Apple's $60 Million Payout Over iPad Name In China Opens Door To Billions in Tablet Sales

A lawyer for Proview Shenzhen, Xie Xiangui, was reported as saying the companies reached an agreement last week that was ultimately approved by a Chinese court. Apple hasn't replied to a request asking it to confirm the agreement.

Apple reportedly reached a settlement over the iPad name in China, with news reports saying the company paid Proview Shenzhen $60 million to end the trademark dispute and allow it to start selling the third generation of the tablet in its fastest-growing market.

The potential settlement ends a long-running legal battle over the iPad name and paves the way for Apple to reap billions in sales of its tablet from a region that now accounts for 20 percent of revenue. Apple said sales in greater China rose three-fold and reached a record $7.9 billion in the second quarter on demand for the iPhone and iPad among affluent Chinese consumers, who have stormed Apple's retail stores there in the past to buy its popular devices. Apple has two stores in Beijing and three in Shanghai.

Sales for the first half of 2012 in greater China — mainland China, Hong Kong and Taiwan — were $12.4 billion, compared to $13.3 billion for 2011 as a whole, Apple CEO Tim Cook said in April. "It is mind boggling that we can do this well."

Analysts including Katy Huberty of Morgan Stanley and Gene Munster of Piper Jaffray are counting on sales in China to support their estimates for Apple's valuation to climb to $1,000 a share in the next two years. While the iPhone is Apple's biggest moneymaker — at about 58 percent of revenue in the quarter ended in March — the iPad is playing its part to convince PC buyers to switch to a tablet.

After releasing the third-generation of the tablet in March, Apple saw iPad sales rise to 17 percent of sales. That's up from about 11 percent a year ago. Proview had asked the court to stop sales of the latest version of the iPad while the two remained in dispute.

"China remains an important part of Apple's growth strategy," Brian White, an analyst with Topeka Capital Markets, said in an investor report. "Today's iPad settlement is important" especially since Apple may be readying a smaller, thinner version of the iPad — dubbed the iPad Mini — in September that may "prove very popular in China," he said.

As for the trademark dispute, Apple has said it bought all trademarks for the iPad name in December 2009 from a Proview Group subsidiary for £35,000 (or about $55,000). Apple says that after talking to Proview Holdings, Proview Electronics and Proview Shenzhen, it cut the deal with Proview Electronics, which it was told owned

the China trademarks.

But after the iPad was announced in January 2010, Apple was informed the China trademarks were in fact owned by another subsidiary — Proview Shenzhen —and that this time the company wanted $10 million for the China trademarks to the iPad name. As the legal wrangling continued — and after Proview filed for bankruptcy — the Chinese company said was going to sue Apple in the U.S. for $2 billion over the naming rights.

A Hong Kong court sided with Apple in July 2011, but then a court in mainland China ruled in Proview's favor. The court-mediated settlement was announced on the website of the Higher People's Court of Guangdong province, according to Reuters.

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