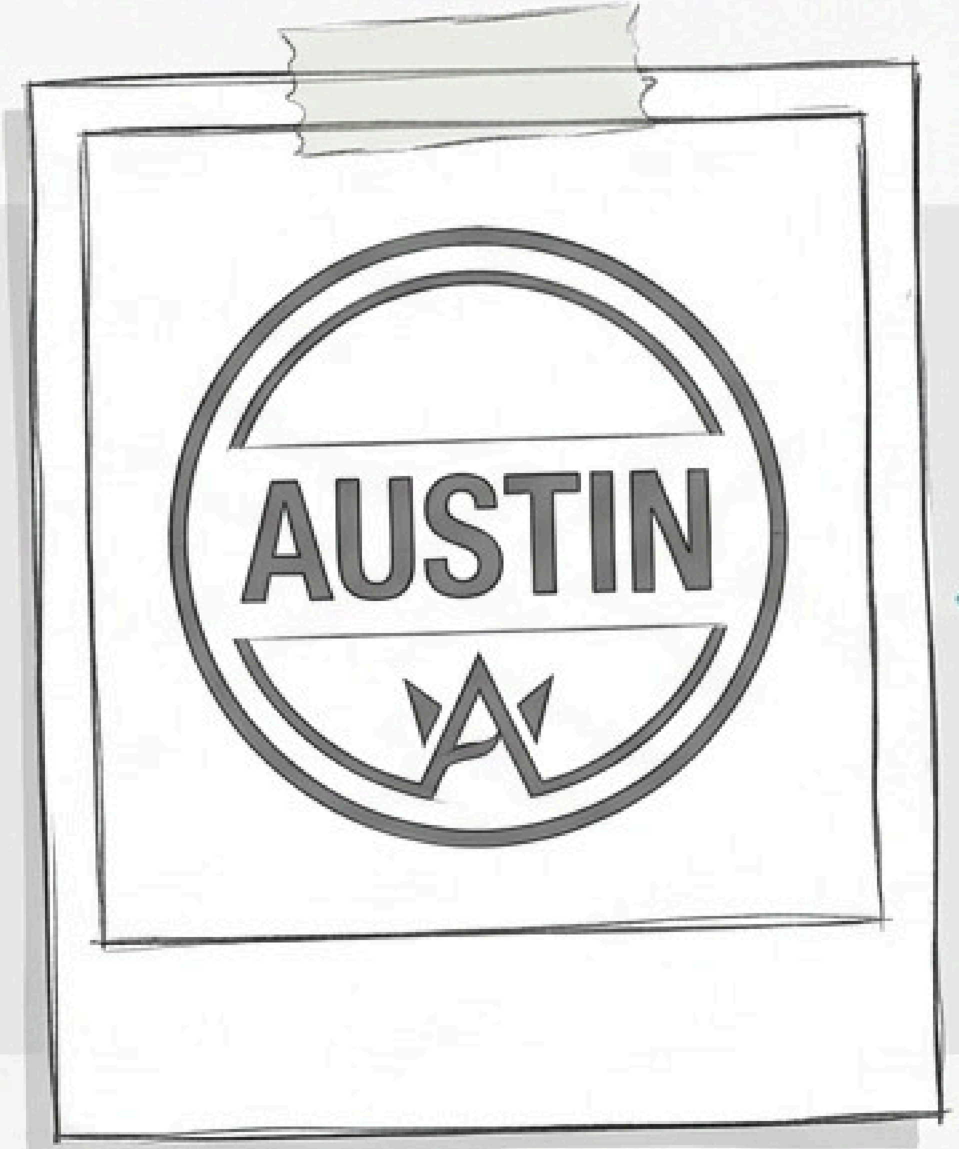
The Anatomy of a Trademark Infringement

A Case Study on Joint Liability, Supply Chains, and Statutory Damages

Taiwan Intellectual Property and Commercial Court, Civil Judgment 110 Min-Shang-Shang-Zi No. 14 (Date: 2023.01.19).

The Core Dispute: Trademark vs. Tag



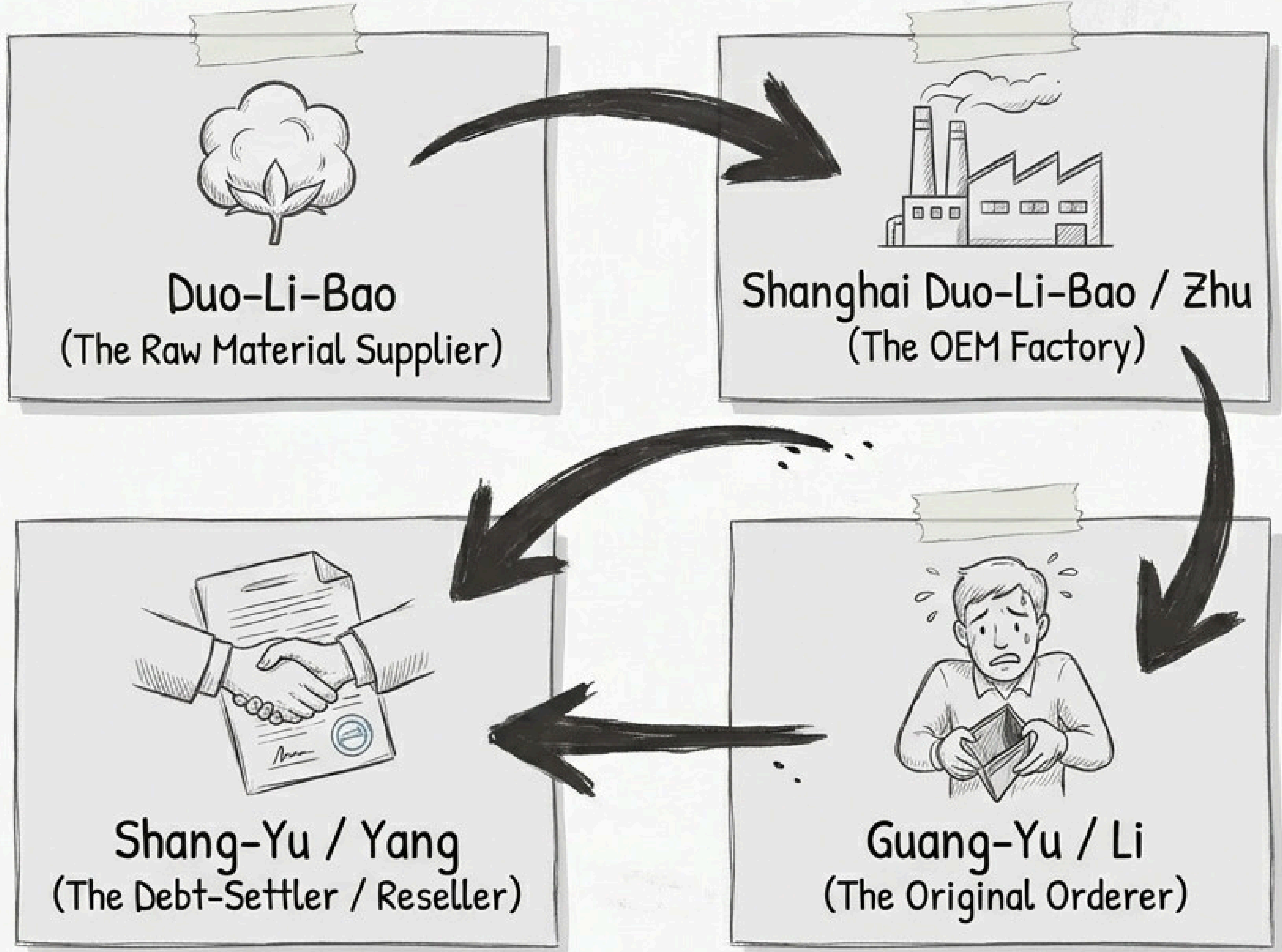
The Registered Mark
(AUSTIN & Device, Reg. No. 00115502)

The Infringing Good
(Nano-Ceramic Smart Fiber Quilt)

Legal Issue: Is there a Likelihood of Confusion?
(Trademark Act Art. 68(3))

Cast of Characters: The Corporate Network

Plaintiff
Jing-Tong
Industrial Co.
(IP Owner)



The Journey of the Infringing Quilts

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Step 1: The Order (Nov 2017)

4,200 quilts ordered by Guang-Yu for the Chinese market.

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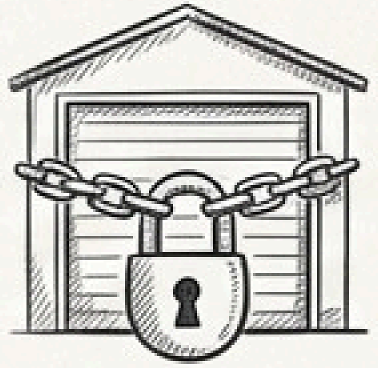

Step 2: The Default

Manufacturing completed, but payment fails. Goods trapped in warehouse.

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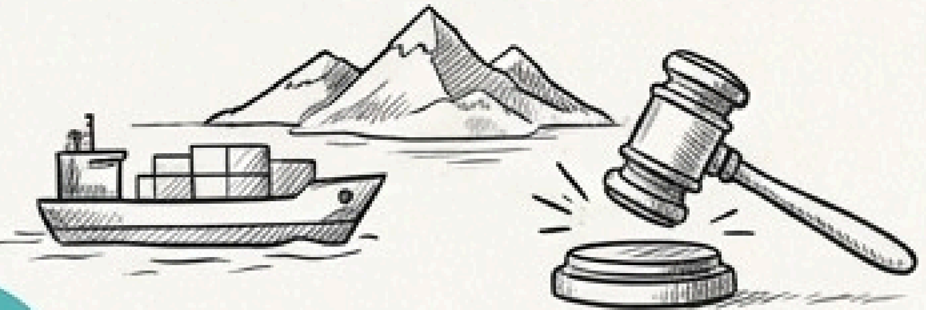
Step 3: The Debt Settlement (Dec 2018)

Shang-Yu buys all 4,200 units for 940k NTD to clear the debt.



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Step 4: The Market Entry

Goods imported to Taiwan. 12 units sold online for 1,200 NTD each, triggering the lawsuit.

The Plaintiff's Demands: Total Legal War

Claim 1: Joint Liability for ALL Defendants
(Supply chain to reseller)

Claim 2: Maximum Statutory Damages: 12.6 Million NTD
(3,000 NTD x 4,200 items)

Claim 3: Absolute Destruction
of all 4,200 infringing goods.

Claim 4: Front-page newspaper apology
to restore reputation.

Legal Issue 1: Did Infringement Occur?

Plaintiff Claims

The corner tag is an unauthorized use of a highly similar mark on identical retail bedding goods.

Defendant Argues

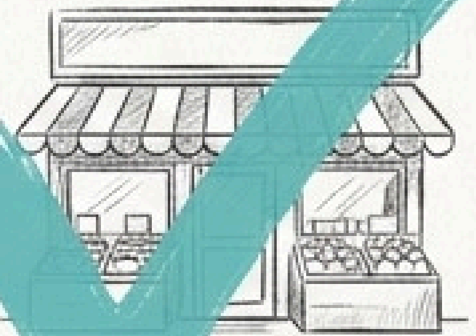
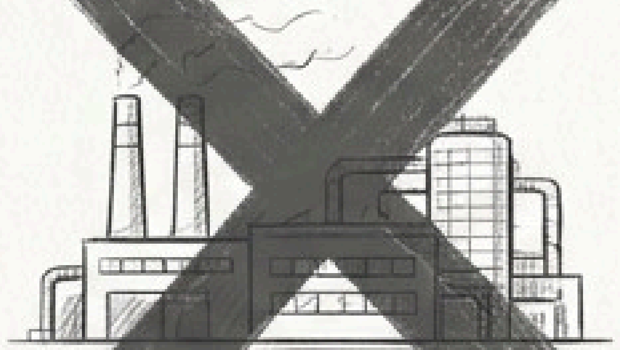
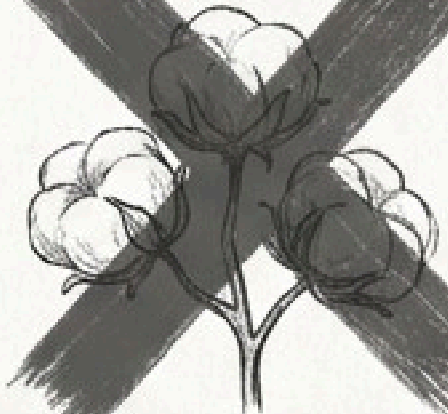
It's just a small corner tag on 4,200 warehouse items, mostly unseen by the public.

Court Rules (Trademark Act Art. 68(3))

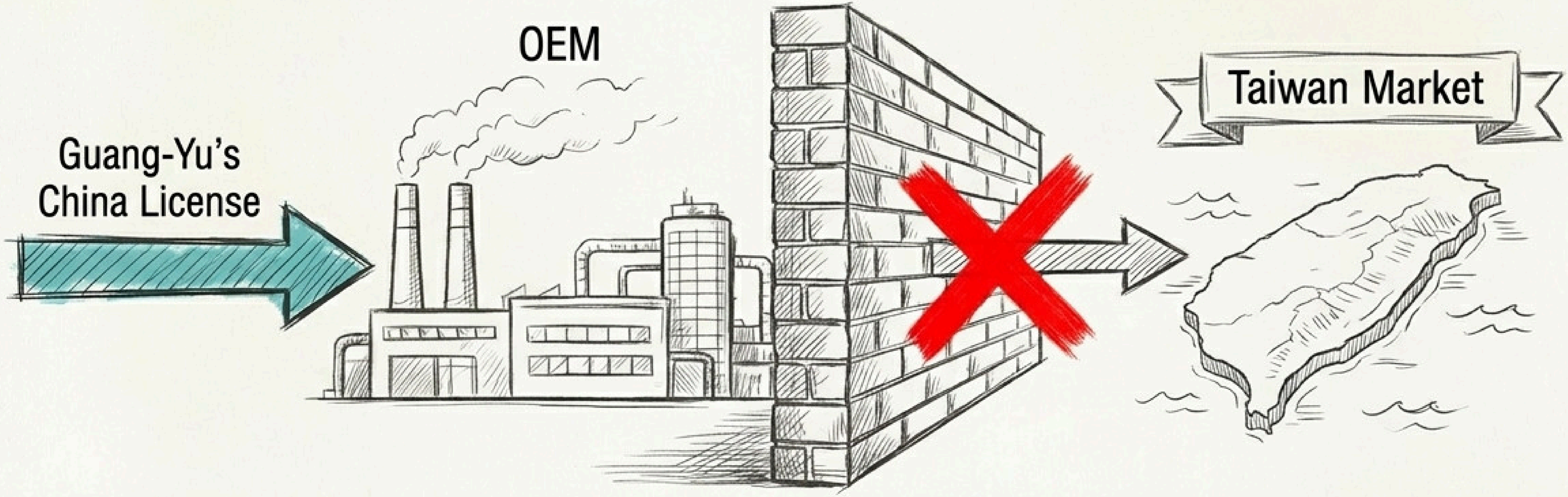
YES. Highly Similar Mark + Same Goods = Likelihood of Confusion. The tag serves as a clear indicator of source for consumers.

Legal Issue 2: The Liability Matrix

The Legal Test: Did the entity have unauthorized Intent to Market?

Shang-Yu / Yang (Reseller)  *Liable. Bought and imported inventory knowing lack of authorization.*	Shanghai Duo-Li-Bao (OEM)  *Cleared. No intent to market; mere contract manufacturer.*
Guang-Yu / Li (Orderer)  *Liable. Initiated unauthorized production.*	Duo-Li-Bao (Supplier)  *Cleared. Merely supplied raw cotton.*

The OEM's Defense: The Regional License Shield



The Accusation: Plaintiff argued the factory knowingly participated in a conspiracy to flood the Taiwanese market.

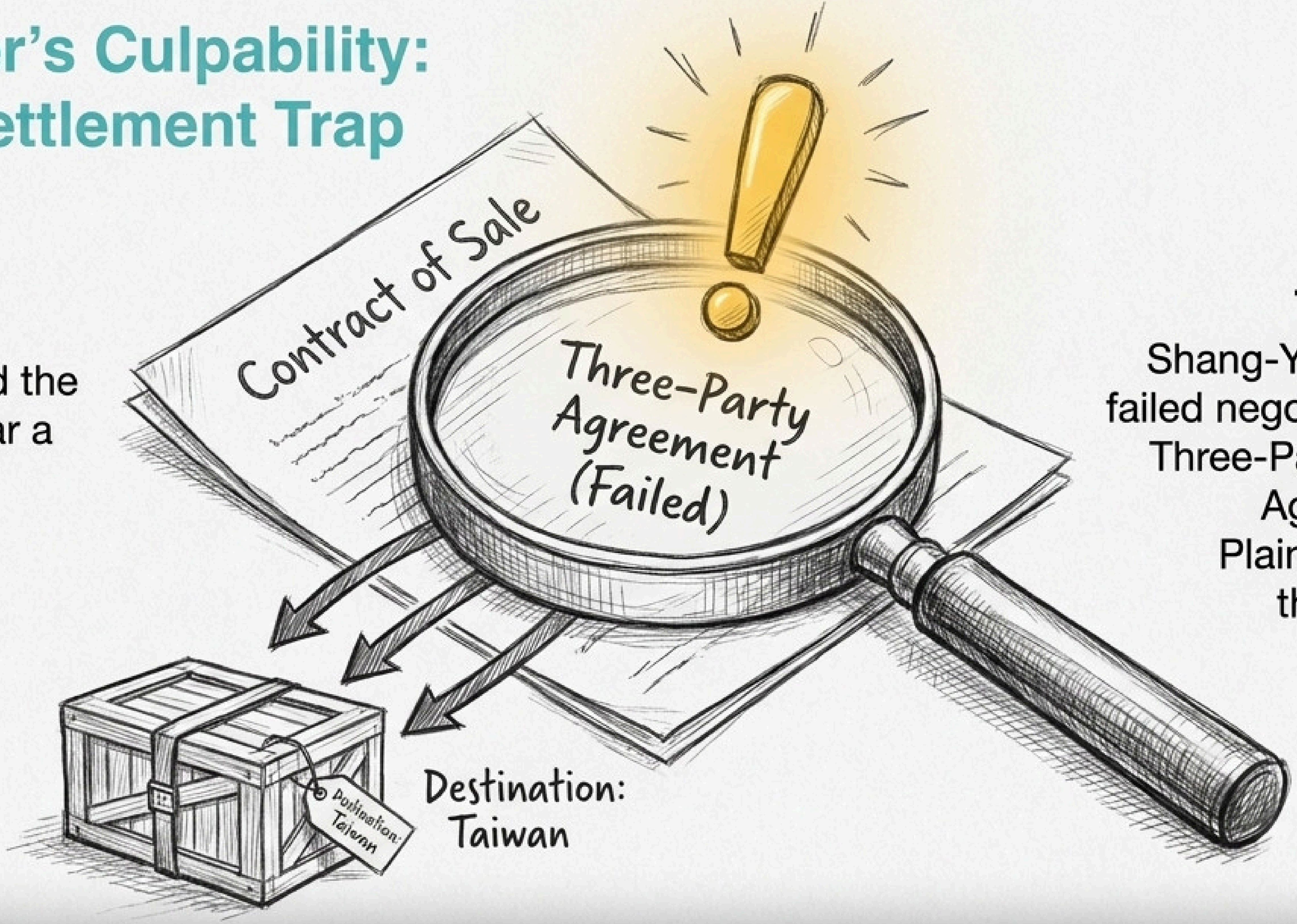
The Reality: Guang-Yu (Orderer) held an exclusive regional license for China. The OEM manufactured the goods strictly for the Chinese market.

The Verdict: The OEM lacked the foresight that the goods would be illegally diverted to Taiwan. Contract manufacturers are protected if acting on ostensibly legitimate regional instructions.

The Reseller's Culpability: The Debt Settlement Trap

The Scenario

Shang-Yu acquired the 4,200 quilts to clear a 940k NTD debt.



The Fatal Error

Shang-Yu was involved in failed negotiations to draft a Three-Party Authorization Agreement with the Plaintiff *before* buying the debt inventory.

The Verdict: They knew Guang-Yu lacked Taiwanese authorization. Acquiring and importing the goods **anyway constituted bad faith and willful infringement.**

Legal Issue 3: Calculating Statutory Damages

The Formula (Art. 71(1)(3)): Retail Price × Quantity

~~Plaintiff's Demand: 3,000 NTD (Online MSRP) × 4,200 items = 12.6 Million NTD~~

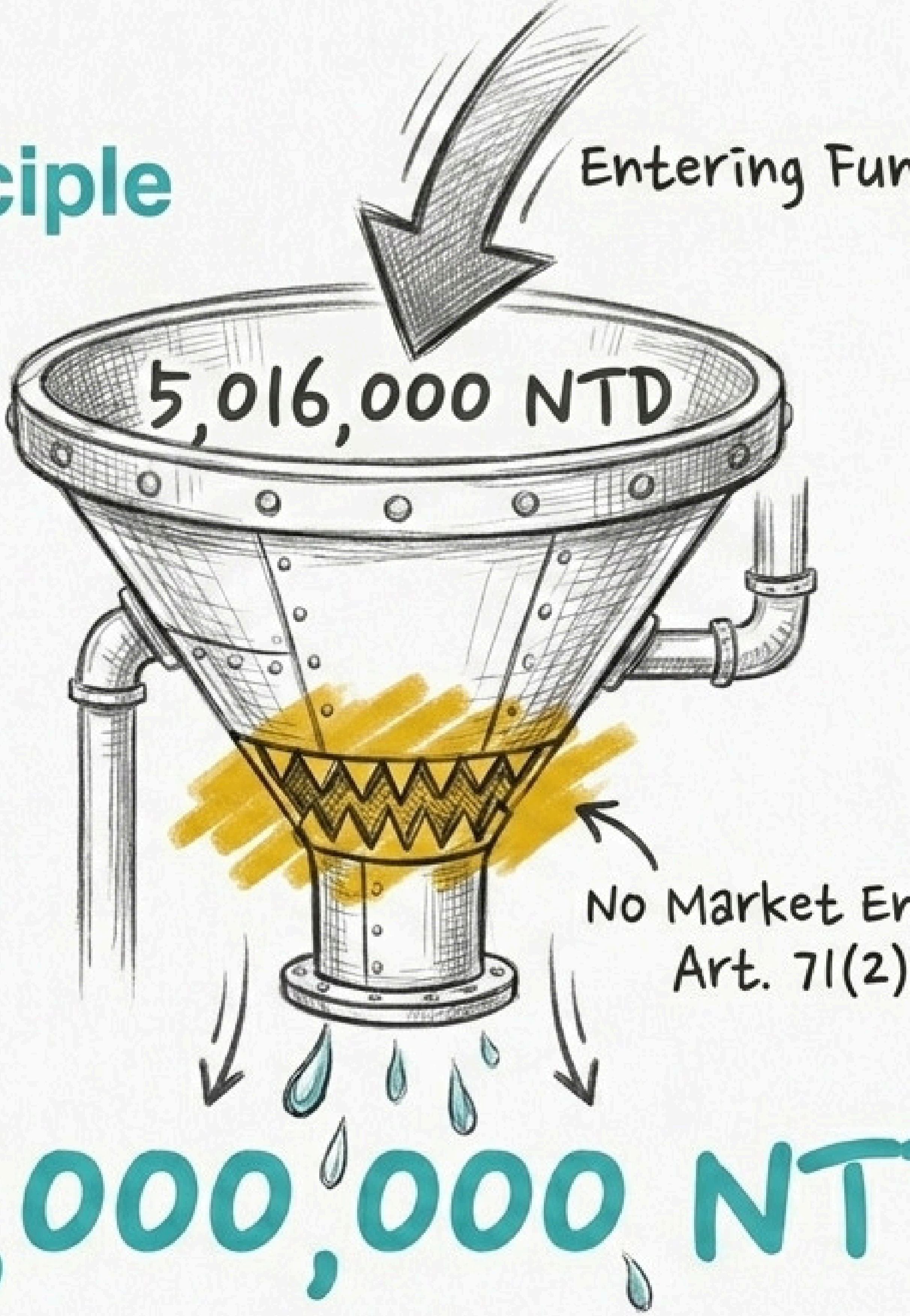
1,200 NTD × 4,180 items = 5,016,000 NTD

(Excluding 20 already litigated)

Proven criminal case Price

The New Baseline: 5,016,000 NTD

The Power of the Proportionality Principle



The Legal Mechanism

Trademark Act Art. 71(2) allows discretionary reduction of damages if the calculated amount is disproportionate to the actual harm.

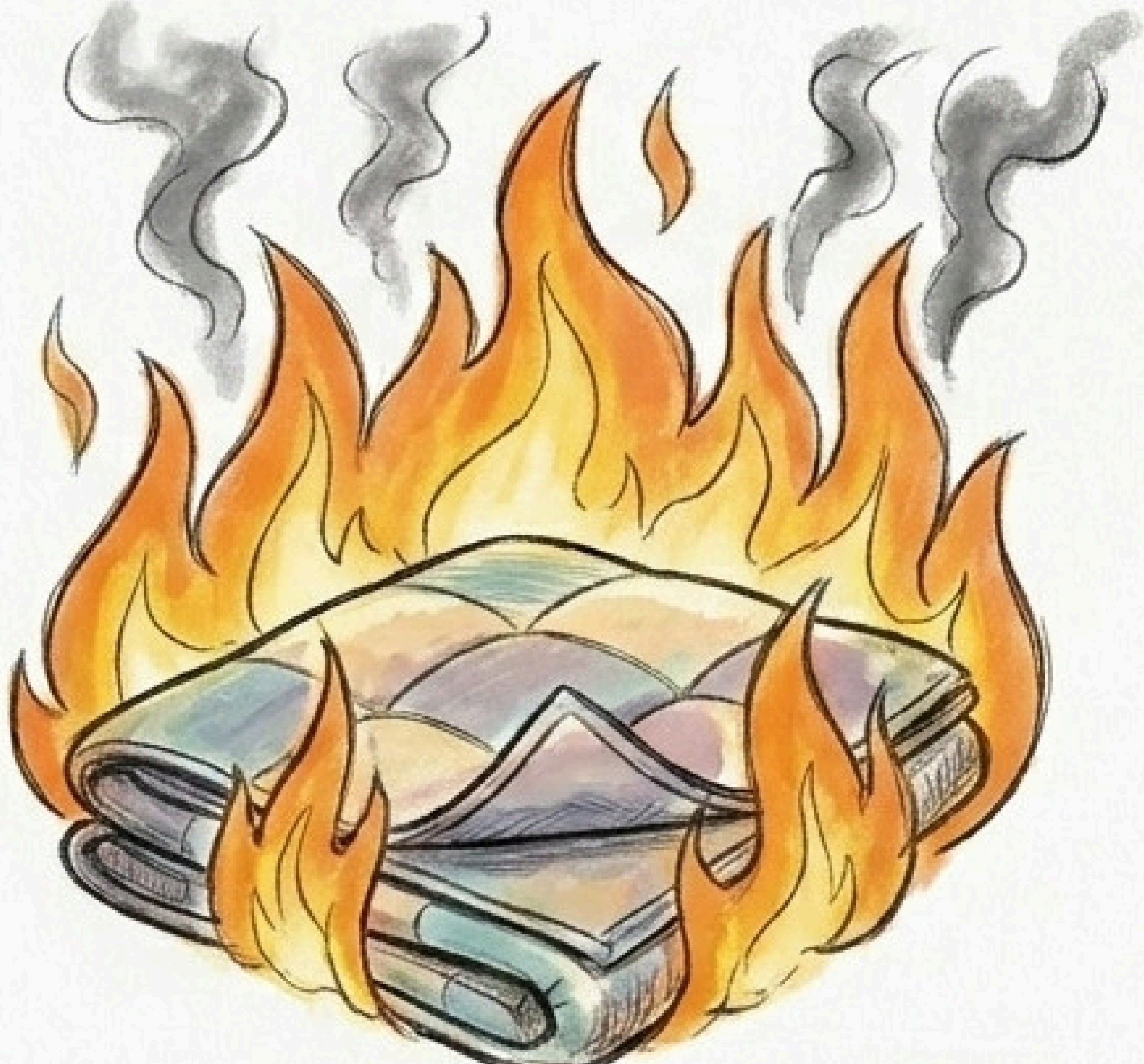
The Court's Rationale

The 4,180 quilts never entered the consumer market. No massive commercial damage occurred. The reseller made no illicit profit on the unreleased inventory.

The Final Damages: Slashed from ~5.01 Million NTD down to **1 Million NTD.**

Legal Issue 4: Destruction vs. Alteration

Plaintiff Demand: Total destruction of all 4,200 quilts (Trademark Act Art. 69).



~~Demand: Destroy~~

Court Ruling: Total destruction violates the principle of proportionality. The trademark infringement is limited to a small, sewn-on peripheral label.

The Remedy: Simply remove the tags. The underlying goods remain legal to sell unbranded.

Verdict: Remove Tags ✓

Legal Issue 5: Restoring Reputation

Plaintiff Demand: Compel the Defendants to publish a front-page newspaper apology (Civil Code Art. 195).

Court Ruling: Rejected.

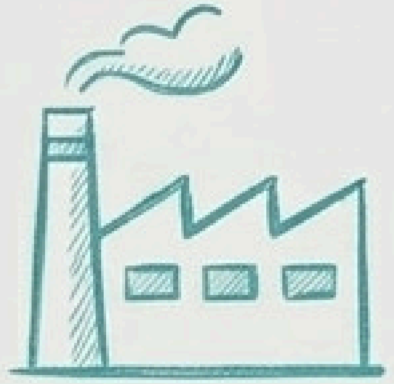
Rationale:
Because the 4,180 units never hit the market, the Plaintiff's business reputation was not demonstrably destroyed.

Financial compensation (1M NTD) is sufficient to make the Plaintiff whole.

The Final Scorecard: Demand vs. Verdict

Plaintiff's Demands			The Court's Verdict
Damages	12.6 Million NTD	⇨	Reduced to 1 Million NTD (Proportionality)
Liability	All Supply Chain Parties	⇨	Only Reseller & Orderer (Intent to Market)
Infringing Goods	Total Destruction	⇨	Alteration / Cut Tags (Proportionality)
Reputation	Newspaper Apology	⇨	Rejected (No Market Entry)

Key Takeaways & Legal Insights



1. Supply Chain Safety

OEMs acting strictly under regional licenses are generally shielded from liability if they lack the intent to export to unauthorized markets.

2. Debt Settlement Risks

Acquiring inventory to settle corporate debts is fraught with peril. Failing to independently verify IP rights prior to acquisition triggers bad faith liability.

3. Proportionality is King

Courts will actively intervene to reduce statutory damages (Art. 71) and prevent wasteful destruction of goods (Art. 69) if the actual market impact of the infringement is contained.