

## How to defend OEM trademark use against non-use cancellation in China

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It was long controversial whether trademark use in the OEM process is valid against non-use cancellation, because that use is just physical attachment of the mark; does not have local sales; and the mark cannot function to identify the source of goods in China.

A conclusion was made in recent years. According to the Guidelines for the Trial of Trademark Right Granting and Verification Cases issued by the Beijing High People's Court, effective from April 24, 2019; and the Trademark Examination Guidelines released by the China National Intellectual Property Administration (CNIPA), effective from January 1, 2022, the CNIPA and the court have confirmed their consensus on OEM use as valid against non-use cancellation.

However, many OEM trademarks were still cancelled, due to failure to meet the CNIPA's requirements. In this article, I'd analyze current practice through two precedents, and provide advice on how to properly defend OEM trademark use.

### ● **Case 1 – Besmart 13297381 (2020) Beijing 73 Xingchu 12868 Administrative Judgment**

In the non-use cancellation and cancellation appeal procedures, registrant Yueqing Ouqi tried to prove use of the disputed trademark in manufacturing and exporting activities. The CNIPA decided to cancel the disputed trademark for the following reasons:

- ✧ The photos of the product, packaging boxes, screenshots of a Chilean dealer's website, product catalogues, etc. failed to show the dates;
- ✧ The export sales contract is in a foreign language, and no relevant evidence can prove that it has actually been performed; and
- ✧ The export distribution contract is in a foreign language. As the customs' seal is absent, the contract cannot prove to have been performed.

The registrant appealed to the court and submitted additional evidence,

including the sales contracts, customs declaration, shipping contract, invoices, etc., to prove that it had exported two batches of goods to Vietnam and Chile during the specified period.

Based on the evidence submitted at the litigation stage, the court overthrew the CNIPA's decision and maintained the registration, ruling that: "The disputed trademark was indicated on the sales contract submitted by the registrant, and the sales contract, customs declaration, shipping contract, invoice, etc. of the two batches of goods could correspond to each other, forming a relatively complete chain of evidence, proving that the registrant made a public and effective commercial use of the disputed trademark on the designated goods within the specified period."

### ● **Case 2 – Matrix 4342872 (2021) Beijing 73 Xingchu No. 9359 Administrative Judgment**

In the non-use cancellation and cancellation appeal procedures, the registrant, Chung Foo Building Materials, tried to prove that it entrusted a Chinese company to manufacture the products bearing the disputed trademark and then export the products abroad. The CNIPA decided to cancel the disputed trademark for reasons below:

- ✧ The registrant's Business Registration Certificate cannot prove the use on the goods;
- ✧ The purchase order, pictures of the packaging of the goods, and the invoices failed to show the goods and cannot prove the actual use; and
- ✧ The introduction and photos of the goods and packaging are self-made evidence, without date, which can hardly prove the use without other supporting evidence.

The registrant also appealed to the court and submitted additional evidence including the license contract and authorization letter, purchase orders, commercial invoices, bills of lading, shipping notes and translation thereof, debit notes, receipts, letters of guarantee, waybills, commercial invoices, export customs declaration, photos of the product packaging and screenshots of WeChat records.

The court held that the evidence could be verified by each other, and most of the bills of lading, letters of guarantee, etc. were signed or sealed by outsiders and ruled that the evidence was sufficient to prove the valid use.

### ● **Analysis and advice**

These two precedents are similar in that after the CNIPA made decisions to

cancel, the registrants appealed to the court and submitted additional evidence. The court then deemed the evidence effective and maintained the registration.

By comparing the evidence at different stages, we can conclude that the core problem with the evidence submitted to the CNIPA is that each part of it failed to corroborate each other to form a complete chain of evidence. Instead of proving how the disputed trademark was used in the transaction documents, the registrant focused more on showing the use of the trademark on the products, product brochure/catalogue, packaging and so on. At the litigation stage, the registrants reinforced the evidence generated in the transaction to form complete evidence chains.

Considering the particularity of the use of trademarks in the OEM process, under current practice, I advise registrants to pay special attention when using their trademarks and collecting evidence:

- ✧ Save different types of documents generated during manufacture and export, including but not limited to the purchase agreement/order, commercial invoice, bank slip, packing list, bill of lading, customs declaration, certificate of origin etc.;
- ✧ Try to indicate the trademarks in all documents—in particular, purchase agreements/orders, commercial invoices, bills of lading and customs declaration—rather than just in product packaging, product specification sheets, catalogues or brochures. The latter may be deemed as self-made evidence bearing lower probative value;
- ✧ Keep and use the more convincing Chinese Customs' official documentation;
- ✧ Use the same order/invoice number and product information in the relevant documents to form a complete evidence chain to enhance the probative value;
- ✧ Request the relevant parties, including the Chinese manufacturer, freight agent etc. to stamp their company seals on their documents. Signature alone is often weak; and
- ✧ Submit Chinese translation for non-Chinese documents.

Last but not the least, where electronic evidence like emails needs to be filed, it is highly advisable to have such evidence regularly notarized and, if applicable, legalized. Printed emails or electronically docketed emails are often challenged.