutory claim like this, a plaintiff need show the likelihood of depreciation of the goodwill.

⁵¹ *487497 Ontario Ltd. v. Heintzman* (1989), 26 C.P.R. (3d) 369 at 372 (Ont.H.C.).

⁵² *Mark Anthony Group, Inc. v. Vincor International Inc.* (1998), 80 C.P.R. (3d) 564 at para 18 (B.C.S.C.). In passing off cases, the plaintiff must establish goodwill or reputation attached to her goods or services and deception of the public due to misrepresentation at the first test; see *Greystone Capital Management Inc. v. Greystone Properties Ltd.* (1996), 64 C.P.R. (3d) 496 at 501 (B.C.S.C.).

⁵³ *Syntex Inc. v. Novopharm Ltd.* (1991), 36 C.P.R. (3d) 129 at 138 (F.C.A.).

⁵⁴ *Groupe Lavo Inc. v. Bristol-Myers Products Canada Inc.* (1989), 28 C.P.R.(3d) 183 at 195(F.C.T.D.); also, *Jercity Franchises Ltd. v. Foord* (1990), 34 C.P.R. (3d) 289 (F.C.T.D.).

True enough, since this threshold test represents a rather lower initial hurdle to be surmounted by a plaintiff, it is unusual for courts to determine that the plaintiff's claim is so weak that no serious question arises at all. However, with the awareness that in trade mark and passing off cases, the hearing on the interlocutory injunction usually leads to the end of the action, courts accordingly place more weight on the merits than suggested by the *Cyanamid* case.⁵⁵ It is not uncommon to see that courts examine whether a trade mark is in the public domain or is protected by trade mark registration in the hands of a plaintiff,⁵⁶ or analyse the channels of trade of the parties,⁵⁷ or check the price of goods and types of customers for whom the goods are intended,⁵⁸ in order to determine the degree of likelihood of confusion. Therefore, not uncommonly, where the risk of confusion is decreased by the different positions of the two parties,⁵⁹ or where there is no evidence other than speculation to indicate the existence of an infringement of the plaintiff's trade mark,⁶⁰ or where the relatively long delay in filing an application precludes the court from going on to consider the strength of the case,⁶¹ or the use of a trade mark by the defendant does not fall within the statutory definition of the *Trade-marks Act*,⁶² courts reject the

⁵⁵ *Newsweek Inc. v. British Broadcasting Corp.*, [1979] R.P.C. 441 (C.A.); *Athlete's Foot Marketing Associates Inc. v. Cobra Sports Ltd.*, [1980] R.P.C. 343 (F.C.T.D.); *Dairy Bureau of Canada v. Annable Foods Ltd.* (1993), 46 C.P.R. (3d) 289 (F.C.T.D.).

⁵⁶ *Bata Industries Ltd. v. Bally Matrix Fitness Centre Ltd.* (1987), 17 C.P.R. (3d) 521 (F.C.T.D.).

⁵⁷ *M.K. Stereo Plus Ltd. v. Broadway Sound Plus Ltd.* (1985), 5 C.P.R. (3d) 390 (F.C.T.D.).

⁵⁸ *Bagagerie SA v. Bagagerie Willy Lee* (1992), 97 D.L.R. (4th) 684, 45 C.P.R. (3d) 503 (F.C.T.D.).

⁵⁹ *Bally Schuhfabriken AG/Bally's Shoe Factories Ltd. v. Big Blue Jeans Ltd.* (1992), 41 C.P.R. (3d) 205 (F.C.T.D.).

⁶⁰ 487497 *Ontario Ltd. v. Heintzman*, *supra* note 51.

⁶¹ *Chinese Medicine and Acupuncture Assn. of Canada v. Canadian Academy of Chinese Tradition Health Science* (1996), 70 C.P.R. (3d) 25 (Ont.Ct.(Gen.D.)).

⁶² *Syntex Inc. v. Apotex Inc.*, *supra* note 42.

application for an interlocutory injunction because of the absence of strength in the plaintiff's case.

In the meantime, despite the greater caution on merits explored, some courts still balk at the doctrine established in the *Cyanamid* case. They favour the principle that the *Cyanamid* decision is not of general application, taking the view that the formulation should not apply in precisely the same manner to intellectual property cases.⁶³ A couple of reasons have been produced to support such a position. First, monopolies in, for example, trade marks are recognised and protected under the law to encourage and reward research, inventiveness and capital risks in the manufacturing and commercial fields. In a free market and democratic society, persons in those fields should feel free to create and maintain monopolies without interruption.⁶⁴ But then the necessity arises that the proprietor of a trade mark, who holds a monopoly, should satisfy the court on the evidence adduced at the interlocutory injunction stage that there is a *prima facie* case to be tried. Secondly, the decision on the motion will profoundly influence the rights of the parties in a way which cannot easily be resumed if a different determination is made at the subsequent trial. In particular, if the interlocutory injunction is granted, defendants would be required to disassociate themselves from the old mark, coupled with the funds lost from the previous promotion. "It would be idle to say that they could change back-possibly years later after there has been a trial and appeals from the decision therein because in the meantime they will, of necessity, have invested time, money and effort in a totally different

⁶³ *Turbo Resources Ltd. v. Petro Canada Inc.* (1988), 22 C.P.R. 481 at 484 (F.C.T.D.); the Federal Court of Appeal rejected the notion that the applicant must make a "strong *prima facie* case" under the first element in a trade mark case, but it agreed with the decision of the trial judge for different reasons.

direction, and , obviously, they would not wish to throw that all away.”⁶⁵ In other words, the issuing of an interlocutory injunction could cause actual substantive damage to the defendant. As a result , in trade mark cases it is crucial to cast more light on the strength of the plaintiff’s case than one would for cases in other categories.

For the above reasons, it is incumbent on the plaintiff to establish the *prima facie* case, namely, an evident probability that she will win the case at trial. Courts are entitled to engage in considerable further review on the merits of the case, by way of a careful consideration of facts. In order to assess prospects for success, the court might feel it necessary to examine the distinctiveness of the trade mark, even if it has received registration,⁶⁶ and to go through the affidavits filed by the two parties to verify credibility. More than that, once the defendant makes the court believe that she would obviously have a greater chance of succeeding , and that the potential harm caused to the plaintiff would be less than that caused to the defendant, courts probably would not decide the motion in favor of the plaintiff.⁶⁷

With respect to an interlocutory injunction application in trade mark infringements, no case has been authoritatively decided in Canada as to which standard, namely “a *prima facie* case” or “a serious question to be tried”, is to be applied. Nonetheless, some basic doctrines still can be drawn from the decided cases. First of all, even if the plaintiff is

⁶⁴ *Ibid.*, at 488-89.

⁶⁵ *Athlete’s Foot Marketing Associates Inc. v. Cobra Sports Ltd.*, *supra* note 55 at 348-49; also, *C-Cure Chemical Co. Inc. v. Olympia & York Developments Ltd.* (1983), 71 C.P.R. (2d) 153 (Ont.H.C.); *Irwin Toy Ltd. v. Marie- Anne Novelties Inc.* (1986), 12 C.P.R. (3d) 145 (Ont.H.C); *Ritz-Carlton Inc. v. Jardins Viaritz Inc./Viaritz Gardens Inc.* (1989), 24 C.P.R. (3d) 358 (F.C.T.D.).

⁶⁶ *Turbo Resources Ltd. v. Petro Canada Inc.*, *supra* note 63.

⁶⁷ *Ibid.*, at 486. See also *Edmonds v. Kealey* (1989), 27 C.P.R. (3d) 435 (F.C.T.D.).

unlikely to succeed at trial or could not show the considerable probability of actual infringement of her trade mark, but has shown her claim is neither frivolous nor vexatious, the court should still address the other factors, rather than refuse the application solely on the basis of failure at this point. This is an underlying contribution of the *Cyanamid* case. But, the court's negative recognition of the plaintiff's chances of final success should not be forgotten when considering the other two factors. Secondly, satisfaction of the first test does not mean termination of the rest of the interlocutory injunction test, no matter whether the threshold hurdle is a "strong *prima facie* case" or a "serious issue to be tried". It has been well-illustrated in a trade mark case, "even if the plaintiffs have demonstrated a strong *prima facie* case that they are obligated to go on to prove the existence of irreparable harm, and that the balance of convenience lies in their favour."⁶⁸ Third, although it is a delicate and technical matter to place weight upon, the preliminary assessment of the strength of the plaintiff's case which wholly rests on the context and circumstances in the individual trade mark case, courts are normally asked to examine merits further than the requirement in the *Cyanamid* decision, on the condition of "the degree of predictability which the factual and legal issues allow."⁶⁹ Fourth, if assessment of the merits is impossible to make because of argumentative evidence or questions of credibility, the matter should be left to the test of irreparable harm and the balance of convenience; or, where there is an apparent deficiency in those two latter tests, it is not wrong for courts to presume the existence of serious issues to be tried, rather than

⁶⁸ *Caterpillar Inc. v. Chaussures Mario Moda Inc.* (1994), 62 C.P.R. (3d) 338 at 342 (F.C.T.D.).

⁶⁹ Sharpe, *supra* note 26 at para 2.370.

spending extra time and scrutiny in addressing the strength of the case.⁷⁰ Fifth, when the interlocutory injunction in effect satisfies all the relief that the plaintiff sought, or amounts to a final decision at trial, “the judge must make the best of the difficult situation and base the decision solely on an assessment of the merits.”⁷¹

(b) Irreparable Harm

The key question on this second element of the interlocutory injunction test, irreparable harm, is an essential consideration in equity jurisprudence. In effect, courts are reluctant to grant such preliminary injunctive relief unless the plaintiff shows that, between the time of application and the trial, she will sustain some injury which can hardly be compensated or remedied without the issuing of an interlocutory injunction. It is rational to impose such a burden upon the plaintiff because there is no justification for running the risk of an injunction pending the trial, if damages will provide fairly adequate compensation and if the defendant has an ability to pay them.⁷²

The precise meaning of irreparable harm is difficult to give. Broadly speaking, it is defined as harm not susceptible or difficult to be compensated in damages.⁷³ The most influential and cited definition is from Sopinka and Cory JJ., in *RJR-MacDonald Inc.*:

At this stage, the only issue to be decided is whether a refusal to grant relief could so adversely affect the applicant's own interests that the harm could not be remedied if the eventual decision on the merits does not accord with the result of the interlocutory application.

⁷⁰ *Lisco Sports, Inc. v. Air Lite Luggage Co.* (1996), 72 C.P.R. (3d) 31 (F.C.T.D.).

⁷¹ Sharpe, *supra* note 26 at para 2.380.

⁷² *Ibid.*, at para 2.390.

⁷³ *Metropolitan Stores*, *supra* note 47.

"Irreparable" refers to the nature of the harm suffered rather than its magnitude. It is harm which either cannot be quantified in monetary terms or which cannot be cured, usually because one party cannot collect damages from the other. Examples of the former include instances where one party will be put out of business by the court's decision..., where one party will suffer permanent market loss or irrevocable damage to its business reputation...or where a permanent loss of natural resources will be the result when a challenged activity is not enjoined....⁷⁴

Through the above definition, three ingredients are involved in determining the issue of irreparable harm. They are the nature of actual or potential loss suffered by either party, the possibility of quantifying the damages in monetary terms, and the party's ability to pay the damages.

In the context of trade mark infringement, the ordinary cause of action for the plaintiff is in the confusion of trade marks between her's and the defendant's, and in the loss of goodwill or reputation due to the use of a confusing mark. As indicated above, this statutory claim might easily pass the first test of "a serious question to be tried", but it does not reflect an inherent connection to irreparable harm by itself. In other words, the evidence of confusion is not tantamount to evidence of irreparable harm. The plaintiff must go further to verify that the injury has been or will be to a degree of impossibility to compensate in monetary terms. In the classic case *Center Ice Ltd. v. National Hockey League*, the trial judge issued an interlocutory injunction on grounds that the appellant's use of the name Center Ice was confusing to the public and that such confusion would likely lead to a loss of goodwill, for which the respondent could not be compensated in

⁷⁴ *RJR-MacDonald*, *supra* note 47.

damages. But at the appeal, the higher court set aside the injunction and expressed the following view:

...confusion does not, *per se*, result in a loss of goodwill and a loss of goodwill does not, *per se*, establish irreparable harm not compensable in damages. The loss of goodwill and the resulting irreparable harm cannot be *inferred*, it must be established by “clear evidence”....⁷⁵

Similarly, a number of cases have also stressed that the evidence of irreparable harm must be “clear and not speculative”⁷⁶ and that the applicant must establish that he *would suffer* rather than *likely suffer* irreparable harm.⁷⁷ Taken as a whole, therefore, to assess irreparable harm in trade mark cases, it is undesirable for courts to rely solely upon a finding of confusion or upon alleging infringement rather than upon any convincing evidence that the plaintiff cannot be compensated in damages.

To demonstrate irreparable harm, the plaintiff must lead clear evidence showing how severe the harm is and why it will be irreparable. As a result, the applicant needs to persuade the court that the reputation of her trade mark has been impeached or lessened by the activities of the defendant to an extent that has led any customer to stop dealing or to even consider not dealing with the plaintiff on future occasions,⁷⁸ or that any market loss which she has suffered or may suffer would be permanent,⁷⁹ or that she would be unable to exploit and license the trade mark,⁸⁰ or that her trade mark would be deprived of

⁷⁵ *Center Ice Ltd. v. National Hockey League* (1994), 53 C.P.R. (3d) 34 at 54 (F.C.A.).

⁷⁶ *Nature Co. v. Sci-Tech Educational Ltd.* (1992), 41 C.P.R. (3d) 359 (F.C.A.); *Mark Anthony Group, Inc. v. Vincor International Inc.*, *supra* note 52.

⁷⁷ *Syntex Inc. v. Novopharm Ltd.*, *supra* note 53.

⁷⁸ *Center Ice Ltd. v. National Hockey League*, *supra* note 75.

⁷⁹ *UL Canada Inc. v. Procter & Gamble Inc.* (1996), 65 C.P.R. (3d) 534 (Ont. Ct. (Gen.D.)).

⁸⁰ *Lisco Sports, Inc. v. Air Lite Luggage Co.*, *supra* note 70.

its ability to distinguish the plaintiff's business from that of her competition.⁸¹ In short, the nature rather than the magnitude of the loss that the applicant has suffered or may suffer should be proved as serious and as unable to be compensated in damages.

Canadian jurisprudence has held that examination for irreparable harm should be posed to both the plaintiff and the defendant at this stage. In trade mark matters, the result of changing the trade mark regularly serves as a determinative factor for the defendant, when courts measure irreparable harm that the defendant may suffer in the event of the grant of an injunction. Normally, when the business of the defendant is in its infancy, the court takes the view that it is not inconvenient or unjust for the defendant to stop using the trade mark in question.⁸² Otherwise, when the use of a trade mark or trade name is essential to the continued successful operation of the defendant, irreparable harm arises on the grounds of significant loss and expense.⁸³ Surely, the requirement of proof imposed upon the defendant is nothing different from that imposed on the plaintiff.

In some circumstances, this high standard of evidence set by the *Center Ice* decision has been the cause for complaint. As indicated in the *Caterpillar Inc.* case, "by requiring that a plaintiff adduce evidence of irreparable harm instead of inferring it from the evidence of confusion, the Court of Appeal has made it considerably more difficult to get an interlocutory injunction in trade mark matters."⁸⁴ However, this has gradually become a settled rule in dealing with trade mark cases for Canadian jurisprudence, simply

⁸¹ 826129 *Ontario Inc. v. Sony Kabushiki* (1995), 65 C.P.R. (3d) 171 (F.C.T.D.).

⁸² 241 *Pizza Ltd. v. Nguyen* (1996), 69 C.P.R. (3d) 57 (Ont.Ct.(Gen.D.)).

⁸³ 1036029 *Ontario Ltd. v. Crown Life Insurance Co.* (1995), 64 C.P.R. (3d) 342 (F.C.T.D.).

⁸⁴ *Caterpillar Inc. v. Chaussures Mario Moda Inc.*, *supra* note 68 at 344.

because an interlocutory injunction is a determination of rights before trial, which reflects the necessity of extraordinary caution and prudence.

Once satisfied that there is clear evidence of permanent market loss or irrevocable damage to each party concerned, courts still have to cast further light on the possibility of quantifying the damages. It has long been believed that damages in trade mark issues are extremely hard to calculate, but courts must still make an assessment. At this stage, it is not necessary for courts to consider whether it is easy to assess the damages, but in essence the possibility of measurement becomes the controlling concern.⁸⁵ Accordingly, the burden of proof falls upon the plaintiff. Under the rational understanding that loss in respect of the trade mark is more long term in nature, courts sometimes only ask for a shorter term loss of sales which would anticipate the further loss. The plaintiff should be able to provide the court with an indication of loss based upon historical experience, and with a mathematical or statistical analysis of the circumstances which demonstrate that the loss is not reasonably calculable; this would give the court some degree of confidence that the kind of loss being alleged cannot be calculated.⁸⁶ In such circumstances, courts are willing to draw the conclusion that any loss could reasonably be established from the "increased sophistication of accounting and information retrieval techniques."⁸⁷ Without any doubt, failure or reluctance to file the necessary financial information will inevitably result in the refusal of the plaintiff's application.

⁸⁵ *Castlemore Marketing Inc. v. Intercontinental Trade and Finance Corp.*(1996), 65 C.P.R. (3d) 334 (F.C.T.D.).

⁸⁶ *Effem Foods Ltd. v. H.J. Heinz Co. of Canada Ltd.* (1997), 75 C.P.R. (3d) 331 at 333 (F.C. T.D.).

⁸⁷ *UL Canada Inc. v. Procter & Gamble Inc.*, *supra* note 79 at 547.

Given that the plaintiff has presented a clear explanation for incalculability of irreparable harm, the onus does shift to the defendant if she makes an attempt to refute such a claim. Once again, the defendant is required to establish the substantial proof, such as her accounting history and system. She should let the court know how she proposes to calculate the loss, with the method of analysis and obtainable data.⁸⁸

Where evidence filed by the two parties in regard to the possibility of quantification is in dispute, courts normally exercise their discretion to determine the issue. In some cases, where the plaintiff's trade mark might be threatened to become generic by the defendant's infringing products, the court asserts that damages cannot be measured.⁸⁹ In other situations, for example where the marketplace is not large⁹⁰ or, where the business such as the liquor industry is specifically operated under the government's monitoring with a precise record of the unit sales of any entrant,⁹¹ courts normally feel confident in holding that the matter of impossibility of calculation does not arise.

The defendant can avoid an injunction on the condition of undertaking to keep her accounts because in this way it is probable that the plaintiff's loss can reasonably be calculated.⁹² Furthermore, in appropriate cases when the defendant promises to cease any infringing activities between the motion and trial, the court will refuse the application for an injunction.⁹³ In addition, courts are reluctant to satisfy the plaintiff's claim in the event

⁸⁸ *Eli Lilly and Co. v. Novopharm Ltd.* (1996), 67 C.P.R. (3d) 173 (F.C.T.D.).

⁸⁹ 826129 *Ontario Inc. v. Sony Kabushiki*, *supra* note 81.

⁹⁰ *Greystone Capital Management Inc. v. Greystone Properties Ltd*, *supra* note 52.

⁹¹ *Mark Anthony Group, Inc. v. Vincor International Inc*, *supra* note 52.

⁹² *Caterpillar Inc. v. Chaussures Mario Moda Inc.*, *supra* note 68; *Man and His Home Ltd. v. Mansoor Electronics Ltd.* (1996), 72 C.P.R. (3d) 239 (F.C.T.D.).

⁹³ *Castlemore Marketing Inc. v. Intercontinental Trade and Finance Corp*, *supra* note 85.

that the defendant forwards a disclaimer to all customers that her product or trade mark has no relation to those of the plaintiff.⁹⁴

Turning to the party's ability to pay the damages, this has been viewed as a relevant consideration for irreparable harm.⁹⁵ Since damages are not an adequate remedy when there is no substantive asset to collect, it becomes natural to take certain steps in inquiring into the financial ability of both parties. At this point, each party's financial status is equally open to inspection by courts, but wealth should not determine rights. Courts are less hesitant to find irreparable harm where the defendant is a fledgling or financially unstable company.⁹⁶ But, once assured that the defendant's solvency is not in issue, it will be feasible to estimate in monetary terms the prejudice that will be sustained by the plaintiff, who might then have lost sales and suffered a diminution in value of the goodwill associated with his trade mark.⁹⁷ Correspondingly, the plaintiff is not entitled to a grant of an interlocutory injunction unless she is in a good financial position to pay damages if the defendant succeeds at trial. (This issue will receive further discussion in the next section.)

Recently, irreparable harm has increasingly given rise to academic arguments regarding trade marks. As already illustrated, the tripartite test for interlocutory injunctions has been firmly established by the Supreme Court of Canada in two cases, namely *RJR- MacDonald* and *Metropolitan Stores*, which reaffirm the principle entrenched in the *Cyanamid* decision in which only the first test of a "serious issue" is the

⁹⁴ *Ikea Ltd. v. Idea Design Ltd.* (1987), 13 C.P.R. (3d) 476 (F.C.T.D.).

⁹⁵ *Movel Restaurants Ltd. v. E.A. T. at le Marche Inc.* (1994), 59 C.P.R. (3d) 73 (F.C.T.D.); *Equitas Investment Corp. v. Goodman* (1987), 57 O.R. (2d) 795 (H.C.J.).

⁹⁶ *Fednav Ltd. v. Fortunair Canada Inc.* (1994), 59 C.P.R. (3d) 1 (F.C.T.D.).

⁹⁷ *Edmonds v. Kealey*, *supra* note 67.

condition precedent for the plaintiff to establish.⁹⁸ Therefore, a failure to demonstrate irreparable harm should not preclude the court from continuing the remaining inquiry. Based on this theory, some scholars question the high standard of proof for irreparable harm set by the Federal Court of Appeal, which eventually results in the refusal of an injunction in the absence of “clear and non-speculative proof”. Under the requirement of “clear and non-speculative proof”, irreparable harm has been treated as “a new sequentialist threshold test.”⁹⁹ Besides, scholars question that the Federal Court of Appeal itself does not always insist upon “clear and non-speculative proof”.¹⁰⁰

This elevating requirement has been broadly applied as a focus for the second test; however, it does not mean an end to the remaining test, even though any party fails to meet such a high criterion. Courts are willing to move forward to consider the balance of convenience, although the function of this last test usually turns out to confirm the denial of the interlocutory injunction.

(c) Balance of Convenience

If it appears that an interlocutory injunction will cause hardship or inconvenience to the defendant, the court is required to inquire about the balance of convenience. The definition of a balance of convenience is somewhat obscure as is that of irreparable harm. Nonetheless, in *Metropolitan Stores*, the Supreme Court of Canada did try to define it as :

⁹⁸ *Supra* note 67.

⁹⁹ Crerar, *supra* note 43 at 971.

¹⁰⁰ *Fednav Ltd v. Fortunair Canada Inc.* (1994), 59 C.P.R. (3d) 1 (F.C.T.D.), *supra* note 96, where an injunction was granted on the ground that trade mark confusion *could* have resulted in irreparable injury [emphasis added].

a determination of which of the two parties will suffer the greater harm from the granting or refusal of an interlocutory injunction pending a decision on the merits.¹⁰¹

Furthermore, some authorities assert that the notion of the balance of convenience is a misnomer. They take the view that it should be described not as a balance of convenience but as “a preponderance of inconvenience.”¹⁰² Nevertheless, the objective of a balance of convenience is to achieve maximum justice pending trial, so it is the same as a so-called “preponderance of inconvenience”.

The components of a balance of convenience have been long and universally believed to be matters beyond comprehensive illustration or enumeration. For instance, in *Cyanamid*, Lord Diplock concluded that it “would be unwise to attempt even to list [them]...let alone to suggest the relative weight to be attached to them.”¹⁰³ At any rate, some reasonable factors which significantly affect the balance of convenience on the issue of trade mark infringement can be drawn from an accumulation of judicial decisions based on principles of equity, with full recognition that they vary from case to case.

(i) Negative Impacts

The negative impact on parties in the light of granting or denying an interlocutory injunction is the consideration that immediately follows the test of irreparable harm; but here it has a distinctive focus of its own. As already mentioned, courts should consider the probability and nature of the harm that will impact each party. Where each of them is truly

¹⁰¹ *Supra* note 47 at 129.

¹⁰² *Intranet Technologies Inc. v. NTG International Inc.* (1996), 70 C.P.R. (3d) 172 at 175 (Ont.Ct.(Gen.D.)).

at risk of suffering irreparable harm from an adverse interlocutory decision, the determinative factor then comes down to consideration of the balance of convenience, by weighing the negative impact on each party. In order to fulfill her application, the plaintiff must convince the court that the benefits she stands to gain from the granting of an injunction outweigh the negative effects for the defendant; conversely, the defendant is trying to persuade the court that the hardship arising from the grant of an injunction is relatively far-reaching for her and outweighs any benefit to the plaintiff. Quite often, in the following situations, courts are much more likely to think of the balance of convenience being in favour of one party, where a trade mark is of much more importance to its establishment than to the other,¹⁰⁴ or where it has the credible ability to compensate in damages awarded against it at trial.¹⁰⁵ Obviously, from this point of view, there is a close link between “irreparable harm” and “balance of convenience”, which increasingly raises an argument to merge the former test into the heading of the latter.¹⁰⁶

(ii) Delay

Mere delay, with knowledge of the trade mark infringement, but not for a longer time than prescribed by statutory limitations, constitutes no bar to the action.¹⁰⁷ No proprietor of trade marks is obligated to warn an infringer of her position; hence, the applicant can obtain the relief in spite of his failure to address attention to the

¹⁰³ *Supra* note 34 at 408.

¹⁰⁴ *1036029 Ontario Ltd. v. Crown Life Insurance Co.*, *supra* note 83.

¹⁰⁵ *Wool-Mart Inc. v. Wal-Mart Stores Inc.* (1995), 64 C.P.R. (3d) 442 (F.C.T.D.).

¹⁰⁶ *Crerar*, *supra* note 43.

¹⁰⁷ *Harold G. Fox*, *supra* note 4 at 434.

infringement. But in some cases, when the plaintiff has been guilty of delay, especially if it cannot be satisfactorily explained, she will be held to have lost her right to an interlocutory injunction. Courts do not hesitate to infer that no material irreparable harm has occurred, because otherwise the plaintiff would have moved expeditiously to bring on her motion.¹⁰⁸ Sometimes the fact that the defendant had established her business venture with investments of time and money will substantially disentitle the plaintiff to the interlocutory injunction she is seeking, because hardship would be greater on the defendant than if the plaintiff's business was still in its infancy.¹⁰⁹ The argument of urgency to restrain continued infringements is impeached or decreased solely by virtue of the failure of the plaintiff to pursue the remedy promptly.

Speaking of the length of delay, there is no rule for courts to follow when dealing with trade mark infringements. Instead, the primary concern turns to delay itself and, in addition, whether there is an acceptable explanation from the plaintiff. For this reason, the duration of delay can vary from several months to a couple of years, depending upon the individual case.¹¹⁰

However, several principles should be borne in mind by courts if cases at bar involve the matter of delay. In the first place, the plaintiff should have known of the existence of the infringements but have taken no steps to stop the defendant using the competing trade mark. In the second place, once the plaintiff is capable of providing

¹⁰⁸ *Irwin Toy Ltd. v. Marie-Anne Novelties Inc.*, *supra* note 65.

¹⁰⁹ *Ikea Ltd. v. Idea Design Ltd.*, *supra* note 94.

¹¹⁰ *Chinese Medicine and Acupuncture Assn. of Canada v. Canadian Academy of Chinese Tradition Health Science*, *supra* note 61, where the length of delay is two and one-half years; *Connaught*

evidence of satisfactory explanation, such as the time necessarily spent on investigation and collection of evidence regarding the infringement,¹¹¹ or previous attempts to dispose of the matter by negotiation before the motion,¹¹² delay should not debar the plaintiff from obtaining an interlocutory injunction. Finally, if the defendant's conduct constitutes a fraud upon the public or if its good faith is in doubt, courts need not hesitate to grant an injunction even when there is evidence of delay. Certainly, delay is merely a factor that courts will consider in exercising equitable discretion. The defendant's behaviour must also be weighed.

(iii) Motives of the Defendant

Although the motives of the defendant in employing the trade mark are not a necessary element to constitute a trade mark infringement, they are relevant to the balance of convenience, once irreparable harm has been found. Deliberate attempts to trade on another's goodwill are described as "eyes wide open." The typical example is where the defendant proceeds with full knowledge that the plaintiff would assert the right and is aware of the likelihood that an interlocutory injunction would be sought by the plaintiff, but chooses to go forward in using the trade mark.¹¹³ Courts are of the opinion that the defendant is running the risk of taking no alternative action. In consequence, it would be improper to consider the inconvenience for the defendant to change the trade mark where

Laboratories Ltd. v. Diagnocure Inc. (1997), 74 C.P.R. (3d) 286 (F.C.T.D.), where the plaintiff waited nine months to file the motion.

¹¹¹ *C & M Modes v. Central Purchasing Assn.* (1983), 43 R.P.C. 163 (F.C.T.D.).

¹¹² *ICI Americans Inc. v. Ireco Can. Inc* (1985), 7 C.P.R. (3d) 1 (F.C.T.D.).

¹¹³ *Eli Lilly and Co. v. Novopharm Ltd.*, *supra* note 88.

her infringing activity is instituted with “eyes wide open.”¹¹⁴ Sometimes, even though the defendant adopts a registered trade mark based on the assumed invalidity of the mark, according to her understanding, rather than intending to dilute or impair the goodwill of the plaintiff's trade mark, the court will still hold that the balance of convenience is in favour of the grant of an interlocutory injunction.¹¹⁵

In several circumstances where it is hard to identify the defendant's motives, courts may make inferences from her inability to explain satisfactorily why her trade mark is so similar to the plaintiff's trade mark, or from any inaccuracies or lack of candour in the defendant's evidence.¹¹⁶ Patently, the defendant will suffer an injunction in any case where she cannot discharge the evidentiary burden of showing her innocence.

(iv) The Public Interest

To a limited extent, the presence of the public interest may also be represented at the interlocutory injunction stage. Recognising the collapse of the distinction between “the public” and “the private”, the former is often advocated in determining the hierarchy of interests.¹¹⁷ Nevertheless, there is not much room for the public interest in trade mark infringements, which are normally generated by private litigants and matters.

(v) Preservation of the *Status Quo*

¹¹⁴ 826129 *Ontario Inc. v. Sony Kabushiki*, *supra* note 81; *Rylar Development Ltd. v. Laredo Construction Inc.*, (1996), 68 C.P.R. (3d) 368 (F.C.T.D.).

¹¹⁵ *Philips Export BV v. Windmere Consumers Products Inc.* (1985), 4 C.I.P.R. 267 (F.C.T.D.).

¹¹⁶ Cairns, *supra* note 25 at 27.

Ordinarily, the phrase *status quo* is used to address the purpose of interlocutory injunctions. It has been held that “the most usual, though by no means the only, basis for the grant of an interlocutory injunction is a need to protect the applicant by preserving the circumstances that exist at the time of his application until the rights of the parties are able to be finally established by proper procedures.”¹¹⁸ However, some authorities point out that such a concept offers little or no help to the analysis and, even worse, may cause judicial confusion. In effect, it represents nothing special other than a restatement of the pre-condition to ensure the grant of an interlocutory injunction, namely, that the plaintiff must show that her right will be nullified or prejudiced by the time of trial, unless an injunction is granted.¹¹⁹

In spite of the above criticism, the preservation of the *status quo* does serve as a device to determine the balance of convenience. It has been widely agreed that, where other factors appear to be evenly balanced, the question of preservation of the *status quo* will arise.¹²⁰ Both from the viewpoint of theory and practice, it is usually most convenient where a case for an interlocutory injunction is filed to preserve the existing position and to avoid change.¹²¹

The relevant point of time for the purpose of the *status quo* may well vary in individual cases.¹²² Turning to trade mark infringements, courts are usually of the view

¹¹⁷ Jeffrey Berryman, "Interlocutory Injunction and Accessibility Thresholds: Or Once More Round the Mulberry Bush" (1989) 5 Intellectual Property Journal 137 at 150

¹¹⁸ Spry, *supra* note 28 at 444.

¹¹⁹ Sharpe, *supra* note 26 at para 2.550; also, *Monos Foods International Inc. v. Coca-Cola Ltd* (1997), 74 C.P.R. (3d) 2 (Ont. Ct.(Gen. D.)).

¹²⁰ *Sports Authority Inc. v. Vineberg* (1995), 61 C.P.R. (3d) 155 (F.C.T.D.).

¹²¹ *Cyanamid*, *supra* note 34 at 408.

¹²² *Alfred Dunhill Ltd. v. Sunoptic S.A.*, [1979] F.S.R. 337 (C.A.).

that the *status quo* should be determined as the situation before the defendant commenced using the infringing trade mark which is in question.¹²³ As a result, the plaintiff is placed in a beneficial position to protect the exclusivity of her trade mark when the defendant has not embarked upon her marketing.¹²⁴ Courts feel less sympathetic to the defendant who will enter the market place a little later, or will put extra expense into entering the market place, if she is successful at trial. On the other hand, where the defendant has established her trade with high reputation, or has applied the trade mark with a longer history than the plaintiff did, or has committed her business to future expenditures,¹²⁵ the preservation of the *status quo* usually avails to the benefit of the defendant.

Section 4: Undertaking as to Damages

To date, it has become a universal understanding that, in order to obtain an interlocutory injunction, the plaintiff ought to provide an undertaking to pay the defendant any damages caused to the defendant by the injunction in the event of plaintiff's failure at trial. With no doubt, an undertaking becomes a preliminary condition for the plaintiff, by which the defendant can be guaranteed against suffering loss in advance of the disposition of substantive rights. Once again, the court has authority to exercise discretion on the issue of the undertaking. Indeed, the crown is sometimes relieved from such a crucial requirement when it is engaged in an injunction application.¹²⁶ Unfortunately, such a

¹²³ *Eli Lilly and Co. v. Novopharm Ltd.*, *supra* note 88.

¹²⁴ *Zeneca Ltd. v. Apotex Inc.* (1997), 79 C.P.R. (3d) 399 (Ont.Ct.(Gen.D.)).

¹²⁵ *Groupe Lavo Inc v. Bristol-Myers Products Canada Inc.*, *supra* note 54.

¹²⁶ I. C. F. Spry, "Plaintiffs' Undertakings and Equity's Power to Award Damages" (1991) 65 Australian Law Journal 658 at 660.

priority is not applicable to private law cases, where there is no exception with regard to trade mark infringements.¹²⁷ For this reason, the plaintiff's failure to give a satisfactory undertaking covering damages inevitably amounts to the refusal of her application.

When the impecuniosity of the plaintiff arises, it brings forward the need to consider the defendant's right subsequently, normally under the heading of balance of convenience. The balance of convenience is certainly tipped to the defendant if the plaintiff is in financial crisis.

More than that, where the plaintiff obviously cannot match the defendant's reasonable estimated loss in terms of financial resources, even though she is by no means impecunious, the court usually will dismiss the motion¹²⁸ although it seems unfair to the plaintiff. In the meantime, it should be borne in mind that it is irrelevant to compare the size or reputation of the plaintiff's company with that of the defendant, given that the former is not a phantom corporation created for litigation purposes.¹²⁹

Speaking of the proof of damages, the burden is primarily on the defendant to show that her potential loss, for example, the expense of changing her trade mark and loss of sales, entirely results from the injunction. Once she has met the onus, the evidentiary burden shifts to the plaintiff to show that the loss is not caused by the order.¹³⁰

¹²⁷ *Zeneca Ltd. v. Apotex Inc.*, *supra* note 124; and, *241 Pizza Ltd. v. Nguyen*, *supra* note 82.

¹²⁸ *Wool-Mart Inc. v. Wal-Mart Stores Inc.*, *supra* note 105; here the estimated loss for the defendant would exceed \$3 million, while the plaintiff's undertaking as to damages is limited to \$10,000.

¹²⁹ *826129 Ontario Inc. v. Sony Kabushiki*, *supra* note 81, where the size of the defendant's business is rather larger than that of the plaintiff.

¹³⁰ A. A. S. Zuckerman, "The Undertaking In Damages: Substantive And Procedural Dimensions" (1994) 53(3) *Cambridge Law Journal* 546 at 554.

As stressed previously, the defendant can be relieved from an injunction by voluntarily undertaking to keep her accounts from the motion up to the date of judgment. In any event, in most trade mark cases, along with the refusal of an injunction, courts are more likely to order the defendant to undertake her account separately in relation to the usage of the alleged trade mark. From this point of view, courts feel assured that the plaintiff would be compensated, should it turn out that she is entitled to her exclusive right at trial.¹³¹ But when viewed from a different analytical perspective, if the plaintiff succeeds and claims damages rather than an account of profits as compensation, the defendant's undertaking to keep an account is of no value to the plaintiff. The measurement of damages is concentrated on the plaintiff's actual injury and there is nothing pertaining to the defendant's sales or profits. Apart from this, even if the plaintiff seeks an account of profits, the complex issue of proper expenses involved in those sales and the apportionment of profits cannot be entirely resolved by the defendant's account.¹³²

Conclusion

In Canada, as a provisional remedy made pending a final decision, an interlocutory injunction maintains the integrity of justice by preserving rights in final adjudication. Its parameters are equitable and discretionary. In essence, the discretion is a judicial discretion that must be exercised when the appropriate criteria are satisfied. The rational considerations in this extraordinary relief have developed over several centuries and that

¹³¹ *Bata Industries Ltd. v. Bally Matrix Fitness Centre*, *supra* note 56; *Ikea Ltd. v. Idea Design Ltd.*, *supra* note 94.

¹³² Cairns, *supra* note 25 at 29.

evolution continues. To date, lack of a unanimous definition and agreement on the interlocutory injunction test still exists. Consequently, courts are entitled to exercise their discretion within the contexts of basic requirements of justice and convenience. It should be noted that, although the *Cyanamid* decision made a far reaching contribution to the interlocutory injunction, Canadian jurisprudence remains less ready to apply its formula rigidly and inflexibly. Especially when dealing with trade mark infringements, which raise substantial issues about intangible property and an exclusive right, courts ought to cast a more critical eye on considerations for the circumstances of each case.

Turning to the above sections which elucidate the tripartite test, namely the strength of the case, irreparable harm and balance of convenience, applicable in trade mark infringements, these should not be understood as a comprehensive list but rather as guidance. It is worth stressing one more time that, faced with the debate regarding the tests, courts have arrived at the point where all ingredients and procedures taken into account, as tests for granting or refusing requests for interlocutory injunctions, should not “constitute a series of mechanical steps that are to be followed in some of sort of drilled progression.”¹³³

¹³³ *Turbo Resources Ltd. v. Petro Canada Inc.*, *supra* note 49 at 20.

Part 2: Anton Piller Orders

Section 1: Origin of the Anton Piller Order

The Anton Piller order is an exquisite example of creative judicial law-making to provide remedies for plaintiffs in new situations. The order derives its name from England's Court of Appeal decision in *Anton Piller KG v. Manufacturing Processes Ltd.*,¹³⁴ a case regarding copyright infringement and the breach of secret information. The plaintiffs were German manufacturers of complex electrical equipment marketed in England by the defendants. The defendants were supplied by the plaintiffs with confidential information relating to the design and assembly of the plaintiffs' product. In time, the plaintiffs learned that the defendants were improperly relaying this information and copyright material to the plaintiffs' competitors in Germany, which would severely prejudice the plaintiffs' business. Being fearful that, if notice was given, the defendants would get rid of the confidential material or otherwise pass it on to the competitor, the plaintiffs applied not only *ex parte* for a conventional interim injunction restraining the wrongful acts, but also for an unconventional order to enter the defendants' premises to inspect and remove everything of a confidential or incriminating nature. The unconventional order was refused by the Chancery Division due to the absence of sufficient precedents and of jurisdiction in granting an order without notice to the defendants. An appeal was taken and the requested order was granted in the Court of Appeal. From then on, not only the name of the order but also consolidated guidelines for

its application were laid down, and it gradually became influential in commonwealth countries, including Canada.

Before the Anton Piller Order, there was no rule or authority in England allowing such an order without notice to the defendant. The closest jurisdiction stemmed from Ordinance 29, Rule 2 of the Supreme Court Rules,¹³⁵ which allowed “any person to enter upon any land or building in the possession of any party” in a matter in which an application was granted “for the detention, custody or preservation of any property which is the subject-matter of the cause or matter” or for its inspection. However, under normal rules of procedure such an application had to be made by summons (O. 52, r. 3) or by notice (O. 25, r. 7), either of which necessarily required service on the defendant.

Due to the lack of legislative provisions, the jurisdiction to make an Anton Piller Order came from ancient Chancery practice to order the inspection of property. The contemporary historical underpinnings of the order were in the early nineteenth century decision of the House of Lords in *United Company of Merchants of England Trading to the East Indies v. Kynastn*,¹³⁶ where the defendant was required to permit the plaintiff to inspect her premises. The case of *Hennessey v. Rohmann, Osborne & Co.*,¹³⁷ where the vice-chancellor Malins implied that in an emergency, an order might be made *ex parte*, also mirrored the essence of the modern-day Anton Piller Order. Based upon these authorities, Lord Denning, M.R., in *Anton Piller* concluded that the court had power to

¹³⁴ [1976] Ch. 55, [1976] 1 All E.R. 779 (C.A.) [hereinafter “Anton Piller”].

¹³⁵ *Rule of the Supreme Court 1965*, S.I. 1965, No. 1776 as amended.

¹³⁶ (1821), 3 Bli. 153, 4 E.R. 561 (H.L.).

¹³⁷ [1877] 36 L.T. 51 (N.S.).

issue an inspection and seizure order without notifying the defendants. Ormrod L.J. said in the same judgment :

The proposed order is at the extremity of this court's powers. Such orders, therefore, will rarely be made, and only when there is no alternative way of ensuring that justice is done to the applicant.¹³⁸

The *Anton Piller* case has become the paradigm of this type of order. Its radical novelty and contribution were that the order was granted *ex parte*, it set up several thresholds for the plaintiff and it included procedural safeguards for the defendant.

Section 2: The Nature of the Anton Piller Order

The order allows the plaintiff, with her solicitor, to enter the defendant's premises or residence during normal business hours, to search them and to remove documents or other items which might offer evidence in her action against the defendant. Obviously, the order is extremely powerful. It becomes a device to minimise or prevent the chances of destruction or concealment of evidentiary documents by the untrustworthy defendant. Since the essential component of an Anton Piller order is surprise and expedition, the defendant is undoubtedly exposed to the possibility of having her business papers and materials removed with no warning. More than that, if she declines to permit the plaintiff's entry, she is placing herself at risk of contempt of court, which can lead to her imprisonment.

¹³⁸ *Anton Piller*, *supra* note 134 at 61.

To avoid any resemblance to a civil search warrant, both in appearance and effect, the Court of Appeal in *Anton Piller* tried to distinguish the order from a search warrant. In the words of Lord Denning:

Let me say at once that no court in this land has any power to issue a search warrant to enter a man's house so as to see if there are papers or documents there which are of an incriminating nature, whether libels or infringements of copyright or anything else of that kind. No constable or bailiff can knock at the door and demand entry so as to inspect papers or documents. The householder can shut the door in his face and say "Get out"....None of us would wish to whittle down that principle in the slightest. But the order sought in this case is not a search warrant. It does not authorize the plaintiffs' solicitors or anyone else to enter the defendants' premises against their will. It does not authorize the breaking down of any doors, not the slipping in by a back door, nor getting in by an open door or window. It only authorizes entry and inspection by the permission of the defendants. The plaintiffs must get the defendants' permission--with, I suppose, the result that if they do not give permission, they are guilty of contempt of court.¹³⁹

Meanwhile, Ormrod L.J. expressly stated that a search warrant was not being granted. He took pains to stress that:

The form of the order makes it plain that the court is not ordering or granting anything equivalent to a search warrant. The order is an order on the defendant in personam to permit inspection. It is therefore open to him to refuse to comply with such an order, but at his peril....¹⁴⁰

Apparently, the court intended to point out that under an Anton Piller Order, the defendant is entitled to refuse entry and the order is not enforceable, unlike the case of a search warrant. However, this distinction has consistently incurred criticism as "a fantastic example of judicial double-thinking".¹⁴¹ Threatened by contempt of court, once the

¹³⁹ *Ibid.*, at 60.

¹⁴⁰ *Ibid.*, at 62.

¹⁴¹ Michael T. Lazarides, "Anton Piller Orders: The New Weapon with Which to Combat Piracy and Bootlegging in the United Kingdom" (1981) 56 Canadian Patent Reporter (2d) 17 at 26.

execution of the order is refused, the defendant's painful consent could not be interpreted as voluntary.

Not surprisingly, Anton Piller Orders have become particularly crucial in copyright, patent, and trade mark cases, where modern technology easily facilitates the systematic pirating of artistic works and other consumer wares on a large scale. Compared with other remedies, the Anton Piller Order is functional and powerful enough to "provide a quick and efficient means of recovering infringing articles and of discovering the sources from which these articles have been supplied and the persons to whom they are distributed before those concerned have had time to destroy or conceal them."¹⁴² More than that, by using an Anton Piller Order, the plaintiff might not necessarily proceed with her cause of action if she is able to cause the withdrawal of the defendant's infringing articles. The Anton Piller Order, in this sense, serves as a time-saving vehicle. The plaintiff is equipped with the most effective and expeditious procedure to guarantee her legitimate business interests and protect her status in a volatile market.

In trade mark cases, the Anton Piller Order primarily protects trade marks and get-up of consumer goods such as perfume, watches, coffee, liquor, clothes, records and films.¹⁴³

In the meantime, the negative impact of the order on the defendant has continually drawn attention from the courts and academics. The defendant has no options other than

¹⁴² *Rank Film Distributors Ltd. v. Video Information Centre*, [1982] A.C. 380, [1981] 2 All E.R. 96 (H.L.) [hereinafter "*Rank Film*"].

¹⁴³ Cairns, *supra* note 25 at 67.

submission. Her dilemma has been classically expressed in the decision of *Yousif v.*

Salama:

It is an aid to justice as far as the plaintiff is concerned. Instead of having to speculate or try and get evidence from elsewhere, it should all be available in the files. It can do no harm to the defendant at all. *If he is honest, he will produce the documents in any case. If he is dishonest, that is all the more reason why the order should be made.*¹⁴⁴ [emphasis added]

In such a no-choice circumstance, the defendant is likely to sustain damage, as indicated in *Columbia Picture Industries v. Robinson*:

Now let the possible and, perhaps, probable effects of an Anton Piller order be considered. The order is served and executed. If the order is in the terms of the order in the present case and is executed as it was in the present case, there will be a wholesale removal of all business material, whether stock-in-trade, bank statements, cheque books or correspondence. The continuance of the business by the respondent ...is thereby made impossible. How can a business be continued without records? How can it be continued without stock-in-trade?...It is customary, on account of the Mareva injunction accompanying Anton Piller orders, for a copy of the order to be served on the respondent's bankers. That was done in the present case. The almost certain effect of that being done will be that the bankers will decline to allow any further credit to the respondent. The order will throw such a question over the business of the respondent as to make any such course commercially imprudent and, therefore, unlikely....

The service and execution of an Anton Piller order is likely to have on the respondent a personal as well as a commercial effect. Anton Piller orders are often granted not simply in respect of business premises but in respect of the respondent's home.... The plaintiffs and their representatives are at liberty to search and rummage through the personal belongings of any occupant of the house and to remove the material they consider to be covered by the terms of the order. The traumatic effect and the sense of outrage likely to be produced by an invasion of home territory in the execution of an Anton Piller order is obvious.¹⁴⁵

¹⁴⁴ [1980] 3 All E.R. 405 at 406-407 (C.A.).

¹⁴⁵ [1986] F.S.R. 367 at 436 (Ch.).

Briefly put, an Anton Piller Order implies the defendant is a rogue, scoundrel and fly-by-night operator, who is likely to flout court orders by secreting or destroying evidence. The result is a prejudice to her business reputation and a stigma to her personal dignity.

Furthermore, as indicated in *Columbia Picture Industries v. Robinson*, an Anton Piller Order is not in harmony with the “fundamental principle of civil jurisprudence” that “citizens are not to be deprived of their property by judicial or quasi-judicial order without a fair hearing”.¹⁴⁶ The disadvantages to a defendant deprived of a fair hearing are highlighted in this leading case. In most circumstances, the defendant is unable to continue expensive litigation, which means the defendant is refused not only a fair hearing but also any hearing at all.¹⁴⁷ Furthermore, the plaintiff may put the competing defendant out of business by applying and executing an Anton Piller Order.¹⁴⁸

Section 3: The Jurisdiction of Canadian Courts in Making Anton Piller Orders

The jurisdiction of Canadian courts to grant Anton Piller Orders has had less debate than in England. The Federal Court of Canada has jurisdiction under Rules 377-378 to permit seizure without notice in cases of emergency; and Rule 249 permits inspection, which necessarily would be without notice if there is urgency and the seizure is desired.¹⁴⁹ The Federal Court possesses no inherent jurisdiction because it is a creature of statute.

¹⁴⁶ *Ibid.*

¹⁴⁷ *Ibid.*, at 436-438.

¹⁴⁸ *Ibid.*, at 448.

¹⁴⁹ *Federal Court Rules*, 1998 (SOR/98-106).

Nevertheless, it is still a court of equity; thus under s. 20 of the Federal Court Act,¹⁵⁰ the Trial Division has jurisdiction to grant relief under any Act of Parliament, at law or in equity, with regard to patents, copyright, trade marks and industrial design. It is open to other legislation to confer additional jurisdiction over remedies.¹⁵¹ Therefore, in Canada all common law provincial rules of practice allow orders for the detention, preservation, and inspection of property to be made on notice; and most make provision for *ex parte* applications where the courts determine that certain requisite conditions are met. Simply put, inherent jurisdiction to make Anton Piller Orders always performs as a complement to strengthen the machinery of justice. It cannot contravene a statute or rule, and by virtue of its extraordinary power, it should be exercised only sparingly and in a clear case.

It appears that the *Trade-marks Act* produces the strongest statutory protection in the area of intellectual property in Canada. When any act has been done contrary to the *Act*, the court may make any order in the form of an injunction, with recovery of damages or profits¹⁵² and with a prohibition on further importation of wares.¹⁵³ The *Act* also confers on the court power to make an order for interim custody of the wares which have been imported or are about to be distributed in Canada, if they bear any registered trade mark or any trade name contrary to the *Act*.¹⁵⁴ In particular, the *Act* emphasises such an order may be made either on notice or *ex parte*.¹⁵⁵

¹⁵⁰ *Federal Court Act*, R.S.C. 1985, c. F-7.

¹⁵¹ George Takach, "Exploring the Outer Limits: The Anton Piller Order in Canada" (1985) 23 *Alberta Law Review* 310 at 312.

¹⁵² S. 53.2, *supra* note 8.

¹⁵³ *Ibid.*, s. 53(4).

¹⁵⁴ *Ibid.*, s. 53(1).

¹⁵⁵ *Ibid.*, s. 53(5).

Section 4: Requirements For Obtaining Anton Piller Orders

The Anton Piller Order originates from an injunction jurisdiction. However, all common law jurisdictions agree that the threshold requirement for the order is set at a higher level than that applied to interlocutory injunctive relief, which is granted on notice.

In the *Anton Piller* decision, the plaintiff had to satisfy three essential pre-conditions laid down by Ormrod LJ, and which have echoed in subsequent cases:

There are three essential preconditions for the making of such an order, in my judgment. First, there must be an extremely strong prima facie case. Second, the damage, potential or actual, must be very serious for the applicant. Thirdly, there must be clear evidence that the defendants have in their possession incriminating documents or things, and that there is a real possibility that they may destroy such material before any application inter partes can be made.¹⁵⁶

The *Anton Piller* case was accepted in *Yousif v. Salama*, another decision of the English Court of Appeal, where a relatively easier test has been set up:

So there are two questions to be asked. First, are the documents sought to be seized essential to the plaintiff's case? If so, are such documents at serious risk? Might they be dishonestly destroyed?¹⁵⁷

Canadian courts have generally adopted the formula in the *Anton Piller* decision¹⁵⁸ and applied it in trade mark cases.¹⁵⁹ Realising the extraordinary and intrusive nature of

¹⁵⁶ *Supra* note 134 at 62.

¹⁵⁷ *Supra* note 144.

¹⁵⁸ *Nintendo of America, Inc. v. Coinex Video Games Inc.*, [1983] 2 F.C. 189, 46 N.R. 311 (C.A.); *Pulse Microsystems Ltd. v. Safesoft Systems Inc.* (1996), 134 D.L.R. (4h) 701, [1996] 6 W.W. R. 1 (Man. C.A.).

¹⁵⁹ *Sony v. Makers International*, unreported, 25 June, 1981, Federal Court No. T-3298-81; *Culinar Foods Inc. v. Mario's Food Products Ltee* (1986), 12 C.P.R. (3d) 420 (F.C.T.D.); *Eli Lilly and Co. v. Interpharm Inc.* (1992), 42 C.P.R. (3d) 4 (F.C.T.D.).

an Anton Piller Order, the Canadian courts are so circumspect that only a limited number of trade mark infringement cases can be found where the order was issued.¹⁶⁰

(a) The Strength of the Case

Because of the extraordinary nature of an Anton Piller Order, it is rational to require the plaintiff to meet the first threshold of an “extremely strong prima facie case”. Dissimilar to an interlocutory injunction, this requirement incurs no argument. It has become so unanimously accepted that courts rarely mention it or seldom place deliberate light on it.

In terms of trade mark cases, the plaintiff could meet such an onus without making heavy efforts. Normally the plaintiff needs to ensure that she is the owner of a trade mark, without any reason to doubt its validity. Unquestionably, a mere application for a trade mark cannot confer a right to an Anton Piller Order.¹⁶¹ Following that, the plaintiff should prove that the defendant’s behaviour infringes her property right. Usually, the defendant’s motive in using the trade mark plays little role in the matter of infringement. However, the defendant’s dishonesty is primarily relevant to the assessment of the risk in destroying or hiding the evidence.

(b) Serious Damage

¹⁶⁰ None of these cases dealt with unregistered trade mark disputes, which limits the discussion in this section merely to registered trade mark infringements.

¹⁶¹ *Indian Manufacturing Ltd. v. Lo* (1996), 67 C.P.R. (3d) 132 (F.C.T.D.); *Castlemore Marketing Inc. v. Intercontinental Trade and Finance Corp.* (1995), 64 C.P.R. (3d) 462 (F.C.T.D.).

The second requirement laid down by Ormrod LJ is that the plaintiff must convince the court that if the order is not given, the damage, potential or actual, suffered by her would be very serious. Unlike that defined in an interlocutory injunction, the notion here has not been interpreted as an irreparable harm; otherwise, the utility of the Anton Piller Order will be substantially minimised. Instead, the damage is logically elucidated as prejudiced to the plaintiff in establishing her action at trial, should the infringing material not be obtainable. Turning to a trade mark case, damage may refer to past and future financial loss; but primarily, it means the difficulty for a plaintiff in protecting her trade mark right in an efficient manner. For instance, a plaintiff may be unable to prove her case if the infringing articles disappear, or unable to launch an infringement action without instant and material information about the identity and location of suppliers.¹⁶²

(c) The Possibility of Destruction

Actually, the third requirement includes two separate elements. First, the plaintiff needs to show that “there must be clear evidence that the defendants have in their possession incriminating documents or things”. In reality, it becomes an inference which is readily made given that the defendant has committed illicit activities. The second part, namely a “real possibility” of the destruction of evidence, then becomes the central focus. In most cases, it turns out to be impossible and unreasonable to ask the plaintiff to prove that the defendant will destroy the documents or materials before the event has taken place. Fortunately, Canadian courts seem to have taken a realistic approach to this issue.

¹⁶² Cairns, *supra* note 25 at 73.

They are likely to infer a risk of destruction of evidence where the defendant is a somewhat dishonourable character, having engaged in a previous attempt to mislead the court,¹⁶³ or deceitful conduct even if irrelevant to the present proceedings.¹⁶⁴ This undoubtedly places the defendant in a disadvantageous position. On the contrary, once the court finds out that the defendant is unlikely to flout the court's judgment due to his good character and repute, it will be inappropriate to let the defendant experience such an intrusive order for she is inferred to be unlikely to hide or destroy evidence.¹⁶⁵

At the same time, it should be borne in mind that the onus on the plaintiff is heavier than just "a statement of opinion or belief by a witness".¹⁶⁶ He is asked to "adduce some convincing, concrete, factual evidence" to persuade the court that a real or great danger of destroying or removing evidence exists.¹⁶⁷

It follows from these requirements that the court must be satisfied that the application of an Anton Piller Order is not a "fishing expedition" by a plaintiff seeking evidence on which to base a subsequent action. "Those who make the charges must state right at the beginning what they are, and what facts they are based on. They must not use the Anton Piller order as a means of finding out what charges they can make."¹⁶⁸ The plaintiff is only legitimately allowed inspection for the purposes of identifying and establishing a document's existence.

¹⁶³ *EMI Ltd. v. Pandit*, [1975] 1 W.L.R. 302, [1975] 1 All E.R. 418 (Ch.).

¹⁶⁴ *Yousif v. Salama*, *supra* note 144.

¹⁶⁵ *Pulse Microsystems Ltd. v. Safesoft Systems Inc.*, *supra* note 158.

¹⁶⁶ *Chin-can Communications Corp. v. Chinese Video Centre Ltd.* (1983), 70 C.P.R. (2d) 184 at 188 (F.C.T.D.).

¹⁶⁷ *Ibid.*

¹⁶⁸ *Hytrac Conveyors v. Conveyors International Ltd* [1983] 1 WLR 44 at 47 (C.A.).

(d) Other Considerations

In some circumstances, the plaintiff ought to go further than the previous preconditions; for example, harm to the defendant is a matter of relevance taken into account by the court, based on equitable principles. In *Universal City Studios Inc. v. Mukhtar & Sons*, the court granted an Anton Piller order only when it was “without doing damage to the defendants or their goodwill”.¹⁶⁹ In consequence, the plaintiff is confined to a dual test, namely proof of harm to herself and proof of no harm to the defendant. Attacks from academic critics arise on the ground that such an extra requirement is a confusion with those involved in an interlocutory injunction. Additionally, the plaintiff’s cross-undertaking as to damages is sufficient in case any harm is proved later.¹⁷⁰ In spite of the challenge, Canadian courts still prefer balancing the consequences affecting all parties concerned. In trade mark cases, where an *ex parte* application is in proceeding, the defendant is normally not allowed to remove or erase the infringing trade marks or to continue her business in a legitimate way. The court necessarily needs to shine considerable light on the defendant’s side. Where the harm to the defendant exceeds that to the plaintiff, the court has been unwilling to grant the Anton Piller Order.

Apart from the above discretion, the court will routinely take traditional equitable principles, such as delay, clean hands or fraud, into account when dealing with an Anton Piller Order. For instance, in a trade mark case, the plaintiff was awarded an order which was vacated later partly due to an unexplained delay of nearly one year, where that delay

¹⁶⁹ [1976] 1 W.L.R. 568 at 571(Ch.).

suggested that the offending items, which purportedly infringed a trade mark, were less likely to be dissipated or made to disappear.¹⁷¹

Section 5: The Forms of an Anton Piller Order

The court, in deciding what form the order should take, is entitled to act with flexibility and prudence in compliance with the requirements of each case. Basically speaking, an order empowers search of the premises and seizure of not only the subject materials but also related documents, such as those dealing with the acquisition and disposition of the material. In trade mark cases, the court may allow the plaintiff to enter the premises of the defendant to take inventory of infringing products that have the mark or are associated with the registered trade mark, and to inspect the defendant's books and records for purposes of determining the names and addresses of purchasers of the infringing product.¹⁷² The foregoing represents the normal form of an Anton Piller Order.

Preservation of evidence in the possession of a known defendant is in aid of the plaintiff, but it may not go far enough. First, there may be insufficient materials in the defendant's premises to establish a strong case against her. Second, the defendant is usually one player in a large operation chain; other people and evidence involved in the plaintiff's case might disappear once any further actions are being taken. Anton Piller Orders can successfully prevent such frustrations and advance the efficiency of the proceedings by ordering the defendant to disclose to the plaintiff at the time the order is

¹⁷⁰ Lazarides, *supra* note 141 at 24.

¹⁷¹ *Fashion Bow S.P.A. v. BLM Sales*, (1996), 68 C.P.R. (3d) 240 (F.C.T.D.).

¹⁷² *Culinar Foods Inc. v. Mario's Food Products Ltee*, *supra* note 159.

served the whereabouts of all offending goods and documents, along with the names and addresses of all persons from whom she has obtained or to whom she has supplied any offending material. That is to say, the court is inclined to trace the sources and tributaries of material infringing the plaintiff's proprietary interests. Accordingly, this extended form has been applied in trade mark infringements.¹⁷³ Meanwhile, the last-mentioned form of an Anton Piller Order, simply called discovery process, results in a debate regarding the defendant's privilege against self-incrimination. (This matter will receive full illustration in a later section.)

Section 6: Procedural Safeguards in Anton Piller Orders

Anton Piller Orders exemplify the outer extremes of a court's coercive powers. To minimise the potential abuses of the defendant's legitimate rights and interests, a number of procedural safeguards for the defendant have been designed. These are grouped into three categories. First, the plaintiff must make full and frank disclosure to the court. Second, the plaintiff must give an undertaking in damages. Third, the plaintiff must execute the order in accordance with service requirements.

(a) Full and Frank Disclosure

In the *Bank Mellat* case, Lord Justice Donaldson succinctly put emphasis on full and frank disclosure:

The rule requiring full disclosure seems to me to be one of the most fundamental importance, particularly in the context of the draconian

¹⁷³ *Sony v. Makers International*, *supra* note 159.

remedy of the *Mareva* injunction. It is in effect, together with the *Anton Piller* order, one of the law's two "nuclear" weapons. If access to such a weapon is obtained without the fullest and frankest disclosure, I have no doubt at all that it should be revoked.¹⁷⁴

At the *ex parte* application for an Anton Piller Order, the defendant is unable to be present or represented to make submissions. This is why the court imposes upon the plaintiff an obligation to make full and frank disclosure to the court of any material facts or matters. Full and frank disclosure constitutes two elements. First, all material facts ought to be disclosed to the court. Materiality is an issue to be decided by the court and not by the assessment of the plaintiff or her legal advisers.¹⁷⁵ However, in a general sense, material facts refer to that information relevant to the weighing operation, which the court has to make in deciding whether or not to grant the order.¹⁷⁶ Obviously, the plaintiff is under a duty to release the crucial points, not only for but also against herself. In other words, the plaintiff is subject to providing any information in favor of the defendant that may assist the court in evaluating or assessing any of the preconditions or other considerations. For example, the defendant's permitting an inspection of her premises,¹⁷⁷ proof of the defendant's credibility,¹⁷⁸ and the fact of the defendant's business being owned or operated under the control of a large international foundation,¹⁷⁹ are highly relevant issues for a court. In case any doubt arises as to whether a fact is material, the golden rule of practice is to disclose it and leave the court to determine for the plaintiff

¹⁷⁴ *Bank Mellat v. Nikpour*, [1985] F.S.R. 87 at 92 (C.A.).

¹⁷⁵ *Behbehani v. Salem* [1989] 1 W.L.R. 723 at 726 (C.A.).

¹⁷⁶ *Thermax Ltd. v. Schott Industrial Glass Ltd.*, [1981] F.S.R. 289 at 298 (Ch.).

¹⁷⁷ *Columbia Picture Industries v. Robinson*, *supra* note 145.

¹⁷⁸ *Wardle Fabrics Ltd. v. G. Myristis Ltd.*, [1986] F.S.R. 263 (Ch.).

¹⁷⁹ *Thermax Ltd. v. Schott Industrial Glass Ltd.*, *supra* note 176.

whether it is material. As a result, there is no excuse for the plaintiff to say that she was not aware of the importance of matters she omitted to reveal. However, in *Eli Lilly and Co. v. Interpharm Inc.*, a trade mark infringement case where some essential information was not put before the court, the court still comfortably asserted that the plaintiff had already met the criterion of full disclosure of all material facts, because the contents of that information were beyond the plaintiff's knowledge.¹⁸⁰

The second element involved in full and frank disclosure is that the plaintiff should conduct herself in a proper manner which does not mislead the court. In a trade mark case, *Fashion Bow S.P.A. v. BLM Sales*,¹⁸¹ where the plaintiffs deliberately concealed the fact that the defendant legitimately held the Canadian exclusive distributorship of the trade mark "REPLAY", the court was satisfied that the evidence provided by the plaintiffs was so misleading that one could consider it to be almost deceitful. But in general, the above elements in full and frank disclosure overlap, where the purpose of both is to obtain an Anton Piller Order illicitly .

If the plaintiff fails to make a full and frank disclosure at the *ex parte* application, whether negligently or deliberately, there is a real danger that the order, if granted, will be discharged at the *inter partes* hearing and no further injunction will be available to the plaintiff. Non-disclosure has thus turned out to be the primary reason for a revocation of an Anton Piller Order.

¹⁸⁰ *Supra* note 159.

(b) Undertaking in Damages

Since the plaintiff has not yet brought her proceedings at the time of an Anton Piller application, she must give the court various undertakings, such as the undertaking to issue a writ of summons forthwith, and to make an affidavit, immediately after the commencement of execution. The defendant is therefore given an opportunity to assess the case which the plaintiff has addressed to the court and to determine whether to move to have the order reversed.

More than that, subsequent events may suggest that the Anton Piller Order should not have been granted. The defendant and third parties may have suffered considerable damage by virtue of the plaintiff's rummaging through the premises, seizing articles and learning confidential information. As a result, the court requires the plaintiff to provide an undertaking as to damages. However, it should be kept in mind that such an undertaking is not the standard one invariably required by the court in all cases.¹⁸² It is a matter of judicial discretion. Nonetheless, turning to trade mark cases, the Canadian courts usually order the plaintiff to give the undertaking, though sometimes the amount involved is not specifically mentioned in the judgment.¹⁸³

Meanwhile, the plaintiff is often asked to give proof of financial ability to materialise her undertaking in damages, by means of being "bound by any order of the

¹⁸¹ *Supra* note 171.

¹⁸² Steven Gee, *Mareva Injunctions & Anton Piller Relief*, 2nd ed. (London: Longman, 1990) at 161.

¹⁸³ E.g., in *Sony v. Makers International*, *supra* note 159 and *Sony v. Sunshine Import*, Federal Court unreported, 25 June, 1981, where the amount of an undertaking was fixed. But in *Culinar Foods Inc. v. Mario's Food Products Ltee*, *supra* note 159, the amount was unclear.

court as to damages”¹⁸⁴ or providing a surety bond in a certain amount, as security for that undertaking.¹⁸⁵ In some situations, an order also entitles the defendant to move the court on twenty-four hours’ notice to the plaintiff’s solicitor to raise the amount of the security order.¹⁸⁶

(c) Service Requirement

In considering the specifics, the courts have, as additional safeguards, built up a number of service requirements on Anton Piller Orders as matters of law, which are principally distinctive from other procedural injunctions.

The courts should describe precisely the subject matter of the order. That is to say, they should narrow the order and confine it to articles or documents which might be destroyed or concealed by the defendant. To achieve this, the order should clearly delineate the objects of the search and the specific functions to be performed. In trade mark cases, an Anton Piller Order normally goes no further than searching for and removing any infringing articles bearing the trade mark in question, or any documents relating to disposal of any articles as aforesaid.¹⁸⁷ Rarely do the courts issue an order in general and wide terms.

As well, an Anton Piller Order usually includes specified hours between which the service is allowed to be implemented. It also specifies the number of persons necessary to

¹⁸⁴ *Ibid.*, *supra* note 159.

¹⁸⁵ *Nintendo of America, Inc. v. Coinex Video Games Inc.*, *supra* note 158.

¹⁸⁶ *Ibid.*

¹⁸⁷ *Sony v. Makers International*, *supra* note 159.

have the order executed. The specificity of the place which may be searched is also recorded in the order.

On service of the order, the defendant must be given the opportunity to consult with her solicitor and to apply for its discharge or suspension, before complying with the order. It is said that this aspect of an Anton Piller Order may undermine its efficacy and its essence of surprise, if the defendant is given a “ grace period” to apply for variance or discharge.¹⁸⁸ However, such a doctrine entitles the defendant to move against the order without being at risk of a further charge of contempt of court.

Often the court will limit the plaintiff’s use of the information or documents under the order strictly to the purposes of the action for which they are to be seized. Any extended use ought to have leave of the court; if not, the order will be revoked. In trade mark infringements, the plaintiff should not abuse the order by exaggerating the nature and consequences of it to third parties in association with the defendant’s business.¹⁸⁹

All these service requirements of an Anton Piller Order are invariably performed by a qualified plaintiff’s solicitor, who is obliged to provide an undertaking to the court as to how service and execution will be implemented. With this undertaking, the plaintiff’s solicitor has a combined burden to satisfy her client’s interests and simultaneously to preserve the defendant’s rights. The plaintiff’s solicitor is required to explain fairly and accurately the order’s meaning and its consequences for the defendant in everyday language, including what acts are supposed to be done and what acts are prohibited.

¹⁸⁸ Allan M. Rock, “ The ‘ Anton Piller’ Order: An Examination of Its Nature, Development and Present Position in Canada” (1984) 5 *Advocates’ Quarterly* 191 at 203.

¹⁸⁹ *Morrison v. Forth* (1998), 79 C.P.R. (3d) 308 (B.C.S.C.).

Further, the solicitor should accurately comply with the stipulations which fall within an Anton Piller Order. If the defendant refuses entry, the plaintiff's solicitor cannot use force. Any breach may seriously threaten the plaintiff's position and jeopardise the solicitor as well.¹⁹⁰

Additionally, what should be borne in the court's mind is that the purpose of Anton Piller Orders is to preserve evidence until final disposition of the plaintiff's claim, rather than to reveal that evidence to the plaintiff. Therefore, it is rationally suggested that the court should order that any documents obtained pursuant to the order be taken into custody by a court officer or a sheriff. This is the way not only to reconcile both the plaintiff's and defendant's rights, but also to restrain the plaintiff from pursuing a fishing expedition or accidentally finding the defendant's trade secrets. In that event, the defendant may successfully file objection to the disclosure or seek to discharge the order. This would lessen the onerous load on the plaintiff's solicitor.¹⁹¹

Section 7: Self-incrimination in Canada

By virtue of the extension of the Anton Piller Order to require the defendant to disclose information to the plaintiff, particularly about suppliers and customers in intellectual property actions, the issue of self-incrimination arises. It was judicially considered for the first time by the House of Lords in the 1981 case of *Rank Film*

¹⁹⁰Richard N. Ough & William Flenley, *The Mareva Injunction and Anton Piller Order*, 2nd ed. (London: Butterworths, 1993) at para 7.2.1.

¹⁹¹Berryman, *supra* note 117 at 22.

*Distributors Ltd. and Others v. Video Information Centre and Others.*¹⁹² *Rank Film* dealt with a copyright dispute, in which the plaintiffs held copyright in various feature-length films. The defendants were alleged to have reproduced and distributed unauthorised video cassettes of the movies. The plaintiffs successfully obtained an order which required the defendants to permit entry, inspection of the premises and removal of any illicit films. The order also compelled the defendants to disclose the names and addresses of their suppliers and customers, along with the location of all pirated cassettes and master copies. The defendants argued that the provision of disclosure violated their privilege against self-incrimination under s. 21 of the *Copyright Act*, 1956. The Court of Appeal was convinced by the defendants and removed the provision in question.

The House of Lords arrived at the same result as the Court of Appeal, but by a different path. It held the offence pursuant to s. 21 of the *Copyright Act*, with the maximum fine of £50, was too trivial in its relative seriousness, which meant an unlikely and remote possibility of prosecution against the defendants under that *Act*. However, the House of Lords found that there was solid evidence for the defendants to be exposed to a grave charge of conspiracy to defraud under the common law, which would carry a heavy penalty against them. Additionally, such a penalty was more than a remote likelihood. Based on this severe gravity and real possibility, which basically meant a successful claim of the privilege against self-incrimination, the House of Lords varied the original order by removal of the requirement of disclosure. The effect was that the plaintiff lost the ability to approach other conspirators through the defendants.

¹⁹² *Supra* note 9.

It appeared paradoxically that the more criminally the defendant behaved, the less effective a civil remedy would be. The consequences of the dismemberment of the injunction insulated the infringers from discovery. As Lord Denning remarked, quoting W. S. Gilbert, "It is, it is a glorious thing, to be a Pirate King".¹⁹³ No wonder, those who make efforts to protect intellectual property from currently large scale infringements are dragged into frustration. They can no longer expect to get complete pre-trial remedies from the courts merely in one action.

Fortunately, the English Parliament paid attention to the negative impact generated from the *Rank Film* case. The principle of the common law privilege against self-incrimination was abrogated by statute in England in areas where intellectual property infringements and passing off are involved. Pursuant to section 72 of the Supreme Court Act of 1981,¹⁹⁴ a defendant is disentitled to any privilege against self-incrimination in intellectual property rights, which are defined as rights in 'any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property'. That is to say, the defendant is obligated to respond by providing information as ordered to do so. But in its stead, the defendant receives statutory protection in that her responses in accordance with Anton Piller Orders are inadmissible in subsequent criminal proceedings for related offences.

¹⁹³ *WEA Records Ltd. v. Visions Channel 4 Ltd.* [1980] 3 W.L.R. 487 at 501 (C.A.).

¹⁹⁴ *Supreme Court Act*, 1981 (U.K.) c. 54.

Undoubtedly, the common law privilege against self-incrimination remains in Canada, as dealt with in many cases.¹⁹⁵ And the doctrine that the common law privilege only can be abrogated or curtailed by legislation in clear and explicit terms has been well established. However, in Canada its vitality has been restricted to provisions in the Evidence Acts and the *Canadian Charter of Rights and Freedoms*.¹⁹⁶

In Canada both the federal and provincial evidence acts have narrowed the privilege against self-incrimination,¹⁹⁷ essentially stating that a witness cannot be excused from answering questions which may lead to any further criminal trial, although half of the provincial statutes do not define the term 'witness'. Under the *Charter of Rights and Freedoms*, section 13 entrenches the right of 'a witness who testified in any proceeding' to be protected from subsequent use of incriminating admissions. The language of the section suggests more restrictive applicability to the rights of a witness.

If this legislation is applicable to any party, then the situation in Canada would be straightforward. But unfortunately these curtailments of the privilege against self-incrimination are only workable with a witness. In an ordinary sense, a defendant to an Anton Piller Order falls beyond simply testifying to a thing or an event, which is the substantial character of 'witness'. It is unanimously acknowledged by Canadian jurisdiction that a defendant to an Anton Piller Order is not to be considered a 'witness'. Therefore, from the foregoing examination, a defendant in Anton Piller proceedings can

¹⁹⁵ E.g., *Klein v. Bell*, [1955] 2 D.L.R. 513 (S.C.C.); *Dilorio v. Warden, Jail of Montreal and Brunet* (1976), 73 D.L.R. (3d) 491 (S.C.C.).

¹⁹⁶ Part I of the *Constitution Act, 1982, Schedule B, Canada Act 1982, 1982, c. 11 (U.K.)* [R.S.C., 1985, Appendix II, No. 44].

only claim the common law privilege against self-incrimination. This presumption needs two pre-conditions. In the first place, the meaning of “witness” is deemed to go far enough to cover the defendant when examined in a pre-trial civil action. In the second place, the *Charter* is to be interpreted so that every person receives the protection of section 13, when facing “serious” and “real” subsequent criminal prosecution stemming from involvement in these civil proceedings.

If *Rank Film* represents the Canadian common law position, a defendant may decline to answer questions covered by an Anton Piller Order unless the privilege is abolished by statutes. Such a situation will inevitably depreciate the value and usefulness of Anton Piller Orders. The novelty and utility of Anton Piller Orders, which have been proved to fill gaps between the common law and legislation, will then be discounted to a large degree.

In the context of trade mark infringement, any application for an Anton Piller Order will thus no longer be successfully executed. Sections 364 to 372 of the Criminal Code,¹⁹⁸ specifically refer to the forgery of trade marks and trade descriptions, and are punishable by summary conviction or indictable offence. Accordingly, every one who commits this offence is liable to the maximum penalty of two years imprisonment. Without doubt, such a lengthy prison term could not be characterised as trivial or fanciful. For this reason, the defendant could claim the privilege against self-incrimination, because any disclosure may expose her to prosecution for the trade mark offence.

¹⁹⁷ *E.g.*, s. 5 of the Canada Evidence Act, R.S.C. 1985, C-5; Manitoba Evidence Act, R.S.M. 1987, c. E 150.

¹⁹⁸ R.S.C. 1985, c. C-46.

The issue left for Canadian courts is whether they should be bound by English precedent in *Rank Film*, namely to entitle the defendant to the common law privilege against self-incrimination. Probably the solution adopted by a majority of the New Zealand Court of Appeal in *Busby v. Thorn E.M.I. Video Programmes Ltd.*¹⁹⁹ could enlighten the Canadian jurisdiction. In that case involving copyright infringements, the majority of the court responded to the issue of self-incrimination in Anton Piller Orders as follows:

The problem in this case is very much in [the realm of lawyer's law]. Its ingredients are Judge-made processes of discovery and interrogation: a Judge-made privilege: Judge-made practice as to the evidence that will be received in a criminal trial. Experience, first overseas and now in New Zealand, has shown that it is reasonable to put the process to a new use to meet a demand occasioned by the abuse of new technology. The privilege, established in the nineteenth century, remains as valuable and important as ever. All that is needed is a modification of the practice so as to enable information to be obtained while preserving the privilege. In other words, rather than undermining the privilege against self-incrimination, the steps about to be mentioned are aimed at achieving its object.²⁰⁰

The revolutionary point in this New Zealand decision is that it indicates that the common law courts are qualified to rectify the traditional rules in the absence of statutory authority from parliament.

There is no reason for Canadian courts not to take the same view as their New Zealand counterparts. Plenty of commentators espouse that defendants in Anton Piller Order proceedings should be compelled to produce documents or give information, even though such disclosure may lead them to subsequent criminal prosecutions. However, all information obtained by such an executed order is not usable against them in any criminal

¹⁹⁹ [1984] 1 N.Z.L.R. 461.

²⁰⁰ *Ibid.*, at 474.

proceedings.²⁰¹ Through this approach, the courts' dual goals of providing strong interlocutory relief for plaintiffs in civil actions and protecting against the danger of compelling self-incrimination can be fully achieved. More than that, the plaintiff need not proceed to trial and compel the defendant to answer the same questions which the defendant has refused to produce in the original Anton Piller Order.

When the Canadian courts take the previous stance, the plaintiff is called upon to undertake that she will not, either directly or indirectly, use any document or information under the order for the purpose of any criminal prosecution of the defendant, nor make the same available to the police for any purpose, as highlighted in the *Busby* decision.²⁰²

Conclusion

Prior to the appearance of Anton Piller Orders, intellectual property owners were justifiably aggrieved by the insufficiency of adequate legal protection for their interests. Since the English case *Anton Piller*, the Orders have developed as an important weapon in the intellectual property regime. They serve as a valuable device in modern intellectual property infringement litigation.

However, their intrusiveness and the dangerous possibility of further expansion of Anton Piller Orders have also been recognised. The courts should bear in mind that the grant of an Anton Piller Order is justified solely in an extreme case where the subject

²⁰¹ *E.g.*, D. M. Paciocco, "Anton Piller Orders: Facing the Threat of the Privilege Against Self-incrimination" (1984) 37 *University of Toronto Law Journal* 26; and, Sharpe, *supra* note 26.

²⁰² *Supra* note 199 at 480.

matter of the action, or necessary evidence, is otherwise likely to be destroyed or concealed.

Further, and more crucially than with other procedural orders, a careful balance must be established to reconcile adequately the competing values and interests of litigants. Procedural safeguards are designed in particular to achieve balance and to restrain the plaintiff from embarking on a fishing expedition. Delicate balancing of legal interests on both litigants' counts will ultimately preserve and strengthen the effectiveness of the Anton Piller Order in Canada. Although the defendants in such orders are considered as rogues who are unlikely faithfully to comply with every law, protecting the defendant against the jeopardy of compelling self-incrimination is the more important concern.

It is not disputed that Anton Piller Orders are generally a positive development in the law relating to intellectual property rights. Nonetheless, any excessive zeal in this area is prone to attract criticism which will weaken not only the usefulness of the order, but also the ability of courts to use injunctions in innovative ways in other areas.²⁰³

²⁰³ Sharpe, *supra* note 26 at para 2.1300.

Chapter 3: Pre-Trial Remedies for Trade Mark Infringements in China²⁰⁴

Part 1: Pre-Trial Administrative Remedies Granted by SICAB

Since the implementation of law reform and the “economic opening-up” policy with emphases on protecting fair market competition, safeguarding market economic freedom, and promoting economic and cultural development, China has placed increasing importance on trade mark legislation. The *General Principles of the Civil Code of the People’s Republic of China*²⁰⁵ provides comprehensive protection for exclusive rights to the use of trade marks. Further, since 1982, China has promulgated and implemented its *Trade Mark Law*, as amended in 1993.²⁰⁶

Beyond that, China has joined the world intellectual property organisations, for example, the Paris Convention for the Protection of Industrial Property, and the Madrid Convention on the International Registration of Trade Marks. This has made China active in implementing its international obligations on trade mark protection and has steadily strengthened exchange and cooperation with the rest of the world. The scope and level of trade mark protection in China have had high starting points and are gradually becoming compatible with the international standards. As a result, little intensive criticism related to

²⁰⁴ Since little documentation and citation can be found in this subject, all information and assertions appearing in this chapter are mainly based on the most current legislation, and partly from my understanding and personal experience as an intellectual property lawyer in China.

²⁰⁵ *Supra* note 24.

²⁰⁶ *Supra* note 3.

China's *Trade Mark Law*, especially its substantive clauses, has been heard from either domestic or international groups.

Apart from these international developments, China preserves its own character in trade mark legislation and the protections suitable to China's conditions and traditions. There are two systems to handle trade mark infringements. One is administrative, the other is judicial. Under such parallel systems, trade mark owners may optionally seek settlement of infringements not only from the courts, but also from the Industrial and Commercial Administration Trade Mark Office [hereinafter, "SICAB"]. The SICAB is empowered to issue cease-and-desist order-like protection and to award the payment of compensation. Therefore, the judicial and administrative powers are intertwined in the field of trade mark infringements, which constitutes its uniqueness not found in the Canadian system.

Section 1: Legislation Pertaining to SICAB

The SICAB is an administrative organ of the State Council. In China, all administrative organs are entitled to supervise and handle issues delegated from their authorities, as stipulated by administrative legislation in clear and explicit terms. They purposely act in the name of the public interest to maintain social stability. Obviously they are placed in a superior position to recipient subjects, and there are no equal rights and duties between administrative organs and other parties, namely between a natural person and a legal person (*i.e.*, corporation).

SICAB, mainly at state and local levels, acquires its administrative authority on the issue of trade marks through a number of provisions. The most cited authority is the *Trade*

Mark Law, which expressly indicates that SICAB is in charge of trade mark management throughout the country,²⁰⁷ including trade mark registration and infringements.²⁰⁸ Because the *Trade Mark Law* is enacted by the National People's Congress Standing Committee, it is an enactment of highest authority. Meanwhile, according to China's law-making system, the State Council is specifically authorised to enact implementing rules. Therefore, the State Council had issued the *Implementing Regulation of Trade Mark Law*.²⁰⁹ Under this, the function and procedure of SICAB in dealing with trade mark infringements are further defined, classified and supplemented. More than that, it makes SICAB at the national level responsible for interpretation of the *Implementing Regulation*.²¹⁰ Consequently, SICAB becomes the only institution officially qualified to answer questions with regard to the concrete applications of the *Implementing Regulation*. Stemming from such power, the national SICAB may issue interpretations in the format of question-answer or a notice when unexpected situations emerge in the course of enforcement at the local level.

Section 2: Bases for SICAB to Grant Administrative Remedies

The *Trade Mark Law* enables a person whose exclusive right to a trade mark has been allegedly injured to ask for administrative protection from SICAB.²¹¹ In this category, the person's position is like that of a plaintiff in civil litigation who is entitled to

²⁰⁷ *Ibid.*, Art. 2.

²⁰⁸ *Ibid.*, Art. 39.

²⁰⁹ *Supra* note 20.

²¹⁰ *Ibid.*, Art. 49.

²¹¹ *Supra* note 3.

claim legitimate rights in a trade mark, either as its owner or licensee. But different from the courts, SICAB does not overly scrutinise the qualification of the person seeking administrative remedies. In some cases where the status of the owner or the licensee is in question but the infringing activities actually exist, SICAB is ready to accept the appeal. SICAB uses this lower requirement as an expeditious way of protecting aggrieved parties from having their businesses disrupted.

In addition, according to the *Implementing Regulation*, any person may accuse or report any illicit conduct amounting to infringement of trade mark rights to SICAB.²¹² This provision is designed to encourage the public, especially consumers, to share the responsibility to sustain market order and fair competition. It is believed that, by doing this, any infringement, whether on a large scale or not, could be prevented promptly and effectively. Further, SICAB can take active steps to award administrative remedies if it perceives illegal behaviours happening in the course of its daily management. In this case, neither the proprietor nor the consumer appears at all. These three bases not only widen the channel to resolve disputes in infringements of trade marks, but also maximally achieve the purpose of protecting the public interest by letting ordinary people help supervise the whole market.

Another matter is whether there is a time limit to the launching of administrative relief for any applicant or even for SICAB itself, when infringements of trade marks have occurred over a long period. In a civil action, the available time for any applicant to bring a case is within two years from the date of knowing, or of reasonable expectation of

²¹² Art. 42, *supra* note 20.

knowing of the existence of an infringement.²¹³ However, administrative relief has nothing to do with this time restriction on litigation. SICAB need not take into account how long ago the illegal behaviour took place, so long as it did and does exist and negatively affects the legitimate proprietor.

From the above, it is safe to draw a conclusion that what SICAB primarily aims to deal with is the infringing activities themselves.

Section 3: SICAB Investigation Procedures

The proprietor of a trade mark is required to produce sufficient proof of infringement to have an administrative interference launched. However, neither expressly nor inferentially is there any provision of criteria for rejecting an application if the proprietor is deemed unable to obtain enough evidence. In reality, the proprietor of a trade mark can receive administrative protection even though the evidence is not sufficient. In this situation, the burden on the proprietor partly shifts to SICAB. This is deemed to be compatible with the duty and authority of SICAB, and it is the most fundamental distinction from a civil action in a court of law.

Because the bases of initiating an administrative intervention are considerably broad, especially the superintendent role of the public, it is unrealistic to require the public to give material proof of an actual infringement. It is certainly beyond the capacity of ordinary people with ordinary knowledge on the complex issue of trade marks. In consequence, SICAB takes a lenient attitude toward any accusation and report from the

²¹³ Art. 135, 137, *Civil Code*, *supra* note 24.

public. In this circumstance, SICAB is not only entitled but also under the duty to investigate and collect proof. It should be kept in mind that all of these investigations can be initiated *ex parte*, without notifying the relevant parties.²¹⁴ This approach has been viewed as an indication of how immediate and strong SICAB's functions are.

First, SICAB may summon any suspected person who is likely to be engaged in infringements,²¹⁵ no matter whether she prints the logo of a forged registered trade mark, sells goods bearing an infringing trade mark, or simply financially supports an infringer. That is, everyone suspected in the chain of trade is likely to be questioned, if available. The purpose is to trace the origin of an infringement and to know the overall situation, especially when the consumer can only produce general clues about an infringement. In this category of investigation, the matter of motive and the role of third parties are usually not taken into account. Second, SICAB can inspect material relevant to offending behaviour and, if necessary, issue an order for sealing the material evidence.²¹⁶ This refers not only to wares bearing the trade mark in question, but also to any machine and vehicle used in producing, selling or storing the infringing goods. Third, SICAB is authorised to investigate any conduct in connection with a trade mark infringement;²¹⁷ for example, when did the alleged infringer start her business, or with whom is she doing business? Fourth, SICAB can check and copy business files, such as contracts and the accounting

²¹⁴ There is no explicit regulation on this matter, but in fact, SICAB and applicants preferably act in this way so as to avoid the removal or concealment of evidence by alleged infringers.

²¹⁵ Art. 42-(1), *Implementing Regulation*, *supra* note 20.

²¹⁶ *Ibid.*, Art. 42-2-(2).

²¹⁷ *Ibid.*, Art. 42-2-(3).

book of relevant parties,²¹⁸ if these are deemed to aid in the subsequent assessment of monetary compensation.

The wording of these stipulations is flexible and ambiguous, which substantially allows SICAB to take all kinds of circumstances into account and to obtain sufficient evidence. More than that, any interested party should provide assistance for SICAB and is definitely not permitted to say “no” to any matter under investigation.²¹⁹ Refusal to cooperate puts one at a peril of administrative contempt, which may lead to administrative fine and detention.

In the course of investigation and evidence collecting, no procedural safeguards are expressed in the *Trade Mark Law* and the *Implementing Regulation* to protect the (defendant) subject’s licit rights and interests. In some related regulations, which generally guide the activities of SICAB, a series of safeguards have been built up in rather broad terms.²²⁰ SICAB has to shed light on the interests of all parties, particularly the wrongdoers, as well as on those of the general public. Derived from this doctrine, SICAB must disclose the investigator’s identity to the alleged infringer, telling her the consequences of refusal or of dishonesty, keeping comprehensive records of the investigation, and ensuring the accused’s physical presence while taking custody of her belongings, such as accounting book, and any infringing logos or wares. However, the concept of protecting the infringer’s rights has constantly been shaken by such ever-lasting

²¹⁸ *Ibid.*, Art. 42-2-(4).

²¹⁹ *Ibid.*, Art. 42-3.

²²⁰ *Temporary Regulation on Administrative Punishment Procedure for Industrial and Commercial Institutions*, issued by the National Industrial and Commercial Administration Bureau on 17 October 1996, *supra* note 1 at 497-512.

excuses as the paramount demand of state interests. SICAB need not be too concerned about the procedural safeguards; at the other extreme, no complaint from the alleged infringer of being inappropriately investigated is acceptable as a reason to dismiss the administrative order.

The duty invariably imposed on the parties to go along with the investigation gives rise to advantages. No alleged infringer or offending behaviour is precluded from SICAB investigation, which ideally creates encouragement to rely on its process. This is not only the aspect that makes China's "dual system" valuable and workable, but also a radical achievement that SICAB pursues. In addition, consumers are not hesitant to volunteer as inspectors since no extra obligation or danger falls upon them.

But from the viewpoint of disadvantages, such broad administrative power likely can go too far when an innocent party, who has a legitimate commercial contact with a real infringer of a trade mark, has no idea about the offender's illegality. It is hard to say that no prejudice will be caused when an enforceable entrance leads to exposure of business secrets. In the second place, in the course of the administrative disposition of a trade mark infringement, a named defendant is not absolutely needed.²²¹ Accordingly, the real defendant may not appear in an administrative investigation. In general, SICAB takes an impartial view regarding its function, but the concern is that the actual proprietor of the trade mark is not mandatorily required to provide complete and frank disclosure of the alleged infringer. Sometimes even worse, in order to facilitate his application, a proprietor

²²¹ Neither the *Trade Mark Law* nor the *Implementing Regulation* addresses the issue of infringer's identification, and in effect this legislative silence means that the specific infringer's name is not a matter of evidentiary necessity.

of trade marks may exaggerate or distort the real issue, which is only available if the defendant is present during the investigation. Also, a proprietor can easily acquire benefits from any evidence collected by SICAB, which can form an informational ‘fishing expedition’. All of these foregoing disadvantages exemplify that the concept of individual right has been considerably sacrificed to demands of the public interest and the stability of China’s economic order.

Much more than being compelled to produce documents or interrogations, the infringer, whether acknowledged or suspected, is not protected against the danger of self-incrimination, if she is found criminally liable during the SICAB investigation. As a matter of legal fact, the privilege against self-incrimination is not recognised in any legislation and by any law-enforcing institution in China. Nonetheless, dealing with any finding of a criminal offence in the course of the administrative investigation is not a big issue to SICAB, although no corresponding provision is available in the *Trade Mark Law* and the *Implementing Regulation*. According to the *Administrative Punishment Law*, an administrative institution should transfer that case to a judicial body as long as the wrongdoer, who is originally treated as a violator of administrative regulations, is affirmed as the perpetrator of a crime. The judicial body then takes charge of imposing criminal liability on the wrongdoer.²²² The transfer of a case not only reflects the change of authority and jurisdiction, but also any evidence obtained in administrative proceeding is usable in the subsequent criminal proceedings.

²²² Art. 22, *Administrative Punishment Law of the People's Republic of China*, passed by the 4th session of the 8th National People's Congress on 17 March 1996, *supra* note 1 at 494-497.

As to trade mark infringements, apart from the administrative and civil remedies, criminal punishment has increasingly attracted legislative attention in China. Under the most recent amendment of the *Criminal Law*, any infringer who intentionally and seriously commits the offence is subject to imprisonment for up to seven years.²²³ Therefore, when SICAB determines that the infringement is a criminal offence, it will transfer all documents and materials acquired from its administrative investigation to the state procurators, and the latter will make full use of all such information in their criminal proceedings. In practice, rather than being allowed to claim privilege against self-incrimination, the individual party is encouraged to disclose thoroughly all information about herself and others in the alleged infringement chain. As a return, she is probably offered reduced administrative and criminal liabilities.

Section 4: Forms of Administrative Remedies

Once satisfied with the evidence of a trade mark infringement, SICAB is ready to award administrative remedies. Generally speaking, the *Trade Mark Law* enables SICAB to grant an injunction to restrain the offender immediately from further infringing the trade mark.²²⁴ Under the *Implementing Regulation*, the measures which SICAB can adopt constitute an injunction and are specifically set out, as follows:

²²³ *Criminal Law of the People's Republic of China*, amended by the 5th session of the 8th National People's Congress on 14 March 1997, *supra* note 1 at 988-1003. Sections 213 to 215 refer to trade mark infringement: "To use the trade mark which is the same as any registered trade mark in respect of the same ware without authorization of the proprietor of the registered trade mark; To sell wares bearing forged registered trade marks with full knowledge; To counterfeit, manufacture or sell logos of registered trade marks without the permission of the proprietor of the registered trade mark" [translation by the author, Changli Gao].

²²⁴ Art. 39, *supra* note 3.

- (1) to order the offender to stop selling wares bearing the infringing trade mark promptly,²²⁵
- (2) to confiscate and to destroy the infringing logo;²²⁶
- (3) to remove the offending trade mark attached to the existing wares;²²⁷
- (4) to expropriate tools, such as molds, which are directly and purposely used in infringing a trade mark; and,²²⁸
- (5) to order and to supervise the infringer to destroy the infringing wares or other materials, but this is permissible only if: (a) there is still a likelihood of further infringements even though the previous four steps have been taken, or (b), the infringing trade marks attach to goods so tightly that it becomes impossible to separate them from each other.²²⁹

SICAB can include any of these remedies in its injunction to prevent further infringement. There is no power for SICAB to create new remedies beyond those permitted in the *Trade Mark Law* and the *Implementing Regulation*. For example, seizure of the infringing goods is not available at this stage; therefore, no such relief is available for any type of infringement, although it is a commonly obtainable form of injunction in the courts. Theoretically, the subject of an administrative sanction is free to refuse to comply with any extra order not provided in the SICAB legislation.

²²⁵ Art. 43-1-(1), *supra* note 20 [translations by the author].

²²⁶ *Ibid.*, Art. 43-1-(2).

²²⁷ *Ibid.*, Art. 43-1-(3).

²²⁸ *Ibid.*, Art. 43-1-(4).

²²⁹ *Ibid.*, Art. 43-1-(5).

So far, it may seem that there is no substantial difference in terms of remedies for trade mark infringements between administrative institutions and law courts. However, the administrative punitive fine must be taken into account. It completely symbolises the fullness of the administrative power. According to the *Trade Mark Law* and the *Implementing Regulation*, as long as infringement of a trade mark has been proven, but not as a criminal offence, an administrative fine *may*, rather than *must*, be awarded by SICAB in compliance with the gravity of the illegal activities.²³⁰ The wrongdoer is either ordered to pay a fine at the rate of fifty percent of his total revenue gained from the infringement, or to pay a fine not exceeding five times his illegally gained profits. Further, in a case where the party causing the injury is a legal person, the representative or agent *may* be held administratively responsible for a fine up to the amount of 10,000 RMB yen.²³¹ Decisions as to whether or not to levy an administrative fine, and as to which options should be chosen, and as to how to assess the seriousness of the infringing conduct are delicate issues fully under the control of SICAB.

As a practical matter, when considering the gravity of an infringement, usually the contributing factors are the motive of the infringer, the reputation of the owner of the trade mark, the time span and the scale of the infringement, and the influence of consumer deception resulting from the infringer's conduct.²³² Taken as a whole, a universal set of criteria for assessing the gravity of misconduct remains uncertain today. Therefore and ironically, in one district one kind of infringement is deemed to deserve an administrative

²³⁰ *Supra* note 224; Art. 43-2, *supra* note 20.

²³¹ *Ibid.*

fine by the local SICAB, while escaping such a punishment in another district. In addition, determination of the gravity of an infringement greatly mirrors the current necessities of state policy. Occasionally, the need to protect registered trade marks is promoted as an urgent strategy.²³³ It is then understandable that every infringement becomes more seriously viewed by officials, which increases the likelihood of a large administrative fine. Perhaps when SICAB exercises too much discretion, to maintain the integrity and validity of trade mark laws, enforcement of the law in a proper and consistent manner inevitably becomes undermined.

Still, the administrative punitive fine is the most efficient way to punish particularly outrageous conduct and to deter potential misconduct. Furthermore, all punitive fines become the property of the state, not of the trade mark owner. Nonetheless, intense attacks have continually arisen as to whether a punitive fine is justifiable at an administrative stage.²³⁴ From the opponents' point of view, the function of the state's administrative interference is to create and then to maintain an orderly market, rather than to benefit financially from the illegal behaviour. True enough, the punitive fine will teach the wrongdoer a valuable lesson, but there is no reason for a state to accumulate its property by taking advantage of individual infringements. If the aim is to accumulate property, a harsh outcome likely emerges. SICAB, especially at the county level, is inclined not to take measures until real and serious infringements take place. The reason is

²³² This assertion is made according to the author's personal experience as a practicing lawyer in Nanjing.

²³³ Further discussion of this issue can be found in Section 6, *infra*.

obvious: the graver the infringement, the more likely an order of an administrative fine, and the larger the amount of money to be collected. In this way, punitive fines can become a preoccupation, which absolutely deviates from the purpose and object of the enactment.

Besides the judicial-like remedies and the punitive fine, the proprietor of a trade mark may seek further monetary remedies from the infringer at this stage. It is firmly established in the *Trade Mark Law* that SICAB has the right to order the infringer to compensate the loss, measured either as damages caused to the proprietor or by an accounting of the infringer's profits derived from the infringement.²³⁵ However, the principles which underlie damages and accounting of profits are beyond the scope of this thesis. Dissimilar to other forms of administrative remedies, which can be used without the request of the proprietor, the monetary compensation is available at the request of the aggrieved party.

There are arguments as to the character of the monetary relief issued by an administrative institution.²³⁶ SICAB has been constantly insisting that to grant a monetary compensation between parties is an extension of its administrative powers²³⁷ and therefore, still a part of an administrative relationship. But such a statement is incapable of sustaining rigorous analysis. First, the nature of any monetary remedy is to place the proprietor in the same position as she would have occupied had the infringer acted legally

²³⁴ See, e.g. Zhipei Jiang, "The Boundaries Between Administrative and Judiciary Authorities with Regard to Legal Liabilities in Copyright Law" at para. 13-15, on line: *Intellectual Property Right in China* <<http://www.chinaiprlaw.com/fgrt/fgrt4.htm>> (date accessed: 27 November 1999)

²³⁵ *Supra* note 224.

²³⁶ *Supra* note 234 at para 22.

²³⁷ Art. 4, *Notice On Implementation of "Trade Mark Law" and "Implementing Regulation"*, issued by National Industrial and Commercial Administration Bureau on 22 November 1994 [hereinafter "*Notice on Implementation*"], *supra* note 1 at 1113-1116

rather than illegally. It represents a civil relationship between equal parties, which ought to be assigned exclusively to the civil court's jurisdiction. Secondly, as repeatedly mentioned, SICAB is designed specifically for administrative management and supervision. In this way, SICAB and the courts make reciprocal adjustments with regard to the protection of trade mark rights. It is unjustifiable for administrative institutions to interfere with the power of the courts. They should function separately and distinguishably. Third, in China, as a golden rule in a civil proceeding, any applicant needs to make strenuous efforts to adduce sufficient, material and convincing proof in support of her claim, of how much economic loss she has suffered due to the alleged misconduct. Conversely, in an administrative settlement, SICAB collects proofs imposed upon the applicant that it considers necessary and thus relaxes the burden on the applicant. This element depreciates the basic dictum of fairness and justice between parties and can result in significant disadvantages to the infringer.

Another problem is whether the proprietor of a trade mark ought to provide an undertaking for any damages to the infringer before receiving SICAB's administrative protection. According to the particular administrative remedy, which can be granted in the absence of the proprietor, an undertaking is not a preliminary condition for the proprietor. The reason is obvious. Since SICAB accepts any report about a trade mark infringement from ordinary consumers, and there is no need for the latter to make any undertaking, the proprietor could instigate some one to appear as a consumer, to reveal the existing infringement to SICAB. By taking this path, the proprietor obtains remedies without paying the price of an undertaking. Instead, SICAB takes the responsibility for its decision

if it wrongly issues any remedy. The aggrieved recipient subject to that remedy could sue SICAB for losses caused to her.²³⁸

Usually, no hearing is involved in determining the administrative remedies for trade mark infringements. The reason is that, at the investigation stage, all parties have been completely provided with chances to voice their opinions, and they are able to put forward proofs whenever they want, before remedies are issued. Since the investigation takes a lot of SICAB time, there is no need to rehear the claim and counter-claim from the respective parties. It is held to be one of the best ways to promote efficiency and shorten the lengthy proceedings of administrative settlements. Nonetheless, it is naive to say that no hearing ever takes place while SICAB makes its remedies. In some exceptional circumstances, the recipient merits a formal hearing. For instance, when infringers are likely to suffer an administrative fine exceeding 5,000 RMB yen to natural persons or 50,000 RMB yen to legal persons, they may legitimately ask for a formal hearing at no cost.²³⁹ SICAB must meet their request and take an impartial stance to ensure the right of statement, cross-examination and defence. In China, at present, the always open hearing is still not a widespread approach. It merely acts as a complementary vehicle when large fines are imminent.

Section 5: Finality of Administrative Remedies

²³⁸ Art. 4, *State Compensation Law of People's Republic of China*, passed by the 7th session of the 8th National People's Congress Standing Committee on 12 May 1994, *supra* note 1 at 661-676.

²³⁹ Art. 6-1-(3), *Temporary Rule on the Administrative Punishment Hearing Organized by Industrial and Administrative Management Institutions*, announced by The National Industrial and Administrative Management Bureau on 17 October 1996, *supra* note 1 at 497-512.

SICAB seems to be in a strong and effective position in dealing with trade mark infringements, particularly by virtue of its statutory base, administrative powers and special proceedings. Nevertheless, its administrative settlement pertaining to remedies is not recognised by law for the final disposition of trade mark disputes.

As prescribed in the *Trade Mark Law*, every party, including the proprietor and the infringer of a trade mark, is entitled to file an action in court within fifteen days of receiving the administrative decision in case the administrative judgment is unacceptable.²⁴⁰ It should be noticed that in this kind of action, the dissenter to the administrative decision acts as plaintiff, while SICAB is always identified as defendant. It is not a civil litigation but an administrative one,²⁴¹ which is classically described as “civilian sues official” by the ordinary Chinese.

Meanwhile, the *Implementing Regulation* provides an alternative in case the original administrative decision does not satisfy a party. The party is given a chance to make an administrative appeal to SICAB at a higher hierarchy than the previous one.²⁴² As an administrative institution, the higher SICAB follows the same procedure to revoke or maintain the decision delivered by the lower institution. If the parties are not pleased with the outcome of the appeal, they are allowed to start litigation before the courts. In some extreme cases, administrative appeal is used as a legitimate delaying trick by a malicious party to continue infringements.

²⁴⁰ Art. 44, *supra* note 20.

²⁴¹ Art. 4, *Notice on Implementation*, *supra* note 237.

²⁴² *Supra* note 240.

In China, judicial bodies, primarily the courts and offices of procurators, serve as supervisors of administrative institutions in order to prevent and alleviate abuses of administrative powers. In both the legislature and practice, courts are expected to make independent judgments without being influenced by the previous administrative conduct. In the context of trade mark litigation that comes from dissatisfaction with a decision by SICAB, courts can deal on the basis of their own authorities and opinions. More than that, courts are encouraged to overrule an administrative settlement according to justice and fairness; for example, where they hold that no infringement of a trade mark occurred, or the administrative punishment does not match the misconduct. Unfortunately, in fact it is frustrating for courts to rescind administrative decisions. The reason will be addressed in the last chapter.

Section 6: Influence of Policy on SICAB

China may be one of the countries where law-making and law-implementing are most tightly associated with the issue of state policy. That is not to say the legislation and enforcement of law will be thoroughly overshadowed by the political executive; but, to a large degree, both mirror the urgency of policy considerations. Trade mark rights are an area which well exemplifies how state policy actively functions.

Intellectual property rights in China have received, and will continuously receive, considerable attention from international interests, particularly from the United States. China has been criticised by the US, prompted by Chinese pirating of American intellectual property. Specifically, the 'pirate' would record American audio compact discs and video

cassettes, or produce bogus consumer goods under well known registered trade marks such as “NIKE” and “ COCA-COLA”, for resale throughout Asia and the rest of the world. The Clinton Administration identified intellectual property rights as an “area of major concern.”²⁴³ The US has further integrated this issue into negotiations on China’s entry to the World Trade Organization. Thus, the range, the emphasis and the intensity of trade mark protection needs have fluctuated to meet policy demands. Whenever the censure from outside intensifies, the need to strengthen internal enforcement elevates.

The best example occurred in 1995, when the US and China reached an agreement that compelled China to inspect the twenty-nine CD and laser disc factories within its borders and to destroy any pirated goods.²⁴⁴ To assure the United States that the February 1995 agreement was more than ‘written paper’, the Intellectual Property Special Meeting of State Council created a special regulatory plan as an official appendix to that 1995 agreement.²⁴⁵ According to this plan, the specific area of intellectual property protection was to be implemented in an intense period of six months. Turning to trade mark rights, SICAB at all levels was required to focus on serious violations against trade mark rights, particularly on those connected to foreign registered trade marks, in an expeditious and urgent manner. The maximum administrative fines also were imposed on infringers during that time.²⁴⁶

²⁴³ Daniel F. Wilhelm, *Most-Favored-Nation Certification and Human Rights: A Case Study of China and the United States* (Washington, D. C.: American Bar Association, 1996) at 42.

²⁴⁴ *Ibid.*

²⁴⁵ Chidong Huang & Shuwen Liang, *supra* note 1 at 781-800.

²⁴⁶ *Ibid.*, Art. 5-3.

It is not difficult to imagine a fruitful outcome for trade mark protection during that specific period that might satisfy the other party to the agreement. But on second thought, the rights of infringers who deserve a formal hearing and, if guilty, a justifiable punishment, have been badly weakened and, most of all, the consistency of law enforcement has been undermined.

Section 7: The Difference between SICAB and the Courts

All of this demonstrates the operations undertaken by SICAB to produce the image of success for the administrative channel on the issue of trade mark infringements. However, a further comparison between it and the courts will be helpful for the whole picture of China's "dual system".

First, the parties eligible to launch a complaint are different. Under the administrative path, any person, including the owner of a trade mark and an ordinary consumer, is qualified to report alleged infringing activities to SICAB. Here the parties who can commence an administrative proceeding extend to the infinite public. Commonly, there is no named owner of the trade mark involved in an administrative settlement at all. In contrast, the courts only accept an action initiated by a specific individual. Usually she is the owner of the trade mark, or someone permitted to use that trade mark with the authorisation of its owner. Thus, it becomes understandable that nobody but a proprietor or a licensee of the trade mark is empowered to initiate an action in the courts.

Secondly, the requirements of the identity of the defendant are different. SICAB is concerned with whether an actual trade mark infringement exists. It can take steps to

investigate or resolve such trade mark infringements without knowing the identity of an accused, so long as any illegal act has been firmly established. In practice, the finding of a named defendant is not a necessary issue. The target of SICAB is to eliminate the illicit activities and to minimise the negative impact on the trade mark's owner as soon as possible. However, in the courts no case can be accepted unless the named defendant is clear. Any plaintiff is invariably under the obligation to provide detailed information about the infringer; otherwise, she has no ground to obtain any protection from the judiciary. At this point, SICAB turns out to be more practical, flexible and efficient, which undoubtedly favours the owner of the trade mark.

Thirdly, the attitudes are different. In order to restrain unfair competition and to protect consumer interests, SICAB is ready to handle trade mark infringements on occasions where no immediate party complains of being impaired. By doing this, SICAB is deemed to exert its ultimate administrative power in a positive manner. By contrast, the courts will never be involved in an action in the absence of complaint by an aggrieved trade mark owner, which adheres to the procedural maxim "no motion, no litigation." Evidently, the courts take a neutral stance compared with SICAB when acting as an obliged supervisor.

Fourthly, the proceedings are different. Simply put, the restrictions in the administrative channel are considerably fewer than in the judicial channel. Neither a time limitation nor an undertaking of damages is rigidly required for the applicant by SICAB, in contrast with its court counterpart. Radically, SICAB spends most of its time and scrutiny in collecting evidence regarding trade mark infringements; but it is deemed bold, even

absurd, to ask courts to do this for the applicant requesting anything like an interlocutory injunction.

Finally, the results are different because SICAB is not designed to settle finally any trade mark infringement. Instead, the courts can review and revise the administrative decision delivered by SICAB. In other words, SICAB is not the most authoritative institution for a party to rely on. In contrast, once a judicial judgment has been made, the parties have to observe and enforce it.

Conclusion

As a matter of fact, the administrative approach not only represents one of the most distinguishable aspects of the Chinese view to trade mark affairs, but it has also developed as being most commonly pursued, especially by foreigners who wish to avoid the stigma and cost of litigation. This path is relatively effective by being less formal for commencement of an application, and less burdensome on the sustaining trade mark owner for providing evidence. More than that, SICAB is able to order the removal of offending logos, payment of administrative fines and injunctive relief exactly in the same form as courts do. Therefore, administrative protection for trade mark rights is growing widely in China, and disputes handled by SICAB in the first instance now far outnumber those by the courts.²⁴⁷

²⁴⁷ According to Zhipei Jiang, "Judicial Protection of IPR in China" at para. 8, on line: *Intellectual Property Rights in China* <<http://www.chinaiprlaw.com/english/forum/forum3.htm>> (date accessed: 27 November 1999), in 1997, 32,027 cases of trade mark violations were investigated and prosecuted by SICAB, while over the seven years from 1991 to the end of 1997, only 1,565 trade mark cases were brought to courts at the first instance.

However, giving over-zealous credit to China's administrative engagement in trade mark infringement is neither rational nor compatible with international trends. First of all, trade mark rights are categorised as private rights between individuals, and disputes derived from such private rights should be resolved by the courts. Excessive passion for administrative power will depreciate the function and value of the courts and of law itself. Meanwhile, SICAB creates problems of its own, such as the absence of procedural safeguards for wrongdoers, the uninhibited disposition of administrative fines, and the lack of finality for its decisions. The last chapter will put forward some solutions to this situation.

Part 2: Pre-Trial Remedies Granted by Courts in China

Despite the influence of SICAB in determining trade mark infringements as examined in the previous part Chinese courts still commit themselves to these issues to a certain degree. Facing tremendous demands for protection of the exclusivity of trade marks, especially so as to ensure the confidence of foreign investors, China is realising the important role of the courts in respect of trade mark rights. For better implementation of trade mark laws, and further improvement of the trade mark litigation system, the Supreme Court of China has formulated and implemented nearly twenty judicial interpretations and judicial explanatory documents since the 1980s. They include a crucial interpretation, “The Reply on the Issues of Damages Calculation and Infringement Period Determination in Trade Mark Infringement Cases”,²⁴⁸ which provides principles for the measurement of damages by courts in making a final decision after trial.

Nonetheless, intellectual property remains a field where profound technical knowledge is needed. In China, the concept of intellectual property is new not only to ordinary people, but also to most judges, particularly those in remote areas and at local levels. To fix these problems, on the one hand all intellectual property cases are assigned to courts above the intermediate level. On the other hand, a special jurisdiction, known as the Intellectual Property Chamber, has gradually been developed in both provincial and intermediate courts. In October 1996, the Supreme Court of China established its

²⁴⁸ Issued by the Supreme Court of China in November 1985, Jianzhi Dai & Xu Chen, eds., *Legal Research on Compensations for Intellectual Property Infringement* (Beijing: Publishing House of Law, 1999) at 177.

Intellectual Property Chamber as well. Thus, all disputes regarding intellectual property are now solely resolved by these professional chambers, before judges trained in this specific area. In this way, the judiciary offers the most careful legal consideration and protection to intellectual property, including trade mark rights.

However, it is wrong to infer that pre-trial remedies for trade mark infringements are now a major priority. Ironically, so far, the Supreme Court has not given any instruction and guidance on these matters. This lack of attention shows an absence of interest in intellectual property issues in the provincial and intermediate courts. Any interpretation by the Supreme Court must be based on demands coming from the lower courts. This leads to further ignorance within the whole judicial channel, forming a negative circle. Likewise, Chinese academics do not view pre-trial remedies as important for their discussions and legal thoughts. Therefore, a silence remains on the issue of pre-trial remedies for trade mark infringements regarding the judicial system.

Section 1: Forms of Pre-Trial Remedies

Pre-trial remedies are never mentioned in the *Trade Mark Law*²⁴⁹ and the *Implementing Regulation*,²⁵⁰ from first enactment through recent amendments. This does not indicate insufficient recognition from plaintiffs and courts in trade mark litigation. On the contrary, both are passionate about pre-trial remedies. The following reasoning illustrates their enthusiasm.

²⁴⁹ *Supra* note 3.

²⁵⁰ *Supra* note 20.

The reasons why any individual who is suffering trade mark infringement proceeds to litigation can be generalised: first, to stop further injury; and secondly, to obtain compensation for injury already incurred. To achieve these aims, impartial judgment delivered by a court undoubtedly serves as a fundamental element; but to some extent, the implementation of a judgment is much more important, because that is how the fruit of litigation can be materialised. Unfortunately in China at present, the execution of judgment is the weakest aspect. A final valid judgment is rarely realized, partly or wholly, against defendants, especially where monetary liability is imposed. Most defendants choose not to observe the court order, either transferring assets away or giving false financial information, as soon as they know of their failure in litigation. This not only interferes with the administration of justice but also frustrates successful plaintiffs, where they merely win a “paper victory” at the price of immense time and cost. In consequence, applying for pre-trial remedies to prevent such a misfortune in advance becomes the favourite tool of plaintiffs. Without doubt, such applications are usually welcomed by courts since, if successful, they avoid the court’s loss of dignity over the flouting of their final judgments by defendants. Therefore, both plaintiffs and courts share an interest in the contents of pre-trial remedies.

Statutory authority for the granting of pre-trial remedies is now in *The Civil Procedural law of the People's Republic of China*.²⁵¹ Under this enactment, the court is enabled to take property preservation measures if irreparable harm will take place before

²⁵¹ Passed by the 4th session of the 7th National People’s Congress on 9 April 1991 [hereinafter “*Civil Procedural Law*”], *supra* note 1 at 814- 864.

the applicant commences an action.²⁵² Obviously, pre-trial remedies for trade mark infringements specifically refer to interlocutory injunctions to preserve property. The word “property” includes not only bank accounts but also real estate, motor vehicles and other valuables. Correspondingly, preservation of property may take the forms of sealing up, distraining or freezing property and other assets stipulated in law.²⁵³

Pre-trial remedies for trade mark infringements go no further than previous traditional methods. Usually, courts will simply describe the subject-matter of the injunction by confining it to property that is owned by the defendant in the legal capacity in which she is the defendant. Nonetheless, the plaintiff must provide the court with all necessary information regarding the defendant’s assets, for example, the name of the bank and the location of the real estate. Otherwise, the application for preserving property will not be accepted. This obligation can be troublesome to the plaintiff who has no knowledge of and no access to the defendant’s possessions, especially when an unscrupulous wrongdoer deliberately dissipates property in various places.

A key question arises at the pre-trial stage: whether the plaintiff can ask the court to enter the premises of the defendant to take inventory of infringing products having the mark, or connected to the registered trade mark, or to inspect the defendant’s accounting books and records in order to discover the names and addresses of purchasers of the infringing products, or to force the defendant to disclose the previous information? Simply put, are courts a suitable vehicle to exert power to collect and preserve evidence possessed by the defendant, so as not to conceal or destroy documents and thus diminish

²⁵² *Ibid.*, Art. 93.

the prospects for the plaintiff's success? No authority is explicitly available on this issue. Indeed, when it is hard for a litigant or legal representative to obtain the necessary proof in these circumstances, trial courts are responsible to collect evidence.²⁵⁴ Clearly, collecting evidence is specifically available in the course of the trial, but does this also apply for pre-trial proceedings? Courts are not expressly forbidden to exercise such authority prior to a formal trial. However, in practice it is extremely undesirable for courts to interfere with the defendant's business too much. The plaintiff therefore usually remains substantially deprived of the right to seek judicial assistance, regardless of how desperate she is to collect evidence in support of her claim. Thus, the defendant too often is "lawfully" given a vast opportunity to dispose of compromising proof that might support the plaintiff's case.

A far more serious problem is that the interlocutory injunction excludes the element of restraint of ongoing trade mark infringements between the time of application for pre-trial remedies and the final judgment. For instance, courts may keep custody of infringing wares and logos bearing the trade mark allegedly being infringed, but an order to stop producing or selling is impossible. The suffering proprietor cannot acquire redress from courts for continuing infringements to goodwill and reputation attached to her trade mark. All damages, whether tangible or intangible, are expected to be quantified and compensated by means of existing property at the time of final judgment.

²⁵³ *Ibid.*, Art. 94-2.

²⁵⁴ Art. 73-1, *The Supreme Court of China's Opinion on Implementation of the Civil Procedural law of the People's Republic of China*, issued on 14 July 1992, *supra* note 1 at 865-908.

Such a situation may be attributed to the lack of a pre-trial hearing procedure. In China, despite the establishment of an Intellectual Property Chamber, applications for interlocutory injunctions are under the authority of another specific chamber, which is entitled to take steps such as preserving property solely based on the application.²⁵⁵ Because an application for property preservation may be brought *ex parte*,²⁵⁶ there is no chance for the defendant to express her opinion, nor is there opportunity for the chamber to hold a hearing and make an assessment of the strength of a trade mark case. Consequently, courts do not feel secure in ordering the defendant to stop using the trade mark in question when she is deprived of a hearing.

In spite of the “dual system” designed to protect trade mark rights, the proprietor still is not completely protected either by SICAB or the courts, because the former has no right to preserve property while the latter is unable to prevent infringements prior to trial. And most of all, she is not allowed to take actions before SICAB and the court simultaneously. In other words, property preservation and temporary restraint of infringement are alternatives.

Section 2: Requirements for Obtaining Pre-Trial Remedies

Interlocutory injunctions prior to trial granted by courts in China are relatively simple in respect of content and form, but applicants still have to meet a number of requirements which derive from legislative and jurisprudential practices. In terms of trade

²⁵⁵ In the following work, the wording of “court” refers to this chamber except when specific language is used.

²⁵⁶ Art. 93, *Civil Procedural Law*, *supra* note 25.

mark infringements, the prerequisites for pre-trial remedies, as addressed below, are formalistic for each individual case.

(a) The Qualifications of Plaintiff and Defendant

The matter of who can apply for an interlocutory injunction is simple. No person other than the owner or licensee or transferee of the trade mark is capable of commencing an application. For the applicant, the only way to show her qualification is either with certification of the registered trade mark or of the licensing and transferring contract which verifies ownership and legitimate use of that trade mark. Because courts responsible for interlocutory injunctions have no professional knowledge of trade marks, they are rarely fussy about the identity of the applicant as long as the relevant documents are furnished. As a regular routine, courts are unlikely to examine whether the registered trade mark is still valid. Courts are merely asked to check the duration of registration for the trade mark. Determining whether that trade mark is capable of registration, or whether the owner is the person entitled to register it, is beyond the necessity and capacity of courts at this stage. Normally, courts presume that registration of a trade mark is and remains valid unless the contrary is proven in the course of the trial. Where the validity is questionable, and the relative parties have taken the dispute to the Trade Mark Office, the preferable attitude is to wait until the issue is settled by the Trade Mark Office.

Against whom may an interlocutory injunction of property preservation be obtained? Without doubt, the person who commits infringing conduct should be the one carrying the liability. In this respect, the applicant is deemed to complete her obligation by

providing courts with the name of the specific infringer. The real point is how to deal with wrongdoers who are part of an infringing chain but difficult to be identified by the applicant. Is the already named defendant obliged to disclose such information? What kind of duty falls on the court in this event? The answer is assertive but disappointing: the burden to clarify and offer the status of the infringer to the court is entirely on the applicant's shoulders. Courts have no desire even to give it thought, much less to take active steps to resolve this problem. Such a situation puts the applicant at several disadvantages, the worst being that the unnamed infringer will be able to remove or conceal evidence and property, once realising that the application exists.

(b) The Occurrence of Infringements

After demonstrating the entitlement to a trade mark right, a plaintiff cannot request pre-trial remedies unless she demonstrates prejudice to the trade mark right, as illustrated below. In theory, these elements should be viewed as a mixed formula of considerations rather than as sequential steps. However, as a matter of fact, any defect in any single element could result in rejection of the request for an interlocutory injunction. There is no reason to expect that weakness in one factor might be seen by a judge to be compensated by strength in another.

(i) Actual Misconduct of the Defendant

No application will be accepted by the courts unless the defendant has misused or continues misusing the trade mark in question. That is to say, any potential infringements will not be taken into account by the court.

Since the *Trade Mark Law* and the *Implementing Regulation* make strenuous efforts in listing the forms of trade mark infringements,²⁵⁷ it is not difficult for a plaintiff to discharge the burden of proof of an infringement if it falls within the statutory categories. The actual usage of a trade mark which is allegedly infringing serves as the dominant element, which even overshadows the necessity of showing that real confusion, or the likelihood of confusion, exists. This is automatically assumed to be taking place.

There are several more complex matters meriting consideration. The first is: what happens if the usage of a trade mark is beyond the enumeration of legislative authority? So far, six types of infringements are specifically and separately mentioned in the *Trade Mark Law* and the *Implementing Regulation*,²⁵⁸ but they far from exhaust the variety of possible circumstances. For instance, a case involving inverse passing off,²⁵⁹ where the defendant removed a plaintiff's trade mark, "Maple Leaf" from its goods and replaced it with "Crocodile", has given rise to an intensive debate as to whether the plaintiff can proceed in an action of trade mark infringement when no provision regarding "inverse passing off" is explicitly available in the *Trade Mark Law* and the *Implementing Regulation*.²⁶⁰

²⁵⁷ For full text and footnote, see Chapter 1, Section 4, PP. 5-7.

²⁵⁸ *Ibid.*

²⁵⁹ Chengsi Zheng, "The First Case Concerning Inverse Passing-Off in China" (1998) 6 *Research on Intellectual Property Right* 193.

²⁶⁰ *Ibid.*, Dongchuan Luo, "Several Issues Involving the Case of *Maple Leaf v. Crocodile*" 199 at 200.

As repetitively pointed out, courts are allowed to grant interlocutory injunctions in cases where the requirements for a proper cause of action have been met. Contrary to the theory, they are not hesitant to deliver injunctions when the nature of the defendant's activity is ambiguous. In a case like "inverse passing off", interlocutory injunctions for property preservation are still obtainable, simply by inferring that the cause of action for trade mark infringement is merely of nominal value.

The second question is whether the motives of the defendant should be given appropriate consideration when determining an application for an interlocutory injunction. In most circumstances this is not a concern in establishing a charge of trade mark infringement. The defendant is liable for the illegal usage of trade marks, no matter whether she is intentional or negligent, and that has become a well settled rule. But it is not invariable. Sometimes, the motives of the defendant do necessarily form an element in the infringement. The best example is under a clause in the *Implementing Regulation*, when a person provides storage, transportation or delivery of goods for infringers that facilitate the infringing activities, the deliberation of this person is necessary.²⁶¹ In such a case, the judgment will not favour the plaintiff if she fails to prove the intention of the defendant-facilitator. Therefore, it is naive to assert that the motives of the defendant are always a matter of irrelevance.

However, it seems that no room is left for considering the defendant's motives at the stage of interlocutory injunctions. To be accurate, they have not yet been put on the agenda. Infringers are taken for granted to be guilty and unscrupulous from the start.

²⁶¹ Art. 41-3, *supra* note 20.

Usually, courts feel no sympathy for them, regarding the stigma of interlocutory injunctions. Using a trade mark without knowing does not preclude courts from exerting their authority. In consequence, the plaintiff is ordinarily relieved from producing evidence of the defendant's motives. Proof of the fact of infringement suffices.

Taken as a whole, it is fairly easy for a plaintiff to satisfy the court in the context of the actual misconduct of the defendant. Demonstration of the usage of the trade mark by the defendant is enough. Because no hearing is permissible, courts make no attempt to ponder the strength of the case at the pre-trial stage. In determining the preliminary injunctive relief, courts primarily base their decisions on inference; in particular, the plaintiff is assumed to be an aggrieved victim, while the defendant is an unmeritorious violator.

(ii) Material Damages

Apart from the previous requirement, the applicant has to indicate that material damages to her trade mark rights were directly caused by the use of a confusing mark by the defendant. Although an accurate formula for assessment of damages is difficult to give, it must refer to either economic loss or harm to goodwill attached to the trade mark.

The nature of damages is not the controlling concern. It is presumed that any use of the trade mark strictly prohibited by the statute is a violation of a trade mark right. Therefore, once the plaintiff proves the existence of the defendant's illegitimate behaviour, there is no need for courts to question the nature of the damages.

Nevertheless, the magnitude of damages captures tremendous attention from courts in China. The plaintiff has to produce evidence of damages quantifiable in monetary terms resulting from any decrease of customers, or from market loss. When the applicant has not been monetarily affected by the infringing activities prior to the date of the application, the profits gained by the defendant in the course of infringements become a substitute. Under this circumstance, the defendant is deemed to represent the plaintiff. It is however idle to say that the loss suffered by the plaintiff can always be quantified in monetary terms. In many events, such as where the harm is merely the loss of goodwill or reputation, the plaintiff is still invariably asked to estimate the monetary loss. At the interlocutory injunction stage, courts take it for granted that the unauthorised use of a registered trade mark, or the use of a confusing trade mark, inherently leads to a loss of reputation or goodwill and the latter is eventually tantamount to material damages in terms of money. It turns out to be unnecessary for the plaintiff to lead persuasive evidence showing how damages are calculated; conversely, she is permitted to make estimation, speculation and inference of loss, because no single restriction has been laid down by statute or the courts.

(iii) Irreparable Harm

According to the *Civil Procedural Law*, one pre-condition for a plaintiff applying for an interlocutory injunction of property preservation is the establishment of irreparable harm.²⁶² But the law gives no definition of irreparable harm. From the practical viewpoint,

²⁶² *Supra* note 252.

this means that the plaintiff may suffer irretrievable loss in monetary terms if pre-trial relief does not apply. As already addressed, in China the interlocutory injunction mainly adopted by courts is for property preservation. Hence, the notion of irreparable harm is specifically interpreted as the serious risk that, if not restrained by injunction, the defendant will dispose of or hide her assets, so as to frustrate any judgment which the applicant might subsequently obtain.

Once again, such a prerequisite is not an essential problem to the plaintiff. Her chance of being irreparably harmed is easily inferable by both the plaintiff and the court. In their views, the defendant cannot be trusted to abide by the judgment. As a result, neither the plaintiff nor the court would give consideration to the defendant's reputation, credibility and scale of business. Interestingly, at this point all defendants are equally treated. Even worse, perhaps the more prestigious a defendant is, the more she is likely to experience the stigma of property preservation. In this way, the plaintiff is assured that her interests can be maximally protected.

In sum, a short statement of a couple of sentences indicating the fear of irreparable harm, along with the likelihood of property disposition by the defendant, rather than clear evidence is enough for the plaintiff to surmount the hurdle of identifying irreparable harm. Indeed, the establishment of irreparable harm is replaced by its suspicion and inference.

(c) Time Limits for Filing an Application

All of the previous observations may give an impression that in China the plaintiff is less restricted by courts when obtaining preliminary remedies. To some extent, this is true. More than that, obtaining pre-trial remedies is universally regarded as inherent to exclusive trade mark rights. This attitude can lead to less scrutiny for substantive elements involved in trade mark cases.

But another requirement exemplifies that procedural considerations have been constantly highlighted. Under the *General Principles of Civil Code of the People's Republic of China*, the time limit for filing a civil action is two years,²⁶³ which begins from the date when the plaintiff knows or should know of the infringement of her rights.²⁶⁴ Without question, these regulations apply to trade mark infringement cases as typical civil relationships.

No plaintiff is likely to run the risk of letting the time limit pass. If she realises the occurrence of the trade mark infringement within the statutory timing, she must also realise that the statutory protection exists. If an application for an interlocutory injunction fails to be brought in the two years after the initial first infringement, the plaintiff can claim that she had no access to knowledge of the infringing activity because it occurred either at a long distance from her or for a short period of time. In reality, courts are ready to accept such explanations. Similar to other pre-conditions, it is a concern normally dealt with in trial chambers in the presence of the defendant.

²⁶³ Art. 135, *supra* note 24.

²⁶⁴ *Ibid.*, Art. 137.

Such flexible arrangements clearly benefit the applicant's side, especially when no regulations pertaining to delay in her application for an interlocutory injunction have ever been formally addressed. It is not correct to say that trade mark infringements always do harm to the plaintiff's business or reputation; for instance, when an innocent defendant uses the trade mark in a market-place which the plaintiff has not yet entered, and perhaps has no intention of entering. In such a case, the honest plaintiff will take reasonable steps as soon as she is aware of the infringement. Since timing is a matter of conscience rather than of a statutory obligation, an immoral plaintiff may take advantage of the two-year time limit and purposely let such an infringement continue. She will choose not to proceed with an application for injunctive relief until the last day of the permitted limit. By taking this path, she can claim more compensation from the defendant's growing profits. Both the defendant and customers are then lawfully exploited, which is not compatible with the objective that the law pursues to establish and maintain a fair and just marketplace for the public interest.

Section 3: Procedural Safeguards

As an underlying principle, all participating parties in litigation deserve fair and equal treatment. In other words, the defendant's interests should be considered as fundamental as those of the plaintiff.²⁶⁵ Deriving from such a principle, the *Civil Procedural law* does leave room for procedural safeguards when granting interlocutory injunctions. Although in trade mark infringements the defendants are routinely viewed as

²⁶⁵ *Ibid.*, Art. 3.

infringers prior to the final findings of the trade mark rights, their interest and rights are still taken into account by a set of procedural safeguards.

(a) Undertaking

The provision with respect to safeguards for the defendant can be found in the *Civil Procedural law*: any applicant for property preservation is required to provide monetary undertaking; otherwise, the application ought to be dismissed.²⁶⁶ The amount of the undertaking is not based on the defendant's damages suffered from a mistaken application; on the contrary, it is based on the plaintiff's claim of her losses. In other words, whatever the plaintiff asks for in compensation, that much she should undertake to guarantee for her court action. By taking this path, the plaintiff is compelled to reconsider the assessment of damages to her business by virtue of the defendant's alleged misuse of the trade mark, thereby preventing the plaintiff from exaggerating her economic injury.

Compared to other elements, the undertaking undoubtedly serves as a controlling factor. Without exception, no applicant is insulated from such an obligation. More than that, in truth, courts are much inclined to examine the plaintiff's undertaking in the first place, rather than other pre-requirements. In this sense, the undertaking performs not only a safeguard for the defendant but also a hurdle that the applicant has to surmount. The reason for such an overwhelming emphasis on the issue of an undertaking is to relieve courts from the responsibility for preliminary remedies. Nobody but the plaintiff is to be blamed if an interlocutory injunction turns out to be mistakenly issued by reason of an

²⁶⁶ Art. 93-1, *supra* note 251.

incautious application. She should carry her liability for her imprudence by compensating the defendant in damages for any loss suffered by reason of the order having been made.²⁶⁷

At the same time, in accordance with the *Civil Procedural law*, courts must terminate any order for preserving property if the subject of the order manages to provide an undertaking in the same amount as the plaintiff does.²⁶⁸ This appears to be the only occasion when a defendant can be exempted from the continuance of an interlocutory injunction, albeit after the original order is executed for a short time.

Regulations concerning undertakings are designed to protect the interests of the defendant but ironically, viewed from a neutral perspective, there can be a few frustrating outcomes. In the first place, the defendant has little control over the issue. What she can do is to submit to the order and then produce her property as bail or collateral, to save her from the disgrace of having no credibility that she will fulfill the final judgment. In the second place, the plaintiff in a trade mark infringement case is likely not only to want to restrain the infringement to her trade mark right, but also to close down the defendant's business and to strengthen her own establishment. On most occasions, the plaintiff will have commenced business before the defendant and earned profits from using the trade mark, especially if it is a well known trade mark. Hence, she can make use of this financial advantage by purposely estimating her damages in a higher amount, which automatically results in the increase of the undertaking. Since the defendant is obliged to produce an undertaking equal to the plaintiff's, this strategy could jeopardise the defendant's business at its infancy. In this event, the defendant has no way to avoid an interlocutory injunction.

²⁶⁷ *Ibid.*, Art. 96.

The undertakings from both parties become the primary concern of the court, which leaves it to play no substantial role other than granting and subsequently invalidating the injunctive relief. Simply put, the grant or determination of an interlocutory injunction constitutes no more than a financial contest and a strategy of imposed obligations between the plaintiff and the defendant.

(b) Other Considerations

In addition to the undertaking as a procedural safeguard, the plaintiff has to bring a formal action within fifteen days of the delivery of an interlocutory injunction. If not, it should be terminated by the court.²⁶⁸ After this statutory requirement, the plaintiff is compelled to the next step and thus to let the defendant have a chance to present herself. Turning to a trade mark infringement, the defendant is able to defend by challenging the validity of the trade mark, or demonstrating her innocence of its use. Similar to the duty of undertaking, no excuse is acceptable by the court if the plaintiff fails to proceed to litigation within fifteen days.

Except for the undertaking and time limit on filing a case, no further obligation remains for the plaintiff. In contrast, courts have some duties to take reasonable steps to safeguard the defendant's legitimate interests. First, they have to ensure that execution of the order will be limited to the extent of the plaintiff's claim or to the assets relevant to the

²⁶⁸ *Ibid.*, Art. 95.

²⁶⁹ *Ibid.*, Art. 93-3.

action.²⁷⁰ Secondly, they should notify the recipient to whom the *ex parte* application is addressed immediately after the order is implemented.²⁷¹

Taken together, the procedural safeguards adopted by courts are considerably limited in terms of varieties and vigour. More than that, the wording of these provisions is fairly flexible and ambiguous; for example, “assets relevant to the action” and “immediately” can be interpreted in broad ways by courts. It is easy to imagine how little substantial protection the defendant has from the court, and as a matter of fact, even the defendant herself does not expect to obtain protection from the court. No one really questions the procedural issues and an order for an interlocutory injunction is seldom revoked solely on the ground that courts do not satisfy the procedural requirements.

Conclusion

Pre-trial remedies for trade mark infringements are available. They specifically focus on property preservation, designed to guarantee satisfaction for a final judgment by preventing the defendant from dissipating or removing her assets.

A set of pre-conditions has been laid down by the enacted law, but with little impact on courts because the inference of guilt contributes greatly to the whole result. Every prerequisite can be satisfied by implication rather than clear and sufficient evidence. The plaintiff’s claim is firmly supported by virtue of the ownership or the legal use of trade marks, while the defendant’s single use is presumed a violation. More importantly, the plaintiff in a trade mark infringement is normally regarded as a victim sustaining

²⁷⁰ *Ibid.*, Art. 94-1.

tremendous damages who should be provided preliminary protection in an expeditious fashion. On the contrary, the defendant will be universally deemed a rogue and one who is inclined to flout the order of courts by disposing of her property. Not surprisingly, stemming from such disparate attitudes toward the plaintiff and defendant, the treatment of their individual rights is often distinctly different, both from the perspective of statutory law and judicial practice.

A final point is that courts manage to insulate themselves from any liability by asking for the plaintiff's undertakings. Substantially put, this constitutes the only hurdle which the plaintiff has to pass.

Taken as a whole, the forms and contents of interlocutory injunctions offered by China's courts for trade mark infringements are fairly straightforward. It is an area that remains underdeveloped. In the last chapter, some constructive suggestions for this field will be explored.

²⁷¹ *Ibid.*, Art. 93-3.

Chapter 4: Comparisons and Suggestions²⁷²

The first task of this chapter is to compare Canada and China on the subject of pre-trial remedies for trade mark infringements. Similarities and differences are respectively addressed, but the latter will be given more attention and space in light of the judicial considerations and approaches involved in these two countries. Apart from pure comparisons, elements that directly and basically contribute to differences in trade mark protections are to be analysed as well.

However, the real agenda here is to identify what substantial problems and deficiencies China is facing compared with Canada, regarding trade mark protection prior to trial. Furthermore, the chapter intends to make prudent and reasonable suggestions to resolve such problems. To be consistent, these suggestions are primarily based on the ideas and practices of Canadian courts.²⁷³ First, however, the likelihood of acceptance and impact on China's legal system of such a judicial transplant will be given full examination. Measures which work under Canadian circumstances, and also are in harmony with China's legal traditional developments in trade mark protection, are suggested to be likely functional and operational in China.

Therefore, this chapter is divided into three parts: the first deals with comparisons, while the second focuses on China's problems, and the third aims at suggestions.

²⁷² This chapter is based in part on the author's personal experience as a practicing lawyer for five years in trade mark law in Nanjing, People's Republic of China.

Part 1: Comparisons Between Canada and China

Both in Canada and in China, seeking remedies prior to trial has become an indispensable tool for practitioners in trade mark disputes. Almost all parties claiming injury are ready to proceed with an application for interlocutory injunctive relief. The benefits are evident: the interlocutory injunction can prohibit ongoing infringements and thus diminish further damage; and an award of an interlocutory injunction preserves the effectiveness of any successful judgment in the final action. In both countries, no one would challenge the function and importance of pre-trial remedies.

As illustrated in previous chapters, the forms of pre-trial remedies certainly differ in Canada and in China. Interlocutory injunctions and Anton Piller Orders constitute the major pre-trial remedies for trade mark infringements in Canada. In China, interlocutory injunctions and property preservations are available. The real differences meriting deep and essential comparisons are found in the consideration of rights of competing parties in the course of the disposition of applications for injunctive relief.

Section 1: Comparisons of Interlocutory Injunctions

(a) Comparisons of Forms

In China, interlocutory injunctions which concentrate on restraining further trade mark infringements pending trial are normally issued by SICAB, not by law courts. As an

²⁷³ This approach does not imply that China cannot learn something valuable from other countries at this

administrative institution, SICAB takes measures which reflect its administrative features. The focus can be to restrain the offender from selling wares bearing the allegedly infringing trade mark but the administrative order can also be to confiscate and to destroy the infringing logo, to remove the offending trade marks printed on the existing wares and to impose an administrative fine on the offender.²⁷⁴ All of these are expressions of the administrative power, not the judicial authority.

In Canada, the courts offer the only recourse for individuals to resolve trade mark disputes. And the forms of interlocutory injunctions do not fall outside of the judicial range, such as to restrain the defendant from manufacturing, advertising, printing, selling, offering or displaying for sale, distributing, transferring, or shipping wares bearing trade marks the same as or similar to the plaintiff's trade marks.²⁷⁵ Clearly, in Canada the clauses contained in injunctive relief are much more specific and articulated than those in China.

(b) Comparisons of Contents

The House of Lords judgment in the *Cyanamid* case²⁷⁶ provided the approach to granting interlocutory injunctions that has been formally adopted in Canada, by its Supreme Court²⁷⁷ and Federal Court of Appeal.²⁷⁸ Following this model, no injunction will be awarded unless the plaintiff succeeds in showing clear evidence of a serious issue,

point, but such an extended research is certainly beyond the scope of this thesis.

²⁷⁴ Art. 43, *supra* note 20.

²⁷⁵ *E.g.*, the decision in *Year 2000 Inc. v. Brisson* (1988), 81 C.P.R. (3d) 104 (Ont. Ct.(Gen.D.)).

²⁷⁶ *Supra* note 34.

²⁷⁷ *Metropolitan Stores (MTS)*, *supra* note 47; *RJR-MacDonald*, *supra* note 47.

irreparable harm and the balance of convenience in her favor. In combination with the *Trade Marks Act*,²⁷⁹ Canadian courts have established a host of requirements for trade mark cases,²⁸⁰ some of which are specifically designed to limit the plaintiff's abuse of preliminary relief; for instance, she will lose her right to an interlocutory injunction if there was an unexplained delay in proceeding with the application after she knew of the trade mark infringement, or if the hardship on the defendant from the award outweighs the benefits to the plaintiff, or if the defendant is innocent in using the trade mark in dispute. Not surprisingly, refusals of applications for interlocutory injunctions where the plaintiff fails any of the tests are not uncommon.

In China, since SICAB is expected to eliminate trade mark infringements as expeditiously as it can, it seems impracticable for SICAB to lay down excessive preconditions specific to applicants or to cast more light on the subject's interests; otherwise, SICAB's function will be undermined. As a result, burdens that the applicant would bear in China are extremely slight. In practice, all that she needs to show is her legitimate use of the trade mark. In an administrative procedure, the rights and obligations of the applicant are not evenly balanced. Compared to the plaintiff in Canada, who is asked to pass a three-step test by clear and persuasive proof, the applicant in China is far less burdened and more fortunate.

More than that, in Canada each applicant must undertake to pay any damages caused to the defendant by reason of the grant of an interlocutory injunction after she has

²⁷⁸ *Turbo Resources Ltd. v. Petro Canada Inc.*, *supra* note 49.

²⁷⁹ *Supra* note 8.

²⁸⁰ Detailed discussion on this topic can be found in Chapter 2, Part 1, Section 2.

satisfied the tripartite test. This makes the plaintiff prudent and protects the defendant against a malicious application. On the contrary, the applicant is not asked to undertake the damages in China at the administrative stage, which puts the subject at risk in case damages occurred due to a wrong order. Theoretically, the victim is entitled to ask SICAB to carry the liability,²⁸¹ but unfortunately at present, the likelihood for an individual to win a case filed against an administrative institution is incredibly low.²⁸² So the outcome is that no one in China takes responsibility for covering the defendant's damages.

As already shown, the situation for the subject of an interlocutory injunction in China is not optimistic by virtue of few obligations on the applicant. Furthermore, an administrative interlocutory injunction is made *ex parte*, which means the subject is deprived of a formal hearing under normal circumstances.²⁸³ Although she still has access to SICAB to state opinions of her own, those opinions are not officially treated as if obtained from a formal hearing. Contrary to China, in Canada every defendant is provided with an equal opportunity to avoid an injunction by refuting the plaintiff's claim at a formal hearing. Holding a hearing is indispensable regardless of the nature of the trade mark cases. The risk of judicial error can be minimised in this manner.

²⁸¹ Art. 2, *Administrative Litigation Law of the People's Republic of China*, passed by the 7th National People's Congress on 4 April 1989 [hereinafter "*Administrative Litigation Law*"], *supra* note 1 at 630-643.

²⁸² It is generally acknowledged that justice in administrative litigation is much less developed in China. An aggrieved party is hesitant to bring a case against any administrative institution; even worse, lawyers in China are not inclined to represent an individual plaintiff in administrative litigation.

²⁸³ Only on occasions where the infringer is likely to suffer an administrative fine exceeding 5,000 RMB Yen for an individual and 50,000 for a legal person, is a hearing normally held. See Chapter 3, Part 1, Section 6.

Section 2: Comparing Anton Piller Orders (Canada) and Property Preservation (China)

(a) Comparisons of Forms

In Canada, Anton Piller Orders, originally created effectively to prevent any large-scale violation against intellectual property rights, contribute greatly to pre-trial remedies for trade mark infringements. With the novelty of allowing searches of the defendant's premises on an *ex parte* basis, Anton Piller Orders have universally been recognised as a "nuclear weapon". They may empower the plaintiff in a trade mark case to enter the defendant's premises or residence to seize evidence of infringing products having the mark or connected to the registered trade mark, and to inspect the defendant's accounting books and records for the purpose of determining the names and addresses of purchasers of the infringing products. Anton Piller Orders usually contain such clauses as ordering the defendant to disclose the whereabouts of infringing wares and documents, coupled with the names and addresses of all persons from whom she has obtained or to whom she has distributed any infringing material. Briefly put, Anton Piller Orders provide preservation of evidence and document discovery. In China, measures similar to Anton Piller Orders are also made *ex parte*. But once again, they are solely obtainable from SICAB. As a matter of fact, preserving the evidence and tracing offenders hiding in the bushes, so to speak, by investigating and interrogating identified wrongdoers, are the major objectives for SICAB.

Compared to Canadian courts, their Chinese counterparts are inactive for pre-trial remedies like Anton Piller Orders. They are extremely unwilling to help a plaintiff preserve

evidence or discover unknown offenders before a formal action is filed. This reluctance is interpreted as necessary to build up an impartial image towards both parties. Thus, ironically, the desperate applicant facing unscrupulous offenders who are likely to destroy evidence can merely acquire legal help from the powerful administrative institution. Contrary to this indifferent attitude towards evidence preservation and document discovery, Chinese courts are extraordinarily passionate about the procedure for property preservation. They believe it is the best way to make the plaintiff's right to trade mark protection complete and to have the integrity of their justice system remain.

(b) Comparisons of Contents

Since it has widely been acknowledged that Anton Piller Orders can cause harsh consequences to the defendant, the burdens falling on the plaintiff are relatively higher than those set for interlocutory injunctions. Simply put, the plaintiff is obligated to demonstrate ownership of the trade mark, injury to her trade mark's reputation or goodwill arising from the defendant's behaviour, the real likelihood of destruction of the evidence, and the difficulty in proving her trade mark case by virtue of the defendant's destroying, hiding or removing any infringing documents.²⁸⁴ In assessing whether or not the above requirements are met, to some extent Canadian motions judges may make

²⁸⁴ Cairns, *supra* note 25 at 72-73.

inferences from the defendant's past credit and reputation, which somewhat lightens the plaintiff's burdens.²⁸⁵

In China, SICAB can take the same action as in Anton Piller Orders. It, however, should be pointed out that the applicant need not meet such tests as enumerated in Anton Piller Orders, because any ordinary person is entitled to approach SICAB to report trade mark infringements and to collect, preserve, and to seal infringing material as part of SICAB's obligations.²⁸⁶ If the applicant is the owner or licensee of a trade mark, the indication of the legitimacy of use and the occurrence of an infringement are sufficient for SICAB to start its administrative proceeding.

Chinese law courts prefer property preservation orders to anything such as an Anton Piller Order in protecting trade mark rights prior to trial; but they still share a lot in common with Canadian courts, particularly from the angle of preconditions designed for the plaintiff. In addition to proving the possession or licit use of a trade mark, the plaintiff has to show the occurrence of a violation to her trade mark right, material damages and irreparable harm.²⁸⁷ Nevertheless, the plaintiff is not obliged to collect convincing proof of the last two matters because Chinese courts just simply presume that the material damages are unquestionably associated with the fact of the infringement, and that the defendant will not comply with a final judgment without disposing of her assets in advance. In consequence, any application for a property preservation order is facilitated by such

²⁸⁵ E.g., in *Konami Industry Inc. v. Colour Wheel's Electronics Ltd.* (1985), 4 C.P.R. (3d) 231 (F.C.T.D.), the Court inferred the real possibility of the concealment or destruction of evidence from the defendant's previous concealment of files.

²⁸⁶ Art. 42, *Implementing Regulation*, *supra* note 20.

straightforward inferences. The Chinese plaintiff is relatively liberated from the burdens borne by her Canadian counterpart.

To be a plaintiff in Canada is far more burdensome apart from the need to satisfy a number of preconditions. First, the plaintiff is forbidden to exploit an Anton Piller Order as a “fishing expedition”,²⁸⁸ in other words, Canadian courts will not aid the plaintiff unless the allegations and the facts they are based on have been addressed at the very beginning. At the same time, in requesting an *ex parte* order, the plaintiff’s duty to make full and frank disclosure of all material facts is of particular concern. Failure to do so may result in the pain of having the order set aside.²⁸⁹ Lastly, the plaintiff will be limited in the use of the information or documents acquired under an Anton Piller Order. Ordinarily, such information and documents may only be used for the purpose of the trade mark action, and for no other purposes.²⁹⁰ Certainly, from the opposite point of view, the defendant benefits greatly from the above restrictions on the plaintiff.

Unfortunately, no thoughts have ever been given to restrain the plaintiff’s desire for injunctive relief in China. Concepts like “fishing expedition”, “full and frank disclosure” and “limited use of documents” are absolutely new. Not only the plaintiff but also the defendant would gape if such clauses appeared in an administrative or a judicial order. How to surmount the preconditions and how to make use of the documents are the

²⁸⁷ Art. 92, *Civil Procedural Law*, *supra* note 251; Art. 38, 39, *Trade Mark*, *supra* note 3; Art. 41, *Implementing Regulation*, *supra* note 20.

²⁸⁸ Richard N. Ough, *The Mareva Injunction and Anton Piller Order* (London: Butterworths, 1987) at para 3.5.1.

²⁸⁹ *Bardeau Ltd. v. Crown Food Services Equipment Ltd.* (1982), 38 O.R. (2d) 411 (Ont. H.C.); *Midway Manufacturing Co. v. Bernstein* (1982), 67 C.P.R. (2d) 112 (F.C.T.D).

²⁹⁰ *Rock*, *supra* note 88 at 202.

concerns of the plaintiff, although the defendant would definitely appreciate any safeguards on this issue so as to save her legitimate business and personal reputation.

Another area associated with rights of the plaintiff and the defendant is the undertaking provided by the plaintiff. In Canada, to obtain an Anton Piller Order, the plaintiff has to offer a variety of undertakings;²⁹¹ meanwhile in China, the applicant is not under such an obligation if she applies for evidence preservation and document discovery from SICAB.²⁹² But if she turns to the Chinese courts for a property preservation order, she is invariably subject to such an undertaking. Nevertheless, some differences are noticeable in the context of the undertaking in both countries. First, in Canada the assessment of the undertaking is the defendant's potential damages resulting from mistaken award of an Anton Piller Order.²⁹³ In China, the defendant's damages do not determine the amount of the undertaking; conversely, the plaintiff's losses arising from the defendant's illegal use is the controlling factor.²⁹⁴ Secondly, in Canada sometimes an Anton Piller Order enables the defendant to raise the amount of the undertaking.²⁹⁵ In China, it is unthinkable for a defendant to do so. It is clear that the plaintiff's interests overshadow the defendant's.

Reflection on the defendant's rights diverges further between Canada and China if the issue of self-incrimination is taken into account. In Canada, the defendant's privilege against self-incrimination in Anton Piller Orders has continually drawn due attention and

²⁹¹ Ough, *supra* note 288 at paras 5.4., 5.6.

²⁹² No clauses referring to undertakings can be found in the *Trade Mark Law* or the *Implementing Regulation*.

²⁹³ *Sony v. Makers International*, *supra* note 159

²⁹⁴ Art. 93. *Civil Procedural Law*, *supra* note 251.

intense dispute among academic writers.²⁹⁶ The preferable view is that the defendant is compelled to discovery and interrogation, but all information obtained from an Anton Piller Order is not usable against her in trade mark criminal proceedings, if any. Justice is believed to be done by weighing the competing parties' rights. By contrast, the matter of self-incrimination has never crossed the legal or popular mind of China. There, the tight cooperation amongst all institutions is constantly advocated. Under this maxim, it becomes comprehensible why courts and SICAB are never reluctant to transfer documents and evidence, especially those prejudicial to the defendant, to a prosecutorial agent.

Anton Piller Orders are at the extremity of a court's power and they should be made only when there is no alternative way of ensuring that justice can be done to the applicant. Hence, it is not easy to find many case reports on the grant of Anton Piller Orders in trade mark infringements. They are sparingly and prudently awarded by Canadian courts.²⁹⁷ Conversely, in China SICAB and the courts believe their duties are to grant orders for evidence or property preservation, not to refuse them, in order to satisfy the applicant and not to disappoint her.

Section 3: Explanation for the Differences

The differences between China and Canada in the matter of pre-trial remedies for trade mark infringements substantially mirror the different attitudes toward individual rights in each legal system.

²⁹⁵ *Nintendo of America, Inc. v. Coinex Video Games Inc.*, *supra* note 158.

²⁹⁶ *E.g.*, Takach, *supra* note 151; Rock, *supra* note 188; Sharpe, *supra* note 26.

²⁹⁷ W.L. Hayhurst, "The Anton Piller Order" (1981-82) 6 *Canadian Business Law Journal* 2 at 19.

Law in the European legal traditions came from below. The Western system takes as its starting point the rights claimed by the individual. The Justinian codification of Roman law in the sixth century, which became the foundation of all subsequent European law-making, was deeply influenced by Christian concepts of justice and equity, producing a strong moral element in English law.²⁹⁸ From these evolved ideas in modern jurisprudence such as legal rights, the rule of law, equality under the law, constitutionalism, judicial independence, procedural fairness and due process.²⁹⁹ Canadian law observes of all the foregoing maxims, and applies them when considering interlocutory injunctions and Anton Piller Orders.

Law in the Chinese system came from above, from an imperial centre, and viewed the state as the guardian of rights and the punisher of transgressors. The traditional legal system was based on people's duties and obligations, rather than rights and interests. Another feature of the traditional Chinese approach to individual rights has been the emphasis on the interest of the group, such as the family, the clan and the community. The individual was not an independent or self-sufficient entity, but was always thought of as a member of a group and dependent on the harmony and strength of each group. The concept of the rights of the individual did not exist in China's traditional system until the beginning of the twentieth century.³⁰⁰ All of these assist in understanding the lack of individual rights, from the western viewpoint, and the preoccupation with state interest in China's modern legal system.

²⁹⁸ Laszlo Ladany, *Law and Legality in China* (London: Hurst & Company, 1992) at 34.

²⁹⁹ Albert H. Y. Chen, *An Introduction to the Legal System of the People's Republic of China* (Hongkong: Butterworths Asia, 1992) at 13-16.

Part 2: Problems

It is necessary to make clear what problems China is facing, regarding pre-trial remedies for trade mark infringements. The approach will be to name the three major elements and give each a close analysis: the meaning and role of “the public interest”; the prevailing procedural weakness, and the awkwardness of a dual system.

Section 1: Public Interest

In China, respect for “the public interest” is overwhelming in each legislative area, and particularly in substantive law. However, little has been done to have this concept precisely and legally defined. On some occasions, for example in the *Trade Mark Law*, “public interest” becomes interchangeable with “consumer interest”.³⁰¹ But in most circumstances, it is interpreted as the state interest, which appears naturally right because, in a socialist country like China, the state is supposed to represent the entire will and interests of the public. Unavoidably, such a prevailing belief directly plays a part in trade mark affairs.

In China, protection for trade mark rights is no longer a purely internal matter because it is associated with obligations under international treaties and with the issue of entry to the World Trade Organization. It is an area incurring criticisms from foreign

³⁰⁰ *Ibid.*

³⁰¹ Art. 1 of the *Trade Mark Law* states that to protect the interest of consumers is one of the objectives of its enactment.

governments, particularly from the United States. China's resolution is to reinforce trade mark protection during any period of intensive complaint.³⁰² In the area of pre-trial remedies for trade marks, normal procedures for investigation have been simplified and infringers have received administrative fines that are heavier than usual. Apparently, these are multifaceted benefits for foreign trade mark owners, the Chinese government and the general public, but such is not the case for those "unfortunate" infringers.

But the key questions are: (1) Is it fair for infringers to be treated differently at different times because of some state political need? (2) Is it possible for foreign trade marks to enjoy efficient and consistent protection, beyond a special period of crisis? (3) Should the public interest still be protected when no state interest arises? (4) Will this reinforcing approach impress the outside world with an image of China's inconsistency in law enforcement? In short, should the state interest override its own legislation? The answer should be negative. In contrast, the best way to protect the public interest is to maintain the integrity of the law.

Section 2: Procedural Weakness

Law reform in China primarily refers to the improvement and revision of substantive law, while procedural law attracts relatively little attention from the legislature. There is no systematic or comprehensive treatment of procedures, especially administrative procedures, which leaves law implementing institutions with vast procedural discretion.

³⁰² Detailed introduction on this issue can be found in Chapter 3, Part 1, Section 6.

Procedural regulation of pre-trial remedies for trade mark infringements remains limited and silent in many respects, such as formal hearings and service safeguards. Nonetheless, the situation would not be too bad if all law implementing institutions strictly committed themselves to the existing procedural stipulations, most of which are aimed at protecting the defendant's rights, although they are sadly incomplete. Unfortunately, it is normal to observe routine breaches of procedural requirements in judicial and administrative proceedings. In trade mark cases, once SICAB or a court accepts applications for interlocutory injunctions, they are obsessed with how to expedite the process so as to meet the trade mark proprietor's expectations, which is obviously at the cost of ignoring the alleged infringer's interest. No one challenges this practice since any alleged defendant is unconditionally presumed to have done something illegal. It is believed that it would be unjustifiable to the plaintiff if SICAB or a court paid considerable attention to the defendant. It appears that in China, procedural safeguards for defendants cannot be reconciled with the demand from plaintiffs for trade mark protection.

In the western legal system, procedural justice is so cherished that breach of procedural legal requirements will lead to the act concerned being deemed void. This is because procedural fairness is the only thing which can definitely be achieved and everybody is regarded as equal before the same procedural requirements.³⁰³ But in China, as long as the ascertainment of facts and application of laws are correct, the breach of procedural requirements is not considered to affect the substantive rights of the

³⁰³ Chenguang Wang & Xianchu Zhang, eds., *Introduction to Chinese Law* (Hongkong, Sweet & Maxwell Asia, 197) at 99.

applicants.³⁰⁴ This legal and practical stance therefore can increase procedural abuses in a very negative way.

Section 3: Awkwardness of the Dual System

China is proud of introducing administrative authority to trade mark infringement settlements, believing this ultimately satisfies its national needs. Indeed, it performs so impressively that almost ninety percent of trade mark disputes are handled by SICAB in the first instance, by virtue of its efficiency and lower cost compared with the courts.³⁰⁵

Meanwhile, a number of problems have been noticed among its administrative operations. The most serious is local protectionism, which unreasonably but largely decides whether and to what degree the trade mark infringement can be punished. In circumstances where a trade mark owner did not base her business in a local region but an infringer did, the local SICAB is unwilling to impose corresponding liabilities on that infringer. Not surprisingly, under the umbrella of local protectionism, wrongdoing and wrongdoers might be immune from responsibilities at all. “Rule of men” rather than “rule of law” prevails. Another unsatisfactory aspect is that most SICAB officials have no professional training, and the interpretation and implementation of the trade mark law can vary significantly with individuals and districts.³⁰⁶

In addition to problems that the administrative channel creates on its own, there are others when considering the dual system as a whole. A trade mark owner who suffers

³⁰⁴ *Ibid.*

³⁰⁵ Xuemin Cheng “Registration and Enforcement of Trade Marks in China: A Practical Analysis” (1998) 6 *Research on Intellectual Property Rights* 107 at 109.

infringements, is free to ask for SICAB or the law courts to resolve her suffering pending trial; but she will be unable to obtain a definitive settlement from either authority. SICAB awards injunctive relief for restraining further trade mark infringements, while the courts concentrate on the vehicle of property preservation orders. The trade mark owner is left in a dilemma: which consequence can she bear, the infringer's ongoing infringements or the infringer's disposition of assets. Obviously, neither option is pleasant.

More seriously, applicants in administrative proceedings are allowed to proceed with administrative litigation before the law courts if they are unsatisfied with the SICAB's decision.³⁰⁷ In these situations, courts are expected to reach decisions independently. But the reality is that SICAB and the courts are so closely entwined that courts usually consult with SICAB before partly or wholly rectifying SICAB's order. In other words, the administrative institution retains power and influence over court decisions. Cooperation and mutual respect between state organs can become much more crucial than having justice done to individual citizens. This situation uniquely reflects China's "quintessence of law", where no division between the executive and the judiciary, and no division between the judicial system and the administrative supervisory system, has existed since ancient times.³⁰⁸ Although great changes have been made during the past decade, the negative impacts still remain in China's modern day implementation of law, particularly in regard to settlements of trade mark disputes.

³⁰⁶ *Ibid.*

³⁰⁷ Art. 2, *Administrative Litigation Law*, *supra* note 281.

³⁰⁸ Chen, *supra* note 299 at 13.

Part 3: Suggestions

Now the core question left must be: is it possible and desirable to transplant Canadian law into the regime in China?

The distance between different legal traditions may not be as fixed, rigid or unbridgeable as it initially appears to be. The scope for reform and progress always exists. Transplants of legal principles and institutions from one legal tradition or system to another are possible and have indeed occurred frequently in history, providing a stimulus for a legal system's growth and development. In this sense, the legal achievements of one civilisation, like scientific and technological achievements, belong to the common heritage and benefit of mankind.³⁰⁹

The possibility of borrowing concrete forms and methods from other state experiences has been recognised by China's scholarship after much debate.³¹⁰ Some scholars further state that the contemporary status of Chinese legal reform requires a comprehensive interacting of domestic and international factors.³¹¹ Therefore, from the dominant legal viewpoint the grounds for incorporation of common law into China's legal system do exist. As a matter of fact, in light of the trade mark law, extending protection for certification marks and service marks has already been borrowed from international conventions.³¹²

³⁰⁹ *Ibid.*, at 19.

³¹⁰ *E.g.*, Professor Long Li of Wuhan University Institute of Law "On Models of the Rule of Law" (1991) 6 *Tribune of Political Science and Law* 1.

³¹¹ Ronald C. Keith, *China's Struggle for the Rule of Law* (New York: St. Martin's Press, 1994) at 2.

³¹² Chen, *supra* note 299 at 111.

There is no reason why China should reject legal heritage and equitable ideology from Canada on the issue of pre-trial remedies for trade mark infringements, especially when there are many gaps and blanks existing in Chinese law. True enough, differences in legal, political and social backgrounds between these two countries exist, but it ought not to constitute an obstacle for China to expand its legal mind; otherwise, few fruits of legal reform could be accomplished.

Section 1: Strengthening of Court Authority

Unlike Canadian courts which are entitled to award interlocutory injunctions and Anton Piller Orders, Chinese courts are restricted to property preservation orders. This is frustrating for both applicants and the whole judiciary system since the latter is expected to provide litigants with comprehensive protection. A resolution to this weakness would be to empower the Chinese courts with the specific authority to grant interlocutory injunctions to stop any further infringing activities and to take measures similar to Anton Piller Orders.

China could adopt the three-stage test set out by Canadian jurisprudence, namely a serious question to be tried, irreparable harm and the balance of convenience when dealing with interlocutory injunctions. The reasoning is simple.

It is beyond the capacity of Chinese courts to judge whether there is a possibility for the plaintiff to win the case at trial. In China, motions judges responsible for injunctive relief are not from intellectual property chambers. This means they do not possess professional expertise in trade mark cases. So it is wise for courts to avoid excessive

examination into the strength of the plaintiff's case. Once the plaintiff shows the registration of a trade mark and the defendant's behaviour likely falls within the categories of infringements in the *Trade Mark Law* and the *Implementing Regulation*,³¹³ she can move on to the next test. The consideration of difficult questions of law, and of conflicts of evidence, are matters left to be dealt with at the formal trial. So courts can ignore arguments like the registrability and the validity of a trade mark.

Second, Chinese courts should carefully examine the content of irreparable harm in order to obtain a clear knowledge of whether the plaintiff has suffered damages which cannot be compensated without the issue of an interlocutory injunction. According to China's judicial understanding, mere confusion of trade marks is tantamount to evidence of economic losses which cannot be remedied in damages, and it has been widely applied in the granting of property preservation orders. If Chinese courts continue to follow this path, the plaintiff need not surmount the second hurdle at all, and inference would play a great part again, both of which will eventually lead to the excessive award of interlocutory injunctions. Thus, the plaintiff should be required to demonstrate how and why she has suffered or will suffer irreparable harm by adducing clear and non-speculative proof. This new method might likely diminish the danger of benefiting the undamaged plaintiff.

Third, the balance of convenience should act as an indispensable element. In China, the prevailing viewpoint is that no alleged defendant deserves a second thought concerning hardship or inconvenience caused to her. Perhaps no one believes pre-trial remedies are bad enough to raise any problem for the defendant's personal dignity or

³¹³ For detailed information, see Chapter 1, Section 4.

business reputation, although negative impacts on the defendant do occur. Thus, introducing the idea of balance of convenience into China would force courts to reconsider the alleged defendant's rights and interests and then reach a more just decision.

However, the adoption of the above tripartite test would inherently give rise to a challenge to the whole Chinese judicial system. It must be kept in mind that in Canada, except for the general guideline of the three tests, no rigid formula is provided for various circumstances and contexts; instead, judicial discretion widely serves as a fundamental component in determining interlocutory injunctions in Canada.³¹⁴ China is the opposite, where judges have never been given much discretion in handling their duties. Legislators have been constantly making strenuous efforts to draft comprehensive provisions so as to cover all incidents that might occur in judicial work, leaving little room for courts to exert discretion. As a result, judges become highly dependent on instruction from legislators and balk at employing discretion to make a judgment even when legislation fails to provide a solution to specific legal problems.

Fortunately, to date demand for judicial discretion is growing. Some experts state, although China is not a common law country, that it is necessary to let judges use discretion, especially in the regime of intellectual property rights, in order to satisfy diverse circumstances. They further suggest elements that should be taken into account when exerting discretion in intellectual property infringements, including the gravity of the

³¹⁴ For detailed discussion, see Chapter 2, Part 1, Section 3.

infringing activities, the impact on the public, the financial status of competing parties and so on.³¹⁵

Since the centrality of *stare decisis* and the general applicability of precedent do not play a role in Chinese judicial work, the Supreme Court of China can lay down a formula in flexible terms, in compliance with China's situation, for lower courts to apply their discretion. Meanwhile, the principles of equity which are widely considered in Canada, as well as delay and the motives of the defendant, should also actively perform in China. Generally speaking, courts ought to be encouraged to experiment with discretion whenever justice and convenience are required.

More than that, a formal hearing for each application for injunctive relief is indispensable. The fulfillment of justice will be undermined without enabling the parties equally to represent themselves before the motion judge, particularly the accused defendant.

Chinese courts should also be encouraged to make Anton Piller-like Orders, so as to aid the plaintiff in preserving evidence and to compel the defendant to provide information. Only in this way will the plaintiff be able to realise her claim to rights. Obviously, no Anton Piller-like Orders are available unless the applicant succeeds in demonstrating the evidence of a serious question to be tried, serious damages and the serious likelihood of destruction of documents. The evidence should be convincing, concrete and factual rather than speculative.

³¹⁵ *E.g.*, Zhupei Jiang, "Discussion on Remedies for Intellectual Property Infringements" at paras 13-14, on line: *Intellectual Property Right in China* <<http://www.chinaiprlaw.com/fgtr/fgtr4.htm>> (date accessed: 27 November 1999).

The severe impact on the defendant if Anton Piller-like Orders are granted *ex parte* should be firmly kept in the Chinese legal mind. Hence, a number of duties should be imposed, as Canadian jurisprudence does, in order to balance the privileged position that the plaintiff acquires. She ought to be asked to make full and frank disclosure of the whole case as if the defendant is present, while being forbidden to exploit these orders as a “fishing expedition”. The plaintiff should be further limited in the use of preserved information and documents to the current litigation. Besides, Canadian courts have built up several limitations on Anton Piller Orders, such as the specific subject matter of the order, specific hours for execution, and the number of persons and places.³¹⁶ All of these might enlighten the Chinese courts as a matter of law to make up for the absence of procedures.

However, in Canada, Anton Piller Orders are usually performed by a qualified plaintiff’s solicitor, which is incompatible with China’s situation. The broad participation of lawyers in the legal regime was resumed only in the late 1970s. Their scope of legal practice is relatively narrow compared with Canadian lawyers. Therefore, the implementation of Anton Piller Orders should exclusively belong to courts at the present time.

In Canada, an alleged defendant is not entitled to claim privilege against self-incrimination to avoid producing information demanded in Anton Piller Orders; but all information so obtained is not usable in any subsequent criminal proceedings against her. Naturally one may question whether such a model is workable in China. The answer

³¹⁶ Rock, *supra* note 19 at 201.

would be negative, at least at present or in the near future, not only because of the lack of judicial grounds but also because of the great impact this would have on the whole framework of China's legal system. As analysed earlier, China is a country where mutual cooperation among state institutions is highly advocated. To some degree, the prosecutorial institution is the one which most dramatically depends on all possible sources, including the courts, administrative agencies and the masses to carry on and expedite its function. In China, a criminal is always treated as a criminal, and so is the evidence proving the crime, no matter when or at which stage this evidence is obtained. On many occasions where the civil chambers have sufficient grounds to believe that crimes exist behind normal civil litigation, they will temporarily discontinue the hearing and transfer the case to the prosecutors to initiate a criminal law suit. Without doubt, if China takes the same stance towards the use of information as Canada does in Anton Piller Orders, the whole legal system, particularly its criminal procedural law, would have to be radically reformed. Canada's arrangement exemplifies justifiable concerns for the alleged defendant's rights, but this may be too much for China to absorb at this stage.

Section 2: Restriction of SICAB's Authority on Trade Mark Infringements

SICAB is widely accepted as a unique device to protect trade mark rights in China. But it suffers several core problems as well: the lack of formal hearings and of any undertakings as to the alleged infringer's damages, the lack of procedural concerns and the influence of state interests.

Solutions to all these deficiencies are available. To hold formal hearings and to impose an undertaking on the plaintiff for the defendant's damages could work for the first problem. Also, SICAB needs to set up a host of service safeguards similar to those of the Chinese courts, as previously suggested. Meanwhile, SICAB should strengthen its independence from state policy. Two elements are needed to have this objective accomplished: the state should stop claiming emergencies in different periods of time and SICAB should exercise its own authority in a consistent manner during its daily management.

But it is not enough to resolve the radical problems which originate from features of SICAB itself, such as local protectionism. SICAB is essentially distinct from law courts and cannot act as an impartial third party to resolve disputes between two competing parties. It always teams up with the purportedly innocent victim and is inclined to impose administrative remedies on trade mark infringers, without giving necessary thought to the alleged infringers' rights. More substantially, as an administrative institution, SICAB cannot be easily separated from the state policy; on the contrary, it is supposed to mirror and carry out state strategy. These characteristics indicate external innovation cannot completely remove all the problems.

Perhaps, the more rational solution is to restrict the authority of SICAB in disposing of trade mark infringements. To date, most individuals, especially the victims of infringing activities, still prefer to seek administrative settlements rather than turn to the courts in the first place. This situation is partly ascribable to SICAB's thorough administrative protection and its partisan stance in favor of the owner of trade marks; and

it is partly due to the weakness of courts in providing efficient pre-trial remedies. Thus, before the courts achieve refinements and improvements of their own, there should be no reason for discontinuing the function of SICAB, but it should be restricted from broadly exerting its powers.

Chinese courts lower than the intermediate level have no jurisdiction over trade mark disputes. This regulation should guide SICAB as well, which may forbid any administrative jurisdiction at county levels in trade mark affairs. To some degree, in China the legal awareness of officials in SICAB is proportionate to their hierarchical levels. This new arrangement might maximally ensure the proper administrative performance of law and lessen local protectionism.

Recently, in China's academic field, the voice of reconsideration on SICAB's intervention with trade mark infringements has been heard.³¹⁷ Some scholars point out that many western countries, for instance the United States and Canada, which have long histories and successes in trade mark rights protection, do not impose administrative liabilities on infringers, nor do they set up powerful administrative institutions, like SICAB, to deal with trade mark infringements. The participation of SICAB in the disposition of trade mark infringements in China not only places a heavy load on taxpayers, but also interferes with the civil rights of litigants. Interestingly, on the one hand, few trade mark cases are brought to law courts at first instance. On the other hand, the demand for enlarging the scale of SICAB keeps rising. Some experts in law also assert that the intervention of SICAB largely contradicts the proper understanding and

³¹⁷ *E.g.*, Zhipei Jiang, *supra* note 234.

implementation of the Chinese legal system and law reform. They further doubt the necessity for the existence of a dual system.³¹⁸

Certainly, it is inappropriate for China suddenly to abandon the dual system at the unfledged stage of trade mark protection; otherwise, it could be tragic for the trade mark proprietor and lead to chaos in the whole marketplace. However, it is conceivable that after strengthening Chinese courts, the advantages that they will provide in a comprehensive scheme of pre-trial remedies will lead to dropping the intervention powers of SICAB.

Conclusion

Ongoing law reform in China since the early 1980s has already provided significant opportunities for the refinement of trade mark protection, but there has been no legislative or scholarly coverage of pre-trial remedies for trade mark infringements, a matter rarely seen as worthy of contemplation or academic debate. This leaves China in an unsatisfactory state and that should not be. The author of this thesis has devoted herself to providing workable suggestions to China after carefully thinking, comparing and analysing.

Although many unsatisfactory aspects in Chinese practice are addressed, it is wrong to reach a conclusion that Canadian jurisprudence may learn nothing from China. At the very least, China's dual system can enlighten Canada. Because access to the administrative channel is widely available throughout the country and its procedures are

³¹⁸ *Ibid.*

fast, and because there is no charge for an applicant to seek an administrative order, the dual system largely benefits aggrieved parties particularly when they cannot afford expenses or time in a law suit. In contrast, in Canada, it often takes a year to close pleadings, and documentary production is slow and awkward, which often incurs complaints from the plaintiffs and lawyers as well.³¹⁹

But China's dual system is based on the long tradition of little distinction between the courts and administration. Expansion of a dual system in Canada would be in opposition to its tradition since Canada's confederation in 1867, with its clear separation of its judiciary and administration.³²⁰ Furthermore, the transfer of China's dual system to Canada would deprive alleged defendants of the right to decide when to speak and when to remain silent (*i.e.*, against self-incrimination), which is fundamental in Canada's legal system.

To some degree, China may learn much more from Canada. To strengthen the Chinese courts by adding interlocutory injunctions and Anton Piller-like Orders, letting them have authority similar to Canadian courts so that a complete remedy is available in Chinese courts, is the most workable alternative. Adopting the Canadian practice for the courts would be better than the present Chinese law which is silent on giving authority for interlocutory injunctions and Anton Piller like-Orders to its courts. Research into settlement of trade mark disputes by the Chinese courts should continue. Canadian methods can be modified and further improved with experience gained from dealing with

³¹⁹ Edward Hore, "TM Interlocutory Injunctions Too Hard To Get?" *The Lawyers Weekly* (19 May 2000) 4.

³²⁰ *The British North America Act, 1867*, 30 & 31 Victoria, c. 3.

other countries, either from case law, such as from the United States and England, or from civil law systems in France and Germany.

The author realises that introducing interlocutory injunctions and Anton Piller-like Orders to the Chinese courts would be an exception to Chinese legal practice. But it is justified because the area of trade mark law quite often involves foreign relations and needs efficient measures to handle large scale infringements. At the same time other areas of Chinese law could observe the new procedures as an experiment and adopt this idea where and when deemed desirable.

Meanwhile, it is important to maintain the dual system in China for settlement of pre-trial remedies for trade mark infringements at present. Businesses involved in the use of trade marks are accustomed to the present system, as are the lawyers and officials, both domestic and international, and therefore a sudden change is not required. But China needs to accept that new ideas can have merit alongside its old ideas.

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