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OA/ID Number:	21803
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Folder Title:
Nike

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G	**34**	**6**	**6**	**3**

5|18

May 14, 1992

GRANT HANSON
East Coast Counsel

VIA FACSIMILE (395-6042)

Mr. Jeff McKitrick
Office of National Security Affairs
White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

RE: NIKE/SPAIN

Dear Jeff:

NIKE finds itself in a critical situation in Spain resulting from an abuse of Spanish trademark law and court procedure. Our ability to achieve an acceptable and workable solution is now severely hampered by the imminence of the Summer Olympic Games in Barcelona. NIKE was very pleased to learn that Mrs. Quayle would be briefed on this matter and would raise the issue with Spanish authorities during her upcoming trip to Spain.

To assist you in briefing Mrs. Quayle, I enclose the following documents:

1. A chronological summary of NIKE's history in Spain.

2. A letter to Ambassador Hills from Senate Majority Leader Mitchell, and Senators Baucus, Cohen, Hatfield and Packwood asking USTR to consider placing Spain on the Special 301 Watch List.

3. USTR's press release announcing that Spain had been placed on the Special 301 Watch List and that the NIKE case would be closely monitored.

4. NIKE's April 30, 1992 press release.

5. The Associated Press' May 4, 1992 press release.

6. A brief letter from the defendant's attorney to NIKE's Oregon attorney, which is a representative example of his client's brazenness.

NIKE, Inc.
Suite 300
711 Second Street N.E.
Washington D.C. 20002
Telephone: (202) 543-8500
FAX: (202) 547-8922

If I can answer any questions, please do not hesitate to call me. Mrs. Quayle's willingness to involve herself in this matter is deeply appreciated by NIKE. We will be most anxious to hear how things went.

Very truly yours,

Grant W. Hanson

GWH:llg
Enclosures

cc: Richard W. Porter
Counselor to the Vice President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500
(via mail / w/encls.)

Dick Donahue
Lindsay D. Stewart
John Faylor
Cliff Berke
Dave Edwards
Dusty Kidd
(via interoffice mail / all w/o encls.)

SUMMARY OF NIKE - SPAIN MATTER

* In 1932, J. Rossell registers with the Spanish Patent and Trademark Office ("Spanish PTO") the "NIKE Victory of Samothrace" (Registration No. 88,222):

Marca nº 88.222

* The mark represented by Registration No. 88,222 has not been used in over 40 years.

* NIKE enters the Spanish market in 1979.

* Notwithstanding NIKE's application for registration of the combination "NIKE" and "Swoosh" mark in class 25 (footwear) the Spanish PTO grants this mark in 1981 to Sr. Juan Montorio. After more than a year of negotiation, NIKE purchases the Montorio mark for US$13,000.

* In 1981, NIKE attempts to purchase Registration No. 88,222 from Rossell. After reaching an agreement with NIKE, Rossell instead sells the mark to Sr. Juan Freixas for US$2,000.

* In 1981, NIKE enters into a licensing and distribution agreement with the Spanish company Cidesport. Cidesport advises NIKE that it has entered into a trademark royalty agreement with Freixas for Freixas' agreement not to sue Cidesport on the basis of Registration No. 88,222. Cidesport additionally agrees to assign to NIKE the rights to Freixas' trademark in the event Cidesport acquires these rights during the term of the Agreement.

* In a 1989 audit, NIKE determines that Registration No. 88,222 has been assigned to Sra. Flora Mata, the mother of Cidesport's principals.

* NIKE discovers that Sr. Montorio, from whom NIKE earlier purchased the pirated "NIKE" mark in class 25 (footwear), acted as an agent for Cidesport at the time he registered and sold the mark to NIKE.

* In 1989 NIKE terminates the license and distribution agreement with Cidesport and files suit for damages and breach of contract in U.S. District Court, District of Oregon. On March 27, 1992, Judge Marsh holds that Cidesport has breached its agreement with NIKE by failing to assign to NIKE Registration No. 88,222.

* On July 2, 1990 the Spanish PTO grants NIKE registrations in class 25 (apparel) for the combination mark "NIKE" and "Swoosh" logo:

NIKE

* In granting the registrations over Sr. Freixas' objection, the Spanish PTO holds:

  (1) NIKE's marks were sufficiently distinguishable from Sr. Freixas' mark.

  (2) Apparel sold under the NIKE mark has coexisted in the Spanish market with the Sr. Freixas' mark.

  (3) The NIKE mark has become a famous trademark renowned for footwear, garments and articles of sport.

  (4) The visual impact and detail analysis of the NIKE and Freixas marks make it clear that these are two completely dissimilar marks.

* On January 22, 1991 Sr. Freixas files suit seeking nullification of NIKE's registrations. On March 15, 1991 Judge Aparicio issued an injunction barring NIKE from

selling or marketing apparel in Spain without first giving NIKE's representatives the opportunity to be heard on the issue, in violation of Spain's own civil procedures.

* Sr. Freixas offers to sell NIKE Registration No. 88,222 for US$80 million.

* On April 25, 1991 NIKE files a Motion to Nullify the ex parte measures and requests an immediate hearing for the purpose of posting a bond to protect NIKE from permanent harm should the Court ultimately rule in NIKE's favor.

* On June 10, 1991 Judge Aparicio refuses to recognize NIKE's absolute right under Spanish procedural law to post a bond.

* On October 12, 1991 NIKE appeals Judge Aparicio's ruling to the Spanish Court of Appeals. The Court refuses to overturn the lower court's ruling, citing lack of evidence that NIKE was engaged in "commercial activity" despite the existence of a NIKE marketing, sales and distribution operation in Spain for each of the previous 12 years.

* On April 21, 1992 NIKE submits a statement to the U.S. Trade Representative urging the USTR to identify Spain as a Special 301 "Watch List" country in light of Spain's denial of adequate and effective protection of intellectual property rights.

* On April 29, 1992 the USTR places Spain on the Special 301 "Watch List" and advises Spain that the NIKE case will be closely monitored.

* On May 4, 1992 the Spanish Constitutional Court accepts review of the NIKE matter. The Constitutional Court will determine whether interim relief (i.e., lifting of the injunction or granting NIKE the ability to post a bond) is appropriate to avoid the potential injury that might arise before a decision on the merits is rendered (in about 18 months).

* For a specific account of the events, please see NIKE's submission to the U.S. Trade Representative dated April 21, 1992.

United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

April 28, 1992

The Honorable Carla A. Hills
United States Trade Representative
600 Seventeenth Street, N.W.
Washington, D.C. 20506

Dear Ambassador Hills:

We are writing to request that you consider placing Spain on the Special 301 priority watch list due to egregious violations of the trademark rights of a U.S. corporation.

In July, 1990, NIKE Inc., the world's largest manufacturer of athletic footwear and apparel, obtained trademark registrations for its renowned logo from the Spanish Trademark and Patent Office ("PTO"). The Spanish PTO granted these registrations after more than four years of deliberations.

Recently, and in what appears to be direct violation of Spanish law, Spanish courts issued an injunction prohibiting NIKE from using its own properly registered trademarks in Spain. If this injunction stands, NIKE -- which is the sponsor of the U.S. Olympic track and field team -- will be unable to advertise, display or market any of its products prior to the upcoming Summer Olympic Games in Barcelona. In the meantime, NIKE's apparel and bag inventories have been seized from their Spanish warehouses.

The actions of the Spanish courts violate Spain's obligations under international law. We ask you to raise this matter at the earliest opportunity with the appropriate Spanish authorities and request immediate action to have the injunction lifted. At the same time, we ask that you consider placing Spain on the Special 301 priority watch list based on that country's failure to provide adequate and effective intellectual property right protection to a U.S. company.

Sincerely,

Bob Packwood

Max Baucus

George Mitchell

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

EMBARGOED FOR 2:00 P.M. RELEASE
WEDNESDAY, APRIL 29, 1992

CONTACT: KATHY LYDON
TIM O'LEARY
PAT NORMAN
202/395-3230

USTR ANNOUNCES SPECIAL 301, TITLE VII REVIEWS

United States Trade Representative (USTR) Carla A. Hills today identified Taiwan, India and Thailand under the special 301 provisions of the Trade Act of 1974. Special 301 calls for the identification of trading partners that deny adequate and effective protection for U.S. intellectual property, such as patents, trademarks, and copyrights or that deny market access for persons relying on intellectual property protection.

Under Special 301, Taiwan was added this year to the trading partners identified as priority foreign countries. In addition, India and Thailand remain identified as priority foreign countries.

"Improved protection for intellectual property is one of the Bush Administration's top trade priorities," Hills said. "We are firmly committed to achieving satisfactory results in these countries and we are prepared to take every step that will move us towards that goal."

Hills today also reported on actions taken pursuant to the Title VII provisions of the 1988 Omnibus Trade and Competitiveness Act, which calls for the identification of countries that discriminate against U.S. firms in their government procurement practices. Under Title VII, Norway and the European Community (EC) remain identified for their discrimination against U.S. firms in government procurement practices. (See page three.)

SPECIAL 301

USTR noted the following concerns about Special 301 priorit watch countries:

- Taiwan is a center for copyright piracy and trademark counterfeiting of U.S. products. Improved intellectual property laws have been under consideration for some time in Taiwan, but prompt enactment is key to improved protection.

o In Thailand and India, the US is concerned about the overall protection accorded pharmaceuticals and other patent provisions. Effective copyright enforcement is a special concern in Thailand. The US investigated these issues with Thailand and India last year and will vigorously pursue them without initiating new investigations under Special 301.

After identifying a trading partner as a priority foreign country, USTR must decide within 30 days whether to initiate a section 301 investigation of "the acts, policies and practices" that are the basis of the identification. If the issues under investigation are not resolved after a six-month or, in certain circumstances, nine-month period, the USTR must decide whether the acts, policies, and practices are actionable and whether to take trade action under section 301. The USTR may identify a trading partner as a priority foreign country at any time that the facts warrant, or may revoke a trading partner's identification at any time.

Hills also announced that six trading partners, Egypt, Hungary, Korea, the Philippines, Poland and Turkey, have been placed on the special 301 priority watch list. Australia, Brazil and the EC remain on that list.

"We need to see significant progress in addressing deficiencies in intellectual property protection or market access in those countries," Hills said. "With each, we want to continue working to improve the situation, before further action becomes warranted under our trade laws."

Twenty-two trading partners have been placed on the special 301 watch list, according to Hills. They include: Argentina, Canada, Chile, China, Colombia, Cyprus, Ecuador, El Salvador, Germany, Greece, Guatemala, Indonesia, Italy, Japan, New Zealand, Pakistan, Paraguay, Peru, Spain, Saudi Arabia, the United Arab Emirates, and Venezuela. Persistent problems must be addressed in the near term in these countries.

"We must note some progress as we place a number of countries on the special 301 watch list this year," Hills said. "I commend the leaders of Colombia and Venezuela for advocating improvements in patent protection in the Andean Pact. While these improvements mark a step forward, the patent laws of Andean Pact members, including Colombia and Venezuela, continue to have serious deficiencies."

Hills noted that the Government of El Salvador has proposed legislation aimed at improving intellectual property protection. Those proposals have a number of deficiencies and have not yet been enacted and implemented.

Indonesia will remain on the watch list. It has indicated that it will liberalize access for U.S. motion picture companies and has made other improvements to its intellectual property regime.

New Zealand ministers announced in December 1991 that they intended to introduce legislation to repeal the compulsory licensing provisions of the patent law.

"We welcome these efforts and look forward to removing New Zealand from the watch list when such legislation is enacted," Hills said.

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The U.S. is increasingly concerned about Spain's protection of trademarks and copyrights, according to Hills. While Spain remains on the watch list, recent developments in the enforcement area, such as the NIKE case, will be closely monitored.

Finally, Hills said that while none of the republics formerly part of the Soviet Union or Yugoslavia were placed on any of the special 301 lists this year, the U.S. will monitor developments in the successor states and seek to negotiate bilateral intellectual property agreements with each of them as soon as possible.

TITLE VII

Title VII of the 1988 Trade Act directs the Administration to identify in an annual report to Congress foreign countries that are discriminating, as defined by the statute, against U.S. goods or services in their government procurement practices.

The U.S. continued the identification of Norway under Title VII as a country in apparent violation of its GATT Government Procurement Code obligations.

Norway was first identified in 1991 for excluding U.S. and other foreign suppliers from competing for a contract on an electronic toll booth collection system. As required under Title VII, USTR requested consultations with Norway. When these consultations did not prove successful in addressing U.S. concerns within the 60-day period specified by the statute, the U.S. initiated formal dispute settlement proceedings, which are expected to conclude in the near future.

In last year's Title VII review, the U.S. committed to conducting an "early review" of the EC, France, Germany and Italy. This review was completed in February 1992 and, on February 21, President Bush identified the EC for the discriminatory provisions of its "Utilities Directive," which is scheduled to come into effect by January 1, 1993. At the conclusion of the consultation period provided under Title VII, the President on April 22 reaffirmed the identification of the EC. The implementation of sanctions will take effect by January 1993, subject to the implementation of the discriminatory provisions of the EC's directive.

In its report to Congress, the Administration also provided information on certain sectors of the procurement markets of Australia (information systems procurement), Japan (telecommunications), and China that are of concern. Hills indicated that the U.S. will closely monitor developments in these markets.

The report to Congress notes progress achieved in the elimination of certain discriminatory practices in the procurement markets of Australia (elimination of offsets), and Japan (bilateral agreements on construction and computers). Further, Hills noted the progress made by the Republic of Korea and Greece in liberalizing procurement markets.

NEWS

For more information, contact:
Dusty Kidd, Nike Public Relations
(503) 671-2880

Nike Trademark Battle in Spain Gets USTR Assist

Beaverton, Oregon, April 30, 1992... The Office of the U. S. Trade Representative yesterday placed Spain on a "watch list" of countries that deny effective protection to U.S. trademarks, citing the continuing refusal of Spanish courts to let Nike, Inc. market or distribute its sports apparel in Spain.

Since uncovering fraud and terminating its licensing and distribution agreements with the Spanish firm Cidesport S.A. in 1989, Nike has been barred by a series of Spanish court decisions from selling or marketing genuine Nike sports apparel in Spain, despite holding valid trademark registrations in Spain for that product category. The courts' actions do not effect Nike's rights to sell and market Nike athletic footwear and accessories in Spain. Nike products have been sold and marketed in Spain since 1981.

Nike's petition to U.S. Trade Representative Carla Hills in early April was supported by Senate Majority Leader George Mitchell, Sen. Max Baucus, chairman of the Senate Finance Committee's trade subcommittee, Oregon Senators Mark Hatfield and Robert Packwood, and Sen. William Cohen of Maine, who, after review of the case, asked the USTR to consider placing Spain on the watch list.

While Nike has been prevented by court injunction from selling or marketing its apparel products in Spain, Cidesport has itself advertised and sold apparel bearing a "NIKE" mark. In many cases Cidesport, which currently distributes and markets L.A. Gear footwear, has sold items of bogus "NIKE" apparel that are exact copies of genuine apparel Nike sells in other European markets. Cidesport advertising has consistently used "NIKE" in a box whose shape and colors are similar to Nike Inc.'s trademarks, and otherwise replicated Nike's own worldwide corporate identity.

"We are pleased that Ambassador Hills has recognized the need to single out Spain as a country that has not offered the protection and support our valid trademarks deserve," said Richard K. Donahue, President and Chief Operating Officer of Nike Inc. "Over the past three years, in the Spanish courts and in the marketplace, our rights to operate as a brand in Spain have been trampled under. Our goods have been seized from bonded warehouses; our country manager harassed, read his rights and summoned before a criminal court to defend Nike's movement of products within the free trade zone; and the courts, which have prohibited Nike from selling apparel, have ignored the very basis of Spanish trademark and procedural law "

Among numerous violations of its own civil court procedures, Spanish courts judging the issue have:

- issued an injunction barring Nike from selling or marketing apparel, without first giving Nike's representatives the opportunity to be heard on the issue, in violation of Spain's own civil procedures;

- refused to recognize Nike's absolute right under Spanish procedural law to post a bond, which would have protected Nike from permanent harm should the court ultimately rule in Nike's favor;

- refused on appeal to overturn the obviously flawed lower court ruling, citing lack of evidence that Nike is engaged in "commercial activity," despite the existence of a Nike marketing, sales and distribution operation in Spain for each of the previous 12 years.

While the Spanish court's injunction against Nike selling and marketing apparel stands -- pending a hearing on the merits of the matter -- Nike continues to lose opportunities in Spain to grow its business in parallel with the rest of Western Europe. Demand for Nike footwear, apparel and accessories in the third quarter of FY92 alone grew 59 percent in Germany, 38 percent in Italy and 30 percent in France.

Nike, Inc., the world's largest sports and fitness company, is headquartered in Beaverton, Oregon.

U.S. Trade Rep Puts Spain on Watch List Over Nike Trademark Dispute<
By CAROL ANN RIHA=
Associated Press Writer=

BEAVERTON, Ore. (AP) Spain has been put on the U.S. government's ``watch list'' of nations that deny protection to U.S. trademarks after Nike Inc. was blocked from selling its apparel in Spain.

Spanish courts have sided with Nike's former distributor in Spain, allowing Cidesport S.A. to continue selling knock-offs of Nike sports and fitness wear under a Nike trademark, Nike spokesman Dusty Kidd said.

``I've seen copies of magazine ads where Nike is in a red box and it looks like ours. They don't use the swoosh, but the word looks like ours,'' Kidd said.

``I don't think I can comment on the quality,'' he said. ``But I think any time another company sells your mark in the marketplace, it damages your mark. A trademark is a very valued possession.''

Nike terminated an eight-year relationship with Cidesport after a 1989 audit. ``Our folks there discovered fraudulent activities on the part of that company in regard to our product,'' Kidd said.

The Beaverton-based company planned to market its own products, but was prevented by a court injunction, he said.

``Over the course of three years, we have petitioned to have due process in Spain and at every turn we have been frustrated,'' Kidd said.

``It's one of those situations where we've done what we're supposed to do and not only have we not been granted relief, but the procedures have been ignored,'' Kidd said.

``We couldn't post a bond to keep doing business. We couldn't get a hearing. In one case, our company manager was dragged before a criminal court and read his rights.

``When this finally goes to court, we will have lost a substantial amount of business,'' he said. Europe has been fertile territory for Nike: sales of its footwear, apparel and accessories in fiscal 1992 grew 59 percent in Germany, 38 percent in Italy and 30 percent in France.

Nike petitioned U.S. Trade Representative Carla Hills earlier this month to have Spain added to the watch list. Hills made the addition Wednesday after a letter from Sen. George Mitchell, D-Maine; Sen. William Cohen, R-Maine; Sen. Max Baucus, D-Mont.; and Sens. Mark Hatfield and Bob Packwood, both R-Ore.

The list alerts companies to nations that fail to protect U.S. trademarks.

The letter cited ``egregious violations'' of Nike's trademark. The senators warned if the injunction stands, Nike, which sponsors the U.S. Olympic track and field team, will be unable to advertise its products prior to the Summer Olympic Games in Barcelona.

``We currently are enjoined from selling Nike apparel in Spain, but that really doesn't have any impact on the Olympic marketing, with Americans and others wearing the Nike logo,'' Kidd said.

``Our concern is really to have the right to sell in Spain the full range in Nike products,'' he said. ``When Nike can sell as a complete brand in a country, we've been able to achieve great success.''

Sean Donahue, a Portland attorney who represents Cidesport, said the political pressure is simply corporate muscle-flexing by a sore loser.

Cidesport would be happy to sell Nike the rights to market apparel in Spain, he said.

``Maybe they should just buy it,'' Donahue said.

DAVIS WRIGHT TREMAINE
LAW OFFICES

2300 FIRST INTERSTATE TOWER · 1300 SW FIFTH AVENUE · PORTLAND, OR 97201-5682
(503) 241-2300

SEAN DONAHUE

May 7, 1992

BY FAX

Mr. Douglas G. Houser
BULLIVANT, HOUSER, BAILEY, ET AL.
1400 Pacwest Center
1211 SW Fifth Avenue
Portland, OR 97204

Re: Nike v. Comercial Iberica De Exclusivas, et al.
Our File No. 720229-001

Dear Mr. Houser:

Please reference your latest letter concerning settlement. In the words of the immortal Bard, "Do you have any clue, Mack?" In other words, where have you been during the last two years? Since our earliest conversations concerning settlement more than two years ago, the issue has always been what Nike would be willing to pay for trademark rights in Spain. This fact has never changed even though your firm and mine have profited from litigation that has not availed Nike whatsoever. If Nike in good faith wishes to settle this dispute then Nike must be willing to pull out a checkbook and pay for the trademark rights in Spain. Otherwise, Adios Barcelona. Entiendes?

Very truly yours,

DAVIS WRIGHT TREMAINE

Sean Donahue

ESD/cl
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