Model Anti-monopoly Case Ruled by the Supreme People's Court (Huang Ltd. et al.)

China – Supreme People's Court

Main information

Scope of Application:

Anti-monopoly administrative penalty case involving a horizontal monopoly agreement in the active pharmaceutical ingredient (camphor) market, adjudicated under the Anti-Monopoly Law

Related Provisions:

- Antimonopoly Law
- Anti unfair competition Law
- Anti-Monopoly Guidelines for the Pharmaceutical Sector by the State Council Anti-Monopoly and Anti-Unfair Competition Commission (2025)

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Key Topics

Framework

- The case involves Huang Company (a synthetic camphor producer), You Company (another synthetic camphor producer), and Jia Company (a natural camphor producer). These three companies were the only domestic producers of API camphor at the time of the violation.

What's new

- **Presumption of Anti-Competitive Effect:** The Court clarified that conduct such as market division and price fixing generally produces exclusionary and restrictive effects on competition once formed, and can be preliminarily deemed illegal unless the parties can prove statutory exemptions
- **Misbehavior committed by the companies during the investigation:** the company repeatedly delayed the investigative process and made untruthful statements. Consequently, the imposition of a fine equivalent to 5% of its sales revenue from the previous year falls within the statutory range of administrative penalties and is commensurate with the nature, circumstances, and harmful consequences of the monopolistic conduct, as well as the company's lack of cooperation during the investigation.

Sensitive Factors

- Downstream Impact and **Consumer Harm**: The Court emphasized that the anti-competitive effects of the three companies' conduct overlapped, severely harming downstream finished drug manufacturers and ultimately end consumers.
- **Uncooperative conduct**: Huang Company repeatedly delayed procedures and made untruthful statements, factors considered in determining the penalty severity.

Drivers

- **Clear Legal Red Lines for API Manufacturers**: The judgment draws a clear "competitive red line" for API companies, demonstrating that even subtle coordination through entrustment arrangements, pricing discussions, or informal communications can constitute a horizontal monopoly agreement. API producers must implement **strict compliance programs to prevent any communications that could be construed as price fixing** or market division.
- API manufacturers that maintain fair competition contribute to downstream drug supply stability and can mitigate regulatory and litigation risk, aligning with the legislative intent reflected in the 2025 Anti-Monopoly Guidelines for the Pharmaceutical Sector.