

# **iPad Dispute in China: Once Bitten, Twice Shy?**

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## **Historical Points of Progress concerning the Trademark iPad Disputes**

On February 29, 2012, the Guangdong Higher People's Court held the trial for a whole day, but did not make the judgment right after the trial. The court declared to choose another day to announce the judgment.

On February 23, 2012, the Shanghai Pudong New Area People's Court suspended the trial of the lawsuit of trademark infringement upon iPad filed by Proview Shenzhen against Apple, pending the outcome of the trial of second instance by the Guangdong Higher People Court on the right to the trademark iPad, appealed by Apple as the appellant and Proview Shenzhen as appellee.

In February 17, 2012, the Huizhou Intermediate People's Court made a judgment on the lawsuit of trademark infringement upon iPad filed by Proview Shenzhen against Apple's Chinese distributors.

In January 2012, Applied filed an appeal against the Shenzhen court's judgment before the Guangdong Higher People's Court.

In December 2011, after three hearings, the Shenzhen court made a judgment to reject Apple's claim on damage and the right to the trademark iPad.

In February 2011, Apple Inc. (hereinafter Apple) filed a lawsuit over the right to the Chinese trademark registration for iPad in China before the Shenzhen First Intermediate People's Court, which first started the dispute.

In the year 2009, Applied acquired the right to trademark iPad in overseas countries at price of 35,000 pounds. However, as declared by Proview Shenzhen, the trademark right to iPad in China mainland belongs to Proview Shenzhen.

In the year 2001, Proview Shenzhen Technology Co. Ltd. (hereinafter Proview Shenzhen) obtained registration of two trademarks for iPad for computers.

In the year 2000, Proview Taipei Inc. (hereinafter Proview Taipei) registered iPad as trademarks in respect of computer and other electronic goods in Europe and other countries.

## **Current Status of the Case of the Dispute over Right to Trademark iPad**

Apple has lost the case to Proview Shenzhen before the Shenzhen Intermediate People's Court on the contractual dispute over the right to trademark iPad. However, Apple has appealed before the Guangdong Higher People's Court for trial of second instance, which was held on February 29, 2012. The court has not yet declared the judgment but will choose another day to announce it.

### **Is Proview Shenzhen a Bad-faith Doer?**

In the center of the dispute between Apple and Proview Shenzhen is the trademark iPad for computers. Proview Shenzhen registered their trademark iPad in 2001, when Apple had not created the idea of iPad. Obviously, Proview Shenzhen has registered the mark much earlier than Apple started to use it. Therefore, Proview Shenzhen did not register the mark in bad-faith.

### **Does Apple infringe upon Proview Shenzhen's Trademark iPad?**

As provided by Article 52 of the Chinese Trademark Law, to use a trademark that is identical with or similar to a registered trademark in respect of the identical or similar goods without the authorization from the trademark registrant shall constitute an act of infringement of the exclusive right to use a registered trademark. This regulation does not need to satisfy "confusion" as a prerequisite, and as long as the use of the registered is unauthorized on the identical or similar goods, claim of infringement is justified. In this case, even if consumers will associate the iPad-tablet computers with Apple rather than Proview Shenzhen when they look at the iPad branded tablet computers, the association or mental association shall bring harm to Proview Shenzhen in that the Proview Shenzhen's computer products bearing iPad shall lose their distinctiveness and identity. The Trademark Law is aimed at not only preventing consumers from confusion, but also protecting the right and interest of a prior registrant of a trademark. Definitely, by using of iPad for tablet computers, Apple has committed an act of trademark infringement, since it knowingly started to use the mark without authorization from Proview Shenzhen as the lawful registrant of the trademark iPad.

### **Issues of Dispute before the Guangdong Higher People's Court**

As it has been well observed, the core issues of dispute are focused on two agreements. One is the trademark assignment deed signed between Proview Taiwan and the British IP Application Development Company, and another one is the trademark assignment deed signed between said IP Company and Apple. In the first assignment deed, Proview Shenzhen is not a signing party, so it has no contractual obligation to implement the assignment deed between Proview Taipei and IP Company. Proview Shenzhen and Proview Taipei are two separate and independent civil legal entities, even if there is relationship between them since both of them are under Proview International. In addition, Proview Shenzhen was not given any money in amount of 35,000 pounds the IP Company paid for the deal of assignment between Proview Taipei and the IP Company. Also the interest of all the creditors of the insolvent Proview Shenzhen shall be harmed if the mark is assigned to Apple without compensation.

In the process of the second assignment deed, Apple made and used a common strategic method by setting up an agent company in the UK, which is IP Application Development Company, in order to negotiate with Proview Taiwan for assignment of iPad at a lower price. It is well perceived that the value of intellectual property such as a trademark is difficult to appraise in the business transaction. In

the trademark assignment, if the assignee is a small company, its low profiling position may help it bargain for a lower price. Apple purchased trademark iPad from Proview Taipei via the IP Company and this operation of transaction is definitely lawful.

However, regardless of legality of Apple's tactic method in buying the trademark iPad from Proview Taipei, the question is why Apple has committed infringement upon Proview Shenzhen's iPad? Has apple made a mistake?

### **What Unthinkable Rookie Mistakes Has Apple Made?**

First, Apple failed to conduct due diligence, in that it did not conduct a preliminary availability search for the mark iPad before it decided to purchase the trademark right to iPad in China, especially before it launched the iPad branded tablet computers in 2009 in China since use of iPad is definitely an act of infringement upon Proview Shenzhen's trademark iPad. Secondly, Apple did not understand the basic knowledge of the Chinese Trademark Law. As provided by the Chinese Trademark Law, assignment of a registered trademark should be examined, approved and published by the Trademark Office, and the date of effective assignment of the trademark right is the date of the publication of the approval of assignment in the official Trademark Gazette. In this sense, before the official publication of assignment against a registered trademark in China, the mark is still registered in the name of the original registrant who still has the freedom to assign the mark to a third party, and if the assignment with the third party is approved and published, the mark will be legally assigned to the third party. Third, Apple has pulled itself into a passive situation since it has adopted a strategy to first commit an act of infringement and this will not be favorable to a settlement with Proview Shenzhen. Apple has launched the iPad tablet computers in a massive manner in 2009 in China before it legally acquired the trademark right to iPad, and its use of iPad has constituted an act of trademark infringement. As a result, Apple will face with billions of administrative fines that shall be imposed by AIC, huge damages awarded by the people's court, stop using iPad, if it eventually loses the dispute to Proview Shenzhen. Forth, Apple should pay more attention to legal culture and practice difference. In this dispute, the difference between the Eastern and Western legal culture is one reason leading to Apple's legal flaw, and insufficient respect to Chinese intellectual property counterpart is another reason. Apple should hire and rely on a local professional Chinese intellectual property firm, who understands its business, Chinese trademark practice and administrative procedures to deal with its trademark matters.

### **What is the Most Likely Solution?**

When looking at the crazy fans of iPad tablet computers in China, nobody shall say Apple will easily change the name of iPad, let alone give up and leave the Chinese market. It is obviously difficult for the Guangdong Higher People's Court to render the final judgment, considering the trial and judgment has a regard to the dignity of Chinese law, but settlement does not. So, the court shall do the utmost effort to mediate for a settlement. On the Apple side, it still has the room to negotiate for a reasonable

price to be paid for its mistake before the court makes the final judgment. On the Provview Shenzhen side, it has been deeply trapped into insolvency, and why not takes the easy money and finds a way out? There may be another solution, that is the Provview Shenzhen can go through the judicial bankruptcy liquidation procedure. As a result, the iPad trademark will be sold at auction, and Apple has an opportunity to buy the mark at auction price. Well, the price will be distributed among Provview Shenzhen's creditors in line with the Chinese bankruptcy law.

***For more information, please contact:***

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