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The Rising Prevalence
of the Internet of
Things (“IoT”):
Similarity Between
IoT Goods and
Services in a Trade
Mark Dispute

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**LEGAL
UPDATE**

In this Update

The General Division of the High Court decision in *Digi International Inc v Teraoka Seiko Co, Ltd* [2021] SGHC 165 is the first court decision in Singapore which considered the Internet of Things (“IoT”) ecosystem in the context of a trade mark dispute. Similarity was found between goods on the one hand, and services on the other hand.

This article examines the court’s reasoning for finding similarity, and the importance and value of marketplace evidence.

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INTRODUCTION

The General Division of the High Court (“**GDHC**”) in *Digi International Inc v Teraoka Seiko Co, Ltd* [2021] SGHC 165 upheld the decision of the Intellectual Property Office of Singapore (“**IPOS**”) to refuse protection in Singapore for the trade mark, “**DIGI**”, in classes 9, 38, and 42 (“**Application Mark**”).

This is the first court decision in Singapore which considered the similarity of goods and services that exist in the Internet of Things (“**IoT**”) ecosystem, and in which similarity was found between goods on the other hand, and services on the other hand, in a trade mark dispute. This article provides a case update of the decision, and considers the court’s reasoning for finding similarity, and the importance and value of marketplace evidence.

BACKGROUND

In 2002, the Appellant, Digi International Inc, and the Respondent, Teraoka Seiko Co, Ltd, entered into an agreement to resolve disputes relating to their respective trade marks at that time (“**2002 Agreement**”). The settlement terms were briefly that the parties would withdraw their respective opposition and cancellation actions against the other party’s trade marks, and would agree not to oppose the registration, renewal, and / or use of each other’s trade marks, as covered by the 2002 Agreement, as long as each kept to the goods and services as demarcated in the 2002 Agreement.

In 2016, the Appellant launched a new logo, “**DIGI**”, and applied to register it as a trade mark in classes 9, 38, and 42 for goods and services relating to IoT. The application was opposed by the Respondent, who was the registered proprietor of the trade mark “ **DIGI**” (“**Registered Mark**”) in respect of class 9, on the following grounds: sections 8(2)(b), 8(4)(b)(i) read with 8(4)(a), 8(7)(a), and 7(6) of the Trade Marks Act (“**Act**”). The opposition succeeded before IPOS, under sections 8(2)(b), 8(4)(b)(i) read with 8(4)(a), and 8(7)(a) of the Act. Parties cross-appealed against the grounds under which they were unsuccessful. The Appellant also argued, on appeal, that the Application Mark should be registered under section 8(9) of the Act, which provides that “[t]he Registrar may, in his discretion, register a trade mark where the proprietor of the earlier trade mark or other earlier right consents to the registration”.

THE DECISION OF THE GENERAL DIVISION OF THE HIGH COURT

The GDHC dismissed the appeal and cross-appeal, and upheld the findings of IPOS.

The issue of whether the Application Mark should be registered under section 8(9) of the Act was first disposed of by the GDHC. As the Application Mark was a new logo, the applicability of section 8(9) of the Act turned on whether the 2002 Agreement covered trade marks that were not existing at the time of the agreement, such as the Application Mark. The Appellant's argument was that the 2002 Agreement constituted consent within the meaning of section 8(9) of the Act, in view of parties' subsequent conduct of entering into another agreement. This subsequent agreement, as the Appellant argued, permitted parties to register close variations of the defined "DIGI" marks in Canada, and was intended to implement the 2002 Agreement. The Respondent took the contrary position; that the 2002 Agreement did not constitute consent, having regard to the terms, which stated that the agreement was "*valid for existing trade marks*".

The 2002 Agreement was governed by German law. As the Appellant had not led evidence of German law relating to contractual interpretation to support its argument, the assumption that the foreign law was the same as the local law applied. In accordance with local laws concerning contractual interpretation, the GDHC held that parties' subsequent agreement was not relevant in interpreting the 2002 Agreement, and therefore accepted the Respondent's position that the 2002 Agreement was not applicable. The GDHC declined to register the Application Mark under section 8(9) of the Act.

Under section 8(2)(b) of the Act, there were three requirements to be assessed systematically, namely, similarity of trade marks, similarity of goods and services, and likelihood of confusion. In assessing similarity of trade marks, the court compared the visual, aural, and conceptual similarity of the marks. The question of whether the Registered Mark was distinctive was integrated into that analysis. A mark which has greater technical distinctiveness enjoys a high threshold before a competing sign will be considered dissimilar to it. The GDHC held that the textual component of the Registered Mark, "DIGI", was descriptive as it would intuitively be understood to denote the digital nature of the registered goods. However, in view of the triangle device and stylisation of the word "DIGI", the Registered Mark was held to possess a low degree of inherent distinctiveness, with the distinctiveness of the whole mark enhanced to a moderate degree through use. Having regard to that, the competing marks were found to be visually similar to a fair degree, aurally identical, conceptually similar to a high degree, and overall, similar.

KEYPOINT

The General Division of the High Court affirmed the position that goods can be considered similar to services.

On the similarity of goods and services, the class 9 goods covered by the Registered Mark were “[b]alance and scale, scale equipped with printer, printer”, whereas the goods and services in classes 9, 38, and 42 sought to be registered under the Application Mark related broadly to IoT connectivity hardware and systems, cloud connectivity, and wireless communication solutions. The GDHC held that the competing goods and services were similar, owing to the complementary nature of the compared goods and services, the potentially same end users, and the highly similar trade channels that the compared goods and services were likely to be marketed. This is despite the Appellant’s limitation of the goods under its class 9 specification, to expressly exclude the Respondent’s goods. In so finding, the GDHC cited, amongst other things, marketplace evidence that was adduced by the Respondent, for instance, to show “multiple examples of businesses advertising goods and complementary IoT-related services together”.

Finally, the GDHC held that there was a likelihood of confusion, given its findings that (a) the competing marks were similar to a high degree, (b) the competing goods and services were similar to a moderate degree, (c) the modes of purchase (both physical and online) pointed towards a likelihood of confusion, and that (d) there was a likelihood of confusion despite the technical nature of the goods. The opposition was therefore successful under the section 8(2)(b) ground.

KEYPOINT

The court’s decision highlights the importance and value of marketplace evidence.

Under section 8(7)(a) of the Act relating to the tort of passing off, the following three elements must be established: (a) goodwill; (b) misrepresentation; and (c) likelihood of damage to goodwill. On the evidence, the Respondent was found to have the requisite goodwill. The Appellant did not directly challenge this. Misrepresentation was also made out, as the test for misrepresentation which creates a likelihood of confusion was substantially the same as that for “likelihood of confusion” under section 8(2)(b) of the Act. In addition, the evidence showed that the Respondent provided services that created an IoT ecosystem, such that not only were the parties’ goods complementary, the nature of the competing goods and services offered were in competition. The evidence also showed that the industries in which these goods and services were offered by the respective parties overlapped. One of the arguments mounted by the Appellant in arguing that there was no misrepresentation was founded on its claims that it had prior use of its DIGI-related marks in Singapore, and that these marks were similar to the marks at issue. However, as there was insufficient evidence to establish prior use of those DIGI-related marks in Singapore, the GDHC held that the argument failed. It followed that there was a likelihood of damage to the Respondent’s

goodwill in the form of diversion of custom. The opposition was therefore also successful under the section 8(7)(a) ground.

Under section 8(4)(b)(i) read with 8(4)(a) of the Act, the GDHC upheld the decision of IPOS that the Registered Mark was well known in Singapore. Further, in light of its earlier findings on the similarity of marks, and on the elements of misrepresentation and damage under the ground of passing off, the GDHC found that all of the other elements were made out. The opposition was therefore also successful under the section 8(4)(b)(i) ground.

Under section 7(6) of the Act, the Respondent argued that the Appellant had acted in bad faith in applying for the Application Mark, as it had acted in a manner which was contrary to the spirit of the 2002 Agreement – that is, that the Appellant “*should have known*” that the Respondent would likely have objected to the Application Mark. The GDHC rejected this argument, as the Appellant had already registered various trade marks incorporating the word “DIGI” in Singapore, without opposition from the Respondent. The Respondent also argued that bad faith was evidenced by the Appellant’s “*late*” amendment to restrict its class 9 specification to expressly exclude the Respondent’s registered goods, and the fact that the Appellant had begun trading in contravention of this amendment. This was also rejected by the GDHC, as there was no evidence that the goods and / or services bearing the Application Mark had been viewed, distributed, or sold in Singapore. While the GDHC did not find the section 7(6) ground to have been made out, the overall outcome of the opposition was not affected.

COMMENTARY

The decision is a notable addition to the local jurisprudence of trade mark law, as it affirms the position that goods can in fact be considered similar to services. While numerous decisions of the Intellectual Property Office of Singapore have considered the similarity between goods on the one hand, and services on the other hand, including the decisions of *Guccio Gucci S.p.A. v Guccitech Industries (Private Ltd)* [2018] SGIPOS 1 and *Daidoh Limited v New Yorker S.H.K. Jeans GmbH & Co. KG* [2018] SGIPOS 18, where it was also expressly stated that it was permissible to compare goods with services in an inquiry into similarity, our local courts have not had the opportunity to consider this issue, until now. The comparison of goods with services was undertaken no differently from a comparison of goods with goods, or services with services – that is, by considering the factors as set out in *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281.

This decision also spotlights the growing prevalence of IoT and the increasing convergence of goods and the provision of wireless cloud services in the marketplace today. The Respondent’s registration covered goods in class 9. On the evidence and as recognised by the GDHC, the

Respondent had later expanded its business and “*begun to provide services that create an IoT ecosystem by, inter alia, facilitating M2M communication and centralised data management*”. The reality is that an increasing number of devices and objects can be and are connected to the Internet and / or to each other. In drawing the necessary connection between the competing goods and services, the GDHC demonstrated practical awareness of commercial realities, having regard to the marketplace evidence (and in some instances, lack thereof) as adduced by the parties. This included evidence of the parties’ use of goods and services bearing their respective trade marks.

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If you have any questions or comments on this article, please contact:



Yvonne Tang
Director, Intellectual Property

T: +65 6531 2575
E: yvonne.tang@drewnapier.com



Ruby Tham
Director, Intellectual Property

T: +65 6531 2536
E: ruby.tham@drewnapier.com

Drew & Napier LLC
10 Collyer Quay
#10-01 Ocean Financial Centre
Singapore 049315

www.drewnapier.com

T : +65 6535 0733
T : +65 9726 0573 (After Hours)
F : +65 6535 4906

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