



ARE Trademark Law Alert: BEIJING IP COURT CONFIRMS THAT OEM USE OF A TRADEMARK IS SUFFICIENT TO DEFEND AGAINST NON-USE CANCELLATION

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On December 26, 2017, the Beijing Intellectual Property Court (“IP Court”) issued a decision in *Macy’s Merchandising Group, Inc. v. Trademark Review and Adjudication Board*—in which Amster, Rothstein & Ebenstein LLP successfully represented plaintiff Macy’s—that addresses the issue of whether original equipment manufacturing (“OEM”) use of a trademark is sufficient to defend against non-use cancellation of its registration. The court ruled that it was, signaling that this new court will take a flexible approach to the definition of “use” in order to achieve equitable results for export manufacturers.

This decision is reassuring because some practitioners had feared that a recent landmark trademark case might have given rise to a presumption of “no use” in all OEM cases. In November 2015, the Supreme People’s Court (“SPC”) issued a landmark decision in *Focker Security Products International Ltd. v. Pujiang Ya Huan Locks Co. Ltd.*, in which it ruled that the OEM use of a trademark on goods made solely for export was not an act of infringement. Since the trademark had been applied to goods designated solely for export, the SPC reasoned, the trademark was not used as a “source identifier” for Chinese consumers, could not cause confusion, and its use therefore did not constitute infringement. While the ruling did not specifically address whether OEM use would be sufficient to defend against a non-use cancellation action, the same logic would seem to apply.

In *Macy’s*, however, the IP Court confirmed that the *Focker* logic does not apply in the context of non-use cancellations. Instead, the court argued from the separate premise that the legislative purpose of the non-use cancellation provision of China’s trademark law is to promote commerce by encouraging the use of registered trademarks, and ensuring that they do not lie idle. Given this, the IP Court found that the use of the trademark in the course of manufacturing activities in China was sufficient to satisfy this limited legislative purpose. The *Macy’s* court also cited equitable and policy grounds for its decision, noting that a failure to recognize OEM use as fulfilling the limited purpose of the non-use cancellation provision would “lead to the cessation of [export] trade in China.”

Nevertheless, the IP Court made it clear that this conclusion can only be reached where the evidence of OEM use is exhaustive. In this case, Macy’s submitted complete chains of evidence, including contracts with Chinese manufacturers, commercial invoices, cargo receipts, and customs declarations. This evidence was bolstered by live testimony of Macy’s



employees before the court.

The *Macy's* decision follows on the heels of a similar decision in *District Seasons S.B. v. Trademark Review and Adjudication Board* (2017). Together, these cases have confirmed that the IP Court will take a flexible approach to the definition of “use” in order to achieve equitable results in OEM cases. That said, exporters should seek to maintain thorough records of their manufacturing and export activity in China in order to meet the fairly high evidentiary burden to prevail in such cases.

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