

# Application of the Principle of Proportionality to Injunctive Relief for Patent Infringement in China

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## Introduction

Ever since the “Kreuzberg Judgment (Kreuzbergurteil)” and “Pharmacy Judgment (Apothekenurteil)”,<sup>1</sup> the principle of proportionality has not only become one of the value goals and basic principles of the constitutions and administrative laws of various countries, but also been applicable to private law, either universally or with limits, to prevent abuse of rights.<sup>2</sup> Over many years, the principle of proportionality has been a hot academic subject in China. Scholars have conducted rather thorough research on the scope and limits of its application and associated controversies and reflections, as well as its status and application in the civil law system.<sup>3</sup>

Relief for patent infringement is an important indicator of the strength and level of patent protection. In common law countries, injunction is one of the reliefs for patent infringement. The injunction is an order made by the court to compel a party to perform, or refrain from performing, a particular act, including a temporary injunction and a permanent injunction.<sup>4</sup> As a civil law country, China does not use the term “injunction” in the civil laws or the intellectual property laws. In patent infringement litigation, a Chinese court can take behaviour preservation measures before case acceptance or during case trial to order a party to do or prohibit it from doing a particular act, which is equivalent to a temporary injunction in common law; and if infringement is established, the court can order, in a judgment, an infringer to bear the civil liability for cessation of infringement, which is equivalent to a permanent injunction. Thus, for the sake of brevity, “injunctive relief for patent infringement” is used

herein to refer to the behaviour preservation measures taken by a Chinese court in patent infringement proceedings and the civil liability for cessation of patent infringement.

Whether the principle of proportionality applies to the patent law, especially to the injunctive relief as a remedy for patent infringement, has not been adequately discussed. This principle was introduced into the German Patent Act through the latest revision, which has attracted considerable attention from academia and industry at home and abroad. Section 139 (1) of the newly revised German Patent Act stipulates that the claim for injunctive relief is excluded to the extent that, under the special circumstances of a singular case and considering the principle of good faith, its enforcement would result in disproportionate hardship on the infringer or third parties beyond what is justified by the exclusionary right; and under such circumstances, the infringed party shall be awarded reasonable monetary compensation.<sup>5</sup> The introduction of the principle of proportionality in the German Patent Act has aroused the concern of litigants who intend to know the answers to the following questions: Does the principle of proportionality apply to injunctive relief for patent infringement in China? If yes, can the scope of application of the principle of proportionality be expanded? Will the principle of proportionality be introduced into the China’s Patent Law through next revision? In our opinion, the principle of proportionality has been embodied in effective judicial interpretations of China’s Patent Law, as well as in related judicial policies. Further, Chinese courts have applied it in cases when determining injunctive relief as a remedy for patent infringement. With the development of the patent system, the application of the principle of

proportionality to injunctive relief for patent infringement shall be expanded as appropriate. However, there is no urgent need to introduce the principle of proportionality into the China's Patent Law.

## I. Provisions on the principle of proportionality in the judicial interpretations of China's Patent Law and judicial policies

The principle of proportionality includes sub-principles such as the principle of appropriateness, the principle of necessity, the principle of least harm (the principle of balance) and the principle of legitimacy.<sup>6</sup> As for the application of the principle of proportionality to injunctive relief for patent infringement, consideration shall be given to whether the grant of an injunction would impair the public interest or cause an extreme hardship for the infringer, thereby leading to the imbalance of interests between the patent holder and the infringer. One of the requirements for the proportionality test as specified by Section 139(1) of the new German Patent Act is that "its enforcement would result in disproportionate hardship on the infringer or third parties". The third parties mentioned in Section 139(1) can be understood as an individual, or the collective or public interest in plural sense.<sup>7</sup> In light of the U.S. judicial precedent, the public interest means the consequences of granting or denying the injunction to non-parties,<sup>8</sup> i.e., the influences on unspecified third parties. Thus, the considerations related to the public interest or the balance of interests between a right holder and an infringer in determining injunctive relief, as recited in the effective judicial interpretations of China's Patent Law and judicial policies provide in nature the principle of proportionality.

### 1. Provisions on the principle of proportionality in judicial interpretations of the patent law

Although the judicial interpretations involving behaviour preservation (i.e., temporary injunction) and cessation of infringement (i.e., permanent injunction) issued by the Supreme People's Court do not use the term "principle of proportionality", they embody the essence of the principle of proportionality and can be regarded as explicit provisions on the application of the principle of proportionality to injunctive relief for patent infringement.

The Provisions of the Supreme People's Court on Sev-

eral Issues Concerning the Application of Law in Examination of Behaviour Preservation Cases among Intellectual Property Disputes<sup>9</sup> (hereinafter referred to as "the Behaviour Preservation Interpretation") clarify the test for behaviour preservation. Article 7 of the Behaviour Preservation Interpretation provides for the following two factors to be considered in the application for behaviour preservation. One is "whether the damage caused to the applicant by refraining from taking behaviour preservation measure exceeds the damage caused to the respondent by taking such measure". This provision refers to the comparison of potential damages caused to the parties by taking and refraining from taking behaviour preservation measure. To make it clearer, it would urge the courts to take behaviour preservation measure if the damage caused to the applicant by refraining from taking behaviour preservation measure exceeds the damage caused to the respondent by taking the behaviour preservation measure. The other is "whether the behaviour preservation measure will impair the public interest". This provision makes it clear that the public interest is a factor considered when deciding whether the behaviour preservation measure shall be taken. The court will allow the behaviour preservation measure only when it does not damage the public interest.

The Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Disputes over Patent Infringement<sup>10</sup> (hereinafter referred to as the Judicial Interpretation (II) of Patent Infringement) sets forth the circumstances where the court may not impose civil liability for cessation of infringement on the infringer (in other words, not grant a permanent injunction) even the infringement has been confirmed. Article 26 of the Judicial Interpretation (II) of Patent Infringement stipulates that where the defendant commits infringement of the patent right, the right holder's claim for stopping the infringing act shall be supported by the courts. However, in consideration of the national or public interest, the courts may not order the defendant to stop the alleged acts, but award corresponding and reasonable monetary compensation." Accordingly, where the order of requesting the infringer to bear the civil liability for cessation of infringement will impair the national or public interest, the court may preclude it.

### 2. Principle of proportionality in judicial policies

During the last decade or so, the Supreme People's Court has incorporated the principle of proportionality into judicial policies concerning the circumstances where the

court may preclude the injunction when infringement of intellectual property rights is established. In other words, the principle of proportionality has become an important judging criterion for the courts when granting an injunction.

Regarding the specific form of cessation of infringement as a civil liability and its application, the judicial policies of the Supreme People's Court expounded that ordering the infringers to destroy the materials and tools dedicated to manufacturing infringing products is one of the specific ways to stop infringement. "However, these destroying measures should be commensurate with the seriousness of infringement, and are taken on the premise of necessity without causing unnecessary losses. The interests between the parties and the public shall be reasonably balanced based on case details. If the cessation of infringement would cause a great imbalance of interests between the parties, or would not be in line with the public interest, or would be practically difficult to enforce, interests shall be balanced on a case-by-case analysis, and the court may not order the infringers to stop the infringing act on the premise of effective substitutive remedies such as full compensation or monetary payment".<sup>11</sup> This judicial policy indicates that when deciding the specific application of the civil liability for cessation of infringement and whether or not to order the infringer to stop infringing acts, the court shall take account of the seriousness of infringement, whether the cessation of infringement will result in extreme imbalance of interests between the parties and whether the cessation of infringement is in line with the public interest. In essence, the court shall take the principle of proportionality into account.

As for whether the cessation of infringement will result in potential extreme imbalance of interests between the parties or is in line with the public interest, the Supreme People's Court stated that "if the cessation of infringement would cause a great imbalance of interests between the parties, or would not be in line with the public interest, or would be practically impossible to enforce, the courts shall balance the interests on a case-by-case analysis, and may not order the cessation of infringement but take substitutive measures such as full compensation or monetary payment to settle a dispute".<sup>12</sup>

The judicial policy that "the judiciary plays a lead role in ensuring strict IPR protection, tailored policy implementation for different intellectual property rights, and proportionality in determining the scope and level of protection of dif-

ferent intellectual property rights" has been considered as fundamental in intellectual property trials in China. Proportionality requires not only a reasonable determination of the scope and strength of protection of different intellectual property rights, but also a reasonable balance between the rights and interests of intellectual property right holders and other right holders, as well as the public interest and the national interest, so as to balance the interests of all interested parties and promote their harmonious development.<sup>13</sup>

## II. Current application of the principle of proportionality to injunctive relief for patent infringement

In China, it is agreed that the principle of proportionality applies to administrative law, but views are still divided in academic circles as to its universal application in civil law and criminal law. There is a view that "principle of proportionality has its unique connotation and value functions. It is neither necessary nor should be universally applied in civil or criminal branch of law, but rather returns to its inherent domain of administrative law".<sup>14</sup> In China's judicial practice, however, the principle of proportionality has been applied to administrative, civil, criminal, state compensation, enforcement and other cases,<sup>15</sup> as well as intellectual property cases<sup>16</sup>. Regarding the injunctive relief for patent infringement, the application of the principle of proportionality can fall into two circumstances: one is that the courts use the term "principle of proportionality" in the reasoning and make judgments accordingly, and the other is that though not expressly recited, it is obviously considered by the courts.

### 1. The cases in which the courts use the term "the principle of proportionality" in the reasoning and make judgments accordingly

We conducted research using the key word "比例原则" (meaning the principle of proportionality in Chinese) and retrieved six judgments among patent infringement cases.<sup>17</sup> In three of the six patent infringement disputes, the infringers argued that the principle of proportionality shall be followed in the calculation of damages, but the courts (second-instance courts) upheld the amount of damages determined by the first-instance courts without commenting on the principle of proportionality.<sup>18</sup> The underlying reason may be that although the second-instance courts recog-

nized that the principle of proportionality should be followed in determining damages, since the first - instance judgments complied with the principle, further comments were unnecessary. Two other cases involved the application of the principle of proportionality to evidence preservation, in which the Supreme People's Court, as the second-instance court in both cases, directly addressed this issue. In *Lanxiang Co. v. Xintong Co.*, a dispute over infringement of utility model patent, the Supreme People's Court held that "the principle of proportionality should be taken into consideration in evidence preservation. On the premise of achieving the purpose of evidence preservation, the preservation measure that results in the minimum harm to the interests of the evidence holder should be chosen, the resulting impacts on the parties concerned or interested parties should be fully evaluated, and the applicant will be required to provide security if necessary".<sup>19</sup> Since the application of the principle of proportionality to the determination of damages and evidence preservation is not the focus of this article, it will not be further discussed herein.

Among the retrieved six cases, only *Lan Jixing, Hu Pengfei v. Shenchuang huake Co.*, a dispute over infringement of utility model patent, discussed the application of the principle of proportionality to cessation of infringement. As stated above, destroying infringing products is one of the specific way to cease infringement. In this case, the accused infringer, Shenchuang huake Co., asserted during retrial that only a component (namely, a pressing mechanism) of the infringing product, instead of the entire infringing equipment, should be destroyed, so destroying all the infringing products in stock as ordered in the first-instance judgment is too broad. In this regard, the Supreme People's Court held that, as a specific way to stop infringing acts, destroying infringing products in stock needs to comply with the principle of proportionality, and considerations, such as "the purpose, necessity and balance" should be taken into account. Specifically, "such a specific measure shall be able and suitable to achieve the purpose of cessation of infringement, cause less damages to the interests of the infringer as compared with other effective means, and be proportionate with the purpose of cessation of infringement".<sup>20</sup> The Supreme People's Court clarified in this case that the principle of proportionality shall be applied to the determination of specific ways to cease infringement, including the destruction of infringing products. Considerations shall be given to whether the specific act ordered to be performed

by the infringer serves the purpose of stopping infringement and whether the hardship or damage suffered by the infringer is limited. What's more, the damage caused to the right holder or the infringer by supporting or denying a claim needs to be evaluated and balanced.

## 2. The cases in which the "principle of proportionality" is applied, though the term itself does not appear

In China, the two types of injunctive reliefs, namely behaviour preservation and cessation of infringement, are of different legal basis, and elements considered under the principle of proportionality differ as well.

As for behaviour preservation, Article 7 of the Behaviour Preservation Interpretation provides for the following two factors to be considered, i.e., whether the damage caused to the applicant by refraining from taking behaviour preservation measure exceeds the damage caused to the respondent by taking the behaviour preservation measure and whether the behaviour preservation will impair the public interest. These two considerations embody the principle of proportionality. Before the release of Behaviour Preservation Interpretation, courts did not take the two factors into account in a few cases involving behaviour preservation.<sup>21</sup> Thereafter, both factors must be considered or the principle of proportionality be followed in such cases. For instance, in *Astellas Co. v. Hisun Pharmaceutical Co.*, the court granted pretrial behaviour preservation on the grounds that the damage caused to the respondent by taking the behaviour preservation measure was less than the damage caused to the applicant by refraining from taking behaviour preservation measure, and the behaviour preservation will not impair the public interest.<sup>22</sup>

Regarding the civil liability for cessation of infringement, Article 26 of the Judicial Interpretation (II) of Patent Infringement released in 2016 stipulates that where the infringement is established, in consideration of the national or public interest, the courts may not order the defendants to stop the infringing acts, but order them to pay reasonable fees. The expression "in consideration of the national or public interest" mentioned in this Article mainly refers to the situation in which the national or public interest would be impaired if the defendant is ordered to bear the liability to cease infringement.<sup>23</sup> It also shows that the principle of proportionality must be followed by the courts when ordering a defendant to stop infringing. In some cases, courts further considered the negative effect of injunction, in addition to the public interest. For instance, in *Haldor Topsoe A/S v. Ha-*

*oyuan Group and Keyang Co.*, a dispute over invention patent infringement, the first-instance court determined that Haoyuan Group committed infringement. As the infringing project was important to environmental protection and public health, the court ordered the defendant to pay reasonable compensation instead of granting an injunction for the sake of the public interest. The second-instance court held that Haoyuan Group was not subjectively at fault as it did not know in advance that using the equipment it purchased would infringe the plaintiff's patent; and the cessation of use of the patented technology if ordered would not only waste the investment and resources, but also have a potential impact on the surrounding environment and people. Hence, the second-instance court upheld the first-instance judgement as it was appropriate to order the defendant to pay compensation to the plaintiff rather than stop using the technology.<sup>24</sup> Obviously, in addition to public interest, the second-instance court considered in this case the losses that would otherwise be suffered by the unfaulty defendant and the appropriate compensational payment to the plaintiff, which reflected the balance of interests between both parties and complied with the principle of proportionality.

Before the release of the Judicial Interpretation (II) of Patent Infringement, Chinese courts have fully considered the public interest and balanced interests between the parties since 2004, though not using the term "principle of proportionality" in some patent infringement cases involving injunctive relief, which in fact applied the principle of proportionality.

In China, *Jingyi Glass Co. v. Guangzhou Baiyun International Airport Co.*,<sup>25</sup> a dispute over infringement of utility model patent, was the first case in which injunctive relief was denied, arousing wide concern from scholars and practitioners. In this case, the court found that the glass curtain wall of the terminals of the new Guangzhou Baiyun International Airport used infringing products. However, due to the specialty of an airport, injunction is not in line with the public interest. Hence, the defendant is allowed to continue using such products on the premise of paying appropriate royalties. Another important case in which the public interest precluded the injunction was *Jingyuan Co. v. Fujikasui Engineering Co., Ltd. and Huayang Electric Power Co., Ltd.*, a dispute over invention patent infringement.<sup>26</sup> In this case, the first-instance court held that the installation of gas desulfurization equipment in the thermal power plant conformed to the basic national policy and industrial policy on environ-

mental protection, contributed to an environment-friendly society and brought social benefits, and meanwhile the power supply directly related to the local economy and people's lives. "In this case, prohibiting Huayang Co. from using the gas desulfurization equipment would have an adverse effect on the local economy and people's lives. For the purpose of balancing the interests between the right holder and the public, this court denied Jingyuan Co.'s claim for cessation of infringement against Huayang Co." However, Huayang Co. shall pay appropriate royalties to Jingyuan Co. until the expiration of the patent in suit. The Supreme People's Court, as the second-instance court, upheld the judgment.<sup>27</sup>

In *Jinxia Building Materials Factory v. Luyuan Real Estate Co. and others*, a dispute over invention patent infringement, the court found that all features of the exhaust ducts used by Luyuan Real Estate Co. in its constructed project "Lugang Youth City" are identical to those of the plaintiff's patent. The defendants infringed the plaintiff's rights granted by an exclusive patent license and shall be held civilly liable. Since Luyuan Real Estate Co. had proved the legitimate source of the infringing ducts, it is not liable for compensation, but should stop using said products. In consideration that the infringing products have been installed, ordering Luyuan Real Estate Co. to stop using and destroy them would not comply with the public interest and basic economic rules. Hence, Luyuan Real Estate Co. is allowed to continue using those infringing products on the premise of paying appropriate patent royalties.<sup>28</sup> In this case, in consideration of the public interest and basic economic rules, the court did not order Luyuan Real Estate Co. to stop infringement. If otherwise ordered, Luyuan Real Estate Co. would have to replace the ducts installed in the buildings and both the dismantling and installation of ducts require a great deal of money. Hence, the court so ordered in this case in view of the impact of granting or denying the claim of cessation on the interests of the plaintiff and defendant.

### III. Appropriately expanding the application of the principle of proportionality to injunctive relief for patent infringement

The principle of proportionality has been incorporated in judicial interpretations and policies in relation to injunc-

tive relief for patent infringement and has been applied in many cases. However, its application is still limited and needs to be properly expanded.

### 1. The necessity of proper expansion of the application of the principle of proportionality to injunctive relief for patent infringement

Patent infringement litigation often involves innovation and application of modern technologies. Modern technological innovation demonstrates obvious sequentiality and inheritance, and is created by standing on the shoulders of giants.<sup>29</sup> Especially in typical cumulative innovative industries like computer and electronic communication industry or biological industry, the scope of protection of a basic patent is closely associated with the subsequent inventions. Especially in the field of the so-called complex technology, the manufacturing of one product may require a number of patented technologies. The complex technology usually contains a plurality of interdisciplinary technological segments, and the complexity thereof can be measured by variables such as the number of parts or technologies.<sup>30</sup> In terms of technology application, it is difficult for innovators or performers of the complex technology to completely avoid the risk of patent infringement even though the said technology has undergone a relatively systematic freedom-to-operate analysis or been licensed by the patentees. In a case where a complex technology is confirmed as infringing, the court should not automatically order the defendant to cease infringement, but examine the proportionality in deciding the reliefs, so as to protect the public interest and balance the interests between the patentee and infringer. Otherwise, the popularization and utilization of complex technologies will be greatly obstructed.

### 2. Legitimacy of proper expansion of the application of the principle of proportionality to injunctive relief for patent infringement

Over recent years, patent hold-up has attracted the attention of legal scholars and practitioners. Relevant issues are discussed in the context of the formation of technical standards and the implementation of standard-essential patents (SEPs). Patent hold-up mostly occurs in the patent licensing of improved inventions or cumulative innovations, and SEP hold-up is related to standards-specific investment and is an advanced form of patent hold-up.<sup>31</sup> It refers to that the SEP holder charges unreasonable royalties to standard implementers or imposes additional authorizing conditions that are adverse to the implementers by threaten-

ing to bring a lawsuit or applying for an injunction with the court. The purpose of patent hold-up is to make use of the strengthened exclusivity of a patent to coerce standard implementers by, e.g., applying for an injunction, in order to obtain profits which are higher than normal patent royalties and cannot be gained through a fair and reasonable patent license negotiation. Especially for some non-practicing entities (NPEs), who do not aim to produce or sell patented products or promote technology transformation, and whose patent-related operations are merely virtual, threatening to apply for a permanent injunction is one of the common means used for achieving their commercial goals.

The formation of technical standards and the implementation of SEPs may involve various interested parties including, among other things, patentees or patent unions, standard implementers, standardization organizations, users of standardized products, the public as represented by consumers and the states, and their conflicts of interests and claims are of great variety.<sup>32</sup> As a bipartite civil legal act, patent licensing should follow the basic principles of contract law, such as fairness and equality, so as to guarantee the balance of interests between both parties, as well as between the parties and the public. The application of the principle of proportionality to injunctive relief for patent infringement can restrict the convention of “automatic injunction”. Factors, such as the balance of interests between the parties and the public, the contribution of the infringed patent to the product value, and the availability of alternative technologies, should be fully considered and weighed when granting an injunctive relief in order to prevent patent hold-up.

Regarding the situation that an SEP holder breaches the FRAND commitment during negotiations, resulting in the failure of reaching a patent licensing agreement, and claims in subsequent infringement litigation for injunctive relief against a standard implementer, Article 24.2 of the Judicial Interpretation (II) of Patent Infringement stipulates that where the accused infringer is found of no obvious faults in negotiations, the court generally shall not support the right holder’s claim for stopping the act of implementing the standard.<sup>33</sup> This provision takes account of, on the one hand, whether the SEP holder and standard implementer follow the principle of good faith during the licensing negotiations and, on the other hand, the impact brought by an injunction on the interests of the both parties. For a *bona fide* standard implementer in the process of licensing negotia-



tion, even it did committed infringement, an injunction once granted would cause an extreme hardship for it. If the court does not grant an injunction and the standard implementer is willing to pay FRAND royalties as determined by the court or an arbitration organ or as negotiated with the patentee, the patentee does not suffer any economic loss. Hence, said provision complies with the principle of proportionality.

## Conclusion: No urgent need to introduce the principle of proportionality through the revision of the China's Patent Law

The principle of proportionality was introduced into the injunctive relief section of the German Patent Act, which has aroused people's concerns as to whether said principle should be explicitly introduced through the revision of the China's Patent Law. The answer is negative in our opinion.

As stated above, injunction is not a relief that a patent holder will automatically obtain in an infringement lawsuit filed in China. The judicial interpretations and judicial policies in relation to reliefs for patent infringement have implicitly incorporated the principle of proportionality. Furthermore, said principle has been applied in many cases, confirming its role in civil reliefs for patent infringement. With the innovation and application of modern technologies, especially complex technologies, the application of the principle of proportionality to injunctive relief in patent infringement cases shall be appropriately expanded.

Judging from the revisions of the China's Patent Law, a provision on remedies, i.e. Article 75 of the China's Patent Law (Revised Draft) released before the third revision contained a provision in relation to the application of the principle of proportionality; however, it was deleted from the passed amendment.<sup>34</sup> Some civil law scholars consider that the principle of proportionality is a basic principle of the civil law<sup>35</sup> and should be introduced into the civil law under the background of the compilation of the Civil Code<sup>36</sup>. However, the Civil Code adopted on 28 May 2020 includes basic principles such as fairness and good faith, but not the principle of proportionality. From a development perspective, it is possible that this principle may be introduced into the Civil Code or Patent Law in the future.<sup>37</sup> Although China's current basic civil laws and the patent law do not provide for proportionality, this does not prevent the parties and

judges from handling injunctive relief for patent infringement appropriately in light of this principle. This has been evidenced by China's judicial practice and will be proved in more cases. ■

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<sup>1</sup> Kreuzbergurteil: Kreuzberg Judgment from 10.6.1880 (PrVB 1. 1, 401) and from 14.6.1882 (PrOVGE 9, 353 ff., Reprint in DVB 1.1985, 219 ff.); and Apothekenurteil: BVerfG June 11, 1958, BVerfGE 7, 377. Cited from Liu Quan (2014). Reconstruction on the Principles of Legitimate Purpose and Proportionality. *China Legal Science*, 4, 136-139.

<sup>2</sup> There is still controversy as to whether the principle of proportionality is applicable to private law and the application scope thereof in the field of private law. One view is that the essence of the principle of proportionality lies in "prohibition against excessiveness", and the principle plays a role in the whole legal order including the civil law and can be widely applied in the fields of e.g. civil legislation, civil judiciary and civil acts, and thus is universally applicable in private law. Zheng Xiaojian (2016). The application of the principle of proportionality in civil law. *China Legal Science*, 2, 143.

Another view is that the principle of proportionality can only be applied to private law with limitations. In accordance with the nature of proportionality, the condition of application of proportionality to civil law can be summarized as the application in case of statutory social power and the application in case of factual social power. Li Haiping (2018). Conditions and routes for the application of the principle of proportionality in civil law — Centered on civil trial practice. *Law and social development*, 5, 168.

<sup>3</sup> Mei Yang (2020). Application scope and limits of the principle of proportionality. *Chinese Journal of Law*, 2.

Liu Quan (2021). The application of proportionality principle: Controversies and reflections. *Journal of Comparative Law*, 5.

Zheng Xiaojian (2016). Application and development of the principle of proportionality in civil law. *China Legal Science*, 2.

Zheng Xiaojian (2017). The principle of proportionality in the modern civil law system. *Science of Law (Journal of Northwest University of Political Science and Law)*, 6.

<sup>4</sup> James E. Clapp (2007). *Pocket Legal Dictionary* (3<sup>rd</sup> ed., p.134). Random House.

<sup>5</sup> As for the background, text and application of the amendment to said provision, reference can be made to “Proportionality Defense in Claim for Injunctive Relief — Interpretation of the Newly Added Third to Fifth Sentences of Section 139(1) of the German Patent Act” by Dr. Wei Lizhou. *China Patents & Trademarks*, 3, 22-29.

<sup>6</sup> Most scholars agree that the principle of proportionality includes three parts: appropriateness, necessity and balance, while others present a “four-stage theory”, believing that the logically distributed principle of proportionality includes four sub-principles, namely, the principle of legitimate purpose, the principle of appropriateness, the principle of necessity and the principle of balance. Liu Quan (2021). The Application of proportionality principle: Controversies and reflections. *Journal of Comparative Law*, 5, 185.

<sup>7</sup> Wei Lizhou (2022). Proportionality Defense in Claim for Injunctive Relief — Interpretation of the Newly Added Third to Fifth Sentences of Section 139(1) of the German Patent Act. *China Patents & Trademarks*, 3, 22-29.

<sup>8</sup> See *Abbott Laboratories v. Mead Johnson & Company*, 971 F.2d 6 (7<sup>th</sup> Cir. 1992). “The public interest, meaning the consequences so granting or denying the injunction to non-parties”.

<sup>9</sup> No. Fashi 21/2018, released by the Supreme People’s Court on 12 December 2018.

<sup>10</sup> No. Fashi 1/2016, released by the Supreme People’s Court on 21 March 2016.

<sup>11</sup> Cao Jianming, the then vice president of the Supreme People’s Court, delivered a speech titled “Seeking Truth and Pragmatism and Striving to Build a Fair, Efficient and Authoritative Intellectual Property Trial System” at the Second National Intellectual Property Trial Working Conference on 19 February 2008.

<sup>12</sup> The Opinions of the Supreme People’s Court on Several Issues Concerning Intellectual Property Trials Serving the Overall Objective under the Current Economic Situation (No. Fafa 23/2009).

Cao Jianming, the then vice president of the Supreme People’s Court, delivered a speech titled “Comprehensively Strengthening Intellectual Property Trial Work and Providing Strong Judicial Support for Building an Innovative Country and Constructing a Harmonious Society” at the Symposium of National Courts on Intellectual Property Trial Work on 18 January 2007.

<sup>13</sup> Tao Kaiyuan (2016). Intellectual property trial should adhere to right judicial policies. *Ziguangge Journal*, 11, 42.

<sup>14</sup> Mei Yang (2020). Scope and limitation of the application of the principle of proportionality. *Chinese Journal of Law*, 2, 57.

<sup>15</sup> On 2 March 2022, the authors conducted a search in the database wenshu.court.gov.cn with the keyword “比例原则” (the principle of proportionality), retrieving 1,985 legal documents, among which 1,088

related to administrative proceedings, 734 civil, 15 criminal, 39 enforcement and 54 state compensation. *Guo Jianjun v. Bureau of Land and Resources of Zhuji City* is the first case in which the principle of proportionality was applied. The second-instance judgment in this case was issued by Shaoxing Intermediate People’s Court on 25 November 2008. See the Administrative Judgment No. Shaozhongxingzhongzi 37/2008.

<sup>16</sup> On 2 March 2022, the authors conducted a search in the category “intellectual property and competition” of the database wenshu.court.gov.cn with the keyword “比例原则” (the principle of proportionality), retrieving 22 documents.

<sup>17</sup> A search was conducted on 2 March 2022 in the database wenshu.court.gov.cn.

<sup>18</sup> See the Civil Judgment No. Wanminzhong 678/2018 for *Liangmeiji Co. v. Huadihengji Co. and Hengda Co.* (a dispute over infringement of utility model patent); see the Civil Judgment No. Zuigaofazhiminzhong 1585/2020 and the Civil Judgment No. Zuigaofazhiminzhong 1005/2020 for *Zhongweiguang Co. v. Yinuo Co. and Century Cloud Co.* (a dispute over infringement of utility model patent).

<sup>19</sup> See the Civil Ruling No. Zuigaofazhiminzhong 624/2020. Another case is related to a dispute over invention patent infringement between CTB Co. and Hengtian Co. and others. See the Civil Ruling No. Zuigaofazhiminzhong 2/2020.

<sup>20</sup> See the Civil Ruling No. Zuigaofaminshen 3851/2017. In this case, the Supreme People’s Court held that the destruction of the pressing mechanism in the infringing product can effectively achieve the purpose of cessation of infringement of the patent in suit. The argument made by Shenchuang Huake Co. during retrial that the second instance judgement of destroying all the infringing products in stock was too broad was groundless.

<sup>21</sup> For instance, in *Qualcomm Co. v. Apple Computer (Shanghai) Co., Ltd.*, a dispute over invention patent infringement, the court held that if the accused infringement cannot be stopped in time, Qualcomm will suffer irreparable loss, and Qualcomm has provided required security for its application. Hence, the court granted behaviour preservation.

<sup>22</sup> See the Civil Ruling No. Jing73xingbao 1/2019.

<sup>23</sup> Song Xiaoming, Wang Chuang and Li Jian (2016). Understanding and application of the Interpretation (II) of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Disputes over Patent Infringement. *People’s Jurisprudence*, 10, 34.

<sup>24</sup> See the Civil Judgment No. Zuigaofazhiminzhong 604/2020.

<sup>25</sup> See the Civil Judgment No. Yuegaofaminsanzhongzi 391/2006, and the Civil Judgment No. Huizhongfaminsanzhichuzi 581/2004.

<sup>26</sup> See the Civil Judgment No. Minzhichuzi 4/2001.

<sup>27</sup> See the Civil Judgment No. Minsanzhongzi 8/2008.



<sup>28</sup> See the Civil Judgment No. Ziminsanchuzi 64/2009.

<sup>29</sup> Suzanne Scotchmer (1991). Standing on the shoulders of the giants: Cumulative research and the patent law. *Journal of Economic Perspectives*.

<sup>30</sup> Complex technology refers to products or processes that no individual can fully communicate about across time and space. Chinese scholars classify complex technology into two types: one is complex product technology, such as telecommunication equipment and computers, and the other is complex process technology, such as precise or agile manufacturing. In the field of complex technology, technical innovations are characterized by, e.g., nonlinearity, collaborative competition, dynamic evolution and social cooperation, that is to say, every new technology may contain numerous prior technologies that have been patented, and meanwhile serves as the basis for subsequent innovations and becomes the prior technology contained in other technology.

<sup>31</sup> The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition. A report of Federal Trade Commission. Retrieved from <https://www.ftc.gov/reports/evolving-ip-marketplace-aligning-patent-notice-remedies-competition>. Last visit on 23 February 2022.

<sup>32</sup> Dong Xinkai (2019). Balance of interests in the regulation of SEPs' application under the Anti-Monopoly Law—Commented on Anti-Monopoly Guidelines for Abuse of IP Rights (Draft for Comments). *Academic Forum*, 4, 28-30.

<sup>33</sup> As for the application of this Article, reference can be made to *Qilu Co. v. Sihuan Co.* (a dispute over invention patent infringement). See the Civil Ruling No. Zuigaofaminshen 4107/2017.

<sup>34</sup> Article 75 of the China's Patent Law (Revised Draft) released on 28 February 2008 reads that if the cessation of infringement will impair the public interest, the people's court may not order the infringer to cease the infringement, but the infringer shall pay reasonable fees.

<sup>35</sup> Zheng Xiaojian (2017). The principle of proportionality in the modern civil law system. *Science of Law (Journal of Northwest University of Political Science and Law)*, 6, 104.

<sup>36</sup> *Ibid*, pp. 108-109.

<sup>37</sup> For instance, Article 4 of the General Principles of Civil Law (1986) and Article 7 of the Civil Code (2020) both stipulate the principle of good faith as one of the basic principles. The principle of good faith was introduced through the revision of the China's Patent Law in 2020, wherein Article 20.1 thereof reads that "the principle of good faith shall be followed in applying for patents and exercising patent rights. The patent rights shall not be abused to impair the public interest or the legitimate rights and interests of any other person". If the Civil Code incorporates the principle of proportionality as a basic civil principle in future revision, it will be likely introduced into the China's Patent Law.

## Designers Worldwide to Benefit from China's Entry to the Hague System in Effect

On 5 May 2022, the Hague Agreement Concerning the International Registration of Industrial Designs (Hague Agreement) entered into force in China.

On the effective day, a total of 49 Chinese enterprises submitted 108 international applications for design patents. The China National Intellectual Property Administration (CNIPA) received 58 international applications for design patents. As of 5:30 PM Geneva Time, the World Intellectual Property Organization (WIPO) had received 50 international applications for design patents directly from Chinese applicants.

China is shifting quickly from "Made in China" to "Created in China". Chinese enterprises going global are paying closer attention to protect their product designs with IP, which in turn generates more demand for design protection. WIPO's statistics indicate around 1.4 million design applications were filed worldwide in 2020

with the CNIPA being the busiest destination hauling in half of the total. In 2021, global innovators submitted over 67 million international applications for design patents in the Hague system, and applications from China ranked among the top 10.

Under the principle of "conforming to the Hague Agreement, making the system easy to use for users, refraining from drastic practice changes and hooking up with international procedures", the CNIPA made preparations regarding examination standards, application and examination procedures, office actions and system requirements, ironed out accession details in multiple rounds of negotiations with the International Bureau of WIPO, aiming to offer potent support for the submission and examination of international applications for design patents.

Source: China IP News