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Benefit of the Doubt: Obstacles to Discovery in Claims Against Chinese Counterfeiters

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BENEFIT OF THE DOUBT: OBSTACLES TO DISCOVERY IN CLAIMS AGAINST CHINESE COUNTERFEITERS

Minning Yu*

What is the proper method for U.S. litigants to obtain evidence located in a foreign country for trademark litigation in the United States? The Lanham Act authorizes trademark owners to recover profits made from the sale of goods that infringe on their trademarks. In order to account for and ultimately recover these profits, trademark owners need access to the infringers' bank records. But access to such records can be a challenge when the infringers and their banks are located outside the United States.

In recent years, several brand owners have instituted a series of trademark infringement lawsuits in the Southern District of New York against Chinese vendors selling counterfeit goods online. This Note focuses on the conflict within the Southern District of New York over whether the Hague Convention or the Federal Rules of Civil Procedure is the appropriate method for obtaining bank records from Chinese banks. At issue is the lack of transparency in the Chinese legal system, leaving the U.S. courts in need of guidance. Ultimately, this Note endorses a presumption against the Hague Convention whenever cooperation from the foreign sovereign is unclear. This Note argues that this policy will incentivize sovereign states to be more accommodating with their handling of foreign requests for evidence and any conflicting laws that might hinder such production.

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INTRODUCTION

Imagine your surprise when you discover that in your efforts to shop for deals online, you inadvertently purchased counterfeit goods. Surprise turns into outrage when you learn that the website was specifically designed to be misleading as to the authenticity of its products. Brand owners incur similar outrage and economic harm when their customers are unsuspectingly deceived by these counterfeit websites.

Counterfeit trademark goods,¹ and the economic harm they cause to trademark owners, have reached global proportions due in part to the internet and the advent of the online marketplace.² The internet hosts a

1. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) defines “counterfeit trademark goods” as “any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.” Agreement on Trade-Related Aspects of Intellectual Property Rights art. 51 n.14(a), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 [hereinafter TRIPS]; *see also* 19 C.F.R. § 133.21(a) (2012) (defining “counterfeit trademark” as “a spurious trademark that is identical to, or substantially indistinguishable from, a registered trademark”).

2. *See* OFFICE OF THE U.S. TRADE REPRESENTATIVE (USTR), EXEC. OFFICE OF THE PRESIDENT, OUT-OF-CYCLE REVIEW OF NOTORIOUS MARKETS 1 (2012), *available at* <http://www.ustr.gov/sites/default/files/121312%20Notorious%20Markets%20List.pdf>

multitude of websites dedicated to the sale of counterfeit products³ and online marketplaces like Taobao,⁴ eBay, and Alibaba have since replaced traditional Chinatown markets as major outlets for counterfeit goods.⁵ The internet is an attractive medium for retailers of counterfeit trademark goods because it provides user anonymity, access to a global consumer base, and seamless transition to new websites and marketplaces with relative ease.⁶ Although trademark owners can benefit from electronic records and payment trails created by online sales, enforcement of intellectual property rights against infringement over the internet is susceptible to many procedural and technical difficulties.⁷ Therefore, robust enforcement of intellectual property rights today requires tools and strategies specifically tailored to combating infringement over the internet.

(“Trademark counterfeiting and copyright piracy on a commercial scale continue to thrive around the world in part because of the presence of marketplaces that deal in goods and services that infringe intellectual property rights.”); *see also* Doug Palmer & Melanie Lee, *Special Report: Faked in China: Inside the Pirates’ Web*, REUTERS (Oct. 26, 2010), <http://www.reuters.com/article/2010/10/26/us-china-counterfeit-idUSTRE69P1AR20101026> (“‘The Internet has just completely changed the face of the problem, made it more complicated and more pervasive,’ says John Morton, assistant secretary in charge of U.S. Immigration and Customs Enforcement (ICE). ‘Whole industries now have been attacked, not from the street, but from the Internet.’”).

3. A search for the words “Gucci handbags outlet” on Google generates about 8,200,000 results. GOOGLE, <http://www.google.com> (last visited Mar. 19, 2013); *see also* Jenny T. Slocum & Jess M. Collen, *The Evolving Threat and Enforcement of Replica Goods*, 33 W. NEW ENGL. L. REV. 789, 796 (2011) (“Any person searching for a cheap version of their favorite goods can find and access them on a multitude of websites. This access has introduced counterfeit goods into every home in the world that has an Internet connection.”).

4. The United States Trade Representative (USTR) compiles an annual list of notorious markets “that are reportedly engaged in substantial piracy and counterfeiting.” *See* USTR, *supra* note 2, at 1. Although Taobao was not included in the notorious markets lists for 2012 because it has since taken action to “clean up its site,” Taobao, along with Alibaba, was mentioned in the 2012 list and was included in the monthly lists from 2010 and 2011 “for [its] widespread availability of counterfeit and pirated goods in its electronic marketplace.” *Id.* at 2; *see* USTR, OUT-OF-CYCLE REVIEW OF NOTORIOUS MARKETS, DECEMBER 20, 2011, at 3 (2011), *available at* http://www.ustr.gov/webfm_send/3215; USTR, OUT-OF-CYCLE REVIEW OF NOTORIOUS MARKETS, FEBRUARY 28, 2011, at 2 (2011), *available at* http://www.ustr.gov/webfm_send/2595; *see also* Memorandum from Travis D. Johnson, Vice President, Int’l AntiCounterfeiting Coal., to Stanford McCoy, Asst. U.S. Trade Representative for Intellectual Prop. and Innovation 16 (Feb. 10, 2012) [hereinafter IACC Memorandum 2012], *available at* http://4356049642aa3c99a6e91c99180a8219894d6198.gripelements.com/pdf/member-resources/iacc_special_301_2012_final.pdf (naming Taobao as the online trade platform in China it was most concerned with and expressing dissatisfaction with Taobao’s “take down” procedures).

5. USTR, 2012 SPECIAL 301 REPORT 15 (2012), *available at* http://www.ustr.gov/sites/default/files/2012%20Special%20301%20Report_0.pdf (“Continued growth in the online sale of pirated and counterfeit hard goods that will soon surpass the volume of such goods sold by street vendors and in other physical markets.”).

6. ORG. FOR ECON. CO-OPERATION & DEV. (OECD), THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY 14 (2007), *available at* <http://www.oecd.org/industry/industryandglobalisation/38707619.pdf> (describing the factors driving the use of the internet by counterfeiters).

7. *See infra* Part I.C–D.

The Second Circuit has held that online marketplace proprietors, like eBay, are not secondarily liable for trademark infringing products sold by third parties on their websites.⁸ Thus, trademark owners seeking to enforce their rights must pursue parties who actually sell or use their infringing marks. Remedies like default judgments and injunctive relief are available options,⁹ but they ultimately fall short of providing real monetary recovery or permanence.¹⁰ Hence, trademark rights will continue to be threatened and economic harm suffered absent another solution.

Cutting off the funds that finance counterfeiting operations, via the Lanham Act,¹¹ could be that solution. Designer brands Tiffany and Co. and Gucci America, Inc. have recently commenced a series of trademark infringement suits in the Southern District of New York against multiple individuals for selling counterfeit trademark goods online.¹² These luxury brand owners are seeking relief in the form of asset restraints and an accounting of profits under the Lanham Act with the goal of recovering the profits made from these online sales. The defendants in these suits all reside in China and have all failed to appear before the court.¹³ So, Tiffany and Gucci have attempted to access the defendants' profits through their banks; namely Bank of China (BOC), Industrial and Commercial Bank of China (ICBC), and China Merchants Bank (CMB) (collectively, the

8. See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 103, 109 (2d Cir. 2010) (holding that the internet marketplace proprietor was not liable for direct trademark infringement in the use of a jewelry seller's mark on its website or contributory trademark infringement despite the proprietor's generalized knowledge of infringement).

9. See, e.g., Default Judgment & Permanent Injunction Order at 6, *Tory Burch LLC v. Yong Sheng Int'l Trade Co.*, No. 10 Civ. 9336 (S.D.N.Y. May 13, 2011), available at http://www.iplawalert.com/uploads/file/Tory%20Burch%20v_%20Yong%20Sheng.pdf (order granting permanent injunction and default judgment for \$4,000,000 per defendant).

10. See Jeffrey A. Lindenbaum & David Ewen, *Catch Me If You Can: An Analysis of New Enforcement Measures and Proposed Legislation To Combat the Sale of Counterfeit Products on the Internet*, 32 PACE L. REV. 567, 569 (2012) (describing the impracticality of pursuing default judgments against infringing websites); see also Memorandum from Robert Barchiesi, President, Int'l AntiCounterfeiting Coal., to Stanford McCoy, Asst. U.S. Trade Representative for Intellectual Property and Innovation 19 (Feb. 15, 2011) [hereinafter IACC Memorandum 2011], available at http://4356049642aa3c99a6e91c99180a8219894d6198.gripelements.com/pdf/member-resources/2011_special_301_iacc_final.pdf (discussing the costs and difficulties in investigating and taking down listings of stand-alone websites, especially when "online counterfeiters are operating through tens, hundreds and in some cases thousands of separate platforms and domain names").

11. 15 U.S.C. §§ 1051–1141 (2006).

12. See *Gucci Am., Inc. v. Bagsmerchant, LLC (Gucci II)*, No. 10 Civ. 2911(SAS), 2012 WL 4468192 (S.D.N.Y. Sept. 27, 2012); *Tiffany (NJ) LLC v. Forbse (Tiffany II)*, No. 11 Civ. 4976(NRB), 2012 WL 1918866 (S.D.N.Y. May 23, 2012); *Tiffany (NJ) LLC v. Dong (Tiffany III)*, No. 11 Civ. 2183(GBD)(RM) (S.D.N.Y. Mar. 22, 2012); *Gucci Am., Inc. v. Weixing Li (Gucci I)*, No. 10 Civ. 4974(RJS), 2011 WL 6156936 (S.D.N.Y. Aug. 23, 2011); *Tiffany (NJ) LLC v. Qi (Tiffany I)*, 276 F.R.D. 143 (S.D.N.Y. 2011).

13. See *Tiffany II*, 2012 WL 1918866, at *1; *Gucci I*, 2011 WL 6156936, at *1; *Tiffany I*, 276 F.R.D. at 145.

Banks).¹⁴ However, the Banks have resisted complying with discovery, citing Chinese bank secrecy laws.¹⁵

The courts have two legal avenues by which to compel compliance with discovery in these cases: the Hague Convention and Federal Rule of Civil Procedure 45. Per Second Circuit precedent, judges must apply a multifactor test to determine which avenue is more appropriate in a given case. But despite the similarities of the cases before the Southern District, the test has not produced uniform results. This Note explores the analyses several judges have used and argues that the inconsistency within the district for how to reach Chinese nonparty banks is due primarily to a lack of information and transparency regarding how China handles Hague Convention requests. By illustrating this issue and filling in this information gap, this Note hopes to assist trademark owners in their quest for protection and recovery in China.¹⁶

Part I of this Note studies trademarks and infringement, specifically examining the rights afforded to trademark owners; global counterfeiting and its implications; and the developments and procedural difficulties of trademark rights enforcement. Part II reviews several recent trademark infringement suits in the Southern District of New York, which collectively demonstrate the problems courts and trademark owners face in enforcing trademark rights against Chinese infringers. Part III then suggests a uniform approach for courts to adopt when encountering transparency issues in foreign legal systems, with the hopes of improving the protection of U.S. trademark rights.

I. THE REACH OF U.S. TRADEMARK LAW TO ONLINE MARKETPLACES SELLING COUNTERFEIT TRADEMARK GOODS FROM CHINA

This part provides an overview of trademarks and infringement, China's role as a major source of counterfeit trademark goods, and the rise in online sales of counterfeit goods. It then explores the areas of law and procedural methods commonly employed to stop the sale of counterfeit consumer goods online. Finally, it focuses on the discovery process for evidence located outside the United States for U.S.-based trademark litigation.

14. See *Tiffany II*, 2012 WL 1918866, at *1; *Gucci I*, 2011 WL 6156936, at *1; *Tiffany I*, 276 F.R.D. at 145.

15. See *Tiffany II*, 2012 WL 1918866, at *2; *Gucci I*, 2011 WL 6156936, at *1; *Tiffany I*, 276 F.R.D. at 145.

16. The issues presented in this Note address disputes beyond trademark infringement and China, implicating U.S.-based litigation involving evidence located abroad in general. Foreign defendants could potentially use foreign banks as shields from plaintiffs attempting to access their funds and bank records. Conversely, compelling banking institutions to succumb to discovery orders in every jurisdiction where they conduct business could be a serious impediment to the trade and banking industry.

A. Trademarks and Infringement

There are three main forms of intellectual property rights in the United States: patents, copyrights, and trademarks.¹⁷ Patents protect new, useful and nonobvious inventions;¹⁸ copyrights protect tangible original works of authorship, such as writings, music, and art;¹⁹ and trademarks serve as source identifiers.²⁰ A trademark is defined as “any word, name, symbol, or device, or any combination thereof” that can be used to identify and distinguish the goods of a manufacturer or seller from those manufactured or sold by others.²¹ Protected trademarks can range from the name of a company, like Gucci, to a specific and distinctive color that can identify the source of the goods, like robin’s-egg blue²² for Tiffany.²³ Naturally, consumer goods, and luxury goods in particular, benefit from registered trademark protection.

The Lanham Act provides federal protection for trademarks used in commerce.²⁴ The U.S. Patent and Trademark Office (USPTO) is the federal agency that grants patents and registers trademarks.²⁵ While registration with the USPTO is not required in order to receive federal protection under the Lanham Act, registration does provide several advantages.²⁶ Registration with the USPTO serves as “notice to the public of the registrant’s claim of ownership of the mark, a legal presumption of ownership nationwide, and the exclusive right to use the mark on or in connection with the goods or services set forth in the registration.”²⁷ Owners of registered trademarks also benefit from seizures made by U.S.

17. See *Trademark, Patent, or Copyright?*, USPTO.Gov, <http://www.uspto.gov/trademarks/basics/definitions.jsp> (last visited Mar. 19, 2013).

18. See 35 U.S.C. §§ 101–318 (2006).

19. See 17 U.S.C. §§ 102–1332 (2006).

20. See 15 U.S.C. §§ 1051–1141 (2006).

21. *Id.* § 1127.

22. Registration No. 2,416,794.

23. See generally 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 7–14 (4th ed. 2012).

24. See 15 U.S.C. §§ 1051–1141. Trademark protection is also available under state unfair competition laws (both statutory and common law). See 3 MCCARTHY, *supra* note 23, § 22:10 (summarizing state trademark registration provisions); see also Dennis S. Corgill, *Measuring the Gains of Trademark Infringement*, 65 FORDHAM L. REV. 1909, 1910 n.5 (1997) (“Injunctions also are available in actions brought under state common law as well as state trademark registration, unfair competition, and antidilution statutes.”). This Note focuses primarily on federal trademark rights under the Lanham Act.

25. See *The USPTO: Who We Are*, USPTO.Gov, <http://www.uspto.gov/about/index.jsp> (last visited Mar. 19, 2013); see also 15 U.S.C. § 1051(a)(1).

26. The Lanham Act provides protection for both federally registered marks and common law (unregistered) marks. See 15 U.S.C. § 1114 (protection for registered marks); *id.* § 1125(a) (protection for unregistered, common law marks). Registration with the USPTO provides the benefit of serving as prima facie evidence of validity, but ownership of a mark ultimately goes to the first user of the mark. See *id.* § 1057(b)–(c); 2 MCCARTHY, *supra* note 23, § 16:1 (discussing the first-in-time, first-in-right rule).

27. *Trademark, Patent, or Copyright?*, USPTO.Gov, <http://www.uspto.gov/trademarks/basics/definitions.jsp> (last visited Mar. 19, 2013); see also 15 U.S.C. § 1072.

Customs and Border Protection (CBP).²⁸ In certain situations, trademark infringement can also lead to federal criminal liability as well.²⁹ Congress enacted the Trademark Counterfeiting Act of 1984,³⁰ criminalizing conduct that formerly had been subject only to civil penalties because it felt that penalties under the Lanham Act had “been too small, and too infrequently imposed, to deter counterfeiting significantly.”³¹

It is a violation of the Lanham Act to use a valid trademark in commerce without the consent of the trademark owner.³² Any person who uses any “reproduction, counterfeit, copy, or colorable imitation” of a mark in commerce where confusion as to the origin of the good is likely, will be liable to the owner of the trademark.³³ Thus, any individual that manufactures and sells goods bearing the name “Gucci” or the color robin’s-egg blue, other than the rightful owners of these trademarks, will be liable to Gucci or Tiffany, respectively.³⁴ Civil remedies available to owners of trademarks that have been infringed upon include injunctive relief, an accounting of the infringer’s profits, and damages.³⁵ Where appropriate, treble damages, attorney fees, and costs may be recovered as well.³⁶

B. China’s Role in Global Counterfeiting

In 2012, the CBP made “22,848 intellectual property rights seizures with a manufacturer’s suggested retail value of \$1.26 billion.”³⁷ Goods from China accounted for 72 percent of the total retail value.³⁸ The commodities

28. See 19 C.F.R. § 133.21(b) (2012) (authorizing detention and seizure of counterfeit trademark goods).

29. See generally 18 U.S.C. § 2320 (2006). The Department of Justice’s Computer Crime and Intellectual Property Section, along with the National Intellectual Property Rights Coordination Center, investigates and prosecutes criminal intellectual property infringement. See *About CCIPS*, U.S. DEP’T JUST., <http://www.justice.gov/criminal/cybercrime/about/> (last visited Mar. 19, 2013); *About Us Partners*, NAT’L INTELL. PROP. RTS. COORDINATION CENTER, <http://www.iprcenter.gov/about-us> (last visited Mar. 19, 2013). This Note focuses primarily on civil liability. For a detailed report of the DOJ’s criminal investigations and prosecutions of intellectual property offenses, see U.S. DEP’T OF JUSTICE, PRO IP ACT ANNUAL REPORT FY2011 (2011), available at <http://www.justice.gov/dag/iptaskforce/proipact/doj-pro-ip-rpt2011.pdf>.

30. Pub. L. No. 98-473, 98 Stat. 2178 (1984) (codified at 18 U.S.C. § 2320).

31. U.S. DEP’T OF JUSTICE, PROSECUTING INTELLECTUAL PROPERTY CRIMES 86 (3d ed. 2006), available at <http://www.justice.gov/criminal/cybercrime/docs/ipma2006.pdf> (quoting S. REP. NO. 98-526, at 5 (1984), reprinted in 1984 U.S.C.C.A.N. 3627, 3631).

32. See 15 U.S.C. §§ 1114(1), 1125(a).

33. *Id.* § 1114(1)(b).

34. A finding of trademark infringement is determined by the likelihood of confusion and the alleged infringer’s use of the mark. See 4 MCCARTHY, *supra* note 23, §§ 23:1–:90 (detailing the likelihood of confusion test).

35. See 15 U.S.C. §§ 1116–1117.

36. See *id.* § 1117.

37. *Intellectual Property Rights Fact Sheet*, U.S. CUSTOMS & BORDER PROTECTION (Dec. 2012), http://www.cbp.gov/linkhandler/cgov/newsroom/fact_sheets/trade/ipr_fact_sheet.ctt/ipr_fact_sheet.pdf.

38. See *id.*

most often seized were consumer electronics, footwear, pharmaceuticals, optical media, and apparel.³⁹

China's role as a major source for counterfeit trademark goods can be attributed to economic, enforcement, and even cultural factors. The U.S. International Trade Commission has reported that "globalization and the spread of technology" has allowed for "simple and low-cost duplication of popular products, as well as packaging and labeling."⁴⁰ The move of U.S. and other manufacturing operations to Asia increased opportunities in both the production process and import supply chain for counterfeiting.⁴¹ Weak local enforcement and high thresholds for investigating and prosecuting counterfeiters also help perpetrate global counterfeiting in China.⁴² The profitability of counterfeiting has even led to the rise of the "Shan Zhai" cultural phenomenon, which means "'to copy' and 'to parody' as self-aware, casual, and public behavior by ordinary citizens."⁴³ Some "Shan Zhai" companies in China have become so successful that they dominate the industries upon which they infringe.⁴⁴

A prominent example of this cultural phenomenon, and the increasingly brazen infringement methods to which it has given rise, is the 2011 discovery of fake Apple stores in China.⁴⁵ Bearing the same distinctive interior design and employee uniforms of Apple stores, these stores looked

39. *See id.*

40. *China: Effects of Intellectual Property Infringement and Indigenous Innovation Policies on the U.S. Economy*, U.S. INT'L TRADE COMM'N., 2-6 (May 2011) [hereinafter *China: Effects of Infringement*], available at <http://www.usitc.gov/publications/332/pub4226.pdf>.

41. *See id.*

42. *See* IACC Memorandum 2011, *supra* note 10, at 10 (stating that China's high thresholds for investigating and prosecuting counterfeiters represent a "significant barrier to effective enforcement"); *see also Protecting Your Intellectual Property Rights in China*, EXPORT.GOV, <http://export.gov/china/doingbizinchina/riskmanagement/ipr/index.asp> (last visited Mar. 19, 2013) (listing "corruption and local protectionism, limited resources and training available to enforcement officials, and lack of public education regarding the economic and social impact of counterfeiting and piracy" as factors that undermine enforcement measures); USTR, *supra* note 5, at 30 (reporting on local protectionism despite clear evidence of counterfeiting and on instances where local Chinese administrative offices refused to refer cases for criminal prosecution even when thresholds were met).

43. William Hennessey, *Deconstructing Shanzhai-China's Copycat Counterculture: Catch Me If You Can*, 34 CAMPBELL L. REV. 609, 611 (2012). The literal translation of "Shan Zhai" is "'mountain stronghold,' which in traditional Chinese popular culture refers to the hide-out of bandits and other outlaws." *Id.* For a detailed history and discussion on the "Shan Zhai" culture and its impact on Chinese attitudes toward intellectual property rights, *see generally id.*

44. Edward Tse, Kevin Ma & Yu Huang, *Shan Zhai: A Chinese Phenomenon*, BOOZ & CO., 2-3 (2009), http://www.booz.com/media/file/Shan_Zhai_A_Chinese_Phenomenon_en.pdf (describing the success of "Shan Zhai" companies like Tianyu's knockoff mobile phone handsets overtaking Lenovo's in a mere two years and BYD's rise as a "global leader in car-battery technology").

45. *See* Patricia E. Campbell & Michael Pecht, *The Emperor's New Clothes: Intellectual Property Protections in China*, 7 J. BUS. & TECH. L. 69, 69 (2012).

remarkably authentic and fooled even the employees working at them.⁴⁶ Chinese authorities eventually uncovered as many as twenty-seven such stores.⁴⁷

What is more concerning to trademark holders and consumers alike is the extent to which Chinese counterfeiting permeates the internet. Like fake stores, websites that sell counterfeit goods are often designed to replicate legitimate ones.⁴⁸ Unlike fake stores, these sites allow counterfeiters to market their products to consumers all over the world with ease.⁴⁹ These websites often display brand names and logos in attempts to pose as brand vendors, so as to deceive consumers shopping for brand goods.⁵⁰ And when these websites appear in the same search result as websites for legitimate products,⁵¹ the potential for consumer confusion is especially salient.

Such confusion poses a real and potentially dangerous threat to consumers and their well-being. Consumers who seek discounts on authentic goods online often find themselves unwittingly purchasing the counterfeit equivalent, which leads to frustration when those goods are of lesser quality.⁵² This frustration can turn into physical danger with goods like counterfeit pharmaceutical drugs.⁵³

46. *Id.*; see also Melanie Lee, *Fake Apple Store Even Fools Staff*, REUTERS (July 22, 2011), <http://www.reuters.com/article/2011/07/22/us-apple-fake-idUSTRE76K48220110722>.

47. Campbell & Pecht, *supra* note 45, at 69–70. Apple is not the only brand to have counterfeit stores in China. See Laurie Burkitt & Loretta Chao, *Made in China: Fake Stores*, WALL ST. J. (Aug. 3, 2011), <http://online.wsj.com/article/SB10001424053111904292504576484080863377102.html> (exposing fake Ikea, Subway, Dairy Queen, and Disney stores in China).

48. The complaint in *Tiffany I* alleged that the defendants copied “the designs, patterns and color schemes” associated with Tiffany products and expressly identified their products as Tiffany products on their websites “in an effort to confuse consumers into believing that they are buying versions of the Tiffany Products.” Complaint ¶¶ 2–3, *Tiffany I*, 276 F.R.D. 143 (S.D.N.Y. 2011) (No. 10 Civ. 9471).

49. See IACC Memorandum 2011, *supra* note 10, at 13 (noting the “continuing growth in the use of the internet to promote, sell, and deliver counterfeits directly to consumers via the post”).

50. *See id.*

51. *See supra* note 3 and accompanying text.

52. See Press Release, U.S. Customs & Border Protection (CBP), Counterfeit Shipments Targeted As Part of ‘Operation Holiday Hoax’ at LAX (Dec 14, 2012), available at http://www.cbp.gov/xp/cgov/newsroom/news_releases/local/2012_news_releases/december_2012/12142012_4.xml.

53. See *Operation Apothecary Fact Sheet*, NAT’L INTELL. PROP. RTS. COORDINATION CENTER, <http://www.iprcenter.gov/reports/fact-sheets/Operation%20Apothecary%20Fact%20Sheet%20/view> (last visited Mar. 19, 2013) (“The consumer purchases the pharmaceutical with the belief that the product advertised is a legitimate product, but in fact, is often purchasing a counterfeit or unapproved version of the drug that has often been manufactured in unsanitary conditions or not subjected to any safeguards or quality control regimes.”). For an example of counterfeit pharmaceutical drugs seized in China, see *Seized Some 10,000 Fake Viagra Pills*, CHINA CUSTOMS ENFORCEMENT INTELL. PROP. RTS. (Apr. 21, 2011), <http://english.customs.gov.cn/publish/portal191/tab43987/info298858.htm>.

C. Combating Counterfeiters

The sale of counterfeit goods over the internet specifically creates a number of enforcement issues. The CBP's seizure statistics from the past five years indicates "a marked shift towards using international mail and express courier services" for the transportation of counterfeit goods.⁵⁴ This increase is due in part to the "[c]ontinued growth of websites selling counterfeit and piratical merchandise directly to consumers."⁵⁵ Individual packages to consumers can be harder to detect compared to large cargo shipments.⁵⁶ The General Administration of Customs of the People's Republic of China (GAC)—the Chinese counterpart to the CBP—has also noted a similar trend in exports.⁵⁷

Regarding civil liability, the Second Circuit drew the line in *Tiffany (NJ) Inc. v. eBay Inc.*⁵⁸ on who could be held liable for counterfeit products sold over the internet. eBay, the proprietor of an internet-based marketplace that facilitates the purchase and sale of goods, "provides the venue for the sale of goods and support for the transactions, but it does not itself sell the items' listed for sale on the site."⁵⁹ Thus, the Second Circuit held that eBay was not liable for direct trademark infringement for displaying Tiffany's mark on its website⁶⁰ or for contributory trademark infringement for merely facilitating the sale of counterfeit products by its vendors.⁶¹

After *eBay*, brand owners focused their efforts on individual sellers and their websites. Trademark owners started engaging in notice and takedown

54. CBP OFFICE OF INT'L TRADE, INTELLECTUAL PROPERTY RIGHTS: FISCAL YEAR 2011 SEIZURE STATISTICS 15 (2011), available at <http://www.iprcenter.gov/reports/ipr-center-reports/2011-seizure-statistics>.

55. *Id.*; see also USTR, *supra* note 5, at 31 (noting that goods are increasingly "sold by online traders in China (and elsewhere) and delivered to consumers by mail and express delivery service").

56. See *China: Effects of Infringement*, *supra* note 40, at 2-6 ("Counterfeits are purchased online and shipped to the United States and other markets by postal and express mail services, often in relatively small quantities that are difficult to detect.").

57. *Measures Taken*, CHINA CUSTOMS ENFORCEMENT INTELL. PROP. RTS., <http://english.customs.gov.cn/tabid/43989/Default.aspx> (last visited Mar. 19, 2013) ("[C]ustoms administrations at all levels throughout the country have enhanced the control over the articles delivered by outward mails and express mails.").

58. 600 F.3d 93 (2d Cir. 2010).

59. *Id.* at 97 (quoting *Tiffany (NJ), Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 475 (S.D.N.Y. 2008)).

60. See *id.* at 103.

61. See *id.* at 110. But see Case C-324/09, *L'Oréal SA v. eBay Int'l AG* (July 12, 2012), available at <http://curia.europa.eu/juris/document/document.jsf?jsessionid=9ea7d0f130d5c687807beb24402baaceb362723ebed4.e34KaxiLc3eQc40LaxqMbN4Oah4Le0?text=&docid=107261&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=589112>

(holding that online marketplace proprietors may be liable in Europe if they were aware of ongoing infringement but failed to expeditiously remove such content from their sites). Brand owners have had some success in establishing liability for contributory trademark infringement against web hosting companies that host infringing websites. See, e.g., *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011); *Roger Cleveland Golf Co., Inc. v. Prince*, No. 2:09-2119-MBS, 2012 WL 1106775 (D.S.C. Mar. 30, 2012).

procedures, in which he or she would send “notice of the infringing product or content to the Internet Service Provider and request[] that the listing be taken down.”⁶² Around this time, the National Intellectual Property Rights Coordination Center (IPR Center) correspondingly instituted Operation in Our Sites—targeting, investigating, and then seizing infringing websites and redirecting them to display seizure notices.⁶³ However, at best, these procedures temporarily suspend sales and website owners can simply repost their products on new websites with relative ease and little cost.⁶⁴ This phenomenon has been described as a “whack-a-mole” problem.⁶⁵

Moreover, for any one trademark-protected product, there can be up to hundreds or even thousands of websites selling the counterfeit versions of that product.⁶⁶ To counter this problem, trademark owners then began bringing what Jeffrey A. Lindenbaum and David Ewen call “mass domain lawsuit[s],” where “brand owners join, in one action, as many as five hundred or more John Doe defendants, and target hundreds of counterfeit websites.”⁶⁷ Mass domain lawsuits, while undoubtedly more efficient than individual notice and takedown procedures, still face the same permanence issues.⁶⁸

Thus, a different approach is to follow the money—targeting the funds that finance counterfeiting operations.⁶⁹ The Lanham Act authorizes trademark owners to recover the profits that counterfeiters make from acts of infringement, which could severely hinder a counterfeiter’s ability to maintain his or her operation.⁷⁰ Courts have held that when performing an accounting of profits, district courts have the inherent power to freeze an infringer’s assets “in order to ensure the availability of that final relief.”⁷¹

62. *China: Effects of Infringement*, *supra* note 40, at 2-10.

63. *Operation In Our Sites*, NAT’L INTELL. PROP. RTS. COORDINATION CENTER, <http://www.iprcenter.gov/reports/fact-sheets/operation-in-our-sites/view> (last visited Mar. 19, 2013). Operation In Our Sites has been challenged on constitutional grounds. See Agatha M. Cole, *ICE Domain Name Seizures Threaten Due Process and First Amendment Rights*, ACLU (June 20, 2012, 4:54 PM), <http://www.aclu.org/blog/free-speech-national-security-technology-and-liberty/ice-domain-name-seizures-threaten-due>.

64. See *China: Effects of Infringement*, *supra* note 40, at 2-10 to -11.

65. See Ann Chaitovitz et al., *Responding to Online Piracy: Mapping the Legal and Policy Boundaries*, 20 COMM’LAW CONSP’CTUS 1, 4 (2011); *China: Effects of Infringement*, *supra* note 40, at 2-11.

66. See *supra* note 10 and accompanying text.

67. See Lindenbaum & Ewen, *supra* note 10, at 569–70.

68. Lindenbaum and Ewen express doubts on the permanent effects of a mass domain lawsuit. See *id.* at 598 (“Given the incredibly large number of counterfeit websites that already exist, with new sites popping up every day, it is unlikely that the website owners can be outpaced by only the mass domain lawsuits.”).

69. Robert Weigel, counsel for Tiffany, said that Tiffany’s strategy is to “pursue the assets” and “follow the money.” See Emily Flitter, *Insight: Gucci, Tiffany Target Chinese Banks*, REUTERS (Oct. 4, 2011, 5:00 PM), <http://www.reuters.com/article/2011/10/04/us-china-usa-banks-fakes-idUSTRE7931ND20111004>.

70. See *supra* note 35 and accompanying text.

71. *Reebok Int’l, Ltd. v. Marnatech Enters., Inc.*, 970 F.2d 552, 559 (9th Cir. 1992); see also *Levi Strauss & Co. v. Sunrise Int’l Trading Inc.*, 51 F.3d 982, 987 (11th Cir. 1995)

As one court has said, the fact that the assets to be preserved are located in China has no bearing on this inherent power if personal jurisdiction has been found.⁷²

However, even when the assets are frozen, access to the infringers' bank account records is required in order for a court to calculate the amount of relief that is to be awarded. In an attempt to circumvent infringers who fail to respond or appear, brand owners like Tiffany and Gucci have turned directly to the banks where the infringers' assets are held for access to their bank records.⁷³ Brand owners are able to identify specific banks and bank accounts by tracking online payments made to the defendant's websites.⁷⁴ If brand owners are able to gain access to the assets and records belonging to the infringers through the banks directly, then recovery is possible without the defendants having to appear at all.

Brand owners Tiffany and Gucci have already begun testing this approach. Starting with *Gucci America, Inc. v. Weixing Li*⁷⁵ (*Gucci I*), Gucci obtained a preliminary injunction on July 12, 2010, restraining the defendants' assets⁷⁶ and ordering expedited discovery.⁷⁷ Similar preliminary injunctions were granted to Tiffany in *Tiffany (NJ) LLC v. Qi*⁷⁸ (*Tiffany I*) and *Tiffany (NJ) LLC v. Forbse*⁷⁹ (*Tiffany II*).

In each instance, Tiffany and Gucci served the New York branches of each bank where the respective defendants' assets were held with copies of

(holding that a "district court ha[s] the authority to freeze [assets that can be] used to satisfy an equitable award of profits").

72. See *United States v. First Nat'l City Bank*, 379 U.S. 378, 384 (1965) ("Once personal jurisdiction of a party is obtained, the District Court has authority to order it to 'freeze' property under its control, whether the property be within or without the United States.").

73. See *supra* notes 13–14 and accompanying text.

74. Often, these websites will use companies like PayPal, Inc. to process their customers' credit card transactions and then transfer the profits to bank accounts in China. See *Tiffany I*, 276 F.R.D. 143, 145 (S.D.N.Y. 2011). Occasionally, an "acquiring bank" is used instead "to process online purchases by serving as an intermediary between the online merchant and a credit card network such as Visa." *Tiffany II*, No. 11 Civ. 4976(NRB), 2012 WL 1918866, at *2 (S.D.N.Y. May 23, 2012). For a step-by-step explanation of the credit card transaction process, see *Visa International Operating Regulations Core Principles*, VISA, apps. A, B (Oct. 15, 2012), <http://usa.visa.com/download/merchants/visa-core-principles.pdf>.

75. No. 10 Civ. 4974(RJS), 2011 WL 6156936 (S.D.N.Y. Aug. 23, 2011).

76. Citing "Rule 64 of the Federal Rules of Civil Procedure, 15 U.S.C. § 1116(a) and [the] Court's inherent equitable power," the court declared that "any banks . . . who receive actual notice of this order by personal service or otherwise, are . . . restrained and enjoined from transferring, disposing of, or secreting any money, stocks, bonds, real or personal property, or other assets of Defendants" Preliminary Injunction and Order Authorizing Expedited Discovery at 6, *Gucci I*, No. 10 Civ. 4974(RJS) (S.D.N.Y. July 13, 2010).

77. The preliminary injunction also granted "continued expedited discovery . . . as to third parties, including any banking or other institutions, that received or transferred funds from accounts maintained by Defendants." *Id.* at 9.

78. Preliminary Injunction at 5–8, *Tiffany I*, No. 10 Civ. 9471(WHP) (S.D.N.Y. Jan. 3, 2011).

79. Preliminary Injunction at 7–11, *Tiffany II*, No. 11 Civ. 4976(NRB) (S.D.N.Y. Aug 3, 2011).

the preliminary injunctions and subpoenas for discovery.⁸⁰ Ultimately, the Banks complied with the subpoenas regarding documents that were located in New York, but objected to the subpoenas for documents outside the United States.⁸¹ The Banks asserted that Chinese bank secrecy laws prevented them from complying with the subpoenas.⁸²

D. Foreign Discovery

Drawing from the Tiffany and Gucci cases, this section discusses the procedural mechanisms and rules for obtaining evidence to be used in litigation.

1. Federal Rule of Civil Procedure 45

The Federal Rules of Civil Procedure govern the discovery process in actions brought before federal courts in the United States. Rule 45 provides that a subpoena may “command each person to whom it is directed to . . . produce designated documents, electronically stored information, or tangible things in that person’s possession, custody, or control.”⁸³ Tiffany and Gucci served the Banks with subpoenas under this rule.⁸⁴

A Rule 45 subpoena is not the exclusive method for obtaining evidence. When discovery involves documents located in a foreign nation, the Hague Convention is a second option.

2. The Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters

The Hague Conference on Private International Law is a global intergovernmental organization whose purpose is “to work for the progressive unification of the rules of private international law.”⁸⁵ The Hague Conference achieves this goal through negotiating and drafting multilateral treaties, called Hague Conventions.⁸⁶

80. See *Tiffany II*, 2012 WL 1918866, at *2; *Gucci I*, 2011 WL 6156936, at *2; *Tiffany I*, 276 F.R.D. at 145. BOC, ICBC, and CMB were the banks served with one or more of these subpoenas. See *Tiffany II*, 2012 WL 1918866, at *2; *Gucci Am., Inc.*, 2011 WL 6156936, at *2; *Tiffany I*, 276 F.R.D. at 145.

81. See *Tiffany II*, 2012 WL 1918866, at *2; *Gucci I*, 2011 WL 6156936, at *2; *Tiffany I*, 276 F.R.D. at 146.

82. See *supra* note 15 and accompanying text.

83. FED. R. CIV. P. 45.

84. See *supra* note 80 and accompanying text.

85. Statute of the Hague Conference on Private International Law art. 1, Oct. 31, 1951, 15 U.S.T. 2228, 220 U.N.T.S. 121 (entered into force July 15, 1955).

86. See *What Is the Difference Between the “Hague Conference” and the “Hague Conventions”?*, HAGUE CONF. ON PRIVATE INT’L L., http://www.hcch.net/index_en.php?act=faq.details&fid=32 (last visited Mar. 19, 2013).

In 1970, the Hague Conference adopted the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters⁸⁷ (Hague Evidence Convention) for the purpose of “establish[ing] a system for obtaining evidence located abroad that would be ‘tolerable’ to the state executing the request and would produce evidence ‘utilizable’ in the requesting state.”⁸⁸ The goal was to “reconcile different, often conflictive, discovery procedures in civil and common law countries.”⁸⁹ The Hague Evidence Convention was signed by the United States in 1970 and ratified by the Senate in 1972.⁹⁰ China acceded to the Hague Evidence Convention on December 8, 1997 with an entry into force date of February 6, 1998.⁹¹

Under the Hague Evidence Convention, evidence located abroad can be obtained either by a letter of request or through a diplomatic officer, consular agent, or commissioner.⁹² When a party to a suit commenced in the United States seeks to obtain evidence located in China by a letter of request, the presiding judge from the U.S. court is to transmit a letter of request to the Chinese Central Authority.⁹³ The Central Authority in China, which is the Ministry of Justice of the People’s Republic of China (MOJ),⁹⁴ will forward the letter of request to the lower court sitting in the district in which the evidence is located.⁹⁵ The lower court will then serve the

87. Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, *opened for signature* Mar. 18, 1970, 23 U.S.T. 2555, 847 U.N.T.S. 231 [hereinafter Hague Evidence Convention].

88. *Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court for the S. Dist. of Iowa*, 482 U.S. 522, 530 (1987) (citations omitted).

89. *Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters*, TRAVEL.STATE.GOV, http://travel.state.gov/law/judicial/judicial_689.html (last visited Mar. 19, 2013).

90. See Hague Evidence Convention, *supra* note 87.

91. See *Status Table*, HAGUE CONF. ON PRIVATE INT’L L., http://www.hcch.net/index_en.php?act=conventions.status&cid=82 (last visited Mar. 19, 2013).

92. See Hague Evidence Convention, *supra* note 87; see also HANDBOOK OF FEDERAL CIVIL DISCOVERY AND DISCLOSURE § 15:6 (3d ed. 2010). For the purposes of this Note, only the procedures for submitting a letter of request will be discussed, as China has declared that the provisions for obtaining evidence through diplomatic officer, consular agent, or commissioner will not be applicable. See *Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters*, *supra* note 89. For the procedures for obtaining evidence through a diplomatic officer, consular agent or commissioner, see Hague Evidence Convention, *supra* note 87, arts. 15–22.

93. See Hague Evidence Convention, *supra* note 87, art. 1 (“In civil or commercial matters a judicial authority of a Contracting State may, in accordance with the provisions of the law of that State, request the competent authority of another Contracting State, by means of a letter of request, to obtain evidence, or to perform some other judicial act.”). A Central Authority is designated by the contracting state “to receive Letters of Request coming from a judicial authority of another Contracting State and to transmit them to the authority competent to execute them.” *Id.* art. 2.

94. See *Authorities*, HAGUE CONF. ON PRIVATE INT’L L., http://www.hcch.net/index_en.php?act=authorities.details&aid=490 (last updated Feb. 3, 2011). The MOJ is also the Central Authority for requests relating to criminal matters. See Agreement on Mutual Legal Assistance in Criminal Matters, U.S.-China, art. 2, June 19, 2000, T.I.A.S. No. 13102, available at <http://www.state.gov/documents/organization/126977.pdf>.

95. See Hague Evidence Convention, *supra* note 87, art. 2.

discovery request to the addressee.⁹⁶ Any evidence that is produced is to be returned to the U.S. court through the same channel by which the request was made.⁹⁷

Although the Hague Evidence Convention states that requests should be executed “expeditiously,”⁹⁸ the U.S. Department of State estimates that letters of request can take a year or more to be fully executed.⁹⁹ In 2008, the Hague Conference sent out a questionnaire in an attempt to collect information on the practical operation of several conventions.¹⁰⁰ The United States submitted a response to this questionnaire, reporting that it received between 500 to 600 incoming letters of request annually from 2003 to 2007 but did not provide execution times for these incoming letters of request.¹⁰¹ Hong Kong reported less than twenty incoming letters of request annually in that same time period.¹⁰² Out of all the letters of request that Hong Kong received in 2007, two were executed under two months, one was executed between two and four months, one was returned unexecuted, and nine were currently pending at the time.¹⁰³ China did not submit a response.¹⁰⁴ Furthermore, absent voluntary reporting from the receiving country, the individualized nature of the Hague Evidence Convention’s procedure for letters of request makes assembling statistics by the requesting country a challenge.¹⁰⁵ As a general comparison, letters of

96. *See Authorities*, HAGUE CONF. ON PRIVATE INT’L L., http://www.hcch.net/index_en.php?act=authorities.details&aid=243 (last updated Apr. 15, 2011).

97. *See* Hague Evidence Convention, *supra* note 87, art. 13 (“The documents establishing the execution of the letter of request shall be sent by the requested authority to the requesting authority by the same channel which was used by the latter.”).

98. *See* Hague Evidence Convention, *supra* note 87, art. 9.

99. *See Preparation of Letters Rogatory*, TRAVEL.STATE.GOV, http://travel.state.gov/law/judicial/judicial_683.html (last visited Mar. 19, 2013); *see also Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters*, *supra* note 89 (providing a general estimate for all signatories to the Hague Evidence Convention).

100. *See Publications*, HAGUE CONF. ON PRIVATE INT’L L., http://www.hcch.net/index_en.php?act=conventions.publications&dtid=33&cid=82 (last visited Mar. 19, 2013). This questionnaire included a question on execution times for Hague Evidence Convention letters of request. *See Questionnaire of May 2008*, HAGUE CONF. ON PRIVATE INT’L L., 7–8 (2008), http://www.hcch.net/index_en.php?act=conventions.publications&dtid=33&cid=82 (follow “Questionnaire of May 2008” hyperlink; follow “English” hyperlink).

101. *Questionnaire of May 2008 Relating to the Hague Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil and Commercial Matters*, HAGUE CONF. ON PRIVATE INT’L L., 9–11 (2008), <http://www.hcch.net/upload/wop/2008usa20.pdf> (response from the United States).

102. *Responses to the Questionnaire of May 2008 Relating to the Hague Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil and Commercial Matters*, HAGUE CONF. ON PRIVATE INT’L L., 4–6 (2008), <http://www.hcch.net/upload/wop/2008hongkong20.pdf> (Response from the Hong Kong Special Administrative Region of the People’s Republic of China).

103. *See id.* at 4.

104. *Publications*, HAGUE CONF. ON PRIVATE INT’L L., http://www.hcch.net/index_en.php?act=publications.details&pid=4457&dtid=33 (last visited Mar. 19, 2013).

105. This is because letters of request are sent directly from the presiding judge in the U.S. court to the foreign country’s Central Authority. *See supra* note 93 and accompanying text.

request are at least faster than letters rogatory.¹⁰⁶ The State Department, which handles letters rogatory requests, reports that these requests can take a years or more to be executed.¹⁰⁷

The MOJ in China is only slightly more helpful on this point. The MOJ's website reports that it executed thirty seven requests in the first half of 2010, but statistics for the years before or after that time period are absent even though China has acceded to the Hague Evidence Convention since 1997.¹⁰⁸

Furthermore, Article 23 of the Hague Evidence Convention permits an acceding country to the Evidence Convention to declare that it declines to execute letters of request for pretrial discovery purposes.¹⁰⁹ China has specifically declared that it will only execute requests "clearly enumerated in the letters of request and of direct and close connection with the subject matter of the litigation."¹¹⁰ Therefore, given the number of administrative steps involved, obtaining evidence from China via a letter of request can be time consuming and ultimately unfruitful.¹¹¹

3. Rule 45 and the Hague Evidence Convention

In the years after the United States signed and ratified the Hague Evidence Convention, courts struggled with how to use it, often deferring to

106. Letters rogatory are the customary method of obtaining judicial assistance from abroad in the absence of a treaty or executive agreement." *Preparation of Letters Rogatory*, TRAVE.STATE.GOV, http://travel.state.gov/law/judicial/judicial_683.html (last visited Mar. 19, 2013).

107. *Id.*

108. See 2010 Niándù Shàng Bànnián Zhōngxīn Bànli Sīfǎ Xiézhù Ànjiàn Tǒngjì (2010年度上半年中心办理司法协助案件统计), MINISTRY JUST., http://www.moj.gov.cn/sfxzjlx/content/2010-07/23/content_2206673.htm (last visited Mar. 19, 2013).

109. See Hague Evidence Convention, *supra* note 87, art. 23 ("A Contracting State may at the time of signature, ratification or accession, declare that it will not execute Letters of Request issued for the purpose of obtaining pretrial discovery of documents as known in Common Law countries."); see also *Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters*, *supra* note 89 ("The United States is seeking clarification from the People's Republic of China regarding its interpretation and implementation of the Convention.").

110. *Declarations Notifications Reservations*, HAGUE CONF. ON PRIVATE INT'L L., http://www.hcch.net/index_en.php?act=status.comment&csid=493&disp=resdn (last visited Mar. 19, 2013). The United States has not made an Article 23 reservation. See *Declarations*, HAGUE CONF. ON PRIVATE INT'L L., http://www.hcch.net/index_en.php?act=status.comment&csid=565&disp=resdn (last visited Mar. 19, 2013). See *infra* notes 144–47 for a discussion on the United States' and China's divergent views on the discovery process.

111. In 2012, the Hague Conference re-launched work on the "Judgments Project," which focuses on cross-border litigation in civil and commercial matters. *The Judgments Project*, HAGUE CONF. ON PRIVATE INT'L L., http://www.hcch.net/index_en.php?act=text.display&tid=149 (last visited Mar. 19, 2013). The "Judgments Project" had previously considered including international enforcement measures for intellectual property law judgments, potentially changing the landscape of intellectual property litigation. See generally Rochelle C. Dreyfuss & Jane C. Ginsburg, *Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters*, 77 CHI.-KENT L. REV. 1065 (2002).

federal and state rules instead.¹¹² Specifically, the courts were unsure if the Hague Evidence Convention was to be treated as a discretionary or exclusive method for obtaining evidence located abroad.¹¹³ The Supreme Court clarified the relationship between the procedures set forth in the Hague Evidence Convention and the discovery rules under the Federal Rules of Civil Procedure in *Soci t  Nationale Industrielle A rospatiale v. U.S. District Court for the Southern District of Iowa*.¹¹⁴ The Court held that the Hague Evidence Convention was “intended to establish optional procedures” for obtaining evidence located abroad and does not preclude a district court from ordering a foreign national party to produce evidence physically located abroad under the Federal Rules of Civil Procedure.¹¹⁵ Under *A rospatiale*, the Hague Evidence Convention is to be an *option* whenever it will “facilitate the gathering of evidence.”¹¹⁶ When a district court is deciding between ordering discovery pursuant to the Hague Evidence Convention and the Federal Rules of Civil Procedure, the Hague Convention is not to be the “first resort.”¹¹⁷ The Hague Evidence Convention will not always be the superior method; in certain situations, proceeding under the Hague Evidence Convention might be “unduly time consuming and expensive” and less likely to result in production of needed evidence than “direct use of the Federal Rules.”¹¹⁸ District courts are thus to engage in a fact-intensive inquiry, applying “scrutiny in each case of the particular facts, sovereign interests, and likelihood that resort to those procedures will prove effective” to determine how discovery should proceed.¹¹⁹

4. Comity Analysis

A rospatiale instructed district courts to conduct a “particularized analysis” of the circumstances in each case but failed to articulate an analytical framework for the courts to follow.¹²⁰ Thus, to refine the analysis courts in the Second Circuit adopted the five-factor test set forth in the *Restatement (Third) of Foreign Relations Law of the United States*,¹²¹

112. See Comment, *The Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters: The Exclusive and Mandatory Procedures for Discovery Abroad*, 132 U. PA. L. REV. 1461, 1470–75 (1984) (citing unfamiliarity with the procedures and lack of case law as reasons for the courts’ hesitation).

113. See *id.*

114. 482 U.S. 522 (1987).

115. *Id.* at 538–40.

116. *Id.* at 541.

117. *Id.* at 542–43 (“A rule of first resort in all cases would therefore be inconsistent with the overriding interest in the ‘just, speedy, and inexpensive determination’ of litigation in our courts.” (quoting FED. R. CIV. P. 1)).

118. *Id.* at 542.

119. *Id.* at 544.

120. *Id.* at 543; see also David J. Gerber, *International Discovery After A rospatiale: The Quest for an Analytical Framework*, 82 AM. J. INT’L L. 521, 522 (1988).

121. See RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 442(1)(c) (1987); see also *Strauss v. Credit Lyonnais*, 249 F.R.D. 429, 438 (E.D.N.Y.

under which a court confronted with foreign discovery is to consider (1) “the importance to the investigation or litigation of the documents or other information requested”; (2) “the degree of specificity of the request”; (3) “whether the information originated in the United States”; (4) “the availability of alternative means of securing the information”; and (5) “the extent to which noncompliance with the request would undermine important interests of the United States, or compliance with the request would undermine important interests of the state where the information is located.”¹²²

The Second Circuit also considers two additional factors: (6) “the hardship of compliance on the party or witness from whom discovery is sought” and (7) “the good faith of the party resisting discovery.”¹²³

5. China and the United States: A Comparison of Intellectual Property Regimes, Discovery, and Procedure

When applying the seven-factor comity analysis, the more familiar a court is with the legal system and interests of the foreign sovereign at issue, the more likely the court’s decision between Rule 45 and the Hague Evidence Convention will be an equitable one. Therefore, a review of China’s legal system is prudent for the purposes of this Note.

China’s intellectual property regime provides civil, administrative, customs, and criminal remedies for trademark owners against infringement. Brand owners with registered trademarks in China are entitled to the intellectual property rights and remedies under Chinese law.¹²⁴ Suing in China has several advantages. For the brand owners seeking to stop the sale of counterfeit goods online, China is the principal locus of the dispute; the defendants, evidence, banks, bank records, and funds are all located in China. In China, intellectual property rights holders can pick between China’s two-track system: the administrative branch or the intellectual

2008); *Ssangyong Corp. v. Vida Shoes Int’l, Inc.*, No. 03 Civ. 5014(KMW)(DFE), 2004 WL 1125659, at *6–7 (S.D.N.Y. May 20, 2004) (discussing the then tentative draft of the *Revised Second Restatement*).

122. RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW § 442(1)(c).

123. *Gucci Am., Inc. v. Curveal Fashion*, No. 09 Civ. 8458(RJS)(THK), 2010 WL 808639, at *2 (S.D.N.Y. Mar. 8, 2010) (quoting *Minpeco, S.A. v. Conticommodity Servs., Inc.*, 116 F.R.D. 517, 523 (S.D.N.Y. 1987)).

124. The Trademark Office of the State Administration for Industry & Commerce of the People’s Republic of China (SAIC) is responsible for trademark registration and administration throughout China. See *Protecting Your Intellectual Property Rights in China*, *supra* note 42. The SAIC’s website provides a database of trademarks registered in China searchable by trademark number, content, or name of applicant. Tiffany has 112 trademarks registered under Tiffany and Company. See Trademark Search Results, TRADEMARK OFFICE ST. ADMIN. FOR INDUSTRY & COM. CHINA, <http://www.saic.gov.cn/sbjenglish/> (last visited Mar. 19, 2013) (follow “Trademark search” hyperlink; click to enter; follow “Search of general TM information (SGTMI)” hyperlink; search “Name of Registrant (English)” for “Tiffany and Company”; follow “Tiffany and Company” hyperlink).

property courts in the judicial system.¹²⁵ The Chinese intellectual property courts impose a six-month time limit on domestic intellectual property cases, making for a quicker resolution.¹²⁶ Disputes involving trademarks are fairly common; from January to October 2011, China accepted 52,708 intellectual property cases, roughly 40 percent of which involved trademarks.¹²⁷

The administrative track is the more prevalent track, offering a “quick and inexpensive alternative to civil and criminal enforcement.”¹²⁸ However, pursuing administrative enforcement can be complicated, as jurisdiction of intellectual property rights is spread over a number of government agencies and offices depending on the type of intellectual property rights and laws implicated.¹²⁹ Furthermore, administrative enforcement lacks “the investigation powers to access banking details and emails, the power to open locked premises (including warehouses), the authority to enter private residences and the power to detain suspected infringers.”¹³⁰

Similar to the CBP in the United States, the GAC enforces “customs control” and “customs intellectual property protection” in China.¹³¹ However, the GAC requires the intellectual property rights holder to record its intellectual property with the GAC and submit a written application “at the suspected point of entry or exit where protection is sought” in order for the GAC to seize the infringing goods.¹³² In the United States, the CBP just requires trademarks to be registered with the USPTO and recorded with the CBP.¹³³

As a signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement, China must provide criminal

125. See *Protecting Your Intellectual Property Rights in China*, *supra* note 42 (“The first and most prevalent is the administrative track, whereby an IP rights holder files a complaint at the local administrative office. The second is the judicial track, whereby complaints are filed through the court system.”).

126. Mark Cohen, *China IP Time and the New York Minute*, CHINA IPR, (Nov. 21, 2012), <http://chinaipr.com/2012/11/21/china-ip-time-and-the-new-york-minute/>. From 2006 to 2010, the average trademark infringement case was resolved in six months or less. See *Ciela Summary Report: Trend by Year*, CIELA, <http://www.ciela.cn/Content2.aspx?pageId=2&ppId=2&language=en> (last visited Mar. 19, 2012) (follow “Trend by Year” hyperlink; then search “IP Right” for “Trade Mark” and search “Cause of Action” for “Infringement”) [hereinafter *Ciela Summary Report*].

127. IACC Memorandum 2012, *supra* note 4, at 18.

128. *Id.* at 22.

129. The SAIC handles trademarks, the State Intellectual Property Office handles patents, the National Copyright Administration of China handles copyrights, the General Administration of Quality Supervision Inspection and Quarantine is involved with product quality and standards, the State Drug Administration handles counterfeit pharmaceutical products, and the Ministry of Culture also plays a role in the enforcement process. See *Protecting Your Intellectual Property Rights in China*, *supra* note 42.

130. IACC Memorandum 2012, *supra* note 4, at 22.

131. *Mission*, GEN. ADMIN. CUSTOMS CHINA, <http://english.customs.gov.cn/tabid/47802/Default.aspx> (last visited Mar. 19, 2013).

132. See *Protecting Your Intellectual Property Rights in China*, *supra* note 42.

133. 19 C.F.R. § 133.1(a) (2012).

enforcement of intellectual property rights for commercial scale piracy and counterfeiting.¹³⁴ Therefore, the Ministry of Public Security and the Supreme People's Procurate Security handle criminal investigation and prosecution of intellectual property rights infringement.¹³⁵ In recent years, China has taken steps to increase intellectual property rights enforcement, revising its copyright, patent, and trademark laws and even conducting a government wide "Special IPR Enforcement Campaign" from October 2010 to June 2011.¹³⁶ This campaign targeted intellectual property rights violations ranging from "copyright piracy and trademark counterfeiting over the Internet, distribution of infringing optical discs and publications, counterfeit cell phones, counterfeit pharmaceuticals, counterfeit seeds, and counterfeit bulk commodities for export."¹³⁷ Overall, intellectual property rights recognition and enforcement in China appears to be improving.¹³⁸

Conversely, the intellectual property rights regime in the United States has its advantages as well. Litigants bringing trademark infringement suits in the United States enjoy familiarity with the U.S. legal system, the potential recovery of higher damages, and a more expansive scope of discovery.¹³⁹

Million-dollar default judgments for damages in trademark infringement suits are feasible and common in the United States.¹⁴⁰ Damages in

134. TRIPS, *supra* note 1, art. 61. In 2007, the United States filed a dispute with the World Trade Organization claiming that China lacked proper criminal procedures and penalties required under the TRIPS Agreement. See *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WTO, http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds362_e.htm (last visited Mar. 19, 2013).

135. *Protecting Your Intellectual Property Rights in China*, *supra* note 42. Civil actions and administrative proceedings are more common, as "[f]oreign rights holders have had considerably less success in encouraging criminal prosecution of IPR violations." *Id.*

136. USTR, *supra* note 5, at 27. The National People's Congress (NPC) recently submitted a revised draft amendment to the Trademark Law in China for public comment. See *Shāngbiāo Fǎ Xiūzhèng Àn (Cǎo'àn) Tiáowén (商标法修正案(草案)条文)*, NAT'L PEOPLE'S CONGRESS CHINA (Dec. 28, 2012), http://www.npc.gov.cn/npc/xinwen/lfgz/flca/2012-12/28/content_1749326.htm. The NPC is considering imposing joint liability on individuals who help facilitate trademark infringement. See *id.*

137. USTR, *supra* note 5, at 27; see also *Program for Special Campaign on Combating IPR Infringement and Manufacture and Sales of Counterfeiting and Shoddy Commodities*, INTELL. PROP. PROTECTION CHINA (Nov. 11, 2010, 10:57 AM), http://www.chinaipr.gov.cn/newsarticle/news/government/201011/976869_1.html (detailing enforcement measures taken by the Chinese government).

138. USTR, *supra* note 5, at 28 ("[T]he Chinese Government's efforts during the Special Campaign 'generated goodwill' among rights holders and sparked some cautious optimism that a recognition of the need for IPR protection and enforcement in China may finally be starting to take root.").

139. See *infra* notes 140–47 and accompanying text.

140. See, e.g., *supra* note 9 and accompanying text; see also *Default Judgment and Permanent Injunction, Burberry Ltd. (US) v. John Doe 1*, No. 11 CIV. 8306(TPG) (S.D.N.Y. May 17, 2012), available at <http://tinyurl.com/cb6s9yk> (order granting default judgment for \$80,000,000); *Default Judgment and Permanent Injunction, Hermes Int'l v. John Doe 1*, No. 12 Civ. 1623(DLC) (S.D.N.Y. Apr. 30, 2012), available at <http://www.scribd.com/doc/92046940/Hermes-v-Does-12-Civ-1623-S-D-N-Y-Apr-30-2012-Judgment> (granting default judgment for \$100,000,000 and permanent injunction).

trademark infringement suits in China, however, are often for less. From 2006 to 2012, the average amount of damages awarded in Chinese trademark infringement cases ranged from 30,000 to 140,000 renminbi.¹⁴¹ Trademark infringement cases occasionally settle for larger amounts; Apple, Inc. recently settled a lawsuit in China for \$60,000,000 for the legal right to use the iPad trademark in China.¹⁴² Although the TRIPS agreement has harmonized certain aspects of intellectual property enforcement in China,¹⁴³ the remedies under U.S. law, as discussed above, are more familiar, robust, and satisfying for brand owners who successfully pursue their rights.

Furthermore, “[i]t is well known that the scope of American discovery is often significantly broader than is permitted in other jurisdictions,”¹⁴⁴ and China is no exception. This difference in discovery scope has led to tension between the United States and many other countries with more restrictive discovery provisions.¹⁴⁵ The common position taken by foreign countries is that U.S. discovery procedures “may be applied to persons or documents located in another state only with permission of that state.”¹⁴⁶ The United States however, has taken the position that “persons who do business in the United States, or who otherwise bring themselves within United States jurisdiction to prescribe and to adjudicate, are subject to the burdens as well as the benefits of United States law, including the laws on discovery.”¹⁴⁷

On August 31, 2012, China’s National People’s Congress passed an amendment to its Civil Procedure Law.¹⁴⁸ Key changes included the availability of preliminary injunctions for all types of civil disputes, the requirement of all legally effective judgments and rulings to be made publicly available, and several new evidence rules.¹⁴⁹ As Professor Mark

141. See *Ciela Summary Report*, *supra* note 126.

142. See *Apple Finally Settles a Dispute over the iPad Trademark, It Costs Them \$60 Million*, BUS. INSIDER (July 2, 2012, 11:49 PM), <http://www.businessinsider.com/apple-settles-dispute-ipad-name-60m-proview-2012-7>.

143. See generally TRIPS, *supra* note 1, pmb1.

144. *Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court for the S. Dist. of Iowa*, 482 U.S. 522, 542 (1987).

145. RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 442, reporters’ notes ¶ 1 (1987) (“No aspect of the extension of the American legal system beyond the territorial frontier of the United States has given rise to so much friction as the requests for documents in investigation and litigation in the United States.”). For an in-depth discussion of the differences between American and Chinese discovery, see Meg Utterback et al., *Obtaining Discovery in China for Use in US Litigation*, CHINA L. INSIGHT (Apr. 28, 2012), <http://www.chinalawinsight.com/2012/04/articles/dispute-resolution/obtaining-discovery-in-china-for-use-in-us-litigation/>.

146. RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 442, reporters’ notes ¶ 1.

147. *Id.*

148. Ariel Ye et al., *Insight into China’s Revision on Civil Procedure Law*, CHINA L. INSIGHT (Oct. 15, 2012), <http://www.chinalawinsight.com/2012/10/articles/dispute-resolution/insight-into-chinas-revision-on-civil-procedure-law/>.

149. *Id.*

Cohen has noted, the revised Civil Procedure Law can be seen as a step toward increased transparency and more permissive discovery.¹⁵⁰

Another provision that is relevant to the discovery process in trademark infringement cases is Article 50(1) of the TRIPS Agreement, which grants judicial authorities “the authority to order prompt and effective provisional measures . . . to preserve relevant evidence in regard to the alleged infringement.”¹⁵¹ Provisional measures include preliminary injunctions and preliminary evidence or asset preservation measures.¹⁵²

The tension between U.S. and Chinese discovery is highly relevant at the pretrial discovery stage of trademark infringement suits. On one hand, expansive pretrial discovery in the United States can help identify additional defendants, such as suppliers and manufacturers of the counterfeit goods, if the original defendants did not manufacture the goods themselves.¹⁵³ This information may never be uncovered in a foreign state that does not provide for pretrial discovery or has restrictive discovery rules.¹⁵⁴

Chinese bank secrecy laws further exacerbate the tension between the U.S. view on discovery and China’s. In Tiffany’s and Gucci’s trademark infringement suits, the Banks have asserted that various provisions of Chinese law would cause the Banks to be liable to the Chinese authorities should they comply with the Rule 45 subpoenas for discovery.¹⁵⁵ These provisions impose civil and even criminal liability on banks that violate them.¹⁵⁶

Therefore, if a trademark owner ultimately decides to seek relief in the United States, the trademark owner then has to bring the evidence from China into the U.S. courts, opening itself up to the problems associated with the extraterritorial location of the evidence, the risks associated with Hague Evidence Convention requests, the divergent views on discovery, and the implication of Chinese bank secrecy laws. It was with the foregoing circumstances that the district courts in the Southern District of New York decided how best to obtain the Chinese bank records belonging to defendants.

150. Mark Cohen, *Crossing the River by Feeling the IP Stones: How China’s Civil Procedure System Benefits from Reforms Made in IP Civil Litigation*, CHINA IPR (Nov. 8, 2012), <http://chinaipr.com/2012/11/08/crossing-the-river-by-feeling-the-ip-stones-how-chinas-civil-procedure-system-benefits-from-reforms-made-in-ip-civil-litigation/#more-700>.

151. TRIPS, *supra* note 1, art. 50(1).

152. See Mark Cohen, “Case Filing” in China’s Courts and Their Impact on IP Cases, CHINA IPR (Mar. 24, 2012), <http://chinaipr.com/2012/03/24/case-filing-in-chinas-courts-and-their-impact-on-ip-cases/>.

153. See *infra* note 169 and accompanying text.

154. In *Gucci I*, Judge Sullivan was especially concerned with the adverse impact reduced discovery would have on the plaintiff’s ability to “fully prosecute their case.” See *Gucci I*, No. 10 Civ. 4974(RJS), 2012 WL 5992142, at *8 (S.D.N.Y. Nov. 15, 2012).

155. See *supra* note 15 and accompanying text.

156. See *Tiffany II*, No. 11 Civ. 4976(NRB), 2012 WL 1918866, at *4 (S.D.N.Y. May 23, 2012); *Tiffany I*, 276 F.R.D. 143, 150 (S.D.N.Y. 2011).

II. THE ABILITY OF TRADEMARK OWNERS TO COMPEL DISCOVERY FROM NONPARTY FOREIGN FINANCIAL INSTITUTIONS

This part analyzes how district judges in the Southern District of New York have approached the various arguments in support of the Hague Evidence Convention and, conversely, the Federal Rules of Civil Procedure as the appropriate avenue for obtaining records from nonparty banks located in China. It then examines the efforts of the parties to comply with the resulting discovery orders and the current disposition of each suit.

A. Tiffany (NJ) LLC v. Qi

On December 20, 2010, Tiffany, manufacturer of luxury jewelry and silverware, filed a complaint alleging that defendants Qi Andrew, Gu Gong, Sliver Deng, and Kent Deng—all doing business as TiffanyStores.org, Fashion Style, and Stores.org; ABC Companies; and several John Does¹⁵⁷ (Tiffany I Defendants) manufactured and sold counterfeit Tiffany products “without Tiffany’s permission, authorization, or approval” through several websites hosted in the United States.¹⁵⁸ Tiffany asserted that the Tiffany I Defendants used PayPal, Inc. to process payments for sales through their websites and transferred the profits to their BOC, ICBC, and CMB bank accounts.¹⁵⁹ On January 3, 2011, after the Tiffany I Defendants failed to appear,¹⁶⁰ the court entered a preliminary injunction against them, which included discovery instructions directed at the Banks.¹⁶¹ Days later, Tiffany served the Banks with copies of the preliminary injunction and subpoenas specifically requesting

- (1) communications concerning defendants or defendants’ accounts;
- (2) documents containing contact information associated with defendants’ accounts;
- (3) documents relating to any and all credit card transactions processed in connection with purchases from defendants or defendants’ websites;
- (4) documents concerning any open or closed checking, savings, or money market accounts, and certificates of deposit held in the name of any of the defendants, including bank statements;
- (5) documents concerning any open or closed loans or mortgages relating to any of the defendants;
- (6) wire transfer documents and files relating to any of the defendants, including documents reflecting the source of funds for wires into defendants’ accounts and
- (7) documents relating to Currency Transaction Reports and Suspicious Activity Reports concerning any of the defendants.¹⁶²

157. Complaint at 1, *Tiffany I*, 276 F.R.D. 143 (S.D.N.Y. 2011) (No. 10 Civ. 9471).

158. *Id.* ¶ 4. The complaint additionally alleged that the Tiffany I Defendants also copied “designs, patterns and color schemes associated” with Tiffany and expressly identified their products as Tiffany products to deceive consumers as to the authenticity of their products. *See id.* ¶ 3.

159. *See Tiffany I*, 276 F.R.D. at 145–46.

160. *See id.*

161. *See supra* note 78 and accompanying text.

162. *Tiffany I*, 276 F.R.D. at 145.

The Banks searched their records, but did not find any accounts belonging to the Tiffany I Defendants.¹⁶³ The Banks objected to the subpoenas, stating that they did not have “possession, custody or control” of any bank documents located outside the United States and further objected to any discovery requests, compliance with which would violate domestic or foreign law.¹⁶⁴

On July 25, 2011, Magistrate Judge Henry B. Pitman issued an order addressing the Banks’ objections and Tiffany’s motion to compel discovery.¹⁶⁵ Judge Pitman found that the requested documents were in fact within the Banks’ possession, custody, and control.¹⁶⁶ As for the Banks’ secondary grounds for objection—that Chinese bank secrecy laws prohibited them from complying with the subpoena—the judge conducted the seven-factor comity analysis to determine whether the court should compel discovery of the bank records in China.¹⁶⁷

First, Judge Pitman considered the importance of the bank records to the litigation.¹⁶⁸ He agreed with Tiffany that the information requested was “vital” because the requested documents had the potential to “reveal the identities of those involved in the counterfeiting operation” and would indicate if the funds from these bank accounts were used to create counterfeit goods. The bank records could also identify manufacturers or others involved in the operation, which could lead to other defendants.¹⁶⁹ Tiffany’s requests, which included account numbers for some of the defendants,¹⁷⁰ were specific enough for the judge to find the second factor—the degree of specificity of the request¹⁷¹—in favor of Tiffany.

However, Judge Pitman determined that the third through seventh factors did not.¹⁷² For the third factor—whether the information originated in the United States¹⁷³—the requested bank records were clearly located in China and were not accessible from the New York branches of the Banks.¹⁷⁴ The fourth factor questioned if the Hague Evidence Convention qualified as a viable alternative to a Rule 45 subpoena, and the judge found that it did.¹⁷⁵

163. The Banks searched only the records located in their New York branches. *See id.* at 145–46.

164. *Id.* at 146. The Banks offered to assist Tiffany in preparing a document request pursuant to the Hague Evidence Convention for the bank records at issue, but Tiffany turned their offer down. *Id.*

165. *See generally id.*

166. *See id.* at 147–50.

167. *See id.* at 151 (“Where a party from whom discovery is sought asserts foreign law as a bar to production, courts perform a comity analysis to determine the weight to be given to the foreign jurisdiction’s law.”); *see also supra* notes 122–23 and accompanying text.

168. *See supra* note 122 and accompanying text.

169. *Tiffany I*, 276 F.R.D. at 151–52 (emphasizing that because the defendants had failed to appear, production was all the more vital).

170. *See Tiffany I*, 276 F.R.D. at 152.

171. *See supra* note 122 and accompanying text.

172. *See Tiffany I*, 276 F.R.D. at 160.

173. *See supra* note 122 and accompanying text.

174. *See Tiffany I*, 276 F.R.D. at 160.

175. *See id.* at 152–53.

He examined China's history with Hague Evidence Convention requests, cases in the Southern District of New York addressing this particular issue, expert opinions provided by Tiffany and the Banks, secondary sources, and China's Article 23 reservation when it acceded to the Hague Evidence Convention.¹⁷⁶

Judge Pitman relied heavily on language, albeit recently removed, from the State Department's website reporting China's historically low response rate to Hague Evidence Convention letters of requests.¹⁷⁷ Specifically, he found the removal of this language from the website particularly compelling.¹⁷⁸ He found additional support in MOJ reports of a 50 percent execution rate over the past five years, with requests averaging six to twelve months in processing time, and thirty-seven executed requests in the first half of 2010 alone.¹⁷⁹

The Judge proceeded to dismiss Tiffany's remaining arguments for the fourth factor based on the revision of the State Department's website. He declined to follow *Milliken & Co. v. Bank of China*,¹⁸⁰ a case in the Southern District of New York which had considered and rejected the Hague Evidence Convention as a viable means of obtaining documents from China, because *Milliken* was not binding precedent and, more importantly, *Milliken* had relied on outdated language from the State Department.¹⁸¹ He similarly found the expert opinions¹⁸² and secondary sources¹⁸³ that Tiffany and the Banks had proffered to not be particularly "useful" since many of them had relied on the outdated language from the

176. *See id.* at 153–56.

177. The State Department had previously posted:

While it is possible to request compulsion of evidence in China pursuant to a letter rogatory or letter of request (Hague Evidence Convention), such requests have not been particularly successful in the past. Requests may take more than a year to execute. It is not unusual for no reply to be received or after a considerable time has elapsed, for Chinese authorities to request clarification from the American court with no indication that the request will eventually be executed.

Id. at 153. The State Department's website now states, "[t]he United States is seeking clarification from the People's Republic of China regarding its interpretation and implementation of the Convention." *Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters*, *supra* note 89, at n.8.

178. *See Tiffany I*, 276 F.R.D. at 153 ("[T]he deletion of the language from the State Department's Circular that is critical of China's enforcement of Hague Convention requests implie[d] that the conditions described by the omitted language no longer exist.").

179. *See id.*

180. 758 F. Supp. 2d 238 (S.D.N.Y. 2010).

181. *See Tiffany I*, 276 F.R.D. at 154.

182. Tiffany's experts—Donald Clarke, a professor at George Washington University Law School, and William Alford, Director of East Asian Legal Studies at Harvard Law School—were skeptical of China's treatment of Hague Evidence Convention requests while the Banks' experts—James Feinerman, professor of Asian Legal Studies at Georgetown University Law Center, and Zhipan Wu, professor of law, Executive Vice Chancellor, and Dean Emeritus at Peking University Law School—were optimistic. *Id.* at 154–55.

183. Tiffany cited a 2008 ABA paper, which reported low success in obtaining documents from China through the Hague Evidence Convention, and a 2011 article, which noted the difficulty of making Hague Evidence Convention requests directed at China. *Id.* at 155.

State Department's website as well.¹⁸⁴ Judge Pitman was confident that Tiffany's document request was sufficiently related to the litigation, so China's Article 23 reservation would not be an issue.¹⁸⁵ He stressed that thirty-six other Hague Evidence Convention signatories had made similar reservations as well.¹⁸⁶ Acknowledging the "dearth of information as to the current efficiency" of Hague Evidence Convention requests, the judge nevertheless determined that requests to China would not be futile, relying on the assumption that China's response rate was in fact improving—an assumption based on the removal of certain language from the State Department's website.¹⁸⁷

Judge Pitman found that the fifth factor—interests of the states¹⁸⁸—also favored the Banks.¹⁸⁹ He found China's interest in enforcing its bank secrecy laws to outweigh the United States' interest in enforcing its trademark laws and in adjudicating matters before its courts.¹⁹⁰ He considered the threat of civil and possible criminal sanctions the Banks faced if they were to "disclose the requested information in contravention of Chinese law"¹⁹¹ serious enough to rule the sixth factor—the hardship of compliance¹⁹²—in the Banks' favor.¹⁹³ The judge was also satisfied that Chinese bank secrecy laws had been used in previous Chinese cases to impose civil and even criminal liability on commercial banks, even if the facts were not especially analogous.¹⁹⁴ The judge furthermore suggested that the onus was on Tiffany to demonstrate that the Banks would not face negative consequences for complying with the subpoenas.¹⁹⁵

Lastly, the judge found no evidence of bad faith by the Banks and ruled the last factor—good faith of the party resisting discovery¹⁹⁶—in their favor.¹⁹⁷ Thus, with five of the seven factors weighing in the Banks' favor, he directed Tiffany to proceed with discovery under the Hague Evidence Convention, but he also preserved Tiffany's right to "renew [its] application

184. *See id.*

185. *See supra* notes 109–10 and accompanying text.

186. *Tiffany I*, 276 F.R.D. at 155–56 ("While it is not possible to conclude definitively whether China would execute a request for the documents plaintiffs seek, the documents at issue certainly appear to be closely related to the litigation, and, therefore, plaintiffs' request is not clearly prohibited by this reservation.").

187. *Id.* at 156.

188. *See supra* note 122 and accompanying text.

189. *See Tiffany I*, 276 F.R.D. at 158.

190. *Id.* ("While the United States certainly has an interest in enforcing its orders and protecting trademark rights, the Chinese interest in protecting its account holders' confidentiality appears more significant in this case.").

191. *Id.* at 160.

192. *See supra* note 123 and accompanying text.

193. *See Tiffany I*, 276 F.R.D. at 158 (noting that an order to compel discovery should only be imposed on a nonparty in "extreme circumstances").

194. *See id.* at 158–59 (citing Chinese cases where commercial banks in China were held to be civilly and criminally liable).

195. *See id.* at 158.

196. *See supra* note 123 and accompanying text.

197. *See Tiffany I*, 276 F.R.D. at 160.

to enforce [its] subpoenas” if the Hague Evidence Convention proved futile.¹⁹⁸

Tiffany followed the discovery orders but eventually renewed its application on September 20, 2012.¹⁹⁹ Before renewing its application, Tiffany submitted a letter of request to the MOJ, but only received a portion of the documents it requested nine months later.²⁰⁰ The MOJ had decided not to produce certain documents that were lacking “direct and close connections with the litigation” at hand.²⁰¹ The MOJ’s partial production was fully consistent with China’s Article 23 declaration on pretrial discovery when it acceded to the Hague Evidence Convention.²⁰² Unfortunately, the partial production amounted to information regarding one BOC, one CMB, and three ICBC accounts in total, and questions such as whether the Tiffany I Defendants had additional accounts at the Banks, if there were any detailed wire transfer records, and whether the Banks had complied with the asset restraint portion of the preliminary injunction, remained unanswered.²⁰³

Despite this nine-month delay, Judge Pitman was not convinced that the Hague Evidence Convention was futile, and on November 8, 2012, he ultimately denied Tiffany’s renewed application to enforce the previous subpoenas.²⁰⁴ The judge opined that the MOJ had unquestionably produced documents that were relevant and responsive.²⁰⁵ Additionally, he did not consider nine months to be “inordinately long given the delays inherent in international discovery proceedings.”²⁰⁶ Although the judge acknowledged that the resulting production was “more limited than it would have been under the Federal Rules of Civil Procedure,” this result was the reality of international litigation and foreign discovery.²⁰⁷ Furthermore, the judge pointed out that additional discovery would not necessarily uncover the source of the counterfeit goods.²⁰⁸

198. *Id.* at 160–61.

199. *Tiffany (NJ) LLC v. Qi (Tiffany I)*, No. 10 Civ. 9471(RA)(HBP), 2012 WL 5451259, at *1 (S.D.N.Y. Nov. 8, 2012).

200. *See id.* The MOJ produced “account opening documents (including the government identification card of the account holder), written confirmation of certain transfers into the accounts and a list of transfers out of the accounts.” *Id.*

201. *See id.* at *2.

202. *See supra* note 110 and accompanying text.

203. *Tiffany I*, 2012 WL 5451259, at *1–2.

204. *See id.* at *2.

205. *Id.*

206. *Id.* (noting the lack of “statistical compilations” and citing personal experience).

207. *Id.* at *2–3 (“The high cost of discovery in federal litigation is well known, and the fact that another sovereign chooses to take a more restrictive view of the appropriate scope of pretrial discovery is not unreasonable.” (citations omitted)).

208. *Id.* The parties recently filed their responses to Judge Pitman’s November 8, 2012 order denying Tiffany’s renewed application. *See* Plaintiffs’ Reply Memorandum of Law in Further Support of Their Objections to the November 8, 2012 Opinion and Order of Magistrate Judge Henry Pitman, *Tiffany I*, No. 10 Civ. 9471 (S.D.N.Y. Jan. 28, 2013); Response of Non-parties Bank of China and Industrial and Commercial Bank of China to Plaintiffs’ Objections to the Magistrate Judge’s Order Denying Plaintiffs Renewed Motion to Compel the Production of Documents in China in Violation of Chinese Law, *Tiffany I*, No.

B. Gucci America, Inc. v. Weixing Li

Gucci I, is a similar trademark infringement suit brought by Gucci and its affiliates against several websites and their operators²⁰⁹ (Gucci I Defendants) six months before Tiffany filed its complaint in *Tiffany I*.²¹⁰ Judge Richard J. Sullivan presided over the case.²¹¹ Much of the initial pretrial proceedings paralleled *Tiffany I*: the complaint and alleged infringement, the Gucci I Defendants' failure to appear, and the preliminary injunction.²¹² The main difference was that BOC was the only bank implicated.²¹³ Still, BOC took the same course of action—searching for bank records only in its New York branch and objecting to documents located outside the United States—when served with the preliminary injunction and a subpoena for bank records belonging to the Gucci I Defendants.²¹⁴ The judge also applied the seven-factor comity analysis,²¹⁵ but the similarities ended there.

Judge Sullivan found that the first two factors, concerning the importance of the bank records to the litigation and the specificity of Gucci's requests, weighed in Gucci's favor.²¹⁶ He then determined that the third factor—whether the information originated in the United States²¹⁷—weighed in BOC's favor as the bank records were clearly located in China.²¹⁸

As for the fourth factor—alternative means of securing the information²¹⁹—the judge disagreed with Judge Pitman, finding that the Hague Evidence Convention was not a viable alternative for obtaining bank records located in China.²²⁰ Notably, Judge Sullivan arrived at his

10 Civ. 9471 (S.D.N.Y. Jan. 7, 2013); Plaintiffs' Objections to the November 8, 2012 Opinion and Order of Magistrate Judge Henry B. Pitman, *Tiffany I*, No. 10 Civ. 9471 (S.D.N.Y. Nov. 26, 2012).

209. The named defendants include Weixing Li a/k/a Xin Li, Lijun Xu a/k/a Jack London, Ting Xu a/k/a Jack London a/k/a Xu Ting a/k/a Rebecca Xu, Wenying Guo, Xiaochao Shang, Lei Xu, Fengyuan Zhao, Liqun Zhao, Ming Zhao, and Peiyuan Zhao—all doing business as Redtagparty, Myluxurybags.com, Kuelala.com, Xpressdesigners.com, Xpressdesigner.net, and Designer Handbags; ABC Companies; and several John Does. See Second Amended Complaint at 2, *Gucci I*, No. 10 Civ. 4974 (S.D.N.Y. Mar. 10, 2011).

210. Complaint, *Gucci I*, No. 10 Civ. 4974 (S.D.N.Y. June 25, 2010).

211. See *Gucci I*, 2011 WL 6156936, at *1.

212. Compare *Gucci I*, 2011 WL 6156936, at *1–2, with *supra* notes 157–61 and accompanying text.

213. See *Gucci I*, 2011 WL 6156936, at *1.

214. Compare *Gucci I*, 2011 WL 6156936, at *2, with *supra* notes 162–64 and accompanying text.

215. See *Gucci I*, 2011 WL 6156936, at *5–12.

216. See *id.* at *6. The Gucci I Defendants' bank records were "likely to provide the most fruitful avenue for discovering the identity of additional infringers" and as a practical matter, the records were "likely to provide the most effective measure of the revenues generated" by the Gucci I Defendants. *Id.*

217. See *supra* note 122 and accompanying text.

218. See *Gucci I*, 2011 WL 6156936, at *6.

219. See *supra* note 122 and accompanying text.

220. See *Gucci I*, 2011 WL 6156936, at *7–9.

conclusion from the same evidence and arguments presented in *Tiffany I*.²²¹ Although Judge Pitman interpreted the revision of the State Department's website as a sign that China's response rate was improving, Judge Sullivan was not as optimistic, expressing skepticism over what seemed to be an "unexplained revision."²²² Judge Sullivan was not willing to discount Gucci's expert opinions and secondary sources without "concrete evidence" of China's compliance with Hague Evidence Convention requests.²²³

Unlike Judge Pitman, Judge Sullivan did not require the Hague Evidence Convention to be completely futile²²⁴ and instead cited language from *Aérospatiale* stating that the Hague Evidence Convention is to be considered a viable alternative as long as it was an "effective, or efficient, method."²²⁵ However, Judge Sullivan found the evidence to indicate that the Hague Evidence Convention in this instance would be "unduly time consuming and expensive, as well as less certain to produce needed evidence than direct use of the Federal Rules" and therefore, that it was not viable.²²⁶

Judge Sullivan also disagreed with Judge Pitman on the fifth factor,²²⁷ concluding that China's interests did not outweigh those of the United States.²²⁸ In addition to the United States' interests in protecting intellectual property rights and preventing consumer confusion, the judge was also concerned with the Banks using Chinese bank secrecy laws as a "shield against the requirements faced by other United States-based financial institutions" and the possibility of counterfeiters utilizing foreign banking secrecy laws to "facilitate global infringement schemes."²²⁹

As for BOC's hardship in complying with the subpoenas, Judge Sullivan found the threat of sanctions too speculative for the sixth factor to favor the Banks.²³⁰ Finally, the judge held that BOC's opposition to the subpoena was not in bad faith.²³¹ Thus, with five of the seven factors weighing in

221. Compare *id.* at *7–9 (discussing MOJ's statistics, now defunct language on the State Department's website, expert opinions, and secondary sources), with *supra* notes 176–86 and accompanying text.

222. See *Gucci I*, 2011 WL 6156936, at *9.

223. *Id.*

224. Judge Sullivan stated that requiring the Hague Evidence Convention be deemed futile in order to be considered an unviable means of obtaining evidence was "plainly in tension with the Supreme Court's rejection of a blanket rule requiring resort to Convention procedures in the first instance." *Id.* at *8 (citing *Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court for the S. Dist. of Iowa*, 482 U.S. 522, 539 (1987)).

225. *Id.* (citations omitted).

226. *Id.* at *8 (quoting *Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court for the S. Dist. of Iowa*, 482 U.S. 522, 542 (1987)).

227. See *supra* note 122 and accompanying text (interests of the states).

228. See *Gucci I*, 2011 WL 6156936, at *9–11.

229. See *id.* at *10–11.

230. *Id.* at *11; see also *supra* note 123 and accompanying text.

231. See *Gucci I*, 2011 WL 6156936, at *12 (noting, however, that it was "certainly conceivable that Bank of China has actively assisted Defendants in concealing illegally-obtained profits").

Gucci's favor, the judge granted Gucci's motion to compel discovery under the Rule 45 subpoena.²³²

Rather than complying with Judge Sullivan's order, BOC resisted production of the Gucci I Defendants' bank records and instead filed motions—albeit unsuccessful—for leave to appeal to request an extension to comply with the discovery order and then for reconsideration of the discovery order.²³³ On November 15, 2012, Judge Sullivan finally held BOC in civil contempt and ordered the bank to pay a fine of \$75,000 for failing to comply with the discovery order despite having been given multiple extensions and opportunities to be heard.²³⁴ The judge reasoned that allowing BOC's noncompliance to continue would produce grave consequences.²³⁵ If BOC did not produce all of the documents responsive to the 2010 Subpoena, Gucci's ability to fully prosecute its case against the Gucci I Defendants would be jeopardized.²³⁶ The judge was not sympathetic to BOC's contention that it was awaiting permission from China to produce the Gucci I Defendants' bank records, especially since BOC had waited almost a year before seeking such permission.²³⁷ Therefore, any and all delay was solely attributed to BOC. Furthermore, Judge Sullivan reiterated his position on the Hague Evidence Convention: the Hague Evidence Convention would leave Gucci "empty-handed" because the letters of request have "little likelihood of success."²³⁸ This case is currently on appeal to the Second Circuit and the contempt order has been stayed.²³⁹

C. Tiffany (NJ) LLC v. Forbse

On July 20, 2011, six months after Tiffany filed its complaint in *Tiffany I*, Tiffany filed another complaint against a separate group of websites and their operators²⁴⁰ (Tiffany II Defendants) alleging similar causes of action

232. *See id.*

233. *See Gucci I*, No. 10 Civ. 4974(RJS), 2012 WL 5992142, at *2–3 (S.D.N.Y. Nov. 15, 2012). BOC did produce documents for two of the nine accounts listed in the original subpoena but this limited production was in itself incomplete as it lacked documentation of deposits and withdrawals associated with the two accounts. *Id.* at *2.

234. *See id.* at *9. It had been over a year since Judge Sullivan's discovery order was issued. *See id.* at *2–3.

235. *Id.* at *8.

236. *Id.*

237. *See id.* at *7.

238. *Id.* at *6. Judge Sullivan's statement about the Hague Evidence Convention came eight days after Magistrate Judge Pitman deemed the Hague Evidence Convention a viable means for obtaining evidence located in China. *See supra* notes 204–05 and accompanying text.

239. *Gucci I*, No. 10 Civ. 4974(RJS), 2011 WL 6156936 (S.D.N.Y. Aug. 23, 2011), *appeal docketed*, No. 11-3934 (2d Cir. Sept. 27, 2011). The Second Circuit will be hearing the *Gucci I* and *Tiffany II* appeals in tandem. *See Order, Gucci Am. Inc v. Li*, No. 11-3934 (2d Cir. Jan. 16, 2013) (directing appeals to be heard in tandem).

240. The named defendants include Bruce Forbse, Chen Jia Wen, Gimi Wooten, Hu Xin Xing, Alyarica Ltd., Tiffany Jewelries Inc., Tiffany-Gifts Inc., United Merchants, Ltd, and Web Sale Merchants LLP—all doing business as Tiffany-Collections.com, Tiffany-

and infringing activity as in *Tiffany I* and *Gucci I*.²⁴¹ Judge Naomi Reice Buchwald presided over *Tiffany II*.²⁴² The pretrial proceedings for *Tiffany II* progressed in a similar fashion as the prior cases.²⁴³ While all three banks were implicated in this suit, BOC played a special role as the acquiring bank for one of the infringing websites.²⁴⁴ For sales over the internet, an acquiring bank serves as an “intermediary between the online merchant and a credit card network such as Visa” and “is also often responsible for performing due diligence on the merchant and accordingly often accepts the risk of ‘chargebacks,’ meaning customer disputes that result in a reversal of a transaction.”²⁴⁵

On May 23, 2012, Judge Buchwald directed Tiffany to use the Hague Evidence Convention for the Tiffany II Defendants’ bank records at ICBC and CMB.²⁴⁶ However, because of BOC’s role as an acquiring bank, the judge separately ordered BOC to comply with the “discovery provisions of the preliminary injunction.”²⁴⁷

The seven-factor comity analysis that Judge Buchwald conducted resulted in three of the seven factors weighing in favor of CMB and ICBC and only two of the seven factors for BOC.²⁴⁸ Despite Tiffany garnering a majority of the factors against all three banks, the judge allowed ICBC and CMB to proceed through the Hague Evidence Convention rather than comply with the Rule 45 subpoenas.²⁴⁹ She reasoned that China should be given the opportunity to demonstrate its cooperation under the Hague Evidence Convention as a first instance and that future courts could “take notice and adjust their analysis” should it prove futile.²⁵⁰

The judge took a different approach with BOC. BOC’s role as an acquiring bank bolstered factors one—the importance of the documents requested²⁵¹—and seven—the good faith of the party resisting discovery²⁵²—thus tipping the balance in Tiffany’s favor.²⁵³ Specifically,

Gifts.com, Tiffany-Jewelries.us, TiffanyInsideSales.com, UK-Tiffany-Gifts.com, Best10Brands.com, and Trusted-Seller.eu; ABC Companies; and several John Does. See Complaint at 1–2, *Tiffany II*, No. 11 Civ. 4976 (S.D.N.Y. July 2, 2011).

241. Compare *id.*, with *supra* notes 157–59, 210 and accompanying text.

242. *Tiffany II*, No. 11 Civ. 4976(NRB), 2012 WL 1918866, at *1 (S.D.N.Y. May 23, 2012).

243. Compare *id.* at *1–2, with *supra* notes 160–64, 212–14 and accompanying text.

244. *Tiffany II*, 2012 WL 1918866, at *1–2. BOC was the acquiring bank for TiffanyOutletStore.com. *Id.* See *supra* note 74 for an explanation of the role of an “acquiring bank.”

245. *Tiffany II*, 2012 WL 1918866, at *2.

246. See *id.* at *13.

247. See *id.* at *11.

248. CMB and ICBC had the third, fourth, and seventh factors ruled in its favor while BOC only had the third and fourth. See *id.* at *4–7.

249. *Id.* at *10–11.

250. *Id.* at *10 (“China has yet to have a meaningful opportunity to demonstrate whether it will comply with a Hague Convention request under these circumstances.”).

251. See *supra* note 122 and accompanying text.

252. See *supra* note 123 and accompanying text.

the court believed that through the due diligence that BOC was required to perform in order to become an acquiring bank, and from its active role as an acquiring bank BOC was in possession of “valuable information as to the identity, business activities, and even location of one or more defendants.”²⁵⁴ It was possible that BOC even had information on where the Tiffany II Defendants were depositing their profits.²⁵⁵ The judge was suspicious of BOC’s ability to confirm that TiffanyOutletStore.com—a website with the word “Tiffany” in its name—was using its payment systems, suggesting that BOC was withholding crucial evidence.²⁵⁶

Furthermore, Judge Buchwald’s May 23, 2012 order brought new developments in this conflict to light. The judge revealed that according to Tiffany’s expert opinions, the Chinese government holds large ownership interests in all three banks, making the threat of sanctions highly doubtful.²⁵⁷ This information hurt the Banks in the sixth factor—the hardship of compliance.²⁵⁸ She was also the first to address a November 3, 2011 letter from the People’s Bank of China (PBOC) and the China Banking Regulatory Commission (CBRC)—two financial regulatory bodies in China—to four judges of the Southern District of New York with similar cases pending on their dockets.²⁵⁹

In this letter, the PBOC and CBRC urged the judges to utilize the Hague Evidence Convention and assured the judges that they would “actively coordinat[e] with the PRC Ministry of Justice and judicial organs in the PRC” to ensure timely execution of any letters of request.²⁶⁰ The judge interpreted this letter as an expression of the Chinese government’s intention to establish the Hague Evidence Convention as a viable alternative means for obtaining evidence in China, thus allowing the fourth factor to weigh in favor of the banks.²⁶¹ With respect to the fifth factor—the interest of the states²⁶²—however, the court found the interests of both China and

253. *Tiffany II*, 2012 WL 1918866, at *11 (noting that BOC’s role “strengthen[ed] the importance of the information sought and suggest[ed] potential bad faith on behalf of BOC”).

254. *Id.* at *5 (noting that the due diligence generally performed on merchants with whom a bank works with often includes physical inspections of the merchant’s premises).

255. *Id.*

256. *See id.* at *10 (“[I]t would seem possible, if not likely, that BOC could have identified the infringing website based on a simple search of its records.”).

257. *Id.* at *9 (“[T]he Chinese government either directly or indirectly owns 67% of the A shares in BOC, 70% of the A shares in ICBC, and over 25% of the shares in CMB.”).

258. *See supra* note 123 and accompanying text; *see also Tiffany II*, 2012 WL 1918866, at *9.

259. *Tiffany II*, 2012 WL 1918866, at *6. The letter was addressed to Judges Sullivan, Pauley, Pitman, and Batts. *Id.* at *6 n.7.

260. *Id.* at *6.

261. *Id.* at *7 (“It would seem prudent to forebear from assuming that the Hague Convention is not a viable option until Chinese authorities have had a meaningful opportunity to comply with similar requests but have failed to do so.”).

262. *See supra* note 122 and accompanying text.

the United States to be equally compelling and thus determined that neither interest predominated.²⁶³

BOC has appealed Judge Buchwald's order to comply with the Rule 45 subpoena, along with ICBC and CMB, which both appealed on separate grounds.²⁶⁴

D. Additional Cases

The Banks are also involved in at least three additional cases in the Southern District of New York that implicate the seven-factor analysis.

*Wultz v. Bank of China Ltd.*²⁶⁵ is a wrongful death action brought against BOC arising out of a 2006 suicide bombing in Tel Aviv.²⁶⁶ While the factual circumstances of this case are inapposite to the previous three cases, this case was filed in the Southern District of New York and involves obtaining bank records in China and China's handling of Hague Evidence Convention requests.²⁶⁷ In *Wultz*, it had been over a year since the plaintiffs sent the MOJ their Hague Evidence Convention request and so, on October 29, 2012, Judge Shira A. Scheindlin granted the plaintiff's motion to compel discovery under the Federal Rules of Civil Procedure. In arriving at her decision, the judge emphasized that despite numerous discovery orders in several other pending cases, BOC had yet to be sanctioned by the Chinese government and that it was evident that the MOJ had "chosen not to defer to the relatively broad scope of American discovery" in handling Hague Evidence Convention requests.²⁶⁸ On January 10, 2013, in response to BOC's contentions as to what documents were subject to production under the October 29, 2012 order, Judge Scheindlin issued another order clarifying exactly which categories of documents BOC was required to produce.²⁶⁹ Judge Scheindlin stated that the October 29 order did not require BOC to automatically produce certain documents and communications from BOC to the Chinese government whose "disclosure is specifically and categorically prohibited" under "Article 5(1) of the Anti-money Laundering Law of the PRC; Articles 7, 15(2) and 16 of the Rules for Anti-money Laundering by Financial Institutions; and Article 6 of the Measures for the Administration on Financial Institutions' Reports of Large-

263. *Id.* at *8 (finding the possibility of "transnational counterfeiters" using such laws as a shield from the consequences of their unlawful actions worrisome).

264. *Tiffany II*, No. 11 Civ. 4976(NRB), 2012 WL 1918866 (S.D.N.Y. May 23, 2012), appeal docketed, No. 12-2317 (2d Cir. June 7, 2012).

265. No. 11 Civ. 1266(SAS), 2012 WL 5378961 (S.D.N.Y. Oct. 29, 2012).

266. *See id.* at *1.

267. *See id.* The court noted that this was not the first time "a party has sought the production of documents by BOC, BOC has objected that production would threaten it with civil and criminal liability under China's Bank Secrecy Laws, and a court has responded by applying the Second Circuit's multi-factor comity test." *Id.* at *3.

268. *Id.* at *3.

269. *See Wultz v. Bank of China Ltd.*, No. 11 Civ. 1266(SAS), 2013 WL 132664 (S.D.N.Y. Jan. 10, 2013).

sum Transactions and Suspicious Transactions.”²⁷⁰ BOC was required, however, to produce any documents and communications to the Chinese government “outside the course of ‘regular regulatory reviews.’”²⁷¹ In exempting certain documents from production, the judge reasoned that, while previous application of the seven-factor comity analysis to Chinese bank secrecy laws favored production, application of the same test to the regulatory laws at issue in the January 10, 2013 order demanded the opposite result.²⁷² Specifically, the judge awarded more deference to the regulatory laws at issue because they were geared towards combating money laundering—one of the central interests considered in the October 29 order.²⁷³

In *Gucci America, Inc. v. Bagsmerchant, LLC*²⁷⁴ (*Gucci II*), Gucci filed a complaint against several websites and their operators²⁷⁵ (Gucci II Defendants) on April 5, 2010.²⁷⁶ Judge Scheindlin is the presiding judge on this case as well.²⁷⁷ On July 8, 2011, she entered a default judgment in the amount of \$7,800,000 against the Gucci II Defendants but vacated that judgment on September 27, 2012.²⁷⁸

Tiffany (NJ) LLC v. Dong,²⁷⁹ is yet another trademark infringement suit Tiffany brought on March 30, 2011 against several websites and their operators²⁸⁰ (Tiffany III Defendants).²⁸¹ Judge George B. Daniels entered default judgment against the Tiffany III Defendants on March 22, 2012 and the case was referred to Magistrate Judge Frank Maas.²⁸²

270. *Id.* at *1–2.

271. *Id.*

272. *Id.* at *1.

273. *Id.* The parties are currently tied up in discovery. *See* Wultz, No. 11 Civ. 1266(SAS) (S.D.N.Y. Feb. 13, 2013).

274. No. 10 Civ. 2911(SAS), 2012 WL 4468192 (S.D.N.Y. Sept. 27, 2012).

275. The named defendants include Bagsmerchant, LLC; Bagsmerchant.Co; Bags Store Ltd. a/k/a www.bags-store.com; Yunjing LLC; Authentictrading Ltd.; Yi Wang; Wu Xianhui; Yu Zhang; Jason James a/k/a Jason Miotto a/k/a Jermen Miotto; www.bagsdeal.com—all doing business as www.bagsmerchant.com; ABC Companies; and John Does. *See id.* at *1.

276. Complaint, *Gucci II*, No. 10 Civ. 2911 (S.D.N.Y. Apr. 5, 2010).

277. *See Gucci II*, No. 10 Civ. 2911(SAS), 2012 WL 4468192 (S.D.N.Y. Sept. 27, 2012).

278. *See id.* at *1. BOC and CMB successfully argued that the default judgment was the equivalent of an ex-parte turnover order, which required special proceedings. *Id.* at *2.

279. No. 11 Civ. 2183(GBD)(RM) (S.D.N.Y. Mar. 30, 2011).

280. The named defendants include Alice Dong, Alice Huang, Fiona Jones, Le Tian, Lin Feng a/k/a Feng Lin, Shi Zhonghua, Wang Zhi Rong, Yan Zhou—all doing business as TiffanyintheBox.com, 925JewelryBox.com, Tiffany4Girls.com, 925JewelrySale.com, PandoraOutlets.com, 925JewelryStore.com, 925Store.org, JewelrySetSale.com, SilverCharmSales.com, Xingren Co. Ltd., GZ Chang Min Net S&T Co., Bangrui Information and Technology Co. Ltd., Shanghai RongJiao Electronic Business Co., and Shanghai Changbang Le Tian Service Co.; ABC Companies; and John Does. Complaint at 2, *Tiffany III*, No. 11 Civ. 2183(GBD)(RM) (S.D.N.Y. Mar. 30, 2011).

281. *See id.*

282. Default Judgment Order, *Tiffany III*, No. 11 Civ. 2183(GBD)(RM) (S.D.N.Y. Mar. 22, 2012).

III. ADVERSE PRESUMPTIONS AND PLACING THE BURDEN ON FOREIGN CENTRAL AUTHORITIES TO INCREASE TRANSPARENCY

A review of *Tiffany I*, *Gucci I*, and *Tiffany II* reveals serious transparency problems with the Chinese Central Authority and, more importantly, the ability of a Hague Evidence Convention request to undermine the “just, speedy, and inexpensive determination” of trademark infringement suits.²⁸³ Moreover, clarification on the appropriate avenue for obtaining evidence located in China is imperative, as there are at least two pending cases where this issue is highly relevant.²⁸⁴ Rather than offering foreign countries “meaningful opportunities”²⁸⁵ to demonstrate their cooperation—while domestic litigants bear the costs—whenever there is uncertainty on the proper course of foreign discovery, courts should adopt a presumption against the country’s cooperation, with the burden on the foreign government to indicate otherwise.

This part will assess the reasoning in *Tiffany I*, *Gucci I*, and *Tiffany II* and suggest how courts should view the Chinese legal system when evaluating the viability of the Hague Evidence Convention.

A. *Lost in Translation: Misconceptions of the Chinese Legal Landscape*

Tiffany I is illustrative of the risks associated with requesting evidence pursuant to the Hague Evidence Convention. Although Judge Pitman was not concerned with China’s Article 23 reservation under the Hague Evidence Convention,²⁸⁶ this reservation was the reason that substantial portions of *Tiffany*’s document requests were denied.²⁸⁷ While the MOJ’s discretion on the scope of production is consistent with China’s Article 23 reservation,²⁸⁸ it has drastically reduced *Tiffany*’s ability to uncover the source of the counterfeit goods and to identify additional defendants.²⁸⁹

Even if Judge Pitman was to now grant additional discovery under the Federal Rules of Civil Procedure, it has been over two years since the complaint in *Tiffany I* was filed. The evidence and funds that *Tiffany* seeks are likely long gone. Not only are Hague Evidence Convention requests time consuming, but *Tiffany I* demonstrates the ability of such requests to ruin subsequent discovery attempts to uncover time sensitive information. Judge Sullivan’s concern that plaintiffs will not be able to fully prosecute their cases against their infringers when a court declines to compel discovery was realized in *Tiffany I*.²⁹⁰

283. See *supra* note 117 (language from *Aérospatiale*).

284. See *supra* notes 276–82 and accompanying text.

285. See *supra* notes 250, 261 and accompanying text.

286. See *supra* note 186 and accompanying text.

287. See *supra* notes 202–03 and accompanying text.

288. See *supra* note 110 and accompanying text.

289. See *supra* notes 207–08 and accompanying text.

290. See *supra* notes 236, 238 and accompanying text.

Therefore, provisional evidence preservation measures, as authorized by the TRIPS Agreement, can be extremely useful in these situations.²⁹¹ Litigants who have been ordered to conduct discovery through the Hague Evidence Convention should consider asset and evidence preservation measures in China while their letters of request are pending. However, litigants should tread carefully, as Chinese courts have not been employing evidence preservation measures to their fullest extent.²⁹² Fortunately, the recent amendments to China's Civil Procedure Law could lead to increased use of preliminary injunctions.²⁹³

Secondly, each judge to subsequently address the threat of sanctions by the Chinese government clearly grew increasingly skeptical.²⁹⁴ As Judge Buchwald pointed out, the threat of sanctions is hardly credible when the Chinese government possesses large ownership interests in all three banks.²⁹⁵ The Chinese government, as signatory to the Hague Evidence Convention and owner of substantial interests in the Banks, should arguably be more compliant with the letters of request.²⁹⁶ Additionally, the fact that BOC subsequently produced certain documents, albeit minuscule, in accordance with the discovery order in *Gucci I*, also casts serious doubts as to the reality of sanctions.²⁹⁷ Furthermore, the court in *Wultz* pointed out the absence of a single instance of sanctions against the Banks in the two years since the first time the Banks raised this argument.²⁹⁸ The threat of sanctions was their main argument for resisting discovery, and this argument has become increasingly questionable.²⁹⁹

Moreover, related to the issue of sanctions was China's interest in enforcing its bank secrecy laws. Judge Pitman was the only judge to consider this interest to outweigh the United States' interest in enforcing its

291. See Cohen, *supra* note 152 ("Preliminary evidence preservation measures can be especially critical when evidence is ephemeral, such as in the on-line environment.").

292. See *id.*

293. See *supra* notes 148–50 and accompanying text.

294. See, e.g., *supra* note 268 and accompanying text.

295. See *supra* note 257 and accompanying text.

296. *Main Functions and Responsibility of SASAC*, ST.-OWNED ASSETS SUPERVISION & ADMIN. COMMISSION ST. COUNCIL (SASAC), CHINA, <http://www.sasac.gov.cn/n2963340/n2963393/2965120.html> (last visited Mar. 19, 2013) ("[T]he State-owned Assets Supervision and Administration Commission of the State Council (SASAC) performs investor's responsibilities, supervises and manages the state-owned assets of the enterprises under the supervision of the Central Government (excluding financial enterprises), and enhances the management of the state-owned assets."). The SASAC's guidelines on corporate social responsibility call for state-owned enterprises to "comply with regulations and laws, public ethnics [sic] and commercial conventions, and trade rules," to "protect intellectual property rights, keep business creditability, oppose improper competition and eradicate corruption in commercial activities." *Guidelines to the State-Owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities*, ST.-OWNED ASSETS SUPERVISION & ADMIN. COMM'N ST. COUNCIL (SASAC), CHINA, <http://www.sasac.gov.cn/n2963340/n13933222/14125651.html> (last visited Mar. 19, 2013).

297. See *supra* note 233 and accompanying text.

298. See *supra* note 268 and accompanying text.

299. See *supra* note 15 and accompanying text.

intellectual property rights.³⁰⁰ Surprisingly, none of the courts considered China's interest in intellectual property rights enforcement. China's recent revisions to its copyright, patent, and trademark law, coupled with recent steps to improve enforcement, suggest that intellectual property rights enforcement is a compelling interest to China as well.³⁰¹ From a policy standpoint, several of the judges were concerned with the potential for abuse should the courts continue to defer to the Hague Evidence Convention and thereby impede the enforcement of intellectual property rights. Specifically, Judge Sullivan was concerned with foreign banking institutions shirking the requirements that domestic banking institutions faced,³⁰² and Judge Buchwald was apprehensive of transnational counterfeiters avoiding liability for their unlawful actions.³⁰³ Article 41 of the TRIPS Agreement requires member states to adopt specific enforcement procedures against infringement of intellectual property rights, which are to "be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse."³⁰⁴ As a member of the World Trade Organization, China has an obligation under the TRIPS agreement to enforce intellectual property rights,³⁰⁵ and the discretionary nature in the execution of Hague Evidence Convention requests threatens to create a loophole for counterfeiters to avoid liability to U.S. rights holders.

Finally, the fact that the courts recognized that their orders were based on the acknowledged lack of information on China's handling of Hague Evidence Convention request is disconcerting. Additionally, there were several issues with the evidence that the courts utilized. The courts noted that China had executed thirty-seven requests in the first half of 2010.³⁰⁶ However, the MOJ's website, the source of this statistic, does not provide any figures for the years before or after the first half of 2010.³⁰⁷ With no context in which to consider that statistic, it is not informative. Another oversight is in the discussion of the Chinese cases where commercial banks in China were subject to civil and even criminal liability.³⁰⁸ China is a civil law country rather than common law and, therefore, direct analogizing of cases was misplaced, especially when these cases were made known to the court via expert opinions rather than judicial interpretation or other more official guidance.³⁰⁹

300. *See supra* note 190 and accompanying text.

301. *See supra* notes 124–38 and accompanying text.

302. *See supra* note 229 and accompanying text.

303. *See supra* note 263 and accompanying text.

304. TRIPS, *supra* note 1, art. 41.

305. *See supra* note 136 and accompanying text.

306. *See supra* note 179 and accompanying text.

307. *See supra* note 108 and accompanying text.

308. *See supra* note 194 and accompanying text.

309. Keshia B. Haskins, *Special 301 in China and Mexico: A Policy Which Fails To Consider How Politics, Economics, and Culture Affect Legal Change Under Civil Law Systems of Developing Countries*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1125, 1144

Perhaps the biggest misconception about the Chinese legal system is the response time with which to measure whether the Hague Evidence Convention is a viable means of obtaining evidence. The State Department and several of the courts stated that Hague Evidence Convention requests can take anywhere from six to twelve months.³¹⁰ When the MOJ finally executed Tiffany's request after nine months, Judge Pitman was satisfied with the timing of the execution based on his personal experience.³¹¹ While six, nine, or even twelve months might be acceptable timeframes for discovery in the United States, none of the courts compared this timeframe to average timeframes in China.³¹² Domestic intellectual property court proceedings in China have a six-month time limit.³¹³ Judge Pitman failed to consider the time limits in China, or the States' or other similar countries' reciprocal timeframes for letters of request, before signing off on the MOJ's nine-month timeframe.

Although the letter from PBOC and CBRC shed light on the Chinese side of the Hague Evidence Convention debate, the authority of this letter is questionable.³¹⁴ The MOJ is the Central Authority, which handles the execution of Hague Evidence Convention requests.³¹⁵ A similar letter from the MOJ would undoubtedly be authoritative and deference would be warranted. However, the PBOC and CBRC are regulatory bodies for the banking industry in China.³¹⁶ Although the PBOC and CBRC may be considered part of the Chinese government, their authority over Hague Evidence Convention requests or its power to influence the MOJ as the Central Authority is largely unclear.

*B. Adverse Presumption As a Policy To Facilitate
Foreign Evidence Gathering*

All of the above issues, concerns, and misconceptions can be eliminated if the courts adopt a uniform policy. This policy should be a presumption against the viability of a Hague Evidence Convention request whenever there is a lack of transparency with the foreign state. The burden should be placed on the foreign state's Central Authority to clearly establish that it will, in fact, cooperate under the terms of the Hague Evidence Convention in a timely and efficient manner. This will eliminate the need for U.S. courts to speculate on foreign governmental matters when deciding on pretrial issues.³¹⁷ An adverse presumption rule will also incentivize foreign

(1999) (noting that Chinese “[j]udges do not base their decisions on detailed analysis and case law analogy partly because civil law systems do not recognize stare decisis”).

310. See *supra* note 179 and accompanying text.

311. See *supra* note 206 and accompanying text.

312. See *supra* note 126 and accompanying text.

313. See *supra* note 126 and accompanying text.

314. See *supra* notes 259–60 and accompanying text.

315. See *supra* note 94 and accompanying text.

316. See *supra* note 259 and accompanying text.

317. See *supra* notes 177–78, 180–84, 223–24 and accompanying text.

governments to increase the transparency of their laws and international litigation policies.

Increasing transparency and cooperation from China is consistent with numerous trade organizations and the U.S. government's current trade and intellectual property rights enforcement policies. In 2011, the International AntiCounterfeiting Coalition (IACC) recommended to the U.S. Trade Representative (USTR) the need for "Chinese authorities [to] increase the level of transparency in their handling of counterfeiting, piracy and other IP violations."³¹⁸ Specifically, the IACC emphasized "the need to establish clearer benchmarks for progress by individual ministries, with statistics for enforcement published more regularly, broken down by region, and broken down by reference to the exact law under which penalties are imposed."³¹⁹

The U.S. government's commitment to protecting the intellectual property rights of Americans in foreign markets is evidenced by joint law enforcement efforts like Operation In Our Sites³²⁰ and USTR's Notorious Markets List,³²¹ targeting "infringing foreign-based and foreign-controlled websites."³²² Increased efforts by the U.S. government to encourage and work with the Chinese government to enforce intellectual property rights suggests that a policy on adverse presumption that encourages transparency, facilitates discovery, and even recovery by intellectual property rights holders would be compatible.

Finally, with the amendments to China's Civil Procedure Law requiring Chinese courts to make legally relevant decisions publicly available, decisions on other Hague Convention requests and instances where banks were actually subjected to liability under bank secrecy laws should now be made available to interested parties.³²³ This would be in line with reading China's Civil Procedure Law amendments as a step toward *increased* transparency.³²⁴ Conversely, as discovery becomes more permissive under China's Civil Procedure Law,³²⁵ China's previous Article 23 declaration under the Hague Evidence Convention³²⁶ will begin to hold less weight as a reason for declining production under the Hague Evidence Convention. This could potentially result in the increased viability of the Hague Evidence Convention for Chinese evidence.

Judge Sullivan's approach in *Gucci I* best illustrates this proposal. Judge Sullivan was unwilling to deem the Hague Evidence Convention a viable

318. IACC Memorandum 2012, *supra* note 4, at 23.

319. *Id.*

320. *See supra* note 63 and accompanying text.

321. *See supra* note 4 and accompanying text.

322. EXEC. OFFICE OF THE PRESIDENT OF THE U.S., 2011 U.S. INTELLECTUAL PROPERTY ENFORCEMENT COORDINATOR ANNUAL REPORT ON INTELLECTUAL PROPERTY ENFORCEMENT 31 (2012), *available at* http://www.whitehouse.gov/sites/default/files/omb/IPEC/ippec_annual_report_mar2012.pdf.

323. *See supra* note 223 and accompanying text.

324. *See supra* note 150 and accompanying text.

325. *See supra* note 150 and accompanying text.

326. *See supra* note 110 and accompanying text.

means for obtaining evidence in China absent concrete evidence establishing that it was.³²⁷ Furthermore, the State Department could improve on its transparency as well since many of the judges cited the State Department in their cases.³²⁸ The State Department should maintain up-to-date reports on details like response rates and timing. Proactive measures to keep the courts informed on the status of Hague Evidence Convention signatories by the State Department would eliminate the need for judges to resort to deciphering the significance in oracular changes to the State Departments' website.

CONCLUSION

Global counterfeiting calls for global enforcement of intellectual property rights. As governments increase enforcement measures through customs and criminal prosecution, so too must civil enforcement. Therefore, the U.S. legal system must provide an efficient method for obtaining evidence located abroad to ensure that trademark owners are able to attain final relief. Consistent with the global movement toward increased recognition and enforcement of intellectual property rights, U.S. courts should adopt an adverse presumption against the Hague Evidence Convention whenever enforcement of the intellectual property owner's rights are threatened by the opaque handling of the receiving Central Authority. This policy is consistent with the holding in *Aérospatiale* (i.e., proceeding with the Hague Evidence Convention only when doing so would be efficient and effective), while promoting "just" and "speedy" resolution of intellectual property disputes.

327. *See supra* notes 223–24 and accompanying text.

328. *See supra* notes 179–89, 224–26 and accompanying text.