

Enforcement of IPR in the UK and China Judicial Regimes:

A Comparative Study of Anti-counterfeit Litigation

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Summary

This thesis contrasts the litigation of disputes in intellectual property rights between China and England. China is comparable with England in its substantive IPR law, but less so in terms of its enforcement. The thesis examines the judiciary's role in IPR litigation and analyses the guidance on anti-piracy and unfair competition implied in IPR judicial enforcement. The thesis attempts to draw some basic criteria to achieve a clear just IPR protection in China.

The thesis investigates in actual legal practice how, and to what degree from a similar legal base, IPR protection varies greatly between China and England. This involves: an analysis of case management, the discovery of evidence, the ascertainment of facts and issues of law, the legal finality, and the evaluation of judgment. The thesis considers whether there is a basic, just and practical standard of enforcement that might be followed for China.

The main nature of my thesis lies in its originality in taking the first hand IPR cases to do comparative research on IPR enforcement through the lens of *res judicata*, overlapping multi-claims and issues of case management. It reveals the correlation between case management, judicial ascertaining of facts and issues of law, legal finality and issue estoppel, and arriving at a just result. By reviewing jurisprudential theories and their practical influence in English appellate cases, the study tries to show that transparency, equality of treatment and consistency form the basic core standard in enforcing IPR protection in China, and in providing a solid powerful foundation, from bottom to top, to promote and reform the structure of the Chinese legal regime.

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Preface

This thesis examines the contrast between the litigation of IPR law in China and the UK¹, with an emphasis on its practical implementation. China is comparable with England in substantive IPR, but less so in respect of its enforcement. The thesis examines the judiciary's role in IPR litigation and analyses the guidance on anti-piracy and unfair competition implied in IPR judicial enforcement. Meanwhile, it attempts to draw some criteria to help achieving a transparent and consistent IPR protection in China.

1. Research Background

In substantive law terms, China cannot be said to lag behind England.² Like England, China has acceded to most of the international IPR-related conventions and treaties³, such as the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the International Convention for the Protection of New Plant Variety, and the Agreement on Trade-Related Aspects of Intellectual Property Rights, etc. Figure 8 show that China has also incorporated the basic requirements of these conventions and treaties into its domestic laws. China's substantive IPR regime now provides a broad range of protection, covering not only trademarks, copyrights and patents, but also including computer programmes, audio and video products, new varieties of plant, layout of integrated circuits, domain names, internet and

1 In this thesis the comparison part of the UK is mainly England and Wales.

2 *IPR Enforcement Report 2009, Brussels, SEC(2009) 1360*, by Commission of the European Communities. The commission report admitted that China has made considerable efforts to align its legal system with international IPR standards. There is much official figures and information on IPR progress in China, especially judgments in IPR cases. One can now easily visit courts websites and find the content. The main data information of my thesis comes from: <<http://www.chinacourt.org>; <http://www.hshfy.sh.cn>; <http://www.sipo.gov.cn>; <http://www.chinaiprlaw.com/english/news>>.

For the general views about IPR progress in China, see Cao Jiaming, 'Forward: the recent development and current status of judicial protection of intellectual property in China' in Paul Torremans and others (ed), *Intellectual Property and TRIPS Compliance in China: Chinese and European Perspectives* (Edward Elgar, 2007).

3 See the international treaties signed by China, at, <<http://www.chinacourt.org/flwk/>>

enterprise names, trade secrets, etc. In general, substantive IPR law in China has largely caught up with England in a relatively short time.

In terms of actual enforcement, however, the position is very different. Pirated goods exist in every field, from food and commodities to drug, software and industrial products⁴. Counterfeiting usually involves unknown small producers and main street sellers, making unauthorised copies of others' trademarks or logos on an identical or similar product, and passing them off as the genuine products⁵.

Consequently the extent of piracy, and counterfeiting levels, has remained high, even worsened in some areas (for example, the rampant counterfeiting of consumer products that poses a direct threat to the health and safety of people).⁶ Anti-counterfeiting reaction from related administrative authorities seems very strong; each year sees an action to counter this problem. Government officials often state that they have made substantial efforts to improve and strengthen China's IPR protection and enforcement systems. China often lists: how many laws it has passed; how many administration orders and campaigns it has launched to reinforce IPR, and how many cases are held in IPR courts.⁷ But infringers know that once the anti-counterfeiting initiative has passed, they will go back to counterfeiting again⁸. Lack

4 A Chinese police official said at the anti-counterfeiting meeting in Beijing, '*China to take every possible measure to ensure food safety*': <http://news.xinhuanet.com/english2010/china/2011-05/06/c_13860842.htm>.

5 See the statistics report from the State IPRs Office www.pm.gov.uk/output/ accessed on July 20, 2009.

6 Worse events of confiscation of genuine products and the problems of toxic toothpaste and dangerous consumer goods have caused a mass of social anger and worry about the safety of Chinese products: see '*Chinese Scandals evoke a vanished Chicago*', July 23, 2007, Financial Times. Also see, '*China's piracy hurting its own industries*' World Business, <http://www.msnbc.msn.com/id/13617619/ns/business-world_business/t/chinas-piracy-hurting-its-own-industries/> accessed on May 20 2007.

7 From 2001 up to 2009, the Chinese courts have identified over 3197 well-known trademarks through hearing of cases according to law, increasing by 26.65% each year. At present, 17 Higher Courts of provinces, autonomous regions and municipalities directly under the Central Government have filed 203 well-known trademarks at the Supreme Court. See the Supreme Court Legal Report on China IPR protection, <www.court.gov.cn>, accessed on June 13 2010.

8 Erin Swike, '*Piracy in China*', Business Horizons, (2008) Vol 51, issue 6, 493; also see Ruixue Ran, '*Well-known trademark protection in China*', Pacific Basin Law Journal, (2002) 19, 231; Elliot Papageorgiou mentioned, 'Many authorities jumped on the bandwagon, actively seeking out infringers. But their entire focus appears to be oriented toward quick results rather than lasting solutions, see Elliot Papageorgiou,

of consistency and continuity in enforcement, and its demonstrative function, serve to give little confidence and submission towards IPR law. Common people and companies continue to lack confidence in IPR litigation, and have less trust in its enforcement. Many common litigants have experienced disappointment with actual judgments, with the arbitrary nature of decision-making, and the lack of equal accessibility in the trial process.⁹ The enforcement litigation in China has not sent to public a clear traceable authority of what is wrong or unacceptable business behaviour in honest competition, especially in respect of anti-counterfeit of brand names.¹⁰

The Government's stance does not always help. In 2007, when the US brought the issue to the WTO to form a panel to scrutinise the loopholes and weaknesses in China's legal system for protection and enforcement of copyrights and trademarks, the Chinese government regarded filing a case to the WTO as a condemnation and confrontation of its integrity, and harming trade ties,¹¹ rather than as a way and a chance to evaluate its enforcement manner in order to achieve an accountable legal protection. The question how the Chinese legal system solves the counterfeiting issue, and enforces IPR, and whether it gives efficient protection of IPR, are increasingly important for foreign investors and for Chinese. After thirty years economic reform, the Chinese are increasingly aware of their legal rights; they are

'China's anti-piracy measures 'inconsistent', lawyer argues', on BBC news, accessed on May 10, 2009.

9 *'Dispute leaves U.S. Executive in Chinese legal netherworld'*, New York Times, Nov 1, 2005. The transparency issue is also addressed by US, Japan and EU to the WTO, cf at WTO in 2005, US, Japan requested detailed information from China regarding its IPRs enforcement activities from 2001 to 2004, in which China is in critical myth for its enforcement obligations under TRIPS,

<http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm>, accessed Sep 9, 2007.

10 See, *IPR Enforcement Report 2009, Brussels, SEC (2009) 1360*, by Commission of the European Communities. The Commission's assessment showed that China accounts for 54% of all suspect goods detained at EU borders originated from China. The updated list of infringements shows that the country most detrimental to EU competitiveness is China.

11 For detailed comment see, <<http://www.chinadaily.com.cn/china/>> accessed April 4, 2007.

requesting an accountably consistent explanation of the IPR law to which they are affected in specific cases¹².

There are many articles and research reports analysing the reason why IPR enforcement in China is not efficient in constraining IPR infringement and pirating behaviour. Some focus on Chinese culture and tradition, in respect of which widespread indifference to legal rights, procedures and remedies is a common feature of the Chinese legal landscape¹³; some highlight the lack of rule of law, and judicial independence¹⁴; some point out the complexity of Chinese circumstance, including corruption and local protectionism¹⁵; some analyse the legal system blocking and discouraging serious punishment of pirating behaviour¹⁶; some realise that the Chinese government seems only interested in the promulgation of new IPR laws to meet the WTO requirements without any wider interest in reforming its legal

12 Such rights awakening can be seen from the rise each year of about 5.95% in case numbers in the eight years from 2002 to 2010: see the statistics in the annual court report from 2002-2010 at www.chinacourt.org.

13 Perry Keller, *Sources of Order in Chinese law*, 42 Am. J. Comp. L. 711, 1994. He states that China has a highly sophisticated Confucian based legal history, which once formed the philosophical backbone of imperial law, and continues to resonate in contemporary legal culture. See also Amanda S. Reid, 'Enforcement of intellectual property rights in developing countries: China as a case study', LCA J. Art & Ent. L.vol.13 , 2003, p64-99; also Peernboom's comment, 'commitment to courts is the experience and expectations in the west, 'guanxi', corruption and cash are the experience and expectations in China': Randall P. Peernboom, *Asian discourses of rule of law: theories and implementation of the rule of law in twelve Asian countries, France and the U.S.*; David Kairys, 'Searching for the Rule of Law', 36 Suffolk U.L.Rev. (2003) 307.

14 See Michael N. Schlesinger, *Intellectual Property Law in China: part 2-Evolving Judicial role in Enforcement*, 19 East Executive Reports 9 (March 15, 1997). 'relying too much on administrative measures alone may be detrimental to the promotion and development of more stable legal institutions capable of fostering consistent decision-making regarding the protection of intellectual property rights, guided not so much by government pragmatism as by the rule of law', p244.

15 Enforcement of property rights is possible in China, but there is a remarkable lack of consistency between jurisdictions. Authorities still often suffer from lack of experience and will power, and local protectionism. See Elliot Papageorgiou, 'China's anti-piracy measures 'inconsistent', lawyer argues', on BBC news, accessed on May 10, 2009.

16 See Joseph T. Simone, *Counterfeiting in China: New Challenges for Government and Industry*. He listed the administrative power to detain infringers and to conduct searches and seizures on non-commercial premises, and the reason that the penalties imposed upon the infringers by the administrative authorities have not been sufficient to deter further infringements. <http://www.msnbc.msn.com/id/13617619/ns/business-world_business/chinas-piracy-hurting-its-own-industries/>accessed on May 20 2007.

system to give effective protection¹⁷. Relying on government campaigns and administrative orders to protect IPR and to maintain a fair competitive market is difficult: 'Hallmarks of a system that offers legal certainty include consistent and cognisable rules of law, observance of the law by civilians and companies, an independent judiciary, legal education and research, and a free press.'¹⁸.

There has been considerable literature on IPR enforcement in China. Searching Google Scholar under the title, 'serious product piracy in China', shows 21,000 related articles about this issue¹⁹. Nearly all of this research begins with reform of Chinese IPR law to adapt to the WTO requirements, covering what measures or intuitions are set up. Much of the research has considered the difficulties in achieving a fair and just trial in China²⁰. This body of research has drawn a bigger picture of IPR enforcement in China, which has stressed that IPR protection must be addressed within the cultural and socio-economic setting, and that 'ignoring the existential cultural socio-economic realities that frame IPR in China is likely to produce unsatisfying results'²¹

17 See the conclusion part on China in *IPR Enforcement Report 2009, Brussels, SEC* (2009) 1360, by the Commission of the European Communities: 'This is partly due to the fact that access to the Chinese judicial system is made difficult in practice because of burdensome and costly legalisation and notarisation requirements, the ineffectiveness of the preliminary injunction system and the inadequacy of the damages awarded. Moreover, the improving willingness of authorities is affected by a lack of effective cooperation between themselves.'

since 2005, the US launched several WTO complaints against China regarding inadequacies in China's enforcement of IPR, not only to general deficiencies in the system but also to particular inconsistencies in the current applicable laws in China.

18 Amanda S. Reid, '*Enforcement of intellectual property rights in developing countries: China as a case study*', *LCA J. Art & Ent. L.*, (2003) Vol.13 , pp78- 80. He used 'prismatic society' created by Fred W. Riggs to analyse the effect without a strong rule of law in developing countries like China: 'there is a gap between what is formally prescribed and what is effectively practiced. In a prismatic society the laws in the statute book are one thing; the actual behaviour of the individual subject to the law is another. What permits formalism to persist is the lack of pressure toward program objectives, the weakness of social power as a guide to bureaucratic performance, and a corresponding permissiveness for arbitrary administration.'

19 <<http://www.google.co.uk/>> Accessed on May 23 , 2008.

20 Z Qianfan, 'The people's Court in Transition: The Prospects of the Chinese Judicial Reform' (2003)12 *J of Contemporary China* 69; Randall Peerenboom, 'China's Long March toward Rule of Law', (Cambridge University Press, 2002).

21 Mei Ying Gechlik, '*Judicial reform in China: lessons from Shanghai*', (2006) *Colum. J. Asian L.* vol.19.

Most analysis so far has been based on secondary sources. After reading these views and noticing the deteriorating piracy phenomena in China, one cannot help wondering how an IPR infringement trial works in the Chinese courts; whether and in what way these system problems and defects, listed by academic research, have affected a fair judicial enforcement in anti-counterfeiting litigation; and whether the judicial process has given a clear consistent guidance in enforcement of IPR law, in such a rapidly changing society.

The validity of intellectual property protection depends heavily on judicial performance. ‘IPR without an effective judicial support and remedy turns out to be an expensive fantasy. When judicial support for these specialized rights is feeble, mobilization of that natural resource falters, with considerable losses to the country’.²²

My study relies on the detailed first-hand translation of present IPR cases to find what the real practical difficulties for IPR litigation in China are. The study reveals how a Chinese judge uses his or her judicial powers to arrive at judgments. My study is based on a comparison between similar cases²³ in England and China, focusing on detailed case examination of compliance practice, to analyse their judicial technique. The thesis investigates in actual legal practice how, and to what degree, IPR protection from a similar substantive law base varies between China and England. This involves an analysis of case management and evidence discovery, ascertainment of facts and law, legal finality, and judgment evaluation. This analysis is mainly concerned with the judicial management and discretion in procedural justice in England and China. The thesis considers whether there is a basic accountable and practical standard, and what enforcement path should be followed in China, bearing in mind that ‘realization-focused comparison’ is more powerful

22 Robert M. Sherwood, ‘The economic importance of judges’, *E.I.P.R.* (2004), 26(11), 483-492, The role of the judiciary in the enforcement of intellectual property rights: intellectual property litigation under the common law system with special emphasis on the experience in South Africa.

23 Similar cases mean that they concern similar legal issues and subjects. All Chinese cases are taken from Beijing, Shanghai and Provincial High Courts, which are accessible to the public and also have a high standing in the legal profession. Reports are at <<http://bjgy.chinacourt.org>; <http://www.hshfy.sh.cn/flws/index.jsp>. >

than ‘transcendental institutionalism’ in removal of manifest injustice in the world which we see ²⁴.

2. Methodology and limitation of cases covered

The work is limited to a small part of IPR cases, passing off, trademark and copyright infringement. The work is not purport to be a comprehensive study of IPR law but rather to do the comparison in judicial enforcement between England and China. It reveals big differences from which it is possible to generalise about the judicial manners, in the two countries, of enforcing IPR. In order to identify the main pirating and passing off cases in England and China, the Westlaw, Chinacourt and Google Search engines were mainly used. China IPR cases are mainly from Beijing, Shanghai and provincial IPR courts.²⁵ Searches were undertaken using the terms “intellectual property piracy in China”, “counterfeiting, confusion of goods”, “unfair competition”, “passing off”, “prior rights”, “trademark similarity”, “well-known marks”, “injunction or interim measures”, “case management”, “arbitrary discretion”, “legal finality” and “IPR infringement or remedy”. Having observed the problems surrounding these in the Chinese cases, I then searched their counterparts in English cases. All the cases used in my research were published and attracted a high public profile. Moreover, the research extends to all cases in which the trial process was an arguable factor in the determination of an IPR infringement issue between the parties in dispute.

Searches mainly cover the civil cases published in period of 2000-2011, around the aspects of case management, finality of judgment, overlapping claims and justice evaluation raised in IPR litigation. It is hoped that by looking at these various facets of litigation, the reader will have a clearer representation of the failing nature of IPR litigation in China. The fundamental problem of pirating can be seen as the failure of its litigation regime, which could not give clear and consistent reasoning and

24 See his analysis on legal research: Amartya Sen, *The Idea of Justice---an Approach to Justice*, (by Penguin Group, 2009).

25 Here in case analysis, I mainly chose the IPR cases tried by Beijing, Shanghai and High Courts at provincial level as a comparison with the IPR cases held by the High Courts or above in the England and Wales of the UK, because these cases are officially published in their website; and especially Judges in Beijing and Shanghai are regarded to represent the highest level of knowledge in IPR and qualified capability in trial.

remedies for specific infringement, and could not guide society in facing the pirating suits²⁶.

Case studies are chosen as analysis background and my research motivation because they are self-contained, accessible and necessarily employing the relevant substantive IPR law and procedural rules²⁷. Case studies also can provide a better comparison of judicial attitude toward similar facts and expose the role and function of the court in the two countries.²⁸ Moreover, the real issues and causes affected by judicial discretion cannot be understood or experienced by reading IPR laws and procedure code. The method of case study allows us to experience the two countries' litigation processes, and discover the departures in the understandings and views of the same rules in IPR laws. The case studies also reflect that UK Law Reports always provide full and sufficient litigation information, when compared with Chinese simple and general law reports.

The starting point is an assumption that China has primarily established a relevant and complete legal framework protecting IPR, which complies with the requirements of the WTO²⁹. However, given low levels of trust in its enforcement and common faking phenomena of IPR infringement, the problem becomes how to develop an accessible justice route to evaluate its effectiveness. In each chapter my writing style follows the same logic probing: first my understanding and notes on basic issues and precedents involved in this area, which provides the standard for case analysis; secondly comparison and analysis of the techniques dealing with these

26 Guo Shoukang and Zuo Xiaodong, 'Are Chinese intellectual property laws consistent with the TRIPs Agreement?' in Paul Torremans and others (ed), *Intellectual Property and TRIPS Compliance in China: Chinese and European Perspective* (Edward Elgar, 2007) 37.

27 Trying to find the English methods and ways in dealing with civil cases provided the initial motivation for my research. My past experience as a lawyer in China has disappointed me, and I have been disgusted by the arbitrary discretion in case management, in ascertainment of facts and issues of law. I have a strong motivation to discover how the English courts manage a case, deal with multiple causes of action, identify the legal base and relevance of law and evidence, and maintain legal finality. The problems in litigation which I have experienced or read in Chinese cases motivated me to search their counterparts in the UK.

28 Siofra O'Leary, 'Employment Law at the European Court of Justice: Judicial Structures, Policies and Processes' (Hart Publishing, Oxford, 2002) 306.

29 Guo Shoukang (n 26).

issues in China and England; finally there is a conclusion and suggestions for improvement of enforcement IPR in China.

Each chapter of the thesis will centre upon one aspect of IPR litigation, to show how UK courts employ concepts of procedural justice and precedents to manage a case, restrain arbitrary decisions, and adjudicate a case openly, consistently and fairly. In contrast, examination of the Chinese judicial decision-making reveals arbitrary decisions without interim decision review, inaccessibility of reasoning and of ascertaining of facts, and lack of transparent and equal treatment to parties. There is a lack of consistent rules to ensure legal finality, even though sometimes the Chinese court does reach similar final judgment to that of English court.

My overriding analysis is based on judicial process and legal reasoning, reflected in judicial discretions over IPR infringements. I will suggest, through a general overviews of jurisprudential theories, that the basic standard of transparency, equality of treatment and consistency as mechanisms to improve public confidence and trust in IPR enforcement is needed in China.

3. Research structure

My thesis is structured as follows:

Chapter 1: This is an introduction to the intellectual property trial process and to enforcement procedures in England and China. This outlines with figures an overall picture of IPR substantive law, interim measures, court jurisdiction and trial systems in England and China. The chapter provides a platform for further analysis of legal practice compliance, allowing a comparison of the structures applicable to the actual practice of judicial decision-making in the IPR area. The work is based on the existing legal regimes of both countries.

Chapter 2: This reviews how the courts in both countries exercise their judicial powers in managing the trial process, giving judicial notice, correcting procedural mistakes and ensuring that parties are on an equal footing. It considers the judicial inference and reasoning from discovery of evidence. The above stages reveal how transparency and equality of treatment are fundamental to achieve natural justice.

Chapter 3: This considers how the courts deal with the claims from overlapping intellectual property rights, and infringement compensation in England and China. The legal analysis is based on the application of trademark law in brand name

infringement, in specific cases. The chapter will suggest that a fair and consistent judgment not only adheres to formal equality in procedural treatment, but also focuses on substantive consistency through precedents rules.

Chapter 4: This discusses what legal finality and binding force might be, inferred from a final judgement to bind subsequent litigation in China and England. It considers the relationship between the civil objectives and causes of action, res judicata and abuse of process. The main task is to identify the similar issues in prior and later cases, between the same litigants, in order to bar relitigating, and to identify precedents to minimise unnecessarily extended arguments, and to avoid inconsistent judgments in similar fact cases.

Chapter 5: This concerns how to evaluate a judgment. I will explore jurisprudential theories in order to develop a profile of just and fair judicial assessment. I try to show that transparency, equality of treatment and consistency form the basic core standards to enforce IPR protection in China, and also a solid powerful foundation, from bottom to top, to promote and reform the structure of Chinese legal institutions.

The main nature of the thesis is its originality in taking the first hand IPR cases to undertake comparative research on IPR enforcement through the lens of res judicata, overlapping multi-claims of IPR and case management. I also try to set up a bottom line justice standard by reviewing typical jurisprudence theories, analysing their practical influence by testing their guidance through appellate cases. My research is issue-targeted and guided, from comparison of the techniques between two countries in dealing with these main issues in IPR trial. The research approach is normative, but also built on empirical and legal technical foundations. The available views of academic commentators are intensely explored and relied upon throughout this thesis, and significant emphasis is placed on the primary materials contained in the reported cases.

The thesis is not to argue whether China should adopt English legal norms or system. From the function of any courts to solve conflict and dispute as the final end, it addresses the question how much China can choose to allow judicial management to differ while enforcing the general principles in IPR substantive law and meeting the international conventions adopted. This thesis emphasises that,

under the similar IPR principles and substantial content, the English litigation lets us see the correlation between the rights and the manner in enforcing them, while its Chinese counterpart just fails in reflecting such correlation in its legal practice, and lets litigants, academics and the public doubt its judicial decision, even on the basis of Chinese law itself. This thesis simply argues that China court should let its adjudication be transparent, let what is happening in specific cases be open and clearly reflected in its trial process, should equally impartially treat both sides' claims and evidence, should let all relevant information associated with claims be responded and heard, and should consistently apply its law and let important values and principles be set up and maintained in its judgments without essential conflicts.

I trust that the thesis has achieved the main tasks as planned namely to discover: how, and to what degree, IPR protection from a similar substantive law base varies between China and England, and to explore a practical standard for China in moving towards an acceptable and just IPR enforcement.

Chapter One: Substantive IPR Rights and Judicial Structure in England and China

1.1 Judicial Structure in England and China

The general court system of China has four tiers of vertical jurisdiction and three distinctive court procedures in horizontal jurisdiction¹. Figure 1-1 shows that the four tiers of jurisdiction include basic people's courts, intermediate people's courts, high people's courts and the Supreme People's Court; the three different court procedures include civil procedure, criminal procedure and administrative procedure². A case should be considered in terms of its litigants, the matter in dispute and the complexity of the claims, in order to determine in which court it should be heard. A civil court hears civil disputes under civil procedure between individuals or companies; an administrative court deals with administrative disputes employing administrative procedures between individuals, or companies in dispute with government agents engaged in administration or public service. For an administrative dispute, the defendant is always a government body. A criminal court tries criminal offences prosecuted by the state, against an individual or company, using criminal procedure.

Most civil cases are filed in an intermediate court or a district local court. In order to strengthen the harmony and cooperation of IPR protection in the whole country, special IPR trial chambers have been set up in most intermediate or higher courts to deal with all types of intellectual property disputes, including ownership disputes and infringement disputes related to patent and trademark rights, and copyright. Now most IPR cases should be heard by intermediate courts or higher in China.³ At first instance an IPR claim in a civil case may be taken to the high court's

1 This part is a summary of the relevant parts of Civil Procedure law, Constitution Law and the Institutional Regulations on the People's Court. For a further reference see, Jiangwei, *Civil Procedure*, (Press of Renmin University, Beijing 2003) 姜伟主编'民事诉讼法'; Luohaocai, *Administrative Procedure* (Peking University, Beijing 2005), 罗豪才主编'行政法学'.

2 Later all courts are shortly called: basic courts, intermediate courts, high courts and the Supreme Court.

3 China CPL 2007, articles 18-39.

by a plaintiff if the value of the claim is over RMB 10 million yuan and in the area of Beijing, Shanghai, and Guangdong; or over RMB 3 million in the high court for other provinces.⁴ A first instance case filed in the Supreme Court is only heard on a discretionary basis; the matter should be extremely important and the issues should have major impact on the whole country. To date there has been no first instance civil case heard by the Supreme Court, but this jurisdictional arrangement gives the Supreme Court both trial and appellate functions at the same time. There are two trial tracks: ordinary common procedure lasts for six months, and summary simple procedure for three months. Most civil cases in the district local court are held under summary simple procedure.

Figure1- 2 shows that the court system of England has two tiers of vertical jurisdiction and two distinctive court procedures in horizontal jurisdiction. Two tiers of jurisdiction are trial courts: county courts and the High Court of Justice. The Court of Appeal and the Supreme Court are only appellate courts, not trial courts. The High Court is organised according to case type and has specialist divisions, Family Division (dealing with cases involving divorce, children care), Chancery (dealing with property, trusts, finance and company issue), and Queen's Bench (dealing with cases involving contracts, patent and negligence). As first instance trial the High Court only deals with the more complex cases or those where the claim exceeds £50,000. Most IPR cases, especially the patent cases are tried in the Queen's Bench Division, Commercial Court. The Divisional Courts of the High Court also have some appellate function, hearing appeals from decisions of the magistrates' and county courts⁵.

After filing a civil IPR case, a judge in England assigns the claim to a system of three tracks according to the value and complexity of the case: the small claims track, for cases worth less than £5,000, at an informal hearing by a district judge; the fast track, for cases from £5,000 to £15,000, with a fixed timetable from allocation

4 See 'The Jurisdiction Standard of the People's Court', No.11, 1999, issued by the Supreme People's Court. The exchange rate from sterling to RMB was 1:15 before 2008, now it is about 1:10.

5 Routledge-Cavendish, *English Legal System*, (5th edition, Routledge-Cavendish, 2006) 63.

to trial; the multi-track, for cases worth over £15,000 or of unusual complexity, which are supervised by a judge and given timetables tailored to each case.⁶

The jurisdiction of a specific IPR case in China and England are similar. The initial money claimed, or the complexity of a case, decide the tier of the court of the defendant's domicile, or of the place where the alleged infringing action takes place, in which the infringing products are manufactured or sold, seized, or used. The financial value of the claim is a decisive factor in the vast majority of cases for both countries' jurisdiction.⁷

England has two different litigation procedures, civil procedure and criminal procedure. A dispute between individual and government bodies is also heard under civil procedure, regarded as no more special than the disputes between individuals, when the court reviews the decisions made by government. There is no separate administrative procedure as in China, other than for judicial review⁸, even though the nature of claims in dispute may be different from that civil dispute between individuals. That means the opponent in England must employ a civil procedure as opposed to administrative procedure ,against a decision made by an administrative authority (e.g. the British Office or the Trade Marks Registry), where there is an objection to validity or grant of a patent or trademark. Treating government bodies as equivalent to civilians in procedural terms reflects the high importance of the procedural justice. Dicey pointed out in promoting the advantage of UK constitutional structure: 'the ordinary law courts can deal with any actual and provable breach of the law committed by any servant of the Crown still preserves that rule of law which is fatal to the existence of true droit administratif.'⁹

So in England, all arguments concerning IPR are dealt with under the normal civil or criminal procedures.¹⁰ There is no need to distinguish issues between administrative offices and individual parties or companies. There is no procedural choice for civil cases, rather a jurisdictional choice. But in China, in a trademark

6 Routledge-Cavendish (n 5) 74-76.

7 See the Jurisdiction Standard of the People's Court, (n 4).

8 Judicial review on a government decision is heard in the Administrative Court, a division of the QBD.

9 See AV Dicey, *An Introduction to the Study of the Law of the Constitution* (Macmillan, 1968), p 499.

10 Those cases in this thesis are mainly involved in the civil procedure.

argument, the issue of validity or grant should be heard by an administrative court under administrative procedure, while the issue of infringement of a trademark right should be heard by a civil court under civil procedure, because a Chinese court can only examine the validity of a trademark or patent on grounds of legitimacy under administrative procedure, though infringement claims are dealt with under civil procedure on grounds of legitimacy and appropriateness. Such Chinese procedural arrangements may also lead to the staying of proceedings in an infringement trial, pending an interim decision on the validity of the trademark right in an administrative court. The arguments in a case may require different courts with different procedures to hear. That may be one reason why Chinese civil courts hardly grant any requests for staying of proceedings¹¹.

1.2 Overview of Trial and Appeal in China

In China, plaintiff (the IPR owner or an exclusive licensee of IPR) files an IPR suit to a court, usually at the court of the defendant's residence. The court first determines whether the case will be accepted within seven days from the filing of the complaint. (Sometimes a complaint might be rejected by the court; if the plaintiff is dissatisfied with such a ruling, it may file an appeal to the next higher level of court.) Then the court shall serve a copy of the claim form on the defendant within 5 days of the filing of the case, and the defendant has 15 days in which to serve an answer¹². (Art. 43 of the CPR 2007 provides that failure to serve an answer does not restrict the ability of the defendant to proceed with its defence. This is quite similar with English rule 10.2 of the CPR 1998)¹³

The next step after filing a case in the court is the process of evidence exchange, according to the Supreme Court's legal interpretations on disputes involved in patent, trademark and copyright. The judge decides the time limit for

11 See the discussion on staying of proceeding in trademark in Chapter Three. Even for the latest case in the Shanghai Intermediate Court, *Proview Technology (Shenzhen) v Apple Co*, it is not genuinely an example of stay of action. The stay was not instigated by the plaintiff, rather as a ground by the filing court to strike out an application for injunction in the Shanghai court. <<http://www.reuters.com/article/2012/02/22/apple-proview-idUSL4E8DL51120120222>>

12 Civil Procedure Law of China 2007, articles 108-141.

13 The UK CPR means the Civil Procedure Rules 1998.

evidence exchange, which shall be about 30 days from receipt of the notice of a case before hearing. The parties may apply for special pre-trial evidence exchange. Such exchange is limited to no more than two occasions.¹⁴

The purpose of evidence exchange is to ascertain the evidence provided by the parties, and to clear up disputed points and claims. The party may cross-examine the evidence with regard to relevance, legitimacy and weight or degree of credibility, so as to establish whether such material has probative value, and whether the probative force is strong enough. Any material or statement that has not been subject to cross-examination cannot be used as evidence to determine the facts of the case. The court should identify the evidence fairly and objectively according to procedure, observe the law, follow the demand of professional ethics, and use logic and daily life experience independently to evaluate the evidence's validity and credibility.¹⁵

According to China's CPR, the court not only has power to conduct evidence exchange, to make an evaluation on evidence's validity and credibility, but also to collect evidence by itself. In cases where the parties have objective obstacles to obtaining evidence, the court may obtain evidence at the request of one of the parties or at its own initiative¹⁶. This is a huge difference compared with the power from a UK court, as this suggests there is no practical possibility for parties to challenge such evidence investigated by the Chinese Courts, acting as an evidence investigator and fact recognisor at the same time. In a later chapter, I will discuss the effect of this on case management showing why there is no proper and fair fact recognition process.¹⁷

Three days prior to trial, the trial court must notify the parties and other participants of the date and location of trial, informing the parties of their litigation rights and obligations. The proceedings in the court hearing are conducted in the following manner: presentation of statements by the plaintiff and his agent; response by the defendant and his agent; presentation or response by the third party and his

14 See Q Zhang, 'The People's Court in Transition: The Prospect of the China Reform' (2003) 12 J of Contemporary China 69-101.

15 The Chinese evidence rule is similar with Part 32 of the English rules on evidence discovery, but similar evidence in the UK and China is dealt with quite differently by the judge in legal practice. See my analysis in Chapter Two.

16 Jiangwei, (n 1), in chap 4. Also Article 15, CPR 2007.

17 See my analysis in Chapter Two on case management.

agent; argument between the parties or their agents; final statement from plaintiff, defendant and third party in that order. The trial of first instance must be completed within 6 months from date of acceptance of the case for ordinary procedure¹⁸. As indicated by Figure 3, if a further extension is needed it is subject to the approval of the next superior court.

After the hearing, the trial court makes its judgment normally composed of three parts: fact statements by both parties; ratified facts by the judge, and the application of statutes regarding the facts and decision. The court will make at least three determinations namely: which party (claimant or defendant) should take liability for infringement dispute, the amounts of damages, and the allocation of litigation costs. The Chinese judge only needs to give reasons according to substantive statute law for the judgment. Precedent cases are not a source of law for Chinese judgments¹⁹. In contrast, in England the lower courts are constrained to follow the binding precedents.²⁰ There is neither binding nor persuasive force of precedent in the interpretation of interpret China's statutes law²¹, though some lawyers are always trying to persuade the judge to follow previous decisions²²

1.2.1 Appeals in China

The judgment of the first trial is provisional while that of the second instance is binding, because China adopts two instances of trials - the first instance trial and the second appellate trial. All judgments of first trial except that of the Supreme Court are subject to appeal in China. The judgment from the first trial court may easily be appealed to the higher level court, unless the parties accept the judgment or decision made by the first instance court. This means the first trial judgment becomes legally

18 See Jiangwei, (n 1) in chap five, and Civil Procedure Rules of China 2007, chapter 12.

19 As for the grounds for an appeals and the correction of miscarriages of justice, See Civil Procedure Rules of China 2007, chapter 16; Legislation of the People's Republic of China on Application of Law, articles 78-98.

20 Terence Ingman, *The English Legal Process*, (Oxford University press, 2006, 11th edition), at pp 287-321. Also see my chapter four on consistency in legal finality.

21 See Articles 78 in the Legislation of the People's Republic of China.

22 Assafa Endeshaw, 'Intellectual property enforcement in Asia: a reality check' (2005) 13(3) I.J.L. & I.T. 410-412.

effective only if there is no appeal during the appeal period. The judgment of the second instance and the Supreme Court are final.²³

The second instance court forms a panel to completely rehear the evidence, and the applicable law, rather than merely examine the law applied in the first trial process. After the trial the second instance court may affirm, amend or set aside the judgment or ruling of the first trial or order the first trial court to retry the case. The trial of cases on appeal must be finished within three months after accepting the appeal. There is no judicial review process in civil procedure. Any ruling decisions in the first trial cannot be appealed instantly to the second instance court, except that decisions rejecting suit or challenging jurisdiction are subject to appeal.²⁴ The litigants have to finish the whole full trial journey to know the judge's decision on each interim issue. That is one reason why in China, few IPR disputes are in fact settled, dismissed or withdrawn prior to full trial in the shadow of interim decisions. This inevitably means that the serious errors in the first trial process which would impair a fair just judgment could not timely be corrected by appellate courts²⁵. It is difficult to understand why China procedure does not allow a litigant instantly to appeal an interim decision, since an error or unfair final judgment may be avoided if there is an instant process of correction. Further, if the interim decision is corrected instantly, it may be possible to curtail later procedure, or at least substantially reduce the length of any further trial, as with English situation.

Another structural difference from England is that there is a time set for trial in China ---the first trial should be finished within six months, and the second instance trial should be three months from accepting the file. In England, there is no such general time limit for trial. The trial time in England is based on each case's allocation as recognized in case management. For example, the court will not normally allow more than one day for the hearing of small claims, and most are

23 Civil Procedure Law of China 2007, articles 147-159.

24 See Art. 140 of CPL 2007 of China.

25 As for why China needs a more discursive, independent judicial review after its accession to the WTO, M. Ulric Killion said, 'rule of law, and its attendant judicial review, facilitates economic growth because it affords stability, transparency, and fairness to the entire economy. See, M. Ulric Killion, 'China's Amended Constitution: Quest for Liberty and Independent Judicial Review', Wash. U. Global Stud. L. Rev. vol. 4, 2005 p 43.

dealt with in an hour or so²⁶; a typical timetable which the court may give for a fast track case, is 30 weeks²⁷; and there is no proscribed period for multiple claims²⁸.

The role of appellate court in England is different to that of the trial court. The trial court mainly deals with exposition of fact and law finding rather than discussion and interpretation the ambiguities of applicable law. The appellate court obviously focuses its discussion and analysis of the relevant law based on the findings by the trial judge. But in China, primary trial and appellate courts are repetitive and overlap; both not only find facts but also offer the statements of applicable law. There is no clear distinction between the trial court and appellate court, the appellate court often take the form of a complete rehearing . Such structures produce an obvious result: exposition of the facts is not detailed enough in the first trial, and interpretation and reasoning of law is no deeper, wider nor necessarily consistent in the appellate court²⁹. Reading the judgments of the Chinese appellate courts, one can easily find new facts and findings, accepted by the appeal courts, which were not even mentioned in the first trial³⁰

1.3 Overview of Trial and Appeal in England

As in China, originating civil proceedings in England also start by issuing a claim form. When a case is filed in a court with appropriate jurisdiction, the judge usually assembles both parties in the court to discuss the disputing issues and evidence. After both parties exchange their document lists or questionnaires, the

26 See case management for small claims track in CPR r 27.4 and PD 27.

27 See para 3.12 of PD 28.

28 See agreed directions and timetable in r 29.2 and r 29.4 of CPR.

29 See the discussion on legal finality in Chapter Four. This is also viewed by Walter Hutchens, 'Private Structures litigation in China: material disclosure about China's legal system?' U.Pa. J. Int'l Econ. L. vol.24:3 (2003), 600, 678: 'China appeal system different from other legal system, in which legal exemplifying often percolate up from lower courts, with higher courts functioning to review specific cases and to harmonize the approaches developed by the lower courts.'

30 e.g. DuPont Company v Beijing National Network Company; Guangdong Archie Hardware Co. v. Shenzhen Yashida Hardware & Plastics Co.; Shandong Boshan Pump Science and Technology Co. v. Zibo Boshan Chishang Yulong Food Processing Plant; Wuhan Tobacco (Group) Co. v. Deng Linjiu; US Eastman Kodak Company v. Suzhou Kodak Hydraulic Pressure Lift Co.; Guangzhou Mora Network Technology Co. v Shanghai Mecoxlane International Mail Order Co. at <<http://www.chinacourt.org>>.

judge summarises the issues after consideration of the briefs submitted by both parties, then allots the case to a particular management track: small claims, fast track and multi-track, according to its the financial value of the claim and its complexity. A different trial track will lead to different hearing times and procedures. As can be seen from Figure four, the small claims procedure is both simpler and quicker than the fast track, which is in turn simpler and quicker than the multi-track. There is no time limit for the multi-track procedure, so the trial time will depend on the particular case.³¹

English legal system has two layers - the trial court and the appellate court. The appellate court has a hierarchy, with the Court of Appeal below the Supreme of Court. The judgment of the first trial is final if appeal to the appellate court is denied. For most cases, the appeal hearing is in the Court of Appeal under permission or by application. If a case involves a point of law of general public importance (for example, it is concerned mainly with statutory interpretation, or some other compelling reason leading to serious injustice), the judgment or decision of the first trial may be appealed more than once to the Court of Appeal or the Supreme Court, even by missing out the Court of Appeal and leapfrogging to the Supreme Court with the leave of both courts.³²

This is very different from a Chinese appeal. Any decisions or rulings in the process of the trial court in England can be appealed or reviewed by the higher court, (even though leave to an appeal is required in some cases). This means litigants do not need to await the final judgment to appeal if they disagree with the judge's rulings on any procedural measures or decisions in trial which materially affect later direction or determine the issue at or after trial. A litigant may appeal from a district judge to a circuit judge and from a circuit judge to a High Court judge, from a High Court judge to the Court of Appeal.³³ The difference between Chinese appeal and English appeal can be seen clearly from Figures 3 and 4. In

31 John O'Hare & Kevin Browne, *Civil Litigation* (12th ed Sweet & Maxwell, 2005) 253-260; Stuart Sime, *A Practical Approach to Civil Procedure* (Oxford University Press 2002) 68-283.

32 See John O'Hare & Kevin Browne (n 31) 324-330. See also the Civil Procedure Rules r 52.11-13.

33 See appeals from case management of decisions, CPR r 3.1, and PD 52.

England, there are many cases that have ended with an interim decision, on the basis of which decision there is enough information for litigants to settle without proceeding to final judgment. In England, the interim decision helps clear the doubts on the preliminary issues, and justifies with reasons the interim remedy, thereby promoting negotiations to settle.³⁴

Generally, appeals in England are limited to a review rather than a complete rehearing, and the appeal will only be allowed if the decision of the lower court was wrong or unjust due to serious procedural irregularity, or that the trial judge has drawn wrong inferences from the facts.³⁵ Because the general rule is that it is, in its reasoning, necessary to obtain permission to appeal, the result is that the opportunity to appeal a decision made by a lower court is rather more restricted, compared with the high rate of second instance hearings in China. Therefore, it is vital in England that practitioners be properly prepared for the initial hearing. Such a jurisdictional arrangement allows the Court of Appeal and the Supreme Court to mainly concentrate on legal argument rather than factual argument, and guarantees the proper legal resources for an efficient judicial and appellate review.³⁶

It seems that, from the trial system, the litigants in China have more chance to argue their disputes and to evaluate the final judgment. In the first instance and second instance, the panel trial usually follows the normal procedure and has more than three judges to hear the case, with the panel being led by the presiding judge. Only under Special Procedure is there one judge hearing the case. Does this really create more opportunity to correct mistakes in trial? This is discussed in later chapters, through a study of the cases; to demonstrate that more panel trials do not necessarily present more chance to correct injustice if the panel trials are partial and none-transparent in findings of fact and law.³⁷

34 See the introduction of civil justice at <http://www.justice.gov.uk/Civil_court_structure_in_UK.mht>

35 John O'Hare & Kevin Browne (n 31) ch 5, also in my Chapter Two, see the situation for appeal court to interfere the trial court decision in *Hadmor Productions Ltd v Hamilton* [1983] 1 A.C. 191; *Designers Guild Ltd v Russell Williams* [2001] F.S.R. 11.

36 See grounds of appeal and grounds for permission, r 52.4 and r 52.11 of CPR.

37 He Weifang, 'The Realization of Social Justice through Judicature: A Look at the Current Situation of Chinese Judges', in *Judicial Idea and Judicial System*, (China University of Political Science and Law Press, 1998).

1.4 Re-Opening of Final Judgment

An appeal decision or final judgment without appeal may be reopened and reconsidered by the court which made it if this is necessary to avoid real injustice in exceptional circumstances. England and China may have similar notions of an erroneous judgments: there is error in application of the law; there is error in the ascertained fact; there is fault in the judge's exercise of discretion; there is outstanding procedural error, which may affect the correctness of the judgment; there is malpractice by the judge, who has acted for personal benefit and perverted the course of justice³⁸. In addition to the above-mentioned factors, there is also an error of judgment in England if the lower court has failed to follow a binding precedent.³⁹

But in a UK civil case, there is hardly any chance to reopen its final judgment. In *Re Uddin and Couwenbergh v. Valkova*,⁴⁰ the Court of Appeal indicated that this power can only be invoked where it is demonstrated that the integrity of the earlier litigation process, whether at trial or at the first appeal, has been critically undermined. Permission is needed to make an application to reopen a final determination of an appeal. Such permission is final according to Part 52 of the CPR. There is no right of appeal or review from the decision of the judge on the application for permission⁴¹. In England, the reopening of final appeals most often occurs in criminal cases. While the criminal is still under sentence, if new evidence

38 See my analysis in Chapters Two and Five. The UK courts, no matter whether higher or lower, follow the same criteria --- natural justice and precedent limit the scope of review of erroneous judgments. A judgment with impartial ascertainment of facts, following consistent reasoning with precedents and overriding objectives, is unlikely to be reversed or overruled by a higher court. A Chinese judgment could not give clear transparent and consistent reasoning, by way of accountable procedural justice, to construct its notion of erroneousness. Its judgment is heavily based on hierarchical judicial power, the higher court declaring judgments by the lower court wrong or right.

39 See China CPL 2007, procedure for trial supervision, article 179; the UK CPR, grounds for appeal r.52.3 and PD 52. My later chapters will suggest how different these two countries are in applying such general rule.

40 *Re Uddin and Couwenbergh v. Valkova*. Respectively [2005] EWCA Civ 52; [2004] EWCA Civ 676.

41 John O'Hare & Kevin Browne (n 31) 627.

is found proving that the conviction was bias and unsafe, he can apply to the judge to reopen his case⁴².

In contrast, a Chinese civil case is easily brought to retrial and reconsideration of a final judgment, according to procedure for trial supervision.⁴³ It is a different process from the appeal grounds and procedures, as showed in Figure 5. If a party considers that a legally binding judgment or decision on a civil case contains substantial error or injustice, he may apply to the trial court or the next higher court for retrial or for petition. While an application for retrial or for petition is made, the execution of the judgment or decision is not suspended. When a party to a civil case applies for retrial, the application should be made within two years of the judgment or decision becoming legally effective. There are no time limits for retrial application in these two years. In handling the retrial, the people's court should form a new trial panel. No application for retrial can be made against the legally effective judgment of a divorce case.⁴⁴

The retrial supervision may be initiated by a court at its own initiative. If a people's courts at a higher levels find that the judgments or decisions made by the people's court at lower level contains substantial errors, it may bring the cases up for retrial or instruct the people's court at the lower levels to retry the decided issues. There is no time limit for the court to initiate a supervision procedure to reopen a case. But such a process of initiation is rare, and most of retrial cases are applied for by litigants themselves in the two years after the judgment become effective.⁴⁵

There is considerable controversy in China about unlimited applications for permission for retrial. Most scholars⁴⁶ suggest limiting retrial application to only once in two years in order to maintain the finality and dignity of legal judgment. There is no doubt that such a suggestion sounds quite correct in order to maintain res

42. The decision by the House of Lords in *R v Kansal* [2001] UKHL 62). Cf. DH-PR (2004)007 concerning Recommendation Rec (2000) 2 'Re-examination or reopening of certain cases at domestic level following judgments of the European Court of Human Rights' <<http://www.nihrc.org/dms/data/NIHRC/attachments/dd/files/65/146.doc>>, accessed 5 May 2007.

43 See Art 177-188 of Civil Procedure Law.

44 Civil Procedure Law 2007, article 178-190.

45 See Jiangwei, *The Civil Procedure* (Press of Renmin University, Beijing 2000) 185.

46 Zhang Weiping, 'Probe the Civil Relitigation' in (Legal Study, vol. 5 2000, 《法学研究》 2000年第5期); Li Hao, 'Rediscussion Civil Relitigation' in (Legal Study, (5) 2000).

judicata. But we should first ask what kind of finality and dignity it will bring for litigation if malpractice and error occurs at trial but cannot be corrected by the appellate court.⁴⁷ In any case, there is no doubt that, reopening a new trial of final judgment too easily has been damaging the reputation of the legal system and the legal binding force of a judgment, unless there is detailed interpretation and case law precedents offering guidance on the possible re-opening of trial proceedings.⁴⁸

1.5 Enforcement Measures in England and China

Under TRIPS, Art. 50, it is mandatory for every member to have provisional procedures for preventing infringement of intellectual property rights and preserving relevant evidence.⁴⁹ Procedural remedies should offer instant protection to the party concerned before the court makes a ruling to prevent an infringement from occurring, and to preserve relevant evidence in regard to the alleged infringement. In Arts. 44 – 47, TRIPS sets out a number of remedies to be provided for in the national laws of the member countries, including injunctions, damages, the right to require infringing goods (or materials and equipment used in their creation) be disposed of outside the channels of commerce or destroyed. There is also a right of information on how to obtain these remedies. In order to join WTO, since 2000 China has introduced all TRIPS measures in the Patent Law, the Trademark Law and Copyright Law.⁵⁰

In China, the Patent Law 2000, and the Trademark Law and Copyright Law 2001, all stipulate the preliminary nature of an injunction and the content of ‘evidence preservation or property preservation’.⁵¹ As for the detailed implementation of provisional measures, the Supreme Court has made a detailed stipulation through judicial interpretation, for example, concerning the qualification

47 For a full discussion of the role of judicial institute, See Molly Riley, ‘On the Rule of Law and the Role of Courts in China’ (2005) 16(4) I.C.C.L.R. 151-156.

48 See my analysis in Chapter Four on legal finality.

49 Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), is an comprehensive minimum standards of international agreement on intellectual property administered by the World Trade Organization (WTO). cf. J.Ga, ‘WTO China, and the Avoidable Cycle of Futility’ (2005) Int’l & Comp. L.

50 See Pitman B. Potter, ‘The Legal Implications of China’s Accession to the WTO’ (2001) 167 the China Quarterly 592-60.

51 See the interim measures in the attachment in Figure 6.

of the applicant, the applicable procedure and evidence, security, review, compensation for damage when court proceedings are not initiated, etc. The owner, the registered proprietor of, or interested person in a trademark, patent or work may apply to the people's court for evidence preservation, and property preservation, before he brings the action for the purpose of preventing the infringement under the circumstances where the evidence could be lost or is difficult to obtain afterwards. After the confirmation of the infringement of rights, based upon the request of the party concerned, the court can order the defendant to compensate by way of damages any infringement of the rights.

The civil liability for IPR infringement in China normally includes cessation of infringements, compensation for losses, elimination of harms and dangers, and the making of an apology. Administrative liabilities of IPR infringers includes: immediate cessation of the infringing act, confiscation, destruction of infringing goods and tools specially used for manufacturing the infringing goods, and fines. Offenders who have committed IPR crimes may be punished with imprisonment of no more than seven years or criminal detention in China, along with a fine.⁵²

As for England, Figure 6 shows that courts have power to grant interim and other injunctions. They have power to grant orders to freeze assets and for the seizure of infringing articles. Administrative measures mainly concern customs prohibition, and the possibility of arresting the movement of pirated and counterfeit goods through the intervention of customs authority at borders. The Customs Authority receives and decides on applications for border protection. The Trading Standards Authority has powers to make test purchases and to seize goods and documents to protect competitors against unfair practices, and to protect consumers' interests. The Independent Television Commission and the Radio Authority supervise the broadcasting and comparative advertising and sponsorship.⁵³

52 This part is a summary of the measures parts of Civil Procedure law, Administrative Procedure Law, Trademarks Law, Copyright Law and Patent Law of China. See Wu Handong, *Intellectual property Law* (Press of Peking University, Beijing 2005); Zheng Chengsi, *Intellectual property Law* (Law Press, Beijing: 2000) .

53 The Independent Television Commission and the Radio Authority was replaced by Office of Communications-OfCOM under Communications Act 2003. Cornish & Llewelyn, *Intellectual Property: Patent, Copyright, Trademarks and Allied Rights* (5th ed, Sweet & Maxwell, London 2003) 51-107.

But the two countries differ in the process to obtain provisional protection; as mentioned above, there is no instant review or appeal in the trial process in China. Therefore, if the claimant applying for such provisional measures fails before the trial judge, he cannot apply for review to the higher court on such interim decisions. This affects the function of interim measures, compared with England. Furthermore, in China, all interim measures and injunctions are temporary orders on condition of the applicant's guarantee of undertaking, rather than based on balance of convenience to both parties' loss and interests if not granted⁵⁴. That is to say, once the applicant provides suitable money in its claims to guarantee its application, he can get an order to freeze the assets or the infringing undertaking; then he must file a case in 15 days after granting of the order. If he does not file a case in 15 days, the order automatically becomes invalid and he must pay over the guaranteed money for any damages caused to the defendant. The applicant can only get a permanent injunction to stop the defendant's infringement after the final judgment with a full trial⁵⁵. On the contrary, English applicant may get a permanent injunction once he gets an interim order to stop immediate infringing, if the infringer later does not challenge this injunction order by filing a suit. That is why most civil cases in England can be ended by the interim injunction. Interim application and appeal of interim decision can clearly influence the direction of the whole argument and lead to the final settlement. The China interim measures are not mainly to stop immediate infringing against the defendant. China interim measures mainly play a role in providing evidence for later trial. If IPR owners really want to stop infringing by the wrongdoers, they have to report and apply to an administrative authority to investigate and stop it⁵⁶.

54. Michael N. Schlesinger, 'Intellectual Property Law in China: Part ii - Evolving Judicial Role in Enforcement', 19 East Asia Executive Reports 9 (March 15, 1997).

55 See article 2 of CPL, the applicant pay deposit to the court, and guarantee if he lose the case, he would pay the loss caused by such interim action. Also see my chapter two about searching orders.

56 Joseph T. Simone, 'China's IPR Enforcement Mechanisms', China Business Review, 26 (1), 1999. He listed the administrative power to detain infringers and to conduct searches and seizures on non-commercial premises, in *Counterfeiting in China: New Challenges for Government and Industry*.

English court experience suggests that interim measures, especially interim injunction are a rapid and relatively cheap way of procuring temporary redress. The reason is clear:

‘First, the types of remedy, in particular the injunction (interim and permanent) and damages are more useful than punishment in the name of the state. There is no possibility in criminal procedure of securing an interim order to desist from conduct pending the trial, which will take weeks or months to mount; nor are there pre-trial procedures, such as discovery, for the extraction of information from a defendant.’⁵⁷

But in China, the IPR owner mainly relies on administrative bodies to stop the manufacture or sale of the infringing products. They take civil action to resolve infringement disputes and seek compensation⁵⁸. In particular there is no search order available in civil litigation. There is not any detail guidance for litigants to apply for a search order in China. The freezing injunction or charging order is only applied for and enforced in the execution period after the final judgment.⁵⁹

1.6 Special Administrative Procedure of China

There are many different administrative agencies that handle different types of IPR, including : the patent office ; the administrative bureaus for industry and commerce; the trade mark office; the copyright administration, the customs; the public security; the bureau for publication, culture and media; product-specific agencies, like drug administration in dealing with IP relating to pharmaceuticals⁶⁰.

The central government administrative agencies are SIPO, SAIC, NCA and AIC. SIPO (the State Intellectual Property Office) is dealing with examination of patent applications, approval, termination and invalidation with the patent re-examination board responsible for review of any opposition. These administrative organs also supervise patent activities and can mediate in cases of patent

57 John O'Hare & Kevin Browne (n 31) 251.

58 See Deli Yang, Peter Clarke 'Review of the Current Intellectual Property System in China' (2004) 3 International Journal of Technology Transfer and Commercialisation 12 - 37.

59 See detailed analysis in Chapter Two; also see figure 6.

60 Information on the State Intellectual Property Office (SIPO) is available at <<http://www.sipo.gov.cn/sipo-english/default.htm>>.

infringement under the party's request. The Trademark Office under the State Administration for Industry and Commerce (SAIC) is responsible for trademark registration, renewal, and assignment and licensing of registered trademark. It also has power to search, investigate, mediate any disputes concerning registered trademark including infringement. The National Copyright Administration (NCA) is responsible for the nationwide administration of copyright, including investigation and the imposition of administrative sanctions in the case of copyright infringement. Rights holders can register with the General Administration of Customs (AIC) in order to attempt to halt infringing goods at the border. This authority is granted by Article 53 of the trademark law 2001, which confers the power to handle disputes involving the infringements of another person's exclusive right to the use of a registered trademark. All these state agencies have broad powers to deal with IPR infringements.

China has set up a 'unique' model by which, alongside the judicial approach, IPR infringement cases can also be proactively dealt with by the above IPR administrations. This special model was first set up for patent cases in 1985 when the first Patent Law came into force. Eventually it has been extended to cover all kinds of IPR case. (Such solution only exists in IPR civil cases rather than other civil cases. The other civil cases should generally be brought to courts.)⁶¹

For example in Trademark Law, Art. 52 stipulates that the dispute caused by any act of infringing the exclusive right to the use of a trademark, listed in Art. 52 of this Law shall be settled by the parties concerned through mediation. If the parties concerned are unwilling to submit to mediation or mediation is unsuccessful, the registered proprietor or interested person in the trademark may bring an action before the people's court or may also request the industry and commerce administration department for disposition. If the industry and commerce administration department finds the existence of the act of infringement, it can order the immediate cessation of the act of infringement, confiscate and destroy the infringing goods and equipment for producing the infringing goods or forging the signs of the registered trademark, and may impose a fine. A party concerned who

61 See a further discussion 'Judicial Protection of IPR in China' by Zhang Yu at <<http://www.chinaiprlaw.com/english/forum/forum67.htm>>, accessed 5 May 2007.

disagrees with the decision of disposition may bring an action before the people's court within 15 days from the date of receipt of the notice of disposition, according to the Administrative Procedure Law of the People's Republic of China. If the infringer fails both to bring an action and to comply with the decision as scheduled, the Industry and Commerce Administration Department may apply to the people's court for compulsory enforcement. The industry and commerce administration department may, upon the request of the party concerned, mediate the compensation for the infringement of the exclusive right to the use of the trademark. If the mediation is unsuccessful, the party concerned may bring an action before the people's court according to CPL.⁶²

The Industry and Commerce Administration Departments are entitled to investigate and dispose of the actions of infringing the exclusive right to the use of registered trademarks and shall transfer the possible cases to the judicial authorities for disposition. The registered proprietor or interested person in a trademark, who has evidence to establish that another person is committing or will commit infringing act, may apply to the people's court. The court may adopt measures such as prohibiting the relevant act and ordering property preservation pending legal action.⁶³

Administrative methods are powerful, even including compensation as in a civil remedy. As Figure 7 shows, the administrative authorities are empowered to inspect, review, order, dispose, license, and supervise individuals to obey the regulations and rules. The main administrative measures which they use are warnings and monetary fines, which can be ordered together with additional measures, such as revocation of a licence, confiscation of proofs and materials used for the infringing act, or compensation for damages. Where an act of counterfeiting is suspected in violation of the Criminal Law, the administrative authority shall

62 See Assafa Endeshaw, 'Intellectual Property Enforcement in Asia: a Reality Check' (2005) 13(3) I.J.L. & I.T. 410-412.

63 See Li Luo, 'Legal Protection of Technological Measures in China' (2006) 28(2) E.I.P.R 100-105.

transfer the case to the judicial authority to be prosecuted for criminal liability, at most for seven years sentences⁶⁴.

Whether such administrative intervention to protect IPR is just, fair and efficient, is a matter of controversy. One side claims that the administrative enforcement carries the weight of government support and makes use of the police's ability to gain entry and investigate premises from which private parties can be excluded. Administrative enforcement is seen as the most cost-effective option and as much quicker than pursuing the infringer through the courts.⁶⁵ As this suggests, the investigative powers that the administrative agencies can exercise is seen as a major advantage of the administrative enforcement path⁶⁶. Some rights holders choose administrative enforcement as part of a wider strategy of IPR protection 'because they are required to issue written penalty decisions and provide copies to complainants'.⁶⁷

But the doubters agree that only big companies, foreign companies and those IPR owners in special relationships with officials can initiate an administrative measure to stop infringement and recover compensation. By initiating administrative enforcement, the cost of pursuing an action through administrative agencies can be more expensive than it originally appears⁶⁸. It is reported that 'a common practice among local enforcement officials is to ask for payments, case fees, or donation, such as computers and mobile phones from trademark owners in exchange for conducting enforcement actions'. Many trademark owners are uncomfortable with

64 See the Criminal Law of PRC 1997, Section 7, 'Crimes of Infringing on Intellectual Property Rights'.

65 Tim Browning and Carol Wang, 'Ten Years of Enforcement in China', *Managing intellectual property* (2004) *China IP Focus*, 30-38; Mary L. Riley, 'Enforcement of Intellectual Property Rights in China', *ICCLR*, Issue 12, P 457.

66 Details of the exact administrative enforcement by raid or seizure action were also given by Daniel C.K. Chow, *A Premier on Foreign Investment Enterprises and Protection of Intellectual Property in China* (The Hague, the Netherlands: Kluwer Law International 2002), p 208-228. Also see Kristie Thomas, 'The Fight against Piracy: Working within the Administrative Enforcement System in China', in Paul Torremans et al. (eds), . p 89.

67 See Joseph T. Simone, 'China's IPR Enforcement Mechanisms', *China Business Review*, 26 (1), 1999, p14.

68 See Zhou Hairong, 'The Re-establishment of the China Legal System: Achievements and Disappointments' (1991) 10 *C.J.Q.* 44-56

paying these fees, as they can be seen as falling into a grey area between bribes and legitimate official fees⁶⁹.

Most administrative organs lack funds, staff and proper working conditions to carry out their duties fully. Some argue that administrative measures for trademark protection have the side-effect of deterring further trademark infringements, and permitting the effective investigation of many serious cases. So reliance on very limited resources to stop rampant IPR infringement largely results in showy periodic campaigns, and much worse official corruption and government interference in judicial process.⁷⁰

The administrative authority plays an important role in handling IPR infringements in China⁷¹. These expansions of power arguably influence the IPR protection system. IPR law is mainly private law, and the main function of administrative authorities should be administration of public affairs, not private ones. Thus the government agencies should not be the main authorities to provide interim remedies, although the government agencies have an obligation to secure fair competition in the market by preventing infringement. To date, most IPR interim measures in China have resulted in and from administrative measures to address infringement.

‘Relying on too much on administrative measures alone may be detrimental to the promotion and development of more stable legal institutions capable of fostering consistent decision-making regarding the protection of intellectual property rights, guided not so much by government pragmatism as by the rule of law.’⁷²

69 Administrative agencies are short-handed and lack the necessary resources to carry out long-term operations: Mary L. Riley, ‘Enforcement of Intellectual Property Rights in China’, ICCLR, Issue 12, 458.

70 See Ruixue Ran, ‘Well-Known Trademark Protection in China: before and after the TRIPS Amendments to China’s Trademark Law’, 19 Pacific Basin Law Journal, 2002. Also <http://www.fatianxia.com/paper_list.asp?id=231>, accessed 12 Dec 2007.

71 In 2011, the State Administration for Industry & Commerce of PRC had investigated, confiscated or given administrative fines in 28,000 cases, to a total value of RMB 5.33 billion in faked goods (eg. cars, foods, cosmetics, electronics, medicine etc.) at <<http://www.saic.gov.cn/zwgk/ndbg/>>; in 2010, National Copyright Administration of RPC, investigated illegal music and film producers 727, gave administrative fines RMB 221,43117 in 10590 cases, made closure orders 61995, transferred cases to civil or criminal courts about 538, at <<http://www.ncac.gov.cn/cms/html/309/3532/201203/734240.html>>.

72 About why government have authority in everything, why people do rely on government rather than law to solve conflict, see Michael N. Schlesinger, ‘Intellectual Property Law

Especially note that there is no any legal connection between requesting administrative protection and seeking a civil remedy. In Chapter Two, many cases showed that prior administrative measures attacking infringement do not necessarily provide fact support in civil remedy. Even if there was an administration bureau search result, civil cases have not be given any hint about its nature and how might use the evidence obtained from the administration bureau. So far they are treated differently and often inconsistently in most cases.⁷³

1.7 Execution Measures

In terms of legal methods for execution, Arts. 207-236 of CPR of China, and relevant interpretation from the Supreme Court stipulate the procedure of enforcement from four angles: application for enforcement action; measures; suspension; and termination of enforcement.

Both countries start with a similar execution process: the winning party must take an enforcement application to the court enforcement officer for an order or writ of execution. So the judgment will not be enforced by the court automatically if the losing party fails to honour the judgment. Both China and England have set out various methods of enforcement. But in England it is for a judgment creditor to decide how to enforce the judgment, and which method of enforcement is most suitable to his case. Satisfaction is unlikely to be recoverable from the judgment debtor if using the wrong method. In China, the execution court will discharge all execution mechanisms to enforce the judgment once the winning party pays the execution fee.

In England, CPR Parts 70-73 refer back to the RSC and CCR, which mainly regulate the enforcement methods. RSC Ords. 46 and 47, and CCR 26 lay down the

in China: Part ii - Evolving Judicial Role in Enforcement', 19 East Asia Executive Reports (1997).

⁷³ See Chapter Two, 'No Searching order available for plaintiff to get instance infringing information'. This view is also confirmed by Joseph T. Simone, 'China's IPR enforcement mechanisms', China Business Review, 26 (1), 1999. He said the administrative decision might be useful in any subsequent criminal prosecutions of repeat offenders although, in practice, the transfer of evidence to the civil system is not always straightforward.

procedures of execution and seizure. Items necessary for a debtor's essential life and existing business cannot be seized. Persons must not make a forcible entry to any premises and must not take goods from the debtor's person. This balance between rights of creditors and debtors also differs from China. Figure 6 also shows that Chinese enforcement measures look more powerful to protect the interests of the judgment creditor than those of England in scope, strength and execution fee. But in terms of the effects, English enforcement rate is much higher than that of the China, because England has set up a credit system to trace the debtors' property, compared with the lack of credit system in China.⁷⁴

1.8 Substantive Rights in England and China

The IPR regime is now becoming a fashionable legal means of protecting intellectual results and other original ideas in China⁷⁵. The UK is a developed country and IPR protection has been developed over more than three hundred years, China is a rapidly developing country, and the history of a relatively complete IPR protection in China goes back less than thirty years. Some Chinese textbooks list a few examples to prove that ancient China provided some kind of trademark and copyright protection during the Sung Dynasty (AD 960-1279)⁷⁶. However, this was more a kind of privilege to do business by rewarding an enfranchising license from the imperial state, rather than an individual intellectual property rights.

Since the early 1980s the modern legal system including the IPR substantive law has been in force in China. Before 1949 when the People's Republic of China was established, there did exist a couple of IPRs statutes promulgated by the Nationalist Government (i.e., the so-called Kuomintang Government), but they were cancelled by a shift of government. After the founding of the People's Republic of China, the new government issued some regulations to protect copyright and trademarks. Unfortunately, all these efforts for establishing a modern IPR

74 About lack of credit system in China, see Mei Ying Gechlik, 'Judicial reform in China: Lessons from Shanghai', 19 Colum. J. Asian L.

75 Liu Fudong, 'Thirty years progress of IPR in China', *Intellectual Property*, 2008. 18 (6).

76 Zheng Chengsi, *Intellectual Property*, (Beijing, Law Press 2000) at Chapters 11-12; *China Intellectual Property and Technology Transfer Law*, (Sweet and Maxwell, 1987), at pp 87-90.

system in China came to a standstill after 1957, especially during the Cultural Revolution from 1966 to 1976. In 1978, China adopted a remarkable policy known as "the policy of reform and opening up" and started to set up sweeping modern legal system including an IPR law system. China began re-drafting its IPR laws in the early 1980s as a response to new policies geared towards modernizing science and technology, towards developing a market economy and attracting foreign investment into China.⁷⁷ The first modern patent law in China was passed by the National People's Congress in 1984, as amended by the Standing Committee of NPC in 1992 and 2000; the first copyright law was stipulated in 1990 and amended in 2001; the first trademark law was adopted in 1983, and amended in 1993 and 2001. The latest three major IPR laws and other regulations came in the year of 2000 to conform to international standard to join the World Trade Organization (WTO).

So far, China like England has acceded to most international IPR-related conventions and treaties such as the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention and the International Convention for the Protection of New Plant Variety, etc. Figure 8 shows that China has also incorporated the basic requirements of these conventions and treaties into its domestic law. China's IPR regime now provides a broad range of protection, besides trademarks, copyrights, patents, also including computer programmes, audio and video products, new varieties of plant, layout of integrated circuits, domain names, internet and enterprise names, trade secrets, etc.⁷⁸

In order to meet the requirements of joining the WTO and give effective meaning to Chinese substantive rights, the law relating to each form of intellectual property also defines the nature of the exclusive right in terms of content and business activity. For instance, that an invention is the subject of a patent is defined principally in Patent Law. This prescribes the various ways of infringements to make, sell, and offer to sell, import or use that invention. In general, the ambit of what IPR protects in China is as same as that of England, even though the various

77 See Duan Ruichun 'China's Intellectual Property Rights Protection Towards the 21st Century', (2004) 9 Duke Journal of Comparative & International Law 216.

78 See treaties info on the State IPRs Office <www.pm.gov.uk/output/Page10776.asp>, accessed 23 Feb 2008.

aspects of the subject may differ in terms of labels and in detailed rules. (See Figure 8) For example, English Patent law applies to inventions and novel designs which are functional in nature and introduce new technical innovation. In China, Patent Law protects three objects: invention; utility model; and industrial design. In contrast, England uses the Copyright, Designs and Patents Act to protect an industrial design or unregistered design.⁷⁹

In order to resolve possible conflicts between domestic law and the provisions of international treaties, China also has provided, in accordance with article 142 of the general principle of the Civil Law, that any international treaty would take priority over Chinese domestic law in application. If China is a contracting party to or accedes to the treaty, ‘in the event of a difference between the provisions of an international treaty concluded or acceded to by the People’s Republic of China and the civil law of the People’s Republic of China, the provisions of the international treaty shall apply...’⁸⁰. From regulation itself, it is clear that China’s procedural law permits organizations or individuals to challenge laws and regulations which they believe contradict international conventions, but the procedural law does not prescribe the way in which, in a specific case, domestic law may be challenge as offending an international treaty. Until now lawyers and litigants still have little or no opportunity to use this rule in litigation as an applicable ground to change the content of domestic law.

So far, the China’s IPR legal protection structure has basically caught up with international standards⁸¹. In substantive law terms and the scope of protection, China cannot be said to lag behind England. It is commonly recognized that China has achieved a legal framework for protecting IPR that is comparable to many advanced countries, and complies with requirements under TRIPS. Several analyses from substantive IPR statutes and regulations have supported the above conclusion with the similar result that, even though there are many loopholes and uncertainties in its legal context. China has basically set up an international standard of protection on

79 For the changes in present copyright law, patent law and trademark law from the old ones, see legislation information, <<http://www.court.gov.cn/>>.

80 Article 142 of CPL 2007.

81 See Sumner J La Croix, ‘Intellectual Property Rights in China: The Changing Political Economy of China-American Interests’, (2002) 25 (6) *The World Economy* 759–788.

IPR, which provides a broad range of protection in trademarks, copyrights, patents, know-how, and against passing off.⁸² In 30 years, the main three IPR laws have been amended at least twice, and now China is more active and determined in wielding IPR laws to protect domestic economic interests, and to meet the new technology challenge such as internet protection⁸³. Hence, it seems that a strong IPR regime is now in China's interest.

1.9 Conclusion

Both England and China have quite a similar structure for IPR substantive law, but there is a fundamental difference between the nature of trial and appeal and the administrative enforcement measures.

China adopts two instances of trial - the first instance trial and the second appellate trial, which employs also a full trial procedure to rehear the facts and re-apply the law, rather than merely being an examination of the law applied in the first trial process, as in England. All appeals in England are limited to a review rather than a complete rehearing, and most appeals should require permission from trial courts or appeal courts.

The trial judge in China is obliged on the parties' request to collect evidence from public organisations. The Chinese courts have more arbitrary power than English courts in controlling the trial and making judicial decisions, which are not reviewable or appealable until the final judgment. But any decisions or rulings in the process of the trial court in England can be instantly appealed to, or reviewed by, a higher court. This means that litigants in England do not need to await the final judgment, only then to appeal if they disagree with the judge's decision on any procedural measures or decisions at the trial. Such trial and appeal structure leads to a different form of process. English court tries to justify its decision based on

82 Liu Fudong, 'Thirty Years Progress of IPR in China', *Intellectual Property*, 2008. 18 (6); Cao Jiaming, 'Foreward: The Recent Development and Current Status of Judicial Protection of Intellectual Property in China' in Paul Torremans and others (ed), *Intellectual Property and TRIPS Compliance in China: Chinese and European Perspectives* (Edward Elgar, 2007).

83 See treaties information on the State Intellectual Property Office at <www.xjbzipo.gov.cn/article.asp?id=894>, accessed 23 Feb 2008; <<http://www.pm.gov.uk/output/Page10776.asp>>, accessed 23 Feb 2008.

procedural legitimacy of each step, instantly clearing up any doubts as to the finality of judgment. In the contrast, the Chinese court tries to justify its judgment by the double trial of the factors, and relies on a sound final judgment to sustain its interim decision and non-transparent process.⁸⁴

The above introduction shows the comparison between the legal institutional structures of England and China. They inevitably reflect and are influenced by the two countries' political realities. We cannot avoid the ideological or ethical principles behind them. In theory and in practice, China does not technically have an independent judiciary or a legal system that operates outside the influence of the ruling Chinese Communist Party. This is an important distinction between China and Western democracies like the UK, in which the court system is a critical component of the checks and balances placed on the other branches of government. The Chinese legal system is based on the continental code law model with Chinese socialism characteristics and features.⁸⁵ Originally it was influenced by the Japanese and German legal systems, especially with the 1946 constitution of the Republic of China directly absorbing the general context of German and Japanese constitutions after WWII⁸⁶. Later its socialist character was influenced by the former Soviet Union and Marxist law theory, which holds that the law is but a normative expression of the will of the ruling class, formulated in the interests of that class and implemented by party-controlled state.⁸⁷ The Marxist-Leninist law theory was essentially reflected in the 1954 Constitution, the 1975 Constitution, and the 1978 Constitution, which were mostly full of ideological statements, with a substantial vacuum of individual legal rights and government duties. With the start of the Deng Xiaoping's economic reforms from 1978, China's parliament - the National People's Congress in 1982, adopted a new state constitution focusing on economic construction and economic modernisation. In the last 10 years with more and more Chinese students and judges having chances to study or get legal training in the US

84 For differences in the case management and trial process between the two countries see Chapter Two.

85 At present China is commonly referred to as the People's Republic of China, set up by the Communist Party under Chairman Mao in 1949 .

86 Albert Chen, *An Introduction to the Legal System of the People's Republic of China* (3rd ed.). (Hong Kong: LexisNexis/Butterworths, 2004), see Chapter Two.

87 See Albert (n 86), Chapter Three. Also Zhu SuLi, 'Political parties In China's Judiciary' (2006) 17 *Duke J. Comp. & Int'l L.* 533.

and the UK, the common law model is beginning to influence, especially in the competition law and business law fields.⁸⁸

The 1982 Constitution has been implemented and revised three times over the last 30 years, which has set up a basic structure for China to adapt into a modern civil society. The Constitution has four chapters: general program, basic rights of the citizen, state power, and the state symbol. But it still keeps silent about the relationship between the party, government and judiciary, and has no mechanism for investigating violation of the constitution.⁸⁹

A significant point about the modern legal system is the judiciary's independence and the separation of powers, which provides restraint on the exercise of majority power in government. Given China's socialist and non-democratic political system and practice, China's government and the Communist Party maintain their autocratic rule in every field of society; the existence of the rule of law in China has been widely debated. Scholars regard China as a country of rule by law with law used by the state as an instrument for social control⁹⁰. There is basically no clear boundary between party politics and government policy and judicial independence under such a structure. As one typical political academic said, the CCP (Chinese Communist Party) took its political program to every level and aspect of contemporary Chinese society: 'it determines the direction of society and government, there is no such thing as government policy independent from the CCP..., in this view, as a matter of fact, the CCP is the only political representation of all social forces, institutes, and classes of PRC'.⁹¹

In contrast, the UK is a 'Parliamentary democracy' with a 'constitutional monarch'. Parliament consists of the Monarch, the House of Commons and the

88 See Freshfields, ed. *Doing Business in China*, (New York: Juris Publishing, 2004).also see the recent years legal cooperation projects between US-China agenda, EU-China agenda, at <www.State.gov>, and <www.europa.eu>.

89 Aurora Bewicke, 'The Court's Duty to Conduct Independent Research into Chinese Law' Colin L. Powell, Oct 25. 2004, pp 98-103;

90 Randall Peerenboom, *China's Long March toward Rule of Law* (Cambridge: Cambridge University Press, 2002); see Jianfu Chen, et al., eds. *Implementation of Law in the People's Republic of China* (The Hague: Kluwer Law International, 2002); Albert Chen, *An Introduction to the Legal System of the People's Republic of China* (3rd ed.) (Hong Kong: LexisNexis/Butterworths, 2004).

91 See Zhu SuLi, 'Political parties In China's Judiciary' (2006) 17 Duke J. Comp. & Int'l L. 533, 539.

House of Lords⁹². The UK enjoys parliamentary supremacy with the rule of law and Acts of Parliament are among the most important sources of the constitution. There is power separation and role definition and constraints between Parliament, Government, and the courts. Parliament's role is in making legislation and supervision over the law's enforcement and governance; the Government's role is in the execution of law and governing society; courts independently apply law to specific cases and review Government's execution and governing in specific cases. Under such a political system, every institution has a duty to finish its work properly in order to make the result accountable and justifiable to other institutions and society and the public. It is very difficult to blame the malpractice or wrongs in the scope of its duty on other institutions or the general system. While under the Chinese political system, there is no enforceable power separation and role constraint between the People's Congress, the Government and the courts, the Communist Party has absolute prior power leading the direction and objectives of every institution (including judiciary, government and the army), which is not accountable and constrainable by any other social force. Under such a structure, it is very easy for one institution in China to cover its internal problems and blame its working wrongs on other institutions, the party's interference, or uncivilised society⁹³.

It is often said that each system of law has its own procedures, institutions and structure which accords with its own legal culture, ethics and values development. This may differ from other jurisdictions, in interpretations and construction of the substantive laws⁹⁴. When talking about the barrier in judicial independence and political reform, the Chinese government and quite a few scholars stress that 'the western legal system [judicial independence] is embedded in and abstracted from particular historical and social experiences and theoretical contexts. Using such

92 <<https://www.gov.uk/uk-system-of-government/overview>>;
<<http://www.parliament.uk/about/how/laws/delegated>>.

93 There is quite a loud voice trying to blaming the Chinese legal problem on the complexity of its society, its people and history. See Zhu SuLi, 'Political parties In China's Judiciary' (2006) 17 Duke J. Comp. & Int'l L. 533.

94 See Nichol Howson, 'Can the West Learn from the Rest?' (2009) 32 Hastings Int'l & Comp. L. Rev. 815-830. Also Paul Torremans, *Intellectual Property and TRIPS Compliance in China: Chinese and European Perspectives* (Edward Elgar, 2007), p 219, 'The Agenda for the Future'.

western ideology as a critical standard to check the Chinese legal system and social situation is naive, simply labelling the particular experience as a universal theoretical framework for a legal system'.⁹⁵

Also there is no perfect legal system in the world, even in countries where the separation of powers is well-established, as in the UK. Academics have worried that over the last 15 years, for example, the increased use of delegated legislation, and especially the granting of Henry VIII powers, has to some extent eroded the ability of the legislature to control the executive, while attempts to limit judicial review threaten the ability of the judiciary to limit executive power⁹⁶. (At least in the UK, however, the principle of separation of powers is widely accepted, and is a central tenet of the (unwritten) constitution.)

But how far can a country deviate, because of its specific system and reality, from the basic judicial function and IPR substantive law to achieve an accountable judgment, no matter how different the social background is? This is the principal argument of the whole thesis: Is there a bottom line standard for adjudication?

Among Chinese academics, whether on the left, against applying the western model, or on the right, supporting introducing western models to reform the Chinese legal system, it seems both agree that ' what is truly important is for us to discover, examine, and study concretely the shortcomings and merits of influence on and interference in the legal system (whatever its sources), and to determine how to adjust and improve the performance of China's judiciary , as well as make it just, efficient, and effective.'⁹⁷

The next chapters will not compare which judicial system is better. Rather, based on these specific situations it will instead explore how much difference in the manner and application of IPR law can be accepted for an individual state to choose, while maintaining the basic requirement for IPR law to meet the international conventions adopted. How much can China choose to allow judicial management to

95 See Zhu SuLi (n 87).

96 See the criticism from Lord Hope at <<http://tinyurl.com/3aucw>>, and <www.parliament.uk/parliamentary_committees/reformbill.cfm>, accessed on 20 Aug, 2012.

97 Zhu Su Li (n 87), at 540. Also see He Weifang, 'Three Key Issues in the Reform of the Judicial System in China', China Social Science, Vol, 2. 2002.

differ while achieving the general principles in IPR substantive law? In other words, can we say China has arrived at the accountable level in enforcement of IPR as reflected in its law? Has China undertaken an inseparable connection between the means of enforcing IPR and the IP rights to be enforced in its statutes? If not, where is the solution?

In the later chapters, I will examine in detail both countries' methods of dealing with case management and interim measures (in Chapter Two); the interpretation of IPR substantive law in specific cases (in Chapter Three); the binding force of final judgments (in Chapter Four), and the basic criteria for evaluation of error judgment (in Chapter Five).

Figure 1-1: Civil Case Jurisdiction of China

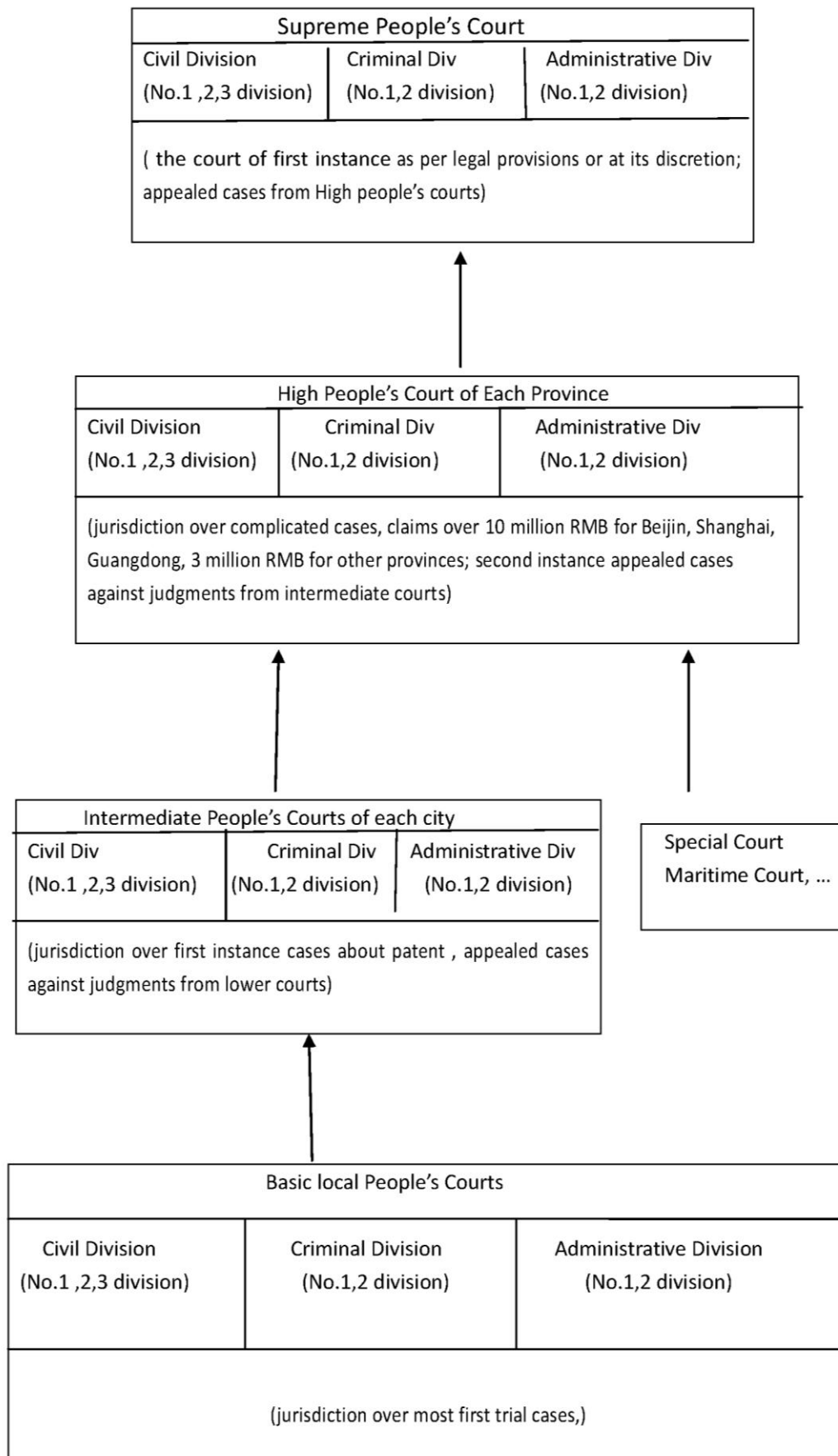


Figure 1-2: Civil Case jurisdiction of UK

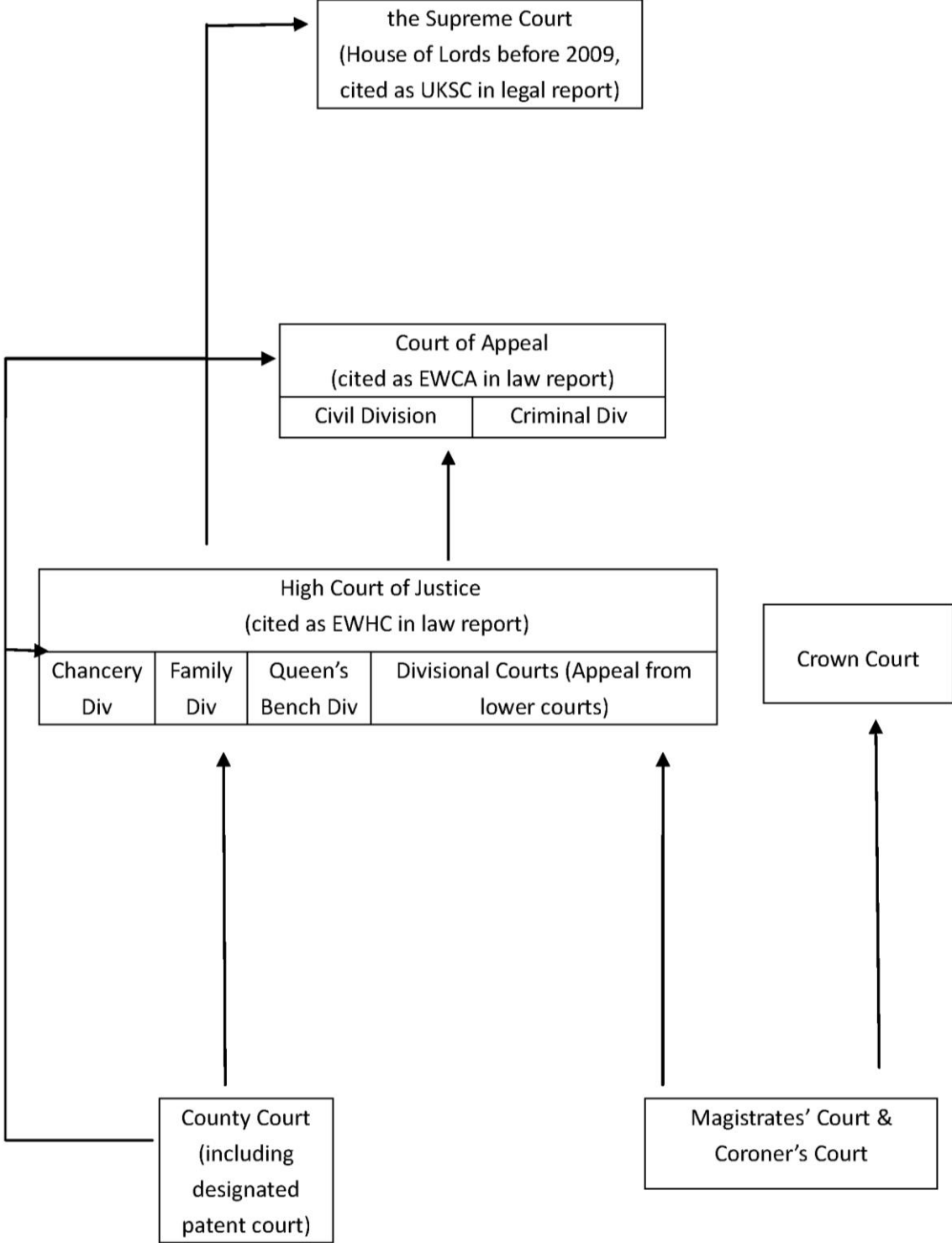


Figure 3: Overview of the litigation process of UK

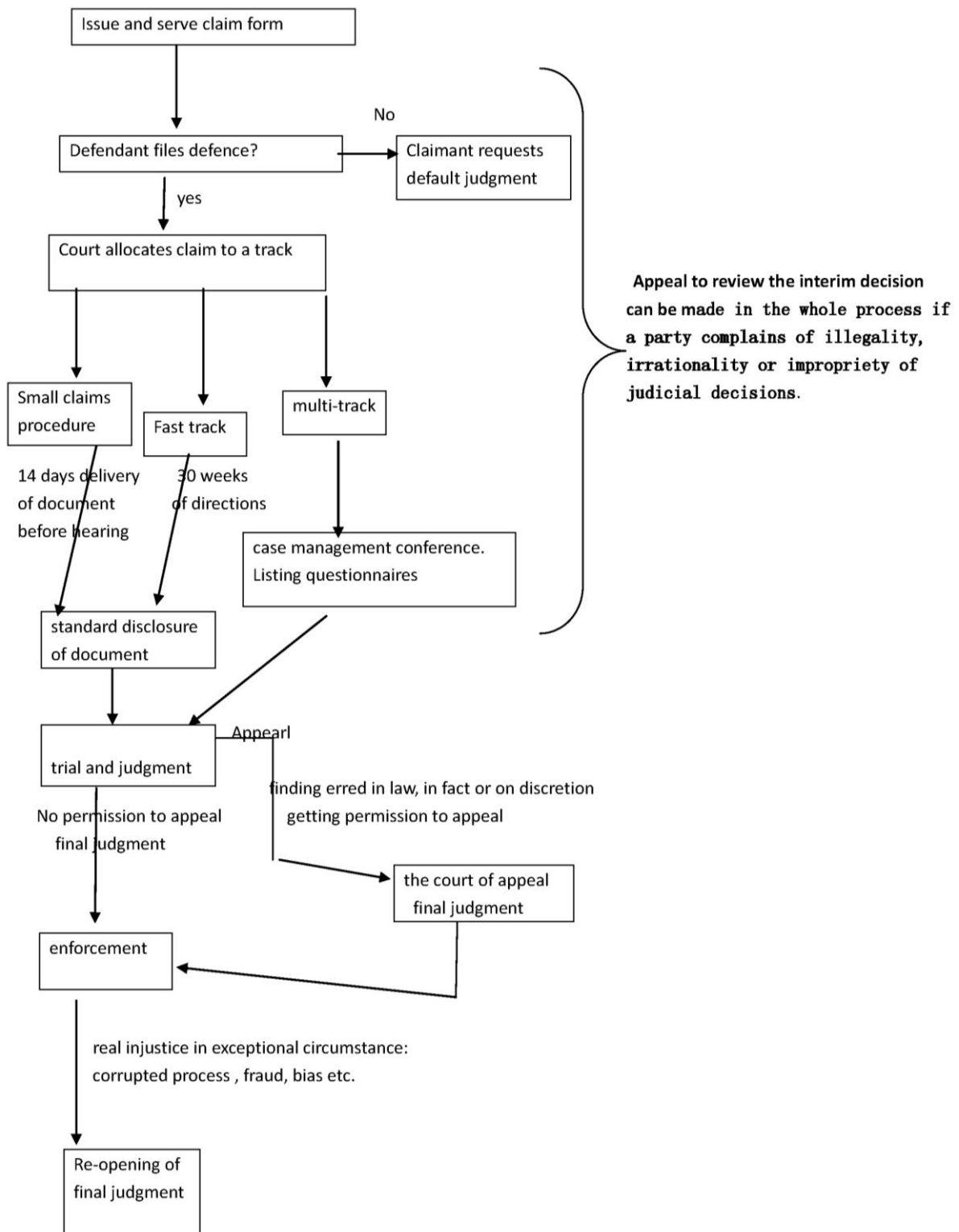


Figure 4: Overview of the litigation process of China

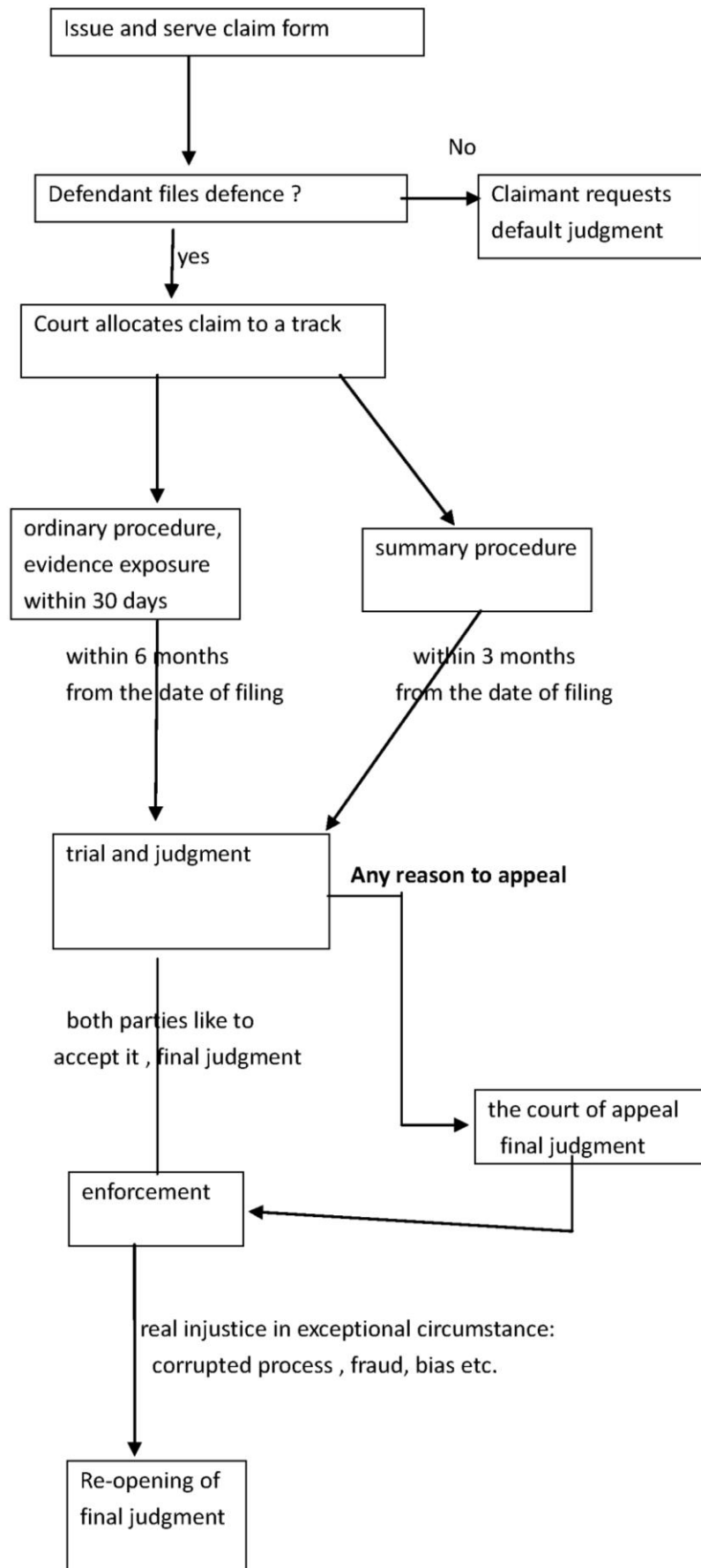


Figure 5: the reasons to initiate appeal and retrial procedure in China

Appealing reasons art.147		Retrial reasons article 179
<p>If a party refuses to accept a judgment of first instance , he shall have the right to file an appeal to the next higher level within 15 days time limit for judgment, 10 days for ruling decision, from receipt of the first trial judgment or rulings</p>		<p>New evidence is sufficient to reverse the original judgment or ruling;</p> <p>The principal evidence in the original judgment or ruling is insufficient;</p> <p>The application of law in the original judgment or ruling is erroneous;</p> <p>The court violates the legal procedure that may have prejudiced the correctness of the judgment or ruling;</p> <p>The judge is found to have taken bribes, conducted malpractice for personal benefits, and misused the law in the adjudication of the case</p>
<p>Procedure</p>	<p>By petition to appeal court</p>	<p>Subject to the approval of the court, within 2 years limitation period for parties' request ,after the judgment or ruling becomes effective; no time limit for initiation by court</p>

Figure 6: Comparison of interim orders and provisional measures in England and China

Order name	Type of case	Respondent	Application stage	Application procedure
R25.1, CPA 1997 ,S 7, search order, (中国:证据保全 The evidence preservation measures, Art 81)	Real possibility of defendant destroying vital evidence Authorising a party to enter premises ,search for and seize evidence or property	defendant	On issue or pre-action	Urgent Applications without notice to the respondent, but with a hearing in court
R 31.17 Disclosure against non-party (China: CPL art.67 法院取证)	Requiring the non-party to disclose relevant document that is in his control and is not privileged from inspection	Non-party	After issue	Application with notice
R31.16 Pre-action disclosure (中国:证据披露交换 The evidence exchange rules art 133)	Disclosure of document or inspection of property before a claim	Party or non-party/likely defendant	Pre-action	Application with notice
R25.1 Freezing injunction (中国:财产保全 Property preservation,Art 105.)	Restraining a party from removing or dealing with any assets on the risk of dissipation	Defendant	On issue or pre-action	Applications without notice to the respondent, but with a hearing in court
r.25.6 Order for interim payments (中国:先予执行, CPR art 109)	Require the defendant to pay an advance payment on account of damages, debt he owed, and enable the claimant avoid suffering the financial hardship of a strong case on liability.	Defendant	After the time for acknowledging service	Application with notice

Figure 6-2: Methods of execution in England and China

Methods of enforcement	Choice of court	Enforcement procedure
Obtain the judgment debtor's information by applying a court order (中国:法院向金融机构查询 art.221 of CPL)	where the debtor resides or carries on business	applying an order to require the debtor on oath to affirm his assets
Obtain the judgment debtor's information by employing an enquiry agent to investigate the debtor's assets (China: Requesting order Art.242)		
a writ or warrant of execution (中国:查封,拍卖,变卖 auction order Art.247)	the court in which the order being enforced was made	applying an execution against goods: seizure, removal and sale of goods by public auction
A charging order (中国:强制搬迁,退出 Compulsory moving out Art.247)	..	File an application with notice for an interim charging order on a judgment debtor's land or certain specified securities, or an order for possession of land.
A third party debt order (中国:第三人协助执行义务 Art .242 third party paying order)	..	An order requiring a third party who owes money to the debtor to pay it directly to the creditor.(a bank account or building society account is often the target of such an order.)
An attachment of earnings order (中国:单位协助执行义务 Art 243, salary deduction order)	..	An order requiring the debtor's employer to make deductions from his earnings and pay them to the creditor.
Insolvency proceedings (中国:对企业的破产清算)	..	File the petition for bankruptcy of judgment debtor with debt £750 or over; or a winding up petition for a company.
Punishments for contempt of court(for breach of an order) (中国:妨碍民诉的强制措施.罚款,拘留,刑责 CPL art.109)	..	By an order of imprisonment /committal for up to 2years; By ordering the payment of a fine; By a writ of sequestration;

Figure 7: Comparison of the protection routes and authorities in China

The protection routes	Enforcement authorities	Legal remedy
enforcement route through Administrative authorities	State Intellectual Property Office (SIPO) for cases of examining invention and granting patents. National Copyright Administration (NCA) for supervision of copyright cases the Customs Administration for supervision of import and export of any infringing goods Administration for Industry and Commerce (AIC) at all levels above county for cases of trade-mark, tradename, unfair-competition. <i>the General Administration of Quality Supervision, Inspection and Quarantine of the State (AQSIQ) and local Technical Supervision Bureaus (TSBs) and the Ministry of Culture (MC) and Culture Bureaus (CBs),</i>	warnings, monetary fines, revocation of a license, confiscation of proofs and materials used for the infringing act, destruction of infringing goods, suspension of customs clearance for goods involving infringements, detention
Criminal enforcement route	the Ministry of Public Security (MPC), the police station for criminal investigation about IP	monetary fines, <i>criminal detention</i> , imprisonment up to 7 years
Civil enforcement route	The people’s court at all level for trial of IP cases	<i>cessation of infringements, making apology,</i> compensation of damages (actual loss, infringer’s profit), reasonable expenses to remedy the damage.

Figure 8: The main Intellectual Property Laws in force in China and England

The protected objects of IP	UK Resources	China resources
Literary, artistic works; Unregistered design, craft; Computer programs; Presentation of information; Audio or video programs or recordings;	The Copyright, Designs and patents Act (CDPA 1988); the Berne Convention; the Rome Convention; the Universal Copyright Convention; WTO; WIPO Performances and Phonograms Treaty; TRIPs	Copyright Law of the PRC Paris Industrial Property Convention the Berne Convention the Rome Convention the Universal Copyright Convention WTO WIPO Performances and Phonograms Treaty TRIPs
business reputation attached to goods or services unregistered trade mark, domain names, internet and enterprise names, business name, titles or badge of a trader, Business confidence, know-how, Trade secret information	CDPA 1988 Tort of passing off Fair trade Act Competition Act 1998 Company and business Names 1999 Enterprise Act TRIPs	anti-unfair competition law of PRC Regulation on Business Name Registration Company Law TRIPs (Agreement on Trade-Related Aspects of Intellectual Property Rights)
Registered trademark	Trade Marks Act (TMA 1994) CDPA 1988 Madrid Agreement Concerning the International Registration of Marks, Nice Treaty TRIPs	Trade mark law 2001 Madrid Agreement Concerning the International Registration of Marks, Nice Treaty TRIPs
Registered design Utility model/ petty patents	The Registered Design Regulations 2003 CDPA 1988 Community Registered Design	Patent law 2010 Regulation on enforcement of Patent law TRIPs
Product inventions, process inventions Novel design	CDPA 1988 Patents Act 2004 Patents Co-operation Treaty (PCT) TRIPs European Patent Convention	

List of Figures and Abbreviations:

IPR	Intellectual property rights
Basic courts	Basic people's courts of the People's Court of China
Intermediate courts	Intermediate people's courts of the People's Republic of China
High courts	high people's courts of the People's Republic of China
Supreme court	The Supreme People's Court of the People's Republic of China
China trademark law	Trade Law of the People's Republic of China 2001
China copyright law	Copyright Law of the People's Republic of China 2001
CPL	The Civil Procedure Law of the People's Republic of China 2007
RIT	Regulation for the Implementation of the Trademark Law of the People's Republic of China 2000
General Civil Law	General Principles of the Civil Law of the People's Republic of China 1982
CPR	The Civil Procedure Rules 1998
The 1988 Act	Copyright, Designs and Patents Act 1988
TMA 1994	Trade Marks Act 1994
SCA	The Supreme Court Act 1981
CCA	The County Courts Act 1984
CEA	The Civil Evidence Act 1995
PD	Practice direction
CTM	Community Trade Mark
CRD	Community Registered Design
WTO	World Trade Organization
WIPO	World Intellectual Property Organisation
UCC	Universal Copyright Convention of 1952
TRIPS	Trips-Agreement on Trade-related Aspects of Intellectual Property Rights 1994

Chapter Two: Case Management and Trial Process

As we know, intellectual property is intangible property, rather than physical property. IPR can be exploited in different ways, and are related to a series of stages in the commercial life of products - their creation and preparation for sale, their distribution, their ultimate user, etc. As a result, frequently, IPR cases involve more evidence discovery, interim injunction, staying and pending process orders because of the complexity and flexibility of IPR and the difficulty of finding original or secondary infringers.

Much use is made of pre-action issues, interlocutory proceedings and procedural remedies in IPR cases, e.g.: applications for interim orders to freeze or seize the infringing property or equipment; orders for disclosure of evidence; and interim payments or interim damages before the final remedy or judgment. This is a typical of the nature of IPR litigation. By contrast, in other civil cases, interlocutory injunctions are relatively rare¹.

Therefore the availability and use of interim measures is extremely important in terms of all IP rights. An interim request may be applied for by the applicant to curb the making of infringing copies of a work of copyright, or to destroy some article in an infringer's possession which is used for making infringing copies. At the same time, it may also be applied to breach the opponent's privacy or confidence, or restrain the development of similar goods or service, or to shut down the defendant's business.

Because many interim issues occur before or at the trial, this means that there are many pre-trial requests which become the subject of decisions. Oral hearings and other forms of proof are common in IPR cases: seeking to adduce evidence or to exclude specific evidence; looking to stay infringement proceeding while awaiting a revocation decision; striking out a claim because of abuse of process or issue estoppels. The trial office has a lot of power to grant or deny such requests.

¹ Sherman, Brad and Bently, Lionel, *The Making of Modern Intellectual Property Law: The British Experience*, (Cambridge University Press, 1999), Chapter 2.

There is no doubt that each interim decision directly affects the final result of the case. For most IPR infringement cases, often the ultimate resolution of a case may occur through an interim measure or injunction. That means the whole case may end or the ultimate award may become unnecessary after interim measures are decided in the early stages.

In England, many IPR disputes are in fact settled, dismissed or withdrawn prior to full trial following an interim decision². A kind of mini-trial (decision-making process) often takes place before the real trial, mainly to reach prima facie decisions on any issues occurring before trial³. But in China, most IPR disputes are ended only after a full trial and appeal process.

Today the judicial power in England and China are quite similar, even though in theory the trial system is adversarial in England, and inquisitorial in China.⁴ Under the CPR, the court has general powers to achieve legitimate judicial aims, or concerns in relation to any given cause of action.⁵ These powers include identifying the issues at an early stage and deciding what should be determined summarily and what should proceed to trial. Also relevant here are: adjournments; extensions of time; directions for trials of separate issues and so forth; the power to take any other step or make any other order for the purpose of managing the case and furthering the overriding objective; and the power to impose a sanction for non compliance of the court order. The court is free to rule on the measures it considers appropriate for the

2 Some academics have argued that, since the active case management was introduced by CPR 1998 in encouraging evidence discovery and choice of ADR in advance of trial, and the Human Rights Act 1998 provided for a fair trial, and with the waiting time for trial becoming shorter, the interim injunction order is less applied than at the time of *American Cyanamid Co v Ethicon Ltd* (No.1) [1974] F.S.R. 312. See Jeremy Phillips, *Interlocutory injunctions and intellectual property: a review of American Cyanamid v Ethicon in the light of Series 5 Software* [1997] J.B.L. 486-492. Andrew Keay, *Whither American Cyanamid?: interim injunctions in the 21st century*, C.J.Q. 2004, 23(Apr), 133-151.

3 See *American Cyanamid*, (n 2), The test or method for judges to decide whether granting a interim junction has become more complicate and delicate. In *Series 5 Software Ltd v Clarke* [1996] 1 All E.R. 853 at 855 Laddie J. said, it is to ask first whether there is a prima facie case and then if there is, the balance of convenience element involves a wider consideration than in normal cases, including the merits of the parties' cases.

4. Philip Sales, Ben Hooper, 'Proportionality and the form of law', L.Q.R. 2003, 119, 426-454. The degree to which a decision-maker can or cannot adopt a clear but inflexible policy is constrained by the manner in which the relevant decision-making power has been granted.

5. CPR, r. 3.1(2)(m).

specific case and is not strictly bound to rule on the specific measures sought by the plaintiff. There is huge scope for judicial flexibility and invention in management of a case. These broad-ranging powers can be exercised, in most cases, by the court of its own initiative, not only on application by a party.⁶

It seems that the judge in both countries has absolute power, through interim decisions, to control the case through to final judgment. But a reading of the case law reveals that, unlike the arbitrary decisions of China courts, the courts in England always firmly and consistently maintain appropriate procedures for the disposal of cases. They are also very alert to safeguard the equal position of both sides against any serious risk of injustice at the interim stage.

This chapter will analyse how judges in the two countries manage IPR cases to ensure a fair and accountable trial, and how a judge may make an interim order or decision, to deal with pre-trial or trial issues, before final judgment.

2.1 Case Management and Trial Process in England

2.1.1 Issues to Be Decided Based on Clear Case Management

There are a lot of interlocutory matters and many more applications for court orders in IPR cases. In England, the courts first determine a clear purpose through case management to recognize the pre-issue or interim issue, and to guarantee that each case process reflects its circumstance and ensures a smooth trial. The court will hold a pre-trial mediation under CPR and cost penalties may be incurred if they refuse reasonable request to mediate even if they ultimately win the case⁷.

6. About a judge's general power in China, see China CPL 2007, section 2. Also see Chapter One on the trial picture in China.

7 See the powerful role of mediation as a cost penalty in encouraging negotiation and information exchange in advance of trial at *Rolf v De Guerin* [2011] EWCA Civ 78, *Dunnett v Railtrack Ltd* [2002] 1 WLR 2434, and *Halsey v Milton Keynes General NHS Trust* [2004] 1 WLR 3002. One lawyer summarised that, the English courts would encourage mediations, sometimes very strongly, but they would not impose it on the parties. The idea of mediation has not yet been sufficiently accepted by the judiciary or the legal professional for there to be a significant move to compulsory mediation. See <www.law-services.org.uk>, accessed on 5 Sep, 2012.

The court's general powers of management are set out in CPR, r. 3.1(2), and it can be seen that they are quite comprehensive:⁸

Except where these Rules provide otherwise, the court may –

(a) extend or shorten the time for compliance with any rule, practice direction or court order (even if an application for extension is made after the time for compliance has expired);

(b) adjourn or bring forward a hearing;

(c) require a party or a party's legal representative to attend the court;

(d) hold a hearing and receive evidence by telephone or by using any other method of direct oral communication;

(e) direct that part of any proceedings (such as a counterclaim) be dealt with as separate proceedings;

(f) stay the whole or part of any proceedings or judgment either generally or until a specified date or event;

(g) consolidate proceedings;

(h) try two or more claims on the same occasion;

(i) direct a separate trial of any issue;

(j) decide the order in which issues are to be tried;

(k) exclude an issue from consideration;

(l) dismiss or give judgment on a claim after a decision on a preliminary issue;

(ll) order any party to file and serve an estimate of costs;

(m) take any other step or make any other order for the purpose of managing the case and furthering the overriding objective

Once the claim is served and defended, the court will begin its case management by summoning a pre-trial meeting of the parties to set a timetable, with the lawyers indicating how long they are likely to take in cross-examining each witness and statement. The court will give directions on the main issues in the trial (e.g., direction on the extent of the evidence, applications, costs), identifying the trial issues at an early stage, and, where appropriate, directing the trial of a preliminary issues, etc.

In practice, the courts ensure that the issues to be decided should emerge from the pleadings and they define those issues carefully. Further, they consider whether the preliminary decision on one or more issues would finally determine the dispute or at least substantially reduce the length of any further trial, because it is certainly

8. It is set out in the Ministry of Justice site at <http://www.justice.gov.uk/civil/procrules_fin/contents/parts/part03.htm>. Amendments to the CPL came into force on 6 April 2009.

in the interests of both sides if the main issues of law could be properly resolved without the added expense of a full trial of liability based on all the evidence.⁹

The trial timetable will be arranged and given initially by the court, when the case is allocated to a track. The nature of the claims, the amount of compensation claimed, and the complexity of the case determine what procedural tracks the judge will allocate. At the same time, once the track is fixed, the overriding objective for this kind track is also fixed. Therefore the litigation process continues in accordance with legal recourse, costs and evidence disclosure, and remedies within the track. In practice it is very difficult, and expensive to change the original track or apply for other tracks.¹⁰

In *Dyson Ltd v Qualtex (UK) Ltd*,¹¹ Jacob LJ analysed how to cut legal costs and try the real claim. While confirming the trial judge's contribution, he said:¹²

But there are lessons to be learned about how to try a copyright or design right case of this sort, i.e. one with a host of overlapping and similar points. There will seldom be any point in ploughing through them all. Cases like this call for effective and early case management to control them.

First it will be important that the claimant should identify with precision each and every "design" he relies upon. Just claiming design rights in parts, for instance, will not do — each aspect said to constitute a "design" should be spelt out. This will focus minds from the outset. Well-advised claimants will confine themselves to their best case "designs." In principle the defendant should then plead to each, raising challenges to originality or alleging commonplace and saying, if it is so contended, that one of the exclusions of must-match or must-fit apply. There may be cases where, either by agreement at that early stage, or by application to court pre-defence, the issues can be limited to sample issues even at that stage.

9 For an overview about interim issues, see Robert Hill, *A Practice Guide to Civil Litigation* (Jordan Publishing Ltd, 2005), chap. 21; Susan Cunningham-Hill, *Civil Litigation* (Oxford University Press, 2008), chs.12, 13.

10 For an overview about track allocation, see Robert Hill, (n 9) ch22;

11 *Dyson Ltd v Qualtex (UK) Ltd* [2006] EWCA Civ 166. This action was the trial of the claim of Dyson Ltd for infringement of unregistered design right which it claimed to exist in respect of a number of spare parts for its vacuum cleaners. The claimant (Dyson) brought an action under the Copyright, Designs and Patents Act 1988, claiming infringement of unregistered design right in respect of a number of spare parts for its vacuum cleaners against the defendant (Qualtex).

12 *Dyson Ltd v Qualtex (UK) Ltd* [2006] EWCA Civ 166. [2006] EWCA Civ, at paras 121-124.

In those cases where there is no earlier identification of such issues, there should be a case management conference at which such issues are identified. They should be such that they will in principle determine the whole case. Such an approach will obviate the evidence covering unnecessary detail, and very likely much else. It will considerably shorten the trial... Following identification of the sample issues the parties should produce a sort of Scott schedule, identifying each design relied upon, and each of the defences raised to that design. In that way it should be possible for all to keep the case within proportionate bounds.

Case management may only ever be an approximation, but it is a very powerful guide both for the court and parties. Such a trial arrangement is like a trial contract, which will direct all participants in the hearing process. The hearing judge will actively manage the case to ensure that it stays on track, and that the proceedings follow the established timetable so far as possible. In doing so, the hearing officer will use it as one criteria to judge later whether one side's delay, or a departure from the timetable, is serious or not, and whether he or she should grant or dismiss a further application. By looking to ensure that each application is dealt with fairly, the trial judge will act not only in the interests of the parties themselves, but also in the wider interests of the administration of justice and in furtherance of the overriding objective.¹³

For the parties, once proceedings are commenced, they must be ready to comply with the court's case management directions. The court has power to give orders and impose sanctions for any failure to comply with interim orders. Under CPR, r 1.4(1), the court is required to "further the overriding objective by actively managing cases", and under r. 1.4(2) active case management includes:¹⁴

- (a) encouraging the parties to co-operate with each other in the conduct of the proceedings;*
- (b) identifying the issues at an early stage;*
- (c) deciding promptly which issues need full investigation and trial and accordingly disposing summarily of the others;*
- (d) deciding the order in which issues are to be resolved;*
- (e) encouraging the parties to use an alternative dispute resolution procedure if the court considers that appropriate and facilitating the use of such procedure;*

13. For an overview about the role of case management, see Hill, *ibid*, chap. 6

14 Full text can be found at

<http://www.justice.gov.uk/civil/procrules_fin/contents/parts/part01.htm>.

- (f) helping the parties to settle the whole or part of the case;*
- (g) fixing timetables or otherwise controlling the progress of the case;*
- (h) considering whether the likely benefits of taking a particular step justify the cost of taking it;*
- (i) dealing with as many aspects of the case as it can on the same occasion;*
- (j) dealing with the case without the parties needing to attend at court;*
- (k) making use of technology; and*
- (l) giving directions to ensure that the trial of a case proceeds quickly and efficiently*

2.1.2 Appeal to Review Constrained by Case Management

For an appeal court, the case track and its trial arrangement constitute the first criteria to evaluate whether or not the trial court has given a fair and equal treatment to litigants, whether or not the court has given too much consideration to one side's situation, or has ignored the other side's needs, and whether or not it is now necessary to interfere with the trial judgment because of procedural irregularity.

The right to appeal promotes transparency and confidence in the process. However, decisions on preliminary issues can save a great deal of time and cost, only if appeal courts are reluctant to interfere. A balance must therefore be struck between finality and procedural legitimacy. However, another reason for reluctance to interfere is that the trial judge might be better placed than an appeal court to decide the issue. In *Hadmor Productions Ltd v Hamilton*,¹⁵ the House of Lords took the view that the function of an appellate court was not to exercise an independent discretion of its own. It must defer to the judge's exercise of his discretion and must not interfere with it merely upon the ground that the members of the appellate court would have exercised the discretion differently.¹⁶

The function of the appellate court is initially one of review only. It may set aside the judge's exercise of his discretion on the ground that it was based upon a misunderstanding of the law or of the evidence before him or upon an inference that particular facts existed or did not exist, which, although it was one that might legitimately have been drawn upon the evidence that was before the judge, can be demonstrated to be wrong by further evidence that has become available by the time of the appeal; or upon the ground that there has been a change of circumstances after the judge made his order that would have justified his acceding to an application to vary it.

¹⁵ *Hadmor Productions Ltd v Hamilton* [1983] 1 A.C. 191.

¹⁶ *Hadmor* (n 15), at 220 (Lord Diplock).

In *Hadmor*, the House of Lords, overturning the decision of the Court of Appeal, restored the judge's refusal to grant an interlocutory injunction.

Similar sentiments were expressed, albeit in a different context, in *Ashmore v Corp of Lloyd's*,¹⁷ where the plaintiffs, underwriting syndicates, claimed damages from the defendant, Lloyd's, for failure to take reasonable care to warn names of serious breaches of underwriting rules which caused the plaintiffs' large losses. At the beginning of the hearing, the judge ordered a trial of three preliminary points of law as to whether Lloyd's owed a duty of care to the plaintiffs, to be decided on the basis of facts pleaded in the points of claim referring to the relationship arising upon a name becoming a member of Lloyd's. The plaintiff disagreed with the order for preliminary issue arrangement, and brought appeal on the ground that the question of duty of care for defendant could not to be decided in advance of oral evidence, but should be determined by a full trial under consideration of all the circumstances.

The Court of Appeal set aside the judge's order and supported the plaintiff on the grounds that, the points of claim identified by the judge did not cover the plaintiffs' allegation that, Lloyd's had assumed a later duty of care in tort by their approval of the letter to names. Further, the question of the duty of care ought not to be decided in advance of oral evidence which the plaintiffs wished to adduce to show that comments made by committee members constituted admissions that Lloyd's owed a duty of care to names. But the House of Lords allowed a further appeal from the defendant, and held that plaintiffs to an action did not have a right to have their case tried to conclusion in such a manner as they thought fit and necessary, after all the evidence on both sides had been adduced. In any trial court it is the trial judge who has control of the proceedings. It is part of his duty to identify the crucial issues and to see they are tried as expeditiously and as inexpensively as possible:¹⁸

17 *Ashmore v Corp of Lloyd's* [1992] 1 W.L.R. 446, appd. *Chiron Corp v Murex Diagnostics Ltd* (No. 2) [1994] 1 C.M.L.R. 410; [1994] F.S.R. 187 (plaintiffs sued for patent infringement; issue whether they had abused their dominant position in the market). See also generally Anthony Olsen, 'The Court of Appeal - Use or Abuse?' (1998) Jersey Law Review:

<http://www.jerseylaw.je/Publications/jerseylawreview/June98/court_of_appeal_use_or_abuse.aspx>.

18 *Ashmore*, (n 17), (Lord Templeman).

The appellate court should be reluctant to entertain complaints about a judge who controls the conduct of proceedings and limits the time and scope of evidence and argument. So too, where a judge, for reasons which are not plainly wrong makes an interlocutory decision or makes a decision in the course of a trial the decision should be respected by the parties and if not respected should be upheld by an appellate court unless the judge was plainly wrong.

Lord Roskill emphasised not only the desirability for finality, but also that the judge was in the best position to decide the issues:¹⁹

... if from [the] pleadings it were possible to identify one or more issues a decision on which would either finally determine the dispute or at least substantially reduce the length of any further trial, it is right that the judge, of course after recognising, as did Gatehouse J., the possible hazards of trying preliminary issues, should order such issues to be tried first. A trial judge who has had control of the proceedings in its interlocutory stages is in a far better position to deal with these matters than any appellate court can be. That is especially true in the present case where Gatehouse J. had not only listened to part of a lengthy opening speech but also to almost as lengthy argument whether the already amended points of claim should be re-amended.

The principle that an appeal court should respect the case management in the first trial and be reluctant to interfere into the ruling decision, was also reflected in *Designers Guild Ltd v Russell Williams*.²⁰ The House of Lords clarified the role of appeal courts in relation to lower courts and highlighted that it was not open to the Court of Appeal to embark on the issue of substantiality afresh unless the judge had misdirected himself.

Not only do these cases demonstrate the powerful function of case management, but also the strong emphasis on finality in proceedings. In the particular case, the support, at appeal, of Gatehouse J.'s ruling, effectively determined the final judgment. He had decided that, at the start of the hearing, Lloyd's owed the plaintiffs no duty of care. If the decision of the Court of Appeal had been allowed to stand, setting aside the trial court's order that there was no duty, then the trial court would have had further to consider the degree of the duty, and damages for the

¹⁹ *Ashmore*, (n 17), at 448.

²⁰ *Designers Guild Ltd v Russell Williams* [2001] F.S.R. 11, see paras 6, 29, 31 and 78.

The House of Lords reversed the appeal court's decision because the trial judge had not misdirected himself, and there was no ground for interfering with his conclusion.

plaintiff, based on the appellate decision on the preliminary issue. In the event, since the ruling of Gatehouse J. was upheld, the plaintiff's pleadings ended with the preliminary decision, thereby substantially reducing the length of any further trial. In the House of Lords, Lord Templeman referred to the following observation of Ralph Gibson L.J., with whom the other Lords Justices had agreed:²¹

If the decision is in favour of the plaintiffs, the judge, having defined the relevant duty, may logically proceed to hear evidence in order to decide whether Lloyd's acted in breach of duty and the consequences of any breach. If Lloyd's owed no duty to each plaintiff, then the action will be at an end without further delay, expense or harassment of witnesses.

The effect of upholding Gatehouse J.'s decision was therefore significantly to reduce the costs and delays involved in a full trial.

2.1.3 Judicial Decisions Influenced by Overriding Objects

A trial is not static, and trial courts need to respond to unpredictable turns of event. Consequently, English judges do not rigidly follow the original case management in considering later interim applications in the trial. They look to the changes occurring in the trial, and, in a balanced manner, consider their effect on the original case management strategy, making further flexible decisions regarding applications. The circumstances to be taken into account may vary according to each case. Each case has to be considered on its own facts, with the court seeking to do justice between the parties in light of the overriding objective. The court always fully considers the purpose and function of the interim action.

In keeping to the managed case timetable, the court further considers the fundamental procedural design enumerated in 'the overriding objective' of the Civil Procedure Rules (CPR). This overriding objective is defined in Part 1 of the CPR. We have seen that 'active case management' lies at its heart, the requirements under CPR, r. 1(4) having already been set out. The overriding objective incorporates a number of elements: those of 'saving expense'; of dealing with cases in ways that are 'proportionate to the amount of money involved, to the importance of the case, to the

²¹ *Ashmore*, (n 12), 450 (Lord Templeman).

complexity of the issues and to the financial position of each party'; of 'ensuring that [cases are] dealt with expeditiously and fairly'; as well as 'allotting to [cases] an appropriate share of the court's resources, while taking into account the need to allot resources to other cases'.²² The parties have an obligation under the CPR to assist the court in attaining its overriding objective.²³

'Active case management', which is extensively but not exhaustively defined in the CPR, includes the court's power to deliver 'directions to ensure that the trial of a case proceeds quickly and efficiently'.²⁴ The trade marks registrar is not explicitly subject to the CPR, but trade mark disputes are governed by the Trade Mark Rules 2000 (as amended).²⁵ Provision is made, however, for a case management conference in r. 36, and for a pre-trial hearing in r. 37. Under both these provisions the registrar is given wide discretionary powers, and there is an appeal from any decision of the registrar to the High Court.²⁶ It may be presumed that the same criteria apply as under the CPR.²⁷

In *H Young (Operations) Ltd v Medici Ltd*,²⁸ for example, the High Court, sitting as an appellate court in a case involving trade mark infringement, gave a proportionate and balanced consideration to whether or not to allow the defendant's application to adduce expert evidence. Considering the expert's role in the case, Laddie J. thought it unlikely that the evidence would have any practical influence on the trial. To allow the expert evidence would, on the other hand, bring huge delays in hearing the case, bearing in mind that both sides had agreed to expedite matters.

The defendant had applied the possibility of adducing expert evidence in a management conference before the Master, who made a case management order giving the parties permission to apply for a directions hearing in respect of the expert evidence. The expert evidence was meant to demonstrate that there were

22 CPR, r. 1.1(2),

23 CPR, r. 1.3.

24 CPR, r. 1.4(2)(l). See also Annex B, 'Office of High Court Judge', in DCA, Guide for Applicants High Court 2003

<<http://www.dca.gov.uk/judicial/appointments/hcj03/hcj03appguide.htm>>.

25 The current version can be found at <<http://www.ipa.gov.uk/tmrules2000.pdf>>.

26 Trade Marks Act 1994, s. 76.

27 See further *Vibe Technologies Ltd's Application* [2009] E.T.M.R. 12, at [46].

28 *H Young (Operations) Ltd v Medici Ltd* (2003) 26(6) IPD 12; [2003] All ER (D) 356 (Apr) (Laddie J).

different clothing sectors and that the defendant's sector was not in conflict with the claimant's sector. It was also intended to support the counter-claim to restrict the claimant's specification to the sectors in which it sold its goods, a market allegedly different to the defendant's sector. But the claimant's view was that there was no need for evidence as to the structure and divisions in the clothing market, and that the defendant's witnesses of fact were not, in any case, familiar with the claimant's sector.

Just before the scheduled trial date, the defendant made a second application for expert evidence. Laddie J. held that there was no adequate explanation as to the lateness of the application. This was particularly important in view of the trial court's original order and the fact that the defendant had already been the subject of a useless order because it had not lodged its evidence on time. The defendant should have realised the importance of making the application sufficiently early enough for the evidence to be adduced.

Moreover, the timing of the application put the trial at risk. The defendant had been looking for an expert for three weeks but had not notified the claimant of its intention of making this application until two weeks after beginning its search. If the application were allowed, it would give the claimant only one week to find a suitable expert and to obtain a suitable expert report. So allowing the application would mean that the parties were not on an equal footing.

In any case, the judge was unconvinced that the evidence would make a significant difference to the relevant issues. The structure of the clothing market was not likely to be a complicated issue requiring expert evidence. Both sides said they did not want to vacate the trial date and there was no real reason to do so now. So the application was refused in this case.

In an intellectual property context, the need for a balanced consideration was also emphasised in *T-Mobile (UK) Ltd v O2 Holdings Ltd*.²⁹ The Trade Marks Registrar had awarded (on O2's application) a partial revocation of marks that had been registered by T-Mobile. Later, O2 (who had now registered similar marks of its

²⁹ *T-Mobile (UK) Ltd v O2 Holdings Ltd*, Appeal against Hearing Officer, 2007 WL 4735601, unreported.

own) applied for invalidation of the same marks. The Registrar, whose view was upheld by the Hearing Officer, had taken the view that O2's application for invalidation amounted to an abuse of process, the issues being essentially those considered in Chapter four of the thesis. On appeal, Amanda Michaels emphasised that, 'an appellate court should in my view show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle. A decision does not contain an error of principle merely because it could have been better expressed.'³⁰ The judge also noted the concerns expressed by the Registrar that such applications "should only be entertained if they serve some purpose, having regard to the continuing interests and rights of the parties", and not if they raise only academic and hypothetical questions.³¹ In the end, however, the judge held that the marks in issue might still have some impact on O2's rights or activities, and so allowed an appeal against the Hearing Officer's decision.

2.1.4 Judicial Decisions Based on Ensuring Parties on Equal Footing

It is obvious that there is no fair judgment without an equal treatment to both sides. Parties may be quite different because of their respective financial situations, information resources or personal ability. But English court always tries to treat both sides' arguments equally and makes an interim decision based on overriding objects to ensure the treatment of both sides is fair and equal, whether at the case management stage or in the trial process. Indeed, 'ensuring that the parties are on an equal footing' is an overriding objective under the CPR.³² The following examples, all of which involve intellectual property disputes, can illustrate the factors the courts will take into account.

³⁰ *T-Mobile* (n 25), at [23], adopting the approach previously set out by Robert Walker LJ in REEF TM [2003] RPC 5 at [28]. See also *T-Mobile*, at [37], adopting the views of Jacob L.J. from *Markem v. Zipher*, (n 33) below, at [113].

³¹ *T-Mobile*, at [25].

³² CPR, r. 1.1(2)(a).

In *Markem Corporation Ltd v Zipher Ltd*,³³ the trial judge had decided to allow the applicants, in a patent entitlement action, to delay bringing a claim for breach of confidence until the entitlement issues had been resolved. In allowing the appeal, Jacob L.J. stressed how a delayed evidence application can significantly affect the fair trial and equal treatment. It was an abuse of process (and a breach of their duties under CPR, r. 1.1(2)) for the applicants to delay, once they knew they had a viable claim for breach of confidence. It was important to allow the respondents sufficient time to search for and prepare their evidence. Therefore the court should dismiss such evidence disclosure or extend the time for defendant.

In *Einstein Trade Mark*,³⁴ Geoffrey Hobbs Q.C. highlighted the need, to keep a fair trial, eliminating any element of “surprise”. This is not only requirement for both parties, but also for the judge. In a dispute on trade mark revocation, the hearing officer had gone beyond the issues raised in the written submissions of the parties.³⁵ Geoffrey Hobbs Q.C. observed that:³⁶

the registrar was required to adjudicate fairly and impartially on the matters in issue and should not become embroiled in the presentation of either side's case against the other.³⁷ If he considers that an argument on one side or another needed to be explored in more detail, he should invite the parties to make representations on the points on which he required further assistance ... [Where the parties] have opted for determination on the basis of written submissions, the hearing officer should write to both sides informing them of the points of concern and giving them an opportunity to respond. Irrespective of whether submissions were made orally or only in writing, the registrar's decision should not be based on a point of substance which did not, before the close of submissions, form part of the case that the parties were required or invited to address.

He concluded that the hearing officer should have given them an opportunity to respond to the grounds on which he proposed to reach his decision.

33 *Markem Corporation Ltd v Zipher Ltd* [2005] R.P.C. 31, overruled on other grounds in *Rhone-Poulenc Rorer International Holdings Inc v Yeda Research & Development Co Ltd* [2008] 1 All E.R. 425.

34 *Einstein Trade Mark* [2007] R.P.C. 23.

35 Applications for revocation, invalidation and rectification are governed by Trade Mark Rules 31-35.

36 *Einstein Trade Mark* [2007] R.P.C. 23, at para. 18.

37 Geoffrey Hobbs Q.C. referred to *The President of the State of Equatorial Guinea v The Royal Bank of Scotland International* [2006] U.K.P.C. 7, at [12], [13] and [28].

Generally, when a later application brings substantial changes to the original case arrangement, the court should first consider whether there is an acceptable reason for such application. The court should consider denying the application if its role is limited and no good reason has been shown for the applicant not to make it earlier. The court may allow such application, but subject to conditions, if it finds it is a substantial issue which might directly affect the later trial direction. The court sensibly considers the whole situation under the overriding direction in exercising its powerful discretion. It would not be open to courts to employ their discretion to prevent litigants from putting forward allegations central to their argument, but they can use CPR, r. 32 to control the waste of court time and costs, preventing prolixity by controlling the manner in which cases are presented.³⁸

Timing is not the only issue which can arise. In *Columbia Picture Industries v Robinson*,³⁹ the claimants alleged that the defendant was a video pirate and claimed that he had copied 104 films, infringing copyright, registered trademark and, additionally, being guilty of the tort of passing off. The claimants sought and obtained a search order and a freezing order,⁴⁰ the purpose of the latter being to prevent the defendant from removing his assets from the jurisdiction of the court. But the claimants were excessive in their execution of the search order, exceeding its provisions. They took more material than was identified in the order, virtually emptying the defendant's premises. It appeared that the claimant's real motive in obtaining the order was to shut down the defendant's business. It was held that the method of execution was an abuse of the order. While accepting that the defendant has been infringing copyright and awarding an injunction and damages to the claimants, Scott J. awarded both compensatory and aggravated damages to the defendant.

The issue in *Coflexip SA v Stolt Comex Seaway MS Ltd*,⁴¹ was the width of an injunction to restrain patent infringement. In refusing a wide injunction, Laddie J.

38 CPR, r. 32 governs evidence:

<http://www.justice.gov.uk/civil/procrules_fin/contents/parts/part32.htm>.

39 *Columbia Picture Industries v Robinson* [1987] Ch. 38.

40 Formerly Anton Piller order and Mareva injunction before 1997 CPR.

41 *Coflexip SA v Stolt Comex Seaway MS Ltd* [1999] F.S.R. 473.

emphasised that the court must “tailor the injunction to match the wrong”,⁴² that the injunction must protect the plaintiff but also be fair to the defendant and, citing *Proctor v Bailey and Son*,⁴³ that injunctive relief would not apply where there was no threat of future infringement. An injunction in the usual terms, to restrain the defendants from infringing the patent, was refused, the injunction instead being limited to those acts of infringement proved.

2.2 Case Management and Trial Process in China

2.2.1 Lack of Effective Case Management to Direct the Trial

Case management in the civil trial guidance in China, is a very general arrangement about evidence exchange and discovery.⁴⁴ Once a claim is served and defended, trial court case management in CPR provision is merely documentary evidence exchange; there is no requirement to identify pre-issues or trial issues. The case management in China does not identify issues at an early stage or direct the trial on a particular course, ignoring issues such as: what needs to be ruled first; which facts need to be clarified; what problems exist in the documenting witness testimony; or what response should be made to the receipt of the evidence. Compared with England⁴⁵, Chinese case management has not played a role in directing trial proceedings.

In *Yun He Ren*,⁴⁶ the plaintiff (Yun He Ren) applied a mark of words with a picture 'YUN HE YI NA', in its business of home care, on 19 Oct 2003, and got it registered in 2006. The defendant was also a home labour service company, set up in June 2003, and had registered the same business name 'YUN HE YI NA'. The defendant used this same mark as a logo in a brochure and website. The claimant sued the defendant for infringing its registered trademark right. But the defendant contested that the claimant's registration was in bad faith, and requested to stay the

42 *Coflexip SA* (n 41), at [3].

43 *Proctor v Bailey and Son* (1889) 6 RPC 538.

44 See the introduction in Chapter One on trial structure in China. also see CPR 2007, articles 113-119, on preparation for trial.

45 See case management r 1.4 and r 29.6 of CPR.

46 *Yun He Ren Labour Service Ltd v. Yun He Yi Na Labour Service Ltd*, No. 9598 the first trial judgement, No. 2 Intermediate Civil Court of Beijing (2006). 运河人劳务服务有限责任公司诉河伊娜劳务服务有限责任公司侵犯商标权纠纷一案,(2006)二中民初字第 9598 号.

process, pending the result of revocation proceedings. The defendant submitted that its company had been set up earlier, and that it had used this disputed mark earlier than the claimant's company. It was said that in preparing for registration of its company, the claimant's wife had been involved and provided some help. The claimant had illegally taken advantage of its information through his wife and registered this trademark in bad faith.⁴⁷ But the claimant resubmitted that the mark was designed by his wife, and that he was entitled to register it as a trademark.⁴⁸

In order to prove its argument, the defendant handed in the cooperation agreement for setting up a business, the printing time of its business brochure, its website design, and the bill of costs in set up this company.⁴⁹

In the final judgment, the court granted the rights in the disputed word trademark to the claimant based on the finding that the defendant did not provide evidence to prove its design process. The court set aside the defendant's interim application, on the basis that a stay of action, pending the result of trade mark revocation, had no direct influence on the infringement hearing. All the admissible evidence proved that the defendant had infringed the claimant's registered trademark.⁵⁰

In this case, the court should have first identified that there were two main issues arising from their arguments to guide hearing and evidence discovery. The first was who designed this disputed trademark. The second was whether it should allow the stay of application pending the result of revocation. The result of the first issue would directly decide which side had the design right to use it in business, and which side was in bad faith in registration of the business name or trademark. The Chinese court failed to arrange a proper trial plan to identify issues, and failed to arrange an attendance as a witness of the claimant's wife to identify her role in the argued mark.

In the trial process and judgment file, one cannot find any preliminary issue management or trial direction as to the what issues needed to be proved; the

47 *Yun He Ren* (n 46), See the See the identified and confirmed facts by the judge .

48 *Yun He Ren* (n 46), See the fact statements from the claimant.

49 *Yun He Ren* (n 46), See the fact statements from defendant.

50 *Yun He Ren* (n 46), see the confirmed evidence by the judge.

evidence required to decide those issues and the way in which the evidence is to be placed before the court; the issues on which both sides agreed or did not agree; what needed to be first answered and confirmed in order to start resolving the main contentious issues of trademark infringement.

But in England, after the exchange of the reply to the statement of case and before the trial hearing, the parties and judge shall hold a without prejudice meeting or discussion to identify issues, serious disputes, to clarify and to understand the main opposing stances in relation to the issues.⁵¹ As mentioned in the front part, the evidence discovery and the trial process in specific case follows its case management, which is based on the grounds of the overriding objects and ensuring parties equal treatment.⁵²

2.2.2 Lack of Transparent Evidence Discovery

Generally, a Chinese trial of an IPR case is based on documentary material and a few expert witnesses, but very rarely are other witness summoned to answer questions arising from the documents. There is no proper evidence discovery process. After one month for evidence exchange, the first trial process begins with evidence discovery, which is there to examine and cross-examine the relevance and acceptability of the evidence. But such evidence discovery is not grounded on the genuine relevance to each argued point, or to determine the probability rooted in evidence, but constitutes a shallow, formal test of credibility. The reasoning about its relevance or irrelevance in relation to the facts disputed, is not present and inaccessible in the judgment.⁵³

For a typical UK case, there is always, first, the judge's detailed ascertainment of all the facts. In comparison with a typical UK case involving evidence discovery, *Lucasfilm v Ainsworth*, in order to find who really produced and created the drawings and relevant three dimensional items of the helmets and armour used in the first Star Wars film, and in what way, Mann, J. described the witnesses, their occupations and characteristics, and set out details of the evidence they gave, and

51 see, Richard Arnold, 'Case Management, Judicial Specialisation and Intellectual Property Litigation'. *Civil Justice Quarterly*, 2010, C.J.Q. 2010, 29(4), 478-490.

52 See the discussion in *Markem Corporation* (n 33)

53 See Chapter One on the trial picture in China.

proceeded to evaluate that evidence, explaining fully why he believed one party and disbelieved another. He considered the probability of particular evidence led being correct, and his whole reasoning process was transparent.⁵⁴

The courts in China heavily rely on the defects of evidence to pick up on facts. Typical facts and findings in a Chinese court will usually amount to little more than evidence listing and selection. In *Yun He Ren*,⁵⁵ the court did not accept the admissibility of the defendant's evidence, holding that the bills were copies and not original receipts, and that there were no printing times on the advertisement brochure to prove the precise time of its logo usage.⁵⁶ Since the claimant doubted their reliability, the court could not accept them as facts to support the defendant's argument.⁵⁷

Under article 69, Supreme People's Court legal interpretation regarding evidence in civil cases 2001, the following evidence by itself cannot be used to establish a particular point of fact:

(1) Testimony provided by a person who is not an adult which is inconsistent with the person's age and ability;

(2) Testimony provided by a person who is related to one of the parties or one of the parties' attorneys;

Questionable audio and visual material;

(3) Copies in duplicate which cannot be verified as to origin;

(4) Testimony provided by a person who refuses to attend court and fails to provide a sound reason for doing so.

The main purpose of Article 69 should be understood, at most, as follows: if there is an issue which the litigants try to prove with a copy evidence, or testimony document, or audio visual material, then the trial court should not only use such single evidence to establish a particular point of fact. The trial court should combine with other evidence together to ascertain the specific facts in specific cases. But in

54 *Lucasfilm Ltd v Ainsworth*. [2008] EWHC 1878 (Ch), at [31] - [83].

55 *Yun He Ren* (n 46), See the decision part.

56 See article 68 of CPR and Supreme People's Court legal interpretation regarding evidence in civil cases 2001, any document submitted as evidence should be the original unless the judge held it is truly difficult to present the original. Then reproductions, photographs, duplicate or extracts of the original may be submitted.

57 Here the trial judge used the other side's doubt as his ascertainment to decide the evidence unacceptable.

China the trial courts frequently use Article 69 as legal grounds to reject or pick up some evidence as ascertaining of facts in evidence discovery.

2.2.3 Relying on Formal Defects to Decide Evidence Relevance and Credibility

The courts in China often rely on evidence being copied, rather than original or notarised, as a ground to dismiss strong relevant facts. In *Levis Strauss*,⁵⁸ the plaintiff (Levis) alleged that the defendant (Jinkobi) had infringed its registered trade mark rights by selling fake 'LEVI'S' clothes in the year 2005-2006. The claimant in 2000 registered 'LEVI'S' as a trademark in category 25, clothes. In October 2005 it first found and notarised fake 'LEVI'S' clothes in two big department stores, and also alleged that Beijing Business and Industrial Bureau had levied an administrative fine and warning notice on the defendant for its selling faked clothes. In March 2006 the claimant found, in another Mall in Beijing, the defendant still selling of the fake 'LEVI'S' clothes. Then the claimant sued the defendant to put an immediate stop to the trademark infringement, and to compensate it for its business loss.⁵⁹ The defendant submitted that the clothes were imported from an American company and were licensed for sale in the Chinese market. In order to support his argument the defendant handed in five customs' declarations of goods, two import duty notes, and the licence letter to the defendant from Gimco (an American company), with a licensed goods list including 'LEVI'S', five business receipts with 'LEVI'S', and also three business receipts with 'zanla'. As to the standard of its evidence, the defendant insisted that those documents had proved its clothes were imported from abroad as 'LEVI'S', not fakes of the claimant's 'LEVI'S'.⁶⁰ But the claimant argued that all those documents were copies not the original records, and doubted their legality unless they might be notarised against the original ones.⁶¹

58 *Levis Strauss Co v. JinKoBi Ltd*, No.1 Intermediate Civil Court of Bei Jing, (2006) No.9774 First Trial Judgment, 利惠公司 诉北京金高比科技发展有限公司侵犯注册商标专用权/民事判决书 (2006) 一中民初字第 9774 号

59 *Levis Strauss* (n 58), See the fact statements from the claimant.

60 *Levis Strauss* (n 58), See the fact statements from the defendant.

61 *Levis Strauss* (n 58), See the fact statements from the claimant.

The judge held that according to Article 56, section 3 of China trade mark law,⁶² the defendant did not need to pay compensation if he could show his clothes' legal source proving that he did not know they were fake. The court held that the evidence provided by the defendant had not satisfied the burden of proof that the argued clothes really came from America, since the customs' declaration just mentioned jeans, and did not list the specific brand name. Secondly, they were not original documents. Without other evidence to ascertain or certify their originality, they could not be accepted independently as a basis for a claim. The court dismissed the defendant's defence, and in consideration of the repeat infringement found by administrative bureau and the plaintiff, held that the defendant should pay RMB500,000 yuan to the claimant.⁶³

In this case, the trial court obviously emphasised the formal defects of the evidence⁶⁴ (that it was not original, not notarised, and on the surface, unreliable) to deny its potential value, which would be used to prove whether its clothing came from a legal source.

The trial court merely criticised and rejected the evidence with defects rather than to find the true facts of the whole event: whether the clothing sold by the defendant were fake infringing the claimant's trademark, or imported as genuine; whether it concerned sale of parallel imported goods; whether the defendant's evidence stood in terms of probability. Under Article 56, section 3 of China trade mark law,⁶⁵ the defendant did not need to pay compensation if he could prove his clothes' legal source. Here the principle question from such judgment is whether the court should have discarded the copied evidence or should have put that evidence,

62 Article 56 of trade mark law 2001 says, ' Where a person unknowingly sells goods which represent an infringement upon another person's registered trademark but can prove that they are obtained by himself lawfully and can identify the supplier, he shall not bear the liability to pay compensation'.

63 *Levis Strauss* (n 58), See the decision part.

64 Under Article 69 of the legal Interpretation regarding evidence in civil cases, the following evidence by itself cannot be used to establish a particular point of fact: Testimony provided by a person who is not an adult which is inconsistent with the person's age and ability; Testimony provided by a person who is related to one of the parties or one of the parties' attorneys; Questionable audio and visual material; Copies in duplicate which cannot be verified as to origin; Testimony provided by a person who refuses to attend court and fails to provide a sound reason for doing so.

65 See Article 56 of Trade Mark Law 2001 (n 62).

summoning the witness (such as, the customs officers in respect of official certificate) to clarify where the disputed clothing came from.

In this case, it should have been possible to summon or request official certificate from the Bureau to ascertain whether the defendant had imported and sold licensed legal goods from abroad, and whether the goods were the same as the infringing goods. In a similar situation in *Deng Shi Yuan*, the Beijing Haidian Court could summon the non-party as witness to answer whether he illegally produced the faked good and whether the defendant purchased it from him, rather than relying on uncertainty and standard of proof to dismiss the claimant's contention. The Chinese court mainly relied on the defects of evidence as the most relevant consideration to decrease the trial complexity⁶⁶.

This is what a UK court would do. In England, defects of evidence are dealt with as follows: the evidence would be considered earlier in the case management meeting, to give a chance to correct it or add new evidence rather than rely on defects of form as the basis for making final judgment.⁶⁷ According to English CPR, the court may control the evidence by giving directions as to: the issues on which it requires evidence; the nature of the evidence which it requires to decide those issues; the way in which the evidence is to be placed before the court.⁶⁸ Relevance and acceptability of evidence mainly depend on whether the significance of an item of evidence makes a particular inference either more or less likely to be true on the

66 The judgments in the following cases heavily relied on evidence with formal defects.

There were no reasoning why the judges believe one facts true and disbelieve another in relation to the argued issues. *Rudolph Dassler Sporting Poma Co. v Beijing Liuliqiao Guangkeyu Trade Co. Ltd.* (2008) No. 12326 the first trial judgment of the Second Intermediate People's Court of Beijing; *Qingdao Hisense Electronic Co. v Qingdao Hisense Computer Co.*(2007) No. 88 the First Trial judgment of the Third Civil Division of the Intermediate Court of Qingdao; *Jiangsu Huashi Beer Ltd. v Qindao Beer Co.*, (2005) No. 17930 the First trial Judgment of Chaoyang Court; *Shanghai Parker Pan Products Ltd. v Beijing Xinhua Bookstore* (Miyun branch), (2006) No. 8489 the first trial judgment by the Second Intermediate Court of Beijing; *Adidas international B.V v Ruiguan Company & Jianglijia Company*, (2004) No. 7239 the first trial judgment of the First Intermediate Court of Beijing.

67 Defects of evidence, see Mark Cato, 'So you really want to be an arbitrator?--Dispute resolution guides', (LLP Reference Publishing, 1999). Denning LJ in *Ladd v. Marshall* [1954] 1 WLR 1489.

68 The main parts of the CPR concerning evidence are parts 32,33,34 and 35, by r 32.1,

facts. The discretion to exclude evidence in civil cases is seldom used by judges.⁶⁹ In contrast, it seems ridiculous for a civil court deliberately to close its eyes to relevant evidence: ‘Here, the court cannot ignore the reality of the situation... It would be artificial and undesirable for the actual evidence, which is relevant and admissible, not to be placed before the judge who has the task of trying the case’.⁷⁰

On receipt of documents, any objections to evidence ought to be raised at case management stage by litigants or the trial court so that an interlocutory hearing can be appointed if necessary to resolve the matter.⁷¹ English courts will also scrutinize the evidence for defects in their format. Such defects may arise in the heading, content itself, exhibits or attestation. The defects will be brought to the attention of the filer and an opportunity will be given to put matters in order, and remedy matters within a specified period. Any amendments to the text of the evidence must be initialled by the claimant or deponent and the witness.⁷² In certain circumstances, the defects in format may not be relevant to prove one issue, but may be used as probative evidence at a later stage.⁷³

As for any doubts or disagreement as to evidence: ‘if the court did disagree with one or both experts of parties’ opinions and methods, it was important for him to inform them both, telling them what was in his mind and allowing them to address him on it.’⁷⁴

Even in the hearing stage before judgment, if some issues occur and were not predicted by the judge in case management, if one side makes a request to stay proceeding to get further evidence, the judge would still consider whether to permit it based on balanced consideration.⁷⁵

69 The court may use its power to exclude evidence on account of the following grounds: its potential prejudicial effect; obtained by improper means; conflicting with the overriding objective of the CPR; its impact in the future; the fairness of proceedings., see *Coflexip S.A. v Stolt Offshore MS Ltd.* [2004] EWCA Civ 213.

70 This is well illustrated in Lord Woolf MR’s judgment in *Jones v University of Warwick* [2003] EWCA Civ 151.

71 See court’s control of evidence r 32.1 of CPR.

72 See Mark Cato (n 67).

73 See Mark Cato (n 67) p178

74 Mark Cato (n 67) p134

75 See the discussion on *H Young* (n 28), the claimant further requested for an expert witness.

In considering a request to file additional evidence or to extend time, English court will primarily consider the following: the nature of the evidence to the question needing to be determined; the justice and fairness of subjecting the opposite party to the burden of evidence in question at that stage of the proceedings, including the reason why the evidence was not filed earlier; whether the admission of the additional evidence would prejudice the other side in ways that cannot be compensated in cost, e.g. excessive delay.⁷⁶

In the following case, English court considered that the evidence defects in format were irrelevant to the argued issue. Maybe it was not enough in proving whether the respondent had done enough to guarantee the quality of goods by licensing third party, but it was enough and strongly relevant in proving the argued mark was once licensed to third party use. In *Continental Shelf*,⁷⁷ The applicant (Hebrew) challenged the registration of the word mark EINSTEIN registered in the name of the respondent (Continental) for articles of clothing in Class 25. The applicant argued that the mark had not been used for a five-year period and consequently contravened the Trade Marks Act 1994 s.46(1)(b). So whether the respondent had used this word mark in this period became the crucial issue. The evidence, mainly purchasing receipts, adduced by the respondent to support the validity of the registration, was provided by a third party.⁷⁸ The trial court found the labels exhibited on the invoices did not bear any date so it was impossible to tell whether these were used in the relevant period. It also found the respondent had not effectively controlled the use of the mark made by HSL. Owing to the failure to establish consent, the application for revocation of the argued mark should succeed, the trial court held. But the appeal court reversed this ruling on the following basis:⁷⁹

...If he considered that an argument on one side or another needed to be explored in more detail, he should invite the parties to make representations on the points on which he required further assistance. Where the parties had opted for determination on the basis of written submissions, the hearing officer should write to both sides informing them of the

76 See the case discussion on *H Young and T-Mobile*.

77 *Continental Shelf 128 Ltd v Hebrew University of Jerusalem* [2007] E.T.M.R. 6; [2007] R.P.C. 23.

78 See para 541-554, in *Continental Shelf*.

79 See para 16-18, *Continental Shelf*.

points of concern and giving them an opportunity to respond. Irrespective of whether submissions were made orally or only in writing, the registrar's decision should not be based on a point of substance which did not, before the close of submissions, form part of the case that the parties were required or invited to address.

The evidence provided by both sides concerned business use of the trademark, and no evidence was provided as to whether there was a quality problem with the licensed trademark. In the end the appeal court held that the evidence now on file was weak but was sufficient, in the absence of cross-examination or evidence to the contrary, to prove the required consent.⁸⁰

2.2.4 Lack of Equal Treatment to Both Sides

The method of ascertaining facts in Chinese trial also shows that once the courts may use defects of evidence to exclude consideration of one side's evidence, which would directly lead to unequal treatment to this side's claims. In *Levis Strauss*⁸¹, the defendant's evidence was refused on the grounds that it was copied evidence and that an item was unclear in the customs notes. Such identification ended any possibility to consider in the judgment the genuine practical defence raised. The trial court did not arrange any further cross-examination for the defendant to clarify issues with customs' witnesses, or its salesman. In the end, the trial court only relied on the claimant's evidence to consider damages; there was no any consideration of the probative value of the defendant's evidence.⁸²

In *Yun He Ren*⁸³, the court did not give any consideration of the defendant's evidence, and there was no inference drawn from the early registration of its business and from the employment history of the claimant's wife. The working history of plaintiff's wife for the defendant and earlier name registration were strong points relative to ascertaining which side was in acting bad faith. The trial court

⁸⁰ See para 541-554, *Continental Shelf*.

⁸¹ *Levis Strauss Co v. JinKoBi Ltd*, No.1 Intermediate Civil Court of Bei Jing, (2006) No.9774 First Trial Judgment. See the full introduction of the case at (n 58).

⁸² As he viewed that, in trial 'the flip side is that Chinese law is relative, depending on whether you get caught and , more importantly, who you are and who you know.'. see Perry Keller, 'Sources of Order in Chinese Law' (1994) 42 Am.J. Comp. L. 711, 93.

⁸³ *Yun He Ren Labour service Ltd v. Yun He Yi Na Labour Service Ltd*, No. 9598 final judgment by No. 2 Intemediate Civil Court (2006); see the full introduction of the case in Chapter 3.

might observe from English court the need to find the whole facts by connecting all of the scattered evidence to establish the merits, rather than giving an arbitrary conclusion isolated from the evidence. Here in the absence of ascertaining the doubt about whether the defendant lied in his statement or whether such statement was irrelevant to the infringement charge, it is difficult to accept such arbitrary declaration on trademark infringement. There was no transparent and equal treatment of both sides' argument⁸⁴.

In England, equal protection in case management is the first step to a fair hearing and judgment. The trial court should consider and promote this concept throughout the whole trial and its judgment.⁸⁵ At the preliminary meeting or managing meeting, the judge will remind the parties of the strict timetables imposed by the rule and of the serious consequences if they fail to meet the dates for the service of their statements.⁸⁶

The court also has a duty to act fairly and impartially as between the parties, giving each party a reasonable opportunity of putting his case and dealing with that of his opponent. Once it is fixed, the purpose of the timetable is to enable the party to know the case he has to meet at the hearing and avoid being taken by surprise. Parties and trial courts are bound by the agenda and the timescales, and cannot at the hearing go into any matters not fairly included in them, unless the party has good reason for that failure.⁸⁷

84 Unequal treatment of both sides' arguments is so common that some academics attribute it to an underlying culture: 'the flip side is that Chinese law is relative, depending on whether you get caught and , more importantly, who you are and who you know.' See Lisa Movius, 'Imitation Nation', Salon, July 8, 2002 at <archive.salon.com/ imitation-nation/>, accessed on 7/04/2009.

85 See the discussion in *Markem Corporation, Einstein Trade mark*, and *Columbia Picture*, and *Coflexip SA*. the UK courts dismissed further evidence request , staying request, or allowed injunction relief, or overruled decision based on the ground of unfair and unequal treatment to both sides.

86 See case management r 1.4 of CPR.

87 See Proof in contested EEC competition cases: Julian Mathic Joshua, 'A Comparison with the Rules of Evidence in Common Law', E.L. Rev. 1987, 12(5), 315-353.

2.2.5 No Civil Search Order for Plaintiff to Obtain Infringing Information

Both Chinese and UK civil procedural law stipulate interim measures, especially the search order for inspection, to help the IPR owners in discovering infringing evidence.⁸⁸ An English claimant can in practice apply to the High Court in camera without any notice to the defendant, for an order to inspect the defendant's premises and to seize, copy or photograph material relevant to the alleged infringement.⁸⁹ A search order covers any premises under the defendant's control and the defendant may be required to deliver up infringing goods, retain infringing stock or incriminating papers, and even to give information about his sources of supply or the destination of stock passing through his hands.⁹⁰

The defendant's refusal to allow the inspection is contempt of court, as well as in itself being evidence against him and will be dealt with according to the circumstances. Even a defendant whose contempt is not very serious may have to pay the plaintiff's costs of the application on an indemnity basis.⁹¹

But for a plaintiff in China, he has no way to apply for such a search order in civil litigation. Such measure is still a listing on paper. There is no guidance for litigants to apply for a search order.⁹² Who should execute a search order, lawyer or

88 See Chapter One on enforcement measures.

89 The terminology comes from *Anton Piller v Manufacturing Processes* [1976] Ch.55, later changed to searching order under Civil Procedure Act 1997. See Section 7 'power of courts to make orders for preserving evidence'.

90 See *Protector Alarms v Maxim Alarms* [1979] F.S.R. 442; *EMI v Sarwar* [1977] F.S.R. 146. CA.

91 See *Channel v Three Pears* [1979] F.S.R. 393.

92 See Trademark Law 2001, Article 57:

'The registered proprietor or interested person of a trademark who has evidence to establish that another person is committing or will commit an act of infringing his exclusive right, which could cause a remediless loss to his legitimate rights and interests if the act is not prevented immediately, may apply to the people's court for adopting such measures as ordering to stop the relevant act and property preservation before he brings an action.'

Copyright law 2001, Article 50:

'For the purpose of preventing the act of infringement and under the circumstances where the evidence could be lost or is difficult to obtain afterwards, the copyright owner or copyright-related right owner may apply to a people's court for evidence preservation before he initiates an action.

The people's court must make the judge within 48 hours after it accepts an application; the measures of preservation, if judged, shall be implemented without delay.

police or court official? Should the defendant be notified in order to have a chance to challenge the basis on which the searching order is made? What responsibility would arise if litigants do not carry out the order properly? Those basic participation factors are absent from the Chinese IPR statutes. Interim measures seem a facade to meet the WTO standard, rather than advice for enabling remedies. The statutes are so open-ended and vague that it is difficult to see that any duty has been placed on the Chinese courts to enforce the law. Nor is there a framework which details are filled in by statutory instruments.

Until now no civil case has ever granted a search order to get infringing information. Most methods used by plaintiffs involve getting a public authority to notarise the fact of a fake sale in the sellers' shop. If a plaintiff tries to prove a defendant's producing, copying, possessing or storing infringing goods, he has to report to the administrative bureau to apply for a sudden search. In legal practice, only the administrative bureau has the power to search or detain infringing material from a factory or producing site. Whether the administrative bureau would carry out a sudden search is often the essential question.⁹³

In *Deng Shi Yuan*,⁹⁴ the plaintiff alleged that the defendant had infringed its trademark right and breached anti-unfair competition law, by illegally producing and selling faked welding tools under its trademark name and package. But the court refused to consider the damage of such producing and held that there was no evidence to prove it. To prove a faked product was really sold by defendant, the plaintiff must have the evidence of infringement notarised. It is very difficult in China to prove the defendant is producing the fake goods because the court asks the claimant to prove the infringing process on one hand, and on the other hand the

The people's court may order the applicant to provide a guarantee, if the latter fails to respond, the court shall deny the application.

If the applicant fails to initiate the action within 15 days after the people's court has adopted the measures of preservation, the latter shall terminate the measures of preservation.'

93 See his analysis on administration function in anti-counterfeit, Kristie Thomas, 'The Fight against Piracy: Working within the Administrative Enforcement System in China', in Paul Torremans et al. (eds), . (Edward Elgar, 2007).

94 *Deng Shi Yuan v. Jinxing Qi Hang Science & Technology Ltd*, (2006) No. 23770 the first trial judgment of Hai Dian District Civil Court. see the full introduction of the case in chapter three.

plaintiff has no practical tool to enter the secret producing site in order to obtain evidence. In the end, most plaintiffs can only notarise the selling of fake goods in the defendants' shops.

In China even if there is an administration bureau search result, civil cases have not given any hint about the nature of and the ways to use evidence obtained from the administration bureau. Until now such evidence are treated differently and inconsistently in cases.

In *Levis Strauss*⁹⁵, while providing the notarised documents with the faked 'LEVI'S' clothes in two big department stores, the plaintiff also provided the administrative fine, and warning notice to the defendant by the Beijing Business and Industrial Bureau for selling goods with a faked brand name. In the judgment, the court dismissed the defendant's defence, and regarded the administrative fine as proof that this was not a first time infringement, and held that the defendant should pay RMB 500,000 to the claimant.

It is clear in this case the court recognised the weight of administrative evidence in the official anti-faking campaigns. But in *Pfizer Products Inc.*⁹⁶, the plaintiff tried to use the information from the official anti-faking action to prove the defendant's products were faked, and cheated consumers, and that the Chinese word '伟哥', was once used as the Chinese translation of 'Viagra' in China.

At this time, the trial court refused to admit the evidence from the administrative anti-faking measure. Instead it picked up the information from the plaintiff's public notice in a newspaper as the main evidence to support its decision on the meaning of the Chinese word '伟哥', or '艾哥尔' as the translation name of 'Viagra'.

The trial court and the appeal court both held that the official anti-faking action was intended to protect genuine 'Viagra' products in the Chinese market, not to prove its Chinese name, especially as the claimant had once confirmed its Chinese

95 *Levis Strauss Co v. JinKoBi Ltd*, (2006) No.9774 the first Trial Judgment of the First Intermediate Civil Court of Beijing. See the full introduction of the case at (n 54).

96 *Pfizer Products Inc. & Pfizer Pharmaceutical Chemistry v. WireMan Pharmaceutical Chemistry, Xinggai Nian Pharmacy, and Lian Huan Pharmaceutical Chemistry*, (2005) No.11350 the first trial judgment of the First Intermediate Civil Court of Beijing.

name through its lawyer's notice in a newspaper. The defendants did not breach anti-unfair competition law because the defendant's product package, the blue shape drug pill, also had clear marks 'weige 伟哥' and 'TM' on the surface, and could not be confused by customers with the claimant's blue shape and 'Viagra' mark.⁹⁷

Bureaucracy is everywhere. Unclear items and even no dates on a written document are very common in both China and England. Direct and perfect evidence with self-supporting content and no defects are very rare in practice. Where the official document or copied evidence is written unclearly and irregularly, the court needs to rule whether the defects in format are only formally wrong or wrong in relation to the content itself; and whether it is irrelevant at this point or possibly relevant to another point in later proceedings. That is exactly English court does in ascertaining facts.⁹⁸

The usual correcting way for English court is to have open and fair equal discovery of evidence by calling witness to clarify it or amend it.⁹⁹ It is absurd to rely on a formal defect to refuse consideration of their connection and probability to the argued issue, with the court failing to find the truth. Some articles have argued that there is no tradition of Chinese people to be witnesses in court. But most evidence defects are actually caused by government officials and staff working in public organisations. It is difficult to see any problem in a court summoning them to clarify a document recording its history. Relying on defects in evidence to exclude consideration of the facts not only affects a fair trial but also damages the legitimate

97 See the final judgment part in case Pfizer Products Inc (n 96) (2005) No.11351 and the first trial judgment of the First Intermediate Civil Court of Beijing;(2007) No.1687 - the final judgment of the High Court of Beijing.

98 See the UK court's ascertainment of facts in *Continental Shelf 128 Ltd v Hebrew University of Jerusalem* [2007] E.T.M.R. 6.

99 The Court scarcely calls oral evidence at the hearing, and although the evidence rule stipulated that witness should attend and answer request, in real litigation it is surprising how rarely the trial is with oral testimony under witness. In general, oral testimony is still regarded with some suspicion and occupies a lowly place in the hierarchy of proof. English law has also - if somewhat more recently - come to recognise the probative value of contemporary documents in some spheres as compared with the fallible and possibly biased recollection of witnesses. (See, e.g. the Civil Evidence Act 1968, s 13; the dissenting speech of Lord Pearce in *Onassis v. Verglottis* [1968] 2 Lloyd's Rep. 403 at p. 431. Sir Thomas Bingham, 'The Judge as Juror' [1985] C.L.P. 1. *Customs and Excise Commissioners v. Ingram* [1948] 1 All E.R. 927, per Lord Goddard C.J.)

credibility of public documents and creates more conflict and chaos in ascertaining recognition of the issues.¹⁰⁰

2.2.6 Lack of Judicial Notice about Court's Inference on Findings

In England, the court may make an assumption or draw an inference if certain facts are established. A matter may be resolved by judicial notice or by judicial findings from evidence. If they have been regularly recognised in the past in judicial decisions, there comes a point at which the courts can judicially notice or inform the existence of particular customs and practices. The Court of Appeal sets out the procedure that the court should follow, when judicially noticing a notorious fact or view: 'the judge, upon being called to take judicial notice, may refer to any person or any document or book of reference for his satisfaction in relation thereto'.¹⁰¹

In contrast, there is a very general expression of judicial notice in China CPL,¹⁰² but it does not mention in what situation the trial court should, before making its decision, give judicial notice to litigants about its view or assumption towards evidence and the meaning of law, which is likely to be material to the judicial decision.¹⁰³

Once evidence is submitted by the litigants with a descriptive explanation of its purpose and relationship to the argued issue, often litigants themselves argue about and cast doubt on the credibility and relevance of evidence in the trial, yet they cannot find any hint of the trial judge's view on the relevance and weight of evidence, or further summons or request a witness to clarify defects or amend

100 See the discussion in Chapter 4 on legal finality and estoppel.

101 See Lord Diplock in *Hunter v. Chief Constable of the West Midlands Police* [1982] A.C. 529.

102 See CPL 2007, article 67, notarised documents, decided legal facts and official documents should be accepted as recognised legal assumptions, unless there is opposite facts to reverse it.

103 See Robert Goff LJ said in *Interbulk Limited v Aiden Shipping Co Limited* [1984] 2 Lloyd's Rep. 66 at 75:

"In truth, we are simply talking about fairness. It is not fair to decide a case against a party on an issue which has never been raised in the case without drawing the point to his attention so that he may have an opportunity of dealing with it, either by calling further evidence or by addressing argument on the facts or the law to the tribunal."

Ackner LJ also said in this case at page 76: "Where there is a breach of natural justice as a general proposition it is not for the courts to speculate what would have been the result if the principles of fairness had been applied."

weaknesses. At trial Chinese judges passively sit there listening, without any comment or indication to the litigants of their views, findings, doubts, or uncertainties on issues. They simply ask the parties not to repeat arguments, ask whether both sides have more evidence to support their claims, and whether they wish to negotiate a settlement before judgment. Both sides are ignorant of what opinions or doubts the judge has in relation to the evidence, or any presumptions on the disputed issue. There is no ground or basis in the procedural arrangements for litigants to challenge the judge's view or possible bias or to contest his assumptions or to further request evidence discovery.¹⁰⁴ In *Deng Shi Yuan*¹⁰⁵ because the defendant provided a purchasing receipt, then there was no need to consider evidence of damage. The court said that the defendant was under a duty in respect of the illegal production, if he could not provide evidence of where the fake products came from. Since the defendant had provided a non party seller's bill, then the court held that both possibilities existed and that they might have been faked by the defendant or faked by a non-party. Based on such uncertainty, the trial court dismissed the claimant's claim for illegal production, on the ground that the claimant had failed to satisfy the standard of proof.

But such presumption as to the burden of proof seems unreasonably high on the claimant. In the statement, the claimant argued that every authorised 'GORDAK' seller had signed with him a genuine guarantee of quality, and that he had not found any other seller who had sold faked goods, including the non-party that the defendant had stated. The claimant pointed out that the defendant had sold his products for several years, and was quite familiar with genuine products and should have recognised the faked product. Since the defendant was the faked good distributor and possessor as a direct infringer, providing a purchasing receipt should

104 There is no regulation in CPL or IPR which request judge, before making decision, to give judicial notice to litigants in trial process about his view towards evidence and meaning of law, otherwise become ground for appeal. See the appeal ground and retrial ground in CPL, China CPL 2007, procedure for trial supervision, article 179.

105 *Deng Shi Yuan v. Jinxing Qi Hang Science & Technology Ltd*, (2006) No. 23770 the first trial judgment of Hai Dian District Civil Court . See the full introduction of case in Chapter Three.

not have removed the burden of proof on the defendant. The defendant has a duty to prove non-production, not merely selling.¹⁰⁶

In China, the sudden attack in trial is not from the litigants' evidence itself (eg, from evidence suddenly found and handed in by the parties), but mainly from an unexpected judicial inference based on evidence provided by litigants.

In Pfizer Products Inc.,¹⁰⁷ while refusing to recognise the effect of an administrative anti-faking document, but picking up the Chinese name used by the plaintiff's public notice in a newspaper as the main evidence to support its decision, the ground and assumption that the trial court relied on was that the official anti-faking action was intended to protect genuine 'Viagra' products in the Chinese market, not to prove once used Chinese name.

This is an arbitrary presumption on the weight of the official document. The more convincing stance should be that the name written in the administrative searching documents, (in the monetary fine and warning notice given to the defendant), reflected at that time the administrative officer's understanding about 'Viagra' and its Chinese translation name, given the main function and role of the Business and Industrial Administration Bureau in China to maintain market order by identifying genuine goods and confiscating and destroying faked goods. Under evidential rule¹⁰⁸, official recordings should be given higher weight than a newspaper media notice. From the trial process we cannot find any judicial adoption of such a presumption. That is an arbitrary sudden attack inherent in the decision of China court.

106 See CPL 2007, Article 52: 'The publisher or producer of a copy who fails to establish that his publication or production is in possession of lawful authorization, the distributor of a copy or the lender of the copy of a cinematographic work, a work created by virtue of the analogous method of film production, computer software, sound or visual recording product or others who fails to establish that his distribution or lease is in possession of lawful sources, shall bear legal responsibility'.

107 *Pfizer Products Inc. & Pfizer Pharmaceutical Chemistry*, (2007) No.1684 the final judgment of the High Court of Beijing. See the full introduction of cases in Chapter 4.

108 See Article 69 of the legal Interpretation regarding evidence in civil cases, and judicial notice under CPL 2007, Article 67, notarised documents, decided legal facts and official documents should be accepted as recognised legal assumptions, unless there is opposite facts to reverse it.

In *Levis Strauss*¹⁰⁹, facing the same type of evidence from the administrative bureau, the court could simply declare that the administrative fine documentation from Beijing Business and Industrial Bureau to the defendant was admissible, to prove the defendant had repetitively sold faked clothes, but at the same time the court declared that the customs' declaration document issued to the defendant was not admissible to prove the origin of goods. The court did not summons the customs officer to clear any doubt as to the name of the imported clothes, but made a declaration that customs' declarations of goods, and import duty notes, could not be accepted independently as a basis for a claim. The litigants had no chance to adduce other evidence to ascertain or certify the originality of the defendant's goods, because they had no notice of the judge's position.

In *Yun He Ren*¹¹⁰, there was not, prior to the decision, any judicial notice to the litigants about the inadmissibility of the bills and business promotion brochure provided by the defendant. Everyone would be puzzled as to why they were not acceptable just because they were copies, rather than original documents. If the defendant knew that was the judge's objection, he would, I suggest, have challenged by asking why it mattered, while proving the use of its business name with a copy of the original design, (since normally the original application documents are kept in the business registration bureau). The defendant would also have challenged why it was not enough to prove of the trademark earlier use than in the plaintiff's case.

Such sudden attacks cannot be rectified by litigants or corrected by appellate court because there is no instant review or appeal on interim decision.¹¹¹ In China this relates not just to ascertaining the meaning of facts, the inference and admissibility of evidence¹¹². It is also present in the methods for hearing argument and evaluating the infringement damages.

¹⁰⁹ *Levis Strauss Co v. JinKoBi Ltd*. See the full introduction of the case in (n 58).

¹¹⁰ *Yun He Ren Labour Service Ltd v. Yun He Yi Na Labour Service Ltd*, (2006) No. 9598 the first trial judgement of the Second Intermediate Civil Court of Beijing. See the full introduction of the case in Chapter 3.

¹¹¹ See the discussion in Chapter One, and also see what is appealable for a judicial decision under Article 140, China CPR 2007.

¹¹² The arguable inherent assumption and inference in judicial decision can also be seen in the following cases: *Les publications Conde Nastsa v Beijing Shixian Jiaodian Science & Technology Ltd*. (2007) No.115 the first trial judgment of the second

In *Hao You Duo Supermarket v. Wan ke Long Ltd*¹¹³, the appellant company (the claimant Hao You Duo) appealed against the first trial judgment,¹¹⁴ at the basis that the trial court's decision about damages calculation was wrong, and that the respondent company should pay its loss. The reasons for appeal included the following grounds: that the facts as to loss identified in the trial court were wrong and based on a lack of reasoning as to the method employed (average profit calculation); that the appellant's loss was not only the expected profit in the infringing period, but also the costs that it had invested in this trade secret; and that there were the legal fees it had spent on the case, together with the unrecoverable loss of future business, because of the leakage of its trade secret. The trial court did not arrange expert witnesses to assess the loss, nor did it allow cross-examination, even though the appellant had handed in the profit and loss report, a finance audit report, and also expressed a willingness to disclose more computer data if needed.

115

The respondent also disagreed with the first trial judgment and claimed that the amount of the damages decided by the first trial court was unreasonable and improvable, there being no direct causation between the appellant's loss and the respondent's undertaking.¹¹⁶

This case originated from an infringement of business confidence, by one employee of the claimant selling to the defendant its business information (providers' lists, goods pricing policies and customers' information). The claimant first reported the matter as a criminal case, and its employee was sentenced to imprisonment under criminal procedure. Later the claimant used the method (Maxim Loss Access Report) admitted in the criminal case as evidence of damage, and

intermediate court of Beijing; *Jaguar Cars Ltd v Meizgiybai Management Ltd*, (2006) No.3368 the first trial judgment by the second intermediate court of Beijing, *Baoying Ju v Huizhi Yan Ltd*. (2007) No.4917 of the first trial judgment of Haidian Court; *Bali Damo Fang Food Ltd. v Damo Fang Flour Ltd*, (2006) No.15100 of the Second Intermediate Court of Beijing.

113 *Hao You Duo Supermarket v. Wan ke Long Ltd*. (2002) No. 3, the final judgment of the Third Civil Division of the High Court of GuangZhou.

114 *Hao You Duo Supermarket* (n 113).

115 *Hao You Duo* (n 113), See the applied statutes and legal issues addressed by the judge.

116 *Hao You Duo* (n 113), See the appeal statements from the claimant.

brought a civil case against the defendant. The main dispute in this civil case concerned how to evaluate and calculate the compensation to the claimant.¹¹⁷

In the first trial judgment the intermediate court of Gongzhou held that the defendant had infringed the claimant's business confidence, based on China anti-unfair competition law, and that the defendant should pay damages (RMB1195693.66 yuan) for the claimant's business loss. It struck out the other claims, and held that both parties shared the legal fee equally (each RMB110134 yuan).¹¹⁸

The trial court disagreed with the claimant's attempt to rely on the evidence of damage in the former criminal case as the basis of its loss (the much higher figure of RMB42051637.88 yuan), based as it was on prosecutor's evidence in the previous criminal procedure, which was not investigated and examined in the civil procedure. According to civil evidence rules,¹¹⁹ any evidence if not agreed by both parties, should not be admitted as fact to justify claims, unless it has been passed through a proper examination between parties.

However, the trial court refused the claimant's application to appoint an independent inspector to evaluate its loss in the civil procedure. It held that appointing a new expert was impractical because the infringing action happened in 1997, quite a long time ago, and the claimant could not provide a detailed finance audit dating back so far. Instead the trial court took a method of average profit calculation in the judgment, by reference to the general department store's data from the Statistic Bureau of Gongzhou, and awarded the remuneration for the infringement period. Such damage compensation was totally outside of the parties' expectations, so the plaintiff after the first trial appealed mainly to challenge the trial judge's calculation method. The appeal court, the High Court of Gongzhou dismissed the appeal and confirmed the judgment made by the first trial court.¹²⁰

117 *Hao You Duo* (n 113), See the fact statements from the claimant.

118 *Hao You Duo* (n 113), See the decision part in the judgment.

119 Article 47, Supreme People's Court legal Interpretation regarding evidence in civil cases 2001: any evidence which is not subjected to cross-examination process will not be accepted by the Court unless it is agreed by both sides.

120 *Hao You Duo* (n 113), See the applied statutes and legal issues addressed by the judges.

Both litigants were bound to feel dissatisfaction and injustice with such judgment because they had no chance to challenge the court's method and were not encouraged to adduce further evidence and cross-examination concerning their method of calculation. The trial prevented the litigants from supporting their side of the story, whatever the technical reason was.¹²¹

In contrast, a very similar issue on the calculation of damages also arose in the English courts. The judge, Humphrey Lloyd Q.C., dismissed the appeal for summary judgment, holding that¹²²:

the adjudicator (Mr Richards) did not inform either party of the methodology that he intended to adopt, or to seek observations from them as to the manner in which it or any other methodology might reasonably and properly be used in the circumstances to establish or to test [the defendant's] case. It was a suitable basis from which to derive a retrospective "critical path". If an adjudicator intends to use a method which was not agreed and has not been put forward as appropriate by either party he ought to inform the parties and to obtain their views as it is his choice of how the dispute might be decided. The application must be dismissed since it is such a potentially serious breach of the requirement of either impartiality or fairness, that the decision is invalid for it is not a decision which the adjudicator was authorised to make.

2.2.7 Lack of Cogency between Findings and Legal Decision

Reading English judicial decisions, one strongly feels that the findings and legal decisions are connected by formulas of logic, common sense, practical performance and recognised authority. It is very hard to find a decision which ignores one side's arguments and employs bias and isolated evidence to support judgment.

No matter how simple or complex a case history, English court always tries to find the whole background of a specific case rather than selected facts. After the

121 It is unbelievable to see that the trial court used Article 47 to dismiss both side's methods on ground of no cross-examination and no agreed one, on the other hand he refused the request for cross-examination.

122 See *Balfour Beatty Construction Ltd v Lambeth LBC* [2002] EWHC 597, at [33]. In this case Balfour sought summary judgment to enforce an adjudicator's decision on a construction dispute between Balfour and Lambeth. Lambeth challenged the adjudicator's decision and resist enforcement on grounds that the adjudicator had not acted impartially and had failed to comply with the rules of natural justice since he could not possibly have taken into account the entirety of its answer to Balfour's case.

discovery of evidence, a specific inner connection is set up, and a cogent ascertainment of the facts is reasonably fitted into the chain of discretion, in line with applicable provision.

In Earns (t/a Autopaint International) v Anglo-Dutch Paint and Chemical Co Ltd,¹²³ the main issue was whether and in what way the defendant breached trademark, copyright, and passing off law around a licensing sale contract between plaintiff and defendant.

By examining Autopaint's international history, the original franchise content, further requests after Autopaint's inability to supply, and the nature of switching selling to the trade, the court confirmed whether the agreement covered what the defendants had done, and in what way it infringed trade mark rights, and constituted passing off (malicious falsehood).

English court set up a transparent ascertainment of the facts: what started the cooperative business franchise? What happened in the performance of contract? What had gone further beyond the permitted consent? When had the misunderstanding and false inference of association started? And what results lead from the argued activity?

In the whole discovery of evidence and trial process, the trial court narrated what the both sides agreed and did not agree. It isolated the main issues needing to be proved, determining what should be answered first and confirmed in order to start resolving the main issues.

The Chinese courts place too much stress on evidence formality, and rely heavily on defects in the form of evidence to exclude relevant evidence. The inquiry focuses on picking up factors to meet a statutory provision, rather than finding the truth of the real situation of each case. It is hard to find a comprehensive cogent understanding in court decision. After the hearing, the selected, isolated evidence is formed alongside the statutory provisions, but there are still gaps and uncertainties between the findings and the legal decision. Then Chinese courts heavily rely on

123 *Earns (t/a Autopaint International) v Anglo-Dutch Paint and Chemical Co Ltd* [2007] EWHC 955 (Ch).

judicial power and the burden of proof to exercise discretion, and to make declarations of the connection between its findings and the applicable provisions.

But the fundamental problem is that, by discarding evidence because of its formal defects, by picking up some evidence because of its notarisation or originality, the decision's grounds and applicable law lack inner connection, and cannot be properly fitted into the judgment, so the disputed issues are not persuasively resolved, which inherently damages the legal finality of the final judgment.¹²⁴

In *Yun He Ren*,¹²⁵ after dismissing all the evidence provided by the defendant based on the formal defects, the court supported the plaintiff's claims. But the Chinese court did not offer a persuasive judgment to answer the major issue raised in this case: why the defendant had breached the registered trademark of the plaintiff if he had legally registered and used his business name within its scope.

In *Levis Strauss*,¹²⁶ here again, the court dismissed unfavoured evidence because of lack of clarity as to the items and dates in a copied document. The question is still why, without ascertaining whether the defendant lied in his statement, the copied customs' declaration and receipt could not prove that the defendant's goods were from a third party.

In *Gong Zhou Restaurant*¹²⁷, both trial and appeal courts ignored the relevant evidence of several similar trademarks registered and used by non-parties. The appeal court dismissed the appeal and affirmed the first trial judgment on the ground that these facts could not change the distinctiveness of 'CAI GEN XIANG'. Yet why there was no effect on the distinctiveness of 'CAI GEN XIANG' if there were several similar marks used at the same time in different parts of the Chinese market? How the claimant could succeed in his trademark infringement claim against the defendant if there were several non-parties using a similar mark in this field.

124 See the discussion in Chapter Four on legal finality and overlapping relitigation.

125 *Yun He Ren Labour Service Ltd.*

126 *Levis Strauss Co v. JinKoBi Ltd.* (n 58)

127 *Gong Zhou Restaurant Ltd v. Cai Gen Xiang Restaurant Ltd*, (2006) No.24340 the first trial judgment of Chaoyang Civil Court . see the full introduction of the case in chapter three.

In *JinGo Adversary Company*,¹²⁸ the claimant, an exclusive licensee representing Swiss AVC in China, brought two copyright infringement cases against the defendant, Beijing HaiChuan Disk Company, for illegally producing and selling the music CD ‘Spring Field---BANDARI’. The defendant admitted he had produced the disputed CD but under a licence agreement with JiangXi Video Publisher. The defendant also argued over whether the claimant had an exclusive legal licence in China, because there was no evidence to prove that Swiss AVC was the genuine copyright owner of ‘BANDARI’. The final judgment in the first case was held that the defendant had not infringed the plaintiff’s licensed rights on the grounds that the disputed copying happened earlier than the time at which the plaintiff acquired the exclusive right. The judge also held that the genuine copy claimed by the claimant was the product of a non-party, which could not be used to prove the claimant’s rights without notarisation.¹²⁹

Checking the licensing contract has a fundamental effect on the whole infringement trial and damages of consideration, including whether it is legal or fake, who has the duty among producer, seller and publisher, and their infringing manner, etc. All such basic doubts and issues were neither argued nor cross-examined, just because the licensing contract was not notarised and therefore excluded from consideration.

The reliance on picking up evidence to fit a provision and the judicial assumption in ascertaining facts, might decrease the trial complexity, and guarantee speedy trial, but any fair, transparent, equal process, and a just cogent result are lost in the process. A reasonable and cohesive inner connection between the issues and the judicial decision is always properly made following a full discovery and a process of equal treatment. We can occasionally find such shining cases even among most arbitrary judicial discretion. For example, in *Aifut Chemical Industry v. Beijing*

128 *JinGo Adversary Company v Beijing HaiChuan Disc Co* (2007) No.170 the final judgment of the High People’s Court of Beijing. 金革咨询公司诉北京海传光盘有限公司. 高民终字第 170 号.the full introduction of the case in Chapter Four.

129 See the first trial judgment part in *Jingo*, (n 128).

Di Tan Hospital,¹³⁰ the appellant company (Aifut) appealed against the first trial judgment by the High Court of Beijing, (2001) first trial judgment (No. 79), that it had infringed the respondent's well known brand name by displaying '84 Disinfectants' on its products.

In the first trial, the claimant (Ditan Hospital) brought proceedings against the defendant under the anti-competition law for damages arising out of the defendant's usage in its business advertisement and product package of its well known brand name. The claimant asserted that it had researched and developed a special disinfectant liquid called '84' in 1984, and had received a government award for its special effect in killing viruses and bacteria in 1985. Until 1997 it had authorised 30 factories around China to use its technology to produce '84 disinfectant', and the defendant was one of exclusive licensees in Jiangsu province from 1988 to 1992. The claimant alleged that the defendant had no right to continue using '84 disinfectant' after ending the franchising contract. '84 disinfectant' was a well known brand name in China which was designed by, and belonged to, the claimant. The defendant's usage had misled consumers into misunderstanding the source of the products.¹³¹

The defendant contended that '84 disinfectant' was a well-known common product name, not a specific brand name of the claimant. The defendant used its trademark registration experience to prove that it was a common goods name to describe disinfectant liquid. In 1996, the defendant applied for the registration of '84 Disinfectant' as a trademark to the Administration Bureau. In 1997, the Bureau rejected the application on the ground that the name '84 Disinfectant' reflected this kind of good's nature and form. Therefore, it could not be registered as a trademark. The defendant used this administrative decision to stress that '84 Disinfectant' had become a commodity name.¹³²

130 *Aifut Chemical Industry v. Beijing Di Tan Hospital* (2002) No.1 the final judgment of the Supreme Court 爱特福公司诉北京地坛医院等不正当竞争纠纷上诉案,最高人民法院民事判决书 (2002)民三终字第 1 号.

131 See the claims in the first trial part, in *Aifut Chemical Industry v. Beijing Di Tan Hospital*, (2001) No. 79 the first trial judgment of the Third Civil Division of the High Court of Beijing.

132 See the defence part in the first trial in *Aifut Chemical*, No.79

The first trial court agreed with the claimant's suit and held that '84 Disinfectant' was a well-known brand name originated and developed by the claimant; the defendant should stop using it as a commodity name and should pay RMB 250,000 damages under Articles 5 and 20 of the anti-competition law . But the first trial judgment was reversed by the appellate court, based on the different identification of the nature of '84 Disinfectant'.¹³³

In the appellate process, the main issue was still about whether '84 Disinfectant' was a well-known brand name of the respondent, or a well-known commodity name for this kind of goods.

While affirming the facts identified in the trial court, the Supreme Court also considered further evidence about the licensing history granted by the defendant to 32 factories under the name '84 Disinfectant'; the disinfectant producers' and consumers' reaction towards '84 Disinfectant'; the registration record and the administrative management of the disinfectant market. All the relevant evidence introduced at the appellate stage strengthened the final judgment that '84 Disinfectant' might had been used as a brand name of the respondent in the beginning, before 1990. With the years of uncontrolled licensing by the respondent to 32 factories, the respondent had not taken any measures to register it or clarify it as its prominent business logo. Now the reality had showed that, since 1990, each factory of these 32 licensed had registered its specific separate trademark, and all of them regarded '84 Disinfectant' as a common goods name in their products range. By now '84 Disinfectant' had been recognised as a well-known commodity name. In the end, the Supreme Court reversed the whole first trial judgment and held that the first trial ignored important evidence and wrongly identified the nature of the facts, and applied the law incorrectly.¹³⁴

This case reflects the relevance and necessity of considering what evidence the parties should be allowed to introduce, in order to reconcile the conflicts necessarily inherent in civil procedure with the goals of efficiency, fairness, and justice. In the first trial judgment there was no detailed introduction to the licensing history and its effect on public consumers and producers. The first trial judgment is unpersuasive,

133 See the first trial judgment part in *Aifut Chemical*, No.79

134 See the final judgement part, in *Aifut Chemical*, No.1.

as it is hard to arrive at a proof of probability, on the basis only that the claimant originally labelled its design as ‘84 Disinfectant’, and the claimant had made this a well-known name for disinfectant. It is a big leap from these two facts to the conclusion that it is the claimant’s brand name. This is a big leap, especially as we noticed from the first judgment that the claimant was a hospital. It had not produced any disinfectant itself, and had never taken any measures to control its licensee’s usage of the disputed name.

Why was the appellate result so different from the first trial judgment in this case? It is not because the appellate court changed the facts or law identified by the first court. It is mainly because the appellate court probed the case more deeply, rather than undertaking a superficial check of the form of evidence. The appellate court introduced more background evidence to demonstrate the whole licensing development of ‘84 Disinfectant’ from 1988 to 2007. We know that a different impression and influence may arise just because of the different manner in which a court describes and organises the available material. But if courts can even ignore, add or change some of this material, it is hard to evaluate the story merits at all. The appellate judgment is more sensible and persuasive because it gives us a much broader and more detailed picture about the whole story. There is no big leap from its description to its conclusion. So the first guarantee of a fair and just judgment is to keep a fair and transparent process, which can lead to all relevant facts being discovered and considered. The second thing to guarantee a just judgment is to strengthen case management to identify the disputed issues earlier and make further discovery requests promptly. This would not only help the trial court to conduct a proper hearing, but also provide a basis for a higher court to review and to correct any mistake which occurred in the first trial.

From this case and from the comparison between the Chinese trial process and that in England, it is clear that a trial system does not work by focusing on merely picking up evidence and quoting a statute provision. Without full open discovery

and consideration of all relevant factors, there is no other way to justify the legal analysis, and no alternative to justify the judgment under the applicable law.¹³⁵

2.3 Conclusion

The case management and trial process in England is clear, and places parties on an equal footing while considering procedural measures and substantive interests. The judicial decision is based on specific case merits, and does not conflict with decided facts and the overriding objects of civil procedure and substantive law. The basic success of English trial lies in an open process of discovery of evidence and case management. The main arguments from both sides on points of law and facts are equally heard. In contrast, Chinese case management lacks clear guidance to bind the trial. Its trial process lacks proper discovery of evidence, relying on formality to decide evidence relevance and credibility. Its case management and trial process lacks equal treatment of both sides' arguments, and lack judicial notice of the court's inference as to findings. There is no search order available for the plaintiff to obtain infringing information. Its judicial decisions lack comprehensive and cogent links between the findings and legal decisions. Its case management and discovery evidence are not transparent enough to see what has happened in trial. The judicial decisions do not reveal clearly how a Chinese judge has arrived at his conclusion, if both sides' arguments had been treated equally. The fundamental problem is that, mainly by discarding evidence because of its formality defects, and by picking up some evidence because of its notarisation or originality, the decision's grounds and applicable law lack inner connection, and cannot be properly fitted into the judgments, and as a result the disputed issues cannot be persuasively resolved. The situation described here, about the case management and trial process, triggers another problem dealt with in the next chapter, namely that legal finality and its binding force are very weak in the Chinese judicial regime.

135 See Walter Hutchens, 'Private Structures Litigation in China: Material Disclosure about China's Legal System?' *U.Pa. J. Int'l Econ. L.* vol.24:3 (2003), 675: 'The litigant can only get a decision, Chinese courts are far from ideal forums for litigant seeking to vindicate their rights'.

Chapter Three: Overlapping IPR Trials and Compensation

Overlapping claims in intellectual property suits are very common; indeed this is a major characteristic of IPR litigation. This trait reflects the complexity and transformative nature of invisible intelligence property: idea, expression, design, inventions, discovery, data, processing and labouring etc. For example, *Ocular Sciences Ltd (OSI) v Aspect Vision Care Ltd*,¹ was a case claiming breach of several IPR rights in a business cooperation relating to the manufacture of contact lenses. The two claimants sued eight defendants for breach of confidence, breach of contract, breach of fiduciary duty, conspiracy and infringement of copyright and design rights relating to the manufacture of contact lenses. But the judge only confirmed copyright infringement in the judgment.²

The creation of more, and also more complex, IPR has also caused the boundaries between types of subject-matters to become blurred.³ The boundaries between the subject matter: patentable or unpatentable, business methods and computer programmes, functional design or artistic design, remain unclear. The same design may be protected by copyright law, design law as well as the tort law protection of 'passing off', because one intelligent work will often encompass different forms, interests or functions. These can exist in a status of artistic work through to an industrial production, so they do not fit squarely within the boundaries of either copyright, design right or patent law. This is one reason why, today, there are a lot of different and sometimes conflicting demands, some for new and some for improved rights. Confusion increases even more when there is no clear definition

1 *Ocular Sciences Ltd (OSI) v Aspect Vision Care Ltd* [1997] R.P.C. 289.

2 *Ocular Sciences* (n 136) at 417: 'an infringement of copyright had occurred as the program had been slightly amended and "saved" amounting to storage'.

3 See Brad Sherman and Lionel Bently, *The Making of Modern Intellectual Property Law: The British Experience, 1760-1911* (Cambridge University Press, 1999), esp. Ch. 4 and pp.180-193

of what is related to, and what is different from the subject matter.⁴ So we find more and more IPR creations may fall into several IPR protection categories.⁵

The legal finality rule⁶ also increases the overlap of claims occurring in IPR suits. Under the *res judicata* and issue estoppel principles, claimants are worried that they may be deprived of their full protection by making an inappropriate election in pleadings. So the safe choice to recover a full compensation is to lodge multiple claims with all possible causes of action rolled together. Litigants often attempt to pursue multiple claims in order to ensure the full award of damages, especially when the boundary of each subject matter is vague or uncertain in scope. The complexity of most IPR cases is hard to avoid and likely to generate a lot of claims under different substantive legal provisions.⁷

On the other hand, property calls for boundaries. Any property law has to draw boundaries determining who holds rights, and what the matters subject to these rights are. Especially for intangible property rights---IPR, there is no need to occupy its physical limits to utilize its intelligence rights. Comparing with real property rights, the IPR owner and the public need clearer and more coherent boundaries to know who owns what, and where each right begins and ends.⁸ Each IPR right should have a clear boundary around its specific protection subject, and accordingly should vary in strategic ways, since overlapping protection for a single subject with different layers suggests high costs of legal enforcement. There are significant costs in devising specialised systems to record and award rights that are uncertain in scope. There could be also high costs in challenging or defending such rights.⁹ It is

4 See Neil K. Komisar, *Law's Limits: The Rule of Law and the Supply and Demand of Rights* (Cambridge University Press, 2001), Ch. 8.

5 *A Fulton Co Ltd v Totes Isotoner (UK) Ltd* [2003] EWCA Civ 1514; *A v B plc* [2001] 1 W.L.R. 2341; *Ocular Sciences Ltd v Aspect Vision Care Ltd (No. 2)* [1997] R.P.C. 289 (Ch D).

6 See the analysis in Chapter Four.

7 My next chapter, on 'estoppels and *res judicata*', will explore the basic procedural principles of solving all disputed issues and claims in one suit, so that the parties should be barred from relitigating the same issue in a later case.

8 See Jerome H. Reichman, 'Legal Hybrids Between the Patent and Copyright Paradigms' (1994) 94 *Columbia Law Review* 2432, 2448-2504; See Paul Edward Geller, 'International Intellectual Property, Conflicts of Laws, and Internet Remedies' [2000] *E.I.P.R.* 125.

9 See Paul Edward Geller (n 143).

obvious that a clear IPR boundary can help an IPR owner to choose the best suited methods, to efficiently protect rights and save money in litigation.

This chapter will analyse, through the legal interpretation of the substantive law of IPRs, how the judges in each of the two countries deal with and manage overlapping claims in IPR cases to enforce IPR protection.

3.1 Overlapping IPR Trials in England

3.1.1 Cogent Ascertainment of Legislation and Case Law to Identify Boundaries

Protection for literary phrases, a logo, title or company name and trademark may be available under the Copyright, Designs and Patents Act (CDPA 1988), the Trade Marks Act 1994 (1994 Act) and under the common law of passing off. In practice, an originally worded phrase, product brand or a logo is commonly used in product packaging or advertisement or commercial service. Sometimes it is difficult to judge whether it is used for as an unregistered trademark, or a company name or an artistic design.

In *Dicks v Yates*,¹⁰ Lord Wright offered a general observation about the possibility of copyright existing in a commercial phrase:

in general a title is not by itself a proper subject matter of copyright. As a rule a title does not involve literary composition, and is not substantial to justify a claim to protection. That statement does not mean that in particular cases a title may not be on so extensive a scale, and of so important a character as to be a proper subject of protection against being copied (though the judge adjudicated that no copyright could subsist in the title 'splendid misery').

In *Exxon Corporation v Exxon Insurance Ltd*,¹¹ the plaintiff sought to restrain the defendant from using, in connection with its business, the name 'Exxon'. This word had been invented by the plaintiff to denominate their own business. It was held that, while the defendant was not entitled to engage in passing off, no-one could prevent the name 'Exxon' being used by claiming infringement of copyright alone.

¹⁰ *Dicks v Yates* (1881) 18 Ch. D. 76, 123.

¹¹ *Exxon Corporation v Exxon Insurance Ltd* [1982] Ch.119.

This case clarified the boundary between copyright and passing off to protect a literary phrase, while considering the situation for commercial or non-commercial usage. It was not an “original literary work” for the purposes of the Copyright Act 1956 (U.K.). The plaintiff’s claim for passing off succeeded when the defendant used the trade mark for insurance services, given the strong reputation of the plaintiff’s trade mark (although only registered and used for petroleum and related goods and services not including insurance services) and the likely confusion that would exist in the public’s mind if the use was allowed to continue. Nevertheless, the plaintiff’s separate claim, based on infringement of copyright in the term “Exxon” itself, failed.

The above cases indicated that pure literary words or phrase without artistic sense could not be protected by copyright law but the passing off of the words might be constituted if they were attached to products or services and might lead to unfair competition.

In *Inter Lotto (UK) Ltd v. Camelot Group Plc*,¹² the court purely relied on the legislative definition between the relationship trademark and passing off to resolve the argued issue of the priority rights and boundary of each right. In this case, the plaintiff (Inter Lotto) brought proceedings against the defendant (Camelot) for passing off. The plaintiff first in July 2001 used ‘HOTPICK’ in lottery tickets, the defendant in Oct 2001 applied for registration of ‘HOTPICK s’ as trademark in lottery services, and succeed in registration in 2003.

The plaintiff relied on its prior rights in passing off to challenge the defendant’s trademark use. In other words, what the plaintiff claimed is its goodwill was established prior to the defendant started using HOTPICKS, (as early as July 2001 the plaintiff began to use the mark in ticket sales, but only in July 2002 did the defendant go to market, file registration and await the opposing registration). Apparently, one year is quite a short period of prior use. Had the plaintiff really established a reputation by using ‘HOTPICK’ in lottery tickets in such a short time? So the preliminary issue was how to evaluate the reputation and goodwill of the plaintiff, and whether the defendant’s use, during the dates of application would be

¹² *Inter Lotto (UK) Ltd v Camelot Group plc* [2004] R.P.C. 9 (Laddie J).

actionable in passing off. The defendant argued that passing off is actionable from its filing registration, that the issue was one of priority of rights and ‘hierarchy’. His right to use its registered trade mark overrode any common law rights that Inter Lotto might have. The mark once registered would have retrospective effect from the date of application.

*Where a trader claims he has a right to sue for passing off which prevents a second trader obtaining a trade mark registration, he has to show that the right existed at the date of application for registration. If he establishes that it does, the application should be refused (or if it has already been granted, it should be declared invalid and removed from the register (Section 47(2)). If, on the other hand, a trader claiming that he has a passing off right cannot show that the right existed at the date of application for registration by a second trader, the second trader is entitled to registration and to complain of the use by the first trader of the trade mark from the date of application for registration, though he cannot bring an action for infringement until the mark is registered (section 9(3)). That is so even if the first trader has between the date of application and the grant of registration (which may include the period between the date of application and the second trader's first use of the mark), built up a reputation and goodwill under the mark.*¹³

The trial judge, and subsequently the Court of Appeal, both confirmed that, in the passing off proceedings, it would be open to Inter Lotto to adduce evidence and rely on the reputation and goodwill in those prior marks up to the relevant time in 2002:¹⁴

the presence in the 1994 Act of Section 2(2), which provides in terms that “nothing in this Act affects the law relating to passing off,” is fatal to Camelot's claim on the preliminary point.’ ‘Section 5 makes detailed provision for the protection of earlier rights, including rights in passing off but it does not follow that passing off rights cannot be acquired after the date of application for registration by the competing party. In specifying circumstances in which a trade mark shall not be registered by reason of the existence of earlier rights, the section does not in my judgment have the effect of preventing later use forming the basis for a claim in passing off. The law of passing off is expressly stated in Section 2(2) not to be affected by the Act and the long-recognised possibility of establishing rights by use is thereby preserved.

¹³ See *Inter Lotto (UK) Ltd v Camelot Group plc* (n 147), para 50.

¹⁴ See *Inter Lotto* (n 147), para 53-54.

It is clear that passing off protects an earlier right based on the goodwill of the business. Section 5 of Trade Marks Act 1994 accords similar protection in refusing to register where there is an earlier mark¹⁵. Passing off is not a property right as a trade mark is, but rather a right to seek a remedy during the period of time that the goodwill continues to exist. Passing off can be used as a supplementary right¹⁶, complementary to the statutory formal right, especially in a case concerning an attack on the general image, which is not capable of being protected by a trade mark.¹⁷

Reputation on Designed Marks Used as Business Name, Brand Name, Logo, or Trademark?

Where one action involves overlapping claims, the courts are trying to distinguish specific subject matter within the same object. In *Fearns (t/a Autopaint International) v Anglo-Dutch Paint and Chemical Co Ltd*,¹⁸ a dispute arose from the first defendant's action, selling paint and ancillary products by reference to the AUTOPAINT brand without informing the claimant's customers whether he was authorised or not .

15 S. 5: 'a trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected'. S.6A (2): 'In opposition proceedings, the registrar shall not refuse to register the trade mark by reason of the earlier trade mark unless the use conditions are met'.

16 It is also an independent right because it pre-dates trademark law and is capable of protecting goodwill in goods beyond the scope of registered trade mark law. For present purposes it can be regarded as a passive supplementary right because passing off is enforceable by companies only with an existing goodwill, identical signs used by others, and records proving a date of creation earlier than the argued trademark. In contrast, there is no need to prove design history or goodwill in order to enforce a registered trademark and designs rights.

17 See reference, James Hennigan, 'Comparative advertising and trade mark infringement', Ent. L.R. 2005, 16(4), 95-97.

18 See also *De Beer Lakfabrieken BV v Fearns (t/a Autopaint International)* [2007] EWHC 955 (Ch), the claimant issued claims against defendants for his selling paint under the AUTOPAINT brand to the claimant's franchisees, alleging trade mark infringement, passing off, malicious falsehood, infringement of copyright, breach of contract, intentionally inflicting economic harm by unlawful means and conspiring to do so.

Judge Christopher Floyd Q.C. in his judgment found mostly for the defendant¹⁹:

'the claims which I have indicated as not being pursued will be dismissed. Of the claims pursued at trial:

(1) the claim for trade mark infringement and "standard" passing off succeeds to the extent that the marks were used in relation to products where it was not established that the Claimant could not supply them;

(2) the claim for passing off by false representation as to status fails;

(3) the claim for passing off by switch selling to the trade succeeds;

(4) the claim for passing off by switch selling to the public succeeds;

(5) the claim for malicious falsehood fails;

(6) the claim for infringement of copyright fails; '

The judge analysed in detail how the notion of a business reputation overlaps extensively with the notion of its goodwill and trademark, by the likely consequences of words, actions, and advertisement. From the above cases, it seems that passing off can be more flexible than trademark law, and can protect marks that would not be sufficiently distinctive for registration as a trademark or would be otherwise unregistrable. As goodwill is such a vague concept, protection can apply to all manner and aspects of a trader's business operations and activities and advertising and marketing techniques. Trademark and passing off both have the secondary effect of protecting customers from trade deception. A registered trademark is a positive right, which can directly guarantee the origin of goods and services. Registration gives rise to rights. There is no need to prove the elements of passing off or the reputation of a mark. A registered trademark is protected both locally and nationally, whereas a passing off action may only apply in the claimant's area of reputation²⁰. Both consumers and traders benefit from a system of registration which places limits on what constitutes a trade mark.²¹

¹⁹ Fearn's (t/a Autopaint International) v Anglo-Dutch Paint and Chemical Co Ltd [2007] EWHC 955 at page 114.

²⁰ A registered trademark can operate nationally in its registered scope. This gives rise to problems of honest concurrent use with an unregistered earlier mark as s 7 TMA 1994; in such situation there is no trademark infringement nor passing off: see *Budejovicky v Anheuser Busch* [2012] EWCA Civ 880, the Court of Appeal confirmed that unless there was clear prove of an adverse effect on the essential function of the trade mark, the proprietor of an earlier trade mark could not obtain the cancellation of an identical later trade mark where there had been a long period of honest concurrent use of the two marks.

²¹ See Paul Torremans, *Intellectual Property Law*, (Oxford University Press, 2008), p 457.

The CDPC 1988, and the Registered Design Act 1949²² generally set up a boundary between copyright protection and design right protection for commercial exploitation of a design. Unregistered designs are essentially functional, non-aesthetic designs. The design right is defined in s.213 of 1949 Act: ‘design right’, is a property right which subsists in an original design. The technical definition of a ‘design’ given is that it is ‘the design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article.’ ‘a design document’ means “any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise.’

A design right does not subsist unless and until the design has been recorded in a design document or an article has been produced in accordance with the design. The Court of Appeal has indicated that ‘configuration’ refers to the relative arrangement of three-dimensional elements.²³

A design right is distinguished from a registered design and there is no registration requirement. The aspect of design shape has a clear distinction from the ‘eye appeal’ requirement for registered designs. Unregistered designs are intended to offer protection for functional designs; the eye appeal of registered design has no technical function. The worth and ingenuity of an unregistered design might be found in its detailed relative dimensions. In the case of registered designs, the tangible form is evidently required for the purposes of registration. In the registration system, the date of registration is the starting point for the term of protection.²⁴

Section 236 of the CDPC 1988 covers any work in which both copyright and design right subsist. In such a case any copyright infringement excludes any design right infringement. Anything that is an infringement of the copyright in the work will not be an infringement of the design right. This provision clearly aims for a complete separation between copyright and design right. It applies to design right infringement cases, whereas s. 51 applies to the copyright infringement cases. Once a copyrighted design is put into production of an industrial function for commercial

22 Later the Registered Design Act 1949 was amended in 1994.

23 see *Lambretta Clothing Co.Ltd v Teddy Smith Ltd* [2005] RPC 6.

24 See Paul Torremans, (n 93), at 454.

purpose, it can only be protected under the design right with a short duration of 15 years maximum²⁵. A design work before industrial process as product for commercial exploitation can still enjoy copyright protection of 25 years. The 1988 Act was intended largely to put an end to industrial copyright.

S 51 of the CDPC1988 provides that it is not an infringement of any copyright in a design document or model recording or embodying a design for anything, other than an artistic work or a typeface, to make an article to the design or to copy an article made to the design. That means there is no infringement of any copyright in transferring a design document to commercial product, except an artistic and typeface document.

Some further guidance is provided by the case *BSW Ltd v Balltec Ltd*.²⁶ There the judge dismissed the claimant's claim of copyright infringement, and held that, although BSW had copyright in its drawings, it was not an infringement of copyright in the slurry separator design document to make an article to the design or to copy an article made to the design.

The duration of design rights also suggests that CDPC 1988 tries to compromise both artistic copyright and design right, to encourage industrial exploitation, and to achieve similar rights and remedies, even under different causes of action. Section 52 provides that the duration of copyright in a design document derived from an artistic work is 25 years from the date first recorded; S. 216 provides for a design right to expire fifteen years after the design was first recorded in documentary form, or when an article was first made to the design, unless articles made to the design were marketed within five years. In that case the design right expires ten years after the end of the year in which they were first marketed. Under s. 269 the duration of a right in a registered design is five years, but it can be renewed by applying to the registrar for an extension and paying the prescribed renewal fee. Most designs will be exploited before the end of a five-year period. If

25 More commonly the design right enjoys 10 years from the end of year of first marketing. The unregistered EU design right last for three years.

26 *BSW Ltd v Balltec Ltd* [2007] F.S.R. 1. The applicant B sued that defendant X had infringed its unregistered design right by selling products that incorporated identical design features, had infringed its copyright in design drawings by copying them and using them to obtain certification of X's own products, and had infringed two of B's patents for an seal tool.

such exploitation takes the form of items made to the design becoming available for sale or hire, the term of unregistered design protection is ten years from when the exploitation first occurred. In the absence of exploitation, the term of unregistered design protection expires 15 years after the end of the creation year. So unregistered design rights roughly offer 15 years of protection, during which the right holder has the exclusive right to reproduce the design for commercial purposes²⁷

The limited nature of protection for a design right is also clarified in *Fearns (t/a Autopaint International)*.²⁸ The judge held that Fearns' copyright protection in the design and logo on the paint tin was limited to 15 years. As the articles in question were paint tins, they did not fall into the exception for printed matter of a primarily literary or artistic character. Fearns' claim for copyright infringement, in those circumstances, had to fail.

The case of *Jules Rimet Cup Ltd v The Football Association Ltd*²⁹ also raised the issue of whether copyright claim and design right claim can be overlapped to protect same article, and whether the copyright protection to a design is limited to 15 years.

The judge stressed that the design infringement claim excluded a copyright claim on the same subject issue, and confirmed that once fifteen years have passed since the date of the first sale of such articles, it is not an infringement of the copyright in the drawing to apply the design in the drawing to any article, regardless of whether the article is one excluded from consideration by the above provisions:³⁰

Accordingly, where the design for articles has been applied industrially and such articles have been sold, and designs for that genre of articles were registrable (i.e. not excluded from registration by the rules), the restricted protection scheme applies.

²⁷ See Paul Torremans, (n 96), pp 350-361.

²⁸ *Fearns (t/a Autopaint International) v Anglo-Dutch Paint and Chemical Co Ltd*. (n 154).

The claimant (Fearns) issued claims against a number of defendants (Anglo-Dutch) alleging trade mark infringement, passing off, malicious falsehood, infringement of copyright, breach of contract, intentionally inflicting economic harm by unlawful means and conspiring to do so.

²⁹ *Jules Rimet Cup Ltd v The Football Association Ltd* [2007] EWHC 2376 (Ch).

³⁰ *Jules Rimet Cup Ltd v The Football Association Ltd* (n 164), at para 18.

The dynamic relationship between registered design right and copyright has been fully considered in *British Leyland Motor Corp Ltd v Armstrong Patents Co Ltd*.³¹ where the House of Lords and the Court of Appeal set up a hierarchical approach with a four-tier structure in relation to designs applied industrially:³²

(a) the top tier consists of industrially produced objects, such as wall plaques or medals, which are themselves intrinsically artistic. These are dealt with by excluding them altogether from the Registered Designs Act. if a design is excluded from registration by rules, copyright protection can be relied upon [25 years protection now] (b) The second tier consists of genuinely artistic works which, if applied to objects, would be of registrable designs. After 15 years from first use or registration, the copyright [now called design right] was lost for all objects.... (c) The third tier in the hierarchy consists of designs which are not in any way artistic (such as a gas cooker), These, provided they are not fully functional, can claim the 15-year Registered Designs Act protection, but there is no copyright protection for the designs as such....(d) The bottom tier consists of designs which are purely functional. No protection at all is available for them, unless they are patentable. ‘

Above all, the CDPC1988 together with case law has made the boundaries clearer between copyright, design right and the trademark right. S. 236 expresses copyright protection prior to design right; s.51 stresses there is no copyright infringement where a design is exploited into commercial purpose; s .52 operates to cut down copyright protection to 25 years, where there has been industrial

31 *British Leyland Motor Corp Ltd v Armstrong Patents Co Ltd*. [1986] R.P.C. 279. The plaintiffs (“BL”) were manufacturers of motor cars. The defendants (“Armstrong”) were manufacturers and suppliers to BL of component parts of cars. Armstrong also sold replacement parts as spares. In common with other manufacturers, Armstrong had designed certain spare parts, including exhaust pipes, by copying original equipment manufactured by BL (a technique known as “reverse engineering”). From 1973 onwards, BL had moved to enforce copyright in the design of their exhausts and had succeeded in concluding a number of licences with spare parts manufacturers. Armstrong declined to take a licence. Accordingly, BL sued for infringement of copyright in drawings for the parts. Foster J. held (in two separate judgments, the first dealing with points raised under English copyright law and the second with points arising under EEC law) as follows:

- (1) that copyright subsisted in the drawings on which BL relied;
- (2) that the exhaust pipes manufactured and sold by BL were made in accordance with the drawings;
- (3) that Armstrong had reproduced substantial parts of the drawings;
- (4) that Armstrong's exhaust pipes would appear to a non-expert within the meaning of section 9(8) of the Copyright Act 1956 to be reproductions of BL's drawings;

32 *British Leyland Motor Corp Ltd v Armstrong Patents Co Ltd* (n 166), at 583-585.

exploitation; that is where the copyright owner has made by an industrial process and marketed articles falling to be treated as copies of the work, or has consented to such acts.

The CDPC 1988 sets up not only a boundary, but also a bridge to protect and exploit IPR according to the character of the subject matter and its usage in special circumstance. Before the CDPC 1988, disputes about the copying of designs of industrially produced functional articles had to establish that the copyright in an artistic work, such as a drawing of the design of a functional article, entitled the owner of the copyright to prevent reproduction of the drawing, either directly or indirectly (e.g. via a three-dimensional article made according to the drawing), or any substantial part of it, whether in two-dimensional or three-dimensional form.³³ This had widespread repercussions in industry, in particular in the manufacture and supply of spare parts by persons other than the original manufacturer or its licensees, for the purposes of fitting to, or matching, articles designed for and produced by the original manufacturer. The outcome of these cases was not regarded as satisfactory, particularly in the context of competition law and the law of the European Economic Community. Nor was it regarded as satisfactory within the framework of intellectual property law.³⁴ A design right introduced in CDPC 1988 also reduces the extent of protection from copying afforded to the designs of industrially produced articles and, in the case of spare parts, removes protection from copying completely by express provision.³⁵ The CDPC 1988 set up a clear boundary to identify an original design in what condition should be protected by copyright, or functional industrial design right, or trademark.

Protecting information or expression?

Where novelty or originality is a prerequisite for most IPR protection, as with patents and registered designs, confidentiality agreements are a very important way of protecting inventions or designs before applications are filed. An invention can be disclosed to a prospective financial backer under a confidentiality agreement without

³³ 'Copyright Law "Target"', IIC (International Review of Industrial Property and Copyright Law, 1999), 30(8), 958-960.

³⁴ See 'Copyright Law "Target"' (n 168), at 958-968.

³⁵ See s. 213(3)(b) of CDPC 1988.

compromising its novelty. The courts recognise that information can be protected if it is of the right sort. They seek to balance the rights of the proprietor of confidential information against the rights of those who have an interest in using it. The result is that the use of confidential information may generally be restrained to a reasonable degree and for a reasonable time. The information must be specific and well-defined and of a secret status. The courts have also constructed a boundary claiming for patent or copyright protection for patent document, which mainly considers whether the claim is based on illegal usage of the new idea or the expression.³⁶

In *Catnic Components Ltd v Hill & Smith Ltd*,³⁷ the trial judge, Whitford J., held that, although the defendants had made use of some of the information set out in Catnic's brochure and had taken the plaintiffs' idea of using a box girder construction, the defendants' acts did not constitute an infringement of the plaintiffs' copyrights and that, if this were wrong, there were other grounds upon which the plaintiffs' claim in copyright would fail.

It was conceded that:³⁸

Mr Hodgetts derived the idea of a box girder type of lintel from the brochure. ...Nothing in the plaintiffs' brochure affected the measurements chosen by Mr. Hodgetts : these were basically dictated by brick dimensions, cavity dimensions and the depth of a standard mortar course' (by which I think he clearly meant that they were not in any sense copied from any other drawing) and did not infringe the copyright in the brochure drawings, which were the only material originating from the plaintiffs available to Mr. Hodgetts when he made his drawings.

Whitford J. concluded:

In my view, by applying for a patent and accepting the statutory obligation to describe and if necessary illustrate embodiments of his invention, a patentee necessarily makes an election accepting that, in return for a potential monopoly, upon publication, the material disclosed by him in the specification must be deemed to be open to be used by the public, subject only to such monopoly rights as he may acquire on his application for the patent and during the period for which his monopoly remains in force, whatever be the

36 See Cornish & Llewelyn, *Intellectual Property: Patent, Copyright, Trademarks and Allied Rights* (5th ed, Sweet & Maxwell, London, 2003), Ch. 5.

37 *Catnic Components Ltd v Hill & Smith Ltd* [1978] F.S.R. 405, para 427.

38 *Catnic Components Ltd v Hill & Smith Ltd* (n 172), at para 221, 206,

reason for the determination of the monopoly rights. If this be correct, and even if I were wrong in the view which I have expressed that D3 and D4 do not infringe, upon publication, the plaintiffs must be deemed to have abandoned their copyright in drawings the equivalent of the patent drawings.

In *Lucasfilm Ltd v Ainsworth*,³⁹ the claimant bought the following claims, so far as still extant at the end of the trial:⁴⁰

(i) A claim for infringement of copyright. (ii) A claim in passing off. (iii) A claim to such copyrights as Mr Ainsworth might himself have acquired. (iv) A claim in confidence to restrain Mr Ainsworth from making his helmets and armour. (v) A claim to enforce the US monetary judgment. (vi) A claim to enforce US copyright (but no other US rights).'

In the end that judge supported only the claim based on an infringement of US copyright and dismissed all other claims from the claimants. As to the secret material provided to the defendant for the purposes of making props, the judge held that:⁴¹

However, all that confidentiality disappeared when the material was put in the public domain, which it was when the film was publicised and then shown. If there is some form of residual confidentiality in the drawings themselves then that is not subverted by what Mr Ainsworth is doing now. So prima facie, and looking no further than that, Mr Ainsworth is no longer using any material which has retained its confidentiality.

3.1.2 Relying on Case Management to Identify Genuine Claims

Sometimes the boundary of rights is clear, and the problem arises from overlapping claims about how to identify the true subject issue from the multi-claims. Boundaries between types of subject-matters become blurred when litigants argue the subject matter from different views and perspectives in order to support

39 *Lucasfilm Ltd v Ainsworth* [2008] EWHC 1878 (Ch). This is a case about the reproduction of replicas of various props used in the first Star Wars film. One of the most abiding images in the film was that of the Imperial Stormtroopers in white armour and a white helmet. Defendant (Mr Ainsworth) made that armour for the film. Later he started selling versions to members of the public. That is said to infringe the copyright of the claimants and passing off.

40 *Lucasfilm Ltd v Ainsworth* (n 174), at para 88.

41 *Lucasfilm Ltd v Ainsworth* (n 174), at para 196.

overlapping claims. This requires the judge to identify the real claim by effective case management.

In *BSW Ltd v Balltec Ltd*,⁴² the applicant had brought several infringement claims on its design alleging copyright, design right and patent right infringement. But he failed in all the claims. The infringement claims were mainly made on the basis that it would have been impossible for defendant to have designed, produced and tested a range of products incorporating ball and taper technology in such a short period without copying B's existing designs.

As for relying on pre-action disclosure to find infringement evidence, the judge held that:⁴³

'It does not need the disclosure sought to make out its claim of design right. But it does need it to be able to establish and plead an allegation of infringement. As things stand it has no evidence of that.'

The judge also employed abuse of process to dismiss unnecessary overlapping claims. In *Ocular Sciences Ltd (OSI) v Aspect Vision Care Ltd*,⁴⁴ the judge held that it can equally be an abuse of process to give proper particulars of information which was not, in fact, confidential because a claim based even in part on wide and unsupportable claims of confidentiality could be used as an instrument of oppression or harassment against a defendant. There was a risk that the more technology that was put in issue the more likely it was that the court would jump to the conclusion that some of what had been copied was confidential. It was an abuse of process for the plaintiffs to maintain such broad claims which they knew or ought to have known that these were unjustified.

In *Fearns*,⁴⁵ the claimant also brought several claims to protect his right. Some claims the judge struck out, based on lack of enough evidence in their support:⁴⁶

42 *BSW Ltd v Balltec Ltd* [2007] F.S.R.1.

43 See *BSW Ltd*. (n 177) at para 63.

44 *Ocular Sciences Ltd (OSI) v Aspect Vision Care Ltd* [1997] R.P.C. 289, at para 360.

45 *Fearns (t/a Autopaint International) v Anglo-Dutch Paint and Chemical Co Ltd* [2007] EWHC 955 (Ch), the claimant (Fearns) issued claims against a number of defendants (Anglo-Dutch) alleging trade mark infringement, passing off, malicious falsehood, infringement of copyright, breach of contract, intentionally inflicting economic harm by unlawful means and conspiring to do so.

These were not the only causes of action which were raised in the Particulars of Claim. I struck out certain other causes of action originally pleaded which required proof of foreign law at the commencement of the trial. Yet further causes of action have not been pursued in the light of the evidence. (Although a conspiracy to injure by “lawful means” was pleaded, it was not pursued. That cause of action requires that the causing of harm be the predominant purpose.

3.2 Overlapping IPR Trials in China

3.2.1 General Provisions in IPR Statutes, and Large Extent of Discretion

The general protected scope and duration for IPR in two countries may be quite similar,⁴⁷ but English IPR statutes are detailed and focus on activities and the precise manner of infringement. This greatly decreases misunderstanding of infringing or permitted acts in relation to different works and creation. For example, concerning the owner’s rights, in China’s copyright law, there is only one article—article 10, which lists a general content of copyright: the right of publication, the right of authorship, alternation, integrity of the work, reproduction, distribution, lease, exhibition, performance, show, broadcast, information network dissemination, production, adaptation, translation, and compilation.⁴⁸ In UK copyright law, there are twelve sections stipulating the exclusive rights to the copyright owner. The acts restricted by copyright are set out from section 16 to section 28, which give detailed description about direct infringement behaviour and indirect infringement behaviour. The scheme also explains what assumption should be held when an issue of copying or passing off arises in the proceedings. The meaning of infringing copy in UK copyright law not only lists the copying manner, but also considers the condition and required evidence to raise this issue.⁴⁹

46 *Fearn’s (t/a Autopaint International) v Anglo-Dutch Paint and Chemical Co Ltd* [2007] EWHC 955 (Ch), at para 3.

47 See the introduction in chapter one.

48 See Copyright Law of China 2001, article 10. An infringing copy in China law means right of reproduction, see article 10 (5) of CCL.

49 See the 1988 Act, section 27 (4): ‘Where in any proceedings the question arises whether an article is an infringing copy and it is shown –
(a) that the article is a copy of the work, and

Compared with English trademark statute, Chinese trademark law lacks clear context especially on the process of implementation and balanced consideration of relative factors involved. China trademark law only generally lists the exclusive right of registered trademark⁵⁰; there is no description about the relationship between earlier rights, unregistered marks and registered trademarks.

The TMA 1994 gives a much clearer definition than the China Trade Mark Law 2001 about the relation between earlier mark, later mark, concurrent mark and confusion recognition.⁵¹ A later registered trade mark does not have to give way to an earlier mark;⁵² a registered trade mark is not necessary superior over unregistered trademark.⁵³ Similarity does not necessarily lead to confusion. Confusion is not necessarily caused by the later mark usage.⁵⁴ English law explains

(b) that copyright subsists in the work or has subsisted at any time, it shall be presumed until the contrary is proved that the article was made at a time when copyright subsisted in the work.'

50 See article 2 of Trademark Law of China 2001.

51 See section 6 of the Trade Marks Act 1994, meaning of 'earlier trade mark', a registered trade mark, international trade mark, community trade mark in the UK Trade Marks Act 1994.

52 See s. 6A of TMA 1994: 'Raising of relative grounds in opposition proceedings in case of non-use

(2) In opposition proceedings, the registrar shall not refuse to register the trade mark by reason of the earlier trade mark unless the use conditions are met.

(3) The use conditions are met if— (a) within the period of five years ending with the date of publication of the application the earlier trade mark has been put to genuine use in the United Kingdom by the proprietor or with his consent in relation to the goods or services for which it is registered, or (b) the earlier trade mark has not been so used, but there are proper reasons for non use.'

53 See s. 11 (3) of TMA 1994: 'Limits on effect of registered trade mark (3) A registered trade mark is not infringed by the use in the course of trade in a particular locality of an earlier right which applies only in that locality. For this purpose an "earlier right" means an unregistered trade mark or other sign continuously used in relation to goods or services by a person or a predecessor in title of his from a date prior to whichever is the earlier of— (a) the use of the first-mentioned trade mark in relation to those goods or services by the proprietor or a predecessor in title of his, or (b) the registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor or a predecessor in title of his; and an earlier right shall be regarded as applying in a locality if, or to the extent that, its use in that locality is protected by virtue of any rule of law (in particular, the law of passing off).'

54 See section 7 of TMA 1994, 'Raising of relative grounds in case of honest concurrent use

(1) This section applies where on an application for the registration of a trade mark it appears to the registrar— (a) that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or (b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied, but the applicant

clearly in the situations in which trademark infringement is directly committed where there is no need to prove reputation or confusion. It also shows in what situation there is need to prove confusion or association and in what situation there is a need to prove well known or reputation in England.⁵⁵

If Chinese trademark law had provided express context and condition for the exercise of the discretion, and had clarified the relationship among trademark rights, if the various possible commercial activities were listed, and if the prima facie condition to raise every issue had been clear, there would be fewer misunderstandings and conflicts arising from enforcement and legal interpretation.

In *Yun He Ren*,⁵⁶ the main argument is about whether there was infringement and confusion in using a similar word mark as the registered trademark and as business name mark.

The claimant argued that it had a trademark right in the words mark with a picture, 'YUN HE YI NA', registered in May 2006. The defendant argued that it had a business name right on the similar mark also registered in June 2006. The claimant sued the defendant for infringing its registered trademark right. But the defendant contested the validity of claimant's registration as being in bad faith and against prior use.⁵⁷

If we consider the argument under the trademark law of the UK, the dispute would disappear and become unnecessary. The result would be very clear, under section 11 (3) and section 47 (2E), both sides could use their trademark or business name mark in their registered scope properly; or there would be no legal confusion if both used their mark honestly, for which registration was sought under section 7; or

shows to the satisfaction of the registrar that there has been honest concurrent use of the trade mark for which registration is sought.'

55 See discussion in *Inter Lotto* (n 147). See TMA, s.10: 'Infringement of registered trade mark, (3) A person infringes a registered trade mark if he uses in the course of trade[, in relation to goods or services,] a sign which— (a) is identical with or similar to the trade mark, . . . where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.'

56 See *Yun He Ren Labour Service Ltd* (n 46). See the full introduction of the case in chapter two.

57 See the claims part in *Yun He Ren Labour Service Ltd*.

the claimant 's registered trademark might become invalid if the claimant's registration was proven in bad faith , under section 47 (2).⁵⁸

But those identifying factors and the conditions required raising the issue, slipping away from the China trademark statutes. By leaving these matters out of the statute, China IPR statutes allow a very wide judicial power in interpreting law in a specific case. They give the courts little constraint to pick and choose any assumption and favoured factors from general provisions. So it is not surprising that the courts in China have a great deal of arbitrary power to decide the meaning of law and factors for consideration, but give no reasoning for litigants to understand such discretion.⁵⁹

3.2.2 Lack of Clarification of Meaning of Rules through Judicial Process

There are issues, such as in what situation to allow an interim pending request about the revocation of registration; and how to identify the nature of similarity and confusion; what elements should be considered in trademark infringement and unfair competition; what are the reasonable grounds to judge a person or entity deliberately selling or purchasing faked goods with IPR involved. These are issues frequently raised in trademark infringement cases in England and China.

Although UK trade mark law does not contains express provisions relating to discretionary stay of proceedings , through case law, English courts gradually developed and set up the rules to assist with the conditions for exercise of the discretion on staying the main trial pending the results of interim proceedings.⁶⁰

58 See section 47 of TMA 1994, 'Grounds for invalidity of registration', especially (2E): 'Where an earlier trade mark satisfies the use conditions in respect of some only of the goods or services for which it is registered, it shall be treated for the purposes of this section as if it were registered only in respect of those goods or services.']; section 11, 'Limits on effect of registered trade mark'; section 7, 'Raising of relative grounds in case of honest concurrent use'.

59 Donald C. Clarke, 'Power and Politics in Chinese Court System: The Enforcement of Civil Judgments', *Columbia Journal of Asian Law* 10, No. 1 (1996).

60 See *Kitfix Swallow Group Ltd v Great Gizmos Ltd* [2008] EWHC 2723, paras 13-14; *Glaxo Group Ltd v. Genentech Inc* [2008] FSR 18 the Court of Appeal, paras 80-88.

There are a number of factors to consider before the courts exercise the discretion to grant a stay of proceeding⁶¹. In order to achieve the balance of justice between the parties, English courts would regard all the relevant circumstances of the particular case in considering the uncertainty surrounding the validity of rights, including: how long these overlapping proceedings would proceed; in what way the length of the stay of proceedings would affect the interests of both sides; what possible interim decisions might conflict with the final proceedings; what unnecessary costs or delay would be caused in considering the final result; whether ‘greater weight should be given to an assertion by a commercial party that it has a good reason for resisting a stay’.⁶²

Interim request for staying of proceeding?

Chinese courts do not substantially consider the interim and potential issues, and often ignore them arbitrarily on grounds of no direct influence on the main trial. Even though the same issue is raised again and again in similar cases, no specific inference can be used as guidance for later argument. In many cases⁶³, the judicial decision on stay of trial pending the invocation is a repetitive declaration of the general provision,⁶⁴ and no case in trademark law has ever been order an interim trial to explore the condition or circumstance for requesting stay of process. The refusal reason is always the same: ‘The filing notice regarding the revocation of trademark and its result would not affect the present case hearing; further, there was

61 See Benetton Group SpA v G-Star International BV [2008] E.T.M.R. H5.

62 See Glaxosmithkline Biologicals SA v Novartis AG [2009] EWHC 931, para 30,

63 There are lot of trademark infringement cases involving the request for stay process pending revocation. The following are typically cited. *CHNT Holding Share Co. v. CHYM Ltd.* (2005) No.14047 the first trial judgment of the Second Civil Division of the Intermediate Court of Beijing; and (2006) No.930 the final judgment of the High Court of Beijing; *Huan Bo Hai Ltd (Tianjin) v. CCTV of China* (2007) No. 1747 the first Trial Judgment of the Intermediate Civil Court of Beijing; *Deng Shi Yuan v. jinxing Qi Hang Science & Technology Ltd* (2006) No. 23770 the first trial judgment of Hai Dian District Civil Court; *Pfizer Products Inc. & Pfizer Pharmaceutical Chemistry v. WireMan* in No.1687, No.1684 No.11351, No.11350 judgments; *Starbucks Corporation and United Starbucks Coffee Shanghai Co., Ltd. v Shanghai Starbuck Co., Ltd*, No. 1 the first trial judgment by Civil Division 5 of the Second Intermediate Civil Court (2004); and No. 32 final judgment by Civil Division 3of the High Court of Shanghai.

64 The ground is that, staying is not a compulsory requirement, and that the revocation would have no effect on the infringement trial. See Article 136 of China CPR 2007 and article 52-55, trademark law 2001.

no compulsory requirement in CPR to stop an infringement hearing, pending a revocation result.’⁶⁵

In *CHNT Holding Share Co. v. CHYM Ltd.*,⁶⁶ the appellant (the defendant CHYM Ltd) appealed against the trial judgment because there was no proper consideration of an interim order. The appellant believed that there would have been a different result if the trial court had given a hearing of its request for a stay of action.⁶⁷ But the High Court affirmed the trial court's decision and said, ‘it is not an effective defence for the defendant to raise the stay pending a request to delay trademark infringement hearing, because the defendant's Chinese word mark is still in opposition stage, and it has no legal right to challenge the claimant's existed trade mark right’.⁶⁸

In this case, two causes of action were considered, trademark infringement and unfair-competition claims in the first trial. A prominent point in this case is that the claimant was a well known electric light producer with a trademark 'ZHNT', well known in the whole of China; the defendant was a common light producer in Beijing. The claimant was founded in 1994 and registered 'ZHNT' with Chinese characters, '正泰', together in 1997 on a lighting product, and in 1999 got the certification of a well-known trademark in China. The defendant registered its company 'CHYM Ltd' in 2003. It applied to register two marks on lighting; one was 'CHYM' with a circle shape together, and the other was Chinese words '正泰亚明'. Its first one was permitted as a trademark in 2005, but the second (Chinese words mark) was still in opposition process when the infringement suit against him was filed in the trial court.⁶⁹

In 2005 the claimant found that the defendant prominently used the Chinese words “正泰亚明” on its lighting package and in its website introduction. It sued the defendant for direct infringement of its trademark rights, with similar marks on the

65 See the judgment in *CHNT Holding Share Co. v. CHYM Ltd.* (n 198).

66 *CHNT Holding Share Co. v. CHYM Ltd* (2006) No.930 the Final Trial Judgment by the High Court of Beijing. 温州正泰集团股份诉北京正泰亚明有限公司因侵犯商标权及不正当竞争纠纷一案，北京市高级人民法院民事判决书（2006）高民终字第930号。

67 *CHNT Holding* (n 198), See the fact statements from the claimant.

68 *CHNT Holding* (n 198). See the fact statements from the claimant.

69 *CHNT Holding* (n 198). See the identified and confirmed facts by the judge.

same goods. It also sued for offending the anti-unfair competition law, by misleading consumers to buy the defendant's goods as the claimant's.⁷⁰

In the first trial the defendant applied to stay the trial process, pending the result of the opposition process in the administrative bureau, but the first trial court dismissed its application and held that the defendant had infringed the claimant's trade mark rights and offended the anti- unfair competition duty. The trial judge then awarded RMB 120,000 yuan.⁷¹

The defendant appealed to the High Court, mainly on the ground that the first trial court was wrong to refuse to stay the process which would affect assessment of the damage. The appellant (the defendant CHYM Ltd) appealed against the first trial judgment, but the appeal court did no more than follow the trial court decision, and simply reaffirmed what the trial judge had said.⁷²

In *Yun He Ren*⁷³, there would have been very valuable and guidance for a later similar issue, had it ascertained and interpreted the meaning of staying trial pending revocation process. Since the claimant's application for a trademark was three months later than the defendant's business name registration, and the claimant's wife once worked for the defendant, all this evidence had at least set up a probability to doubt whether the claimant was honest in his trademark registration. The claimant's registered trademark would be invalid if the claimant's trademark registration were proved in bad faith. So staying the trial process pending the result of revocation process should have been necessary, if the chance of revocation had been very high and the final remedy was too late or costly for the defendant. This is what a UK court would do.⁷⁴

The result of interim application in this case would greatly have influenced the ownership of the argued mark, and whether it was necessary to continue the infringement of trademark trial. But the trial court held the stay of hearing, and pending the result of trade mark revocation, had no direct influence on the

70 *CHNT Holding* (n 198). See the fact statements from the claimant.

71 *CHNT Holding* (n 198). See the fact statements from the defendant.

72 *CHNT Holding* (n 198). See No.14047 the first trial judgment.

73 *Yun He Ren Labour Service Ltd*, the full introduction of the case in Chapter Two.

74 See the judgement in *T-Mobile v O2* (n 29).

infringement hearing, since the defendant did not provide evidence to prove its design process on the argued mark. Such recognition is arbitrary. Whether further evidence is needed in process of trial, is always influenced by subsequent issues. The question is why the defendant should prove the process of its designed mark, rather than the claimant, especially where the trademark registration was challenged. Here the assumed burden of proof is arbitrary.

Likewise, how to identify a lawful licensing contract and to ascertain whether the defendant has justified grounds in selling the faked goods, is raised in *Levis Strauss* (concerning selling faked cloth)⁷⁵, in *Deng Shi Yuan* (concerning producing and selling faked welding tools)⁷⁶, and in *JinGo Adversary* (concerning producing and selling faked music CD).⁷⁷

Meaning of ‘without knowledge’ of infringement?

How to interpret and ascertain whether a licensing contract or trading deal is under the permission of the genuine IPR owner or exclusive licensee, has a fundamental effect on the whole infringement trial and consideration of damage. A trial court has, before making judgment, to clarify whether a licensing contract or trading deal claimed by the defendant is really legal, whether the argued acts (selling, storing, advertising, publishing, producing) is in or out of the contract, and how to ascertain the infringing duty and damage , especially among a non-name producer, big name seller or publisher. The doubts and issues in the cases mentioned above were not answered, but the courts made arbitrary declarations. The trial courts did not properly ascertain and interpret the meaning of ‘without knowledge of infringement’ in article 56.⁷⁸ If the information given in the main street shops is unclear about the trademark owner or legal licensing or permission towards the goods and service ; or if the trade dealer deliberately sells or purchases faked goods from unknown street peddlers or producers, should such trading be judged as direct

75 *Levis Strauss Co v. JinKoBi Ltd*. See the full introduction of the case in Chapter Two.

76 *Deng Shi Yuan v. Jinxing Qi Hang Science & Technology Ltd* (n 94).

77 *JinGo Adversary Company v Beijing Hai Chuan Disc Company* (2007) No.170, High People’s Court of Beijing. See the full introduction of the case in Chapter Four.

78 Article 56 of trade mark law 2001 says, ‘ Where a person unknowingly sells goods which represent an infringement upon another person’s registered trademark but can prove that they are obtained by himself lawfully and can identify the supplier, he shall not bear the liability to pay compensation’.

infringement or secondary infringement? How might selling fake goods in the main street be prevented? Is this mainly caused by untraceable or small producers, or by the big name sellers deliberately taking advantage of the minor duty of selling, as opposed to producing, in infringement calculation?

In *JinGo Adversary Company*⁷⁹, the faked CD sellers as defendants were big market traders (MeiLian Mei Supermarket and Beijing Hai Chuan Disk Company). The plaintiff cited all the defendants in the legal action and sued twice in respect of illegally producing, and selling faked music CD 'BANDARI ' in China. The producing defendants all defended on the ground that their producing acts were under a producing licence agreement with the CD publishers (JiangXi Studio, and Gong Zhou Studio), with the licensed number (ISRC CN-E21-01-302-00/A.J6). The defendants also showed the delivery receipt of 20,000 copies of CD music from the publishers. But even after the second trial, the final judgment in the second suit did not ascertain any infringing duty to the publishers (JiangXi Studio, and Gong Zhou Studio), and did not grant any damages to the sellers, producer and publisher. The courts confirmed the infringing duty owed to the producer on the basis that he did not properly check the legal position of the licensor (publisher). But the trial court and appeal court did not confirm the infringing duty on these big publishers, who had no any connection with the genuine CD owners but had licensed the producer to copy it. The final judgment, as confirmed by the appeal court, held that, the producer (Hai Chuan CD Ltd) should stop producing and bear RMB 900 of the legal cost and fee, and that the seller (Mei Lian Mei supermarket) should stop selling and take RMB 100 of the legal cost and fee. It dismissed the request of the plaintiff for damages.⁸⁰

The defence provided by the defendants in these cases was very different in respect of the nature of evidence, and infringing period and manners. Such difference reveals a cooperative role in this infringing chain. Some sellers may be not just sellers, but also involved in producing. But all these trial courts had not distinguished their different intentions from the purpose of law on direct and

79 *JinGo Adversary Company v Beijing Hai Chuan Disc Company* (n 128), the full introduction of the case in Chapter Four.

80 See the final judgment in *JinGo Adversary Company* (n 128).

secondary infringement, and had not interpreted their different effect on the infringing duty and damage calculation.⁸¹ From their application of the law, we cannot read out how the Chinese courts tried effectively to stop the selling of faked goods in the main street, and to guarantee the genuine IPR owners could get substantial damage compensation from the chain infringing acts, whenever in producing, selling, copying, licensing, broadcasting, etc.

It seems that for Chinese courts, a declaration of a statement of the provision has replaced the recognition the meaning of rules.⁸² There is no ascertaining process to develop or explore the connection between general provision and its specific situation. Facing different rights' protection, Chinese courts could not clarify and identify the specific condition to give a merit judgment. We have no chance to know for a Chinese court when is a situation where a staying process pending the result of a revocation might have affect on the infringement hearing⁸³. It is still a mystery in Chinese judgment what should be considered in determining whether a trade dealer has taken necessary steps to know and check that its act does not involve infringement of IPR.

Identification of goodwill and likelihood of confusion in trademark infringement?

81 According to Keller, selective and often arbitrary law enforcement, as well as widespread public indifference to legal rights, procedures and remedies is a common feature of the Chinese legal landscape. See Perry Keller, 'Sources of Order in Chinese Law', 42 Am.J.Comp. L. 711 (1994);

82 KKY Lai, Brand imitation: 'Do the Chinese have different views?' Asia Pacific Journal of Management, 1999 (1).

83 Recently in *Proview Technology (Shenzhen) v Apple Co* the Shanghai intermediate court used staying of pending to strike out an injunction application, which did not give us any more than an arbitrary declaration. It is not genuinely an example of stay of action. The stay was not instigated by the plaintiff, rather as a ground by the filing court to strike out a trial in the Shanghai court. While in *Proview Technology (Shenzhen) v Apple Ltd* for trademark infringement by using the mark 'ipad', the plaintiff applied for an interim injunction order for stopping Apple 's ipad sale in the China market. The Shanghai Pudong court struck out the plaintiff's file for pending the final judgment from the High Court of Gongdong. The Shanghai court held that granting an injunction order would be irresponsible and lacking of solid ground without the final judgment on trademark infringement from the Gongdong high court. Here I do not think that is a ground for rejecting interim injunction, given that it becomes meaningless to apply for an injunction after getting the final judgment. see <<http://www.reuters.com/article/2012/02/22/apple-proview-idUSL4E8DL5I120120222>>.

English court requires the potential problems or preliminary issues to be considered and even to be appealable if they directly influence the final decision.⁸⁴

Based on specific facts in each case, rules are set up by English courts in ascertaining the conditions to raise the issue of passing off and trademark infringement. English courts confirmed a rule of, no goodwill no passing off action, in a tort law claim;⁸⁵ where a claimant has no goodwill in the UK, he is unable to sustain a passing off action.⁸⁶ Three essential elements should be identified in passing off claims: goodwill or reputation attached to goods or services; a misrepresentation made by a trader in the course of trade to the public and prospective customers; and actual or potential damage to the business or goodwill.⁸⁷

Goodwill may be geographically limited. A reputation for goodwill in Birmingham is different from that found in London.⁸⁸ A registered trademark is protected and tested nationally, whereas a passing off action may only apply locally. 'As set out above, registered trade mark rights are only superior to passing off rights which are not established at the date of registration. Passing off rights which are established at the date of registration are earlier rights which invalidate the registration.'⁸⁹

After many similar cases, the boundary and rule between unfair competition and trademark infringement is still unclear in China.⁹⁰ We do not know whether reputation or goodwill on a mark used in dissimilar goods or services should be regarded separately as belonging to each user, or only as belonging to the prior user. The vagueness, uncertainty or loophole is filled up in England by cases, but in China it still remains after the final judgments.

84 See r 3.1 and r 1.4 of CPR, case management.

85 *Bollinger v Costa Brava* [1961] 1 W.L.R. 277 (product name 'champagne').

86 *Reed executive Plc v Reed Business Information Ltd* [2004] RPC 767.

87 By Lord Diplock in *Erven Warnink BV v Townend Ltd* [1979] A.C. 731; by Lord Oliver in *Reckitt v Borden Inc* [1990] 1 W.L.R. 491; endorsed in *Harrods v Harrodian School* [1996] R.P.C. 697;

88 *Guardian Media Group v Associated Newspapers Ltd; Associated News Ltd v Express Newspapers* [2003] EWHC 1322 (Ch)

89 See para 25, *Inter Lotto (UK) Ltd v Camelot Group plc Chancery Division* [2004] 1 W.L.R. 955;

90 Yougen Li, 'Analysis on the impact of the "Dilution Theory" on ruling of trademark cases, *Front. Law China* 2010, 5 (1), 27-55; Translated from *Fashang Yanjiu 法商研究* (Studies in Law and Business), 2008, (3): 134-145.

In *Gong Zhou Restaurant Ltd v. Cai Gen Xiang Restaurant Ltd*,⁹¹ the claimant (Cai Gen Xiang) alleged that the defendant (Gong Zhou Restaurant) had infringed its registered service trademark 'CAI XIANG GEN' on the Category 42 restaurant registered in 1995. The defendant registered in 1998 with 'CAI XIANG GEN' as the keyword and public name of its business. Its argument was that even if it thought both parties were in restaurant service, yet the word marks were different in arrangement order, meaning and style. Also (and especially) the claimant was located in the city of Guang Zhou, whereas the defendant was in Beijing, so that there was no chance of confusion on the part of local customers in mistaking the claimant's food as the defendant's.⁹²

In order to support its argument the defendant handed in the following evidence: since Oct 2004 there were no business licence recordings in the Industrial and Business Administration Bureau of Guang Zhou. The picture showed that the premise address of the claimant registered was a drug store not a restaurant. A website search reflected there were several similar registered trademarks in the restaurant service: 'JIN XiU CAI GEN XIANG', 'CAI GEN XIANG SHAN', 'DU SHI CAI GEN XIANG', 'MEIFENG CAI GEN XIANG', etc.⁹³

The trial court recognized that both parties' marks were very similar as to their meanings in Chinese, but a little different in their order arrangement. As a whole impression under normal awareness, their visual looks could easily cause confusion to a normal customer. Considering that they were in the same service field, the judge held that the defendant had infringed the claimant's trademark right and should pay RMB 500,000 yuan to the claimant.⁹⁴

The defendant disagreed with the first trial judgment and challenged it on the ground that it did not consider an important piece of evidence--- that the respondent's mark had not been used for several years, and that several similar

91 *Gong Zhou Restaurant Ltd v. Cai Gen Xiang Restaurant Ltd*, (2006) No.24340 the first trial judgment of Chaoyang Civil Court ,广州饮食公司诉菜香根酒楼公司侵犯商标权纠纷一案, (2006) 朝民初字第 24340 号民事判决,

92 *Gong Zhou Restaurant* (n 226). See the identified facts by the judge.

93 *Gong Zhou Restaurant* (n 226). See the fact statements from the defendant.

94 *Gong Zhou Restaurant* (n 226). See the identified and confirmed facts by the judge.

registered trademarks existed in China.⁹⁵ Surely it was hardly to justify the reputation on the mark owned by the plaintiff and the confusion caused by the respondent (defendant) if the defence was proved. But in the final judgement the trial court and appeal court both only affirmed the protection of the registered trademark right and did not explore the boundary: how to protect other rights and interests when facing different legal grounds and overlapping claims.

The same problem occurred in *Blue Lotus Culture*,⁹⁶ where the claimant registered ‘Blue Lotus’ as a trademark, and took action against the defendant (who had registered ‘Blue Lotus’ as part of his company name), for trademark infringement and unfair competition in 2006. The basic issue was also around how to understand and judge ‘confusion’ and ‘similar mark using on similar goods or service’. The claimant had a trademark right about ‘Blue Lotus’ and the defendant had a company’s name right on the same mark.

Even though the claimant registered his trademark prior to the defendant’s company’s name, a defendant’s usage of its name may not cause confusion among consumers. But after the first instance and appeal trials, the courts made the infringement judgment mainly based on the claimant’s trademark registration being earlier than the defendant's business name, so the defendant should respect the prior right and avoid using the similar mark in its business. Such decisions ignored the situation of concurrent reputation, non-continuous use, or several similar marks registered in the food service, which had caused reputation dilution and non distinctiveness.

Let us now consider a similar case from the balanced consideration an EU judge in *Lloyd v. Klijsen*:⁹⁷

95 The defendant listed several restaurants with similar names to prove the mark of the claimant was a common name. See the statement from the defendant, *Gong Zhou Restaurant* (n 226).

96 *Blue Lotus Culture company v Blue Lotus Food Company*, (2006) No.11273 the First Intermediate People ‘s Court of Beijing. See the full introduction of the case in Chapter Four.

97 *Lloyd v. Klijsen* [1999] E.T.M.R. 10, paraphrased from [17]-[23]. For a UK case showing the multiplicity of factors to be taken into account in confusion cases, see (eg) *Reed Executive v Reed Business Information Ltd* [2004] RPC 40.

The degree of recognition of a mark is one factor to be taken into account in the overall assessment of confusion. The greater the degree of recognition of the mark, the greater the likelihood of confusion with a similar sign, and vice versa; the likelihood of confusion must be properly substantiated and genuine — it must not be merely hypothetical or remote; the risk that the public might believe that the goods or services in question come from the same undertaking or from economically-linked undertakings, constitutes a likelihood of association, but not likelihood of confusion.

In making that likelihood of confusion assessment, account should be taken, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered; the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant section of the public which, because of the mark, identifies the goods or services as originating from a particular undertaking.

The general provision from both China Anti-competition law and England case law is well established and is that, the confusion cannot automatically be asserted, just because names or marks are identical or similar or prior in registration. The issue is whether the relevant public would be sufficiently confused and also what caused such confusion.⁹⁸ The Chinese courts cannot put all relevant factors together to illustrate how these factors influence each other, or to reveal the casual link between using a similar mark and its misleading of the relevant public. We can hardly see any specific recognition and identification on the facts to justify the meaning of confusion or the element of misleading in each specific case⁹⁹.

⁹⁸ See section 21, China Anti-competition Law and the UK case *Arsenal Football Club v Matthew Reed*, [2001] 2 CMLR 23., cf. *Reed executive Plc v Reed Business Information Ltd* [2004] RPC 767; *European Ltd v Economist Newspaper Ltd* [1998] FSR 283.

⁹⁹ Lack of specific connection between similarity, confusion and misleading is very common in the following cases: *Blue Lotus Culture company v Blue Lotus Food Company*; *Lacoste (Paris) Ltd v Crocodile International Pte Ltd*; *The Forge Plant of Jiahe county v Huaguang Machinery Ltd*; *Li Huiyan v Wanjiang CO.of Dalian*; *Weiyada Pen of Ningbo v Chenguang Stationery* ; *Qingdao Hisense Electronic Co. v Qingdao*

It appears that in a Chinese judge's view, once there is similarity there is confusion, and once there is confusion it must be caused by a later mark user or a local user. The reasons for this offend our common sense after reading the judgments. Nor do the Chinese judges make clear what is the purpose, in statute law, of proving a mark's reputation and confusion in infringement claims. It is still uncertain how a Chinese court deals with the relationship between protection of a registered trademark right, and an unregistered trademark and a business name, if an identical or similar mark is used in similar goods or services.

The Chinese courts lack the process of identification of specific facts, and ascertainment of the meaning of law under specific situations, as a UK court does¹⁰⁰. English courts hardly believe that one legal right is absolutely superior to others.¹⁰¹ English courts dig into detailed and specific facts in each case and confirm that goodwill may attach to one trader or to a number of them collectively. But the larger the number of those sharing goodwill, the harder it may be to establish distinctiveness in the public mind.¹⁰²

It is possible that each of two traders has built up an independent reputation quite honestly in the same or similar mark. If one can show that he has the reputation in a business name for a particular area, the other will not be permitted to use the name in that area; if each has built up his reputation in his own locality and both are expanding business into intermediate territory, neither may be able to show

Hisense Computer Co (2007); Neimengu Mengniu Dairy Group Co. v Neimengu Wine Co, Dell International Ltd v Dell International English of Beijing.

100 L'Oreal v. Bullure Investments [2007] EWCA Civ 936; Barclays Bank plc v. RBS Advanta [1996] RPC 307 at 315; also Vodafone Group plc v. Orange Personal Communications Services Ltd [1997] FSR 34; Wolters Kluwer Ltd v. Reed Elsevier Ltd [2006] FSR 28. O2 Holding Ltd v. Hutchinson 3G Ltd [2007] ETMR 19.

101 See p 201, Dicey, AV, *An Introduction to the Study of the Law of the Constitution*: 'We can hardly say that one right is more guaranteed than another. Freedom from arbitrary arrest, the right to express one's opinion, the right to enjoy one's own property, seem to Englishmen all to rest upon the same basis, namely, on the law of the land. To say that 'constitution guaranteed' one class of rights more than the other would be to an Englishman an unnatural or a senseless form of speech.'

102 Vine Products Ltd v Mackenzie Ltd [1969] R.P.C. 1. Cf. Conran v. Mean Fiddler Holdings Ltd [1997] FSR 856. Tesco Store Ltd v Elogicom Ltd [2006] ETMR 91.

that the public there associate the name with him so as to lead to passing off by other.¹⁰³

3.2.3 Arbitrary and Mechanical Identification of Damage

The normal aim of an award of damages is to compensate the plaintiff for the harm caused him by the infringement. Most IPR cases in China are about rights infringement, subject to a tortious action and sometimes also a breach of licence. Generally, the victim may recover for any loss which was foreseeable, caused by the infringer, to put the victim back to his position before the infringement action. According to CPL 2007 and IPR laws, calculating damages in copyright, trademark and patent infringement matters is similar, and includes the following types of potential recovery: actual damages of the plaintiff; the infringer's illicitly gained profits; and statutory damages or general royalty fee.¹⁰⁴

But for IPR infringement, there is a specially regulated distinction between direct infringement and secondary infringement, which affect the different remedies for a direct infringing act and a secondary infringing act.

According to the China Trademark Law 2001, Article 56:

the amount of compensation for the infringement of the exclusive right to the use of a trademark shall be the income obtained by the infringer ... A person selling goods without

103 *Habib Bank Ltd v Habib Bank AG* [1982] R.P.C. 1; *Gromax v Don & Law* [1999] R.P.C. 367. cf. T-104/01 *Oberhauser v OHIM* [2002] ECR II-4359.

104 See Copyright Law 2001, Article 50: 'For the purpose of preventing the act of infringement and under the circumstances where the evidence could be lost or is difficult to obtain afterwards, the copyright owner or copyright-related right owner may apply to a people's court for evidence preservation before he initiates an action.' Also Trademark Law 2001, Article 56: 'The amount of compensation for the infringement of the exclusive right to the use of a trademark shall be the income obtained by the infringer from the infringement within the period of infringement or the loss suffered by the infringe from the infringement within the period of infringement. The loss suffered by the infringe shall include his reasonable expenses for preventing the act of infringement. If the income obtained by the infringer from the infringement or the loss suffered by the infringe from the infringement mentioned in the paragraph above is difficult to ascertain, the people's court shall judge the compensation not exceeding 500,000 yuan depending on the circumstances of the act of infringement. A person selling goods without knowing infringement of the exclusive right to the use of the registered trademark who is capable of both to evidence the goods he obtains in a lawful manner and to provide the supplier shall not have the responsibility for compensation'.

*knowing infringement of the exclusive right to the use of the registered trademark who is capable of both to evidence the goods he obtains in a lawful manner and to provide the supplier shall not have the responsibility for compensation*¹⁰⁵

For a Chinese court, a legal purchasing receipt with a supplier name on it is the main evidence required to prove the defendant did not know he was engaging in illegal selling, and that he had met the requirement of Article 56 ‘in a lawful manner’. In most infringement cases, the situation is often that the large retail traders provide their purchasing receipt from small untraceable producers, rather than directly from trademark owners or enfranchised licensees. Then large retail traders use such purchasing receipts as evidence to prove that they are only secondary infringers, to avoid paying damages. If IPR owners try to sue the faked goods producers or supplier for the direct infringement damage, they often find such suits to be meaningless, because the small producers have no money to pay damages, or they suddenly disappear from the registered address.¹⁰⁶ These claims by the large retailers are upheld in most IPR infringement cases. In *Pfizer Products Inc.*,¹⁰⁷ the final judgment held that the drug seller (Lian Hua Supermarket) did not need to pay damage but should just stop selling, on the ground that the legal purchasing receipt proved that he did not know they were illegal medicines.

A reasonable business dealer has to wonder how only a legal purchasing receipt could prove the defendant did not or should not know the drug in sale was illegal medicine. In most trademark infringement cases, the Chinese courts have used such reasoning to deny compensation from large retail traders to the mark owner.¹⁰⁸

It appears that Chinese IPR law and courts have not set up a clear rule to check the marketing process in order to guarantee the seller or other secondary infringers

105 Such provision is also stated in Copyright Law 2001, see article 48.

106 No decent damage awarded is one of the main complains for IPR owner about IPR enforcement in China. See the IPR Enforcement Report 2009, Brussels, SEC (2009) 1360, by Commission of the European Communities, and the US government.

107 *Pfizer Products Inc. & Pfizer Pharmaceutical Chemistry v. WireMan Pharmaceutical Chemistry* (2007) No.1687, and No.1684 - the final judgments. See the full introduction of the cases in Chapter 4.

108 See *Deng Shi Yuan v. Jinxing Qi Hang Science & Technology Ltd* (n 94).

really did not know nor had no reason to know his behaviour was likely to involve piracy and counterfeit.

It would be unbelievable for a UK court to make a secondary infringement decision based on such evidence. As in China, secondary infringement is exempted from liability for damage, under section 10.¹⁰⁹ But UK law strictly and clearly identifies what action is genuine secondary infringement, what is merely alleged to be secondary infringement, and whether infringer knew or had reason to believe his behaviour was likely to involve infringement.¹¹⁰

In determining whether a service provider has actual knowledge for the purpose of this section, a court shall take into account all matters which appear to it in the particular circumstances to be relevant and, amongst other things, shall have regard to

(a) whether a service provider has received a notice through a means of contact made available in accordance with regulation 6(1)(c) of the Electronic Commerce (EC Directive) Regulations 2002 (SI 2002/2013); And

(b) the extent to which any notice includes -

(i) the full name and address of the sender of the notice;

(ii) details of the infringement in question.

In *Handi-Craft Co v B Free World Ltd*,¹¹¹ the first claimant traded in a particular type of anti-colic baby bottles. The claimants sued the first defendant, alleging that he had used on its own products a logo similar to the claimants' product, and pretended "Y" bottles were a renamed version of "X" bottles (the claimants'). The claimants claimed patent, copyright and registered community trade mark infringement and passing off by the first, fifth to eighth and tenth to twelfth defendant corporate and personal bodies (selling directors).

109 Section 10 of TMA 1994, 'Infringement of registered trade mark':

'(5) A person who applies a registered trade mark to material intended to be used for labelling or packaging goods, as a business paper, or for advertising goods or services, shall be treated as a party to any use of the material which infringes the registered trade mark if when he applied the mark he knew or had reason to believe that the application of the mark was not duly authorised by the proprietor or a licensee.'

110 See TMA 1994, s. 11.

111 *Handi-Craft Co v B Free World Ltd* [2007] E.C.D.R. 21.

In identifying the infringement liability, the court held that it was appropriate to extend that liability to the seventh, eighth and twelfth defendants as directors of the offending companies:¹¹²

there was secondary infringement, i.e. there was importation, possession and distribution, etc., of these bottles with the relevant knowledge that the defendant's bottles with the printed packaging therefore were undoubtedly imported and/or distributed in the course of business and/or sold within the jurisdiction by all of the UK corporate defendants who were the main defendant's alter ego. They therefore possessed the relevant knowledge at the time these acts were carried out. All the other defendants were also guilty as joint tortfeasors.

In relation to damages, English courts have, through cases, set up how to understand the meaning of 'know or had reason know' in construing behaviour as secondary infringement. They stress the normal practical business duty, in purchasing, to check whether the product is from genuine IPR owners or the legal licensees.¹¹³ If the check has not reached a prudent reasonable level, then sellers fail in defending their undertaking on the ground that they did not know the goods were fake.

In Chinese courts, there is no proper calculation of damages because of poor case management, a failure to identify what damage is associated with what infringing acts, and a failure to confine the causal connection between claims and the infringing action.¹¹⁴ So even if there are several infringing actions, as in *Levis Strauss* (concerning selling faked cloth),¹¹⁵ in *Deng Shi Yuan* (concerning producing and selling faked welding tools), and in *JinGo Adversary* (concerning producing and selling faked music CD), the Chinese courts just calculate the selling damage ---

112 See *Handi-Craft Co v B Free World Ltd* [2007] E.C.D.R. 21, H7.

113 A claimant can bring only one claim in respect of a single wrong. He cannot maintain a second claim based on the same facts merely because the damage turns out to be more extensive than was anticipated. He can recover damages once only and the cause of the action is extinguished by the claim.

But if one and the same act violates two rights which are accorded separate protection by the law, there are two separate causes of action, and the prosecution of one will not bar proceedings in respect of the other. Cf,

Fetter v Beale (1701) Holt K.B. 12; *Brunsdon v Humphrey* (1884) L.R. 14 Q.B.D. 141; *Lim Poh Choo v Camden* [1980] A.C. 174; *Road Tech Computer Systems Limited v Mandata (Management and Data Services) Limited*. [1996] F.S.R. 805.

114 See the discussion in Chapter Two: *Hao You Duo Supermarket v. Wan Ke Long Ltd.*

115 *Levis Strauss Co v. JinKoBi Ltd*, the full introduction of the case in Chapter Two.

how many fake goods had been sold, ignored the secondary infringing acts---importing, publishing, licensing and advertising.

In *Deng Shi Yuan v. jinxing Qi Hang Science & Technology Ltd*,¹¹⁶ the claimant (Deng Shi Yuan) brought overlapping claims against the defendants for infringement. He alleged that the defendant (Jinxing Qi Hang Science & Technology) had infringed his trademark right and offended anti-unfair competition law, by illegally producing and selling faked welding tools under his trademark name and package. In order to prove that the defendant not only illegally sold, but also illegally produced its products, the claimant proved that every authorised 'GORDAK' seller had signed with him a genuine guarantee of quality, and that he had not found any other seller who had sold faked goods, including the non-party that the defendant had stated. The claimant pointed out that the defendant had sold his products for several years, and was quite familiar with genuine products. The item in the defendant's receipt of 100 welding tools from a non-party seller was clearly added later, with different handwriting, and could not prove that these 100 products were from a legal authorised seller.¹¹⁷

The court confirmed that the defendant was under a duty in respect of the illegal production, if he could not provide evidence of where the faked products came from. But the defendant had provided a non party seller's bill. Then the court held that both possibilities existed, that they might have been faked by the defendant or faked by a non-party. Based on such uncertainty, the trial court dismissed the claimant's claim for illegal production, since the claimant had failed to satisfy the standard of proof.¹¹⁸

In the end, because there was no arrangement for cross-examination about illegal production, only one claim of the plaintiff's two claims towards the

116 *Deng Shi Yuan v. jinxing Qi Hang Science & Technology Ltd* (2006) No. 23770 the first trial judgment of Hai Dian District Civil Court. 邓仕元诉金信启航科技有限公司 侵犯商标权及不正当竞争纠纷一案, (2006) 海民初字第 23770 号.

117 See the statement from the plaintiff in *Deng Shi Yuan* (n 94).

118 See the applied statutes and legal issues addressed by the judge, in *Deng Shi Yuan* (n 103). as for the genuine connection in use and similarity, see *In Sabel v Puma*, see further P.Torremans, 'The Likelihood of Association of Trademarks:' [1998] IPQ 195-310; *Canon Kabushiki Kaisha v Metro-Mayer Inc* [1998] ECR 1-5507; *Marca Mode CV v. Adidas AG* [2000] All ER 694, at 16,17; *Wagamama Ltd v City Centre Restaurants* [1995] FSR 713.

defendant's infringement was decided. In fact, the plaintiff suffered even more loss in protecting his IPR with two claims than if he had only brought one claim, because he got nothing to compensate him for the legal fees which he had incurred. In China overlapping claims by litigants are discouraged to resolve their all arguments in one suit.

In *Hao You Duo*,¹¹⁹ both the plaintiff and the defendant disagreed with the damage calculation of the first trial judgment and appealed to the High Court. The plaintiff appellant said he had provided enough evidence in proving its economic loss, and also expressed a willingness to disclose more computer data if needed. The damages calculation should have been based on its genuine loss in the infringing period. The defendant appellant argued that the amount of damages decided by the first trial court was unreasonable and there was no direct causal link proved between the plaintiff's loss and the defendant's undertaking.

The appeal court confirmed the trial court's method based on the average profit calculation by reference to the general department store's data from the Statistics Bureau of Gongzhou. The judge said both parties' methods were unrealistic. However, he did not put forward his method in the first trial, and allowed both sides to argue why his method was realistic and fair to this case. Even in the appeal process, there was no interpretation on why using average profit of last year should be fair and acceptable. There is no detailed interpretation of what compensation methods should be used, based on the actual damages of the plaintiff; the infringer's illicitly gained profits; statutory damages or general royalty fee, or average profit in its industrial field.

Based on the real damage or nearest profit in the specific case to consider infringement, this is just the English court's manner in *Hollister Inc v Medik Ostomy Supplies Ltd*¹²⁰. When the claimants sued the defendant for trademark infringement by selling parallel imported medical goods without prior notice to the trade mark owner, there was no argument about the nature of infringement. The main argued issue was about how to calculate the damage. The claimant H pursued an account of profits as the relief on liability based on the sale price values. The defendant M

119 *Hao You Duo Supermarket*, see the full introduction in Chapter Two.

120 *Hollister Inc v Medik Ostomy Supplies Ltd*, [2012] F.S.R. 17.

argued the profits derived from the infringement was nil, or a token sum, because that the acts of infringement were due solely to the failure of giving adequate notice rather than selling faked goods, and that H had not suffered any damage caused by that failure. The trial judge Birss QC, first reaffirmed the long set up principle about infringement¹²¹ :

'The proprietor can choose which remedy to seek, damages for loss or an account of profits, but cannot have both. They are freely entitled to choose the one they think will give them the largest sum of money. In this case the claimants chose an account of profits.'

Then he checked the specific situation in this case¹²²:

'The purpose of apportionment of costs is to try and arrive at a fair figure for the costs properly to be regarded as relevant to a product or activity—in this case the parallel importing and repackaging of product [rather than counterfeiting infringement or hindering a proprietor's battle against counterfeiting]'.

In the end he held the damage should be calculated based on package unit rather than sale price¹²³:

My reasons for this are as follows. Medik is not a manufacturer, it is a trading business. Medik buys goods in and then sells them on at hopefully a higher price. For goods which are not repackaged, the sale price is therefore generally just a function of the purchase price (plus a margin). The sale price is not a function of work carried out by Medik on the goods. For goods which are not repackaged, the only processes Medik performs on the goods are to bring them in, warehouse them and send them out. ' I will award the claimants half of Medik's profits. That seems to me to be an effective deterrent to dissuade those engaged in repackaging and relabelling from not giving notice which accords with being proportionate to the reality of this case as a breach of a procedural requirement and nothing more.

The damage principle in Chinese IPR law also stipulates that if a copyright or trademark right is infringed, compensation shall be paid according to the actual loss of the right owner or account of profits earned by the infringer. The compensation shall also include the reasonable expenses of the right owner for preventing the act

121 See *Hollister Inc*, (n 255), para 32.

122 See *Hollister Inc*, (n 255), para 81.

123 See *Hollister Inc*, (n 255), para 85-86, 129.

of infringement. If the actual loss of the right owner or the illegal gains of the infringer could not be ascertained, the people's court shall judge the compensation not exceeding RMB 500,000 yuan depending on the circumstances of the act of infringement¹²⁴.

But in adjudication, it seems once there is a dispute about the damage calculation, the Chinese court would automatically conclude that 'the actual loss or the illegal gains could not be ascertained,' so it is up to the judge to give an arbitrary decision. Unlike the English courts China courts do not attempt to find the nearest loss or gain from the parties' arguing information. In *Starbucks Corporation*¹²⁵, the compensation claimed by the plaintiffs was RMB 1,060,000, comprising RMB 500,000 for economic losses and RMB 560,000 for reasonable expenses and legal fees. The court held that the calculation was on the basis of the profits made by the defendants from the infringement. Since it was hard to determine the profits made by the two defendants from the infringement of trademark and unfair competition, the compensation could be lawfully determined as RMB 500,000, on average calculation.¹²⁶

As to whether the other four trademarks claimed by Starbucks Corporation and United Corporation were well-known trademarks and therefore should be given higher damage compensation,¹²⁷ the court held that since the two trademarks, "STARBUCKS" and "星巴克", were determined as well-known, and thus sufficient and effective legal protection already had been given to the plaintiffs' rights, there was no necessity to determine whether the other four trademarks were famous or not. Therefore, the plaintiffs' claim was not upheld.¹²⁸

124 See article 46 of Copyright law 2001 and article 56 of trademark law 2001.

125 *Starbucks Corporation and United Starbucks Coffee Shanghai Co., Ltd. V Shanghai Starbuck Co., Ltd.* See the full introduction in Chapter Four.

126 See *Starbucks Corporation*, in the No.1 the first trial judgment.

127 From 2001 Up to June 2010, the Chinese courts have identified over 200 well-known trademarks through hearing of cases according to law. At present, 17 Higher Courts of provinces, autonomous regions and municipalities directly under the Central Government have filed 203 well-known trademarks at the Supreme Court. See, <<http://bjgy.chinacourt.org>; <http://www.hshfy.sh.cn/flws/index.jsp>>.

128 See *Starbucks Corporation* No. 32; final judgment. The UK court will consider every overlapping claims which has facts to be relied on: see the judicial reasoning's in case *Catnic Components, Lucasfilm, BSW, Dyson*.

In Yinte Laige Co. v. Kegao Co.,¹²⁹ the appellant (the defendant in the first trial) challenged the first trial judgment on the ground that the respondent had got a patent right for industrial design about its products - toddler toys, building blocks, and should not be awarded double protection regarding the same aesthetic design under copyright law and patent law. The appellate court affirmed the first trial decision and held that there was no Chinese IPR statute law which prohibited overlapping protection of the same creative design. On the other hand the High Court also mentioned that the overall impression of the claimant's design was not very high in terms of novelty and originality, and that the reputation or goodwill on the building blocks was limited and not high enough, so that the claimant should be awarded a lower compensation.¹³⁰

It is impossible to assume that: if one claim is successful and received compensation, then other claims do not need to be considered because sufficient and effective legal protection had already been given to the plaintiffs' rights¹³¹; if defendant could provide purchasing receipt then there is no need to consider producing damage; if there is disagreement between parties about the method of calculating the damage, then the court does not need to notice both sides but can directly use an unexpected way to decide compensation¹³²; and that once infringement is already recognised and confirmed, there is a need at the damages stage to evaluate the extent of novelty and originality in a work, in deciding how much compensation should be given.¹³³

3.3. Conclusion

English trial court comprehensively ascertains the reputation and goodwill of a designed mark used as business name, brand name, logo, or trademark. Through identifying the usage for commercial exploitation or non-commercial intention, distinguishing between overlapping claims with substantial facts or mere doubts

129 *Yinte Laige Co. v. Kegao Co.*, High Court of Beijing (2002) No. 279 civil final judgment of the High Court of Beijing.

130 See *Yinte Laige Co. v. Kegao Co.*, the decision part in No. 279 final judgment by the High Court of Beijing.

131 In *Deng Shi Yuan v. jinxing Qi Hang Science & Technology Ltd.* (n103).

132 In *Hao You Duo Supermarket v. Wan Ke Long Ltd* in Chapter Two.

133 In *Yinte Laige Co. v. Kegao Co.* in Chapter Two.

about infringement to identify genuine claims, and contrasting protection of information or expression to identify the subject matters and its protection period, English courts have tried to set up cogent and consistent rights boundaries to decrease overlapping claims in IPR.

In China, the general provisions in IPR statutes have allowed a large area of judicial discretion. Through analysis of the cases involving interim request for staying of proceedings, through proof of the meaning of 'without knowledge' of infringement, and through identification of goodwill and likelihood of confusion in trademark infringement, the Chinese courts have showed that their judgments lack clear and consistent recognition of the meaning of applied rules. There is no proper compensation for infringement based on arbitrary and mechanical identification of damage. IPR rules and statutes in Chinese cases are applied like 'window dressing' garnishing the judge's arbitrary discretion. Chinese legal decisions not only cause conflicting results among similar cases, but have also lost a chance to gradually develop and enrich the understanding of the statute law on a case by case basis as in England.

Chapter Four: Legal Finality, Issue Estoppel and Consistency

In Chapter Three we discussed the conduct of the defendant and the potential for multiple and overlapping claims based on different causes of action by IPR owners seeking a remedy. IPR substantive law identifies the boundaries of rights to guarantee that final judgment in one suit resolves issues and includes all argued claims, guarding against later challenges to enforcement on the basis of unsolved issues. This chapter will discuss how the trial system strengthens the binding force of judgments in order to achieve the finality of litigation and efficiently enforce judicial decisions. The trial system maintains the binding force of its judgments against relitigating by way of *res judicata*, estoppel and abuse of process.

4.1 Legal Finality in England

Res judicata is a doctrine intended to ensure finality in the dispute resolution process, by ensuring that issues which have already been decided are not relitigated. Abuse of process, a doctrine that is accepted in England, is also intended to ensure finality, though the principles upon which it operates are different from those underlying *res judicata*.¹ This doctrine has the goal of avoiding piecemeal litigation. Thus, when relief is sought through a judgment, a subsequent lawsuit might be barred where a prior lawsuit: (1) involved the same parties; (2) involved the same claim of cause of action as the later suit; and (3) was terminated by a final judgment on the merits.²

Finality in the dispute resolution process is central to the strong protection of intellectual property rights, but IPR also poses particular difficulties in this regard. There is the fact that situations continually change; a trade mark that is distinctive today may fail to be so tomorrow. Disputes will often affect third parties; thus, for example, if a claim for revocation of the validity of a trademark succeeds, its valid

¹ See 'Finality in Civil Proceedings', Neil Andrews, *English Civil Procedure: Fundamentals of the New Civil Justice System*, (Oxford University Press 2003) Ch 40.

² See 'Final Decision' in John O'Hare & Kevin Browne, *Civil Litigation*, (Sweet & Maxwell, 2005), page 520.

registration will potentially affect everyone in the world, and not just the parties to the dispute. It is also the case that parts of IPR, such as the registration of patents and trademarks, ideally require finality of administrative procedures, which have not been the subject of judicial adjudication. In these respects IPR disputes pose problems for the *res judicata* doctrine, which are greater than those posed in the case of most other types of dispute.

Finality issues lie at the very core of principles of IPR protection. For example, the need for the very development of the trade mark, in the UK in the Nineteenth Century, arose because of the difficulties otherwise facing claimants bringing successive passing off actions³. Registration of a trademark provides protection essentially against the whole world, it is more convenient and direct to prove trademark infringement with statutory rules than proving passing off under goodwill of case law. Though conceptually they are quite disparate, the avoidance of continual litigation is also the main justification for a strong *res judicata* doctrine, and for the concept of abuse of process. Another problem with IPR is that of overlapping protection from substantive laws, a single act can give rise to multiple causes of action.⁴

4.1.1 Legal Finality Facing Challenge from Overlapping Intellectual Property Rights

Overlapping intellectual property rights are very common; indeed this is one main characteristic of IPR laws. Two or more IPR rights might subsist in the same subject. For example, a document might be subject to copyright and to an obligation of confidence. An article of manufacture might be subject to patents, design rights and trademarks. A pictorial trademark might also be subject to copyright.

So in IPR law, a single act of infringement by a defendant may easily violate several rights of the claimant. For example, company A uses a very similar packaging and trademarks in his products to that of company B, causing confusion and damaging B's reputation. B might choose to sue company A for breach of his

3 See generally, David Bainbridge, *Intellectual Property* (5th ed, Person Education Ltd, 2002), 533-534; Cornish & Liewelyn, *Intellectual Property: Patents, Copyright, Trademarks and Allied Rights* (5th ed, Sweet & Maxwell, 2003), 573-575.

4 See the discussion in Chapter Three from the point of substantive law.

design right, or his registered trademark right. An employee might be involved in infringement of copyright by the act of making a copy without permission, and a serious breach of confidence to her employer, in giving the copy to a competitor. There might also be a breach by the latter party, if he realises or ought to realise that the report is confidential. The employer could dismiss the employee for breach of contract of employment or sue the employee for infringement of copyright, and an injunction could be sought against the competitor, restraining him from using the information and from divulging it further.

In legal systems where different courts hear different causes of action, this allows a party to bring separate cases, where legal rights in each action rest on different legal relationships or legal grounds. In jurisdictions adopting such systems, it is not contrary to the doctrine of *res judicata* if the same issue arising from different IPR laws is raised in more than one suit, by the same litigants in civil litigation. Thus, what often happens in practice is that where one claim fails, the claimant uses another claim to obtain a remedy. Moreover, in such systems the structure of claims may not allow litigant to raise multiple causes in one suit.⁵

But modern civil procedure, at any rate in England, prevents a party from relitigating the same subject matter. The litigation system encourages the party to frame the whole story together in a single action, raising multiple causes of action based on different IPR grounds or statutes, to solve all his arguments and rights claims concerning one issue.⁶ This allows courts to design several methods or doctrines in process, such as cause of action estoppel, issue estoppel, *res judicata* and abuse of process, to prevent relitigation. In one multi-claims suit courts also use abuse of rights to compromise different remedies and to provide legal protection for a person's intellectual property.⁷ For example, in an infringement action between A and B, the *res judicata* doctrine will require the court to review how many of A's rights are violated, or how many wrongful acts are committed by B. The court will

5 See Mary Kay Kane, *Civil Procedure* (West Group, 1996), 213-219.

6 See Pippa Rogerson, 'Issue estoppel and abuse of process in foreign judgments' (1998) 17 CJQ 91; Nina Zaltzman, 'The effect of a change in the law upon issue estoppels' (1994) 13 CJQ 156.

7 See Nina Zaltzman, 'The effect of a change in the law upon issue estoppels' (1994) 13 CJQ 156.

also require an inquiry into B's rights, and A's wrongs, in order to discover whether B also has a potential claim against A, arising out of the same series of events, which may constitute a separate cause of action in a permissive pleading.

Where civil procedure rules require resolution of all material conflicts in one suit, the res judicata doctrine should prevent either party from later raising any issue which was, or could have been, raised at the trial. Arguably this is to allow rules of procedure to defeat rehearing of a claimant's cumulative IPR rights. However if the judge in the former case has allowed the hearing of all the issues in one suit, were a later court to allow one party to use new facts to challenge the same (decided) subject matter, this can be considered improper and unjust, both in terms of the interests of the individual IPR litigants, and the public interest. On the other hand, if the judge in the former case could not structure and solve all conflicts in one suit, but the later court refuses to file unsolved issues around this same subject, this would also create injustice. So it is very important to scrutinize whether a judge has encouraged parties to put forward all their argument together in one suit and has properly heard them before the court reverts to res judicata and abuse of process.

This chapter considers when, where and how the courts use the procedural measures of cause of action estoppel, issue estoppel or abuse of process to control a case hearing, and their effect on IPR protection in England and China. The chapter analyses the way in which judges approach the problem, including the way in which an interlocutory ruling is conveyed to the litigant, and the understandings of the cause and nature of the problem.

4.1.2 Relationships between Cause of Action Estoppel, Issue Estoppel and Res Judicata

As we know, all judicial systems require and seek to preserve the finality of litigation. Once claims or pleadings are successfully proven and meet the requirements of the cause of action, the judge will make a final decision or judgment. In civil proceedings, the court can from time to time make an interlocutory ruling on the issues in the case. Other than this, and in the absence of appeal, the parties must accept and be bound by the judicial order, decision or final

judgment. They cannot bring the same cause of action to relitigate the same issues in a later litigation.⁸ The doctrine of *res judicata* maintains the binding effect of a judgment. Courts fully rely on the technicalities of cause of action estoppel and issue estoppel to promote *res judicata* in England, supplemented by abuse of process to promote finality.

According to the Oxford Law Dictionary, a cause of action is defined as the facts that entitle a person to sue. It is usually revealed in the statement of claim.⁹ The cause of action is the heart of the statement of a claim. The core propositions in contention and the central issue of the case are the elements of the cause of action. A working case theory should deal with the legal elements of the case.

Without an adequately stated cause of action, the claimant's case can be dismissed at the outset. The cause of action of a suit should introduce the applicable legal rule, the facts (what has happened to the claimant), and a causal conclusion that flows from the application of the law to those facts. The statement of claim should disclose all the facts necessary to support such conclusion.¹⁰ For example, in a claim for infringement of trademark, the cause of action should include the following: a registered trade mark certification; the way in which the trade mark rights have been infringed; and a calculation of loss and damage.

Cause of action estoppel arises where the cause of action in the later proceedings is identical to that in the earlier proceedings, the latter having been between the same parties or their privies and having involved the same subject matter. In relation to the effect of cause of action estoppel, Lord Keith said in *Arnold v. National Westminster Bank plc*:¹¹

The bar is absolute in relation to all points decided unless fraud or collusion is alleged, such as to justify setting aside the earlier judgment. The discovery of new factual matter which could not have been found out by reasonable diligence for use in the earlier proceedings does not, according to the law of England, permit the latter to be re-opened.

8 See *Finality in Civil Proceedings*, Neil Andrews (n1) chap. 4

9 Oxford Dictionary of Law (2003), 5

10 For a fuller discussion, see also Elizabeth Cooke, *The Modern Law of Estoppel* (Oxford University Press, 1999), 1-15.

11 *Arnold v. National Westminster Bank plc* [1991] 2 AC 93, 104 D-E.

Issue estoppel arises in relation to an issue that has previously been litigated and determined between the same parties or their predecessors in title. The issue must be an essential element of the claim or defence in both sets of proceedings. It may arise where later a party wishes to rely on new evidence or a new argument to change the former decision on that same issue.¹²

Lord Keith said that issue estoppel:¹³

may arise where a particular issue forming a necessary ingredient in a cause of action has been litigated and decided and in subsequent proceedings between the same parties involving a different cause of action to which the same issue is relevant one of the parties seeks to re-open that issue.

Issue estoppel is mainly used where a final decision on an issue has been made in the previous proceedings, then the identical or relevant collateral issue arise to be relitigated in the later proceedings. The claims based on the identical or relevant collateral issue will be dismissed or not reconsidered by the later court, and the later court will accept the former decision made in the previous proceedings.

Res judicata is the principle that when a matter has been finally adjudicated upon by a court of competent jurisdiction it may not be reopened or challenged by the original parties or their successors in interest.¹⁴ Its justification is the need for finality in litigation. Originally the binding effect of res judicata was exactly the same as that of cause of action estoppel. Now res judicata also includes issue estoppel, when it extends to bar an issue that one of the parties seeks to re-open involving a different cause of action. This is regarded by jurists as a form of collateral estoppel.¹⁵

12 Oxford (n 9), 266.

13 *Arnold* (n 11), 105D–E.

14 Latin: a Matter that has been Decided, Oxford (n 9), 431

15 In *Yat Tung Investment Co Ltd v Dao Heng Bank Ltd* [1975] AC 581, Lord Kilbrandon said at 589: The second question depends on the application of a doctrine of estoppel, namely res judicata. ...that the true doctrine in its narrower sense cannot be discerned in the present series of actions, since there has not been, in the decision... But there is a wider sense in which the doctrine may be appealed to, so that it becomes an abuse of process to raise in subsequent proceedings matters which could and therefore should have been litigated in earlier proceedings.

Thus there is no doubt that *res judicata* will totally prevent one party from suing on the same issue in the same cause of action in a later process; cause of action estoppel bars reopening all points which had or should have been decided in the first suit. However, a judgment should resolve the issues around the same cause of action, or separate causes of action pleaded, which is the precondition of enforcing *res judicata*. Civil procedure relies on issue estoppel to curb relitigating about the same issue, in later proceedings in separate causes of action.

Issue estoppel is often invoked when separate causes of action are presented in the first and second suits. It prevents the relitigation of the same issues, regardless of what causes of action actually were litigated in the first suit. Cause of action estoppel is often invoked when litigants pursue the same claims or counterclaims with slightly different facts in the first and second suit. It prevents the relitigation of issues which are in essence the same, and which must necessarily have been considered in order to get the first final result, regardless of what was actually recorded as part of the judge's reasoning in the first suit; though sometimes the reasoning is obvious from the result. The doctrine of estoppel within *res judicata* guarantees that any issue that was actually and necessarily litigated in one action cannot be relitigated in another subsequent suit. So the binding nature of a judgment arises out issue estoppel and cause of action estoppel.¹⁶

Generally speaking, one cause of action stands for one legal relationship.¹⁷ Because there is a lot of overlapping protection available to deal with the same act or events in IPR law, a case may have more than one cause of action, especially where it includes a multiple claims resting on different statutes or grounds. Multiple causes of action often occur where one event or action concerns more than one statute's rules and complex issues. In such situations, cause of action estoppel and issue estoppel may be applied simultaneously, thereby guaranteeing that any party, litigating in one subject matter, should not use same or a separate cause of action in the second suit, to relitigate same or relevant merits decided in the first suit.

¹⁶ See Nina Zaltzman (n 6), 216

¹⁷ See Mary Kay Kane (n 5), 218

4.1.3 Requirements for Abuse of Process

In China, there is no abuse of process provision in civil procedure law. According to the Civil Procedure Rules 1998, abuse of process mainly concerns those proceeding actions that are regarded as so obviously frivolous, vexatious, or in bad faith that they should be dismissed by the court as an abuse of process. The Oxford Law Dictionary explained it as ‘a tort where damages are caused by using a legal process for an interior collateral purpose.’¹⁸

Such a definition suggests that abuse of process has strong connection with issue estoppel and cause of action estoppel. But cause of action and issue estoppels look backwards, preventing relitigation of issues which have already been decided. They are very dependent on the nature and status of what has been decided. In contrast, abuse of process is intended to prevent harassment, and is less dependent on the precise status of what has been previously decided before.¹⁹

Since a party asserting res judicata or estoppel first must show that the same cause of action or same claim is involved in both suits, and that there was a final judgment on that claim, estoppel or res judicata cannot bar the possibility that an initial proceeding may be used to harass the opposing party.²⁰ This might be so, where, for example, the writ has been issued with no reasonable evidence or ground on which to serve the statement of claim.

Nor can estoppel or res judicata bar the situations where a judgment involving the same cause of action may be final, but still does not preclude a second action if it is not on the merits of case. For example, a dismissal for lack of subject-matter jurisdiction will not bar the identical action from being brought in a court having proper jurisdiction. Again, failure to state clearly a claim for relief in the first complaint may be rectified by the grant of amendment rights at the time of the first dismissal for another complaint, rather than using estoppel or res judicata. Some pre-trial dismissals, for failure to comply with some court order, will not be given res

18 Oxford (n 9), 5

19 See Neil Andrews (n1), Ch. 4; also Johnson v Gore Wood & Co [2002] AC 1; Brisbane City Council v Attorney General for Queensland [1979] AC 411; Barrow v Bankside Agency Ltd [1996] 1 WLR 257.

20 See Mary Kay Kane (n 5), 216.

judicata or estoppel effect either, because it is clear from the very nature of the dismissal that the merits of the case or substantial arguments were never determined or considered in the first action. There was no prior judgment on the merits. However, the judge will apply abuse of process to strike out litigation involving the same cause of action or issues, if he finds that the party has failed to amend its claims or to perform the order made in the pre-trial process. Pleadings have also been struck out as an abuse of process on this ground where a party has been joined merely to obtain disclosure of documents or costs or where a claim is a disguised action for gaming debts.²¹

The core value for applying the abuse of process is to combat the litigant's motivation to use a suit as a tool of harassment, damaging the public interest when the prospect of winning in the final result is minimal. Abuse of process is mainly evaluated and considered in terms of the action's possible impact upon to the interests of each side and the public, e.g. where without good cause, the claimant suddenly withdraws his claims before a decision for patent infringement against a defendant, and later he attempts to bring the claims against the same person again. A judge in England will be likely to strike out his second claim as abuse of process because he withdrew his first suit without good cause and wants to harass defendant twice about the same issue. The court will strike it out based on the rule of abuse of process, rather than issue estoppel or cause of action estoppel, because the earlier suit has only reached the preparatory stage, and there was no final decision on the first claim, and hence no res judicata to be applied in the latter relitigation.²²

Abuse of process has a function similar to that of estoppel and res judicata, in curbing relitigation of same issue. So some judges regard abuse of process as a kind of issue estoppel.²³ But we must admit they are based on different reasoning. The

21 *Day v William Hill Ltd* [1949] 1 KB 632.; *Bradford & Bingley Building Society v. Seddon* [1999] 1 W.L.R. 1482.

22 See Richard Arnold QC's reasoning in *Hornel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC [54].

23 In *Yat Tung* (n 15), abuse of process was found where a claimant who had unsuccessfully sued a bank on one ground, brought a further action against the same bank and another party on a different ground shortly thereafter. Lord Kilbrandon said at 589:

'The second question depends on the application of a doctrine of estoppel, namely res judicata. That the true doctrine in its narrower sense cannot be discerned in the present

former stresses that the second litigation should end because the same issues or cause of action have been resolved in the first action; the abuse of process stresses that the second litigation should end because it is unfair to public interest or constitutes a harassment to the defendant, if a second action is allowed. The question whether the court's decision has involved the merits or substantial argument is irrelevant in abuse of process. In particular, therefore, abuse of process is more extensive than *res judicata* and estoppel in precluding the relitigation of other issues from the same litigants. It achieves the result that the litigation terminates once and for all after the dismissal in the first case, and the question whether the first court's decision is correct or not on the merits is irrelevant. It highlights that the judicial system must prevent itself from being used as a tool of harassment.²⁴ Moreover, abuse of process has been codified in the CPR, so it seems that judges now are stressing the greater importance of abuse of process in striking out a case, since it not only includes the function of *res judicata* and estoppel, but can also achieve the objective of the CPR.²⁵

From the above analysis, it is clear that whether estoppel or the *res judicata* doctrine can be applied in a case mainly depends on how the judge classifies the contested issues belonging to the same subject litigation in the second suit. Whether the abuse of process doctrine can be accepted mainly relies on the judge's recognition of the degree of harassment or offence to the public interest. The difficult question lies in how to define the same or different issues, causes of action or merits in two cases. Thus it is very important to probe their scope and to check, in the jurisdiction where suit is brought, to determine exactly what binding effect is likely to attach to a particular judgment. I will examine the position in England and China, on a case by case basis.

series of actions, since there has not been, in the decision.... But there is a wider sense in which the doctrine may be appealed to, so that it becomes an abuse of process to raise in subsequent proceedings matters which could and therefore should have been litigated in earlier proceedings.'

²⁴ The doctrine of abuse of process was fully explained in *Hunter v Chief Constable of the West Midlands Police* [1981] 2 WLR 689, where Lord Denning MR and Lord Diplock respectively distinguished between issue estoppel and abuse of process. My views about the empirical doctrine of estoppel and abuse of process are based on their analysis.

²⁵ See Clive Lewis 'Fairness, Legitimate Expectations and Estoppel' (1986) 49 MLR 251-258.

4.1.4 Binding Effects of Estoppel or Abuse of Process in England

Henderson v Henderson

In any consideration of the ambit or scope of estoppel, or the binding effect of res judicata, it is a necessity to begin with the old case of *Henderson v Henderson*.²⁶ The decision of Wigram V-C in this case has become a paradigm and is often quoted by later cases for the application of estoppel and res judicata. I shall consider res judicata development from this case.

*Henderson v Henderson*²⁷ was a case of brother against brother, brought between Jordan Henderson and Bethel Henderson, involving aspects of partnership and trusteeship. Their late father had given £15,000 to Bethel in trust for Jordan. After Jordan's death his widow and adult children brought proceedings in Newfoundland, for the taking of accounts of the partnership and of the estate of the father possessed by Bethel on account of Jordan. Bethel failed to appear at the trial and a decree was made ex parte for the taking of the accounts, plus any interest due to Jordan's estate. When Jordan's relatives sued Bethel on this decree, Bethel took an action against Jordan, in another court (in England) on the ground that Jordan was indebted to him on the balance of the partnership account on the basis that the money received from their father had been invested in the business, and that Jordan owed him money on a private account.

Wigram V.-C. upheld a demurrer to Bethel's pleadings on the ground of res judicata. He expounded the key meaning of res judicata: It was in this context that Wigram V-C made his famous statement of principle:²⁸

In trying this question, I believe I state the rule of the court correctly, when I say, that where a given matter becomes the subject of litigation in, and of adjudication by, a court of competent jurisdiction, the court requires the parties to that litigation to bring forward their whole case, and will not (except under special circumstances) permit the same parties to open the same subject of litigation in respect of matter which might have been brought forward as part of the subject in contest, but which was not brought forward, only because they have, from negligence, inadvertence, or even accident, omitted part of their case. The

26 *Henderson v. Henderson* (1843) 3 Hare 100.

27 *Henderson v Henderson*, English Report.

28 *Henderson* (n 26), 114–115.

plea of res judicata applies, except in special cases, not only to points upon which the court was actually required by the parties to form an opinion and pronounce a judgment, but to every point which properly belonged to the subject of litigation, and which the parties, exercising reasonable diligence, might have brought forward at that time.

He observed the same subject in the two suits as following:²⁹

“... The whole of the case made by this bill might have been adjudicated upon in the suit in Newfoundland, for it was the very substance of the case there, and prima facie, therefore, the whole is settled.”

Though there are disputes about the basis of the decision in *Henderson*,³⁰ it is submitted that it was based on issue estoppel and cause of action estoppel, because the case has at least two causes of action, one raised from the trust relationship and the other from partnership. The first suit and the second suit were totally based on the same merits and arguments; the second suit was an attempt to use a partnership cause of action to relitigate the matters already resolved in the breach of trust action in the first suit. The grounds pleaded in the second suit were covered as the defence to the first suit, and vice versa. So if in *Henderson*³¹ Bethel had attended the first suit, he could have entered a defence or counterclaim to set off the trust account on the ground that Jordan was indebted to him on the balance of the partnership account, and that the money received from their father had been invested in the business. But Bethel Henderson failed to defend and appeal the final decree, which means that all issues around the trust account and partnership account should have been resolved between the parties, and res judicata arose to bind all core arguments around them. If the judge had tried the second suit and accepted Bethel's claim, it might have led to a judgment contradicting the first decree, adjudicating on Jordan's liability to compensate his loss. So the judge had to terminate the second suit on grounds of issue estoppel, cause of action estoppel or res judicata.

Wigram V-C did not explain clearly the scope of res judicata, and he judged that the structure of claims in above two suits were same. But the decision had a

29 Wigram V-C in *Henderson* (n 26), 116.

30 Some experts think it is only issue estoppels because the Newfoundland court found that Jordan's estate was not indebted to Bethel. See KR Handley, 'A Closer Look at *Henderson v Henderson*' (2002) LQR 397.

31 *Henderson* (n 26).

huge influence on later cases. It broadened the effect of *res judicata* from cause of action estoppel, in which the final judgment binds only in respect of what the claimant has claimed, to issue estoppel, in which the final judgment should bar reopening all relevant issues under the former subject of litigation. Its importance has been re-stated by judges in many cases, which often attempt to probe the scope of same issue and exceptional circumstance through issue of estoppels, abuse of process and retrospective effect of a judgment.

In *Poulton v Adjustable Cover and Boiler Block Co*,³² the claimant had sued the defendant for infringement of a patent. The defendant had alleged that the patent was invalid on the ground of anticipation by prior use. Subsequently the defendant had discovered a further prior use and petitioned for the patent to be revoked. On the inquiry as to damages in the infringement action, the defendant relied upon the revocation of the patent as a defence to the claim for damages. The claimant contended that the defendant was estopped from introducing the invalidity of the patent. This contention was upheld by Parker J and by the Court of Appeal. For the purposes of the inquiry as to damages, the defendants were estopped by the judgment in the first action and therefore the claimant was entitled to substantial damages, notwithstanding the revocation of the patent in later proceeding. Fletcher Moulton LJ said:³³

The judgment obtained by the Claimant against the Defendant settled for ever, as res judicata between these parties, that this Patent is valid and that it was, infringed during the period that it was valid. So far as those issues are concerned the cause was terminated ...

This stresses that damages were based on past infringements in respect of which validity and infringement are *res judicata* as between the parties, and the effect of later revocation of the patent is not retrospective to the former infringement.

32 *Poulton v Adjustable Cover and Boiler Block Co* [1908] 2 Ch 430; (1908) 25 RPC 661.
Also *In re S (A Child) (Identification: Restrictions on Publication)* [2005] 1 AC 593;
Newspaper Licensing Agency Ltd v Marks & Spencer plc [1999] RPC 536.

33 *Poulton v Adjustable Cover and Boiler Block Co* [1908] 2 Ch 430, (1908) 25 RPC 661, 663.

An issue which can complicate many IPR disputes is that IPR decisions often involve parties other than those immediately involved in the dispute. In *Coflexip SA v Stolt Offshore MS Ltd*,³⁴ Coflexip SA was the registered proprietor of a European Patent (UK), which contained product and process claims. In 1996, Coflexip SA and the exclusive licensee of the patent brought proceedings against Stolt Offshore MS Ltd., and other companies in the same group, for infringement of the patent. The defendants counterclaimed for revocation and failed; Laddie J held that the patent was valid and infringed. In subsequent proceedings a third party claimed and succeeded in an action for revocation of the patent, relying upon different prior art, and the claimant counterclaimed for infringement. In these proceedings, Laddie J held that the patent was invalid and made an order for revocation which was stayed pending an appeal.³⁵

The defendants in the original action then applied for the inquiry as to damages against them to be stayed, pending the decision on that appeal. The claimants opposed the stay and argued that, even if the revocation of the patent were maintained on appeal, the defendants would be bound by cause of action estoppel. This argument was upheld by Jacob J,³⁶ and Chadwick LJ came to the same conclusion.³⁷

This is not a case in which it can be said that the prior art on which [Stolt] now wish to rely ... would compel the court to hold that [Coflexip's] patent is invalid. The most that can be said is that [the fresh prior art] provides a further basis for [Stolt's] attack on the validity of [Coflexip's] patent. In those circumstances it is clear that, if [Stolt] cannot succeed without relying on the prior art which they seek to introduce by amendment, permission to reamend would, necessarily, lead to a retrial.

Here the court stressed that there would be new evidence in the present appeal action, and that would be crucial if the third party eventually succeeded for revocation of the patent. Further, if this new evidence from the third party appeal were admitted, it would lead effectively to a retrial, which is against the principle of

34 *Coflexip SA v Stolt Offshore MS Ltd* [2004] EWCA Civ 213.

35 *Coflexip SA v Stolt Offshore MS Ltd* [2003] EWHC 812 (Pat).

36 *Coflexip SA* (n 34), [7].

37 *Coflexip SA v Stolt Offshore MS Ltd* (n 34), [70].

appeal. Therefore the estoppel extended not only to the matters mentioned in the judgment itself, but also to the matters decided for the purpose of that judgment.

Finality from final civil judgment or from administrative decision?

IPR disputes are not always resolved by courts, but may be dealt with administratively. It is necessary for finality to apply to some stages of this process also, but it is a matter of interpreting the statutory provisions as to whether any particular stage of the proceeding is intended to be final. Where it is not, and in particular where the legislature contemplates that it may be open to challenge at a later stage, it would be inappropriate to apply *res judicata* or an abuse of process doctrine, in the event of that later challenge occurring. In *Buehler AG v Chronos Richardson Ltd*,³⁸ the Opposition Division of the European Patent Office had, in March 1995, rejected Chronos' opposition to Buehler's patent, granted in 1992. Chronos could have appealed, but did not do so. In April 1996 Buehler brought an action against Chronos in the Patents County Court (in England), claiming infringement of that patent. Chronos denied that the patent was valid and repeated the allegations put before the Opposition Division of the European Patent Office, counterclaiming that the patent should be revoked. Buehler appealed against the refusal of its application to have the allegations of invalidity struck out, claiming that they were *res judicata*, having been ruled upon by the Opposition Division, or alternatively were an abuse of process.

The Court of Appeal dismissed Buehler's appeal and held that under the European Patent Convention 1973, Art. 138, the validity of a patent was a matter to be determined in revocation proceedings in the national courts. The Convention was given effect in England by the Patents Act 1977, and the power to revoke a patent on specified grounds was given to courts and comptrollers under s. 72. The jurisdiction under s. 72 extended further than that exercised by the Opposition Division, under Art. 100 of the Convention, and the grounds for revocation under s. 72 were different to the grounds for opposition. Accordingly, the cause of action pleaded by Chronos in its counterclaim could not be regarded as identical to that pleaded before the Opposition Division. That was sufficient to dispose of cause of action estoppel,

³⁸ *Buehler AG v Chronos Richardson Ltd* [1998] RPC 609.

but issue estoppel does not require an identical cause of action. However, the court also took the view that a decision of the Opposition Division was not a final judicial decision as to the validity of a patent and therefore was no bar to revocation proceedings under s. 72. Aldous LJ stated that issue estoppel cannot arise unless the judgment relied upon as giving rise to the estoppel was a final judgment. Though abuse of process was not explicitly considered as a separate head in the Court of Appeal, it is difficult to see how that could apply either, in the event of a final judgment.

This case stresses that a decision or judgment made in opposition proceeding has only finality to bind the later court proceeding reopening the same issues—the validity of registration on any grounds, but the registry decision has no final status in respect of matters concerning revocation of trademark validity, because patent law has accorded (by statute) a second chance to challenge the validity of a patent, in the revocation process. Moreover, consideration of the Opposition proceedings had been conducted in a manner very different from that of High Court litigation, with counsel representing the parties and with proper disclosure and cross-examination in legal process.

4.1.5 Res Judicata, Abuse of Process and New Facts

If we consider a case such as *Henderson v Henderson*,³⁹ the matter complained of was over and done with. Either Jordan was indebted to Bethel on the balance of the partnership accounts, or he was not, and all the relevant evidence could have been provided for the proceedings in Newfoundland. IPR disputes are different; whether a trade mark is valid is not determined for all time in any set of proceedings. The mark may, for example, later lose its distinctive character and become a common name. Clearly, there is no reason not to admit evidence that throws light on subsequent grounds for invalidity, whatever determinations have been made on validity in earlier proceedings. This was one of the issues before Richard Arnold QC in *Hormel Foods Corpn v Antilles Landscape Investments NV*.⁴⁰

39 *Henderson v Henderson* (n 26).

40 *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC [54] (n 22).

The claimant (Hormel) had registered the trademark SPAM in 1938 in respect of the well-known canned meats. The defendant (Antilles) was an Internet service provider and registered the trademark SPAMBUSTER in 1997 in respect of a computer program and service for countering unsolicited e-mail. In 2001 Hormel filed an application to the Registrar of the Trademarks for an invalid declaration of Antilles' mark on grounds of lack of distinctive character. In 2002, the Registrar dismissed Hormel's application and Hormel chose not to appeal against this decision. In 2005, Hormel sought a declaration in the High Court that the registered trademark of the defendant was invalidly registered or should be revoked based on different grounds. Antilles counterclaimed for the same relief in respect of Hormel's trademark, and claimed Hormel was barred by cause of action estoppel, or abuse of process on the principle originating from *Henderson v Henderson*.⁴¹

Thus, Hormel had failed to stop the defendant's registration in opposition proceedings, and then sought to take revocation proceedings in court on different grounds, which would have been available at the time of the earlier proceedings. Both the claimant's claims and the defendant's counterclaim for a declaration of invalidity were dismissed on the ground of issue estoppel, there having been a final decision on whether the defendant's mark was invalidly registered.⁴²

However, the claims for revocation of trademark are not bound by estoppel or res judicata, because a later claim for revocation was concerned with events occurring subsequent to registration. Under s. 46 the former opposition proceedings are not binding on it. Insofar as the facts related to the time of the former proceedings, abuse of process applied, on *Henderson v Henderson*⁴³ grounds, because the claimant should have brought these before the earlier court. To use the same facts on different grounds to apply for revocation of the trademark was a harassment, and hence an abuse of process.

41 *Henderson* (n 26).

42 Nina Burden 'Two bites of SPAM? Hormel Foods Corporation v. Antilles Landscape Investments N.V' (2005) E.I.P.R. 27(12), 477.

43 *Henderson* (n 26).

Richard Arnold QC also emphasised the principle in *Buehler*,⁴⁴ to the effect that there is no bar to reopening later proceedings if the rule of procedure has arranged more than one process to hear the case. (The 1994 Act expressly affords a party who has failed in opposition proceedings, under section 38, a second opportunity to defeat registration, by way of a declaration of invalidity, under section 47.)

The case of *Hormel*⁴⁵ also develops new principles to deal with continuous events (in the erosion of distinctiveness of trademark). It suggested that the claimant (or indeed anybody) could successively challenge for revocation of an existing trademark if new events occurring subsequently to registration, meet the grounds of section 47. Richard Arnold QC also agreed that issue estoppel would not be applied if the claimant could prove the facts in its present claims which were different to the facts in the claim advanced in the Registry proceedings. But without new facts or evidences to prove the occurrence of new events, the claimant cannot rely on the same or different grounds to relitigate revocation of a registered trademark. This will constitute an abuse of process based on ruling in *Henderson v Henderson*.⁴⁶

In *Hormel*⁴⁷, after failing to obtain a declaration of invalidity on grounds of lack of distinctiveness, the claimant tried to rely on the defendant's inactivity in failing to take steps to prevent his trademark from becoming a common name, but the claimant could not provide sufficient evidence to prove that the defendant's inactivity had rendered his trademark becoming a common name, and losing its distinctiveness. The judge held that:⁴⁸

'the claimant's claim for revocation is made out as at 25 April 2003. I am not satisfied, however, that the claimant has established that grounds for revocation existed at an earlier date. Although ... I have found that SPAMBUSTER was already being used descriptively as at 5 Dec 1997, I am not satisfied that it was a common name in the trade for relevant service at that date.'

44 *Buehler AG v Chronos Richardson Ltd* (n 38).

45 *Hormel Foods Corp v Antilles Landscape Investments NV*, (n 22).

46 *Henderson* (n 26).

47 *Hormel* (n 22).

48 Richard Arnold QC's reasoning in *Hormel Foods Corp v Antilles Landscape Investments NV* [2005] EWHC [173].

*Beuhler*⁴⁹ was followed, and *Hormel*⁵⁰ distinguished, by the Court of Appeal in *Special Effects Ltd v L'Oréal SA*,⁵¹ a distinction again being drawn between preliminary and final proceedings. The case involved prior opposition proceedings. In 2000, the claimant's predecessors in title had applied to the Trade Marks Registry to register the mark "Special Effects" in relation to goods in class 3. The first defendant opposed the application under section 38 on grounds including that the words were not distinctive in relation to the goods in question, and were likely to be confused with its own trademarks using the word "FX", for similar goods sold in the United Kingdom. The hearing officer rejected the first defendant's grounds of opposition and registered the claimants' mark. The first defendant did not appeal but in 2002 it successfully applied to the Office for the Harmonisation of the Internal Market for the registration of "Special FX" as a Community trade mark, notwithstanding the claimant's opposition. In 2005 the claimant began proceedings against the first defendant and its UK licensee, the second defendant, alleging infringement of the "Special Effects" mark. The defendants issued a defence and counterclaimed for a declaration of invalidity and for relief on the basis of passing off by reference to their own mark "Special FX".

On the hearing of preliminary issues, Sir Andrew Morritt C ruled that both defendants were precluded by cause of action estoppel and issue estoppel from relying on the allegations made by them in part of their defence and counterclaim, and were precluded by issue estoppel from asserting use of the mark "Special FX" before 30 June 2000 (the date when the claimant's predecessors had applied to the Trade Mark Registry for registration of the "Special Effects" mark), whether for the purpose of their defence under section 11(3) of the Trade Marks Act 1994 or their counterclaim for passing off.

49 *Buehler* (n 38).

50 *Hormel* (n 22).

51 *Special Effects Ltd v L'Oréal SA* [2007] EWCA Civ 1. The Court of Appeal refused to decide on the correctness of *Hormel*, Lloyd LJ observing at 79:

"We do not decide the position as regards the effect of an unsuccessful application for a declaration of invalidity to the Registry, which was the subject of the *Hormel* case. But proceedings in court clearly do give rise to *res judicata*, in one form or another, and it seems likely that, at the very least, an unsuccessful application for a declaration of invalidity in the Registry would preclude a later attempt to the same effect in the Registry, unless presented in reliance on new grounds not available on the first occasion."

On appeal, the decision of Sir Andrew Morritt C was reversed on the following grounds:⁵²

It seems to us that the co-existence of the provisions for opposition and for a declaration of invalidity has the result that opposition proceedings are inherently not final. They exist at the first stage of the process, before registration. By itself that would not be conclusive, but it seems to us that the fact that, at least, any unconnected third party could challenge the validity of the registration despite an unsuccessful opposition by another, and that, if that challenge were successful, there would be nothing which would bind the unsuccessful opponent (in contrast with the position of a party which had unsuccessfully applied, at any rate to the court, for a declaration of invalidity), shows that the decision of the Registry on opposition proceedings, or more generally a decision to register despite opposition, is not a final decision so as to be capable of being the basis for an issue estoppel. This is true both as regards the grounds of invalidity and as regards the issue of prior use more generally, as relevant to a passing off claim. The same would be true of cause of action estoppel if, contrary to our view expressed above, there was a cause of action at that stage. ... even though the statute has created a specific jurisdiction for the determination of the issue of registrability, which establishes the existence of a legal right, in the sense of leading to the registration of the trade mark which is itself an item of property, the principle of res judicata does not apply to give finality to that determination because the provisions as to a declaration of invalidity show an intention to exclude that principle.

It is wrong and unjust to allow a party such as L'Oreal two bites at the cherry of the validity of the trade mark. If it chooses to oppose the registration at the preliminary stage, and fails, it should not be allowed to try again, on grounds which would have been available at the opposition stage, when it comes to court proceedings for infringement and a possible counterclaim as to invalidity. There may be other grounds on which invalidity can be argued, depending on later facts, but the grounds which had been relied on unsuccessfully, and other grounds which could have been relied on at that stage, should not be regarded as still open.

Though the circumstances in L'Oreal are similar to those in *Hormel Foods Corp'n v Antilles Landscape Investments NV*, the decision was entirely different. Delivering the judgment of the court, Lloyd LJ held that this was not a suitable case for the application of either res judicata or abuse of process. Even though the claimant in *L'Oreal* did not claim to declare invalidity of registration by relitigating

52 *Special Effects Ltd v L'Oréal SA* [2007] EWCA Civ 1 [71], [72], [73].

the validity of registration in court, rather than directly applying for revocation of defendant's registered trademark, the reason for refusing *res judicata* was the same as same as in *Hormel*, that there is no finality preventing the same issue (trademark validity) from being reopened in later proceedings on different grounds, if the procedural rule has arranged more than one process to hear the case.⁵³ The reason for there being no abuse of process can be explained; it is suggested, from two circumstances. The first is that it is obviously unfair and unjust if substantive trade mark law has provided the chance to challenge the validity of a trade mark in the revocation process, but civil litigation does not allow challengers, using the different grounds of invalidity to defend themselves in respect of a successive event (passing off in the protection period of a registered trademark). Secondly, there is no harassment for the claimant, unlike *Hormel*, because it was right for the judge to consider the validity using the new (later) fact and different grounds submitted within the trade mark period before expiry. There was an arguable point about passing off. So in this case the Court of Appeal reversed and set aside this order of estoppel, and permitted the defendant freely to defend his counterclaim.⁵⁴

It is proper for limits to be placed on estoppel as Lord Upjohn had said:⁵⁵

"All estoppels are not odious but must be applied so as to work justice and not injustice and I think the principle of issue estoppel must be applied to the circumstances of the subsequent case with this overriding consideration in mind."

*Hormel*⁵⁶ and *Special Effects Ltd v L'Oréal SA*⁵⁷, these two trademark cases reflect different legal effect, in different proceeding stage, on issue estoppel in relation to successive actions arising from similar new evidence. They also reflect a

53 According to Trade Mark Law 2001, r. 3.45, 'any person may apply to oppose the trademark registration on the grounds of refusal of registration during the application stage (by notice of opposition to the registration proceedings within 3 months of publication). Rule 3.46 provides that any person may apply for revocation of a registered mark on bases of misleading the public, becoming the common name in the trade or that there is no proper reason for non-use within five years. He can also apply for a declaration of invalidity of a registered trademark on grounds of refusal of registration after the mark has been granted, before the expiry of the registration.'

54 Also see, Emma Barraclou, 'Oppositions safe after Court of Appeal', (2007) M.I.P. 166,10-11.

55 *Arnold* (n 11).

56 *Hormel* (n 22).

57 *Special Effects* (n 51).

balance consideration through a flexible application of issue estoppel to achieve the interest of legal finality and the interests of civil justice.

4.1.6 Conclusion from UK Practice

From these cases, we can find a clear direction as to how UK judges use res judicata and abuse of process. First, all judges stress that the doctrine of res judicata or abuse of process must be obeyed (except in special circumstances) to prevent re-litigation of the same subject-matter once it has been raised, or should have been raised in the former suit in a competent court.

Secondly, English courts are attempting not to give a rigid precise definition or lists in classifying the scope of same issues or harassment for the second suit, in order to achieve the doctrine's function. The courts take a developing attitude based on each case's specific circumstances and the overriding civil justice objective. The clear meaning and criteria can only be evaluated in the cases. As Lord Bingham of Cornhill concluded in *Johnson v Gore Wood & Co*:⁵⁸

'That is to adopt too dogmatic an approach to what should in my opinion be a broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case, focusing attention on the crucial question whether, in all the circumstances, a party is misusing or abusing the process of the court by seeking to raise before it the issue which could have been raised before. As one cannot comprehensively list all possible forms of abuse, so one cannot formulate any hard and fast rule to determine whether, on given facts, abuse is to be found or not'.

Thirdly, English judges are very sensitive to the principles reflected in past cases concerning the same subject matter, following the legal principle: 'treat similar cases similarly'. Cases rarely adopt positive definitions but the judges have recognized through cases, by an iterative process, that the scope of same subject matter is based on the whole story given by litigants. English judges consider the scope of the finality from the main evidence, the structure of claims, and the fair opportunity for litigant to reveal the issues in the first judgment. Exceptional circumstances are based on how reasonable diligence has been exercised by the litigants. Through the cases the judges in England have determined that the

58 *Johnson v Gore Wood & Co* [2002] 2 AC 1, 3 A-F.

following situations are not sufficiently exceptional to override doctrines of estoppel and abuse of process: if the party had a full and fair opportunity to litigate the issue in the first action, but the issue was not brought forward, only because they had a sudden accident, were victims of negligence caused a by non-party, or because of inconvenience, inadequate time or funds to obtain more evidence; or because they omitted part of their case through ignorance or poor strategy⁵⁹.

Until now, the courts have accepted two exceptional circumstances. One is that the judge should not apply *res judicata* to prevent relitigation of the same subject matter from admission of fresh evidence, where the party seeking to challenge the earlier judgment is doing so on the basis of developments in the IPR law, or on grounds of fraud or collusion arising in the earlier suit.⁶⁰ The second is where, even though the first and the second claim might belong to same subject matter, the arrangement plan of the first suit would not allow or allow separately one party to raise the matter later raised in the subsequent proceedings; in other words where ‘the matter now raised could not and should not have been litigated first time round.’⁶¹

4.2 Legal Finality in China

4.2.1 Genuine Comparison of Issues or Use of Verbatim Words?

The rule of legal finality and *res judicata* are just general principles and concepts, and need to be interpreted to fit into the specific case situation. It is impossible to lay down a precise definition of same issue and *res judicata*, because their clear meaning and content can only be evaluated in specific cases after comparing their facts, decided content, case arrangement and its circumstances. It must be for trial courts to explore and decide whether the argued issues in two cases are identical, and whether the later issue should be bound by issue estoppel to maintain legal finality.

59 *Johnson v Gore Wood & Co* [2002] 2 AC 1; *Chiron Corp v Organon Teknika Ltd* [1994] FSR 449; *Talbot v. Berkshire County Council* [1994] Q.B. 290; *Parmenter v Malt House Joinery* [1993] FSR 680.

60 *Yat Tung* (n 15).

61 *Barrow v. Bankside Agency Ltd.* [1996] 1 WLR 257.

Chinese Civil procedure rules also require legal finality, estoppel and efficiency and justice, and one suit to solve all disputed interests.⁶² In China there is no abuse of process provision in the civil process. Cause of action estoppel is defined in the main civil procedural textbook as meaning that the final decision or judgment can only bar reopening of the issues which have been decided in the first suit. If cases have the same issues, this means that they have the same subject matter around the same facts, the same parties, and the same claims with the same grounds. In other words, there is no issue estoppel to bar the subject matter from being relitigated if the latter case has a different cause of action or facts, or a separate issue from any of those previously considered.⁶³

The Chinese definition of cause of action estoppel means that in theory, Chinese civil litigation has at least recognised the same bottom line as England: ‘Where the issues raised in an earlier claim are identical to the issues raised in a later claim, there is an absolute bar on the later proceedings’.⁶⁴

But in practice, what is identical issue in two cases? Might we judge whether a issue argued now is as same as that already decided in a former case? Do we evaluate the binding part in a former case to that in a later one? The above questions are mainly answered through an abstract concept and the verbatim words: same issues, same facts, and same cause of action. Following abstract and word for word interpretation of legal finality, the court will inevitably be fooled into deciding that there is a surface difference, when in reality, the issues are substantially the same; or that the surface is the same when in fact there is a material difference. When relying on abstract expression to measure similarity in issue arguments, the trial courts will arbitrarily consider variations in evidence, and bring absurd conflict results. The Chinese situation has vividly proved that.

62 See the Cause of Action [2008] No.11, interpreted by the Supreme Court of China, which permits litigants to assert multiple claims by adjudicating all issues at one time, before China court used to focus on a single claim. 最高人民法院,关于印发《民事案件案由规定》的通知,法发[2008]11号).

63 See Jangwei, *Civil Procedure*, (Press of Renmin University, Beijing 2000) 235 姜伟主编 ‘民事诉讼法’,.

64 *Lennon v Birmingham City Council* (2001) Lawtel Reports 27/3/2001.

In *Blue Lotus Culture Company v Blue Lotus Food Company*,⁶⁵ the claimant brought an action against the defendant for trademark infringement and unfair competition in 2006. The claimant claimed that in 2002 he had registered 'Blue Lotus' as a trademark in pub service; the defendant maliciously used his trademark in his shop window and the business logo, which had caused confusion among consumers as to whether they belonged to the same company. The defendant applied to the court to strike out the claimant's claim on grounds of res judicata and issue estoppel. He contended that in 2003 he registered 'Blue Lotus' as part of his company name and had a legal right to use this mark; in particular, in 2004 the court had tried the dispute on 'Blue Lotus' between them, and the defendant had paid RMB 20,000 to the claimant according to the final judgment, on ground of misuse of 'Blue Lotus' in its business service. Therefore, according to the doctrine of res judicata, that one issue cannot be tried twice, enabling the claimant to get damages twice for one loss, so the court should strike out the claimant's second suit about the same issue.⁶⁶

After repeating the definition of same issue, that 'the same plaintiff brings more than one suit subsequently against the same defendant, about the same facts with the same grounds', the judge refused the defendant's contention and held that the former judgment in 2004 only confirmed that a trademark infringement existed in the service brochures and menu, and did not judge whether there was infringement in respect of the business logo, shop windows and awning. In particular he held that the former judgment did not resolve the confusion caused by defendant's misuse of its company name 'Blue Lotus'. Therefore the former judgment could not have binding effect on the second suit, and there was no res judicata to bar the issue in the second suit, because they belonged to different issues with different facts (regarding the logo, the windows and the yellow book). In the second suit in 2006, the judge held that the claimant got his trademark right prior to the defendant's company name right; and that the defendant had prominently used the similar part in his company name in service and caused confusion among customers, thereby breaking anti-

65 *Blue Lotus Culture Company v Blue Lotus Food Company*, (2006) No.11273 the First Intermediate People's Court of Beijing, (2006)一中民初字第 11273 号. 北京蓝莲花文化艺术有限责任公司 诉北京蓝莲花坊餐饮有限公司。

66 *Blue Lotus* (n 65). See the fact statements from the claimant and the defendant.

competition law. In the end the judge in the second suit made an injunction order prohibiting the defendant from using 'Blue Lotus' as a company name and in all business advertisements, no matter whether in a menu or logo.⁶⁷ The defendant paid the litigation fee and damages twice (respectively RMB 20,000 and RMB 50,000), for the same loss (passing off and trademark infringement).

In these two judgments, we cannot find whether the same defendant used the same plaintiff's mark simultaneously or subsequently in service brochures, menu, business logo, shop windows, or awning before or after 2004 (the first trial). It is difficult to see how the judge in the second suit could have imagined that the effect of trademark confusion or infringement was only caused by the logo and window display, without considering the factors of the menu and brochure. We cannot imagine how the compensation would have been calculated in the first suit without consideration of all relative business circumstance, but only paying damages in respect of the window show. Can it really be that Chinese judges regard business reputation and goodwill separately from the logo and other physical aspect of the above activity? Can the injunction judgment in the first suit have only barred the defendant from using 'Blue Lotus' in some but not all aspects of his business promotion in food service ?⁶⁸

After reading such judgments, one has to wonder whether China judges recognise legal finality at all. To say the least, even if the judge regarded the service brochures and menu, business logo, shop windows, and awning as newly occurring acts after the first trial, on subsequent grounds for passing off, he should first examine whether the subsequent evidence had existed at an earlier stage or had been discovered after the first trial. If the subsequent evidence had been available during the first trial, and the plaintiff deliberately separated the infringing acts into two cases, the second suit should be barred by *res judicata*, because they are merely same cause of action. The same result could also be achieved by requiring consolidation of the claims, or requiring the plaintiff to show fresh or additional damage for

⁶⁷ *Blue Lotus* (n 65); see the identified and confirmed facts by the trial judge, and the applied statutes and legal issues addressed by the trial and appellate court.

⁶⁸ See the UK court's reasoning on business reputation overlapping with its goodwill and trademark in *Special Effects Ltd v L'Oréal SA*, [2007] EWCA Civ 1.

second and subsequent claims. This is how effective case management ought to work.

This is quite a similar situation to the *Hormel* case⁶⁹ in England. The defendant's mark SPAMBUSTER had been becoming a common name in the trade in the second application for revocation, but the claimant was barred by *res judicata* from using the existing evidence, as further found in the second proceedings, to rechallenge the validity of trademark on the same ground of prior use. He was also barred by abuse of process from proving the defendant's inactivity. If the subsequent evidences occurred in later continuous events after the first trial, and caused further passing off infringement, the claimant would not be bound by *res judicata*, and would freely be able to bring a second suit against the defendant. This is what happened in the *L'Oreal* case in England.

For a comparison with similar arguments in England, we should consider Romer J's rejection of a claimant's claims in a second action against the same defendants for infringement of the same patent. He explained his reasons for this conclusion as follows:⁷⁰

But a further point is now taken on behalf of the Defendants. It is said that they are entitled, in this action, to re-try the question of validity of the patent because they say they have discovered fresh material for impeachment — fresh alleged anticipations — and are entitled to have the issue of validity re-tried as to this fresh material on the footing material. In my opinion, they are not so entitled. If they were held to be so entitled, I do not see how there could be finality upon a question of this kind as between parties such as these. According to this contention a Defendant might fight his case piece-meal. He might raise such objections to the validity of the patent as thought convenient, and when he was defeated on those, might raise other points at his pleasure, and might in that way, try the case of validity of a patent piece-meal; and, so far as I can see, extend it over as long a period as he chose. In my opinion, a Defendant is not entitled to do that. When a question of the validity of a patent is brought to trial, by reason of the Defendant challenging the question of validity, he is bound to put his whole case before Court, and if he does not do so it is his fault or misfortune. He cannot be allowed to put a part of his case, or to put his case in an incomplete manner. He is bound then, when that question is raised, to search

69 See the discussion in *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC.

70 *Shoe Machinery Co Ltd v Cutlan (No 2)* (1896) 13 RPC 141, 145.

and to find out all that he intends to rely upon in support of his contention that the patent is invalid.

The Chinese court did not give any proper consideration of the material content from the entire evidence used in two cases, of the intention and legal cause behind the claims, of the period of infringing acts, and of the remedy decided in the prior judgment, but mechanically followed verbatim expressions in two cases' claims and results. Judicial power in China is absolutely arbitrary.⁷¹ All courts, no matter whether first trial courts, appeal courts or the Supreme Court, can arbitrarily reverse or change one decision made by itself or by a higher court in relation to one issue, without resolving conflicts. There is a high chance of success for litigants in China by reopening a decided issue again if they have enough money and want to separate the same issue into pieces to take advantage of the arbitrary exercise of judicial power.

In *JinGo Adversary Company v Beijing Hai Chuan Disc Company*,⁷² the claimant, Jingo Adversary Company, brought two copyright infringement cases against the defendant, Beijing HaiChuan Disk Company, for illegally producing and selling the music CD 'Spring Field---BANDARI'.

In the first case, heard in 2005, the claimant said that in Jan 2002, he had obtained an exclusive licence from AVC INC Switzerland, to produce, sell, offer to sell, rent, show or authorise others to use the series music works 'BANDARI' in China (except for Tai Wan, Hong Kong and Macao), in respect of which a non-party had obtained exclusive rights. He proved the above rights with documents including a 'Copyrights Declaration', 'Exclusive Licence Letter', and 'Statement of Rights' from Swiss AVC and the "Copyrights' Registration Letter" from the China National Copyright Administration. The 'Copyrights Declaration' in particular enfranchised the claimant in China to take legal action against any kind of infringement on behalf

71 What means an arbitrary discretion? 'discretion, in this sense, is abused when the judicial action is arbitrary, fanciful or unreasonable, which is another way of saying that discretion is abused only where no reasonable man would take the view adopted by the trial court': see Henry J. Friendly, 'Indiscretion about discretion', 31 Emory L.J. 747 (1982), 784. He quoted the statement in *Delno v. Market Street Railway* 124, F.2d 965 (9th Cir. 1942).

72 *JinGo Adversary Company v Beijing HaiChuan Disc Company* (2007) No.170, High People's Court of Beijing.

of Swiss AVC. The claimant said that on 15 September 2004 he had found that illegal copies of ‘Spring Field’, produced by the defendant, and issued by JiangXi Video Publisher, were selling in a Chinese market. The illegal copies had similar packaging, and the same music tracks as the genuine copy. The genuine copy that the claimant claimed to compare with, were ‘Bandary--- Spring Field’, made in Hongkong, imported by the Books Import and Export Company of China, and issued by JinGo Tai Wan Company; the record lists showed in the package were from Swiss AVC.⁷³

The defendant admitted he had produced the disputed CD but under a licensed agreement with JiangXi Video Publisher. He proved that on 11 May 2001 JiangXi Studios Publisher had authorised him to produce 20,000 ‘Spring Field’ CDs; he proved the coding number,⁷⁴ and that he had delivered all copies to the consignor on 20 May 2001. The defendant argued above whether the claimant had an exclusive legal licence, because there was no evidence to prove that Swiss AVC was the genuine copyright owner of ‘BANDARI’. Even if the claimant had a legal licence from Swiss AVC, the defendant argued that he would not infringe his exclusive rights, because his (the defendant’s) production had taken place in May 2001, earlier than the claimant’s licensed rights of January 2002. The claimant could not represent Swiss AVC to sue for an infringement which happened before November 2002, because the claimant was only set up in November 2002, and it was not a legal entity before November 2002. The defendant also argued that it was hard to prove the defendant’s CD was similar and infringed the copyright of Swiss AVC, because the genuine copy offered by the claimant was not issued by the Swiss AVC, but by JinGo Tai Wan Company.⁷⁵

After trial the judge denied the claimant’s claims, and held that the defendant had not infringed the plaintiff’s licensed rights on the ground that disputed copying happened earlier than the time he got the exclusive right. The judge also held that

73 *JinGo Adversary* (n 72) , See the fact statements from the claimant.

74 ISRC CN-E21-01-302-00/A.J6.

75 *JinGo Adversary* (n 72). See the fact statements from the defendant.

the genuine copy claimed by the claimant was the product of a non-party, which could not be used to prove the claimant's rights without notarisation.⁷⁶

As to whether the claimant could represent Swiss AVC to get compensation, the court struck out such claim and held that the 'Copyrights Declaration' was invalid in enfranchising to the claimant, an unregistered company at that time, and was also defective as evidence to prove Swiss AVC 's legal rights on the music work 'Bandary'.⁷⁷

In the second case, heard in 2007, the claimant sued the defendant again for the infringement with the same cause of action, making illegal copies of 'Spring Field' in the Chinese market. The claimant claimed that on Aug 17, 2004, he found in another supermarket (the Meilian Mei Supermarket) copies for sale of the illegal music work 'New Century Light music Series---spring field', produced by the defendant and published by Guang Zhou Studios Publisher. In addition to the evidence adduced in the former case, the claimant provided in this case a new piece of evidence - the certification letter from Swiss Copyright Association, which proved that Swiss AVC was the exclusive right owner of all the music work 'Bandary'. The defendant argued that he had produced the disputed CD under an agreement with Guang Zhou Studios Publisher, which had itself obtained authorisation from JingGo Tai Wan Company. The claimant had no legal ground to sue the defendant because China copyright law does not stipulate that parallel imports are illegal. Furthermore, the defendant claimed that the second case contravened the doctrine of *res judicata*, because the legal issues concerning the disputed copy 'Spring Field' had already been heard and adjudicated in 2005, by the same court. The claimant should be barred from bringing the second case against him with new evidence, which should had been exposed in the former case in 2005.⁷⁸

Nonetheless the same court, (the No. 2 Intermediate People's Civil Court of Beijing), denied the defence and filed the second case. The same court delivered a

⁷⁶ *JinGo Adversary* (n 72). See the identified and confirmed facts by the judge.

⁷⁷ *JinGo Adversary* (n 72). See the decision part made by the judge.

⁷⁸ *JinGo Adversary* (n 72), See the applied statutes and legal issues addressed by the judge.

totally different judgment, holding that the issue in the second case differed from the former case, because it was aimed at a different copying amount (the disputed copies in the second case were issued by Guang Zhou in 2001, who were not the same as Jiangxi in 2003). Even though the infringement had occurred in the same year of 2001 as the first infringement, the former case neither tried nor awarded compensation in respect of the present infringement. So the second case was a new case, and was not barred by *res judicata*, because it had different facts. The court judged that the defendant had infringed the claimant's exclusive rights. The plaintiff was the legal entity to sue the defendant because the claimant was the only legal owner in China, according to the evidence from Swiss Copyright Association and the authorisation letter from Swiss AVC. The court held that it was acceptable for the claimant to use a non-party, Gingo Tai Wan's genuine copy, to prove his rights and to compare similarity with the disputed copy, because the claimant had not issued any works of 'Bandary' in China.⁷⁹ The defendant appealed to the high court, but the high court dismissed his application and upheld the first trial judgment.⁸⁰

The second suit was tried twice, by the first instance court and the second appeal court, which also upheld the above conflicting judgments. The first suit was tried once only, because neither party applied for an appeal against it. That means the dispute about illegal copies of 'Spring Field' produced in 2001 and 2002, between the same litigants was separately tried twice as two cases, and appealed once, and the courts gave two totally contradictory judgments in the end.

It is apparent that in the second suit the judge changed his opinion on whether the claimant could use the non-party's copy to prove his rights. The judgment did not explain why in the first suit in 2005, the court held that it was unacceptable for the claimant to use the non-party, Gingo Tai Wan's genuine copy to prove his rights; and why it was valid and acceptable in the second suit for the claimant to introduce new evidence to prove Swiss AVC's legal rights on the music work 'Bandary'.⁸¹

79 See *JinGo Adversary* (n 72), the decision part.

80 See *JinGo Adversary* (n 72), the final judgment in the second trial.

81 See the reasoning on the new evidence occurring in *Arnold v. National Westminster Bank plc* [1991] 2 AC 93, 104 D-E.

Without first resolving these conflicting methods of identifying exclusive licensing and the nature of non-party products, how can the litigants trust and enforce the content in these two different judgements? From the recognition that it was unacceptable to use non-party's music work to prove genuine original works, the judge jumped to the second recognition that it was valid and acceptable in the second suit for the claimant to introduce new evidence to prove Swiss AVC's legal rights on the music work 'Bandary'.

The courts have failed to provide any recognised authority or proper analysis, except for their arbitrary declaration, to account for such conflicting and self-contradictory recognitions in these two judgments.⁸²

4.2.2 Legal Finality and Binding Force Difficult to Read from Prior Judicial Decisions

Legal finality means that once a case has been decided the parties should be bound by the decision.⁸³ The legal point, at which finality will be imposed, depending on the detail of conditions confirmed in the previous case, may be available to be referenced in a later case. Without a clear ascertainment of facts in each case, it is impossible to treat each case on its merits; to compare whether a later case is similar or different to the previous case. But as discussed in Chapter Two, the Chinese courts heavily rely on the defects of evidence to pick up facts. The focus is on picking up factors to meet one statutory provision, rather than exploring the truth and whole situation from both sides' arguments. The selected, isolated evidence is formulated into the statutory provisions, but there are still gaps and uncertainties between the findings and legal decision on the argued issues. The litigants could not

82 See the Appeal Court's opinion on conflict results' damage to the legal justice in *House of Spring Gardens Ltd. v. Waite* [1991] 1 Q.B. 241. Where one of the defendants tried to bring a collateral challenge to the decision made in the Irish proceedings, At page 255 Stuart-Smith L.J. said:

'The question is whether it would be in the interests of justice and public policy to allow the issue of fraud to be litigated again in this court, it having been tried and determined by Egan J. ... What could be a greater source of injustice, if in years to come, when the issue is finally decided, a different decision is in Mr. McLeod's case reached? Public policy requires that there should be an end of litigation and that a litigant should not be vexed more than once in the same cause.'

83 See Neil Andrews, *English Civil Procedure: Fundamentals of the New Civil Justice System*, (Oxford University Press, 2003), Ch. 40.

point to a cogent and comprehensive judgment which is based on whole merits of their cases. It is difficult to point out whether a claim is a decided or undecided issue in such an isolated judgment. Therefore it is very easy and inevitable for litigants in China to reopen a decided issue .

In Huangxin v Shanghai Agva Culture Company and Fortune Supermarket,⁸⁴ the claimant sued the defendants for infringement of his trade mark ‘Agva’, registered in 2005 for electronics, in category 20. He found that the first defendant had used his trademark in a similar product, and that the second defendant had sold the infringing product in a main street shop. He claimed for an injunction preventing further infringement, and damages of RMB 50,000 from both defendants. The first defendant contended that he had obtained licence rights from a non-party company (Jingshen Leather Factory), and used its trademark, registered in 1999 in category 18. The defendant applied for revocation of the claimant’s trademark on grounds of invalidity but failed. The judge held that the first defendant had infringed the claimant’s trademark rights and ordered payment of damages of RMB 10,000 to the claimant. In 2006 the same claimant sued these same two defendants again for trademark infringement in a district local court. He claimed that the second defendant should take collateral responsibility with the first defendant for infringement of his mark, damages being RMB 15,000.

In this second suit the judge held that the disputed issues were identical with that of the first suit, and struck out his claims according to *res judicata* and *issue estoppel*⁸⁵

There is no doubt that the merits in the second suit were the same as in the first. The claimant should not have been allowed to take the second suit to harass the defendant and waste legal resource. However, we cannot see from the first judgement : a transparent discovery and cross examination for litigants to argue their points about the damage caused by the defendants, the truth of status about the second defendant’s selling behaviour, or clear identification about the responsibility

84 *Huangxin v Shanghai Agva Culture Company and Fortune Supermarket*, (2005)

No.11073 final judgement by No.2 Intermediate People’s Court of Beijing, (2005)二民初字第 11073 号 . 黄欣诉被告上海艾歌华文化用品公司.

85 *Huangxin* (n 84), the final judgment.

between the first defendant and the second defendant for infringement of his mark. It is harsh for the judge to rely on the judgment in the first case to bind the second suit, to refuse more compensation, because the binding force of answering these damage claims cannot be found in the first suit. The claimant might have felt aggrieved that the case was treated so differently from *Blue Lotus*⁸⁶. He might feel that the second verdict in *Huangxin*⁸⁷ is unjust and unfair and contrary to the doctrine of treating similar cases similarly. He might even imagine judicial corruption and malpractice because the judgement is just so arbitrary and untransparent. If we follow the judicial opinion in the cases of *Blue Lotus*⁸⁸ and *JinGo Adversary Company*⁸⁹, the judge should support the claimant's second suit, and might hold that it had different facts in the second suit, and because the first judgment did not fully support the claimant's damages claimed, the former judgment might not have binding effect on the second suit.

Just as the UK court mentioned, a proper evidence discovery must be seen, and main proper arguments on point of law and facts must exist, and it follows that later courts have the chance to identify as precisely as possible the extent of the discretion available to the judges in each case. If there is no argument on a point of law, the ensuing judgment may lack any weight whatsoever. Issue estoppels apply to particulars in such a way that the particular condition can be fitted within the rule.⁹⁰

4.2.3 Appeal Function Failure in Clarifying the Points of Law

As discussed in Chapter Three, the substantive IPR provisions are very general, and the courts, especially the appeal courts in China have failed in ascertaining and developing the meaning of law under the specific situation in the manner of

86 See *Blue Lotus Culture Company v Blue Lotus Food Company*, second case--- No. 11073 final judgment by No.2 Intermediate People 's Court of Beijing (2006) first case--- No. 11273 final judgment by No.1 Intermediate People 's Court of Beijing. The full introduction of the case in Chapter Three.

87 See *Huangxin* (n 84), the final judgment.

88 *Blue Lotus* (n 86), the final judgment.

89 *JinGo Adversary* (n 72), the final judgment.

90 See in *Brisbane City Council v Attorney General for Queensland* [1979] AC 411 the Privy Council. Lord Bingham noted that (at 425):

'This [issue estoppels] is the true basis of the doctrine and it ought only to be applied when the facts are such as to amount to an abuse: otherwise there is a danger of a party being shut out from bringing forward a genuine subject of litigation.'

England. English appellate courts focus more carefully than the trial court on the function and consistency within domestic regulations and international conventions. English appellate courts play a higher and wider judicial role in clarifying ambiguities arising out of applicable law.

An appeal court in England mainly focuses on dealing with questions of law rather than questions of fact.⁹¹ It considers whether the judgment as a whole is consistent with basic principles, the purpose of law, and common sense in practical performance and recognised authority. The appeal court constrains the arbitrary discretion by focusing on questions of law and checking the trial court's ascertainment and the extent of the discretion available to the judges in each case.⁹²

The Chinese appellate courts basically repeats the trial courts role in ascertaining of fact and law, but fail to give detailed consideration on discerning the statutory meaning, and fixing the vague loopholes in IPR regulation. The issue occurred in several cases on how to ascertain the reputation connecting an earlier well-known foreign trademark with its Chinese translation, especially when the customer and public have been informed of the special good quality of the foreign mark.

*In Pfizer Products Inc*⁹³, the special drug function and unique shape and colour of its products was very famous in China, but the translated Chinese wordmark '伟哥' was first applied for registration by the defendant. The trial court and appeal court both held that the claimant had never formally used this Chinese mark '伟哥' in the Chinese market, and was unable to provide any evidence to prove that it was a

91 Of course there are activist appellate judges who favour quite a large degree of latitude in interfering whether the trial court's inference from facts or precedents is suitable or not. Also the very bulk and complexity of cases law make it increasingly difficult to find a binding precedent and to draw accurately the distinction between questions of law and questions of fact. See the criticism by J Boyle, 'What judges want: judicial self-interest and statutory interpretation', Stat. L.R. 2009, 30(1), 38-72.

92 See r 52.10 of CPR, appeal courts' powers and PD 52, and also *Hadmor Productions Ltd v Hamilton* [1983] 1 A.C. 191, where the House of Lords commented on the role of clarification in an appeal court. On how the English courts have clarified the meaning of law, see, eg *Mannai Investments Co Ltd v Eagle Star Life Assurance Co Ltd* [1997] 2 WLR 945; *Investors Compensation Scheme v West Bromwich Building Society* [1998] 1 WLR 896 (ICS); *Farmers Build Ltd v. Carier Bulk Materials Handling Ltd* [1999] R.P.C. 461.

93 *Pfizer Products Inc. & Pfizer Pharmaceutical Chemistry*, the High Court of Beijing (2007) final judgment No.1687, and No.1684.

well-known trademark in China and abroad . But in *Starbucks Corporation*⁹⁴, the reputation in the registered "STARBUCKS" and its Chinese translation "星巴克" were considered connected. Also in US *Eastman Kodak Company*⁹⁵, the defendant argued that its word mark '科达' was not even a translation from the plaintiff's "KODAK 柯达"; they were different in visual style and used in totally different fields, the product of lift rather than Photographic products. The trial court and high court both held that the defendant had infringed the plaintiff's famous trademark right and broke anti-competition law.⁹⁶

The appeal courts in China should use the appeal stage to interpret what is a translation of famous foreign mark; and what constitutes an imitation of the translation of famous foreign marks under provision two? Should similarity consideration focus on the main nature of the mark in a consumer's attention or on its phonetic similarity, visual appearance, or on the meaning of the mark and its pronounced similarity with the original famous marks?

By addressing the problem of conflicting identification and ascertainment of points of trademark law, what is needed is for an appeal court is to be clear about the underpinning assumptions and policy consideration; it is to clarify the purpose of law, and to correct the wrong ascertainment of a point of law made by the trial court, as in *Aifut Chemical Industry*⁹⁷.

English appellate courts play a higher and wider judicial role on clarifying ambiguities on applicable law. The Chinese appellate court basically repeats the trial court's role and fails to give consideration to discerning statutory meaning and preventing uncertainties and conflicts in applicable law. It fails to promote deliberation in interpretation and to respond to the need for consistency nationwide. The failure of appellate courts also worsens the phenomenon of strong local

94 See the full introduction of the case in (n 122): Starbucks Corporation and United Starbucks Coffee Shanghai Co.

95 *US Eastman Kodak Company v. Suzhou Kodak Hydraulic Pressure Lift Co., Ltd.* (2005) No.0213 the final judgment by No.3 Civil Division of the Intermediate Court of Suzhou.

96 See the decision part in *US Eastman* (n 95).

97 *Aifut Chemical Industry v. Beijing Di Tan Hospital*; see the full introduction in Chapter Two.

protectionism in the Chinese legal regime, in which the same issue is treated differently in different areas⁹⁸.

We cannot read out a detailed cogent ascertainment of a point of law from the above appeals. This constitutes a huge waste of legal resource, creating injustice for litigants, and it is also damaging public trust towards the China judicial system case by case, if the grey areas and conflicting decisions are still there even after the second trial. The following ascertainment of damages calculation is unbelievable. It is very difficult to accept that the appeal courts in China had really considered the purpose and objectives of law for such damage assumptions and inferences: If first claim succeeded and the claimant was compensated, then other claims did not need to be considered because sufficient and effective legal protection had already been given to the plaintiffs' rights through the first claim.⁹⁹ If a defendant could provide a purchasing receipt then there was no need to consider the damage by selling faked goods, except for an injunction to stop the defendant further selling. If there was a dispute between parties about the method of calculating damage, the trial court did not need to notice both sides but directly chose an unexpected way to decide compensation¹⁰⁰. After infringement was recognised and confirmed by trial, there was a need at the damages assessment stage to evaluate how high was the novelty and originality in a work in order to decide how much compensation should be given.¹⁰¹

Conflicting arguments sometimes are indispensable to the judicial process, particularly regarding the conflict of interest between both sides. In such a situation an appeal court needs to explore and debate the value and central directives of an IPR statute and its policy purpose. The appellate function should be at a national level to interpret where it intends to give guidance to the lower courts to avoid

98 See the following cases in provincial Chinese courts: Qingdao Changlong Stationery Co. vs. Qingdao Genhao Trading Co; Guangzhou Mora Network Technology Co. v Shanghai Mecoxlane International Mail Order Co; Wuhan Tobacco (Group) Co. v. Deng Linjiu; Xiamen Tong'an Sandexing Garment Co. v. Han Zhong.

99 *Deng Shi Yuan v. jinxing Qi Hang Science & Technology Ltd*, (2006) No. 23770 the first trial judgment of Hai Dian District Civil Court

100 *Hao You Duo Supermarket v. Wan ke Long Ltd*. (2002) No. 3, the final judgment of the Third Civil Division of the High Court of GuangZhou

101 *Yinte Laige Co. v. Kegao Co*, *High Court of Beijing* (2002) No. 279 civil final judgment of the High Court of Beijing

inconsistency in the exercise of discretion.¹⁰² The appeal court in England would explore various possible solutions and try to unify and coordinate nationwide judicial decisions by judicial interpretations in leading precedents.

We can see that in the UK maybe there is a degree of argument about how widely or narrowly the binding force should be taken.¹⁰³ But at least no matter how wide or narrow the estoppel principle is, the cases confirm and strengthen the bottom line of legal finality, that the scope of same subject matter is based on the whole story given by litigants. A decision should focus on the difference between material facts, rather than trifles such as person, time, place, kind and amount, which are all presumed to be not material unless there is good reason to the contrary.¹⁰⁴ English courts consider the scope of the finality in a prior judgment from the main evidence used, the issues argued in the prior case, the remedy pursued, the decided case management direction, and the fair opportunity for the litigant to reveal the issues in the first suit¹⁰⁵.

For China the basic principle of legal finality has not yet been constructed. Chinese legal finality still looks to the use of verbatim words to judge binding force and finality¹⁰⁶. The Chinese appellate courts have done little to constrain themselves

102 Christopher Allen, *Practice Guide to Evidence* (Cavendish Publishing, 2004), on how to solve conflicts.

103 Some judge expressed the risk of wider binding force in a judgement. In *Brisbane City Council v. Attorney-General for Queensland* [1979] A.C. 411, the Privy Council expressly endorsed Somervell L.J.'s reference to abuse of process and observed, at page 425: 'This is the true basis of the doctrine and it ought only to be applied when the facts are such as to amount to an abuse: otherwise there is a danger of a party being shut out from bringing forward a genuine subject of litigation.' And Somervell L.J. considered in *Greenhalgh v. Mallard* [1947] 2 All E.R. 255 at 257: 'issues or facts which are so clearly part of the subject-matter of the litigation and so clearly could have been raised that it would be an abuse of the process of the court to allow a new proceeding to be started in respect of them.'

104 *Henderson v. Henderson* (1843) 3 Hare 100; *Yat Tung Investment Co. Ltd. v. Dao Heng Bank Ltd.* [1975] A.C. 581.

105 On binding precedent – the doctrine of stare decisis, see Michael Zander, *The Law-Making Process*, (Cambridge University Press, 2004), pp 216-263. Also see *Poulton v Adjustable Cover and Boiler Block Co* [1908] 2 Ch. 430;

106 Amanda S. Reid, 'Enforcement of intellectual property rights in developing countries: China as a case study', *LCA J. Art & Ent. L.* Vol.13 , 2003, p 80: 'in contrast to a highly formalistic society is one with a high degree of legal certainty. Hallmarks of a system that offers legal certainty include consistent and cognizable rules of law, observance of the law by civilians and companies, an independent judiciary, legal education and research and a free press.'

or lower courts to apply substantive IPR laws coherently and consistently, and to avoid contradicting discretion on point of law.

The argument on issue estoppel is raised again and again in IPR cases, but every time the trial court and appeal court simply repeats the abstract expression of the legal concepts. There is no thorough examination and clarification in each particular case. What is the value of legal finality in Chinese litigation; in what situation are there estoppels to bar reopening any argument around IPR infringement? Such basic questions still remain in the dark.¹⁰⁷

4.2.4. No Consistency or Doctrine of Precedent to Strengthen Finality

Consistency is an important element of legal finality and issue estoppel.¹⁰⁸ It is expected that similar cases should be decided in a similar manner. In England the precedents provide a chance to understand its legal finality and issue estoppel. An English judge when deciding a case must refer to similar prior decisions of the higher courts and keep to the reasoning in those cases. If a previous case has dealt with similar facts and the same rules, then the present case has to be decided in the same way. This process is known as the doctrine of precedent.¹⁰⁹

The doctrine of judicial precedent helps English courts to apply IPR law correctly and consistently. What English judges look for is not some kind of

107 Fred W. Riggs had analysed the effect without a strong rule of law in developing countries like China. He used a term 'prismatic society' to point out: 'there is a gap between what is formally prescribed and what is effectively practiced. In a prismatic society the laws in the statute book are one thing; the actual behaviour of the individual subject to the law is another. What permits formalism to persist is the lack of pressure toward program objectives, the weakness of social power as a guide to bureaucratic performance, and a corresponding permissiveness for arbitrary administration.' See Fred W. Riggs, 'Administration in developing countries: the theory of Prismatic society', 3 (1964) *Public Administration*, pp 78-80.

108 For a clear analysis on *res judicata* and binding precedent, see Ian Mcleod, *Legal Method*, (6th ed, Palgrave Macmillan 2007), p 131: 'the conceptual difference between binding precedent and *res judicata* is that, the former (binding precedent) deals with matters of law, which may be binding in future cases, because the matter was *res judicata* as a result of the earlier case; while the latter deals with disputes before the courts in individual cases, and the bindingness of the outcomes of those cases only as between the parties, not non-parties'.

109 On how precedent works, see '*The Law-Making Process*', by Michael Zander (Cambridge University Press, 2004), pp 260-300.

'revealed' authority that will miraculously settle the problem before them, but a convincing statement or application of a principle of law appropriate to the case in hand. Lord Jessel MR said: 'the only thing in a judge's decision binding as an authority upon a subsequent judge is the principle upon which the case was decided.'

110

For example, everyone knows that it is fair dealing with copyright works, if their purpose is the reporting current events; this does not infringe any copyright in the work, provided that it is accompanied by a sufficient acknowledgement.¹¹¹ Fair dealing is frequently used as a defence in copyright infringement in England and China. But what constitutes current events, and how to properly interpret its scope? Using degree and intention is always difficult and controversial. The Court of Appeal in *Hyde Park Residence*,¹¹² shows us how English courts use the precedent in applying statute law.

In this case, the appeal court first referred to similar prior decisions on 'current events' from the judgment of Walton J in *Associated Newspapers*, and that of Lightman J in *Newspaper Licensing Agency*, because clear reasons were given for distinguishing the earlier cases.¹¹³

Having reached a view on whether this was a reporting of current events, the Court of Appeal went on to consider the whole issue of fair dealing. Again it

110 See *Osborne v Rowlett* (1880) 13 Ch D 774, also see decision-making in tribunals, at pp 34-41; 142 in Andrew Goodman, *How Judges decide Cases: reading, writing and analysing judgments* (XPL law, 2005).

111 See CDPA 1988, s.29 and China Copyright Law 2001, article 22.

112 *Hyde Park Residence Ltd v Yelland* [2000] 3 W.L.R. 215. The facts are stated in the judgment of Aldous LJ. The plaintiff brought an action for infringement of copyright against the defendants for infringement of copyright by using still photographs from video recording published in newspaper without owner's permission. The defendants' defence was that the publication was 'fair dealing ... for the purpose of reporting current events' within s. 30(2) of the Copyright, Designs and Patents Act 1988.

113 See *Hyde Park Residence*, para 32: 'For the purposes of this appeal I accept that such media coverage can be described as "current events" when those words are construed liberally, although the judgment of Walton J in *Associated Newspapers Group plc v News Group Newspapers Ltd* [1986] RPC 515 and that of Lightman J in *Newspaper Licensing Agency Ltd v Marks & Spencer plc* [1999] RPC 536 provide good reasons for the contrary view. That being so, I will assume that the use made of the driveway stills was for the purpose of reporting that coverage. I therefore come to consider whether the use made was fair dealing and to review the cases where guidance has been given as to the way the words "fair dealing" should be applied.'

reviewed previous cases on the same issue, the principles elaborated in them,¹¹⁴ and in some cases, the principles in cases as interpreted by later cases. Some but not all of the decisions were binding on the court in *Hyde Park Residence*,¹¹⁵ which again made clear its own reasons for the course that it took from prior decisions. The court was required to apply those decisions, insofar that they were applicable to the case before it.¹¹⁶ Then the appellate judge described the content of the disputed article, its headings and how the argued picture was used underneath the headings, and the headlines, and in the end concluded that, the defence of fair dealing could not succeed.¹¹⁷

If even after a long comparison, English courts find that the merits of precedent or its authorities do not fit the present case, they are not similar cases, just a surface similarity. It is also worth reviewing the precedents so that litigants and the court find the extent to which they are consistent or inconsistent, and assist the real arguments, then find the balance points.¹¹⁸

The result of such process of precedents is to develop the law gradually, with no sudden or arbitrary changes, but nonetheless to develop it, by deciding whether to extend or to distinguish previous authorities, and by using a transparent reasoning process to explain why. A later court would therefore have the benefit of a clear line of authorities, and reasons for extending or not extending the reasoning in those authorities. This makes for greater certainty and consistency in the law. It

114 The cases considered in Aldous LJ's judgment included *British Oxygen Co Ltd v Liquid Air Ltd* [1925] Ch 383, as qualified by Lord Denning MR in *Hubbard v Vosper* [1972] 2 QB 84, and *Beloff v Pressdram Ltd* [1973] 1 All ER 241.

115 See *Hyde Park Residence* (n 112).

116 See *Hyde Park Residence*, para 37: 'Thus the cases establish, and I believe it right, that it is appropriate to take into account the motives of the alleged infringer, the extent and purpose of the use, and whether that extent was necessary for the purpose of reporting the current events in question. Further if the work had not been published or circulated to the public that is an important indication that the dealing was not fair.'

117 See *Hyde Park Residence*, para 40 and 41: 'I reject Mr Spearman's submission. I have come to the conclusion that the defence of fair dealing cannot succeed. I do not believe that a fair minded and honest person would pay for the dishonestly taken driveway stills and publish them in a newspaper knowing that they had not been published or circulated when... the use of the driveway stills was an attempt to dress up the infringement of Hyde Park's copyright in the guise of reporting an event.'

118 See *Hyde Park Residence*, the long argument and comparison on prior decisions quoted by both sides (Michael Bloch QC and Alistair Abbott for the plaintiff, Richard Spearman QC for the defendants).

discourages radical change, while nonetheless allowing development at a detailed level. The transparent and detailed reasoning in *Hyde Park Residence*¹¹⁹ helps to ensure that all subsequent lower courts and tribunals will apply the same law, as there stated in the Court of Appeal. Arbitrariness by individual judges and arbitrators in later cases is therefore discouraged.

Further, the practice of following previous decisions results in improved efficiency, rather than the reverse, for the present trial, because points of law which have once been decided can simply be applied subsequently, without being subject to repeated re-argument.¹²⁰

Legal finality and issue estoppel cannot work well in China, also because China lacks such respect in and reference to precedent.¹²¹ Sometimes even if there is a through comprehensive reasoning on the argued issue in a prior case, a later court can ignore such principle without giving any distinguishing ground, by arbitrary declaring another meaning in applying the law.

In *Starbucks Corporation and United Starbucks Coffee Shanghai Co., Ltd v Shanghai Starbuck Co., Ltd.*¹²² both sides engaged in a soft drinking coffee service. The plaintiff in the U.S. in 1985 first registered the "STARBUCKS" trademark, and later the "STARBUCKS" trademark series were registered in more than 120 countries and gained prestige around the world. The "STARBUCKS" trademark was registered on the Chinese Mainland in 1996. But its Chinese word mark "星巴克" was first registered in Chinese Taiwan in February 1999 and was recognised as a "well-known" mark. In December 1999, the "星巴克" trademark was approved for registration in China by Starbucks Corporation under Class 42. It developed

119 Hyde Park Residence.

120 For techniques used in handling ratios, see *Legal Method*, by Ian Mcleod (6th ed, Palgrave Macmillan 2007), p 156.

121 Enforcement of property rights is possible in China, but there is a remarkable lack of consistency between jurisdictions. Authorities still suffer from lack of experience and will power, and local protectionism: see Elliot Papageorgiou, 'China's anti-piracy measures 'inconsistent', lawyer argues', Attorney-at-Law, Rouse, 26 April 2011, also on BBC News, accessed on May 10, 2009.

122 See *Starbucks Corporation and United Starbucks Coffee Shanghai Co Ltd v. Shanghai Starbuck Co Ltd, No. 1*, the first trial judgment by Civil Division 5 of the Second Intermediate Civil Court (2004) ; and No.32 final judgment by Civil Division 3 the High Court of Shanghai (2006).

business by franchising and advertising use of the "星巴克" trademark in the Chinese-speaking regions, and was familiar to the public of the Mainland in such large cities as Beijing, Shanghai and Shenzhen.

The plaintiffs (Starbucks) claimed that the defendants' usage of "星巴克" either as a coffee cup logo or as the shortened enterprise name in business activities, constituted trademark infringement and unfair competition.

The plaintiffs argued that "STARBUCKS" (Class 42) and "星巴克" (Class 42) trademarks should be treated as well-known trademarks and enjoyed a higher protection than a normal trademark, due to the international prestige of the "STARBUCKS" trademark series. Further, the plaintiffs' advertising and use of the "星巴克" trademark in the Chinese-speaking regions was earlier than the defendant's right to its enterprise name, and thus, the plaintiffs were entitled to the prior rights. The trademark series of "STARBUCKS" as an entirety should not be split by time and territory from Mainland China to Taiwan and Hongkong.¹²³

The defendant, Shanghai Starbuck was pre-approved and set up in Oct. 1999 and began a coffee business in March 2000 mainly in the Shanghai market. The defendants argued that in terms of authorisation time, its right to the enterprise name was prior to the plaintiffs' trademark rights. The registered "星巴克" trademark and the registered "STARBUCKS" trademark should be independent from each other in different registration areas, and the reputations established in another area was irrelevant to the present case. It was unfair to use its reputation in another market as a standard to prove its well-known reputation in the Chinese market. According to the "Implementation Measures for the Registration Administration of Enterprise Names", an enterprise is entitled, as of the date of establishment, to enjoy the name right, using it in its business activity in its scope.¹²⁴

The trial court and the High Court both held that, since Starbucks Corporation was the first to use the characters "星巴克" in Chinese Taiwan on Feb. 1, 1999, while the defendant, Shanghai Starbucks should have been fully aware of the fact

¹²³ *Starbucks Corporation* (n 122). See the fact statements from the plaintiff.

¹²⁴ *Starbucks Corporation* (n 122). See the statement from the defendant.

that the STARBUCKS and "星巴克" trademarks enjoyed a strong reputation in the same industry in the world. It was hard to believe that the defendants' use of the Chinese characters "星巴克" for "Starbucks" was merely due to a coincidence of originality.

The courts held that Shanghai Starbuck had subjective malice in registering the Chinese characters "星巴克" as the trade name for its enterprise. Shanghai Starbuck's conduct fell under the circumstance of Article 52 (v) of the Trademark Law, i.e., "causing other damages to another's right to the exclusive use of the registered trademark", violated the principles of fairness, honesty and good faith for civil activities, and infringed Starbucks Corporation's right to the exclusive use of "STARBUCKS" and "星巴克". The defendant's business name registration had obvious malice, and caused the public to misidentify or misunderstand the trademark registrant and the enterprise name owner, and constituted unfair competition against Starbucks Corporation.¹²⁵

From such fact identification and interpretation of the reputation earned by the plaintiff, it is clear that the Shanghai courts considered a mark's reputation based on not only the local market, but also the whole Chinese speaking market and international market. From this judgment, it also implied a rule that rushing registration of a Chinese mark translated from a well-known brand name is a kind of malicious registration, and therefore is invalid.

But in the following cases, facing the same issue argument about how to evaluate a company reputation and how to identify a Chinese word mark translated from a well-known world brand name, Beijing courts did not show any consideration to keep with the interpretation used in the precedent case of *Starbucks Corporation against Shanghai Starbuck*. We should especially notice that the judgment of the case of "STARBUCKS" and "星巴克" was included in the Supreme Court Annual Report of complex and typical IPR protection, to show, as good samples, Chinese progress in IPR protection.¹²⁶

¹²⁵ *Starbucks Corporation* (n 122). See the identified and confirmed facts by the judge.

¹²⁶ Annual Legal Report from the Supreme Court of China from 2008-2011, in <www.court.gov.cn>.

*In Pfizer Products*¹²⁷, the plaintiffs tried to split the whole argument around a registered shaped mark into two cases to solve the overlapping claims.

The main story is that the plaintiffs registered a shape trademark with an English brand name 'Viagra' on a drug for erectile dysfunction in China, and sold their products in the Chinese market with an unregistered Chinese trademark '伟哥' or '万艾可'. In 2005, they found the defendants produced the same shape drug with Chinese words '伟哥'. The plaintiffs sued the defendants for infringing the registered trademark rights on its three-dimensional blue rhombus-shaped trademark, claiming that the first defendant (Lian Huan Medicine) and the second defendant (Wireman Company) had illegally produced the same shape of products, and that the third defendant (Xing Gainian Pharmacy) had illegally sold such infringing products. The two plaintiffs claimed in another separate case that the defendants' acts also constituted unfair competition and infringement of its unregistered well-known Chinese trademark '伟哥'. Its Chinese word mark "伟哥" was first introduced and advertised in Taiwan and Hongkong and was recognised as a "well-known" trademark. The defendant maliciously tried to register it and used it on the same shape product as the plaintiff's, which had caused confusion to the customers and damaged its good reputation in the same kind of drug market. The plaintiffs claimed an order requiring the three defendants to stop producing or selling the illegal product, to destroy all products in stock and the production model, and to pay damages of RMB 50,000.

The claimants (Pfizers) filed two separate cases successively in 2005, against the three defendants for registered trademark infringement in case No.11350 and unregistered trademark infringement and unfair-competition in case No.11351. They said, in 2003 they got a three-dimensional blue rhombus-shaped registered trademark, with brand name 'Viagra', as a pharmaceutical product, in category 5. In 2005 they found that the third defendant had sold a drug in the form of a pill of the same shape and colour, produced by the first defendant (Lian Huan), while the brand name 'Weige 伟哥' and 'TM' sign on the drug package and on the pill, were

¹²⁷ See, *Pfizer Products Inc. & Pfizer Pharmaceutical Chemistry*, the High Court of Beijing (2007) final judgment No.1687, 1684.

licensed by the second defendant (Wireman). The claimants also found their three-dimensional blue rhombus-shaped trademark, together with the sign ‘Weige 伟哥’ and ‘TM’, occurring prominently in the second defendant’s website and advertisement brochure. The claimant provided seven newspaper articles and the document evidence of the drug sale in foreign and Chinese markets to prove that their unregistered Chinese trademark ‘伟哥’, and the brand name ‘Viagra’ along with the special registered three-dimensional blue rhombus-shaped trademark, had been well-known in China, Hongkong and Tai Wan.¹²⁸

The key defendants (Lian Huan and Wireman) contended that the claimant’s three-dimensional trademark had no distinctive character, and the registered mark should be revoked because of lack of distinctive character.¹²⁹ They had applied to the Administrative Bureau for revocation of the registration, and requested the court for a stay, pending the revocation result. They also argued that No.11351 case, was a repetition of the filed cases, No. 11350, concerning the same period undertakings between the same litigants. The defendants argued that filing this case broke the principle of issue estoppel and the principle of ‘one damage one remedy’ (against repetitive suit for one damage). They requested striking out this repetitive case. In the hearing of case No.11351, the defendants especially stressed a public notice in a newspaper from Pfizers' lawyer, which declared that ‘Viagra’ was the registered trademark, and that its Chinese name was also once used, ‘万艾可’, owned by Pfizer Products Inc. The second defendant contended that in 1998 he had applied to the Registrar for the trademark ‘Weige 伟哥’ in medicine, and that in 2002 its application had entered into opposition procedure pending final declaration. So they were legally using their mark pending registration as ‘Weige 伟哥 and TM’. The third defendant (Xinggai Nian) contested that it had no duty to pay any damages to

128 *Pfizer Products* (n 127). See the fact statements from the plaintiff in the first suit No. 11351; No. 11541 second suit judgment.

129 *Pfizer Products*. The first defendant provided several other medicine products from other factories with a similar three-dimensional shape to prove that the plaintiff’s registration was lack of distinctiveness.

the claimants. He argued that the legal purchasing receipt proved that he did not know they were an infringing medicine.¹³⁰

In the first suit No. 11351, the trial judge supported the plaintiff and gave compensation for the effects of the infringement, of RMB 30,000. He also issued an injunction against the three defendants, requiring them to stop producing, and selling infringing products.¹³¹ In the judgment No. 11351, the first trial court held that the defendants had infringed the claimant's unregistered mark and broken anti-fair competition law, on the basis that 'Viagra' and 'three-dimensional blue rhombus-shaped trademark' were well-known, and that the defendant's use caused confusion among consumers, leading to their failure to recognise the original genuine drugs of the claimant. But in the other suit judgment No.11350, the same court, but with a different judge, took a different view, and held that the defendants did not infringe the claimant's registered or unregistered mark right and did not break the anti-unfair competition law. Both cases were appealed to the High Court, who maintained the No. 11350, but reversed the No. 11351 first trial judgment.

Comparing these judgments, in No. 11351 first trial judgment, the trial court did not mention the evidence handed in by the defendant and a warning notice to the public against the faked 'Viagra' in newspapers from Pfizers' lawyer. But in No. 11350 judgments, the same court clearly used this lawyer's notice as the main evidence to support its decision on the argument of the Chinese word '伟哥', or '艾哥尔' as the translation of 'Viagra'.

The High Court of Beijing reversed No. 11541 judgment and affirmed the other trial judgments on grounds, first that registration rights were separate in each independent legal area. The success of the registration of 'Weige 伟哥' in Tai Wan and Hong Kong did not guarantee its recognition in the Mainland of China, because each company was a separate independent entity in each of these regions. Secondly, it held 'Viagra' was an English word mark and it had been translated by the media into several Chinese words: '伟哥', '威哥尔', '伟哥', '艾哥尔'. There was no

130 *Pfizer Products* (n 127). See the fact statements from the defendants in the first suit No. 11351; No. 11541 second suit judgment.

131 See *Pfizer Products Inc. & Pfizer Pharmaceutical Chemistry* (2005) No.11351, the first trial judgment No.11351.

direct existing recognition between ‘Viagra’ and ‘伟哥’. The Official anti-faking action was intended to protect genuine ‘Viagra’ products in the Chinese market, not to prove its Chinese name, especially as the claimant had confirmed its Chinese name through its lawyer’s notice in a newspaper. The defendants did not breach anti-unfair competition law because the defendant’s product package, the blue shape drug pill also had clear marks ‘weige 伟哥’ and ‘TM’ on the surface, and could not be confused by customers with the claimant’s blue shape and ‘Viagra’ mark.¹³²

The respondent in the appeals argued that the trial court did not consider its request to recognise whether its mark was a well-known unregistered trademark in China. The trial court did not properly consider its goodwill abroad and did not consider its registration in Hong Kong and Taiwan, nor arguments that the defendant’s action amounted to malicious registration and bad faith in business against the anti-unfair competition law, ‘a manner contrary to honest commercial practices’ and against prior use.¹³³

As to the avoidance of making a decision whether the claimant’s mark was well-known or not, the High Court of Beijing held that the claimant did not formally use this Chinese mark ‘伟哥’ in its products except in media articles, and was unable to provide any evidence to prove that the mark ‘伟哥’ was a well-known trademark abroad. Indeed, it is difficult to see how a Chinese word mark could become well known in other countries. It is unpersuasive separately to interpret the plaintiffs’ business reputation and consumers’ confusion on ‘Viagra’ in the China market and in abroad. From ‘Viagra’ sales abroad and in China, its specific shape and colour, from China administrative official anti-faking action and the warning notice to the public against the faked drug etc., all had strongly implied that the defendants would try their best to copy the plaintiff’s drug, to create a direct connection that its drug had the same quality as ‘Viagra’ for erectile dysfunction. The defendants’ action was highly likely to cause consumer’s confusion about the originality of such genuine kind of drug, and further put high risk to public safety.

132 *Pfizer Products* (n 127), the final judgment in No.1687, No.1684.

133 *Pfizer Products* (n 127). See the fact statements from the plaintiff in No. 11541 second suit.

Such interpretation in the present case is in opposition to the judicial recognition and interpretation of the Shanghai High Court in 'STARBUCKS' and "星巴克". Without comparing any precedent cases or inferring any confirmed rules and authority, Beijing courts declared their interpretation about business reputation being limited to its registered area; their identification of rushing registration of a Chinese word mark translated from another's well-known world brand name, was legal and in good faith, unless the Chinese name of this well-known brand name was also well-known abroad.

Here the prior decision in *Starbucks* already covers the main issue as *in Pfizers*. The only difference from *Starbucks* is how to identify the argument that Pfizers had also used '万艾可' not just '伟哥' as its Chinese translation name in business promotion. But the Beijing trial court and appeal court did not answer this question in their judgments; rather a different decision was set up. The courts in China have done little to compel themselves to apply substantial IPR law coherently and consistently. Legal finality and issue estoppels remain based on surface examination rather than from transparent and detailed reasoning in specific judgments.

In England, a judgment which goes against a precedent without a good ground is a wrong decision which will give rise to an appeal process.¹³⁴ A court cannot just arbitrarily change the precedent decision without any authority to justify it. The courts must point out the difference in the present case and distinguish those prior decisions as appropriate, before taking a different decision from the formal findings and recognition.¹³⁵ As the judge said in *Cilfit*¹³⁶:

the questions of interpretation posed in this case are identical with those settled...no new factor has been presented to the Court,.. in these circumstance the court

134 See appeal grounds in CPR, r.52.3 and PD 52.

135 In the UK, if a court tries to make a different judgement and to avoid precedents, there are three ways: (1) distinguishing- a judge finds a significant difference in the material facts of the previous and the present case. The judge can then depart from the law established in the previous case; (2) reversing- a superior court changes the decision of an inferior court in the same case; (3) Overruling- a superior court changes the decision of an inferior court in a different case. see Andrew Goodman, *How Judges decide Cases: reading, writing and analysing judgments*, XPL law (2005).

136 *Cilfit v. Minister of Health* [182] ECR 3415.

must be referred to the previous judgment... even though the question at issue in present case are not strictly identical....since it is difficult to see any basis for this statement other than that ,the court would simply follow its own previous decision, it constitutes further evidence that the court assumes that it will follow its own decision.

Without a precedent rule to ensure consistency in applying the law, Chinese legal decisions not only cause chaos and conflicting results among similar cases , but have also lost a chance to gradually develop and enrich the understanding of the statute law on a case by case basis as in England. For example, questions of about how to judge similarity and confusion in a trade mark, trademark law itself in article 52 and the Supreme Court interpretation in Article 11, both give quite decent context to clarify its meaning,¹³⁷ but after reading their judgments in trademark infringement and passing off, it is still difficult for us to understand what an inner connection in China would constitute infringing confusion through using a similar trade mark. the judgments repetitively state the provision as follows: ‘the defendant uses similar marks on similar goods; such use would cause general consumers to make wrong associations or misunderstanding, consequently bringing harm to the plaintiff’s right to exclusively use the trademark’¹³⁸; or ‘the Defendant (Han Zhong) did not sell the plaintiff’s ‘Hekey garments’, and hence it is impossible to dilute the trademark of the plaintiff and cause confusion to consumers.’¹³⁹

137 'Similar goods' under item 1 of Article 52 of the Trademark Law means goods that have identical functions, uses, production entities, sales channels, target consumers, etc., or goods that the relevant public would normally consider to have a certain connection and thus easily cause confusion.

'Similar services' means services whose purpose, content, method of provision, target users, etc., are identical or services that the relevant public would normally consider to have a certain connection and thus easily cause confusion.

'Similar goods and services' means that a certain connection exists between the goods and services which could easily cause the relevant public to be confused.

138 Blue Lotus Culture Company v Blue Lotus Food Company; Lacoste (Paris) Ltd v Crocodile International Pte Ltd; The Forge Plant of Jiahe County v Huaguang Machinery Ltd; Li Huiyan v Wanjiang Co of Dalian; Weiyada Pen of Ningbo v Chenguang Stationery; Qingdao Hisense Electronic Co v Qingdao Hisense Computer Co (2007); Neimengu Mengniu Dairy Group Co. v Neimengu Wine Co; Dell International Ltd v Dell International English of Beijing.

139 See *Weiyada Pen of Ningbo v Chenguang Stationery* (2006) No.42, First trial judgment of the Third Civil Division of Fuzhou Intermediate Court.

4.3. Conclusion

Legal finality, in the protection of overlapping intellectual property rights, is facing more challenges than in protection of other tangible civil rights. Through case by case development, English court has set up a basic relationship between cause of action estoppel, issue estoppel, res judicata and abuse of process. English courts firmly and consistently confirm and strengthen the threshold of legal finality, so that where the issues raised in an earlier claim are identical to the issues raised in a later claim, there is an absolute ban on the later proceedings. The courts have accepted two exceptional circumstances. One is that the judge should not apply res judicata to stop relitigating the same subject matter from admission of fresh evidence, where the party seeking to challenge the earlier judgment is doing so on the basis of developments in the IPR law, or on grounds of fraud or collusion arising in the earlier suit. The second is where, even though the first and the second claim might belong to same subject matter, the arrangement plan of the first suit would not allow one party to raise the matter later raised in the subsequent proceedings. The basic success of English judgment lies in treating similar cases similarly; any inconsistent and changing discretion and interpretation should be justified and accounted for from a more contextual and deeper understanding of the multiplicity of interpretative legal sources.

Compared with English position, legal finality and issue estoppel in China is merely based on use of verbatim words to enforce the binding force in a decided case. Legal finality and estoppel is difficult to analyse from prior judicial decisions and judgments. The appeal function has failed in clarifying the points of law. There is no consistency or precedent rule to strengthen finality and bind later litigation. Its legal finality and binding force in a decided case is still uncertain and changeable within the concept of issue estoppels. The application of law lies in a trial court's instant statement and declaration of statutory provisions, rather than a consistent ascertainment based on precedent.

Chapter Five: Legal Justice and Evaluation of IPR Judgments

In UK judgments, there is continuous consideration about how wide or narrow the binding force of a judgment should be; how limited or unlimited judicial discretion a court should exercise, how positive or normative should be the method taken towards application and adjudication of law. But IPR cases confirm at least, and strengthen the threshold of legal finality, that where the issues raised in an earlier claim are identical to the issues raised in a later claim, there is an absolute ban on the later proceedings. The bottom line of case management and evidence discovery, we have seen, reflects an open equal arrangement, known to participants in advance of every judicial decision; it is possible to see clearly how a judge has come to arrive at a decision. The bottom line of ascertainment of facts and interpretation of law is consistent with precedents, and is fitted into the merits of each specific case. Through the cases, English courts maintain and strengthen such a bottom line standard. The basic success of English trial lies in a firm and continuous insistence on an open transparent process and accountability. Proper discovery of evidence is undertaken, and the main arguments from both sides are heard. The basic success of the UK judgment lies in treating similar case similarly; any inconsistent and fluctuating discretion and interpretation is justified and accounted from a more contextual and deeper understanding of the multiplicity of interpretative legal sources.

In contrast, IPR enforcement in China has not set up such bottom lines. A common phenomena existing in China IPR cases shows that its case management and discovery of evidence are not transparent enough, and do not enable us see clearly what has happened in trial. Judicial decisions do not reveal clearly how a Chinese judge has arrived at his conclusion if both sides' arguments had been treated equally. The legal finality and binding force in a decided case remains uncertain and changeable as regards the concept of issue estoppel. The application of law is a trial court's instant statement and declaration of statutory provisions, rather than a consistent ascertainment based on precedents and recognised legal authority. Chinese legal decisions not only cause conflicting results within similar

cases, but China has also lost a chance to gradually develop and enrich the understanding of the statute law, case by case as in England.

From the above case analyse in former chapters, I concluded that English judicial result is much clearer, more consistent and more transparent. Its equality of treatment is superior to the Chinese position¹. Can we see transparency and equality of treatment, and that consistency with precedent is justice, is therefore better than in China? If so why we should pursue this as norm and standard to evaluate a just judicial decision?

Before proving whether this is the practical end in pursuit of justice, I must try to explore how the jurisprudential theories develop in order to find a just and fair judicial assessment. An investigation into the nature of law can be seen as being an attempt to answer the question of what is a just and fair judgment.

5.1 Legal Justice According to Jurists

To evaluate a judgment is a process of exploring what value and interest are regarded as being vital in a legal system and society². Law, as a device for promoting the desired good, should reflect the model of what law ought to be. A judgment can be judged as being invalid if it substantially deviates from the requirements of such principles. In a civil society people and society put their hope on court to get final justice about their argument. They expect the court has a just weapon to achieve a fair result. The underpinning foundation of any judgment is the theory of jurisprudence. As Thomas Aquinas, points out, the essence of law is to be just. 'lex injusta non est lex' --an unjust law is not law.

Countless jurists have tried to provide a reliable and persuasive theory for us to evaluate what is a just and fair judgment. There are several famous jurists in different periods who have been forming their ideas and theories to design the best

1 Of course the advantage of UK adjudication is also accompanied with much criticism of its costs, delay, and some inconsistency in reasoning. See Niall Ferguson's lecture 'The Rule of Law' on BBC 4 (2012), and Lord Woolf's account of the aims of the CPR in *McPhilemy v Times Newspapers Ltd* [1999] 3 All ER 755 (esp at 793) to control the manner in which cases are presented, notably preventing prolixity and the waste of court time and costs.

2 See John N. Adams and Roger Brownsword, *Jurisprudence theories of justice, framework beliefs about Justice*, (London : Sweet & Maxwell, 2003), p 187.

dispute settlement and answer basic questions--- what is a good judgment or bad judgment, how to identify a just result, even though this question might be asked in a different way, such as legal value, legal norm or natural justice. To achieve a way of better, justice, and practical purpose in law has probably always served as the central standard with which to evaluate judicial acts. A legal system is necessarily a reflection of a society's philosophy of justice.³

The most significant contribution to the debate over justice in Twentieth Century was made by the philosopher John Rawls, he agrees that any conception of social justice must comprise the notion of impartiality---that if the principles on which a social system is based are biased towards a particular group (a social class, or a political party), that system is automatically rendered unjust.

John Rawls saw justice in terms of freedom and equality, and expressed an intuitive conviction of the primacy of justice. Describing it as the first virtue of social institutions, and inviolable in the same way that truth is to systems of thought, he said: ⁴

Therefore in a just society the liberties of equal citizenship are taken as settled; the rights secured by justice are not subject to political bargaining or to the calculus of social interests. The only thing that permits us to acquiesce in an erroneous theory is the lack of a better one; analogously, an injustice is tolerable only when it is necessary to avoid an even greater injustice. Being first virtues of human activities, truth and justice are uncompromising.

John Rawls not only talked about individual liberty, but also argued for a method of moral reasoning, reasoning about justice, that he calls reflective equilibrium. What is the method of reflective equilibrium? The general point is this by Rawls,⁵ 'A conception of justice cannot be deduced from self-evident premises. Its justification is a matter of the mutual support of many considerations, of everything fitting together into one coherent view.' Rawls accepted that idea and

3 See *Psychology in the Legal Process*, (edited by Bruce Dennis Sales, Spectrum Publications Inc., 1977) p 178.

4 John Rawls, *A Theory of Justice*, (Harvard University Press ,1972), p 3.

5 John Rawls, 'The Basic Liberties and their Priority', in the *Tanner Lectures on Human Values*, 1981. Also see Ronald Dworkin, *Public and Private Morality*, (Cambridge University Press, 1978), p 167.

advances the notion of reflective equilibrium into the question of justice. He thinks the method of reflective equilibrium can generate shared judgments about justice and right.⁶ We can see equal treatment as the primacy of justice, originating from Rawls' justice pursuit in social institutions.

Natural law theorist, JM Finnis, in his restatement of natural law, put out 'common good' as humans to attain the objective value. He lists seven objective good which he regards as being irreducibly basic: life, knowledge, play, aesthetic experience, friendship, practical reasonableness and religion. A legal system should facilitate the common good. Enforcement of law should work for the common good.

7

Hart's position was concerned more with the morality of law, his intention being to establish a 'rule of recognition'.⁸

Behind every legislative authority (even the supreme legislature of a legal system) there must be rules specifying the identity and qualification of the legislators and what they must do in order to make laws. ... I used the expression the rule of recognition in expounding my version of the common theory that a municipal legal system is a structure of open-texture rules which has at its foundations a rule which is legally ultimate in the sense that it provides a set of criteria by which in the last resort the validity of subordinate rules of the system is assured. This rule is not to be characterized as either legally valid or invalid though it may be the subject of moral criticism, historical or sociological explanation, and other forms of inquiry.

By contrast, Christopher Columbus Langdell had a concept of 'absolute rights'. He designed his 'absolute rights' [fixed doctrines] theory to reflect the relationship between legal rules and the nature of judicial decision making. In his Brief Survey of Equity Jurisprudence, he said 'absolute rights' are either personal rights or rights of property. Every personal right was born with the person to whom it belonged, and died with him. Personal rights, therefore, could neither be acquired nor parted with. The court basically discovered and declared the pre-existing law in the case.

6 John Rawls, (n 4), pp 7-12.

7 See Martin P. Golding, 'Jurisprudence and Legal Philosophy in Twentieth century America -Major themes and developments', *Journal of Legal Education*, 443 (1986), pp 56-70.

8 Hart, H.L.A., *The Concept of Law* (Oxford: Clarendon Press, 1994), p 268.

Langdell accepted the declaratory theory of judicial decision-making: the law pre-exists the case, and the principle of legal growth is that of logical development out of fundamental doctrines and concepts.⁹

The idea of justice develops from at beginning a singular institutional model, derived from abstract principles (John Rawls' freedom and liberty), to a multiple plurality model (to meet individual desires and interests). Jurists put more and more factors from people's claims and needs into this model, because they have found that no singular meaning of justice can fully coherently explain the legal phenomena existed in society.

The theory of social interests is at the heart of Pound's sociological jurisprudence. Pound identified himself with a "social engineering" approach to the law which reflects a notion of justice as "such an adjustment of relations and ordering of conduct as will make the goods of existence ... go around as far as possible with the least friction and waste". Pound named six classes of social interests [individual interests], under which fall into subclasses: general security, security of social institutions, general morals, conservation of social resources, general progress, and individual life. These interests were designed to give coherence to the requisite policy judgments with the weighing and balancing entailed in satisfying them. His individual interests were claims, demands, desires, which were distinguishable from public interests (asserted in title of organized society as a legal entity).¹⁰

Summarising the views that were available to him at the time, Rudolf Stammler was able to do little more than describe justice as a fundamental idea, arguing that the purpose and final aim of the law is to find the justice value in the law:¹¹

Our investigation must aim to discover the fundamental principle of law, and we must work out a theory which will enable us, by an unbroken chain of reasoning, to pass from the principle of law, to specific questions. We thus arrive at the definition, that a just

9 Christopher, 'Brief Survey of Equity Jurisprudence', 220, Boston, 1905, at 126, also quoting from Martin P. Golding, 'Jurisprudence and Legal Philosophy in Twentieth century America - Major themes and developments', p 36, Journal of Legal Education, 443 (1986).

10 See Roscoe Pound, 'A Survey of Social Interests', 57 Harv. L. Rev.1, (1943), quoting from Martin P. Golding (n 22).

11 See, Rudolf Stammler, *The Theory of Justice, 1925*, Isaac Husik, translation, (published by New Jersey, the Lawbook Exchange, 2000), p 205.

rule of law is that rule which, in a given case, agrees with the fundamental idea of law in general'.

Rudolf Stammler defined just law as follows,¹² 'Just law is positive law, the content of which possesses the quality of justice; ... just law is positive law whose content has certain objective qualities'. But it is difficult to find here, or in what follows, anything either substantial or objective,¹³ 'In all social deeds and human institutions is concealed a feeling and a longing for justice; even though this tendency is sometimes described differently and in a roundabout manner.' He later attempted to explain why finding an objective definition is so elusive:¹⁴

This follows inevitably from the quality of the law as a specific and conditioned means... It is true that people are guided by subjective desires and cannot get away from their personal interests. This is the very reason why the problem arises of finding a right adjustment among the opposed desires and demands. The question now arises, under what conditions is the decision in such a dispute objectively just? And by what method can we prove that it is just?

Justice is a subjective concept, then. This leads him to fall back upon the manner of its determination, requiring a formal means of doing this:¹⁵ 'justice is a quality of certain positive law. Its concept must be determined in a formal manner'.

Later jurists' works have also considered the manner of creation of individual rights in law, more than their substantive content. Thus, in admitting Pound's pragmatic and social engineering view of law had its uses, Ronald Dworkin introduced political policies to be supplemented with permanent constitutional principles and a doctrine of natural rights, as a protection against the 'hurricane' of social wants and demands. In situations where different and conflicting interpretations of the rules themselves are possible, and facing discretionary space which is left over even after all the rules have been taken into account, Ronald

12 Rudolf Stammler (n 11), at 17.

13 Rudolf Stammler (n 11), at 22 and 24.

14 Rudolf Stammler (n 11), at 26 and 157.

15 Rudolf Stammler (n 11), at 21.

Dworkin set up a hierarchical priority of rights and principles, from constitutional principles, the highest bound to government policy, the lowest being guidance.¹⁶

Since the collapse of cold war, human rights are being elevated and become a more important justice factor. The Universal Declaration of Human Rights was first adopted by UN in its founding Charter in 1948, ‘Recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world’. With conflict at the most basic level of definition and widespread abuse on the ground, a persistent complaint has been that the idea of human rights is culturally biased in the Western liberal tradition and fails to take sufficient account of regional differences.

In the words of Costas Douzinas:¹⁷

the principles of human equality and freedom and their political corollary—the claim that political power must be subjected to the demands of reason and law---have now become part of the staple ideology of most contemporary regimes and their partiality has been transcended ... human rights are the fate of postmodernity, the energy of our societies, the fulfilment of the enlightenment promise of emancipation and self-realisation. Human rights are the ideology after the end.

But Douzinas doubts the fundamental nature of human rights. He argued that pursuing a dream of simplicity and one account of the all diverse justices or good values in the world is becoming more and more unpractical in this highly complex global society, because there is no blind faith or fundamental axioms existed as solid foundation for us to conquer everything.

He is unconvinced by pursuit of human rights as a final end, doubting their objective reality. Their protection in litigation becomes a paradox, and had less persuasive force with its continuous flight of meaning and groundlessness and world-making power of freedom on a moral foundation. He stated that:¹⁸

Human rights do not belong to humans but they construct humans; human rights are the public proclamation or legalisation of individual desire. Their action expands the

16 Ronald Dworkin, *Taking Rights Seriously*, (Cambridge, Mass, 1978), p 32.

17 See Costas Douzinas, ‘The end of human rights’, 2000, p 446, Melbourne University Law Review, vol. 26, p 446.

18 Costas Douzinas (n 17), at 447 and 465.

boundaries of the social and introduces undecidability, but it also dismembers the subjected subject... There cannot be the universal 'man' of liberalism or the abstract and formalistic 'subject' of law.

Douzinas, in a postmodern principle of justice, emphasised the relative nature of all rights, and pointed out the direction of human rights: ¹⁹

Rights exist only in relation to other rights; right-claims involve the acknowledgment of others and their rights and of trans-social networks of mutual recognition and arrangement. There can be no freestanding, absolute rights, because such a right would violate the freedom of everyone except its bearer. There can be no positive right, because rights are always relational and involve their subjects in relations of dependence on others and responsibility to the law ... Human rights are the recognition of the world-making power of groundlessness which turns the experience of ontological freedom into a principle of law and politics...Humanity is an indeterminate concept which cannot become the source of normative value...The action of human rights expands the boundaries of the social, but it also dismembers the subjected subject. Only if we conceive of human rights as dependent on the other can they return to their original end and become the postmodern principle of justice.

Richard A. Posner tried to use economic efficiency as key standard of justice. He analysed an economic approach to develop and evaluate a justice result. He put forward economic methods based on an assumption that the people involved with the legal system act as rational maximisers of their satisfactions. He is right that all legal system face limited legal resource to achieve a justice satisfactory end, so it is inevitable and widely accepted that, no matter in what jurisprudence, judges will adopt utilitarianism to make decisions, which means they will use economic theory of the optimal efficiently distribution within limited cost: ²⁰

A second meaning of "justice," and the most common I would argue, is simply "efficiency." When we describe as "unjust" convicting a person without a trial, taking property without just compensation, or failing to require a negligent automobile driver to answer in damages to the victim of his carelessness, we can be interpreted as meaning simply that the conduct or practice in question wastes resources. It is no surprise that in a world of scarce resources, waste is regarded as immoral.

19 Costas Douzinas (n 17), at 464,

20 Richard Posner, 'The Economic Approach to Law', 54 Tex. L. Rev. 766,

There may be more to notions of justice than a concern with efficiency, for many types of conduct widely condemned as unjust may well be efficient. Herman Oliphant tried to emphasise fact sensitive methods to avoid arbitrary decisions, and to find the real philosophy decisive behind a specific case, rather than a general theory. He wanted to turn legal study toward 'how judges actually decide cases and away from the reasons that judges give for their decisions, to stare decisis.'²¹

He agreed there were cases governed by rules, extracting a rule from a prior decision for application to the facts of the instant case. But this approach, he maintained, is beset by the logical difficulty that any set of facts is classifiable in an indefinite number of ways. Moreover, a logical analysis of decision making shows that, where there is no clearly applicable statute or clear precedent, one can formulate a number of plausible competing general principles as major premises and get conflicting results - a diminution of the stock of pre-existent governing rules and principles. Oliphant said²²:

each precedent and each case rests at the centre of a vast and empty stadium, the angle and distance from which that case is to be viewed involves the choice of a seat ... the judge cannot escape the fact that he can and must choose; the decision is not a matter of logical coercion.

It nevertheless is possible to determine 'what courts have done in response to the stimuli of the facts in concrete cases before them.' Careful attention to judges' 'responses to fact situations will reveal more clearly than a study of the vague and shifting 'rationalizations' given in opinions the patterns of decision that make prediction possible'.²³

Now we have found that more and more claims of justice collide with each other as this model to pursue justice becomes bigger, and more factors are involved. We find that we have lost in the fugitive ideal of justice pursuit since there are so

21 See Herman Oliphant, 'A Return to Stare Decisis', A.B.A.J. 71 (1928), 73.

22 Quoting from Martin P. Golding, 'Jurisprudence and Legal Philosophy in Twentieth century America - Major themes and developments' (1986) Journal of Legal Education 486; also see Herman Oliphant, 'A Return to Stare Decisis', A.B.A.J. 71 (1928), at 73, 159.

23 Martin P. Golding (n 22) at 159.

many different justice views based on different grounds. We begin to doubt whether there is a justice standard exists.

5.2 What Matters in Pursuit Of Justice

For modern society we have evolved and confirmed a multiple set of values or social interests, for example, dignity, happiness, well-being, equality and liberty. They are equally important to human beings. What we want or desire is not a formula in general, or an absolute rights priority or hierarchy.²⁴ The main task is how to find and achieve the specific value or interest in individual cases. There are always values or moralities conflicts existing in any case; there are always different justice views. For example, egalitarians stressed that IPR rights should be protected first over aggregate welfare of social institutions, but others hold that IPR practices are unjust in that they harm society while providing undue benefits to undeserving individuals.

Facing the conflict challenge of various values and philosophies, Rudolf Stammler summarised a tendency in pursuing natural justice, in which law becomes more and more caring of the importance of due process and obeying rules, following the disappearance of any final absolute morality in law. He said:²⁵

Science of law assumed that all legal precepts were potentially in the jurist's head and were discovered by a purely logical process. With the breakdown of this notion of the absolute finality of legal premises and logical existence of all legal precepts from the beginning, much of the significance of the distinction in application between legal precepts and moral principles disappears ... Precepts for human conduct, precepts determining for what conduct one shall respond in civil proceedings and how he shall respond, may admit of a wide margin of individualized application [on their individual notions of what is fair and reasonable in the particular case]. Indeed, in this connection, the law often employs standards rather than rules.

24 See Amartya Sen, *The Idea of Justice*, (by Penguin Group, 2009), 'Voice and social choice', pp 291-320.

25 Rudolf Stammler, *The Theory of Justice*, 1925, Isaac Husik, translation (published by New Jersey, the Lawbook Exchange, 2000), p 23.

In a multiple value society, there is often no clear moral position; the law cannot look to morality as any kind of absolute guide:²⁶

... in order to maintain the social interest in the general security, to prevent conflict, and to maintain a legal order in place of private war, the law must deal with many things which are morally indifferent. In many cases in the law of property and in the law of commercial transactions the law might require either of two alternative courses of action or patterns of decision with equal justice, but must choose one and prescribe it in order to insure certainty and uniformity. In such cases developed legal systems often exhibit the greatest diversity of detail.

This review has indicated disparate and probably incompatible views about theories of justice. The problem is also described by Sen, who followed John Rawls's basic idea that, the problem a theory of justice has to solve is how, in the face of these conflicts, effective social co-operation can come about on terms that are justifiable to avoid the worst injustice.²⁷

Such interpersonal justification is only possible if we start from some common ground, finding shareable principles of justice, shared convictions about fairness. In John Rawls' view, in a civil society citizens share a firm and well-considered bottom justice in specific cases--- that slavery and religious intolerance are wrong.²⁸ Judicial decisions should start from maintaining such bottom line to develop and extend the range of existing consensus.

‘We do not begin by asking what a perfectly just society would look like, but asking what remediable injustices could be seen on the removal of which there would be a reasoned agreement.’ A sense of justice, or more particularly a consciousness of injustice, appears to come naturally, almost instinctively, to humans: it may not be easy to define what justice is, but we seem to know it or the lack of it, when we see it. Beneath this sensitivity injustice there is often an

26 Rudolf Stammler (n 25), at p 24.

27 Amartya Sen (n 24).

28 John Rawls, 'The Basic Liberties and their Priority', in the Tanner Lectures on Human Values (1981), pp19-21.

awareness of incongruity, of a dislocation between what people suffer and what we feel they deserve or have a right to expect.²⁹

Sen quotes Bernard Williams, who wrote that “disagreement does not necessarily have to be overcome”. More immediately, the search for a perfect set of arrangements for society can distract us from tackling real-life, immediate injustices such as access to education for women in the developing world or action on climate change. ‘The perfect becomes the enemy of the good.’ Sen asks what is that the pursuit of justice should actually advance. Can we agree on a measure by which to judge when a society, in its quest for justice, is getting closer or drawing further away from it? The possible categories he considers include liberty, “primary goods” from against being hungry to being tyrannized.³⁰

What emerges clearly from the foregoing is that the issue is not so much to find an absolute standard of justice, but to develop a threshold in which to guarantee avoiding the worst injustice in a judgment. This becomes essentially a problem of procedure. No matter whether we adopt Pound’s social engineering view, Dworkin’s natural rights under constitutional principle, or Posner’s economic efficiency, the legitimacy of these jurisprudence theories are founded on a transparent understanding of the context of the statutory text and of legislative purpose. They can only be applied and proved under the correct acknowledgment of their theoretical debates surroundings in order to resolve the worst injustice issue a society faced. In order to find its application surroundings, there is a common basis behind all these jurisprudence theories -- how to start and make the justice journey. This minimum natural justice threshold demands transparency, equality of treatment and keeping consistent in construction. Such standard goes beyond but also unites each jurisprudence ethic or method, which has achieved a platform for objective legal end in different situations. As Rudolf Stammler mentioned:³¹

The question of the justice or injustice of a certain content of our will cannot be settled and shoved aside simply by pointing to its psychological origin. The solution must

29 Amartya Sen (n 24), Part One - 'The demands of justice'.

30 Amartya Sen (n 24), Part Three - 'The materials of justice'.

31 See, Rudolf Stammler, *The Theory of Justice*, 1925, Isaac Husik, translation, (published by New Jersey, the Lawbook Exchange, 2000), p 113.

be effected in accordance with certain formal characteristic marks which permit or forbid the inclusion of the content in question in the class of just content.' ...It deals with a fundamentally formal process by means of which we may be able to apply universal predicates to empirical material

The emphasis on natural justice and due procedure was once summarised by Nancy Fraser, who reflected on the need for an equal chance to participate in the process:³²

When the basic parameters of justice are contested, we lack authoritative standards for assessing the merits of justice claims. Effectively thrown back on procedural criteria, we have no alternative but to envision scenarios in which all the parties can engage one another on fair terms. In such cases, we must ask: do all concerned have equal chances to participate fully, as peers? Or are some excluded or marginalized as a consequence of unjust social arrangements? ... Thus, the principle of participatory directs us to interrogate social arrangements, to uncover, and criticize, entrenched obstacles to fair engagement.

Ronald Dworkin has paid attention to substantial natural justice, but also stressed that procedural justice is the basic foundation towards substantial justice, emphasising the need to develop: ‘ independent procedures governing how judges are to be appointed, how their decisions may be appealed and reversed, and how they may be removed from office if this should appear necessary.’³³

At a legislative level, the task may well be to decide between, or at least reconcile different value theories. At the judicial level, where the main issue is between two parties, and where circumstances may not fall clearly within the legislation, theories may take on less importance, and due process more. It may be in any case the reality that under the principle of transparent equality of treatment and consistency, there is no huge influence on the outcome of particular cases, when judges pursue differing theories of statutory interpretation.

In the US, Farber has examined this issue by comparing the outcome of judgments by Posner J (a pragmatist) with those of Easterbrook J (a textualist).

32 For a fuller account of such complexities, Nancy Fraser, *Social Justice in the Age of Identity Politics: Redistribution, Recognition, and Participation*, (Verso 2003), pp 9-26.
33 Ronald Dworkin, *Taking Rights Seriously*, (Cambridge, Mass, 1978), p 179.

Farber concluded that theoretical differences seemed to have only a marginal relationship without outcomes:³⁴

Thus, our case studies do not establish any strong connection between theory and outcome. (They also show that pragmatist arguments can support apparently formalistic results, and vice versa) ... Posner and Easterbrook's starkly conflicting jurisprudential views do not lead to any great disparity in their votes.

Farber also acknowledges that 'labels' are not always consistent with practice:³⁵

Reading these opinions makes it clear that the conventional view of their theories is an oversimplification: Posner is capable of being quite "formalistic" while Easterbrook's version of textualism is sometimes quite "pragmatic".

If it is correct that theoretical interpretative differences are not a good predictor of outcomes, then this raises important practical and jurisprudential issues, and shows the necessity of making more transparent and coherent the interpretive sources for the adjudication of IPR disputes.

Duncan Kennedy also suggested that, compared with choices in jurisprudential model or methods, a clear fair judicial procedure and coherent reasoning is more important and influential to a just outcome. Unreasoned inconsistent interpretative and understanding the role of law in the regulation leads to more confusion and chaos in the justice outcome than the opposing methods taken. The approaches frequently described as opposing actually invokes similar reasoning and interpretative models on closer inspection.³⁶

It means that a judge's preference as to which value or jurisdiction counts is very limited. Judicial discretion on facts, weight, and interpretation of law is limited under a transparent process of fact recognition, and on equal distribution and

34 See Daniel A Farber, 'Do Theories of Statutory Interpretation Matter? : A case study' (2000) 94 *Northwestern University Law Review* 1409; cf Jason J Czarnezki, 'The Phantom Philosophy? An Empirical Investigation of Legal Interpretation' (2006) 65 *Maryland Law Review* 841).

35 Daniel A Farber (n 34), at 1430,

36 Duncan Kennedy, 'Freedom and Constraint in Adjudication: a Critical Phenomenology', *J. Legal Educ.* (1986).

consideration of arguments³⁷. Legal participants can see clearly how judges develop an understanding and how the judge has come to arrive at his conclusion.

Jurists may have different views about how to go about solving particular problems and have different solutions with different goals in pursuit of the problem. But once they are facing the exact same facts and same issues under the same procedural threshold, their difference become less influential on the final outcome.

It is quite often the case that even taking a different approach, the judges will arrive at the same conclusion if they follow prescribed procedures, and in making its decision a judicial body must not take into account matters which it has not been directed to take into account; so the greatest difficulty and risk in pursuit of justice outcome is to limit arbitrary discretion:³⁸

The adjudicator who follows sound general rules and principles of procedure seems likely to do more justice to the merits of claims in the run of cases than the adjudicator who follows a policy of determining the appropriate adjudicative steps to be taken in each case. Moreover, if an adjudicator follows general rules and principles made known to participants in advance, they and their lawyers can know better what to expect and can therefore prepare better for appearances. Determinations of deviation can be more objective and justice is to be seen to be done.

Stressing natural justice in open, equal procedure and consistent reasoning to avoid the worst injustice result has become a common recognition in the evaluation a judgement.

Facing so many disagreements about justice and morality, how are we going to find our way to a society that accords respect to fellow citizen with whom we disagree? Recent jurists researching on justice, after a long searching journey from Jeremy Bentham, Hebert Hart, Hobbs, Aristotle, Kant and John Rawls, have taken a natural justice attitude. Michael Sandal suggested that there is no guarantee that a politics of moral and religious attention and human rights will lead in any given case to agreement. There is no guarantee it will lead even to appreciation for the moral and religious convictions of others. Facing the ultimate plurality of human goods, it

37 On how UK courts control discretion, see *R v. Field* [2003] 1 WLR 882; Lord Diplock in *Lambert v. Lewis* [1981] 1 All ER 1185, 1189;

38 Duncan Kennedy (n 36), at p 518.

is always possible and the most plausible way, is to respect our fellow citizen moral and religious convictions, not by ignoring but by engaging them, by challenging and contesting them consistently and learning from them to remove injustice.³⁹

Sen said that the central point in dealing with justice thought is to deal with prejudices, weak and arbitrary reasoning: 'the administration of justice can be more effective if judges are seen to be doing a good job, rather than botching things up; if a judgment inspires confidence and general endorsement, then very likely it can be more easily implemented.' What matters most is the examination of what reasoning would demand for the pursuit of justice. The basic issue is the need to recognize analytical formalities.⁴⁰

5.3 Natural Justice in English Cases

English appellate courts have developed clear principles of the grounds on which they will interfere and from early times a strong principle of natural justice in due process. This principle has a number of strands, for example *nemo iudex in causa sua*: 'no man may be judge in his own cause',⁴¹ and *audi alteram partem*: 'let the other side be heard'; 'Listening fairly to both sides has aptly been described as 'a duty lying upon everyone who decides anything'.⁴²

However, there is also a transparency aspect that justice must be not only fair but also open, that it is not something to be done in the dark. In the well-known case of *R v Sussex Justices, ex parte McCarthy*, Lord Hewart said that:⁴³ 'It is not merely of some importance but is of fundamental importance, that justice should not only be done, but should manifestly and undoubtedly be seen to be done.' There was no

39 Michael Sandal, *Justice: what is the right thing to do?* (Penguin Books, 2010).

40 Amartya Sen, (n23) Part Two, 'Form of reasoning', pp 155-208.

41 Famously *Dimes v Grand Junction Canal* (1852) 3 HL Cas 759 (Cottenham V-C held shares in the canal, which was a party to the proceedings, and was therefore biased).

42 Lord Loreburn LC in *Board of Education v Rice* [1911] AC 179, 182.

43 *R v Sussex Justices, ex parte McCarthy*, [1924] 1 KB 256, 259, distinguished in *ASM Shipping Ltd v Harris* [2008] 1 Lloyd's Rep 61, where an arbitrator tainted with a potential bias had not rescued himself, but where the other two arbitrators, aware of the situation, had taken the view that that he could properly and should continue as an arbitrator. The whole tribunal was not there regarded as affected second-hand by apparent bias. Presumably the difference was that the potential bias had been explicitly considered by the remaining arbitrators.

evidence of actual bias in this case. The appearance of bias was, however, clear, and was sufficient to impugn the proceedings:⁴⁴

the question depends not upon what actually was done but upon what might appear to be done. Nothing is to be done which creates even a suspicion that there has been an improper interference with the course of justice.

The principle from *R v Sussex Justices* is well-established in English law. In *Leeson v General Medical Council*, two members of a panel of 29 were members of the Medical Defence Union, a body whose object was to defend medical practitioners and to prosecute unauthorised practitioners. The proceedings impugned, brought by the panel, alleged that the plaintiff had assisted and enabled an unqualified person to carry on the business or profession of a medical electrotherapist, and to practise as if he was duly qualified. In the end a majority of the Court of Appeal upheld the proceedings, taking the view that the two persons had taken no part whatever in the prosecution, either by themselves or by their agents. Had they so taken part, their apparent bias would have been sufficient to impugn the proceedings.

There was no evidence of actual bias, but Bowen LJ observed that:⁴⁵

I think it is to be regretted that these two gentlemen, as soon as they found that the person who was accused was a person against whom a complaint was being alleged by the Council of a society to which they subscribed, and to which they in law belonged as members, did not at once retire from the Council. I think it is to be regretted, because judges, like Caesar's wife, should be above suspicion, and in the minds of strangers the position which they occupied upon the council was one which required explanation.

Fry LJ was of a similar opinion:⁴⁶

I think that it is a matter of public policy that, so far as is possible, judicial proceedings shall not only be free from actual bias or prejudice of the judges, but that they shall be free from the suspicion of bias or prejudice: and I do not think that subscribers to associations for the purpose of carrying on prosecutions can be said to be free from suspicion of bias or prejudice in the case of prosecutions instituted by the associations to

44 *R v Sussex Justices* (n 43), at 259.

45 *Leeson v General Medical Council* (1890) LR 43 Ch D 366, 385 (Bowen LJ).

46 *Leeson* (n 45), at 390.

which they subscribe. It is needless for me to disclaim any intention, in arriving at that conclusion, of holding that the two gentlemen in question were in fact influenced by any bias. That appears to me a point which is not really open to us, because I put my decision on the ground of public policy, and I disclaim any right to inquire whether in fact they were or they were not biased. I need hardly say that I do not believe they were.

The test is however one of apparent bias. It is not necessary to show actual bias. The tribunal must not merely be above reproach, it must also be transparently so. A similar plea for transparency can be found in *Ambard v Attorney-General for Trinidad and Tobago*:⁴⁷ “Justice is not a cloistered virtue.”

Transparency, equality of treatment and consistency are the central standards in long-standing UK case law, which displays this tendency in full sets of law reports dating back to at least 1865, when the official reports series started. Consistency, then, is a central tenet of the precedent system, whereas transparency is a central tenet of natural justice.

It can be seen that the principles of natural justice, due process⁴⁸, and consistency in reasoning have a long history in English law, and that they are emphasised as the principles of the rule of law. Lord Bingham in his famous book, ‘the Rule of Law’ stated that the right to a fair trial is a cardinal requirement of the rule of law: first, it must be recognized that fairness means fairness to both sides, not just one; secondly it should be consistently evolving with times and situations; thirdly a judicial decision-maker must be truly independent of all influences other than the legal and factual merits of the case. He must be impartial in the exercise of his own judgment, and must not allow his personal predilections or prejudices to pervert his judgment⁴⁹. The basic success of English judicial judgement lies in firm and continuous reliance on open transparent process and accountability, equal treatment to both sides arguments and consistent accountability for its judicial reasoning. It has achieved better that, as justice must be seen to be done ; similar cases are treated similarly; any inconsistent and fluctuating discretion should be justified and

47 *Ambard v Attorney-General for Trinidad and Tobago* [1936] AC 322, 335 (Lord Atkin).

48 The rules of natural justice include a right to be heard, a right to be informed of any adverse allegations made, and that the tribunal must not be a judge in its own cause. see the leading case *Ridge v Baldwin* [1964] AC 40; cf, definition in *Oxford Dictionary of Law*.

49 Tom Bingham, *The Rule of Law*, (Penguin Books, 2011), pp 90-95.

accounted from more contextual and deeper understandings of the multiplicity of interpretative sources.

5.4 Special Jurisprudential Theories in IPR Cases?

When it comes to IPR law in particular, the general jurisprudential theories play only a limited role, and the role they do play is rarely explicit. The Lockean idea that a man is entitled to the fruits of his labours might have led to a very different form of intellectual property protection than that which now exists, justified as it is to a large extent on principles of economic efficiency.⁵⁰ Economic efficiency accepts the desirability of remunerating authors by monopoly, but regarding monopoly as an evil, also limits its duration, protection scope and compulsory license. In the area of intellectual property, the law strives to reach a balance between conflicting interests, to reach a justifiable compromise on the grounds of protecting private interests and investment while providing benefits for society at large in terms of increased wealth, knowledge and employment.⁵¹

A good illustration is the *Grokster*⁵² litigation in 2005, concerning the legality of a peer-to-peer music distribution operation, could easily have come down to a battle about economic efficiency.⁵³ On the one hand, the content producers, primarily the music industry, claimed to have lost billions of dollars in lost CD revenues. Copyright should act as a gatekeeper, it was said, achieving "its goals through enforcement against specialized intermediaries — those capable of distributing creative works on a mass scale."⁵⁴ Apart from disputing the content providers' main economic claims, the defence also argued that, if copyright holders are able to prevent the development of products with alternative beneficial uses, just because they can also be used to infringe copyright, this would impede innovation. The peer-to-peer distribution systems at issue there, used lawfully, can be very

50 See Grant Hammond, 'The Legal Protection of Ideas', 29 Osgoode Hall L.J. 93 (1992).

51 David Bainbridge, *Intellectual Property*, (6th ed, Pitman Publishing, 2005), pp 11-12.

52 *MGM Studios, Inc. v. Grokster, Ltd* 545 U.S. 913 (2005).

53 Culminating in the Supreme Court decision in *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* 454 F. Supp. 2d 966, 2004.

54 Tim Wu, 'When Code isn't Law', University of Virginia School of Law; Public Law and Legal Theory Research Papers Series, 2003 Spring, 101, 108.

beneficial. They reduce distribution costs, and allow relatively unknown artists, who would not be able to obtain distribution through normal channels, to be published.⁵⁵

The economic arguments were played out during oral argument before the Supreme Court, the justices apparently being divided between the need to protect new technologies for social benefit and the need to provide remedies against copyright infringement. Thus, for example, Justice Scalia expressed concern that inventors would be deterred from entering the market by the threat of litigation, while Justice Souter questioned how the interpretation of the law proposed by the content providers would affect devices such as the iPod.⁵⁶

the more artistic protection is favoured, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the trade-off. ... The tension between the two values is the subject of this case, with its claim that digital distribution of copyrighted material threatens copyright holders as never before, because every copy is identical to the original, copying is easy, and many people (especially the young) use file sharing software to download copyrighted works. This very breadth of the software's use may well draw the public directly into the debate over copyright policy ..

The issue in the case of *Grokster* seems to present about an economic efficiency as a background, but in the end, the decision was based on comparison with previous case law, in particular referencing the decision in *the Sony* case.⁵⁷ Defendants are to be held liable, not because it is in the interests of the economy to hold them liable, but because their behaviour (a major factor in *Grokster*) creates an instinctive feeling of justice that they should be liable, and because to hold them liable is in line with previous precedent.

Even in *Re Aimster* Copyright Litigation, a Posner judged case,⁵⁸ We find, transparency and keeping consistency with formal decision is more fundamental and

55 In *Grokster* in the United States Court of Appeals for the Ninth Circuit, 19 Aug 2004, the example of 'the popular band Wilko' is cited at 11737. The court went on to observe that 'Other recording artists have debuted their works through the user networks. Indeed, the record indicates that thousands of other musical groups have authorized free distribution of their music through the internet.'

56 Pages 10-11 of the Supreme Court report, at <http://w2.eff.org/IP/P2P/MGM_v_Grokster/04-480.pdf>. Also Breyer in *Grokster*, at 17, on the figures.

57 *Sony Corp of America v Universal City Studios Inc* 464 US 417.

58 *Re Aimster*, Copyright Litigation 334 F. 3rd 643.

persuasive than his jurisprudential view of economic efficiency rationale. Jurisprudential difference appears to have no influence on the decision of the court. Judge Posner was influenced instead by an analysis of the safe haven rule in *Sony*, and a consideration of whether it was influenced by actual or only potential non-infringing use.

In summary, while broad jurisprudential theories may inform the general direction of IPR law, and to some extent, perhaps, the legislative process, they appear to have little influence on specific cases. Insofar as judges have discretion, then, cases are decided on a strong and consistent desire to treat like cases alike. The latter is built on a full and open and transparent legal trial and on law reporting.

5.5 Basic Justice Standard towards an Acceptable Fair Judgment

So an acceptable and bottom line of justice criteria should at least include three factors, transparency, equality of treatment and consistency.

Transparency, means the observed degree of clarity, openness, measurability, and verifiability in filing case , case management, trial, making interim orders and judgment etc. all of the key litigation stages .⁵⁹

Equality of treatment means fairly arranging and interpreting legal resource to both sides' view, and making proper and balance consideration against any bias, ignorance and discrimination in the whole litigation process. '*audi alteran partem*', hears the other side. Equality of treatment guarantees that any discrimination in the whole process stage should be objectively justified by legislations in order to avoid manipulation of the facts of cases or give more weight to some facts over others.⁶⁰

Consistency stresses respect for precedent rules and principles confirmed by former cases, and require that similar cases lead to similar treatments and results. Without strong facts and reason to justify deviation from precedent cases, the court must follow decided notions and rules in similar situation. So deviation is exceptional to consistency. Consistency, by way of comparison and reasoning can

59 See *Oxford Dictionary* (2005), on legal transparency.

60 In the part of overriding objective of the UK CPR and China CPR, there is legal intent to ensure parties are on an equal footing.

keep the end of law to the path of substantial justice, against departure from the long standing rules.⁶¹

These three factors should exist and be reflected together at the same time in each case. These three factors constitute the bottom line preconditions for judges to justify their judicial discretions. Only when all the conditions are in place, ensuring that all outcomes are reflected these factors, will these preconditions produce results. So a justice outcome is both procedural and substantive. A case judgment with this basic standard is just and fair.

Such a standard also provides a solid platform for us to understand the differences between each theory, and find the grounds of each, and why it is available to a specific case. No matter how different judges' concepts of justice are, this standard support to achieve the purpose by finding and developing from a base of similar precedent cases. Such a standard overcomes the obstacle of different economic, culture and ethics backgrounds to achieve a justice outcome for individual cases. It provides a basis for unconditional standard statements of the process to achieve objective legal ends, no matter what specific value or interest a judge has. Whatever specific culture litigants live in, and whether or not in reality a litigant holds on equal position in terms of money or power, this standard focuses open procedure and equality of treatment in attempting to find what the substantive law and precedent cases applying to the argued issues. This basic standard asks a judicial officer to guarantee its judgment as acceptable .

Sen gives us an example in his book.⁶² Imagine three children quarrelling over a musical instrument - a flute. The first claims the flute is his because only he knows how to play it; the second demands it because he, the poorest of the group, lacks toys of his own, and this will give him something to play with; the third notes that he has laboured for months in making the flute, and it would therefore be unjust for him not to have it. The claims of justice collide here: and no singular meaning of justice will help us. Here obviously any one of claim might be generally logical and sound.

61 See Ian McLeod, *Legal Method* (6th edition, Palgrave Macmillan, 2007), p 30; cf, natural justice, as defined in the *Oxford Dictionary of Law*.

62 See Amartya Sen, *The Idea of Justice* (Penguin Group, 2009), pp 338-350.

<http://ahroslanharahap.blogspot.com/2009_11_01_archive.html>, accessed on 25 March, 2010.

Relying on such general principles to make decision in a specific claim case is unpersuasive because all of them have some ground to justify any choice.

The first child might be awarded it under the principle of full use of property; the second child might establish the ground of full need of property; the third child also might get it under the rule of major labouring contribution. Every principle in itself is sound and just, but we cannot say any one is a just result in this specific case. A justice result is based on the merits, after a transparent and equal historic reasoning to reflect the purpose and intention in previous cases and legislation about property arguments. There is a need to find what the real argument is about this property---whether it is based on ownership or user right. The issue is likely to concern choice of distribution theories, rather than the arbitrary application of any single theory in particular.

In this example, the most injustice result comes where a judge fails to offer a transparent process and equality of treatment to disputants who try to prove the way how the flute is related to them. If the judge fails to interpret what the statute or precedent case applies to this kind of property, but blindly declares that fully use of property is what the law stipulates and awards the flute to the first child. We might doubt this justice. As Sen said, the crucial point about the fable of the flute is that there is no answer that is absolutely and objectively 'right', a decision that is fair and acceptable to all cannot be reached at the level of principle alone, in the absence of fair process and reasoning.⁶³

This is the main reality which Chinese legal decisions and final judgments are reflecting --- based on general definitions and principles to tell us right and wrong. In chapter one, the introduction compared notions of erroneous judgment as between England and China⁶⁴: there is error in application of the law; there is error in the ascertained fact; there is fault in the judge's exercise of discretion; there is outstanding procedural error, which may affect the correctness of the judgment;

63 Cf. He Weifang, 'The Realization of Social Justice through Judicature: A Look at the Current Situation of Chinese Judges,' in *Judicial Idea and Judicial System* (China University of Political Science and Law Press, 1998); J. Ga, 'WTO China, and the Avoidable Cycle of Futility', *Int'l & Comp. L.*, 2005; *System* (China University of Political Science and Law Press, 1998) . Jerome Alan Cohen, 'Will China have a formal legal system?' *A.B. A. J* 1978, vol. 64.

64 See Chapter 1.4

there is malpractice by the judge, who has acted for personal benefit and perverted the law. But in the absence of fair process and reasoning in specific cases, we cannot evaluate and understand the meaning of ‘erroneous judgment’ in Chinese legal practice⁶⁵.

5.6 Evaluation of IPR Judgment under Basic Justice Standard

The standards of transparency, equality of treatment and consistency does not constitute an explanation of what social interests and values underlie a judicial decision. Its function is to provide fair and just criteria to penetrate conditions behind an acceptable judgment. So as long as a judgment stays within the bottom boundaries and criteria, it is acceptable and just. That is to say, a judgment is just if and only if it is in fact the result of the application of all these criteria. Thus a decision that happens to have the correct outcome but is made without equal treatment and transparent process and clear consistent reasoning, is not a just decision, but an arbitrary exercise of discretion. Our expectation of justice in an acceptable judgment should reflect transparency, equality and consistence.

Without transparency, there is no basis to account and inspect the grounds and facts of a case. Judges are also men or women who are inevitably coloured by the values, interests and customs they happen to have. So if a litigation process is not transparent and clear enough for us to observe what happens in trial and what trial discretion steps are taken, it is an unjust trial. Without equal treatment, some evidence or facts might be easily ignored or hidden; some interpretation might be biased or overweighed.

65 Amanda S. Reid, ‘Enforcement of intellectual property rights in developing countries: China as a case study’, *LCA J. Art & Ent. L.* Vol.13 , 2003, pp 78- 80. She used ‘prismatic society’, created by Fred W. Riggs, to analyse the effect without a strong rule of law in developing countries like China: ‘there is a gap between what is formally prescribed and what is effectively practiced. In a prismatic society the laws in the statute book are one thing; the actual behaviour of the individual subject to the law is another. What permits formalism to persist is the lack of pressure toward program objectives, the weakness of social power as a guide to bureaucratic performance, and a corresponding permissiveness for arbitrary administration.’

In *Pro Sieben Media A.G. v Carlton U.K. Television Ltd*,⁶⁶ on the plaintiffs' claim for copyright infringement, the trial judge rejected the defences that the use of the extract constituted "fair dealing" either "for the purposes of criticism or review". But the Court of Appeal reversed the trial court judgment, based on the trial judge's error in evidence recognition which affected his decision on fair dealing as a defence.

This case vividly reflects that there is no other way to evaluate the justice of a case without a wholly transparent process and equality of treatment to both sides' argument. In this case the clear transparent trial recording gave the appellate court the chance to find error, and the equality of treatment principle give the appellate court the chance to correct the trial judge's prejudice towards the intentions and motives of a witness. The error was so serious that it misdirected the judicial assessment of the nature of the defendants' programme. As the appeal court mentioned, the judge's prejudice was sufficiently strong to affect the outcome of the case, but it was made obvious by the transparent nature of the trial record:⁶⁷

In this case [the trial judge's prejudice to the statement of witness] did make a big difference, because the judge clearly formed a very unfavourable view of the evidence of [the witness]. ... I have formed a quite different impression ... that chequebook journalism is deeply inimical to truth.

I ask myself how and why the judge, who is very experienced in all matters relating to intellectual property, came to form such a very different impression ... I consider that the judge erred in principle in focusing too much on the actual purposes, intentions and motives of [the witness] and the others who were involved in the planning and production of the programme, and in focusing too little on the likely impact on the audience. I can only think that it was the judge's unfavourable view of [the witness's] evidence, and in particular the marked disparity between the strident criticisms which she expressed in her oral evidence, and the much more muted criticisms of [a] report expressed or implied in the

66 *Pro Sieben Media A.G. v Carlton U.K. Television Ltd* [1999] 1 W.L.R. 605. The plaintiffs purchased exclusive rights to broadcast in Germany a television interview with a woman who had achieved temporary celebrity as a result of becoming pregnant with octuplets. The defendants broadcast in England a current affairs programme on the topic of chequebook journalism, in the course of which they showed an extract recorded from the plaintiffs' exclusive interview, accompanied by a visual representation of the name of the plaintiffs' programme and their company logo.

67 *Pro Sieben* (n 66), p 616, [1999] 1 W.L.R. 605.

*programme, which led the judge to reject the defence of fair dealing for the purpose of criticism or review.*⁶⁸

It is well recognised that the trial judge has discretion in such cases, where his ruling should be respected, and will not be reversed simply because an appellate court disagrees with it. There are generally four grounds which can give rise to an appeal: the decision is unsupported by relevant evidence as found or agreed; or no reasonable tribunal could have arrived at that decision on the facts; or there has been a sufficient breach of procedural requirements to impeach the decision under the Human Rights Acts 1998 or the rules of natural justice; or the reasons for the decision were inadequate in form and in content.⁶⁹ All of these grounds are based on transparent and consistent. If there is no clear transparency and equality of treatment in the trial judgment, the first trial result can be easily set aside by the appeal court, no matter how sound the outcome looks.

In *Guild v Eskandar*,⁷⁰ the trial court gave judgment for the claimant in part on design rights in respect of sweater, and the defendant contended that the judge's conclusions were not justified by the facts he found and were, in several instances, mutually inconsistent. Even though the trial court had given a long and detailed judgment, the appellate court judge held that the trial judge had erred in finding that the defendant had infringed the plaintiff's design rights:⁷¹

It is unfortunate that the judge did not explain his process of reasoning. He could only infer copying if he rejected the contrary evidence of Mr Nabavi. But the cross-examination of Mr Nabavi was directed only to the opportunity to copy. He was not cross-examined on the issue whether he had copied in fact. On all other occasions when the credibility of Mr Nabavi was in question the judge accepted his evidence. On this occasion the judge makes no reference to Mr Nabavi's evidence on the point and gives no reason why, if he did consider it, he thought fit to reject it.

68 *Pro Siebean* (n 66), p 617, [1999] 1 W.L.R. 605.

69 See Andrew Goodman, *How Judges decide Cases: reading, writing and analysing judgments* (XPL law, 2005), pp 164-169,

70 *Guild v Eskandar Ltd (formerly Ambleville Ltd)*, 2002 WL 237139. G, a fashion designer, claimed damages against E, her former business partner, contending that E had infringed her copyright and unregistered design right in respect of three garments. E argued that he had created the designs prior to meeting G and had only been influenced by her work. The trial court held that E had copied the essential elements of the designs from G. such conclusion was reversed by the appeal court.

71 *Guild* (n 70), 2002 WL 237139, para 71.

Furthermore, the judge's decision on copying was vitiated by the fact that he had employed the wrong comparator ... the judge did not, in terms, reject the evidence of Mr Nabavi that he did not copy Mrs Guild's designs. Generally he appears to have found Mr Nabavi to have been a reliable witness. He acquitted him of any intention to mislead the court. No doubt the judge was entitled to draw an inference adverse to Mr Nabavi. But his principal reason for doing so was similarity. ... In relation to the cardigan and shirt he never considered whether they were natural progressions from the sweater or whether the similarities were sufficient to discharge the considerable burden of proof he recognised.⁷²

Even though the reasoning process was not fully explained, from this case we can see why the appeal court could find the problem existing in the trial judgment, because it better reveals the whole trial process and the relevant issues and evidence. From reading the whole arrangements and trial process, as a reasonable judge, the appeal court found it could hardly arrive at the same conclusion. They were errors occurring in inequality of treatment to Nabavi's evidence without any reason to doubt these statements, together with the error in fact recognition so irregular that a reasonable judge could not arrive such conclusion if the defence of surface similarities had been equally checked. This led to the appeal court setting aside the final judgment.

Only under a transparent judicial arrangement, has every main issue the chance of an open discussion and equal participation. No matter what methods or principles a judge applies, he must express his understanding of the IPR principles to be applied in the context of the statutory text and of legislative purpose. This means to achieve same insight into the situation, through transparent equal treatment, the judge tentatively generalize findings into a general rule and uses the latter as an explanatory principle in accounting for the actions of the persons involved. 'Only by putting yourself in the agent's position can you find out why he did what he did'.⁷³

Without consistency, a legal decision or judgment just becomes an arbitrary declaration, which does not need to consider the specific merits of a case, appropriate precedent rule or coherent purpose of IPR law. An arbitrary judgment

⁷² *Guild* (n 70), 2002 WL 237139, para 77.

⁷³ See Dray, William H, *Laws and Explanation in History*, (Oxford University Press, 1979), p 120.

may, of course, easily meet the popular present and frequently changing policy made by government.⁷⁴

As Lord Diplock said,⁷⁵ 'courts of justice do not act of their own motion. In our legal system it is their function to stand idly by until their aid is invoked'. Consistency basically relies on the previous case to find the decided principles or rules on the similar issues as a reference point for the present cases. Jurists have also concluded that⁷⁶:

The need for precedent case to arise is not to draw a conclusion from previously given premises, but to find statements of general principle and of particular fact, which are worthy to serve as premises in present case. These premises emerge from a total analysis of the given situation, and tested by examining what the probable consequences of following them would be. The general legal rules and principles are working hypotheses, needing to be constantly tested by the way in which they work out in application to concrete situations. Grounds or a judge's exposition of the decision are set forth so that the decision should not appear as an arbitrary dictum, and so that it will indicate a rule for use in similar cases in the future.

Applying a particular legal rule one way rather than another in a case, there must be discretion in the application of principles and policies. Discretion is unavoidable in legal interpretation and in the application of rules when facing gap or ambiguous or choice of rules. Once the first task to discover the facts and situation in a given case is completed, then the next stage is to set up a connection between the facts confirmed and the law applied to the requirement of its principle.⁷⁷ The basic justice standard helps a judge to find the background and condition or 'stepping-stone' for judicial discretion and to set up a coherent judicial interpretation in applying the law to facts.

For example, both in China and England, there is no guidance or clear regulation about what is same issue in issue estoppels. It is impractical to design one definition of same issue estoppels which can be used in each case without

74 See Neil J. Diamant, 'Engaging the Law in China: State, Society, and Possibilities for Justice' (2007) 66(1) C.L.J.

75 See *Gouriet v. Union of Post Office Workers* [1977] 3 All ER 70.

76 See Ian Mcleod, *Legal Method* (6th edition, published by Palgrave Macmillan 2007), p 211 (the function of precedents).

77 See John Dewey, 'Logical Method and Law', 10 Cornell L. Q. 17 (1924).

consideration of case specific condition. From *Henderson v Henderson* in 1843 to, *Coflexip SA v Stolt Offshore*, *Yat Tung v Dao Heng*, *Thoday v Thoday*, *Parmenter v Malt House Joinery*, *T-Mobile v O2 Holdings*, *Hormel Foods v Antilles Landscape*, and *Special Effects v L'Oreal SA* etc., the courts have been construing issue estoppel through developing the meaning of 'same issue' based on the earlier cases.

The courts in England have recognized and maintained a coherence and consistency in reasoning the common sense of whether the issues are the same in later proceeding as the previous cases, is based on the whole story given by litigants and case management; exceptional circumstances are judged on a reasonable diligent standard exercised by litigants in telling the whole story, or whether there are specific proceeding arrangement by the statute or trial courts. In contrast, in Chinese IP cases, the courts just repeatedly use a definition of same issue, 'same facts, same legal relationship, same litigants, and same claims together'. There is no any construction and development through transparent case process to form up a common sense about what really it is in judge's declaration. As I have analysed in case *JinGo v Beijing*, *HaiChuan* and *Blue Lotus Culture v Blue Lotus Food*, *Huangxin v Shanghai Agva* and *Pfizer Products Inc*, etc. These abstract definitions used to judge similar issues cannot prevent litigants from dividing the whole story into different claims and demanding further remedies in new litigation. Lack of transparency in the trial process further prevents a later court relying on previously decided principle to draw comparisons with the present claims. In the end there is no way to ensure legal finality.

Basic bottom justice excludes the existence of arbitrariness, of prerogative, or even of wide discretionary authority on the part of those charged with interpretation.

For example, the Copyright, Design and Patent Act (1988 Act) gives the owner of design right on the original designing works the exclusive right to reproduce the design for commercial purposes. The Act also excludes certain features of design from protection in order to strike a balance between the public interest in allowing fair competition and the need to protect and encourage designers. Section 213 (4) provides that "a design is not 'original' for the purposes of this Part of the Act if it is 'commonplace' in the design field in question at the time of its creation". There

should not be no doubt that ‘commonplace’ means not new or original. In *C & H Engineering*⁷⁸, Aldous J. first tried to interpret ‘non commonplace’ as ‘a consideration akin to novelty’ in the arguing a design right incorporated a roll bar on the top of an commonplace pig fender. Such interpretation gave a quite high standard to evaluate ‘commonplace’ which looks similar to a utility patent. The trial court stressed that careful consideration should be paid to identifying whether publicly available equivalent designs by other manufacturers existed or not at the time of its creation. In *Ocular Sciences*⁷⁹, the argument was about whether the features on a lens--- the design on front and rear surfaces and its edge with specific diameter, thickness and the optic radius, was protectable or ‘commonplace’. How to construct the consistency in such cases with the decided recognition of ‘a consideration akin to novelty’ or ‘publicly available equivalent’ is at the same time a question of how to access the degree of novelty in design rights.

In this case, Laddie J. did not redefine or add another special meaning to ‘commonplace’, even though the facts of this case are not totally similar with *C & H Engineering*. He respected decided principle and felt that it would be inappropriate and a waste of resource to attempt to redefine the word “commonplace”. He constructed the consistency and connection of present facts with prior recognition. Laddie J. Stated that a “new and exciting design could be produced from the most trite of ingredients combination, trivial, common-or-garden, hackneyed or of the type which would excite. But to secure protection [under design right], the combination must not be commonplace”. On the facts of *Ocular Sciences*, the combination did not produce anything out of the ordinary. The plaintiff's designs for lenses were each largely indistinguishable from the designs for numerous other lenses available on the market. All that the defendants had done was to take some of the dimensions (such as those for the diameter thickness and the power of the lens)

78 *C & H Engineering* [1992] FSR 427.

79 *Ocular Sciences* [1997] RPC 289. The plaintiffs claimed infringement of his design right in the design of each of the lenses within each of 13 pleaded families of design. The design of each lens comprised the design of its front and rear surfaces and of its edge. Some 23 specific dimensions were relied on as constituting each design--including, for example, the measurement of the diameter, the centre thickness, the edge thickness and the optic radius. The defendants defended that the features relied on lens were not protectable and that the designs were commonplace, and did not therefore qualify for design right protection.

and to feed them into their own spreadsheet so as to produce their own design. This did not amount to the copying of the plaintiff's design.⁸⁰

As to how courts reach decisions by reference to precedents 'the problem here is not to draw a conclusion from previously given premises, but to find statements of general principle and of particular fact, which are worthy to serve as premises'. These premises emerge from a total analysis of the given situation, and they are tested by examining what the probable consequences of following them would be. In the judicial situation this means that general legal rules and principles are 'working hypotheses,' needing to be constantly tested by the way in which they work out in application to concrete situations.

Judicial discretion always exists in cases where there is a margin of discretion in the application of legal rules and facts recognition. There is always some discretionary space in which the judges have freedom of movement, freedom to decide that the case before him calls for the application of one principle or policy rather than another. The challenge for decision-makers is to increase transparency of the foundation and sources of their ultimate decisions. The identification of legislative objectives is crucial to the formulation and interpretation of the rules governing the conduct which IP law seeks to regulate.⁸¹

Judicial recognition should give parties a reliable and clear procedural basis with which to proceed. Any determination of deviation of standard procedure should be more objective. Judges should draw a particular distinction to justify the departure or flexibility on the basis of earlier precedents. Judicial discretion must be constrained in a proper tolerable extend. Once it is out of control, the whole process becomes an abuse of discretion. In *Delno v Market Street Railway*, the judge gave a statement of abuse of discretion:⁸²

'Discretion, in this sense, is abused when the judicial action is arbitrary, fanciful or unreasonable, which is another way of saying that discretion is abused only where no reasonable man would take the view adopted by the trial court. If reasonable men could

80 *Ocular Sciences* (n 79). See [1997] RPC 289, paras 365-370.

81 See Ian Mcleod, *Legal Method* (6th edition, published by Palgrave Macmillan 2007), pp 16-25.

82 *Delno v Market Street Railway* 124, F. 2d 965, 9th Cir. 1942, quoted from Emory Law Journal, 1982, by Henry J. Friendly *Indiscretion about discretion*, p 763.

differ as to the propriety of the action taken by the trial court, then it cannot be said that the trial court abused its discretion'.

We are not afraid that judges have legal reason to value or weigh some facts in trial; we are afraid of judges abusing their discretion to direct a desired result. Without specifying a set of sufficient conditions, it is unbelievable to answer the question why this rule will not be accepted. After referring to precedent cases and comparing the rules relate to the present case, a judge can find the real situation and merits similar or different from precedent cases, then reach a conclusion to follow or depart from the binding force of the precedent case. When a judge insists on the development and maintenance of legal principles which the prior cases have set up, it will help to exhibit a very substantial degree of coherence. The consistency principle requires that consequences in present case should reflect similar decision for similar situations.

Even after a long comparison, the court may find that on the merits the precedent does not fit the present case, as they are not similar cases, but just have a surface similarity. It is also worth reviewing the precedents so that litigants and the court can find how it is distinguished and how far the deviation is from the previous cases.

For example, in *Hyde Park Residence Limited v Yelland and Others*,⁸³ the High Court gave judgment for the defendants and held that using of the driveway still pictures was a kind of fair dealing for reporting of current events, and also served a public interest against copyright protection. But the appeal court held a different interpretation on the nature of stills and public interest defence.

In the trial part and appeal part, both sides' arguments and claims based on previous cases were fully revealed. There were no disputes about the facts and

83 *Hyde Park Residence Ltd v Yelland* [1999] E.M.L.R. 654. The plaintiff company was responsible for security at a Paris villa which was visited by Diana. One of its employees secretly removed and sold one pair of the video stills to other defendant, the Sun, recording their arrival and departure of Princess of Wales and F in Villa Windsor. The Sun published copies of the stills. The plaintiff brought proceedings for breach of confidence and infringement of copyright and applied for summary judgment in respect of the copyright claim relating to the publication of the two stills. The defendants contended based on fair dealing and public interest defence. Both parties invited the judge to decide whether there was a public interest defence to copyright infringement as a matter of law pursuant to Order 14.

decided conclusion in previous cases. Through analysis the former principles decided on public interest and fair dealing,⁸⁴ the appeal court also confirmed what the trial court had found:⁸⁵

'There have been a number of cases where the courts have refused to enforce copy-right as the works in question were considered libellous, immoral, obscene, scandalous or irreligious....In my view a court would be entitled to refuse to enforce copyright if the work is: (i) immoral, scandalous or contrary to family life; (ii) injurious to public life, public health and safety or the administration of justice; (iii) incites or encourages others to act in a way referred to in (ii). '

The different view between the trial court and the appeal court lies in what interpretation on public interest defence and fair dealing is a better and correct way of reflecting the principle of the precedent cases.

The trial court reached a conclusion from the precedent cases in which the courts in England had recognized that principle of public policy could prevent copyright enforcement completely, even though there was no such legislation. The trial judge Jacob J held that:⁸⁶

It seems to me that judicial authority in England and Wales over the years up to the 1988 Act had, albeit with little basis, been tending towards the recognition of this defence. Whether or not what was said before the 1988 Act was right, I think the better view is that that provision was intended to recognise a defence of public interest—either by way of refusing to recognise copyright altogether (“preventing enforcement”) or by way of a defence in the particular circumstances of the case (“restricting enforcement”)

But the appeal court reached a conclusion from the precedent cases that public interest defence was a limited, rather than a complete defence, in cases where

84 *Hyde Park Residence* (n 83). Both courts listed the following similar precedent cases as authorities to consider or distinguish the principle of public interest against copyright and confidential information. See para 54: 'The cases do not support the existence of a common law public interest defence to infringement of copyright. Obiter dicta in *Beloff v Pressdram Ltd*; *Lion Laboratories Ltd v Evans* regarding the existence of such a defence, proceeded upon a misunderstanding of previous cases. *Service Corpn International plc v Channel Four Television Corpn* [1999] EMLR 83 is not authority for the existence of such a defence. Nor does *Attorney General v Guardian Newspapers Ltd (No 2)* [1990] 1 AC 109 approve the dicta in *Lion Laboratories Ltd v Evans*'.

85 *Hyde Park Residence* (n 83). See para 49 and para 66, [2000] 3 W.L.R. 215

86 *Hyde Park Residence* (n 83). See [1999] R.P.C. 655, 668.

enforcement of the copyright would offend against the public policy of the law. The appeal court held that:⁸⁷

Mr Bloch's submission that no public interest defence exists, starts with an analysis of the 1988 Act is correct. As he correctly pointed out, copyright is an intellectual property right provided for by the 1988 Act. That Act contains detailed provisions in the 51 sections ... towards achieving a proper balance between the protection of copyright and the wider public interest. They would therefore appear to set out in detail the extent to which the public interest overrides copyright. I agree. The 1988 Act does not give a court general power to enable an infringer to use another's property, namely his copyright in the public interest.

The trial court recognised the defendant's publishing as fair dealing that:⁸⁸

I think The Sun was in the position where it was close to necessary to publish the photographs to refute what Mr Al Fayed said in The Mirror and elsewhere. Mr Bloch said The Sun could have said they had interviewed Mr Murrell and seen the photographs without actually publishing them. Or it could have first told Mr Al Fayed that it had the pictures and challenged them to withdraw his statement. But the former course would not have had anything like the same impact and force as actual publication of the stills. A picture says more than a thousand words.

But the appeal court held the defendant's publishing was misappropriation and unfair dealing:⁸⁹

The suggestion that the use of the driveway stills was a fair dealing for the purposes of reporting the events of 30 August 1997 is, an attempt to dress up the infringement of Hyde Park's copyright in the guise of reporting an event. ... The 28 minutes at the Villa Windsor—did not establish that the Princess and Mr Dodi Fayed were not to be married. To describe what "The Sun" did as fair dealing is to give honour to dishonour. Further the extent of the use was excessive. The only part of the driveway stills relevant to the alleged purpose was the information as to the timing of arrival and departure. That information could have been given in the articles by Mr Thompson stating that he had seen the photographs which proved the Princess and Mr Dodi Fayed only stayed at the Villa Windsor for 28 minutes. ... Whatever "The Sun" said in its articles, these stills had in reality no significance save as recording information as to timings. In my view the judge

87 *Hyde Park Residence* (n 83). See para 64, [2000] 3 W.L.R. 215.

88 *Hyde Park Residence* (n 83). See p 662, [1999] R.P.C. 655.

89 *Hyde Park Residence* (n 83). See para 40, 41 and 77, [2000] 3 W.L.R. 215.

came to the wrong conclusion and the allegation of fair dealing by the defendants could not provide them a defence to the action.

These cases vividly demonstrate how to keep consistency with the principles of precedent cases and statute rules, and how to follow or part follow or divert from the binding force of precedent case. We have strongly sensed that the trial judge took a very wide discretionary authority on the part of interpretation of public interest defence without enough cause, when he stressed the point that in principle public policy could prevent copyright enforcement completely, even though there was no such legislation. As the trial judge commented: ⁹⁰

Such cases are rare, of course. And there can certainly be dispute if the courts go too far in appointing themselves as moralists But that does not matter for present purposes. Some might say it is a remarkable thing for the courts to take away that which has been given by Parliament. Yet that is what the courts have done in extreme circumstances. No one suggests that they were wrong to do so or that one could go back on that now. It is far too late.

Such conclusion might easily face the risk of contravening section 51 of the 1988 Act and also be against the basic legal principle on interpretation of preferring the rule deriving from the Parliament where possible. In particular, the appeal court conclusion, is more persuasive, consistent and respected than the trial court's conclusion, when the appeal court tried to set up a coherent interpretation between case law development and the general purpose of IPR law: ⁹¹

The 1988 Act does not expressly provide a public interest defence to a claim for copyright infringement. Section 171(3), which contains a saving provision for "any rule of law preventing or restricting the enforcement of copyright, on grounds of public interest", should be interpreted as referring, not to any pre-existing common law public interest defence, but to the inherent jurisdiction of the court to refuse a claimant relief where the work concerned is contrary to public policy because, for example, it is immoral or contrary to the public interest.

In this case, the appeal court not only arrived at conclusion consistent with precedent cases but also with higher legal system structure of respect for Parliament

90 *Hyde Park Residence* (n 83). See [1999] R.P.C. 655, 734.

91 *Hyde Park Residence* (n 83). See [2000] 3 W.L.R. 215, 146.

power and its legislation. There was no chaotic conclusion in which cases law develops faster than legislation.

Transparency, equality of treatment and consistency must remain together to evaluate a case judgment. Without transparent and equal treatment, consistency is based on declared ideology and policy value rather than the merits of the case. Without consistency, transparency and equality of treatment becomes an accumulation of separate evidence and there is no coherent cogency in reasoning and interpretation. The final judgment appears in the absence of compatible principle reconcilable with the general purpose and value of the IPR legislation.

In *Hyde Park Residence Limited v Yelland and Others*, the trial court held that the defendant publishing was fair dealing, and pictures could more vividly reflect the relationship between Diana and F. But the appeal court refuted such recognition from the context of the pictures and regarded such use as an attempt to dress up the infringement of Hyde Park's copyright in the guise of reporting an event. Moreover if we put what the trial court had reminded us that:⁹²

There is a public interest defence available in principle... It is difficult to imagine the defence arising except in the context of the communication of what is essentially information—information clothed in copyright. Before it can arise it must be shown that there is a genuine public interest in that information being disclosed...

We can sense that trial court judgment has achieved transparency and equality of treatment to both sides' claims but failed in keeping coherent logic between case merit and its reasoning. The appeal court found in the absence of any necessity, here was a kind of excessive use to publish the stills, rather than a fair dealing.

The appeal court's conclusion on fair dealing for reporting of current events was followed in a later case of *Fraser-Woodward Ltd v British Broadcasting Corporation*,⁹³ thought its final judgment was contrast to that in *the Hyde Park*

⁹² *Hyde Park Residence* (n 83). See [1999] R.P.C. 655, 671.

⁹³ *Fraser-Woodward Ltd v British Broadcasting Corporation* [2005] EWHC 472 (Ch). The claimant owned copyright in 14 photographs of the Beckham family which had been reproduced under licence in tabloid newspapers. The defendant made programme about relationship of Mrs Beckham with tabloid press, in which 13 photographs was used to illustrate style of celebrity journalism and comment on that style. The claimant

Residence . The trial court repeated the binding force drawn from the Hyde Park and other precedent cases:⁹⁴

If some degree of use would be fair dealing, excessive use can render the use unfair; In assessing whether the dealing is fair the court can have regard to the actual purpose of the work, and will be live to any pretence in the purported purpose of the work; ... The real question here is whether this is a trivial programme dressed up as criticism or review so as to provide an ostensible justification for showing copyright material under some pretence, or whether it is genuinely critical and reviewing. Objectively speaking it is the latter, as I have already found, and nothing in the evidence suggests that anyone behind the scenes had any other, more sinister, intention.

5.7 Basic Justice Standard as Workable Path to Achieve IPR Enforcement in China

Improving IPR enforcement in China requires us to be concerned with the complexity of the justice system. The problems it deals with are complex and the solutions are never simple.⁹⁵ Many legal scholars have mentioned and agreed the problems existing in the enforcement , such as disorder and arbitrariness; strength of political policy influence in trials and lack of judicial independence⁹⁶. Common malpractice and bending the law for personal gains, corrupt and bureaucratic

commenced an action for infringement of copyright in the photographs. The defendants contended fair dealing.

94 *Fraser-Woodward* (n 93), para 50, 66.

95 Walter Hutchens, 'Private Structures litigation in China: material disclosure about China's legal system?' U.Pa. J. Int'l Econ. L. vol.24:3, 2003, about why there is so many obvious idiot and naïve mistake and ignorance in Chinese law, He thinks ignorance plays a limited role, and that it is more likely that perceived deficiencies in Chinese law arise from political and prudential constraints. He said, at p 672, 'the [China] rules have many deficiencies , but none of those identified herein appear to be the fruit of ignorance. It is easy to buy books in China that catalogue the approaches of various jurisdictions to particular legal problems. Also, China has many knowledgeable comparative law scholars. These scholars often advise on, or participate in, the drafting of new legislation. Thus, it appears that PRC law makers do not generally act out of ignorance, at least not at a national level. When Chinese legal enactments fall short of what outside observers would like, it is rarely because China has failed to observe the outside world. It is more likely that perceived deficiencies in Chinese law arise from political and prudential constraints '.

96 See He Weifang, 'The Realization of Social Justice through Judicature: A Look at the Current Situation of Chinese Judges', in *Judicial Idea and Judicial System*, (China University of Political Science and Law Press, 1998), pp. 1-84, also SJ Palmer, 'Identity Crisis: Regime Legitimacy and the Politics of Intellectual Property Rights in China', *Ind. J. Global Legal Stud.*, Vol. 8, 2000 , 450-465.

practices;⁹⁷ ; local protectionism to local interests, and government interference in particular cases involving key industrial sectors, a sharp inconsistency on the application of the substantial law to individual cases in practice, etc.⁹⁸

Much of the research has considered achieving a fair and just trial in China through changing and improving the social or political surroundings. Without changing the background of the legal system, it is difficult to transplant more western countries' judicial methods to solve the China problems. Through the comparison with English situation on a case-by-case basis, the systemic shortfall in legal structure becomes apparent: trial court and appeal court serve the same function; and there is no instance review on arbitrary judicial decision. A case result should always be located within a wider judicial setting; matters concerning background fairness may often be pertinent to issues arising within the legal system. In considering the question of judicial justice, we should concentrate not only on the justice of particular cases, but also on the fairness of the basic structure of legal system.⁹⁹ A legal system is necessarily a reflection of a society's philosophy of justice. It is hard and difficult to get a just outcome for individual cases without maintaining the justice of whole legal system.¹⁰⁰

But we must also admit that, the difference in culture, ideology and political structures will never disappear, and especially, litigants and lawyers in China have to accept the jurisdiction and judgments from Chinese courts. Whatever problems

97 In 2001, a survey conducted on the website showed that judges were the most unpopular among the 4 legal professions. According to this survey, the popularity rates of the 4 legal professions were: lawyers: 59.7%; prosecutors: 22.66%; policemen: 8.9%; judges: 8.7%. Also cited from a very famous professor of law of Peking University, He Wei Fang, 'Three Key Issues in the Reform of the Judicial System in China', China Social Science, No.2, 2002. The negative impression and low trust on Chinese judges does not just from common people but also confirmed by the National People's Congress and the National People's Political Consultative Conference. Also see the Annual Government Report, especially in 2002-2008.

98 See, Donald C. Clarke 'Power and Politics in Chinese Court System: The Enforcement of Civil Judgments', Columbia Journal of Asian Law 10, No. 1 (1996), pp. 1-92.

99 See Professor He Wei Fang said in (n 97) that, 'In the process of building a modern state in the twentieth century, China established a modern state system by imitating those in the western countries. However, it was easier to change the surface structure of the system than to change the actual operational methods and processes. The new system introduced into China was distorted under the influence of the traditional forces.'

100 See He Wei Fang, 'Three Key Issues in the Reform of the Judicial System in China', China Social Science, Vol,2,2002 《中国社会科学》2002 年第 2 期.

are identified by experts in the existing system, these should not operate as a blockage to achieving a basic standard justice.¹⁰¹ Even if later China sets up an independent legal system and a separation of power structure, this will not to guarantee in each case a fair and just judgment, because a better system is still just a general structure, not a live transparent interactive process to guarantee that each case has arrived at a designated standard, so as to guarantee a fair result. ‘Building law through adjudication is a sound and necessary process to justice’.¹⁰²

Transparency, equality of treatment and consistency are the basic breakthrough threshold to efficiently enforce IPR protection in China. Such criteria will help to remedy the close, arbitrary, partial and inconsistent ascertainment of facts and law. The basic success of the UK in IPR enforcement lies in its natural justice and the application of precedent. Through the analysis of the situation and results on issue estoppels, case management and interim measures, legal finality and via the main jurisprudence on legal justice, I have sought to demonstrate that only the transparency and equality of treatment process can greatly curb the exact problems and issues arising from individual cases, to make clear why and on the basis of what merits, the judge in a specific case chooses one legal theory rather than another, in the judicial reasoning.

All the comparison cases in England and China has also shown that a partial judge must make the arbitrary decisions by a messy process, by giving inequality of treatment to parties, by distorting facts and applicable laws. Under transparency and equality of treatment, the Chinese trial process would become traceable in allowing or denying interim orders, in fair procedure guidance to both sides. All relevant facts would be on view and considered in the process of decision-making. Any inappropriate malpractice and impartiality in the decision making would be undeniable and unconcealable in the reasoning.

Under a consistency principle, Chinese court must at the very least, like the European Court of Justice, take precedent cases as least persuasive authorities in legal interpretation. Chinese trial judgment would at least respect precedent cases

101 Ignazio Castellucci, ‘Rule of law with Chinese characteristics’, *Ann. Surv. Int’l & Comp.L.* vol. 13, 2007, pp 36-92.

102 Hart HLA, *The Concept of Law* (Clarendon Press) (1961), at 57.

and follow their force to achieve a similar result in a similar situation, guaranteeing the applicable law to its facts, and consistently with former precedent, would avoid overlapping hearings in issue estoppel. A Chinese judge would, like a UK judge, have to follow a binding precedent result unless he can distinguish it, and then depart from it. In this way a Chinese judge's arbitrary discretion would be very limited. Therefore litigants and later courts can find where the distinguishing principle is, and the permissible deviation from the previous cases.

Transparency, equality of treatment and consistency also provide a solid powerful standard, from bottom to top, to promote and reform the structure of Chinese legal institutions. Only under a transparent and equal judicial treatment may we find and realize where and how a basic structure of legal system is suitable or unsuitable to a just outcome. Only where cases consistently apply precedents may we clearly confirm why an institutional legal system needs to maintain or reform. Only under the basic justice standard may we justify whether there is any other alternative way to solve problems without reforming institutional arrangement.

5.8 Conclusion:

No matter how beautiful and sound IPR legislation is, it is impractical and unhelpful to achieve IPR enforcement if the cases results do not reflect an inseparable connection between the means of enforcing rights and the written rights themselves. The less the effort that is given to laying down or copying general principles of IPR law by legislators, the more important and difficult it is to enforce them efficiently and justly. Chinese IPR enforcement is facing such a situation, as mentioned in Chapter One: substantive IPR law was quickly passed under a general structure and principles to meet the WTO requirement, but IPR enforcement, especially over serious matters such faking goods and infringing brand name, is still weak, and IPR owners and companies continue to lack confidence and trust in IPR enforcement.

Such enforcement failure in IPR litigation is a slippery slope: ineffective case management leads to unclear and uncontrolled preliminary issues and directions for trial. This leads to casual procedural treatment. The courts' reliance on formal defects in evidence to decide relevance and credibility, lack of judicial notice about court's inference on findings, and unequal treatment to both sides' interests, brings

about arbitrary and blinkered discretion and judgment. This is further worsened by the lack of precedent for consistency. Arbitrary and blinkered judgment leads to difficulty in inferring rules from prior judicial decisions, which further damages legal finality and causes relitigation and retrial of the same issues. The use of verbatim words and abstract concepts to check the same issue in relitigation gives rise to conflicting results and to similar situations being treated differently, or different situations similarly. The success of English judicial regime tells us that the effective way to stop such slippery slope is to apply the basic standards of transparency, equal treatment and consistency into every aspects of the judicial process.

There is also no doubt that structural reform of the social and legal system is urgently needed in China,¹⁰³ but this thesis has shown that, even in the current situation, a Chinese court should render IPR protection better, in the sense of being more open and fair. It showed to take a transparent, equal treatment and consistent approach towards the trial of the issues. The thesis has proved that the validity of intellectual property protection depends heavily on judicial performance.¹⁰⁴ The Chinese court should play a significant role in enforcement of IPR through improving the judges' professional skill to manage a case and hear it in a transparent manner,¹⁰⁵ rather than taking advantage of systemic problems as excuses to make cursory and arbitrary decisions.

I hope my thesis has achieved the main tasks, to discover: how, and to what degree, IPR protection from a similar substantive law base varies between China and

103 See Neil J. Diamant, 'Engaging the Law in China: State, Society, and Possibilities for Justice' (2007) 66(1) C.L.J ; Pitman B. Potter, *The Chinese Legal System: Globalization and Local Legal Culture*, Routledge Curzon (2001).

104 This is also tested by L.T.C. Harms, 'The role of the judiciary in the enforcement of intellectual property rights: intellectual property litigation under the common law system with special emphasis on the experience in South Africa', E.I.P.R. 2004, 26(11), 483-492 .

105 On the standard to evaluate a model judge in China, see <<http://www.chinacourt.org/html/article/200511/09/184684.shtml>>; <<http://www.chinacourt.org/html/article/200611/07/222753.shtml>>; <<http://www.chinacourt.org/zhuanti1/jiangqing/>>, accessed on 4 May 2007: A model judge in China should actively persuade parties to accept his understanding and views about law and facts with his strong ideology. He can separately meet one party and play his authority to get a mediate result no matter whether parties trust his ideology or take a sceptical of the malpractice of bias or corruption.

England, and what is the practical standard for China to move towards acceptable IPR enforcement.

The difference in IPR enforcement between China and England is analogous to Dicey's comments, and his comparison between the written continental constitution, and that of England. I want to end my discussion by quoting, from a hundred years ago, A V Dicey's comments on the unrivalled power of UK constitution law as a living path, in providing the means to enforce a practical right, and as the best way to secure the substantive rights declared by IPR law in China:¹⁰⁶

if it be allowable to apply the formulas of logic to questions of law, the difference in this matter between the constitution of Belgium and the English constitution may be described by the statement that in Belgium individual rights are deductions drawn from the principles of the constitution, whilst in England the so-called principles of the constitution are inductions or generalisations based upon particular decisions pronounced by the courts as to the rights of given individuals.

'there runs through the English constitution that inseparable connection between the means of enforcing a right and the right to be enforced which is the strength of judicial legislation.'

106 See Dicey AV, An Introduction to the Study of the Law of the Constitution, the rule of law part, at pp 197 and 199.

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