“Miss Nude Universe”and the law of Trade-Marks

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I’ll bet the most popular court files at the Federal Court office in Ottawa right now are the ones for the MISS NUDE UNIVERSE case and the PENTHOUSE case. As a matter of fact (solely because of my professional interest in the legal issues, of course), I wouldn’t mind having a look at the exhibits to the affidavits myself.

By a strange co-incidence, no doubt caused by a conjunction of the planets or other astrological event, both Penthouse International Ltd. v. 163564 Canada Inc., a decision of Mr. Justice Teitelbaum of the Federal Court, Trial Division, and “In the matter of an Opposition by Miss Universe, Inc. to Application No. 545,313 for the Trade-mark MISS NUDE UNIVERSE”, a decision of the Federal Court of Appeal, were released in the same week last fall. The two cases are completely unrelated.

And in fact, both are of interest to anyone who follows IP law. A number of other recent decisions are interesting too. Here’s a brief round-up of recent developments.

PENTHOUSE case: Just over a year ago the Federal Court Rules were amended to create a summary judgment procedure similar to that under the Ontario Rules. At the time, I said in a column that this new procedure might one day replace the interlocutory injunction as the procedural method of choice for resolving IP disputes. This was partly because a series of decisions of the Federal Court of Appeal seemed to have made it more difficult to get an interlocutory injunction.

The PENTHOUSE case is the first case I know of where a trade-mark infringement matter has been resolved under the new rule (Rule 432). The case involved, of course, the “adult” magazine Penthouse, owner of a number of registered trade-marks for PENTHOUSE for use in association with, among other things, magazines. Penthouse went after a numbered company in Montreal which was using the trade-mark as the name of a strip club.

The defendant filed a brief affidavit pointing out that it operated a bar, whereas the plaintiff operated a magazine, and implying that the marks were therefore not confusing. Mr. Justice Teitelbaum, sitting in Montreal, granted summary judgment enjoining the numbered company from using the trade-mark.

So far as I am aware, there has been only one other decision of any substance under the new summary judgment rule in an intellectual property case (there have also been a few admiralty cases, but none that discuss the scope of the new rule at any great length). In Old Fish Market Restaurants Ltd. v. a numbered company, Associate Chief Justice Jerome dismissed a summary judgment motion by a restaurant-owner seeking to stop another restaurant from using its registered trade-mark COASTERS. The defendant argued at the hearing that the registration might be invalid. The invalidity argument, at least on the face of the judgment, does not seem to amount to a genuine issue for trial, but the motion was dismissed anyway.

Might the motion have succeeded if it had been brought by the more traditional interlocutory injunction route? Maybe. As it happens, another restaurant-owner succeeded in getting an interlocutory injunction shortly after the COASTERS decision to prevent the use of it's unregistered name MARCHE by another restaurant (Movel Restaurants Limited v. E.A.T. At Le Marché,) a decision of Madame Justice Reed, who accepted that the plaintiff would suffer irreparable harm because the defendant restaurant had never made a profit, and might never be able to pay damages, if it were later found at trial that there was infringement.

I think the issue which will eventually have to be resolved under the summary judgment rule is this: is it the moving party or the responding party who has the onus of establishing that there is or is not a genuine issue for trial. The Ontario summary judgment caselaw seems to indicate the responding party has the onus. This seems fair. After all, it's the one who says there's an issue that needs a trial to resolve, complete with judge and court room facilities provided at the expense of the taxpayer. If it's the moving party who has the onus, this means it has to prove a negative: that there is not an issue for trial - very difficult except in the most straightforward case. I can prove my name is Ed, but it is very difficult for me to prove, absolutely for certain, that my name is not Bob.

MISS NUDE UNIVERSE: This is a Federal Court of Appeal case which arose out of an opposition to the registration of the trade-mark MISS NUDE UNIVERSE. The Opponent was Miss Universe, Inc., an American company. You might think that the Opposition Board (the administrative tribunal in Ottawa which determines whether trade mark registrations should be granted, in cases where someone has objected to the registration) would not have much difficulty in concluding that there was a likelihood of confusion between the trade-marks MISS NUDE UNIVERSE and MISS UNIVERSE. But, in fact the Opposition decided on technical grounds that the trade-mark could issue in respect of certain services, and, on appeal, the Federal Court Trial Division said that the marks were not confusing. The Federal Court of Appeal, however, said at the beginning of this year

that the marks were confusing, and directed that the registration for MISS NUDE UNIVERSE should not issue. The decision is notable for its full analysis of the caselaw on how the court will determine whether one mark is confusing with another, always a difficult call for practitioners.

ENALAPRIL: Undoubtedly the biggestt and most contentious IP court battle now in progress in Canada concerns the patent of drug company Merck Frosst on the formulation and use of enalapril maleate, an anti-hypertensive drug, probably the leading prescription drug product in Canada. In 1993, Merck's sales of the product, under the brand name VASOTEC, were over $150 million. It wants generic drug company Apotex to stop selling a generic equivalent APO-ENALAPRIL. Enalapril has been the subject of litigation before the Federal Court both at the trial and appeal levels a number of times over the last two years.

In his decision in Merck v. Apotex, released December 14, 1994, Mr. Justice MacKay of the Federal Court, Trial Division found that the patent was valid and infringed. A number of court appearances have taken place since then, including a trip to the Court of Appeal over the question of whether a stay should be in place pending the appeal of the infringement decision, to be heard in March. As things stand now, Apotex's generic equivalent can still be sold by third parties such as pharmacists and drug wholesalers, but Apotex cannot itself manufacture or distribute the drug at least until the appeal is heard.

GRAYS OF FETTERANGUS: Another good discussion of a difficult aspect of IP law is to be found in Grays of Fetterangus (1972) Limited v. Les Machineries Yvon Beadoin Inc., a decision of Madame Justice Tremblay-Lamer of the Federal Court Trial Division, released at the end of 1994. The decision arose out of a patent trial about a "tubeline balewrapper" - a gizmo used by farmers in their fields to wrap silage grass. It was admitted that the defendant's device infringed the patent. The only issue was whether the patent was valid, meaning whether the invention set out in the patent was "anticipated in the prior art" (i.e. was not really new, given earlier inventions in the same area) and, whether it was "obvious" (i.e. whether any brainless twit who knew about the earlier inventions would have been able to think of it). The court concluded the patent was valid. The decision sets out the law on anticipation and obviousness with unusual clarity, and may for that reason be cited frequently in future cases (assuming it is not reversed on appeal), particularly by parties seeking to show that their patented inventions are not obvious.

In a whimsical sort of way, Madame Justice Tremblay-Lamer starts her decision with a quotation from Agatha Christie, and I propose to conclude by setting out those very same words:

"I don't think necessity is the mother of invention - invention in my opinion, arises directly from idleness, possibly also from laziness. To save oneself trouble."