

medical use claims, by the time the European patent was granted in 2005. Therefore, the preliminary injunction request of the patent owner was rejected. The Court held that second medical use claims are not patentable under the Patent Law, and the EPC 2000 amendment to Article 54(5), which provides legal basis for the patentability of second medical use claims, was not in force by the time the European patent was granted by the European Patent Office (EPO). The Court further held that the Swiss-type claims were developed by the case law of the EBA and that the Court is not bound by such case law.

The first instance IP Court's decision has been criticised, first owing to the Court's declaring an opinion regarding the invalidation of the patent in its decision dealing with the preliminary injunction request, and before the invalidation claim of the opposing party was tried during the substantive proceedings and a final judgment given. The second reason for the criticism is that the Court did not explain the reasons why it concluded that second medical use claims are not patentable under the Patent Law, while the patent in question does not claim for a therapy method per se,

but rather a Swiss-type claim, which reads as 'Use of compound X in the preparation of a medicament for the treatment of Y in which X is administered intermittently and in which the period between administrations is at least about 6 months'. Thus the question of why a Swiss-type claim is not patentable, if not under the EPC, according to the provisions of the national Patent Law, has been left unanswered. The Court also did not present any grounds as to why such a claim is not patentable in view of the exception provided in Article 6 regarding the patentability of the substances, compositions or their manufacturing processes for medical uses.

It remains to be seen how the Court will deal with the objections of the patent owner and especially with Article 138 of EPC 2000, which the Court has to apply during the invalidation proceedings of a European patent, and according to which the novelty criteria under Article 54(5) have to be respected.

**Note**  
1 G 1/83, G 5/83, G 6/83.

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## 'A settlement to pay keeps the iPad in play' – a recapitulation of Apple's longstanding iPad trademark battle in China

**A**pple has recently been embroiled in a long-running legal battle with Proview Group – an ageing and debt-ridden technology firm – over the trademark for its massively popular iPad. With China being central to Apple's manufacturing chain and the second-biggest market for its products overall, as well as being Apple's biggest potential and untapped market, it couldn't be more important for Apple to secure and obtain the iPad trademark in China. In this article we take a look at all aspects of the dispute between Apple Inc ('Apple') and the Proview Group, consisting

of Proview International Holdings Limited ('Proview International'), Proview Electronics Co Ltd ('Proview Taiwan') and Proview Technology (Shenzhen) Co Ltd ('Proview Shenzhen'), what were the possible consequences of this dispute and what lessons can be learnt.

### Shenzhen dispute

In 2000, before Apple launched its massively popular iPad tablet, Proview Taiwan registered the trademark 'IPAD' in numerous countries in Asia and Europe and in 2001, Proview Shenzhen

registered the trademarks IPAD and IPAD (stylised) (pictured below) with the Chinese Trademark Office (CTMO) in Mainland China (the 'disputed trademarks').



In 2009, Apple, through the use of a special purpose entity aptly named IP Application Development Limited (IPADL), initiated negotiations with Proview Group to purchase their global portfolio of the IPAD trademarks, including the disputed trademarks. IPADL and Proview Taiwan entered into an assignment agreement (the 'agreement') whereby it was agreed that in consideration of £35,000.00, Proview Taiwan would transfer and assign the trademarks listed in the said agreement to IPADL.<sup>1</sup> According to a released, albeit unverified, copy of this agreement, the disputed trademarks were included in the schedule of the agreement. The trademarks were then transferred from IPADL to Apple.

At the time of the agreement, Apple believed that all the listed trademarks, including the disputed trademarks, were owned and registered by Proview Taiwan, and it was reportedly on this presumption that it executed the agreement with Proview Taiwan.<sup>2</sup> The exact details of how much information, or lack thereof, Apple actually had with regard to who was the registered proprietor of each trademark remains unclear, but it must be questioned how Apple entered into such an important agreement without ensuring that the registered proprietor of the disputed trademarks was also a signatory to the agreement. According to the CTMO, the registered proprietor of the disputed trademarks at the time was Proview Shenzhen and not Proview Taiwan. Proview Shenzhen was never a party to the agreement, nor does the agreement specifically provide that Proview Taiwan was duly authorised to act on behalf of Proview Shenzhen. The question therefore is: did Proview Taiwan have the right and the authority to represent Proview Shenzhen in the negotiations with IPADL and to transfer the disputed trademarks? If they had the requisite authority, then the disputed trademarks should have been transferred to Apple and Proview's failure to do so amounts to a breach of contract. However, if there was no such authority, the agreement would be void insofar as it relates to the disputed trademarks and as such Apple could not enforce the transfer of same.

In 2010, after Apple launched the iPad, it discovered that the disputed trademarks were in fact registered with the CTMO under the name of Proview Shenzhen. It is prudent to note here that in China, in order for a trademark transfer to be valid and completed; the transfer agreement must be submitted to and approved by the CTMO.<sup>3</sup> Had IPADL/Apple taken the necessary steps to do so, it would have become immediately apparent to them that Proview Taiwan was not in fact the registered proprietor of the disputed trademarks. Apple then filed a lawsuit against Proview Group in the Shenzhen Intermediate People's Court (the 'Shenzhen Court') claiming ownership of the IPAD trademark in China on the basis that the agreement gave them global rights to the IPAD trademark including the disputed trademarks that were included in the agreement. Apple argued that when negotiating and signing the agreement, Proview Taiwan had acted as an agent on behalf of the Proview Group, including Proview Shenzhen, and therefore the agreement should be binding on Proview Shenzhen. On 5 December 2011, the Shenzhen Court rejected Apple's suit and held that Apple should have engaged in a higher level of duty of care when entering into the agreement as they should have ensured that the true owner of the mark was party to the agreement. Essentially, the Court found that Proview Taiwan had insufficient authority to transfer the disputed trademarks.<sup>4</sup>

This decision was appealed by Apple and subsequently heard on 29 February 2012 by the Guangdong Provincial Higher People's Court. In the appeal, Apple alleged that IPADL first approached Proview Shenzhen regarding the purchase of the disputed trademarks, but that Proview Shenzhen insisted on selling the disputed trademarks through their affiliate, Proview Taiwan, in order to avoid having to pay their creditors. Apple claims that Proview Shenzhen's top management had full knowledge about the trademark transfer and cited various emails sent by Proview Shenzhen's representatives in 2009. Interestingly, a Hong Kong Court found that Yang Long-San, the chairman of Proview International, had knowledge of the agreement concluding that Yang Long-San 'as the chairman and chief executive officer of Proview Holdings and responsible person and director of Proview Electronics and as

the legal representative, general manager and chairman of both Proview Shenzhen and Yoke Technology, he had at the material time management and control over them, and he had knowledge of the agreement entered into by the parties in December 2009' (this case is further discussed below). However, the Hong Kong Court was determining whether there was a basis for a conspiracy claim, and although the Hong Kong Court may have found that the parties had conspired to damage Apple, Apple needed to illustrate that this intertwined relationship created the requisite authority to execute the agreement in relation to the disputed trademarks.

Proview Shenzhen claimed to have never authorised the transfer of the disputed trademarks and argued that as the transacted amount was paid to Proview Taiwan, a completely independent and separate entity, they are in no way whatsoever bound by the agreement. The cited emails, they say, simply reflect a 'business conversation' between the parties and that in usual business practices a business conversation does not constitute an agreement.

This is the primary dispute between Apple and Proview, which is essentially a commercial dispute regarding an asset transfer; however, there were various other aspects to this longstanding battle.

### Hong Kong dispute

In early 2010, rumours surfaced that Proview Shenzhen was negotiating the sale of the disputed trademarks and it became apparent that the Proview Group was in severe financial trouble. In May 2010, the Hong Kong Stock Exchange issued a notice that Proview International's shares had been suspended. Furthermore, Apple became aware that a certain banking corporation had obtained an asset preservation order (APO) and that this APO had been registered with the CTMO against the disputed trademarks. The potential consequences of the disputed trademarks being acquired by a third party, either by Proview Shenzhen disposing of the disputed trademarks or by means of the APO, would be severe for Apple, particularly as the outcome of the Shenzhen lawsuit was still pending. Apple filed for interim injunctive relief in the High Court of Hong Kong requesting that Proview Shenzhen and Yang Long-San be restrained from transferring the disputed

trademarks, claiming breach of agreement and conspiracy with a common intention to injure Apple.<sup>5</sup> The Court found in favour of Apple and held that:

'Here, the conduct of all the defendants demonstrates that they have combined together with the common intention of injuring Apple and IP Application by acting in breach of the Agreement. Proview Holdings, Proview Electronics and Proview Shenzhen, all clearly under Yang's control, have refused to take any steps to ensure compliance with the Agreement so that the China Trademarks are properly assigned or transferred to IP Application. Instead, they attempted to exploit the situation as a business opportunity for the Proview Group by seeking an amount of \$10,000,000 from Apple.'<sup>6</sup>

Although this should be a significant win for Apple, in reality it holds very little weight. First, the judgment considers whether there was a common intention to injure Apple but does not consider whether Proview Taiwan had the requisite authority to assign the disputed trademarks, and secondly, any attempt at enforcing the judgment in Mainland China would be challenging as a Hong Kong judgment is still seen as a foreign judgment, and foreign judgments are notoriously difficult to enforce in China.

### Shanghai lawsuit and halting the sale of iPads

Proview Group filed several lawsuits against Apple in various jurisdictions, mostly smaller cities, claiming trademark infringement by Apple and seeking the halt of iPad sales. It appeared that Proview was, in a sense, testing the reactions of both the courts and Apple to these suits. Some of these suits were in fact successful, with the courts finding in favour of Proview and ordering all iPads to be removed from the shelves of the local authorised resellers. In February 2012, Proview ramped up the onslaught by approaching the Shanghai Pudong New Area Peoples Court ('the Shanghai Court') for an injunction to halt all sales of the iPad in Shanghai. As the commercial hub of China, Shanghai is one of Apple's biggest markets, with three of its five flagship stores located in the city, and a ban on sales in Shanghai would obviously have a significant impact on Apple. The Trademark Law protects a registered proprietor's right to the exclusive

use of its registered trademark,<sup>7</sup> and it was on this premise that Proview Shenzhen approached the Shanghai Court arguing that as they were the registered proprietor of the disputed trademarks, Apple was infringing on their exclusive right to use these trademarks by selling and manufacturing the iPad in China. In response, Apple requested that the injunction be rejected and that the trial should be postponed pending the outcome of the Shenzhen litigation. The Court ultimately agreed with Apple stating that the iPads sold in Shanghai originate from US-based Apple, Inc, who own the trademark in the US, and as the China trademark ownership dispute between Apple and Proview Group was still under trial at second instance, the Court was not in a position to determine whether the use of the IPAD trademark by Apple in China did in fact constitute an infringement. According to Article 56 of the Trademark Law, a party found guilty of a trademark infringement would be liable to pay damages, which should be determined either by calculating the profit that the infringer has earned during the period of the infringement and as a result of the infringement, or alternatively, the damage suffered as a result of the infringement during the period of the infringement, and which shall also include the costs involved in stopping the infringement. In the event that damages are incapable of being calculated on this basis, the infringing party may face statutory damages to a maximum of RMB500,000.00 (approximately US\$80,000). In theory, as Proview Shenzhen was the lawful proprietor of the trademark and Apple is currently using such trademark in China, this may seem a relatively straightforward case of trademark infringement; however, the repercussions of a such prominent Court in China finding Apple guilty of infringement would be so far reaching that it was no real surprise that the Court would not consider the application while the Shenzhen appeal was still pending.

#### Customs threat

In February 2012, Proview announced that it had applied to various local customs offices seeking a ban on the iPad, and that it intended to file a complaint with the Chinese customs authorities requesting that the nation's customs bureau block all imports and exports of the iPad.

The Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights allow for the proprietor of a Chinese trademark to apply to Customs to adopt protective measures in respect of a suspected infringement of its registered intellectual property.<sup>8</sup> The purposes of these Regulations are, in relation to the import and export of goods, to assist in implementing and protecting the exclusive rights to use a trademark, copyright, patent right and other related intellectual property.<sup>9</sup> For example, if the proprietor of a trademark registered in China becomes aware of a third party who is exporting goods with that trademark to another jurisdiction, it can petition to customs to have those goods seized and held pending an infringement suit. Similarly, should the owner of a China trademark become aware of goods being imported with and/or for that trademark, on petition, the Customs authorities may seize such goods pending an infringement case. The situation is complicated where the party exporting the goods is not the owner of the trademark in China, but owns the trademark in the destination jurisdiction, as is the case with Apple. If customs were to ban exports of these goods because a Chinese party has registered the trademark, this could be calamitous, not only for the company in question, but the manufacturing industry in China as a whole. There are countless foreign companies who source products from China but do not own the trademark or other applicable IP in China, but only in the destination jurisdiction and one can imagine the repercussions should these companies be banned from exporting their own goods. Given that Apple's iPad manufacturing is centred in China, a ban of this nature would potentially have a significant impact on the entire iPad supply chain, as well as the one million local employees employed by Foxconn, Apple's China manufacturer. However, it appears that Proview Shenzhen never filed such an application with Customs, and in fact the Customs authorities are said to have advised Proview Shenzhen that it would be difficult to execute such a ban against a product such as the iPad. Yang Long-san told Reuters: 'The Customs have told us that it will be difficult to implement a ban because many Chinese consumers love Apple products. The sheer size of the market is very big.'



### US lawsuit

Proview filed a complaint in the California Superior Court in Santa Clara, accusing Apple of fraud and unfair competition. In this particular suit, Proview Group claimed that Proview Taiwan was fraudulently induced into the agreement by the concealment and suppression of material facts by Apple's agents, and that as a result, the agreement is void. Proview alleged that Apple's sole purpose of creating the special purpose entity was intentional misrepresentation and an effort fraudulently to induce Proview Taiwan into the sale of the disputed trademarks. They further alleged that Graham Robinson, an IPADL agent who called himself Jonathan Hargreaves during the negotiation process, lied when he told Proview his company wanted the trademark 'IPAD' because it stood for IP Application Development Limited as well as promising that IPADL would not compete with Proview, and that this duplicity entitles Proview to compensatory damages and disgorgement of Apple's profits from the unfair competition. Should the agreement have been voided for fraud, the iPad trademarks in the European Union, Singapore, Mexico, Indonesia, South Korea, Vietnam and Thailand would have reverted back to Proview Taiwan. However, on 4 May 2012 the California Superior Court dismissed the case on the basis that the parties had agreed to settle any disagreements resulting from the agreement in Hong Kong.

### iPad dispute not a case of trademark squatting

Considering the popularity of Apple, understandably there has been an extraordinary amount of hype surrounding this case and focus on China's trademark laws, notwithstanding that the dispute is actually grounded on contractual law rather than IP law. With so much attention on China's trademark laws at the moment, a distinction should also be drawn between the Apple dispute and the recent lawsuit filed by Michael Jordan, which appears to be a case of trademark squatting. Trademark squatting is a widespread problem in China, and occurs when a person or company registers the brand, product, name or company name of others as trademarks. The motivations for doing so can vary and can include the intention to resell the mark, hold it hostage for certain business concessions or to benefit from the product or brand's established goodwill by using the

mark on counterfeits or other products. This phenomena of trademark squatting is precipitated by the fact that the Trademark Law does not prohibit bad faith registrations, and this, coupled with the 'first to file' system, leaves a loophole for third parties to register a foreign party's trademark. The 'first to file' system means that a party simply has to be the first party to file an application to register a trademark in China; his party does not have to prove that it was the first to use the trademark,<sup>10</sup> as is the case in many other jurisdictions, for example the US. This makes it particularly easy for a Chinese company or individual to register a foreign brand as its own trademark. With respect to the Jordan case, although there is an exception to the first to file system for well-known brands;<sup>11</sup> the burden will be on Jordan to prove that his name was sufficiently well-known *within* China at the *time* of the registration by the other party, which may be extremely difficult for Jordan to establish. The difference with the Apple dispute is that when Proview Shenzhen registered the IPAD trademark, it did so in relation to its own products rather than in an attempt to benefit from the Apple brand, and for this reason its action should not therefore be construed as a case of trademark squatting.

### Conclusion

On 2 July 2012, the Guangdong High Court released a statement stating that after mediation proceedings held on 25 June 2012 the parties have agreed to settle the dispute, and which was approved by the Court on 28 June 2012. The terms of this settlement have not been released; save that Apple is to pay Proview Shenzhen US\$60,000,000 for the disputed trademarks.

Notwithstanding that the Apple dispute is founded on contractual elements, it still illustrates important considerations when dealing with trademarks in China. IP laws are in place in China but companies need to be proactive in order to use these laws to their best advantage, and it is therefore imperative that companies register their trademarks in China as soon as possible.

In certain circumstances, as was the case for Apple, the desired trademark may already be registered in China, and the trademark will have to be purchased. Unfortunately, in the case of trademark squatting, this is often the only and usually costly option. When dealing with the transfer of a trademark, it is crucial to negotiate with the correct party. This means

ensuring not only that the contracting party is in fact the registered and lawful proprietor of the trademark, but also that the transfer agreement is signed by the legal representative (a consideration to be paid particular attention to in China), who is a person who has the requisite authority to bind the company. A contract with the wrong party or that is signed by someone other than the legal representative will be completely ineffective. Furthermore, to become the lawful proprietor, a transfer agreement must be registered with and approved by the CTMO.

Apple will hope that this settlement does not set a precedent that would encourage similar lawsuits against it in the future, but considering that Apple's revenue in Greater China during the first three months of 2012 was almost US\$8 billion, it seems that Apple will be the party leaving this battle with the biggest smile on its face – as well as the 1.3 billion potential customers.

#### Notes

- 1 Paragraph 8 of the High Court of the Special Administrative Region Court of First Instance 739/2012 before Hon Poon J – Reasons for Decision.
- 2 Paragraph 9 of the High Court of the Special Administrative Region Court of First Instance 739/2012 before Hon Poon J – Reasons for Decision.
- 3 Provisions of the Trademark Office of the State Administration for Industry and Commerce Concerning Trademark Transfer Applications and the Trademark Law of the People's Republic of China.
- 4 [www.szcourt.gov.cn/ArticleInfo.aspx?id=4134](http://www.szcourt.gov.cn/ArticleInfo.aspx?id=4134).
- 5 *Apple Inc & IP Application Development Limited v Proview International Holdings Limited, Proview Electronics Co Ltd, Proview Technology (Shenzhen) Co Ltd, Yang Long-San Rowell and Yoke Technology (Shenzhen) Co Ltd*, HCA739/2012.
- 6 Paragraph 33 of the High Court of the Special Administrative Region Court of First Instance 739/2012 before Hon Poon J – Reasons for Decision.
- 7 Chapter VII of the Trademark Law of the People's Republic of China – 2001.
- 8 Article 4 of the Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights (2010).
- 9 *Ibid*, art 2.
- 10 Article 29 of the Trade Mark Law of the People's Republic of China.
- 11 *Ibid*, art 13.

## Agents, pirates and inattentive trademark holders – legal remedies against unlawful registration of foreign trademarks with the German Patent and Trade Mark Office and the OHIM\*

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### The problem: an overview

What should one do when someone else has registered one's own trademark in a country in which one has not yet done so – perhaps because one was being inattentive, had no interest or simply because it was not necessary to do so – but would now like to do so and is prevented from so doing by that other person's trademark?

Such cases are common. No matter how strong the outrage about 'pirates' may be, the fundamental principles of trademark law do, on the face of it, appear to favour pirates.

Trademark rights are territorially restricted and arise primarily by way of registration and not simply through the use of a sign.

A registered trademark usually grants protection against identical or similar use but only if it is used (apart from during the period of grace – in the sense that the mark does not need to be used in Germany and in the EU up to a period of five years from the date of registration) for the goods/services for which it has been claimed. This means that one's 'own' trademark is not a trademark at all in a country where it is not registered,