

iPad Settlement: 60 M Dollars Tell Four Enlightenments

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Now, as settlement is out there, curtain descends on and the dispute is over.

In the settlement reached on June 25, 2012, Apple Inc. pays Proview Shenzhen 60 million dollars, and Proview Shenzhen assigns the trademark iPad to Apple Inc.. This dispute has dragged on for quite a while, arousing and drawing worldwide attention along with it since Apple Inc. has been involved in it. One may be somewhat surprised to learn that Proview Shenzhen, after the settlement has been concluded, said that if they had followed a normal negotiation process with Apple Inc. as mediated by the Court, they would have got a much less amount of compensation than 60 m dollars. Now, it is not a matter of win or loss, rather, a matter of enlightenment one can draw from the case.

No permanent friends, but only permanent interests

Apple Inc. and Proview Shenzhen used to be business partners. In 2009, Apple Inc. signed a deed of assignment with Proview Taipei to buy trademark iPad via its shadow company, IP Company in UK, at amount of 35,000 pounds. However, the trademark iPad in China was not registered in the name of Proview Taipei; rather it was registered in the name of Proview Shenzhen, an affiliated company incorporated by the same Taiwanese businessman as Proview Taipei. Along with the launch of iPad branded tablet computers in China, dispute over ownership of trademark iPad has arisen between them ever since.

Apple Inc. currently owns three primary brands, i.e. iPod, iPhone and iPad, which are unparalleled drivers for its mobile device business worldwide. Last year, Apple Inc. sold 32 million units of iPad devices and earned 20.4 billion dollars as global revenue. China is the second largest market for Apple Inc. and takes up 16% of its global sales revenue.

iPad tablet computer is undoubtedly a huge lucrative cake. As the registrant of trademark iPad, Proview Shenzhen has aimed at a cut from the cake, even if it may be a small slice from Apple Inc., who was ever a big friend in old time. For Apple Inc., it is not a big deal to spend money on buying the trademark as long as it can enjoy sole ownership of the mark. As a saying goes in the world of business, there are no permanent friends, but permanent interests. Through the settlement, Apple Inc. has acquired the trademark right to iPad and enjoys exclusive right to it in China, go on biting a bigger share in the Chinese market, while Proview Shenzhen, an insolvent dumb friend, has walked away with cash in its pocket and smile on its face.

Blessing or bane

As an old Chinese story talks about it, an old man of frontier lost his horse and was very sad, but a while later, the very horse came back to him, bringing with it another even better horse. The underlying philosophical principle is a loss may turn out to be a gain.

At the beginning of the dispute, a lot of people in the legal field held doubt of the odds of success for Apple Inc.. Apple Inc. lost the case in the trial of first instance at the Shenzhen Intermediate People's Court. As the buyer, Apple Inc. may not have been clearly advised by Proview Shenzhen who was the true registrant of the trademark iPad in China. On the other hand, Proview Shenzhen has filed a few complaints before the AICs and lodged civil lawsuits before the Courts for trademark infringement against iPad, both of which proceedings may cause Apple Inc to face with administrative fine or civil

damage in billions of dollars, and an order to stop using iPad for its tablet computers in China. However, Apple Inc. has held on and on. As it has been commonly perceived, it is the Apple Inc. and quality of products behind the iPad brand that has won confidence and loyalty of millions of its users. Of course, Proview Shenzhen registered iPad in good faith about 10 years ago. However, Apple Inc. eventually turned out to be the owner of the mark via settlement, ended up like the happy man in the old story.

Harbour no ill intention against others, but never relax vigilance against evil-doers

As early as 2000, Proview Taipei registered trademark iPad in many countries and regions. In 2001, Proview Shenzhen registered trademark iPad in China. At initial stage of negotiation of assignment, Proview UK took part in the negotiation. As the talks moved on, the Proview UK asked Apple Inc. to contact Proview Shenzhen. Afterwards, there has been correspondence via over 80 emails between Apple Inc. and Proview Shenzhen, and right at the time of signing the deed of assignment, Proview Shenzhen transferred signing of the deed to Proview Taipei. About 10 years later, Proview Shenzhen suddenly turned hostile to Apple Inc. and denied all of the then intention of assignment.

Proview Shenzhen participated in the core phase of negotiation of assignment, but asked Proview Taipei to sign the deed of assignment, and 35000 pounds of compensation was also directly received by Proview Taipei. At that time, Proview Shenzhen completely fell into insolvent situation and was under the bank's frozen supervision procedure. In order to circumvent the bank's supervision and get the money directly, Proview Shenzhen asked Proview Taipei to sign the deed of assignment with Apple Inc. and asked Apple Inc. to remit the money to its designated bank account. Apparently, Apple Inc. totally fell into the loophole designed by Proview Shenzhen. On February 6, 2012, Proview Shenzhen filed a civil lawsuit of trademark infringement against Apple Inc. for unauthorized use of iPad with the Shanghai Pudong New Area People's Court, requesting a preliminary injunctive relief. The Court rejected the lawsuit on February 23, 2012, but Apple Inc. had to allocate manpower, material resource and money to deal with this legal lawsuit, anyway.

Preemptive, accumulative and professional

Intellectual property is very important to an enterprise. China implements "first-to-file" principle and registration system for trademark registration and protection, as opposed to the common law country like the United States. As it is widely observed, Apple Inc. has committed a tiny ignorance when it dealt with the assignment against the trademark iPad. Basically, Apple Inc. did not perform sufficient due diligence over the status of the mark at issue, and relevant laws and regulations concerning the requirement of governmental approval and publication of assignment against a registered trademark in China. This has become a common problem for multi-national companies when they enter the Chinese market and deal with merger and acquisition in that intellectual property is involved. For Apple Inc., a few years ago, it ever paid 3.65 million dollars to settle a conflict with a Chinese applicant for trademark iPhone in order to acquire registration for its trademark iPhone in China. Well, buy and sell is a market behaviour. However, the trademark iPad settlement has become a landmark event because of such a high price of 60 million dollars, and its exposure may cause misunderstanding that trading a trademark can make a big fortune. Therefore, it may encourage more and more pre-emptive filings of trademarks in bad-faith, in that one may register other's reputable trademarks for selling for money. Even if Proview Shenzhen did not apply for registration of the trademark iPad in bad-faith over 10 years ago, the price of assignment may intrigue pre-emptive filings by speculators and bad-faith doers, who are particularly sensitive about any money-making opportunity. For multi-national companies entering the Chinese market, the iPad case is a practical lesson to learn. It is always advisable to hire local trademark attorneys to participate in the process, who will advise on the dos and don'ts in order to avoid such a low-level mistake.

In conclusion, an enterprise should be better off if it has a pre-emptive idea, accumulative building up of its intellectual property assets and professional management for their intellectual property portfolio in order to secure protection for their intellectual property rights.

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