

Identification of trademark infringement in foreign-related OEM

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Abstract: There is significant controversy in the academic and judicial practice regarding the determination of trademark infringement of the foreign-related Original Equipment Manufacture (OEM) industry, so it is necessary to construct a basic judgment path. On the basis of clarifying the debate about foreign-related OEM trademark, further analysis is conducted on the positioning of "trademark use" in foreign-related OEM trademark infringement, and the conclusion can be drawn that "possibility of confusion" is the substantive element for determining infringement. Finally, by defining the scope of the relevant public when applying the "possibility of confusion" in different situations, it can obtain more protection from trademark law.

1. Introduction

In recent years, the judgment made by the Supreme People's Court on the infringement of foreign-related original equipment manufacturing (OEM) trademark has attracted keen attention from the industry. This continuous attention is not only due to the commercial ecology where overseas clients require domestic processors to affix trademarks that may be the same or similar to the registered trademarks of domestic trademark owners, but also related to academic debates and the results of case judgments by the Supreme People's Court. Therefore, it is necessary to study the issue of trademark infringement judgment in foreign-related OEM, in order to more clearly solve the problem of trademark infringement in foreign-related OEM in practice.

2. Debate on Trademark Infringement Judgment in Foreign-related OEM

2.1 Debate on whether the act of foreign-related OEM constitutes trademark infringement

Foreign-related original equipment manufacturing (OEM) refers to the act of a domestic processing enterprise accepting a commission from an overseas client to process its products and attaching a trademark according to the requirements of the overseas client, and exporting all products for sale overseas^[1].

Some scholars advocate that foreign-related trademark processing should be classified as trademark use behavior, and thus determine that this behavior constitutes trademark infringement. Another part of scholars believe that the use of attached trademarks in foreign trade will not harm the

interests of trademark owners in China. They believe that this behavior does not constitute infringement. The differences in these views reflect the lack of consensus among the academic community in China on the nature, positioning, and function of the act of foreign-related OEM, which indirectly leads to the non-uniformity of individual case judgment standards in judicial practice and makes it difficult to form a unified judgment approach.

In judicial practice, the Supreme People's Court found in the "PRETUL" case that the use of logos in foreign-related OEM processing does not have the possibility of confusing the product source and causing consumers to misunderstand, and it does not belong to trademark use and then determines that infringement is not established.^[2] This case is seen as a clear statement by the highest judicial authority in China regarding the application of law to trademark infringement disputes related to "foreign-related OEM processing". In the Honda case^[3], the Supreme People's Court has reinterpreted the concept of "trademark based use" stipulated in Article 48 of the Trademark Law, stating that if a trademark is used in the processing and production of products through labeling or other means, as long as there is a possibility of distinguishing the source of the goods, it should be recognized as trademark use within the meaning of the Trademark Law. This judgment has to some extent expanded the scope of "trademark use", making the trademark use of foreign-related fixed brand processing almost inevitably included in the regulatory scope of China's Trademark Law. It is not difficult to see that the focus of controversy in the above judgments is the specific determination of the concept of "trademark use".

2.2 Debate on the infringement of "trademark use" of foreign-related OEM trademark

Some scholars agree to classify "trademark use" as one of the elements of trademark infringement, and believe that "trademark use" can become an independent element in the composition of trademark infringement, alongside the possibility of confusion.^[4] Another viewpoint holds that in the context of trademark maintenance and trademark infringement, trademark law has different requirements for the use of trademarks.^[5] In the context of trademark infringement, as long as there is the possibility of identifying the source of the goods, it can constitute trademark use, and it is not required to achieve the actual effect of identifying the source of the goods.

The use of "trademark nature" is certainly one of the elements of trademark infringement, but its positioning in trademark infringement deserves further research. When it comes to the determination criteria, it is true that this standard extends the scope of "trademark use" to the exclusion areas of productive use and the "invisible use" of trademarks in cyberspace, which were previously identified as infringement. However, further exploration is needed on how to determine the subjective intent of the perpetrator.

3. The positioning of "trademark use" in the infringement of foreign-related OEM trademark

3.1 The nature of the foreign-related OEM activities

In the production and labeling process, domestic processing manufacturers produce goods with trademark rights enjoyed by foreign ordering parties overseas according to the requirements of the foreign ordering and processing contract, and attach the logo to the goods. This logo may be the same or similar to the trademark of the Chinese rights holder and used on similar or similar goods. In this situation, domestic processing companies are highly likely to be accused of infringement by Chinese trademark owners. However, there is currently no such provision in China's Trademark Law. Until the "Honda" case, the Supreme People's Court used the method of overall interpretation for the first time, directly determining physical attachment behavior as trademark use behavior. However, this interpretation is not supported by mandatory legal basis, and the applicability of individual cases is

relatively strong.

In the export process, relevant parties need to declare, pay taxes, and submit licenses to the customs. These details seem unrelated to trademark use. If it is simply the act of selling processed products overseas, the export behavior is easily absorbed by the sales behavior, and thus recognized as trademark use behavior. However, there is no legal basis for drawing this conclusion, and currently, the practical and academic circles generally recognize that foreign-related licensing processing is a processing contract relationship rather than a buying and selling relationship. The recognition of export behavior as trademark use in this situation is highly controversial.

Therefore, when there is a lack of specific recognition standards and legal basis for reference in the use of trademarks, the difficulty of determining whether foreign trademark processing constitutes trademark use greatly increases. If trademark use is taken as a direct prerequisite for trademark infringement, it will increase the uncertainty of trademark infringement determination, which goes against the concept of refining the determination standards pursued by trademark law to enhance its certainty.

3.2 Purpose of its use

In the Honda case, the Supreme People's Court included the operators involved in the transportation of the accused goods, contacts of goods returned from overseas to the domestic market, and numerous Chinese consumers traveling and consuming abroad in the relevant public domain. Subsequently, it was determined that the act would cause confusion among the relevant public and constitute trademark infringement, and the possibility of confusion among the relevant public is the substantive requirement for determining infringement. It believed that the possibility of confusion among the relevant public was the substantive element for determining infringement. Therefore, the positioning of trademark use in trademark infringement is not a substantive element of infringement, nor is it a direct prerequisite for infringement, but rather a prerequisite for determining whether the relevant public constitutes confusion. In cases of foreign-related license plate processing, whether this behavior causes confusion among the relevant public is the true substantive criterion.

4. The identification of "confusion" in the infringement of foreign-related OEM trademark

As mentioned earlier, there is no necessary connection between trademark use and foreign trademark processing that constitutes trademark infringement, and the determination of such behavior constitutes trademark infringement should also rely on confusion standards.

4.1 The possibility of confusion of different types of trademarks

For the foreign-related trademark processing of ordinary types of trademarks (non well-known trademarks), the "possibility of confusion" should be used as the standard for trademark infringement judgment to comply with the principles of trademark law. From the perspective of law and economics, if foreign-related branded processing products do not enter the domestic market, they will not occupy the domestic market and will not cause direct losses to trademark owners. If the prohibition of foreign trademark processing industry infringes on the economic interests of domestic trademark owners, it will also cause harm to the relevant practitioners in this industry chain.

For the determination of infringement of well-known trademarks related to foreign fixed brand processing trademarks, according to the principle of trademark regionality, if a trademark has not been registered or used in a certain country, that country has no protection obligation. If a well-known trademark used within the territory of our country is not used overseas, its popularity cannot reach a certain other country, and it cannot communicate with the relevant public in a certain foreign country.

It cannot necessarily be protected as a well-known trademark in that country. For this type of trademark, it needs to be handled by the country where the trademark is registered in accordance with the trademark law of the country where the trademark is registered, as well as relevant international treaties such as the Paris Convention and the TRIPS Agreement regarding the protection of well-known trademarks and well-known trademarks. For cases where domestic well-known trademark owners have used the trademark overseas, the standard of "possibility of confusion" should be applied, and whether it constitutes infringement should be determined based on the scope of the relevant public.

4.2 Relevant public scope

For ordinary types of trademarks, their foreign-related licensing and processing activities should not be recognized as trademark infringement at this stage, so the scope of their "relevant public" will not be discussed here. When domestic well-known trademark owners suffer trademark infringement due to foreign-related trademark processing overseas, the scope of their "relevant public" can be considered from the following perspectives. The current trademark law does not explicitly restrict the territorial nature of the purpose of identifying the source, resulting in the fact that the relevant public of the subject of "identifying the source of goods" should not have absolute territorial restrictions. When Chinese consumers traveling abroad come into contact with the accused infringing product and confuse it with the same or similar Chinese registered trademark recognized by the consumer in China, it should be considered that the registered trademark does not have extraterritorial exclusivity and violates the basic principles of trademark law. The protection or regulation of trademark rights and interests of foreign trademarks that are identical or similar to Chinese registered trademarks should be adjusted based on international legal system and local legal system of the host country. In addition, the level of attention of consumers is influenced by various factors, including the price of the product, the sales environment of the product, the inherent characteristics of the product, the education level of consumers, and purchasing habits.

5. Conclusion

There has always been ambiguity and repeated reversals in the academic and judicial practice of China regarding the nature determination of foreign-related license plate processing behavior and its analysis of trademark infringement. This article analyzes the controversy over trademark infringement in foreign-related trademark processing activities, and concludes that trademark use cannot be an inevitable element of foreign-related trademark processing activities, while the possibility of confusion is a substantive element. Further discussion will be conducted on the definition of different types of trademarks and the relevant public scope in this context, hoping to better integrate the protection of foreign-related OEM trademarks with practical situations through this classification.

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