

# China: Bad Faith Filings – Dou Shan And Beyond

*Doosan Corporation and Doosan Infracore Co, Ltd. v. Beijing Jia He Xing Chan Lubricant Oil Co, Ltd., Supreme Court of the People’s Republic of China (March 30, 2016).*

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The Chinese government has in recent years updated its intellectual property laws in an effort to target bad faith trademark filings. Amended trademark laws came into force in May 2014 that include, for example, a provision stating that trademark applications should be refused where the applicant was already aware of the existence of a prior unregistered trademark.

More recently, in January 2017, the Supreme Court of the People’s Republic of China (the “Supreme People’s Court”) issued “Provisions on Several Issues Concerning the Hearing of Administrative Cases Involving the Granting and Affirmation of Trademark Rights” (the “Provisions”), which came into effect in March 2017. The Provisions specifically address bad faith trademark applications and state that evidence proving that the applicant acted in bad faith is not limited to just facts present at the time the application was filed. Rather, courts may consider ancillary facts following the filing, including how the trademark is being used (see Provision 25 of the Provisions). Provision 25 also states that where a trademark with a strong reputation is involved, the court may presume that the application was filed in bad faith, unless the applicant proves that there was a proper cause for the filing.

A recent case before the Supreme Court, *Doosan Corporation and Doosan Infracore Co, Ltd. v. Beijing Jia He Xing Chan Lubricant Oil Co, Ltd.* (“*Dou Shan*”), provides a preview of a possibly more aggressive stance Chinese courts may take against bad faith trademark applications, in this case involving Article 10(1)(8) of the Trademark Law of the People’s Republic of China (“Article 10(1)(8)”). Until recently, Article 10(1)(8) was considered a valid basis in an opposition only where the

trademark at issue would be considered detrimental to socialist morality and customs or have “other negative effects,” and only where the application would have a negative effect on political, economic, cultural, religious, ethnic, or other public interests or the public order (and not solely affect an individual party’s interest). In *Dou Shan*, the Supreme People’s Court apparently expanded this precedent and upheld a lower court’s application of Article 10(1)(8) in reviewing an opposition proceeding, invalidating the subject applications where the applicant purportedly filed numerous trademark applications in bad faith.

### **A. Background**

In 2008, *Doosan Corporation along with Doosan Infracore Co, Ltd.* (together, “Doosan”) opposed applications by Beijing Jia He Xing Chan Lubricant Oil Co, Ltd. ( “Jia He”) for (i) DOOSAN and (ii) “斗山” (DOOSAN in Chinese characters) covering, inter alia, “lubricating oil; lubricating grease; etc.” (the “subject applications”) before the Chinese Trademark Office (the “CTMO”). The oppositions were filed on the basis that the subject applications were confusingly similar to Doosan’s registrations for its 斗山 DOOSAN mark, and that the covered goods were similar to Doosan’s registrations for “milking machines; excavators; printing machines; road rollers; aircraft engines; etc.” The CTMO held in Doosan’s favor in July 2011, rejecting the subject applications based on the provisions of Article 10(1)(8), namely, that the subject applications caused “unhealthy influences.” Jia He filed reviews of the decisions before the Trademark Review and Adjudication Board (the “TRAB”) in September 2011, but was unsuccessful.

Jia He then appealed to the Beijing First Intermediate Court in 2013 and subsequently to the Beijing Higher Court in 2015, and lost in both instances. Jia He brought the cases to the Supreme People’s Court for retrial. In its March 2016 decision, the Supreme People’s Court rejected Jia He’s request for a retrial, finding that the Beijing Higher Court did not err in affirming the lower court’s decision.

### **B. The Supreme People’s Court Decision**

The Supreme People’s Court held that the subject applications were contrary to Article 10(1)(8) because (i) Doosan’s trademarks had acquired a high degree of recognition with respect to the designated goods before the filing date of the subject applications; and (ii) Jia He had applied to register many trademarks for various Class 4 lubricant products that copied the names of well-known third-party automobile makes and models (e.g., the Chinese transliterations for “HONDA,” “PEUGEOT

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CITROEN & PSA,” “REGAL,” “ELANTRA,” and “SAGITAR”). As such, the lower court correctly held that the subject applications violated the principle of honesty and good faith, seriously disrupted the order of the trademark registration regime, and was likely to have “unhealthy influences” under Article 10(1)(8).

### **C. Implications of the Decision**

This decision could optimistically be viewed as a meaningful step by the Chinese courts to combat bad faith filings by extending Article 10(1)(8) to cover cases where the alleged bad faith applicant has filed numerous applications for well-known marks (and even where the application at issue only impacts the civil rights of a specific party). Indeed, about a year after the decision issued, in April 2017, Beijing’s IP Court held a press conference highlighting the efforts it is making to fight bad faith filings (although it did not specifically address the use of Article 10(1)(8) as a basis for challenges against mass filings for third-party well-known marks). In May 2017, the Beijing IP Court published examples of scenarios that typically constitute bad faith filings which include mass filing of trademarks without the intention of use. Other examples include applications for third-party well-known trademarks filed by an agent; the filing of a prior-used third-party trademark with reputation; and the unauthorized filing of a celebrity’s personal name. Given the Beijing IP Court’s focus on bad faith filings in recent months, Dou Shan appears to herald a period of increased court scrutiny of bad faith filings.

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