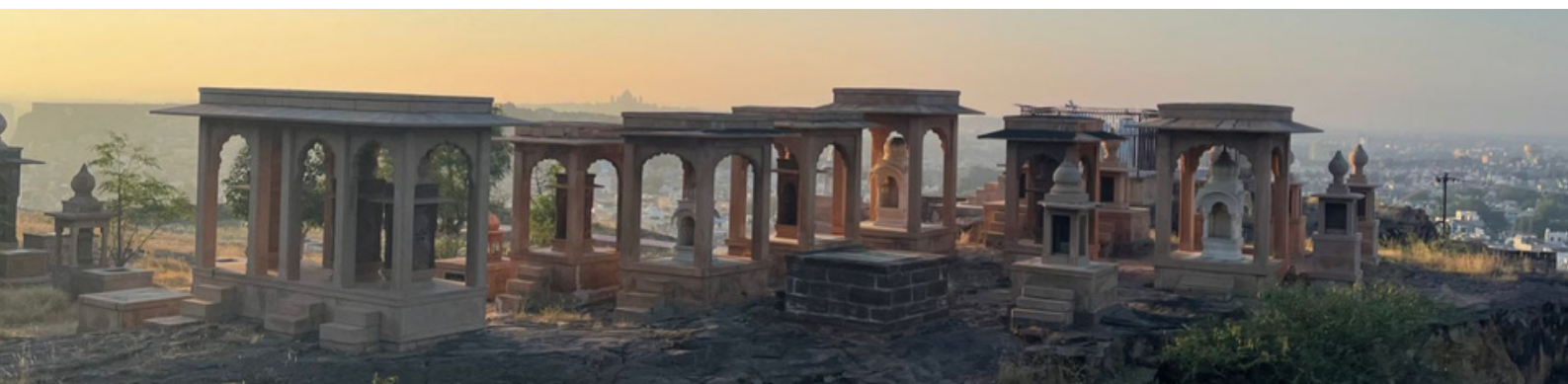
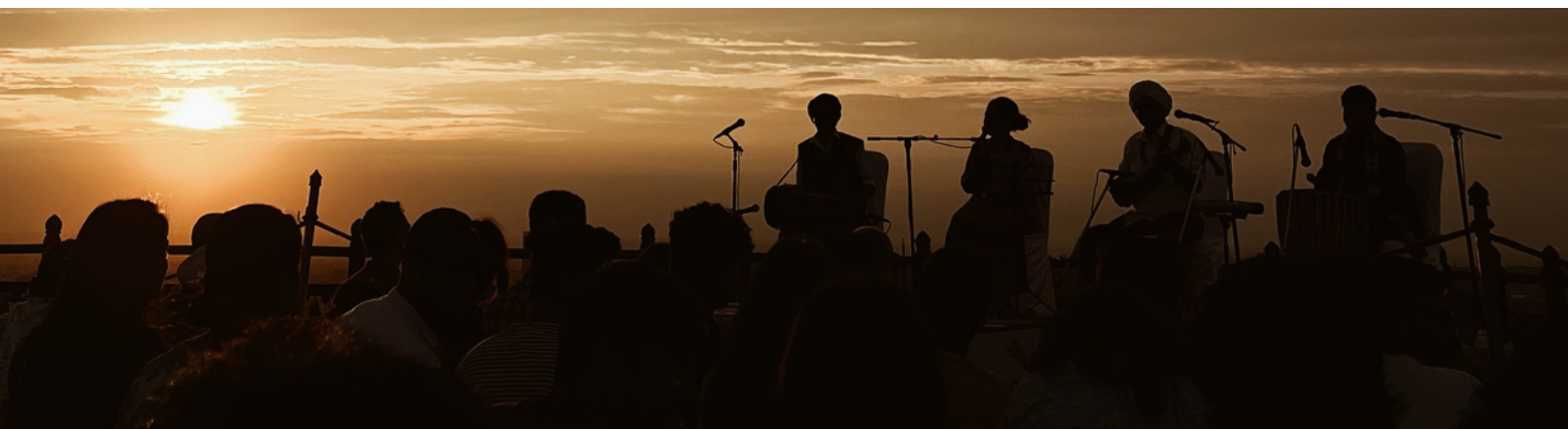


ALLEN & OVERY



QUARTER-FINAL PROPOSITION SWIRLING & WHIRLING

ALLEN & OVERY - NLU JODHPUR
INTERNATIONAL DEAL
NEGOTIATION COMPETITION
10TH - 12TH MARCH, 2023

SUPPORTING PARTNERS



**Swiss Arbitration
Centre**



WIPO | ADR
Arbitration
and Mediation
Center



ICSID

**International Centre for
Settlement of Investment Disputes**
WORLD BANK GROUP

BACKGROUND OF THE PARTIES

Blando Morris Limited

Blando Morris Limited [**“Blando Morris”**], founded in 1840, is a private limited company involved in the business of manufacturing cigarettes. It is one of the biggest manufacturers of cigarettes globally. Blando Morris sells its cigarettes under the registered trademark of "Swirls" [the **“Trademark”**]. As part of the Madrid System of Trademark Registration [the **“Madrid System”**], a system to register and manage trademarks worldwide, the Trademark is a recognised and protected trademark in all of the countries that are party to the Madrid System.

Due to the global lockdown in light of the COVID-19 Pandemic [the **“Pandemic”**], Blando Morris suffered considerable losses in the international market because of the knock-on effect of the Pandemic on global supply chains. However, with the effect of

the Pandemic gradually diminishing, Blando Morris expects its business to return to pre-Pandemic levels in 2023. Meanwhile, between 2020-2022, the demand for cigarettes in the United Kingdom decreased by over 30%. As per the industry experts, this was mainly due to the following factors:

- (i) A rise in the demand for e-cigarettes; and
- (ii) A fall in the demand of cigarettes due to a nationwide campaign highlighting the ill-effects of smoking.

Therefore, Blando Morris is looking to expand its reach worldwide in order to negate the decrease in demand within the United Kingdom.

Nishikore and Sons

Nishikori and Sons is a family run business (though they employ a few employees) which is registered as a private limited company in Japan. It started its life as a tobacco plantation in the Honshu Islands of Japan in the Shogun Era. Established by one of the Shogun families, the business has survived through generations of the Nishikori family, now reaching the 30th generation.

After having established its name as one of the leading producers of tobacco within Japan, the family is now looking to expand

and diversify its business in furtherance of which, Nishikori and Sons have acquired 10 new tobacco plantations in Japan with the aim of launching their own cigar brand in the Japanese market. They are also looking to collaborate with established manufacturers of cigarettes and cigars in order to obtain further knowledge and expertise in areas they currently lack experience, as well as make the whole process more efficient by using established technology practices where possible.

GENERAL INFORMATION

Conflict

At a press conference in Tokyo to announce the launch of its cigar range, Mr. Kei Katsumoto, the CEO of Nishikori and Sons, announced that the company has submitted an application before the Japanese Patent Board under the Japanese Trademark Act for the registration of its trademark for the cigars under the name of “Whirls”, for use in Japan only. The Japanese Patent Office accepted that the application was published for registration on 4 June 2022. The first batch of the cigar made its way onto the Japanese market on 14 June 2022.

Blando Morris already has a minor presence in the Japanese market, holding 4% of the current market for cigarettes, valued by sales. As a part of its ‘Look East’ policy to capture more markets in Asia, Blando Morris has prepared elaborate plans to expand in Japan requiring investments in various forms totalling 48 million Yen (48,000,000). Simultaneously, Blando Morris is also trying to reduce its cost of production in Japan by potentially setting up a factory and localising production in Japan.

On 10 October 2023, Blando Morris learnt about Nishikori and Sons’ attempt to register the trademark “Whirls”. Blando Morris immediately raised an objection claim before the Japanese Patent Office, opposing the

grant of the trademark registration of “Whirls” on the grounds that the name is deceptively similar and is likely to cause confusion in the minds of the consumers with respect to its "well known trade mark" "Swirls". Blando Morris pleaded before the Japanese Patent Board to (i) cancel the trademark registered in the name of Nishikori and Sons and (ii) award compensation to it for the losses suffered. Japan is a party to the Madrid System.

The claims of Blando Morris were countered by Nishikori and Sons on the grounds that "Whirls" did not sound phonetically similar to Blando Morris’ registered trademark "Swirls" and that the two companies are involved in different lines of business in terms of their product, i.e., cigarettes and cigars. Nishikori and Sons therefore argued that the relevant market is not the same in terms of product for the two trademarks.

The Japanese Patent Board recommended both the parties to consider the route of negotiations before exploring the route of adversarial proceedings. In a recent study conducted by Blando Morris, they found out that the Japanese market prefers cigarettes that are produced with Japanese tobacco. Mr. Chester Nimitz, the CEO of Blando Morris, saw these negotiations as an opportunity to approach Nishikori and Sons to collaborate,

in order to access their large stores of domestically grown tobacco. When approached, the proposal was met positively by Nishikori and Sons as they need to modernise their manufacturing process to best use their high-quality raw materials and optimise the production process. Nishikori and Sons feel that Blando Morris' experience and technical know-how can help them in this objective.

Therefore, at the meeting, in addition to discussing the dispute, the parties are also looking to discuss a potential collaboration in the manufacturing of cigarettes and cigars whereby Nishikori and Sons can take advantage of Blando Morris' technical and manufacturing expertise whilst Blando Morris can use the cheap and good quality raw materials that Nishikori and Sons can provide, sourced in Japan.

At the negotiations, the parties are looking to discuss and explore various collaboration opportunities by setting up a joint venture [the "JV"]. The parties are open to discussing aspects such as the structure, finance, management and control, IP ownership, exit strategies, etc. of the potential JV. Specifically, the parties wish to discuss the following:

1. Dispute Resolution Clause

Blando Morris' preference is to settle any disputes arising out of the agreement by arbitration. For this purpose, it wishes to subject any potential disputes to the World Intellectual Property Organisation's ["WIPO"] Arbitration Rules 2021, specifically Rule 17, which talks about the appointment of 3 arbitrators. Nishikori and Sons, on the other hand, wish to settle disputes through mediation instead and are willing to adopt the WIPO Mediation Rules 2021. Even if the arbitration route is agreed, Nishikori and Sons wish to have a sole arbitrator appointed by WIPO according to Rule 19.

2. Trademark Rights and Compensation

A major point of discussion will be the ownership of intellectual property rights created by the JV and how the same are to be dealt with at the time of exit. The parties also wish to consider whether the existing trademarks "Swirls" and "Whirls" will be licensed to the JV or not. At the same time, Blando Morris still believes in the credibility of its claims and wishes to be adequately compensated for the damage it suffered due to the trademarking of "Whirls".

3. Control and Profit Sharing

Nishikori and Sons believes in the profitability of a potential JV. It is a priority for them to negotiate a majority shareholding in the JV and the right to nominate directors so that they appoint a majority of the board. While these considerations remain a high priority for Blando Morris, Blando Morris is also interested in negotiating a higher share of any profit from the JV to offset the reduced demand of its cigarettes in the United Kingdom.

4. Initial funding of the JV

The JV will require initial funding of a minimum amount of 80 million Yen (80,000,000). Nishikori and Sons want to split the cost of the initial funding equally, so that each party contributed 40 million Yen (40,000,000).

Key Personnel Representing the Parties at the Negotiation

Blando Morris:

- (1) Mr. Chester Nimitz (CEO); and
- (2) Ms. Gilda Taro (Counsel).

Nishikori and Sons:

- (1) Mr. Isoroku Yamamoto (CEO); and
- (2) Ms. Lee Miller (Counsel).

Recent Trends in the Tobacco Market

Cigarette packaging is starting to be plain, with no pictures or designs on the packaging. Recently, Australia became one of the first countries in the world to implement plain packaging. The Australian Tobacco Plain Packaging Act 2011 (“**TPP Act**”) requires cigarettes to be sold in drab brown packets, with large (and often grotesque) graphic health warnings. The major objective behind these measures is to reduce the consumption of cigarettes by reducing the appeal of cigarettes through the packaging they are contained in.