

LOSS OF THE “IPAD” TRADEMARK IN CHINA: AN ILLUSTRATION OF APPLE’S TRADEMARK WOES WITH KEY TAKEAWAYS

SUMMARY

Plaintiffs: Apple Inc. and IP Application Development Limited (collectively referred to as “Apple”)

Defendant: Proview Technology (Shenzhen) Co., Ltd. (“Shenzhen Proview”)

Shenzhen Proview and Proview Electronics Co. Ltd (“Taiwan Proview”) are 100% owned by Proview International Holding Limited, a listed company in Hong Kong. In 2000, Taiwan Proview registered the trademark “iPad” in many countries. In 2001, Shenzhen Proview filed the trademark applications for “IPAD” (reg. no. 1590557) and “**i**PAD ” (reg. no. 1682310) (the “Marks”) in mainland China on the goods of “computers; etc.” in class 9, which were approved for registration in 2001.

In 2009, Taiwan Proview executed an assignment agreement for the assignment of the “iPad” trademark rights to Apple in various countries including China. The assignment agreement was executed by the head of the legal department of Taiwan Proview under a Power of Attorney given to him by Taiwan Proview. Apple announced the global launch of iPads in January 2010, following which Shenzhen Proview refused to execute assignment agreement for the Marks in China to Apple. Apple filed non-use cancellations against the Marks in February 2010, and subsequently filed a civil suit against Shenzhen Proview with the Shenzhen Intermediate Court in April 2010 requesting Shenzhen Proview to transfer the mark to Apple.

COURT’S FINDINGS

The case was heard in open court throughout 2011, and judgment was delivered in December 2011. It was held that Shenzhen Proview is the rightful owner of the Marks. The assignment agreement between Apple and Taiwan Proview is not legally binding on Shenzhen Proview. The fact that the legal representative of Taiwan Proview and Shenzhen Proview was the same individual does not bolster the claim, as there is no evidence that the legal representative was acting on behalf of Shenzhen Proview. Evidence of email chain with individuals with the email address of “@proview.com.cn” has no legal force. The claim of Apple was not supported by the Court.

Apple appealed and the appeal to the High Court of Guangdong Province is now pending.

SHENZHEN PROVIEW’S RETALIATION

Shenzhen Proview has lodged claims in various courts in China against Apple and its distributors in China. In December 2011, Shenzhen Proview initiated litigation against Apple’s Shanghai subsidiary based on trademark infringement, which has been accepted by the Pudong Court in Shanghai. On 22 February 2012, the court hearing was held for four hours, but no judgment was made. On the same day, Shenzhen Proview also filed a claim in the Pudong Court for a restraining order preventing Apple from selling iPads in China, and allegedly is willing to provide security of costs for such order.

Shenzhen Proview has also made trademark infringement complaints to the local AIC in major cities, such as Beijing, Shanghai, Shenzhen, and it has been reported that the AICs who have accepted such complaints has begun investigations on the case. Up till today, there are more than 20 local AICs which have begun the investigation work.

In February 2012, Shenzhen Proview filed a request with the China Customs to prohibit the exporting and importing of iPads, which is pending examination. This may potentially lead to Apple’s iPads being seized at Customs for trademark infringement.

ONLINE RETAILERS' REACTION

Since early February 2012, popular online retailers in China, such as Amazon, www.gome.com.cn (online seller for Gome), www.suning.com, www.360buy.com, etc. are reported to have stopped selling iPads in China. Their decision to discontinue sales of iPads despite allegedly being authorized resellers may be because of the possible trademark infringement through making such devices available in China. Retailing infringing products is an infringing act under the Trademark Law, actionable by Shenzhen Provview.

It is widely speculated that settlement will be reached by the two parties.

KEY TAKEAWAYS FOR YOU AND YOUR CLIENTS

i) Consider Defensively Filing for Trademark Applications:

Trademark registrations are based on the "first to file" principle. Even if trademarked products are only manufactured and not sold in China, trademark applications should be considered to prevent being sabotaged by third parties if bad faith trademark registrations are recorded in Customs, preventing exports. A clearance search before filing is recommended.

ii) Do Sufficient Due Diligence Prior to Trademark Assignments and Treat them with Care:

The Assignor of trademarks must be the registered owner as recorded in the Chinese Trademark Office ("CTMO"). In this case, although both Taiwan Provview and Shenzhen Provview are subsidiaries of the same parent, the trademark owner of "iPad" in mainland China is Shenzhen

Provview, not Taiwan Provview. Therefore, according to the Contract Law, only Shenzhen Provview has the right to transfer the Marks to Apple. The assignment agreement signed by Taiwan Provview has no legally binding force on Shenzhen Provview.

Further, to successfully record a trademark assignment in China, an assignment agreement is not normally required by the CTMO. However, an Assignment Form duly signed or sealed by both the Assignor and the Assignee is necessary. Where the authenticity of the seal or signature in the Assignment Form is challenged by the CTMO, or the Assignor denies its seal or signature on the Assignment Form, a notarized assignment agreement is necessary to prove the authenticity of the assignment.

iii) Customs Recordals Are Effective and Powerful

The Customs recordal system is a fast and efficient way to protect your registered IPR rights (e.g. design patents, copyright and trademarks) in China. Infringing goods will be monitored and seized by the Customs, whereas the goods from your authorized distributors recorded with Customs will not be affected.