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Legal Risks and Preventive Measures in Trademark Infringement of Co-Branded Products

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Abstract: Co-branding, as an innovative consumer model, is increasingly favored by "Generation Z" consumers and has become a preferred strategy for many brands to expand their market reach and achieve widespread recognition. However, with the rapid growth of the co-branding economy, trademark infringement issues related to co-branded products have become more prevalent, posing significant obstacles to the successful execution of co-branding marketing activities. Based on the different legal statuses of trademarks, this study systematically analyzes the various infringement risks that may arise in the use of trademarks within co-branding practices and explores corresponding risk prevention measures. The objective is to provide strong support for the healthy and sustainable development of the co-branding economy.

Keywords: Co-branding; Trademark infringement; Risk prevention

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1. Background of the study on brand co-branding trademark infringement

Co-branding refers to the collaboration between two or more brands, commonly known in English as "co-branding." The term "brand" in this context encompasses the concept of a "trademark," which, in Chinese interpretation, includes the legal designation of a brand's identity [1]. The renowned American marketing expert Dr. Philip Kotler defines a brand as a name, term, symbol, or pattern—or a combination thereof—used to identify a product or service offered by a particular entity and to differentiate it from competitors' offerings [2].

A trademark, by contrast, is a distinct legal concept. According to Article 8 of the *Trademark Law of the People's Republic of China*, a trademark refers to any sign that distinguishes the goods of a natural person, legal entity, or other organization from those of others. This includes text, graphics, letters, and other elements presented individually or in combination. Therefore, in the co-branding process, the identification of the brand to which a co-branded product belongs inherently involves the use of that brand's trademark.

In recent years, the co-branding trend has gained significant traction in the market. For instance, the co-branded "Moutai Latte," a collaboration between Luckin Coffee and Moutai, sold 5.42 million cups on its launch day, successfully capturing widespread consumer attention. As co-branding continues to gain popularity, legal issues surrounding brand partnerships have increasingly come under public scrutiny. In September 2020, Semir's

“Shaolin Kungfu” clothing series faced allegations of trademark infringement after reportedly failing to obtain proper authorization from the exclusive rights holder of the “Shaolin Kungfu” registered trademark. The ensuing legal dispute raised questions regarding whether Semir had indeed committed trademark infringement and whether it had obtained the necessary authorization, though no clear resolution was publicly disclosed.

This uncertainty surrounding “co-branding disputes” has resulted in mixed consumer evaluations of the brands involved. However, it is evident that Semir, in its attempt to capitalize on the rising popularity of the “national style” and “national trend” movements, ultimately became entangled in a trademark infringement controversy, negatively impacting its brand reputation.

2. Trademark legal implications of co-branding

The essence of co-branding lies in the use of intellectual property licensing, which encompasses various forms such as trademark authorization co-branding, copyright authorization co-branding, and commercialization rights authorization co-branding (**Table 1**) [3]. Regardless of the specific co-branding strategy employed, trademarks are typically utilized in product design, packaging, marketing, and promotional activities. This is because both participating brands often opt to display their trademarks in marketing and publicity efforts to indicate the origin of the co-branded product. The use of a brand’s trademark by another party in this process constitutes trademark use as defined in Article 48 of the *Trademark Law of the People’s Republic of China*.

Table 1. Co-branding models and their associated intellectual property rights

Co-branding models	Joint intellectual property rights	Co-branding cases
Brand & Brand	Trademark right & Trademark right	Luckin Coffee × Kweichow Moutai
IP & Brand	Copyright & Trademark right	Black Myth: Wukong × Daoxiangcun
	Commercialization right & Trademark right	Harry Potter × Holiland

Given this, the legal issues arising from co-branding are closely linked to the *Trademark Law of the People’s Republic of China*. Notably, trademark infringement is addressed under Article 57 of the current Trademark Law. To avoid legal disputes, as seen in the case of Samsung’s co-branding with Supreme—where the actual co-branding partner was later found to be Supreme Italia—obtaining a valid trademark license is crucial. Moreover, it is essential to ensure that the licensee holds the exclusive right to use the trademark for marketing purposes. This is particularly important as co-branding primarily focuses on the marketing impact of collaborative efforts.

Accordingly, this study will analyze co-branding based on the different trademark statuses of the involved parties. The primary focus will be to identify actions that may lead to legal risks of trademark infringement under the trademark authorization model of joint branding and to propose corresponding preventive measures.

3. Legal risk analysis of co-branding trademark infringement

According to Articles 48 and 57 of the *Trademark Law of the People’s Republic of China*, trademark infringement generally requires the fulfillment of two conditions: (1) the use of the trademark constitutes trademark use, and (2) the trademark in question is a registered trademark. In co-branding under the trademark authorization model, the use of a co-branding partner’s trademark can be categorized into two forms: indicating the overall source of the goods or indicating the source of specific components. The risk of infringement varies depending on how the trademark is used in different contexts [4].

3.1. Use of registered trademarks in co-branding

3.1.1. Unauthorized use of a registered trademark

If a brand intends to use a registered trademark in co-branded products, the primary risk it faces is infringement disputes arising from failure to obtain authorization from the exclusive rights holder of the registered trademark. In the previously mentioned infringement case involving Semir and Shaolin Temple, Songshan Shaolin Temple held the exclusive right to use the registered trademark "Shaolin Kungfu" within Class 25 of trademarks, which includes clothing, children's apparel, and related products. Without obtaining a license, Semir used the "Shaolin Kungfu" trademark in clothing and promotional activities, creating the misleading impression of a "Semir × Shaolin Kungfu" collaboration. This unauthorized use constituted a clear violation of Article 57 of the *Trademark Law of the People's Republic of China*, and in cases where such use causes consumer confusion, the infringing brand is liable for damages [5].

Regardless of intent, the unauthorized use of a registered trademark in co-branding reflects a lack of awareness of intellectual property risks. Such actions not only result in potential legal consequences but also damage brand reputation, leading to losses that may be difficult for businesses to mitigate.

3.1.2. Licensed use of a registered trademark

Trademark licenses can be categorized into three types: exclusive, sole, and general. As a result, multiple parties may hold the right to use a registered trademark. When a trademark has multiple layers of licensing, brands must carefully examine the qualifications of the registered trademark holder and review relevant authorization documents to verify whether the co-branding party has the legal authority to license the trademark.

When a brand obtains a legitimate license to use a trademark, the risk of infringement is generally lower. However, co-branding differs from ordinary trademark licensing in that it relies on marketing synergy, requiring the involvement of a legitimate and recognizable brand partner. A well-known case highlighting the consequences of improper partner selection is Samsung's "co-branding own goal" incident. In December 2018, Samsung announced a collaboration with "Supreme" at a product launch event in Beijing, planning various cross-industry marketing activities. However, media outlets quickly discovered that the "Supreme" involved in this partnership was actually "Supreme Italia," a legally distinct entity unaffiliated with the well-known streetwear brand "Supreme New York." Although Samsung's co-branding was legally authorized, the lack of an authentic co-branding partner significantly diminished its appeal to consumers, resulting in negative publicity and unfavorable consumer perceptions.

3.1.3. Trademark revocation due to improper use or non-use for more than three years

As trademark squatting has become increasingly common in recent years, many brands have strengthened their trademark protection strategies by registering trademarks across multiple categories. While defensive trademark registration for commercial protection is legally acceptable, Article 49 of the *Trademark Law of the People's Republic of China* stipulates that any unit or individual may request the revocation of a registered trademark if it has been improperly used or remains unused for more than three years. This provision aims to prevent the malicious hoarding or unauthorized expansion of trademark use.

To avoid the risk of revocation, some brands may engage in co-branding activities within the scope of their defensive trademark registrations. However, if a brand discovers during the co-branding process that its partner's trademark is at risk of being revoked, it must carefully plan the duration of the co-branding collaboration. Failure to do so may result in the loss of trademark rights, potentially leading to infringement of third-party exclusive rights.

3.2. Use of unregistered trademarks in co-branding

In China, the acquisition of the exclusive right to use a trademark follows the principle of voluntary registration. The use of unregistered trademarks in co-branding generally does not constitute trademark infringement. However, if a well-known trademark is used in co-branding, Article 13(2) and Article 14(5) of the *Trademark Law of the People's Republic of China* provide that unregistered well-known trademarks are entitled to cross-class protection for identical or similar goods.

A typical example of such infringement is the trademark dispute between LEGO JURIS A/S and a domestic company [6]. LEGO, a globally renowned enterprise, discovered that the defendant had used the word "LEGO" in the sale and promotion of clothing without authorization, misleading consumers into believing that the clothing was co-branded with LEGO and thereby profiting from the unauthorized use. The court ruled that LEGO's registered trademark No. 10176179 was a well-known trademark. Even though LEGO had not registered the "LEGO" trademark under Class 25 (which covers clothing), the court held that, under the cross-class protection principle for well-known trademarks, the defendant's use of the "LEGO" trademark still constituted infringement. As a result, the defendant was ordered to pay 1.6 million Chinese yuan in damages.

This case demonstrates that using unregistered trademarks still carries a certain risk of infringement. Before engaging in co-branding, it is essential to carefully assess whether the co-branded trademark meets the criteria for recognition as a well-known trademark under Article 14(1) of the *Trademark Law of the People's Republic of China*. If the co-branded trademark remains unregistered but is widely recognized, has been deemed well-known in previous legal cases, or meets other conditions for well-known status, a thorough infringement risk assessment must be conducted in advance. Additionally, establishing cooperative agreements with co-branding partners is crucial to prevent conflicts with third-party trademark rights.

In summary, the risk of trademark infringement in co-branding varies depending on the trademark's legal status. When using registered trademarks, enterprises must ensure proper authorization and verify the actual ownership of the co-branding partner's trademark rights. When using unregistered trademarks, it is necessary to determine whether the co-branding partner's trademark could be recognized as a well-known trademark, which may be entitled to cross-class protection. Furthermore, co-branding activities involve additional risks, such as unauthorized use beyond the agreed scope and exceeding the authorization period, which also requires careful attention to avoid potential legal disputes.

4. Risk prevention measures for trademark infringement in co-branded partnerships

4.1. Conduct comprehensive trademark due diligence and rights confirmation

Thorough due diligence is essential in the early stages of a co-branding partnership to prevent collaboration with trademark owners who possess defective rights, reduce the risk of disputes with trademark squatters or infringers, and minimize legal risks associated with potential infringement claims. The primary objective of due diligence is to accurately determine the ownership and legal status of the trademarks involved in co-branded products, thereby mitigating both legal and marketing risks. Ensuring that both parties possess legitimate trademark rights helps brands secure reliable co-branding partners and avoid legal pitfalls.

Before initiating a co-branding partnership, a brand should systematically gather relevant information about the prospective partner to verify its legitimacy and ensure alignment with the intended marketing objectives. This step helps achieve the desired promotional effect while reducing the likelihood of brand misrepresentation.

Once a preliminary co-branding agreement has been reached, the brand should immediately verify the legal status of the trademarks involved. Relevant departments should review trademark registration details through official channels, assess the co-branding partner's legal qualifications, and confirm key information, including trademark registration status, ownership, licensing arrangements, and whether the approved scope of use includes the co-branded products. Additionally, if the co-branding partner is not the registered owner, the brand must obtain valid authorization from the rightful trademark owner and meticulously review all authorization documents to ensure clear and undisputed ownership.

In accordance with Article 49 of the *Trademark Law of the People's Republic of China*, the brand should request the co-branding partner to provide evidence of the trademark's use over the past three years to mitigate the risk of trademark revocation during the collaboration. Furthermore, the licensing agreement should explicitly define liability for breach of contract in the event of trademark revocation, ensuring both parties are legally protected throughout the partnership.

4.2. Develop a comprehensive licensing agreement

Chinese law primarily regulates the licensing of registered trademarks under Article 43 of the *Trademark Law of the People's Republic of China*, which requires licensors to file a trademark usage license with the Trademark Office. However, the law does not mandate that the trademark usage license agreement be in written form or specify other formal requirements. In practice, disputes often arise due to ambiguous terms in trademark usage license agreements. For instance, in the trademark usage license dispute between Liuling Far East Co., Ltd. and Foshan Saturday Shoes Co., Ltd., uncertainties regarding the conditions for the agreement's validity led to legal complications [7].

Furthermore, if a co-branding agreement fails to define the scope, geographical region, duration, and intended purpose of the licensed trademark usage, the co-branding partner may engage in unauthorized use, potentially resulting in infringement disputes [8]. Therefore, after verifying trademark ownership and determining the usage method for co-branded products, it is essential for both parties to negotiate and draft a comprehensive licensing agreement.

First, the agreement should explicitly define the authorization method, scope, geographical coverage, and duration of the trademark usage for co-branded products. This ensures that unauthorized usage, which could lead to infringement claims involving either party or third parties, is effectively prevented. Additionally, the agreement should clearly outline the rights and obligations of both parties, as well as dispute resolution mechanisms.

Second, the agreement should anticipate and address issues such as the ownership of any new intellectual property created during the partnership, renewal procedures for co-branded trademark licenses upon expiration, and the management of any remaining co-branded products after the agreement's termination.

Finally, due to evolving market conditions, corporate developments, and regulatory policies, it is impossible to foresee all potential legal risks during the preparatory phase. To further safeguard trademark rights in co-branding partnerships, both parties should actively monitor actual trademark usage, newly developed intellectual property, product quality, and the reputation of the co-branding partner throughout the collaboration. This proactive approach enables timely intervention to mitigate risks that could impact the co-branding outcome.

5. Conclusion

The unique value of co-branding lies in its ability to generate marketing effects that are difficult for a single brand to achieve. Therefore, the legal status of the co-branded party's trademark is particularly crucial. Branding strategies are not limited to the two categories discussed in this article but also encompass the branding of commercialization rights and commercial sponsorships. These variations, due to their differing legal statuses, may infringe upon the exclusive right to use a trademark and thus warrant the attention of brand operators and their legal teams. At present, co-branding remains in its early stages; however, its sustainable and healthy development cannot rely solely on the unilateral efforts of brand operators. A comprehensive and robust legal framework for the protection and regulation of trademark rights must be established as a foundation. In the future, co-branding is expected to thrive in a fairer and more transparent environment as laws and regulations continue to evolve and consumer awareness of brand intellectual property rights grows. This progress will not only provide consumers with higher-quality products and services but also drive continuous innovation and advancement across the entire industry.

Disclosure statement

The authors declare no conflict of interest.

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