

OEM Defense for Trademark Infringement after “Dongfeng” Case

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Introduction

On 28 December, 2017, the Supreme People's Court decided in the “Dongfeng” case (*Shanghai Diesel Engine Co. Ltd. v Jiangsu Changjia Jinfeng Dynamic Machinery Co., Ltd.*) that the OEM activity did not constitute trademark infringement, which was just like a thunderstorm in the IP cir-

cle. Based on the “PRETUL” and “Dongfeng” cases re-tried at the Supreme People's Court, this article will analyze different judicial rationales on whether “OEM” constitutes trademark infringement, summarize the decision changes made by courts at various levels in the “OEM” cases, and comment on unsolved issues in the “Dongfeng” case.

According to the definition of “OEM” in the second-in-

stance judgment ¹ of the “Dongfeng” case, the Jiangsu High People’s Court held that OEM requires the entrustor to be an overseas trademark owner or user. However, on account of the territorial nature of intellectual property rights, views are divided in the academic circle as to whether OEM requires the entrustor to have the overseas trademark right or the right to the use of the trademark ².

I. The two-step judging method in the “PRETUL” case

On 26 November, 2015, the Supreme People’s Court issued the retrial judgment ³ in the “PRETUL” case by the “use-confusion two-step method”, deciding to revoke the first-instance and second-instance judgments. In regard to the OEM activity, the first step is to judge whether it “constitutes use”, that is to say, whether it has the identifying function of a mark and whether it constitutes the use of a mark in the sense of the Trademark Law; and if the conclusion in the first step is “yes”, then go on to the second step to judge whether “confusion is caused”, that is, whether the same mark or similar marks are used on identical or similar goods, or whether the use of the same or similar marks on similar goods can readily lead to confusion.

In the “PRETUL” case, similar steps were adopted in the first instance, second instance and retrial. However, the different courts drew different conclusions in the first and second steps, and held different views on whether the territorial nature of intellectual property rights should be taken into account, thereby leading to different results.

In the first judging step of the first-instance judgment ⁴ in the “PRETUL” case, the Ningbo Intermediate People’s Court stated that pursuant to Rule 3 of the Implementing Regulations of the Trademark Law (2002) ⁵, the entrustee (Yahuan Co.) used the mark on the padlock bodies and keys it manufactured, product instructions as attached and the packaging boxes of the padlocks, which obviously pertained to the “use” of a mark in the sense of the Trademark Law.

In the second judging step of the first-instance judgment, different conclusions were drawn. As regards the mark “PRETUL” used on the padlock bodies and keys the entrustee manufactured, and product instructions as attached, the first-instance judgment considered that since the mark is different from the domestic registered mark of the owner (Focker Security Products International Limited,

“Focker”) and the OEM products are all exported to Mexico and not sold in China, there is no likelihood of confusion caused among consumers in China. Thus, it is deemed that the mark “PRETUL” and the domestic registered mark do not constitute similarity, and the entrustee’s conduct does not constitute infringement. It can be seen that as regards the use of non-identical marks, the first-instance judgment decided that no confusion will be caused among domestic consumers on the grounds that those goods are not sold in China. However, as regards the mark “PRETUL with oval device” used by the entrustee on the packaging boxes of the padlocks, the first-instance judgment stated that this mark is identical to a domestic registered mark, so the use of an identical mark on goods in same class without the permission of the mark owner constitutes trademark infringement. Thus, as regards the use of an identical mark on goods of the same kind, the first-instance judgment did not take into account no selling of the goods in China.

In regard to the territorial nature, the first-instance judgment held that the territorial nature is one of the basic features of intellectual property rights, i.e., intellectual property rights produced in different countries are independent and have no extraterritorial effect. Although the entrustor (Truper Herramientas S. A. DE C.V.) owns the mark “PRETUL” in Mexico, the mark registered in Mexico cannot be protected under Chinese law as the mark was not registered in China. From that perspective, since a foreign trademark right is unprotected in China, the first-instance judgment did not consider whether the entrustee exercised the duty of care to the foreign trademark right of the entrustor.

In the first judging step of the second-instance judgment ⁶ in the “PRETUL” case, Zhejiang High People’s Court also held that the OEM activity constitutes the use of the mark. In the second step for judging whether “confusion is caused”, the entrustee raised a defense: the accused product is totally exported to Mexico and not actually sold in China, so no confusion and misidentification will be caused among consumers in China, and therefore Focker’s trademark right is not infringed. The second-instance judgment concluded that the relevant judicial interpretation ⁷ does not impose territorial limitations on “the relevant public”, and the use of the mark “PRETUL” by the entrustee on the padlock products, keys, and product instructions as attached tended to cause confusion about the source of goods among the relevant public or rendered them into believing that there is a special relationship between the

source of the accused products and the owner of the registered mark “PRETUL with oval device”. Thus, the use of the mark infringed Focker’s registered mark.

In regard to the territorial nature, the second-instance judgment also held that although the entrustor registered the mark “PRETUL” or “PRETUL with oval device” in Mexico, the Mexican trademark is unprotected in China because the mark is not registered in China.

It can thus be seen that the second-instance judgment took the territorial nature of a mark into consideration, holding that a foreign trademark is unprotected in China; however, it seemed that the public in foreign countries were taken into consideration in the judgment of whether confusion may be caused among “the public”.

In the retrial judgment of the “PRETUL” case, the Supreme People’s Court stated that the “OEM” activity in China was only a physical label-attaching act, provided necessary technical conditions for the entrustor’s use of its mark in Mexico where it enjoys the exclusive right to use the mark, and did not function to identify the source of goods in China. Hence, the sign attached to the product manufactured by the trustee neither distinguishes the source of the manufactured goods nor helps to identify the source of goods. The attached sign has no attributes of a mark, and the act of attaching such a sign to the product cannot be considered as the use of the mark in the sense of the Trademark Law. After deciding that the OEM activity did not constitute “the use of the mark” in the first step, the Supreme People’s Court further deemed that it’s not necessary to judge whether “confusion is caused” in the second step.

Although the entrustor asserted that it enjoys a legitimate right in a foreign country, the Supreme People’s Court did not take that fact into consideration when deciding that the “OEM” activity did not function to identify the source of goods. Nor was it necessary to consider that fact. Thus, no consideration shall be given to “the entrustor’s legitimate rights in the foreign country” and “the trustee’s reasonable duty of care”⁸ when deciding whether the OEM activity constitutes the use of the mark in the first step. According to the rationale in the retrial of “PRETUL” case, as long as the OEM product is not sold in China, the sign does not exert the identifying function as a mark in China irrespective of whether the trademark right in the foreign country is infringed or not. Therefore, the OEM activity did not constitute “the use of a mark in the sense of the Trademark Law”.

To sum up, the “use-confusion two-step method” is

used for retrial judgment in the “PRETUL” case. It was directly concluded in the first step that the merely physical attachment conducted in China did not have the function of identifying the source of goods, thereby not constituting the use of a mark in the sense of the Trademark Law. However, in the retrial judgment, no comments were made on the “territorial nature” and “relevant public” in the first-instance and second-instance judgments, and nothing was mentioned of “the entrustor’s legitimate rights in the foreign country” and “the trustee’s reasonable duty of care” in the OEM case.

II. “Reasonable duty of care + substantial damages” in the “Dongfeng” case

On 28 December, 2017, the Supreme People’s Court issued a retrial judgment⁹ on the “Dongfeng” case for revoking the second-instance judgment and maintaining the first-instance judgment. In the “Dongfeng” case, the judging criterion of “reasonable duty of care + substantial damages” was introduced in the second-instance judgment. The retrial judgment, though not being in favor of the second-instance judgment, still made some comments on the judging criterion.

Shanghai Diesel Engine Co., Ltd. (Shanghai Diesel) is the owner of the registered mark “DONGFENG” on diesel engines in China. Due to the territorial nature of the mark, Shanghai Diesel enjoys the trademark right in China. The trustee, Jiangsu Changjia Jinfeng Power Machinery Co., Ltd. (Changjia), claimed that as entrusted by the entrustor (Indonesian trademark owner), Changjia manufactured diesel engine parts as per the Indonesian trademark certificate provided by the entrustor and all of the products were exported to Indonesia, thereby constituting OEM.

In the first-instance judgment¹⁰, Changzhou Intermediate People’s Court of Jiangsu Province adopted the retrial rationale used in the “PRETUL” case, deciding that in the OEM process, all goods bearing the trademark were sold in foreign countries and did not enter into the market circulation in China. Thus, the physical label attachment did not provide the function of identifying the source of goods in China, so it did not constitute the use of a mark in the sense of the Trademark Law, and infringement cannot be established.

In the second - instance judgment of the “Dongfeng” case ¹¹, Jiangsu High People’s Court considered that the mark “DONGFENG” has a time-honored history, the entrustor’s mark “DONGFENG” registered in Indonesia is not justifiable, and the entrustee (Changjia) failed to perform reasonable duty of care and avoidance, since it engaged in OEM in the case of knowing that the domestic mark owner and the entrustor have long - standing disputes over the mark “DONGFENG” in Indonesia, and the entrustee, though once promising not to commit any infringement, still manufactures OEM products for the Indonesian company PT ADI. Following the judging criterion of “reasonable duty of care + substantial damages”, Jiangsu High People’s Court determined that the interests of the domestic mark owner suffer from substantial damages, and Changjia’s OEM activity infringed the trademark right of the domestic mark owner. Nevertheless, the second - instance judgment did not elaborate on how the entrustee’s conduct did substantial damages to the interests of the domestic mark owner. The writer opines that in view of the latest judgment of the Indonesian Supreme Court which determines the entrustor (Indonesian company PT ADI) enjoys the mark “DONGFENG” in Indonesia, the use of the mark “DONGFENG” by the entrustor in Indonesia seems to bring no substantial damages to Shanghai Diesel in Indonesia. Similarly, the OEM products were all shipped to Indonesia and did no substantial damages to Shanghai Diesel in China. In determining the damages, the second - instance judgment took account of the above factor: “considering that the profits made by Changjia are only processing fees, the accused products manufactured by Changjia are all exported to Indonesia and not sold in China, and have no impact on Shanghai Diesel’s market share in China, the court finally ordered an injunction, damages of RMB 100,000 and reasonable expenses for cessation of infringement.” Hence, the second - instance judgment seems improper in the determination of the substantial damages.

In the retrial judgment of the “Dongfeng” case, the Supreme People’s Court re - confirmed that “generally speaking, the use of a mark not for identifying or distinguishing the source does not cause misidentification or confusion about the source of goods or services, which may affect the mark’s function of indicating the source of goods or services, and therefore does not constitute infringement in the sense of the Trademark Law.” ¹² “During the process of manufacturing and exporting conducted by the entrustee,

the signs are directed to the entrustor, the Indonesian company PT ADI, and do not affect the function of Shanghai Diesel’s registered mark to identify and distinguish the source of goods or services in China, thereby causing no confusion or misidentification among the public.” Considering that OEM is a typical and legal international trade form, the Supreme People’s Court held: it generally shall not be determined that OEM infringes a domestic mark right unless there exists contrary evidence proving that the entrustee does not fulfill its duty of care when accepting the commission and the OEM activity brings substantial damages to the domestic trademark right.

Of course, the specialty of the “Dongfeng” case lies in that there has been a long - standing dispute over the mark “Dongfeng” between Shanghai Diesel and the Indonesian company PT ADI. The case was also complicated by the fact that the Indonesian Supreme Court first decided that the Indonesian company PT ADI was not entitled to the mark “DONGFENG”, and then drew an opposite conclusion. In view of those situations, it would not be hard to understand why courts at various levels made different judgments as the case progressed.

In retrospect, it is easy to find that the “Dongfeng” case is confronted with issues similar to those in the “PRETUL” case: even though the entrustee is not entitled to a trademark right in Indonesia, in the light of the retrial judgment of the “Dongfeng” case, the products were all exported to Indonesia and did not affect the function of the domestic mark to identify and distinguish the source of goods or services in the domestic market, thereby causing no confusion and misidentification among the public. On the premise that the OEM activity did not constitute “the use of a mark in the sense of the Trademark Law”, the Supreme People’s Court gave its consideration to other factors: it should not be determined that the OEM activity infringes the trademark right unless there is evidence proving that the entrustee does not fulfill its duty of care when accepting the commission and the OEM activity brings substantial damages to the domestic trademark right.

III. Judging rationale after the “Dongfeng” case

The “Dongfeng” case is the epitome of those cases, in which consideration is given to two factors or two criteria (one is whether the conduct of the entrustee (a domestic

processing enterprise) constitutes the use of a mark in the sense of the Trademark Law, and the other is whether the entrustee fulfills necessary duty of care). However, it still remains unsolved which factors should be considered first and which one plays more important role in judgment. Since different courts will analyze a case from different perspectives according to dissimilar standards, things are quite different in actual judgments. For instance, in the “PRETUL” case and “Dongfeng” case, although the entrustor asserted its trademark right in foreign countries and it can be presumed that the entrustee fulfilled the duty of care, the conclusion in the two retrial judgments that whether the OEM constitutes infringement seems not to be affected, or in other words, the single factor that “the OEM activity does not constitute the use of a mark” can lead to the conclusion of non-infringement. Of course, after the “Dongfeng” case, there are still other cases in which “two factors” are taken into consideration simultaneously.¹³

1. Direct and indirect infringement theories in the “Valleygirl” case

On the second day after the retrial judgment of the “Dongfeng” case was issued, the Guangzhou Intellectual Property Court first adopted the direct and indirect infringement theories in the OEM case in the second-instance judgment¹⁴ of the “Valleygirl” case on 29 December, 2017, holding that the key element that constitutes direct infringement lies in that the accused conduct relates to the use of a mark and is prone to cause confusion among the public, and the subjective fault is not a necessity. If direct infringement occurs, whether a domestic processing enterprise (entrustee) has a subjective fault shall only have an impact on whether reference can be made to the legitimate source defense to exempt the liability for compensation, but not on the determination of direct infringement. If the accused conduct does not constitute the use of a mark, it does not constitute direct infringement, but may still constitute indirect infringement.

According to the facts of the case, the use of the sign “Valleygirl” on women’s clothes and export of the same by the entrustee (Hongqi Co.) do not constitute “the use of a mark”, and the entrustee’s conduct does not constitute direct infringement of the registered mark “valley girl”. As regards indirect infringement, the Judgment stated that since the entrustee as the domestic processing enterprise is in the position of accepting the OEM activity and there is no evidence proving that the entrustee induced the entrustor

(FBB company), the examination is only conducted as to whether the entrustee knows or should know the infringement and commits the contributory infringement. As to the trial of indirect infringement, considering that there are nuances between the domestic mark “valley girl” and the foreign mark “Valleygirl”, the entrustee does not use the mark maliciously, such as using the mark in a scope that extends beyond the designated goods or changing distinctive features of the mark, dividing or combining the mark. The OEM branding is totally identical to the foreign mark, and the mark used by the entrustee is manufactured and provided by a third party authorized by the entrustor. The provision of the mark does not violate the law. There is no evidence proving that the entrustee’s use of the mark on women’s clothes infringes the domestic trademark right. Nor is there any evidence in support of the entrustee’s subjective fault, i.e. it clearly knows or should know the infringement. For those reasons, the second-instance judgment concluded that the entrustee’s manufacture and export of the OEM women’s clothes to Australia under the authorization of the entrustor facilitates the entrustor’s use of a foreign mark. However, since the entrustee as a domestic processing enterprise has fulfilled the duty of care and has no subjective fault, the entrustee’s conduct does not constitute contributory infringement of the trademark right.

The judgment discusses the relationship between “mark use” and “duty of care” in a systematic way, which provides valuable reference for the determination of OEM activity in the future.

2. “PACENERGY” case — Amendment of judgment according to the rationale of the “Dongfeng” case

On 14 June, 2018, in the retrial judgment of the “PACENERGY” case¹⁵, the Guangdong High People’s Court revoked the first-instance judgment¹⁶ and second-instance judgment¹⁷ according to the retrial rationale of the “PRETUL” case and “Dongfeng” case, directly deciding that the OEM activity does not constitute the use of a mark in the sense of the Trademark Law and therefore does not constitute infringement. In the determination, consideration is given to the substantial damages, but not to the entrustee’s duty of care, that is to say, “the accused conduct does not affect the function of the registered mark of CE Lighting Co. to identify the source of goods or services in China, and the market share of CE Lighting Co. in China will not be unduly affected by the OEM activity of PERAQ Lighting Co., i.e., the accused act of PERAQ Lighting Co.

did no substantial damages to CE Lighting Co.”

The territorial nature of intellectual property rights was considered in the first-instance and second-instance judgments. The first-instance judgment determined that the entrustee failed to provide evidence in support of its right to trademark, copyright, design patent, and trade name in connection with the accused sign in China, and the evidence it provided can only prove that the accused sign has been registered for copyright in Pakistan. Intellectual property rights possess the territorial nature. China and Pakistan belong to different jurisdictions, and the trade names and signs used in Pakistan cannot certainly constitute legitimate rights in China. After taking into account the territorial nature of intellectual property rights, and the facts that the entrustee declared to the customs the export of energy-saving lamps under the mark “ENERGY” and the entrustee confessed the infringement with damages and guaranteed no more infringement, the second-instance judgment rejected the entrustee’s claim that the production of the accused product belongs to OEM activity without ill will, which does not constitute trademark infringement.

3. “**CONCH**” case — Prerequisites for non-application of OEM

On 31 December, 2017, in the second-instance judgment¹⁸ of the “**CONCH**” case, the Jiangsu High People’s Court determined the prerequisites where the manufacture and export of goods by a domestic enterprise shall not be regarded as OEM.

The Jiangsu High People’s Court stated, in the judgment, the judging criteria for OEM in trademark infringement cases: “1. The OEM activity done by a domestic processing enterprise which accepts orders from an overseas entrustor is deemed to not constitute trademark infringement within certain limits; however, this criterion cannot be boundlessly extended to other domestic enterprises engaged in export trade which organize a processing enterprise to manufacture goods for export, and such manufacture and labeling marks to goods formed the manufacture and circulation of goods in China and belongs to use of a mark under Trademark Law; 2. as to the criterion that the OEM activity of a domestic processing enterprise shall not be determined as trademark infringement within certain limits, the first requirement is that the domestic processing enterprise should be in good faith, that is, a domestic processing enterprise has fulfilled the duty of care for the overseas mark provided by an overseas entrustor; 3. due to mali-

cious squatting and counterfeiting of a mark domestically and internationally, the domestic processing enterprise when accepting an overseas order shall reasonably avoid marks that are influential domestically, especially well-known marks, based on the principle of good faith and for the sake of showing respect to others’ intellectual property rights.” As can be seen, the judging criteria of the Jiangsu High People’s Court are relatively strict.

The judgment determined that the fact that the defendant (Fangjue Co.) entrusted a domestic processing enterprise with the manufacture and export of cement to Gabon can be regarded as the manufacture and export of goods by a domestic enterprise, which does not meet the prerequisites for application of special OEM judicial policies. The Gabonese entrustor’s mark registered with the African Intellectual Property Organization (OAPI) as provided by Fangjue Co. is irrelevant with the present case.

Meanwhile, it is noteworthy that this case relates to the determination of the trademark infringement in the administrative judgment. Since the domestic trademark owner has recorded the mark with the Customs, the administrative lawsuit involving the Customs’ administrative investigation is also concerned with the judgment on whether the OEM activity infringes trademark right. Of course, in a large number of administrative lawsuits involving trademark, the criteria for “whether OEM processing is regarded as the use of mark” is different from those in infringement lawsuits discussed herein.

IV. Issues after the “Dongfeng” case

1. Buyback on the Internet

Although an entrustee exports all the goods to a foreign entrustor according to the OEM agreement, with the globalization of the Internet economy, it is really hard to prevent domestic consumers from purchasing foreign goods on E-commerce websites and thus buy the OEM goods back to China. Meanwhile, by browsing the E-commerce websites, domestic consumers may also have access to exported goods bearing the mark in suit, thereby rendering the OEM issues more complicated.

In the second-instance judgment¹⁹ of the “PEAK” case, the Shanghai High People’s Court determined that although exported goods are not sold in China, it is impossible to avoid domestic customers from accessing those exported goods bearing the mark through various E-com-

merce websites, which will certainly lead to the issue of whether confusion and misidentification may be caused among the public. In such circumstances, the mark on the goods functions to identify the source of goods.

In the retrial judgment ²⁰ of the “VITALI” case, the Zhejiang High People’s Court found that Vitali Co. showed the products bearing marks “VITALI” and “VITALI-INTL” on a conspicuous position on www.alibaba.com. As far as those consumers are concerned, the marks obviously function to identify the source of goods, which can be regarded as the use of marks. Whether the accused product belongs to OEM processing does not affect the determination of the use of a mark online and trademark infringement in the case. It can be seen that the Zhejiang High People’s Court confirmed in the “VITALI” case that trademark infringement occurs once online sales render goods accessible to consumers.

The writer is of the view that OEM and buyback on the Internet shall be treated differently. According to the retrial judgments in the “PRETUL” case and “Dongfeng” case, OEM products were all sold outside China, which does not constitute the use of a mark in the sense of the Trademark Law in China. If buyback on the Internet or sale of goods bearing a mark constitutes trademark infringement, the entrustor (product owner) or online seller shall bear the liability. In the absence of subjective fault, the entrustee shall not bear the liability. The reason is that with the rapid development of Internet economy globally, even the entrustor may not track and control the final destination of OEM products, it is too far-fetched to require the entrustee to fulfill such duty of care.

Of course, according to the second-instance judging rationale in the “PEAK” case, as Chinese marks are getting more famous worldwide, overseas trademark owners should be aware of their trademark reputation. Under such circumstances, the overseas mark owner in the “PEAK” case still entrusted a Chinese operator to produce the goods at issue by changing the letter arrangement of the registered trademark in China, so it is hard to say that the overseas mark owner has no subjective intent of infringement. The Chinese manufacturer as an entrustee should know the reputation of the registered mark in China, and shall pay the duty of prudence; otherwise, its manufacturing will constitute contributory infringement and the Chinese manufacturer and the entrustor shall be jointly liable for infringement.

2. Overseas rights

Although the retrial judgments in the “PRETUL” case and “Dongfeng” case both stated that the entrustors asserted their trademark right in a foreign country, they failed to elaborate on when to judge and whether the right is an essential factor. In view of the holistic rationale of the two retrial judgments, no trademark infringement occurs if the use of a mark in the sense of the Trademark Law is not established, and a foreign right is not a necessary factor to be taken into account. In regard to the “use + duty of care” two step method as method above, different courts have adopted dissimilar criteria for whether the two factors shall be considered simultaneously and what weights they have, thereby rendering OEM cases complicated.

On 16 October, 2017, the Dongguan Intermediate People’s Court of Guangdong Province determined in the second - instance judgment of the “Dieselcluthing” case that the manufacture and export of goods without foreign rights cannot be regarded as an OEM activity and therefore constitute trademark infringement ²¹. The entrustee argued that the accused jeans were manufactured under the entrustment of the entrustor and sold to the Republic of Zimbabwe, which should be regarded as the OEM processing. The Dongguan No.1 People’s Court of Guangdong Province concluded in the first-instance judgment ²² that foreign evidence submitted by the entrustee, such as the authorization certificate and orders, was not notarized and legalized. Even though the evidence is authentic, it cannot prove that the mark “Dieselcluthing” was registered in the Republic of Zimbabwe, and the application for the mark was filed after the investigation of the accused jeans. The first - instance court rejected the entrustee’s claim that the accused jeans belonged to OEM products. The second-instance still insisted that the entrustee adduced no evidence in support of the registration of the mark “Dieselcluthing” in the Republic of Zimbabwe, the entrustee’s processing cannot be regarded as OEM activity, and the first-instance judgment was affirmed.

In the first - instance judgment ²³ of the “HENRYTIG-MAX” case, the Fuzhou Mawei District People’s Court of Fujian Province held that the defendant clearly declared the goods as general trade in the Customs Declaration Form, and meanwhile furnished no evidence proving that the accused products are OEM products entrusted by the third party. The accused products were manufactured by the defendant, which complies with the definition of the use of a

mark under the Trademark Law. To take a step back, even if it is OEM activity, the defendant (entrustee) shall bear the duty of checking the legitimacy of the mark provided by the entrustor. After the retrial judgment of the “Dongfeng” case was issued, the Fuzhou Intermediate People’s Court of Fujian Province held, in the second-instance judgment²⁴ of the “HENRYTIGMAX” case on 19 March, 2018, that the entrustee provided no evidence in support of the registration of the mark in suit in a foreign country, and rejected the entrustee’s defense that the accused goods are OEM products and shall not be regarded as the use of a mark in the sense of the China’s Trademark Law.

Conclusion

The determination as to whether OEM constitutes trademark infringement is greatly influenced by the enterprise business model and judicial policies in China. In the current southeastern coastal areas of China, there are still a considerable number of enterprises, especially small- and medium-sized enterprises, to manufacture and export OEM products to a foreign country under the entrustment of a foreign entity. Local courts are prudent towards determination of trademark infringement in OEM cases. However, as the Internet economy gradually breaks down the trade barriers of various countries, the OEM products may be exported to and sold in a foreign country, and then enter into China through online shopping. OEM issues become more complicated and judgments shall be made on a case-by-case basis. ■

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other business activities.”

⁶ The Civil Judgment No. Zhezhihongzi 285/2012.

⁷ Article 9.2 of the Interpretation of the Supreme People’s Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes over Trademarks (2002).

⁸ Lu Xiaosa (2017). Rationality of international OEMs’ examination obligation. *China Patents & Trademarks*, 1.

⁹ The Civil Judgment No. Zuigaofaminzai 339/2016.

¹⁰ The Civil Judgment No. Changzhiminchuzi 1/2014.

¹¹ The Civil Judgment No. Suzhiminzhongzi 00036/2015.

¹² Article 48 of the China’s Trademark Law (2013).

¹³ The Civil Judgment No. Min05minzhong 1060/2018.

¹⁴ The Civil Judgment No. Yue73minzhong 1373/2017.

¹⁵ The Civil Judgment No. Yueminzai 107/2018.

¹⁶ The Civil Judgment No. Jianghaifazhiminchuzi 23/2014.

¹⁷ The Civil Judgment No. Jiangzhongfazhiminzhongzi 4/2015.

¹⁸ The Administrative Judgment No. Suxingzhong 157/2017.

¹⁹ The Civil Judgment No. Hu73minzhong 37/2016.

²⁰ The Civil Judgment No. Zheminshe 2798/2017.

²¹ The Civil Judgment No. Yue19minzhong 7430/2017.

²² The Civil Judgment No. Yue1971minchu 7918/2016.

²³ The Civil Judgment No. Min0105minchu 1405/2017.

²⁴ The Civil Judgment No. Min01minzhong 2323/2018.

¹ The Civil Judgment No. Suzhiminzhongzi 00036/2015.

² Li Yang (July, 2018). Basic Principles of Trademark Law. The Law Press.

³ The Civil Judgment No. Mintizi 38/2014.

⁴ The Civil Judgment No. Zheyongzhichuzi 56/2011.

⁵ Article 3 of the Implementing Regulations of China’s Trademark Law (2002) reads: “the use of a trademark, as referred to in the Trademark Law and these Regulations, shall include the use of the trademark on goods, packages or containers of the goods or in trading documents, and the use of the trademark in advertising, exhibition or any