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Study on Criterion of Liability in Infringement of Intellectual Property Right

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Abstract

Criterion of Liability in Infringement of Intellectual Property Right (IPR) has always been the topic of debate in academia. In practice, the law enforcement officers are often at a loss. The opinion of author is as followings: Infringement liability can be divided into injunctions and damages. Fault liability applies to injunctions, and no-liability applies to damages. In order to figure out the criterion of liability in infringement of IPR, the author firstly introduce the meaning of criterion of liability in jurisprudence, which is the fundamental basis for all branches of law; then the author compares the IPR with proprietary rights, and concludes that IPR also have the right of the IPR claim, just the same as right of the real claim, combined with the characters of IPR, fault liability applies to injunctions. Finally, the author conclude that no-liability applies to damages, however, the infringer takes the burden of proof.

Keywords

Intellectual Property Right (IPR); Criterion of liability; The right of real claim; Right of damages claim; Fault liability; No-liability.

1. Present Situation and Controversy of the Criterion of Liability in Infringement of Intellectual Property Right in China

In order to promote the building of an innovative country, China has put forward the strategy of strengthening the country with intellectual property right, with the increase of intellectual property rights, the infringement acts of intellectual property right are designed to occur frequently. In 2015, compared to 2014, the number of newly received and concluded first-instance intellectual property civil cases of local people's courts across the country has increased by about 12 percent, respectively. The criterion of liability in infringement of intellectual property right is the core issue of resolving the infringement disputes intellectual property right, and it is the prerequisite for determining that the infringer should bear the legal responsibility.

Legal liability is the violation of statutory duty or contractual duty or caused by the improper exercise of legal rights, and the doer bear the adverse consequences. For example, civil liability is the liability for breach of contract or the provisions of the civil law, including stop of infringement, removal of obstacles, elimination of danger, return of property and restoration of original state, etc., and is not limited to liability for damages. The features of legal liability are as follows: 1, first, legal liability is manifested as a liability relationship formed by violating legal obligations, which is premised on the existence of legal obligations. 2: legal liability is also manifested as a form of liability, namely bearing adverse consequences. Deciding and attributing legal liability is shortened to "liability", it is the activity of judging, confirming, attributing, mitigating and exempting legal liabilities arising from illegal acts. In short, it is a question of attribution of responsibility. From theory classification, there are three categories of liability principles: the principle of fault liability, the principle of no-fault liability and the principle of fair liability.

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Regarding the principle of liability of infringement act of intellectual property right, Article 46 and 47 of the Copyright Law stipulate: "if there is any of the following infringement act, it should bear civil liabilities like stopping the infringement, eliminating the impact, making apology, and compensating for the damage according to the circumstances: (1) publishing the work without the permission of the copyright owner; (2) publishing the work co-created with others as his own creation without the permission of the co-author. Article 60 of China's "Patent Law" states: "the implementation of the patent without the permission of the patentee will infringe the patent right..." Article 62 of the "Patent Law" states: "use, promise to sell or sell a patent-infringement product that is not known to be manufactured and sold without the permission of the patentee for the purpose of production and business operation, and do not be liable for compensation if the legal source of the product can be proved." With the enumeration, Article 52 of China's "Trademark Law" states that the acts of infringing the exclusive right of registered trademark, "any of the following acts shall be an infringement of the exclusive right to use a registered trademark".

From these articles, some scholars believe that the infringement act of intellectual property rights is a general infringement act, and the legal articles do not state the intention or negligence of the infringer, and advocate the application of the principle of fault liability. This theory ignores the particularity of intellectual property rights, which may cause weak protection of intellectual property rights; Zheng Chengsi, a giant of intellectual property rights, believes that the principle of no-fault liability is applied to infringement of intellectual property right; some scholars believe that the infringement acts of intellectual property rights have multiple attributes and should be apply to the principle of fault liability and the principle of no-fault liability together; some scholars argue that the principle of fault presumption should be supplemented based on the principle of fault liability. So, what kind of liability principle should be applied to the infringement acts of intellectual property rights?

2. Criterion of Liability in in Infringement of Intellectual Property Right

(1) Intellectual Property Rights and Petition Right on Property

The concept and system of the petition right on property was first established in the German Civil Code in 1900, this code specifically stated the "claim based on ownership" and specified the types of the realization of the right of claim, including removal of the obstacle and stop of infringing claims in Article 862 and 1004; the right to claim the return of property of Article 985 and 1861; property damage claim in Article 989. Although the Chinese Civil Law has not yet clearly stated this system, several ways of bearing civil liability, such as stopping infringement, removing obstacles, eliminating danger, returning property, restoring the original state, and compensating for losses provided in Article 134 of the General Principles of Civil Law, which are similar to types of petition rights on property provided in the German Civil Code.

Intellectual property is the ownership of intellectual property right, which is an intangible property right, it is "the exclusive right that the obligee enjoys his intellectual labor results", it is a kind of absolute power and right to the world, has the feature of exclusivity, on the basis of this attribute, the intellectual property right is the same as the ownership rights, has the petition right on property in effect. The petition right on property and the right to control are connected and exist, in this sense, intellectual property rights and ownership are both the right to control, so the right to claim in the sense of real right can be generated and used. Some scholars call this right "the right to claim intellectual property rights".

Some scholars believe that the petition rights on property is originally exclusive to the property right, but it can also be used for other rights whose content control. In German civil law, the effect of removing obstacle and eliminating danger not only applies to ownership, but also

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rights like name rights, possession rights, trade name rights, trademark rights, franchise rights, copyrights, fishing rights, and mining rights are also considered to have this effect. Article 61 of the Trademark Law of the Taiwan Region of China sets the right to exclude infringement claims, Article 81 of the Patent Law sets the right to cease infringement of patent rights, Article 33 of the Copyright Law sets the right to preserve request of copyright, and it is claim right similar to petition rights on property. In the "General Principles of the Civil Law of the People's Republic of China", the infringement of intellectual property rights and personal rights states several ways to bear civil liability, such as stopping infringement, removal of obstacles, elimination of danger, return of property, restoration to original state, compensation for losses, etc., they are very similar to types of petition rights on property.

It shows that the system of "petition rights on property" can be adopted in the field of intellectual property rights academically and legislatively. The right to claim property rights is a special system for protecting property rights, and it is an independent claim right system in the civil law. Its feature is that it does not consider whether the counterpart is at fault in principle. If the owner of the property right exercises the right to claim the property right under the circumstance that his property right has been infringed or impaired, he only needs to prove that the counterpart has committed an act of infringing or impairing his property rights, and he can ask the counterpart to remove the obstacle, return the original property, and restore the original state.

(2) The uniqueness of intellectual property rights

Compared to property rights, intellectual property rights (especially copyrights that can be generated without administrative registration) have the following features: first, intangibility, they can be used by multiple parties at the same time, as a result, the probability of infringing intellectual property rights is greatly increased, and the obligee doesn't know that his rights have been violated at all, for example, if I have a thermos cup, if I am using it, others cannot use it; if it is stolen, I will be the first to know; however, if I have a patented technology for the production of thermos cups, it is impossible for me to quickly know that the infringer has implemented the patented technology without my permission. Second, intellectual property also has characteristics that are not possessed by civil rights, such as territoriality and legal time limit, etc., the possibility and actual chance that the scope of the exclusive right of the right holder is intruded by others unintentionally and without fault is much more and more common than the rights such as property rights. Therefore, it is common for no fault to cause damage to other people's intellectual property rights, moreover, it is often difficult for the plaintiff to prove that the defendant is at fault, while it is easy for the defendant to prove that he is not at fault. Third, the legality of protection. Intellectual property right obligee cannot rely on their own strength to protect intellectual property right, but must rely on the law. For example, I have another priceless quilt that I am reluctant to use. I bought the world's top safe and hired security guards, in the end, the cup may still be robbed or stolen, but I have measures to protect the cup, this is not the case for intellectual property right, intellectual property rights, especially patents, are obtained by disclosing technical solutions, at this time, the obligee can only hope for the protection of national laws. The same goes for copyright, once published, the work is in an unreserved state.

Therefore, the principle of no-fault liability should be applied to the determination of in infringement of intellectual property right. As long as it objectively intrudes into the property rights category of the obligee, the obligee can take measures by himself or ask the court to protect his rights from being infringed, regardless of whether the infringer is at fault.

In practice, many countries have also adopted this principle, and it also proved that it is in line with the needs of practice. When legal authorities find a production line that is apparently unlicensed, they always try to stop it immediately, and when they find the copy of patented or counterfeit goods, or pirated books in inventory, they are always immediately sealed,

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confiscated, or destroyed. That is to say, once the fact of infringement is discovered, people will first decide that it is an infringement, and make the infringer bear part of the tort liability as soon as possible, rather than first exploring the subjective fault of the infringer and whether it has caused actual damage to the obligee, this is similar to the stopping of infringement in the petition rights on property. If all legal authorities' officers really enforce the law according to the four elements, the protection of intellectual property rights will be very bad.

Article 50 of the Trips Agreement requires the authorities of member states to prohibit imminent infringement and to stop the infringing products before they enter in circulation channel, not after. Many countries have explicit stipulation in the intellectual property law stopping imminent infringement, there are two main reasons: first, the protection of intangible intellectual property rights, as property rights, is completely different from the protection of tangible property, the owner of tangible property can generally achieve the purpose of protecting his property from infringement by possessing the property, and intellectual property obligee can't do that. The objects protected by intellectual property rights are difficult to develop and easy to reproduce, therefore, deciding that certain imminent acts also belong to infringement, it is also necessary to stop this act to prevent future dangers. It likes preventing danger in exercising petition rights on property.

In 1998, China's first intellectual property case, the "Avon Case", was regarded as a example for the application of the principle of no-fault liability. In this case, American Jenkon Company installed Summitv software system for Avon Company, and installed database management system software Unidata software in this software, Avon paid 15,000 US dollars to Jekon Company, and received direct technical support from Unidata Software Company.

In August 1998, Hong Kong PU Company and Beijing Jingyan Electronics Co., Ltd. jointly pushed Avon to the dock of Guangdong High Court. According to their statements, PU Company has authorized the exclusive agency, operation, development, localization and sales rights of Unidata software registered in China to Jingyan Company, the period of validity is 17 years. And Jingyan Company transferred the exclusive right of Unidata software to a company in China at a price of 50 million US dollars, the period of use is 10 years. Because Avon use unidata software, as a result, the contract signed by Jingyan Company and a company for the exclusive use of the software worth 50 million US dollars cannot be fulfilled. Therefore, Avon and Jenkon, which sold the software to Avon, are required to in compensate USD 30 million (on August 27, 1997, PU/Jingyan Company withdrew its lawsuit against Jenkon Company due to Jenkon Company's cancellation in the United States, and demanded Avon assume full compensation liability. On June 18, 1998, the Guangdong Provincial High Court ordered Avon to compensate $12 million. Avon appealed to the Supreme People's Court, and the Supreme People's Court ruled that: the court of first instance is unclear in the facts and ruled to retrial.

In this case, Avon is an end consumer. For software purchased and used out of goodwill, if it is an infringing item, it should also bear the liability for infringement, this is not only a legal issue that should be discussed, but also directly related to the legal risk of almost every person purchase and use software.

In this case, Avon must feel that it was wronged, and that it needs to pay 12 million US dollars in damages without any cause or reason, therefore, some scholars have criticized the application of the no-fault principle in the field of intellectual property infringement. But what I want to point out is that these scholars confuse the right to claim intellectual property rights with the right to claim compensation for intellectual property damage, it leads to questioning the principle of no-fault. PU complained to the National Copyright Administration before filing a complaint with the Guangdong Provincial High Court. On May 26, 1997, the National Copyright Administration made administrative punishment on Avon: the software may not be used without legal authorization, fined 490000. Avon paid fine to the National Copyright Administration. From this act, Avon also recognizes that if I use infringing products to cause

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damage to the obligee, I am willing to stop the infringement act. What Avon feels wronged is the $12 million of infringement compensation, this is the topic we are going to discuss next.

3. Criterion of Liability Applicable to Compensation for Infringement Damage of Intellectual Property Right

Some people may believe that I avoid compensation for infringement damage, and the criterion of liability for damages has always been an issue that infringement law in various countries concern, and some theories even believe that infringement acts should only be related to compensation for damages. Infringement acts of intellectual property rights are not necessarily harmful, such as simply infringing the patented manufacturing right without carrying out other acts (such as sales), etc. I believe that when involving the compensation issue of infringement of intellectual property rights, the traditional principle of liability can be used.

From the infringement act theory, the principle of fault liability is generally applicable to compensation for damages, German jurist Jelling also pointed out that what makes a person liable for damages, it is not because of damage, but because of fault. From the perspective of legislative practice, Article 45, Section 1 of the Intellectual Property Agreement, it has general guiding significance for the relevant legislation of various countries, states: “the judicial system should have the power to order the infringer to pay enough compensation for damages to the right owner, compensate for losses caused by the infringer's infringement of his intellectual property rights, and the infringer knew or had enough reasons to know that he was engaging in infringing activity." Article 1382 of the French Civil Code states that when any act causes damage to another person, the person who caused the damage through his own fault should be liable for compensation to the other person. The German Civil Code and the Japanese Civil Code made stipulated this point since then, even in common law countries. Article 97 of the British Copyright Act 1988 states that in a copyright infringement lawsuit, if the facts prove that the defendant did not know at the time of the infringement, and had no reason to know the work he acted has copyright, the plaintiff could not claim compensation for damages, but it would not affect his claim for other remedies.

In addition, although we emphasize the property attribute of intellectual property in the second part, it has exclusiveness. However, there is still a big difference between intellectual property rights and other property right, intellectual property rights are legal rights, why is this intellectual property right, and the other is not? What rights the obligee enjoys is stipulated by law. The purpose of intellectual property law is not only to protect the interests of intellectual property rights obligee. For example, Article 1 of the "Patent Law of the People's Republic of China" states that "in order to protect the legitimate rights and interests of patentees, encourage invention and creation, promote the application of invention and creation, improve innovative capability, and promote scientific and technological progress and economic and social development, make this law." Article 7 of the TRIPs Agreement also states: “the protection and enforcement of intellectual property rights should contribute to the promotion of innovation, transfer and dissemination of technology, the common interests of producers and users of technological knowledge, and it should be done in a way that contributes to social and economic well-being and to the balance between rights and obligations". If the principle of no-fault liability is also applied to the issue of compensation for intellectual property damage, it will lead to excessive demands on others. Therefore, the law must balance the contradiction between intellectual property rights and social interests. This can only require kind infringers to stop infringing, but not require them to assume liability for damages, otherwise, all people can only choose to stay away from intellectual property, which is not conducive to the transformation of intellectual property achievements, and it is inconsistent with the goal of intellectual property law.

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Moreover, as can be seen from the content of the first footnote, the principle of no-fault liability is only used in a dozen or so special types of infringement acts. This is the same in every country. The no-fault principle has its own specific goals.

It can be seen from the above discussion that the compensation for infringement damage is applicable to the principle of fault liability. However, as mentioned above, intellectual property is a special right that is easily infringed by others, so more protection should be given to the obligee, therefore, for the sake of fairness, although the principle of fault liability in applied to compensation for damage, however, the burden of proof should be reversed, if the infringer cannot prove that he is not at fault, he must bear the liability for damages. This is also matched by the current legislation in China. Article 62 of the "Patent Law" states: "use, promise to sell or sell a patent-infringement product that is not known to be manufactured and sold without the permission of the patentee for the purpose of production and business operation, and do not be liable for compensation if the legal source of the product can be proved." Section 2 of Article 64 of the "Trademark Law of the People's Republic of China" states: "if people sell product that they do not know is an infringement of the exclusive right of registered trademark, they can prove that the product is legally obtained and explain providers, they are not liable for compensation." At present, this situation has a technical term, "kind infringement." It shows that this unknowing act also constitutes infringement of the patent rights of others, it belongs to an infringement act; however, the doer does not bear the compensation liability to the obligee because he is subjectively not at fault, other responsibilities, such as stopping infringement, are of course not exempt.

As for how to determine "unknowing, can provide the legitimate source of the product", how is judicial practice conducted? In 2013, NBA Properties, Inc. sued Tesco Commercial (Qingdao) Co., Ltd., in the case of trademark infringement, the defendant, Tesco argued that the goods involved were purchased by Langfang Jinhai Shunda Company at Tesco's counters sales and have sales invoice issued by the company to Tesco. According to Chinese laws, Tesco did not know infringing goods and was able to provide legitimate sources, it was not liable for compensation. The court of first instance did not accept it, and believed that NBA is an internationally known product, and Tesco, as a large supermarket that has been engaged in commodity retail business for many years, should know the NBA's trademark. There is no reason for Tesco to not know that a low-priced goods using the same logo as the NBA's registered trademark is an infringing goods. If Tesco had paid reasonable attention to the batch of sneakers, it could have taken steps to avoid trademark infringement. The court of second instance also supported the conclusion of the court of first instance.

Of course, some scholars believe that the principle of fault liability should be applied to compensation for damages. For example, Liu Xiaomei, a judge of the Higher People's Court of Shandong Province, commented on the Tesco case: "I believe that the trademark owner claims that the seller bears the liability for infringement compensation, namely, it bears the burden of proof to prove that the seller has subjective intention or fault." The author of this paper believes that this is unfair, it is difficult for the obligee to prove that the infringer is intentional or at fault, while the infringer can easily prove that he is not at fault, therefore, the principle of presumption of fault should be applied.

4. Conclusion

The criterion of liability of in infringement of intellectual property right is a complex issue, and the principle of fault or no-fault liability cannot be simply applied. By comparing intellectual property rights with real rights, the author believes that intellectual property rights also have the same rights as the petition right on property, then as petition right on property, if the owner of the property right exercises the right to claim the property right under the circumstance that

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his property right is infringed or impaired, as long as it proved that the counterpart has committed an act of infringing or impair its property rights, the counterpart can be required to remove the impairing, return the original property, and restore the original state. There is no need to prove the fault of the infringer. In addition, intellectual property itself has the features of intangibility and vulnerability, and it is difficult for obligee to know that their rights have been infringed. Therefore, the no-fault principle should be applied to intellectual property infringement. However, for damage compensation of intellectual property, from the current legislation of various countries and international treaties, the mainstream view is that the principle of fault liability should be applied, but the author believes that the principle of presumption of fault should be applied, and the infringer should bear the burden of proof.

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