

Revisiting the OEM exception to trade mark infringement in China

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The recent decision of the Supreme People's Court of the People's Republic of China in the *Hondakit*¹ case is a prompt for businesses to review their Chinese trade mark protection. The Court in this case found that Original Equipment Manufacturing (**OEM**) for export markets can amount to infringement. Notably, this is a change from former decisions such as the 'Pretul' case, which held that OEM manufacture for export markets outside of China would not be an infringement.

The decision in *Hondakit*

The court in *Hondakit* stated that the use of a trade mark on OEM goods may constitute trade mark infringement where:

- Chinese customers can gain access to the exported products (for example, when they travel abroad or come across the products through online channels)
- Relevant business operators may be confused when conducting business transactions (including, for example, people involved in distribution, or transport of such goods)

It was decided that proof of access to the products intended for export, and actual instances of confusion, are not required. The possibility of Chinese consumers accessing products or being confused was sufficient.

Whether or not Chinese customs will seize goods intended exclusively for export markets remains to be seen.

Implications in non-use context

Commentary by Chinese practitioners suggests that, consistent with the *Hondakit* decision, OEM use will amount to relevant use in the context of defending a non-use challenge against a registered trade mark in China.

Strategies to mitigate risk of OEM constituting infringement

Given the changing landscape, it is wise to undertake clearance searches in China to identify if prior similar marks are already registered in China, and seek to secure a local trade mark registration if available; even if the products to be manufactured under OEM arrangements are not intended for the local Chinese market.

Where an infringement risk has been identified, to mitigate exposure to enforcement action, it is timely to:

- Review manufacturing agreements and confine the license to apply trade marks to products solely intended for export outside of China
- Ensure that local manufacturers can produce a letter on demand, both in Chinese and English, to demonstrate the limited scope of their authorisation

For more information, please contact a member of our Intellectual Property and Technology team in Australia.

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