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1. OVERVIEW OF MIROGLIO S.P.A.: FOCUS ON APPAREL.

Before explaining the meaning of trademarks for Miroglio Group, I will spend some minutes in Miroglio's history. The trademark Miroglio explains the philosophy of the group.

The square divided into two parts represents the solidity of the group with two components: garment and fabrics, while the yarn represents the lightness of creativity.

Miroglio begun at the end of the 19th century, when Carlo Miroglio and his wife started to sell goods of any kind as pedlars.

In 1900 they opened a small fabric shop in the centre of Alba, in Piedmont. Then they moved to the Piazza Duomo and opened a new shop.

Their six sons worked with them in the shop and one of them, Giuseppe, will make the changeover.

1934 represented the important change from trade to industry. Giuseppe buys a huge quantity of cocoons and let them turn into yarns and silk by faons.

1947, the early post-war years. Giuseppe buys four looms and adds a store to the shop in the centre of town. This episode can be referred to as the starting of Miroglio Tessile.

1953, a new weaving plant is settled. The shuttle looms are substituted by 250 automatic looms.

1955 is the starting of the apparel branch of Vestebene. Giuseppe Miroglio, at the time seventy years old, understood that the woman Apparel branch was crucial for the developing of the company.

The manufacturing in series started. The first cloth was a frock sold for 1000 Lire.

1957 Giuseppe carried out another project. A modern dyeing and printing plant that could complete the working process: weaving-dyeing-printing-manufacturing.

In 1960 takes place the turnover of the fabric branch through the starting of the activity with polyester: Miroglio was the first company in Italy that trusted and started with polyester.

1972 started the great internationalization of the group through the establishment of industrial plants and trade unities for the apparel production.

The development philosophy of the group was strongly encouraged by Franco Miroglio, who declares that "a company becomes great if it is the sum of many smaller companies, each of them independent and specialized in a sector, a niche of the market."

In this slide you can see Miroglio's growth through its turnover volumes, from 1991 up to 2004 and a highlight on yearly production.

Miroglio's current business is divided into three main branches: yarns, fabrics and apparel.

The activity on yarns started at an industrial level in the early '80s and quickly developed thanks to: high investments, flexibility and adaptability, research and developing of new products.

The fabric branch is in the van in the world for the production of natural, artificial, synthetic, fabric-dyed, printed and yarn-dyed fabrics, and recently also for the production of wool.

1955 is the date of birth of the apparel branch, Vestebene. Its aim was to target a big part of the market (at the time a medium –lower level) and through the years it achieved a considerable quality improvement.

Today Vestebene follows an oriented marketing policy and an accurate segmentation according to market sector and target.

15 brands guarantee an adequate offer and penetration on different targets.

Hereby you can see our main brands and the related number of shops opened worldwide. Caractère, Oltre, Motivi and Elena Mirò.

2. TRANSFER OF TRADEMARKS AND LICENCES.

I will now give a brief sense from a technical point of view of intellectual property in the world and specifically in China.

In the early 80's, China assumed a much responsible behavior toward industrial intellectual property, by trying to introduce transparent rules for the protection of trademarks and licenses. The first law concerning trademarks goes back to 1983, while the law concerning licenses originated in 1985 (Patent Law).

The PRC complied to the 1985 Paris Convention for the Protection of the Industrial Property, to the Madrid Convention for the International Registration of Trademarks (October, 1989), to the Bern Convention for the Protection of Copyrights (October 1992) and to the Convention on Protection of Audio Products and on Prevention of Non-authorized Copying in 1993.

In detail, China agreed, formally, to both treaties concerning the international system of Madrid: the Madrid Agreement and the Madrid protocol. Despite all, China did never make many efforts to put into effect the principles concerning the protection of trademarks and licenses established by the International Conventions.

One of the signs given by the Government in order to fight successfully against infringement are the amendments to the laws on trademarks, entered into force on December 1st, 2001, that allow the relevant authorities and the qualified courts to seize and destroy goods copied without authorization, together with

the tools used for their production.

In April 2003, the SAIC announced three new series of rules related to trademarks: those rules, promulgated in the following June, contain other specifications on the protection of well-known and *collective trademarks*, and on trademarks certification. Moreover, the rules outline the procedures for making the necessary adjustment to conform to the International System of Madrid.

The anti-counterfeiter Roma- Peking Agreement was finally signed in June 2004: it provides for exchanges of information and for evaluation techniques among the Trademarks and Licenses Office, the Ministries of Foreign Affairs and of Cultural Heritage and their correspondent Chinese Offices: its aim is to carry out both an exchange of information, and a mutual recognition of the intellectual products.

Foreign companies that wish to register their trademark in China, shall submit an application according to the agreements on trademarks signed between their own country and the PRC, or according to the International Treaties on trademarks to which both countries agreed, or basing on the mutual principle.

The documents needed for the registration of the trademark shall be submitted to the Trademark Office in Peking, that refers to SAIC. The companies with a foreign shareholding, shall submit the registration of their trademark directly or through the specialized agents.

It is possible to submit the request for registration of the trademark for all those products and services that are filed in the international classification system adopted by PRC, that classifies goods in 34 categories, while services in other 8 further categories.

The registration of the trademark, also in its Chinese version, even if not explicitly requested by the Law, is strategic both from a commercial and legal point of view.

The agreement of China to the international treaties concerning trademarks, often reveals to be purely formal: cases of abuses of the copies of the original draft are not sporadic.

For this reason, in case the trademark gains a great relevance for the business, it is advisable that the investor provides to protect it by submitting its registration, bearing the original name and the relative representative symbols in Chinese.

If this is not made, as Chinese ideograms assume different phonetics according to different pronunciation, nicknames similar in sound could be found for the product, having as a result that images do not correspond to the product itself.

3. WHY CHINA?

2004 Miroglio established a joint-venture with the Chinese Company Elegant

Prosper Fashion Co. for the production and selling of Elegant Prosper and Elena Miro° garments in the PRC and for the development of the sales net in China.

The project aims to give value to the existing garment line, denominated Elegant Prosper and the subsequent introduction on the inland market of Miroglio's trademark Elena Miro°. The most part of the production is destined to the inland market, by creation and development of a wide net of directly owned- shops located in Department Stores, independent shops, outlets and private shops managed with a franchising contract.

4. STRATEGIC ROLE OF LICENCES

Anytime Miroglio intends to register a trademark in Italian words (not translated in the language of the foreign country in object), this must be registered at an international level, and then submitted to the acceptance of the local authorities.

If a Company intends to register a trademark translated in local characters (as for example in Chinese Ideograms), the Company should register it directly in the deputed country (China in this case).

Miroglio is present worldwide with its apparel, fabrics and yarns production and distribution. The use of Italian trademarks is fundamental for the success of Miroglio's venture on the Chinese market.

It is crucial for Miroglio to export worldwide its Italian logos in order to be identified with the same anywhere. Ideograms are secondary, also because they might incur in different pronunciations that originate different meanings, and a subsequent confusion and loss of identifiability of the trademark.

Chinese pronunciation differs a lot from one area to another, so it becomes very important above all to spread logos and trademarks spelled in Italian language.

In order to protect trademarks from infringements, Miroglio made some transliterations in local characters, by choosing among those ideograms that could express the nearest meaning of the trademark.

Anyway , there is a great difference between trademarks which are composed by simple words, (ex. proper noun) and do not bear an intrinsic significance, and trademarks which also have a meaning.

Miroglio already transferred three of its trademarks in China and for each of them the company had to face problems in the translation.

The trademark "Motivi" has both the meaning of "reasons", and of "patterns", but it was very difficult to find out the same word in Chinese: moreover "motivation" seemed to suggest a spontaneous question: "motivation of what?". So the company decided to have a simple phonetic translation that should be read as [MOTIWEI]. These Chinese Ideograms seem to have funny different meanings: "jasmine", "lotus flower", "flower", or

“flower pattern”.

The same happened with the trademark “Oltre”: the Chinese phonemes are spelled [OUTE]. No translation was thought to conform to the meaning of “Oltre”, that should be “further, beyond, after, etc...”.

A Chinese phonetic translation was made for “Elena Miro” too, as this trademark is a proper noun and does not bear a meaning. Its Chinese Ideograms sound like [ALINA MILUO].

Following successful strategies adopted by world famous companies like Coca Cola, Ferrari, etc. Miroglio is doing all efforts to promote its trademarks in Italian language and not to use ideograms, in order to become globally identifiable.

Miroglio faced up the same problem with countries that do not adopt our alphabet, for example Croatia, Slovenia, Macedonia, Greece, Russia, Poland.

5. ELEGANT PROSPER TRADEMARK

Miroglio registered various versions of Elegant Prosper Chinese trademark, both in Chinese and in Pinyin language, and in English. There is one translation of *Elegant Prosper* in Chinese ideograms, one in Yaying (in Pinying), and also abbreviations have been registered like *Elegant.Prosp*, *E.Prospe*, *E.Prosp*.

All the above versions were registered by the deputed authority in Peking and the protection extends to the whole Chinese market. At the moment Elegant Prosper was not registered in any other land.

At the moment the Chinese Infringing market seems to be more interested in copying luxury trademarks. A form of protection of our trademark are the many people belonging to our staff that travel everywhere through China’s markets.