

## Newsletter

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### For more information, please contact:

Andy Leck  
+65 6434 2525  
[andy.leck@bakermckenzie.com](mailto:andy.leck@bakermckenzie.com)

Lim Ren Jun  
+65 6434 2721  
[ren.jun.lim@bakermckenzie.com](mailto:ren.jun.lim@bakermckenzie.com)

Abe Sun  
+65 6434 2547  
[vasan.abe.sun@bakermckenzie.com](mailto:vasan.abe.sun@bakermckenzie.com)

## Can a co-existence agreement tip the scales in favour of a finding of bad faith in an opposition action? - *Teraoka Seiko Co., Ltd v Digi International Inc. [2020] SGIPOS 1*

This article first appeared on the [IPKat weblog](#) in March 2020.

How far will a co-existence agreement tip the scales in favour of establishing bad faith in an opposition action? The Intellectual Property Office of Singapore ("IPOS") deliberated this issue in *Teraoka Seiko Co., Ltd v Digi International Inc. [2020] SGIPOS 1*.

### The Parties

Teraoka Seiko Co., Ltd (the "**Opponent**") is a Japanese company dealing in, among others, electronic price-computing scales named 'DIGI'. Digi International Inc. (the "**Applicant**") is an American company engaged in a variety of business-critical machine-to-machine and Internet of Things connectivity products and services.

The Opponent successfully opposed the Applicant's Singapore trade mark application for  in Classes 9, 38 and 42, on three grounds under the Trade Marks Act, on the basis of its prior mark  in Class 9 covering "*balance and scale, scale equipped with printer and printer*".

However, the Opponent failed on a fourth ground of opposition, that the Applicant's trade mark application was made in bad faith to circumvent a co-existence agreement between the parties.

In this write-up, we focus on the ground of bad faith. It is generally accepted that the threshold for proving bad faith is high, and the party alleging bad faith needs to show some nexus between the parties, such as by way of a pre-existing relationship. This case is interesting in that notwithstanding a pre-existing relationship between the parties, it was found that bad faith was not established.

### History between the parties

The parties are familiar with each other, owing to a long history of disputes over their respective "Digi" marks, spanning 17 years. In 2002, in efforts to settle a series of trade marks disputes in Germany concerning the Opponent's 



mark and the Applicant's  (an earlier iteration of the Applicant's mark), the parties entered into a worldwide co-existence agreement (the "**Agreement**").

The Agreement contained the following key terms:

- (1) The Applicant agrees not to attack the Opponent's registrations of



**DIGI**, so long as the registration is for a list of goods and services specified in the Agreement, which included spring scales, electronic and electrical scales and parts of such goods and equipment therefore, namely digital or analog display devices, keyboards, writer and printer. It also included data-processing devices and computers, provided these do not include the uses by the Applicant stated in the next term.

- (2) The Opponent agrees not to attack the Applicant's registrations of



**Digil**, as long as the registration is for a separate list of goods and services specified in the Agreement, which included data processing devices and computers such as micro-computer hardware for use in connection with multiple user systems and local networks, and software programmes brought on data carriers, provided these do not include the uses by the Opponent in the term above, namely in goods/services which concern weighing and/or measuring purposes or transfer of data connected to weighing and/or measuring processes.

### **Bad faith**

The Opponent argued that the Applicant had acted in bad faith by refashioning



(the mark covered by the Agreement), into  (which the Opponent deemed as an even more similar mark to theirs), and applying to register that mark for a broader list of goods and services than what was provided for in the Agreement. The Applicant had also done so without first informing the Opponent.

In Singapore, the test for bad faith focuses on the following question: Based on what the Applicant knew at that time, would the registration here be seen as commercially unacceptable by reasonable and experienced persons in a particular trade? The Hearing Officer thus had to decide whether the facts indicated an intention by the Applicant to sidestep the Agreement, thereby acting in bad faith.

The Hearing Officer ruled that it did not. To hold the Applicant to such an obligation would be to stretch the Agreement beyond its express wording. Furthermore, no evidence was provided to prove that the parties shared such an understanding at the time the Agreement was made.



The Hearing Officer also distinguished the case law cited by the Opponent in support of its arguments - a decision by the UK Registrar of Trade Marks in *Case O-006-17 Trade Mark Application No. 3134673 by Cold Black Label Ltd ("Cold Black Label")* and a decision by the Australian Trade Marks Office in *Ceravolo Premium Wines Pty Ltd v MA Kirkby TRPL Pty Ltd* [2018] ATMO 43 ("**Ceravolo**").

In *Cold Black Label*, the applicant agreed, among others, not to sell beer cans with the same or confusingly similar appearance. It was held that even if the agreement prohibited use and not registration of similar marks, the application was made in bad faith because it was "*plainly contrary to the spirit of the agreement*" and the marks were so highly similar that the Applicant ought to have realised that.

In *Ceravolo*, the applicant had agreed not to use "Red Earth Child" or terms deceptively similar to the opponent's "Red Earth" mark. The applicant subsequently applied for the registration of "OCHRE EARTH CHILD" without notifying the opponent. It was held that the applicant's deliberate secrecy in doing so indicated his insincere motivations for making the application. Although the marks were not similar, the crux of the issue is the knowledge of the applicant and whether the applicant knew he ought not make such an application.

*Cold Black Label* and *Ceravolo* both turned on the fact that the offending registrations were surreptitiously made not long after signing the agreement so as to circumvent it. In contrast, the present application was made about 14 years after the Agreement. During this period, the parties continued to file their respective applications (and in the case of the Applicant, applications for a variety of other 'DIGI' marks as well) and opposed each other's marks in various jurisdictions. There was also no evidence to show that there was a practice or understanding between parties that they would inform each other prior to making applications. The Hearing Officer thus found, on the facts, that the parties were not bound by any common understanding that the Applicant had acted contrary to.

## Comments

This decision demonstrates that when co-existence agreements are invoked to establish the ground of bad faith, the opponent must show that the application was made in contravention of the agreement or to circumvent it. It would not be sufficient to argue that the applicant failed to meet the opponent's unilateral expectation which fell outside of the agreement, especially where the opponent has not proved that the expectation was within the parties' contemplation when the agreement was made. Rather, the applicant must have breached a common understanding between the parties.

The conduct of the parties over the years is also key. This is especially so where there is no evidence to prove that such an understanding or practice between the parties existed.



## IPOS CEO nominated as the next Director General of WIPO

The Coordination Committee of the United Nations World Intellectual Property Organization ("**WIPO**") has officially nominated Mr Daren Tang, the Chief Executive of IPOS, to be the next Director General of WIPO. Mr Tang's nomination will have to be confirmed by the WIPO General Assembly when it convenes in May 2020.

### Comments

We join the flurry of congratulatory comments on Mr Tang's nomination.

Mr Tang's nomination is a mark of confidence that Singapore continues to cement its strategic position as an IP hub. The vote of trust is likely to nudge more foreign companies to eye Singapore as a safe harbour for their IP assets. In addition to a strong IP protection regime, a transparent and efficient legal system, attractive tax incentives for IP-rich businesses and a tech-friendly ecosystem, this is yet another reason for multinational corporations to consider migrating their trove of intangible assets to Singapore.

## Surge in Singapore patent filings by China firms reported

It was reported in The Business Times on 6 March 2020 that figures supplied by the Intellectual Property Office of Singapore showed that the number of patent applications filed by Chinese companies from 2017 to 2019 increased an average of 55.2% each year, to reach 1,554 in 2019.

The patents filed by Chinese companies include inventions related to artificial intelligence ("**AI**"), wireless communication and blockchain technology, from tech giants including Alibaba, and tech startups including ByteDance Technology, which owns and operates video-sharing platform TikTok.

### Comments

This is a welcome development, which is testament to Singapore's strategic placing as an IP hub, and the Chinese companies' conviction in the strength of Singapore's IP protection regime.



Various initiatives rolled out by the IPOS are also likely to have contributed to this positive phenomenon. In particular, the Fintech Fast Track initiative, and separately, the Accelerated Initiative for Artificial Intelligence, are aimed at expediting the application-to-grant process for FinTech patent applications and AI patent applications respectively, to as fast as 6 months. Under the Accelerated Initiative for Artificial Intelligence scheme, Alibaba was granted an AI-related patent in Singapore in just three months.

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Baker McKenzie Wong & Leow 8  
Marina Boulevard  
#05-01 Marina Bay Financial Centre  
Tower 1  
Singapore 018981

Tel: +65 6338 1888  
Fax: +65 6337 5100

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