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LE REGISTRAIRE DES MARQUES DE COMMERCE
THE REGISTRAR OF TRADEMARKS

Citation: 2020 TMOB 133

Date of Decision: 2020-11-30

IN THE MATTER OF A SECTION 45 PROCEEDING

Nexus Law Group LLP	**Requesting Party**
and	
Konami Gaming, Inc.	**Registered Owner**
TMA654,582 for DRAGON TREASURE	**Registration**

INTRODUCTION

[1] At the request of Nexus Law Group LLP (the Requesting Party), the Registrar of Trademarks issued a notice under section 45 of the *Trademarks Act*, RSC 1985, c T-13 (the Act) on June 28, 2017, to Konami Gaming, Inc. (the Owner), the registered owner of registration No. TMA654,582 for the trademark DRAGON TREASURE (the Mark).

[2] The Mark is registered for use in association with the goods "Gaming equipment, namely, slot machines, gaming machines, and game software used therewith; gaming equipment, namely, slot machines, gaming machines and game software used therewith, all in accordance with Canadian legislation."

[3] The notice required the Owner to show whether the Mark had been used in Canada in association with the registered goods at any time within the three-year period immediately preceding the date of the notice and, if not, the date when it was last in use and the reason for the

absence of such use since that date. In this case, the relevant period for showing use is June 28, 2014, to June 28, 2017.

[4] For the reasons that follow, I conclude that the registration ought to be expunged.

[5] The relevant definition of use in the present case is set out in section 4(1) of the Act as follows:

> 4(1) A trademark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.

[6] It is well established that bare statements that a trademark was in use are not sufficient to demonstrate use in the context of section 45 proceedings [*Plough (Canada) Ltd v Aerosol Fillers Inc* (1980), 53 CPR (2d) 62 (FCA)]. Although the threshold for establishing use in these proceedings is low [*Woods Canada Ltd v Lang Michener* (1996), 71 CPR (3d) 477 (FCTD)], and evidentiary overkill is not required [*Union Electric Supply Co Ltd v Registrar of Trade Marks* (1982), 63 CPR (2d) 56 (FCTD)], sufficient facts must still be provided to permit the Registrar to arrive at a conclusion of use of the trademark in association with each of the goods specified in the registration during the relevant period [*John Labatt Ltd v Rainier Brewing Co* (1984), 80 CPR (2d) 228 (FCA)].

[7] In response to the Registrar's notice, the Owner furnished the affidavit of Thomas A. Jingoli, Executive Vice President and Chief Commercial Officer of the Owner, sworn January 29, 2018, in Las Vegas, Nevada. Both parties submitted written representations and were represented at an oral hearing.

THE OWNER'S EVIDENCE

[8] Mr. Jingoli states that the Owner manufactures and sells gaming machines for use in casinos across Canada. Such machines are preinstalled with an assortment of games, and may either be sold through an "outright" sale or a lease/participation model. In the former case, the sales will often include a conversion warranty in which new games are provided to purchasers at

no additional cost when the games are released. If no such warranty is included in the sale of the machine, a software licence may also be purchased from the Owner. Mr. Jingoli further explains that new games are installed on the Owner's machines through conversion kits provided by the Owner, which include a flash card containing game software as well as installation instructions.

[9] As Exhibit A to his affidavit, Mr. Jingoli attaches photographs of the Mark displayed on the video screen of a gaming machine as well as on the top of such a machine. He states that this depiction is representative of how the Mark was used in association with the registered goods in Canada since September 24, 2002. He explains that "[p]rior to the Material Period, a revamped version of the DRAGON TREASURE game was in development at Konami to be re-released on next generation gaming machines" and that in winter 2016, a gaming machine with the re-released DRAGON TREASURE game was showcased at the Owner's showroom at its Las Vegas headquarters. He states that a number of Canadian clients and prospective customers visited the showroom and tested the game in 2016.

[10] Mr. Jingoli states that in March 2017, the DRAGON TREASURE game was re-released and made available for purchase in Canada and elsewhere. As Exhibits B and C, respectively, he attaches screenshots from the Owner's website as it appeared during the relevant period, as well as photographs, each of which show the Mark displayed on a gaming machine. He states that such images are representative on how the Mark would appear on all gaming machines which include the DRAGON TREASURE game software.

[11] Mr. Jingoli further states that in Canada, the manufacture and sale of gaming equipment and software is regulated provincially, and that most provinces require that all electronic gaming equipment meet minimum technical standards. He states that in Ontario, the Alcohol and Gaming Commission of Ontario (AGCO) reviews new gaming machines and software to ensure compliance with the *Gaming Control Act, 1992*, SO 1992, c 24 (*Gaming Control Act*), and that the DRAGON TREASURE software was sent to AGCO on April 5, 2017, in order to be tested prior to release into the Ontario market. As Exhibit D, he attaches an approval letter from AGCO for the DRAGON TREASURE gaming software, dated May 15, 2017.

[12] Finally, Mr. Jingoli states that subsequent to the approval of the DRAGON TREASURE gaming software, two software conversion kits for the game were shipped to Great Blue Heron

Charity Casino in Port Perry, Ontario, in October 2017. As Exhibits E and F, respectively, he attaches a copy of the shipping notices for the conversion kits, dated October 11, 2017, and a photograph of a gaming machine displaying the Mark, which he states was taken at the aforementioned casino in Port Perry.

ANALYSIS

[13] The Requesting Party submits that (i) there is no evidence of transfers in the normal course of trade during the relevant period, and (ii) no special circumstances that would excuse non-use of the Mark. Each submission will be considered in turn.

Transfers in the Normal Course of Trade

[14] With respect to transfers in the normal course of trade, the Requesting Party submits, and I agree, that display of the Mark on goods in the Owner's Las Vegas showroom or on its website, absent a transfer of such goods, does not constitute use of the Mark in the normal course of trade. I also agree with the Requesting Party that even if older machines displaying the Mark continued to be in operation in Canadian casinos during the relevant period, such continued operation on its own would not constitute a transfer of any of the registered goods within the meaning of the Act.

[15] The Owner submits that the submission of its software to AGCO in April 2017 represented the beginning of a chain of distribution leading to a transfer of the goods in the normal course of trade. However, I concur with the Requesting Party that submission of software for regulatory approval is not a transfer in the normal course of trade. The concept of a "chain of distribution" in a trademark owner's normal course of trade involves distributors, wholesalers, and/or retailers [see *Manhattan Industries Inc v Princeton Manufacturing Ltd* (1971), 4 CPR (2d) 6 (FCTD)]. AGCO is not a wholesaler, distributor, retailer or customer of the Owner's goods. As the only evidence of a transfer in the normal course of trade is from after the relevant period, I am not satisfied that the Owner has demonstrated use of the Mark in association with any of the registered goods within the meaning of the Act.

Special Circumstances

[16] As such, as there is no evidence of use of the Mark in Canada during the relevant period, the issue is whether, pursuant to section 45(3) of the Act, there were special circumstances which excused such non-use. The general rule is that absence of use will be penalized by expungement, but there may be an exception where the absence of use is excusable due to special circumstances [*Smart & Biggar v Scott Paper Ltd*, 2008 FCA 129 (*Scott Paper*)].

[17] To determine whether special circumstances have been demonstrated, the Registrar must first determine, in light of the evidence, why in fact the trademark was not used during the relevant period. Second, the Registrar must determine whether these reasons for non-use constitute special circumstances [*Registrar of Trade Marks v Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA) (*Harris Knitting*)]. The Federal Court has held that special circumstances mean circumstances or reasons that are "unusual, uncommon, or exceptional" [*John Labatt Ltd v Cotton Club Bottling Co* (1976), 25 CPR (2d) 115 (FCTD) at para 29].

[18] If the Registrar determines that the reasons for non-use constitute special circumstances, the Registrar must still decide whether such special circumstances *excuse* the period of non-use. This involves the consideration of three criteria: (i) the length of time during which the trademark has not been in use; (ii) whether the reasons for non-use were beyond the control of the registered owner; and (iii) whether there exists a serious intention to shortly resume use [*Harris Knitting*].

[19] All three criteria are relevant, but satisfying the second criterion is essential for a finding of special circumstances *excusing* non-use [*Scott Paper*].

[20] With respect to the first determination, the Owner submits that unlike most computer games, casino gaming machines and related software are regulated by various provincial frameworks, and that it was unable to use the Mark in Canada in association with the registered goods until it secured regulatory approval in Canada. The Owner submits that efforts to comply with regulatory frameworks can constitute special circumstances, citing *Cassels Brock & Blackwell LLP v Montorsi Francesco E Figli SPA*, 2004 FC 753. At the hearing, the Owner further submitted that the Registrar can have regard to the fact that the *Gaming Control Act* was

in force for the entire relevant period, and that it can be inferred from the provisions of the *Gaming Control Act* and the approval letter that approval by AGCO involved ongoing efforts to develop compliant software, rather than a single instance of submitting software for evaluation.

[21] In response, the Requesting Party submits that software development is a routine aspect of computer games in general, such that it cannot constitute unusual, uncommon, or exceptional circumstances. Further, the Requesting Party notes that the Owner has provided no substantive facts to explain the apparent period of non-use of the Mark from 2005 to the shipment of the game for testing at AGCO in 2017, and submits that any alleged special circumstances must apply to the entire period of non-use.

[22] In some cases, efforts to comply with Canadian regulatory standards can constitute unusual, uncommon or exceptional circumstances [*Spirits International NV v Canada (Registrar of Trade-Marks)*, 2006 FC 520, aff'd 2007 FCA 162]. However, where a registered owner submits that its efforts to comply with regulatory frameworks constitute special circumstances, such efforts must be substantiated by evidence of active steps taken to obtain regulatory approval [see *Oyen Wiggs Green & Mutala LLP v Rath*, 2010 TMOB 34 at paras 17-18; *Currier + Kao LLP v LiFung Trinity Management (Singapore) Pte Ltd*, 2014 TMOB 289 at para 19].

[23] In this case, while Mr. Jingoli attests that the revamped version of the DRAGON TREASURE game was in development since before the relevant period, there is no evidence to indicate that such development included "ongoing" efforts to comply specifically with provincial regulatory frameworks. Instead, the Owner's evidence indicates that it was developing the game for worldwide release, and its only evidence of efforts to comply specifically with Canadian provincial regulations are dated near the end of the relevant period. If, in the course of its efforts to develop the DRAGON TREASURE software, the Owner was engaged in such ongoing efforts to comply with the regulatory frameworks *in Canada specifically*, it was incumbent on the Owner to provide evidence of such efforts. In the absence of such evidence, I am not satisfied that the absence of regulatory approval prior to 2017 was not simply the result of earlier business decisions by the Owner with respect to the Canadian marketplace [for similar conclusions, see *PM-International AG v PM-International AG*, 2013 TMOB 15 at paras 15-16; *ExxonMobil Oil Corp v Mövenpick-Holding AG*, 2013 TMOB 98 at paras 25-26].

[24] I would further note that the Owner's own evidence is that it is a subsidiary of a "world-renowned entertainment developer" and that it has been selling gaming machines in Canada since the early 2000s. However, the Owner brought forward no evidence as to how its efforts to secure regulatory compliance for the DRAGON TREASURE game were "unusual, uncommon or exceptional" as compared to the normal development process for its games, or for games in the gaming industry more broadly.

[25] In view of the foregoing, I am not satisfied that the Owner has provided reasons for non-use of the Mark amounting to special circumstances. Therefore, it is unnecessary to determine whether those circumstances excuse the period of non-use.

[26] Nevertheless, I do note that the Owner's subsequent sale of software in association with the Mark in 2017 supports the Owner's serious intention to resume use of the Mark. As noted in *Scott Paper*, however, this alone is insufficient for purposes of section 45(3) of the Act.

[27] Furthermore, even if there was sufficient evidence before me with respect to how non-use of the Mark during the relevant period was beyond the Owner's control in this case, I note that the absence of use dates back to the registration date of the Mark in 2005. This is a lengthy period of non-use that would weigh heavily against the Owner absent further explanation.

DISPOSITION

[28] In view of all of the foregoing, pursuant to the authority delegated to me under section 63(3) of the Act, the registration will be expunged in compliance with the provisions of section 45 of the Act.

G.M. Melchin
Hearing Officer
Trademarks Opposition Board
Canadian Intellectual Property Office

TRADEMARKS OPPOSITION BOARD
CANADIAN INTELLECTUAL PROPERTY OFFICE
APPEARANCES AND AGENTS OF RECORD

HEARING DATE 2020-11-09

APPEARANCES

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Otto Zsigmond	For the Requesting Party

AGENTS OF RECORD

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