

**Australia China Legal Profession  
Development Program**

**Research Paper**

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# **Speedy Protection of Confidential Information and Trade Secrets:**

## **Lessons China can Learn from Australia**

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### **Introduction**

Assume the following facts.

1. You are asked to give advice to an employer whose confidential information has been misappropriated;

Your client's employee resigns with short notice and your client discovers that the employee is joining a competitor. Your client examines the former employee's computer, retrieves deleted emails and discovers that the former employee was sending confidential information to his/her home and to the competitor. What can your client do about it? Assume that if your client issues court proceedings, the defendant will hide the evidence and deny everything.

2. You are asked to give advice to your client who is the owner of a patent or other copy right material;

Your client discovers that people are selling pirated goods in the market. If you issue court proceedings, the defendants will disappear and you will never be able to discover who they are or to obtain any damages.

What can you as a lawyer do to protect your client's interests with a speedy court intervention resolution?

China has much to learn from the Australian legal system's approach to such problems.

### **Part I China**

#### **1 Importance of Evidence Preservation**

In China, obtaining actual hard evidence of the alleged wrongdoing is critical if a person wishes to obtain a court order from a judge to protect trade secrets, confidential information and other intellectual property. The problem confronting a potential plaintiff is how to obtain such evidence. As noted above, if a plaintiff gives notice to the wrongdoer to deliver the hard evidence, the wrongdoer will destroy such evidence. After all, you cannot trust a thief to comply with the court order and deliver up evidence which will expose the wrongdoing.

#### **2 International Treaty Requiring Member Country's Obligation**

China is a signatory to the Agreement On Trade-related Aspects of Intellectual Property

Rights (TRIPs). TRIPs represents the most important international treaty regulating intellectual property rights and sets for membership countries the international standards for protection of intellectual property rights in respect of substantial laws as well as procedural laws. However, TRIPs allows a member country to enact its own laws regarding as to how to protect intellectual property rights.

China is fulfilling its TRIPs obligations by progressively improving its existing laws and enacting new laws to give effect to the treaty.

### **3 Principle Regulation in Civil Procedure Law**

There is already and has been for some time a stipulation in respect of “Evidence Preservation” in *Civil Procedure Law of PRC*, (passed by the Chinese National People’s Congress and effective on April 9, 1991 and revised on October 28, 2007). According to Article 74 of Civil Procedure Law: “The parties to the litigation can apply for evidence preservation to the people’s court when the evidence might be destroyed or it would be difficult to obtain such evidence in the future.” However, this is only a ‘principle’ regulation to the judges in respect of evidence preservation before the litigation. This procedural law have now improved and expanded.

## **4 Amended Intellectual Property Laws and Supreme Court Interpretations**

### **4.1 2001 Amended Patent Law**

China joined World Trade Organization (WTO) in November 2001. As a result and in order to fulfill membership obligations of TRIPs, China has revised the Patent Law (effective since July 1, 2001; originally adopted on March 12, 1984; amended for the first time in 1992) to establish pre-litigation temporary measures for protection of intellectual property rights in China. Article 61 of the revised Patent Law established pre-litigation injunction system as well as pre-litigation asset preservation system in China. But it’s clear that pre-litigation evidence preservation was not possible at that moment. It is to be noted that these amendments were confined to **pre-litigation asset preservation**. This limitation, however, has now been remedied.

### **4.2 Trademark Law and Copyright Law**

Furthermore, China also revised the Trademark Law and the Copyright Law on October 27, 2001 (revised Trademark Law to be effective since December 1, 2001 and revised Copyright Law to be effective since October 27, 2001) to reiterate the pre-litigation injunction and pre-litigation asset preservation system (Article 57 of Trademark Law and Article 49 of Copyright Law). Meanwhile, for the first time in Chinese legal history, these two revised laws established **pre-litigation evidence preservation** system. (Article 58 of Trademark Law and Article 50 of Copyright Law).

### **4.3 2009 Amended Patent Law** (amended on December 27, 2008, will be effective on October 1, 2009)

The 2009 Patent Law has made amendments with respect to a number of important issues including setting out for the first time in Chinese legal history guidelines allowing a court to

make an “Anton Piller Order”.

According to Article 67 of the 2009 Revised Patent Law, with warrant from the patentee and substantial evidence, the court can grant a preliminary injunction or search order without prior warning (the Anton Piller Order) against the defendant. The court is required to determine whether the relevant order should be issued within 48 hours from the application. The patentee is then required to file a formal case within 15 days from the issuance of this order, or the order will be automatically dismissed.

This is yet another long awaited change that should be welcomed by all patentees. These measures have to a limited standard already been adopted by the court since 2001. These changes in the new law formalize these measures.

### **5 Judicial Interpretations**

Based on the above laws, the Supreme People’s Court of PRC (the highest court in China) enacted three interpretations in 2001 and 2002 to clarify the procedure of applying and examination of injunction. These three interpretations also make it clear that parties may apply these temporary measures when lodging pleadings with the court or during the litigation process.

- 1) Interpretation of the Supreme Court on Several Issues on stopping Patent Infringement before the litigation (Interpretation of Patent Injunction ) in June 2001.

This is a breakthrough interpretation that court can issue order of “evidence preservation” before the litigation subject to application of the plaintiff. i.e. The applicant can apply for evidence preservation as well as temporary injunction before the litigation, and only when the pre-litigation temporary injunction is accepted by the court, the evidence preservation can be made at the same time.

- 2) Interpretation of the Supreme Court on Several Issues on stopping Trademark Infringement and preservation of evidence before the litigation (Interpretation of Trademark Injunction ) in December 2001.
- 3) Interpretation of the Supreme Court on Several Issues when hearing Copyright civil matters/disputes in October 2002.

According to this Interpretation, when courts hear copyright cases, courts can refer to Interpretation of Trademark Injunction to deal with “preservation of evidence” before the litigation.

### **6 Limitations on the Application of Chinese Law**

Since the regulations of the above laws and interpretations are not particularly specific about practical guidance, judges in courts normally examine and review applications according to their own experiences. The fundamental problem is that although many of the judges have a

basic understanding of how to deal with such emergencies, there are no actual guidelines for them to follow. Judges in China generally examine and review the application and issue order on a case-by-case basis.

There is no law or Supreme Court interpretation to resort to for preliminary/pre-litigation evidence preservation for cases like commercial secrets, plant new specimen and unfair competition. For these three cases, the evidence preservation can only be made when or after the pleading is filed with the court. At present, a party to the litigation cannot appeal such order according to the present Civil Procedure Law.

The present difficulty confronting a potential plaintiff seeking an evidence preservation order is that the law is still young and many judges are unfamiliar with its application. Furthermore, at present, a potential plaintiff cannot appeal if the judge refuses to make an evidence preservation order.

## **Part 2 Australia**

### **1 Introduction**

In Australia, each of the states and the federal court has their own court rules called ‘Search Orders’. These orders are sometimes called ‘Anton Piller Orders’ after the name of the first case in England in 1976 (*Anton Piller KG v Manufacturing Processes Ltd*) which a judge made such a search order.

In Australia, the courts are justifiably very reluctant to make a search order because it constitutes an invasion of civil liberties. i.e. A court is ordering a raid on the person’s home without giving that person an opportunity to speak in his/her defense. The normal rule of law is that a court will only sanction an interference with liberties if the person affected has had proper notice and natural justice.

Therefore, the federal court and state court rules are designed to achieve a proper balance between the civil liberties of a person being raided and recognizing the harsh reality that some people will not comply with legal orders and will destroy evidence.

### **2 General Rules of Search Order (Anton Piller Order)**

An Anton Piller order is a set of orders which, in effect, constitute an ex parte interlocutory mandatory injunction compelling the defendant to allow the plaintiff or its agents to inspect the property and premises of the defendant.

Ordinarily, a Search Order is made without notice and compels the respondent to permit persons specified in the order (*search party*) to enter premises and to search for, inspect, copy and remove the things described in the order. The order is designed to preserve important evidence pending the hearing and determination of the applicant’s claim in a proceeding brought or to be brought by the applicant against the respondent or against another person.

The order is an extraordinary remedy in that it is intrusive, potentially disruptive, and made without notice and prior to judgment.

Before an Anton Piller order can be granted the plaintiff must satisfy three essential preconditions:

- (1) there must be an extremely strong prima facie case;
- (2) the damage, actual or potential, which the plaintiff has suffered or will suffer must be very serious, and
- (3) there must be clear evidence that the defendant has in its possession incriminating or damaging documents or other material and there is a real possibility that that material might be destroyed before any application inter parties could be brought.

When making an ex parte application for an Anton Piller order, the applicant must make full disclosure to the court of all matters relevant to the application of which the applicant has knowledge. Failure to comply with this requirement, even though not deliberate, will lead to an automatic discharge of the order. Various undertakings from the party seeking the order are usually required by the courts – these undertakings extend beyond an undertaking as to damages and go to the manner or condition in which the search is to be executed. The types of matters that are provided for include:

- (1) the particular person or persons and the maximum number of such persons, to be permitted to enter;
- (2) the premises to which entry is permitted;
- (3) the times at which entry is to be permitted;
- (4) the particular purposes – for example, to search for, inspect and copy material alleged to infringe copyright or to constitute or to contain confidential information or to remove identified material; and
- (5) the presence of a supervising solicitor.

### **3 Victoria**

Using Victoria as an example, a Practice Note (effective as of 1 September 2006) was issued by the Chief Justice to supplement Order 37B of Chapter I of the Rules of the Supreme Court relating to search orders.

The Practice Note addresses (among other things) the Court's usual practice relating to the making of a search order and the usual terms of such an order.

The Practice Note covers such matters as the following:

#### **Role of independent solicitor**

The independent solicitor is an important safeguard against abuse of the order. The independent solicitor must not be a member or employee of the applicant's firm of solicitor. The independent solicitor should be a solicitor experienced in commercial litigation,

preferably in the execution of search orders. The Law Institute of Victoria has been requested to maintain a list of solicitors who have indicated willingness to be appointed as an independent solicitor for the purpose of executing search orders, but it is not only persons on such a list who may be appointed.

#### Explanation of the Rights of the Defendant to seek Legal Advice

The Practice Note requires the party executing the search order to explain to the respondent that he or she has the right to obtain independent legal advice.

In the event that the search order is to be executed in a home where a family resides the judge will be concerned to ensure that the search takes place when no children are present. If it is likely that a female will be in the house the judge may require that a female solicitor represent the plaintiff.

### **Part 3 Conclusion: What lessons can China learn from Australia**

As noted above, China has yet to develop a fully detailed equivalent to an Anton Piller Order. The present judicial guidelines are not sufficiently specific or detailed to give the court the confidence as to when to make such an order. Furthermore, there is a follow-up problem relating to the absence of any specific guidelines which directs the court as to methodology of executing such evidence preservation orders. The only stipulation is a timing one which requires the order to be made within 48 hours. There is however no specific guidelines as to how the order is to be enforced against the wrongdoer.

There is a need in China for adoption of detailed, specific guidelines for the making of evidence preservation orders. Such guidelines must take account of the following:

1. Fundamental human rights and civil liberties; for example, the right not to be searched without reasonable cause;
2. The protection of privacy; the right to be heard before any adverse orders are made;
3. The recognition that the wrongdoer may destroy the evidence and therefore bringing the legal system into disrepute.