Feud over iPad highlights faded tech firm's woes

ELAINE KURTENBACH - AP Business Writer - Associated Press

The battle between an ailing Chinese electronics maker and Apple Inc. over the iPad name is just as much a tale of obsolescence in the fast-moving global technology industry as it is a legal row over a trademark.

When businessman Rowell Yang Long-san launched his own iPAD-branded device in 2000, a decade before Apple unveiled its hit tablet, he declared it received an "overwhelming market response."

"We are confident that we will be one of the major players in the new post-PC era - the information appliance era," Yang said in the announcement of his new Internet Personal Access Device, which was jointly developed with National Semiconductor.

But unlike Apple's iPad, introduced in 2010, Proview's version failed to hit the market sweet spot that might have made it a hit. Today, the company is deeply in debt and threatened with removal from the Hong Kong Stock Exchange.

But Proview still claims ownership of the trademark in China and is waging its fight on multiple fronts: court cases, asking commercial authorities to ban iPad sales in dozens of Chinese cities, and seeking a ban on exports of iPads from China where Apple supplier Foxconn employs about a million people in manufacturing the sleek tablet computer.

There has been no sign yet of intervention from Beijing but top officials are unlikely to allow serious disruption of a business that employs a significant number of people.

Proview Electronics Co., a unit of Proview International Holdings, filed a lawsuit against Apple's use of the trademark in mainland China at the Santa Clara Superior Court on Feb. 17. An attempt by Proview to win an injunction to stop Apple from selling iPads in Shanghai was foiled last week when a court there rejected the case pending the resolution of a similar lawsuit in a higher court in China. Other court cases in China are pending.

Proview International, the Hong Kong-listed parent company of the group, was once one of the world's leading makers of bulky cathode ray tube computer monitors, with sales in 50 countries and as many as 10,000 employees in factories in Taiwan and China.

But the company's fortunes waned along with the headwinds battering the world economy and rapid advances in the consumer technology business that it failed to adapt to.

The Taiwan arm of the business once thrived on low-cost manufacturing for major

brand names, until evaporating demand and surging costs put paid to that. It lacked Apple's forte in designing and generating consumer demand for slick new products and online applications.

"Proview's products failed because they were not significantly differentiated from the competition and did not offer new features that consumers were interested in," said Ben Cavendish, an analyst at China Market Research Group in Shanghai.

Proview's iPAD included a 15-inch CRT monitor, keyboard and mouse and promised "one-click access to email, online applications, chat, shopping and search engines," the company said. It also offered "a simple and intuitive means of accessing the Internet without the cost and complexity often associated with personal computers," according to a PR release from August 2000.

But Yang, speaking to reporters in Beijing recently, conceded that Proview's iPAD was pricey and had technical problems that prevented it from functioning very smoothly.

Just as Proview geared up to sell its "iFamily" line of products, including the iPAD, iTerminal and others, the dot.com bubble burst. Then came the Sept. 11, 2001 terror attacks.

As the CRT monitors that once were Proview's bread-and-butter business gave way to LCD monitors and televisions, Yang segued into LCD production, vastly expanding the business.

Then came the 2008 global financial crisis.

Proview's annual reports and its filings to the Hong Kong Stock Exchange chart its downward trajectory, as profits shrank, costs rose and accounts went unpaid. Bankruptcy proceedings started in 2009 but have since halted. Creditors have been selling off buildings, equipment and vehicles owned by subsidiaries, scraping money together bit-by-bit.

The company is in the midst of restructuring. Asked if Proview could supply a sample of its iPAD to test, company spokeswoman Alice Wang said that in 2009 it shifted into making LED lights instead of computer monitors. The company faces a June 29 deadline to meet stock exchange requirements or be delisted.

The companies are battling over whether Proview sold the mainland Chinese rights to the iPad trademark to Apple in a 2009 deal. Proview claims that sale, by its Taiwan affiliate, was invalid. Proview has not challenged the sale of other worldwide rights to the iPad trademark to Apple in the 35,000 British pound ($55,000) deal.

Apple contends that Proview included the mainland Chinese trademark in the sale and says it violated that contract by failing to transfer the trademark rights to Apple.

Proview's lawyers have indicated their company is open to settling its claim to the

trademark. In the meantime, the two sides have engaged in legal skirmishes in Hong Kong and in southern China's Guangdong province.

There, lower courts have sided with Proview in two cases. The Guangdong High Court is due to hear Apple's appeal of the first decision on Feb. 29.

According to documents from the High Court of Hong Kong, where Apple has sued Proview for breach of contract, mainland banks have sought "asset preservation orders" to secure control of the China iPad trademark.

Those documents say Proview has sought to sell the iPad Chinese trademark to Apple for $10 million.

Proview appears keen to wring a settlement out of Apple. Though its lawyers say Apple could incur huge losses if mainland courts rule in favor of Proview, the U.S. company has shown no signs of moving toward settling out of court.

In Apple's lawsuit against Proview in Shenzhen, which it lost and is now appealing, Apple sought 4 million yuan ($635,000) in damages. That's far less than the amount that may be at stake if it loses the right to sell the iPad in China, but more than the 10,000 yuan in expenses Proview asked for as it sought and failed to win an injunction to stop iPad sales by Apple stores in Shanghai.

Pressed by the judge for an estimate of how much damage Proview claims to have suffered from the Apple iPad's huge success, its lawyers said they didn't know.

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Researcher Fu Ting contributed to this report.

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