

2011 ONSC 3977
Ontario Superior Court of Justice

Gutter Filter Co. LLC v. Gutter Filter Canada Inc.

2011 CarswellOnt 5603, 2011 ONSC 3977, 204 A.C.W.S. (3d) 530

**Gutterfilter Company LLC, Applicant and
Gutterfilter Canada Inc., Respondent**

Perell J.

Heard: June 21, 2011

Judgment: June 23, 2011

Docket: 11-CV-421336

Proceedings: additional reasons at *Gutterfilter Co. LLC v. Gutterfilter Canada Inc.* (2011), 2011 ONSC 4541 (Ont. S.C.J.)

Counsel: David Shiller, for Plaintiff

David Seed, for Defendant

Subject: International; Civil Practice and Procedure; Intellectual Property; Torts

Table of Authorities

Cases considered by *Perell J.*:

Beals v. Saldanha (2003), [2003] 3 S.C.R. 416, 314 N.R. 209, 182 O.A.C. 201, 70 O.R. (3d) 94 (note), 113 C.R.R. (2d) 189, 39 B.L.R. (3d) 1, 39 C.P.C. (5th) 1, 2003 SCC 72, 2003 CarswellOnt 5101, 2003 CarswellOnt 5102, 234 D.L.R. (4th) 1 (S.C.C.) — considered

Collier v. Hartford (2001), 2001 CarswellOnt 5854, 46 C.P.C. (5th) 366 (Ont. S.C.J.) — referred to

Four Embarcadero Center Venture v. Kalen (1988), 27 C.P.C. (2d) 260, 65 O.R. (2d) 551, 1988 CarswellOnt 412 (Ont. H.C.) — referred to

King v. Drabinsky (2008), 295 D.L.R. (4th) 727, 91 O.R. (3d) 616, 276 O.A.C. 22, 2008 ONCA 566, 2008 CarswellOnt 4489, 58 C.P.C. (6th) 223 (Ont. C.A.) — referred to

Muscutt v. Courcelles (2002), 213 D.L.R. (4th) 577, 2002 CarswellOnt 1756, 160 O.A.C. 1, 60 O.R. (3d) 20, 26 C.P.C. (5th) 206, 13 C.C.L.T. (3d) 161 (Ont. C.A.) — considered

Oakwell Engineering Ltd. v. EnerNorth Industries Inc. (2005), 2005 CarswellOnt 2629, 76 O.R. (3d) 528, 7 B.L.R. (4th) 256 (Ont. S.C.J.) — referred to

Oakwell Engineering Ltd. v. EnerNorth Industries Inc. (2006), 2006 CarswellOnt 3477, 19 B.L.R. (4th) 11, 211 O.A.C. 262, 30 C.P.C. (6th) 253, 81 O.R. (3d) 288 (Ont. C.A.) — referred to

Oakwell Engineering Ltd. v. EnerNorth Industries Inc. (2007), 2007 CarswellOnt 266, 2007 CarswellOnt 267, 363 N.R. 400 (note), 229 O.A.C. 394 (note) (S.C.C.) — referred to

Pro Swing Inc. v. ELTA Golf Inc. (2006), 52 C.P.R. (4th) 321, [2006] 2 S.C.R. 612, 2006 SCC 52, 2006 CarswellOnt 7203, 2006 CarswellOnt 7204, 354 N.R. 201, 218 O.A.C. 339, 273 D.L.R. (4th) 663, 41 C.P.C. (6th) 1 (S.C.C.) — referred to

UBS Real Estate Securities Inc. v. Mundi (2007), 2007 CarswellOnt 9213 (Ont. S.C.J.) — referred to

United States v. Yemec (2009), 80 C.P.C. (6th) 276, 2009 CarswellOnt 5028, 97 O.R. (3d) 409 (Ont. S.C.J.) — referred to

United States v. Yemec (2010), 87 C.P.C. (6th) 1, 100 O.R. (3d) 321, 320 D.L.R. (4th) 96, 270 O.A.C. 219, 2010 ONCA 414, 2010 CarswellOnt 3839 (Ont. C.A.) — referred to

APPLICATION by American plaintiff to have judgment obtained in Michigan against Canadian defendant enforced in Ontario.

Perell J.:

A. Introduction

1 The Applicant Gutterfilter Company LLC ("Gutterfilter-U.S.") applies to enforce a \$111,916.99 (U.S.\$) judgment granted by the United States District Court for the Western District of Michigan on November 4, 2010. For the reasons that follow, I grant its application.

B. Factual Background

2 The Applicant, Gutterfilter-U.S. is an American corporation carrying on business in Michigan. The Respondent, Gutterfilter Canada Inc., is a Canadian corporation. Its principals are David Stribing and Tony Kropa.

3 In 2006, Gutterfilter Canada filed an application for the registration of the trade-mark "Gutterfilter" in Canada.

4 In 2007, Gutterfilter-U.S. commenced proceedings in the Federal Court in Canada claiming among other things: (a) expungement of Gutterfilter Canada's trade mark registration; (b) an injunction; and (c) damages or an accounting of profits from breach of copyright.

5 On October 24, 2007, Prothonotary Milczynski ordered that Gutterfilter-U.S. post security for costs in order to proceed with its action to discoveries.

6 Gutterfilter-U.S. did not post the security, and in January 2008, it commenced an action in Michigan. In that action, it claimed, among other things: breach of a dealership agreement, inducement of breach of contract, unfair competition, copyright infringement, and civil conspiracy.

7 On May 30, 2008 Gutterfilter Canada delivered an Answer and Counterclaim in the Michigan action. In paragraph 4 of its answer, Gutterfilter Canada admitted that the Michigan court has subject matter jurisdiction but denied the allegation that the court had personal jurisdiction. The answer stated:

Gutter Filter Canada Inc. admits the Court's exercise of subject matter jurisdiction in this case. Gutter Filter Canada, Inc. denies the allegation that the Court has personal jurisdiction since Gutter Filter Canada, Inc. is not located within the United States nor has it done business within the United States and particularly the judicial district of this Court.

8 In paragraphs 69 and 70 of its counterclaim, Gutterfilter Canada submitted that the Michigan court had jurisdiction. These paragraphs stated:

70. This Court has jurisdiction over this Counterclaim under 28 U.S.C. 2201 *et seq.* as specifically called out for in the North American Free Trade Agreement between the United States and Canada, as well as the exercise of original jurisdiction of the complaint filed by Plaintiff/Counter-Defendant GutterFilter Company L.L.C.

71. This Court has pendant jurisdiction over the state and common law claims that form the basis for this Counterclaim since they are derived from a common nucleus of operative fact related to the averred federal causes of action.

9 Gutterfilter Canada's answer and counterclaim pleaded the existence of the Canadian action and asked that the American action be dismissed because of the prior filed Canadian action and that Gutterfilter-U.S.'s action be transferred to and merged with the Canadian action.

10 On February 25, 2009, Gutterfilter Canada's American attorney applied to be removed as lawyer of record. The Michigan court ordered Gutterfilter Canada to use its best efforts to obtain new lawyers, and the motion was adjourned to April 22, 2009.

11 On April 22, 2009, there was a status conference in the Michigan action, and the next day Gutterfilter Canada's lawyers were removed as lawyers of record.

12 Little seems to have occurred for about seven months until December 16, 2009, when the parties participated in a Dispute Resolution Conference mediated by Prothonotary Aalto of the Federal Court. The mediation session lasted almost 8 hours, and the parties signed Minutes of Settlement. The Prothonotary noted in the court docket that the parties had reached a tentative agreement. He adjourned the mediation *sine die*.

13 After the December 16, 2009, mediation, Gutterfilter Canada delivered a more comprehensive draft of a settlement agreement, but this was rejected by Gutterfilter-U.S. Gutterfilter Canada, nevertheless, takes the position that a settlement was reached between the parties in December 2009.

14 On April 22, 2010, there was a pretrial conference in the Michigan action. Nobody appeared for Gutterfilter Canada, although it was given notice of the conference. The conference was adjourned, and by order dated April 26, 2010, Gutterfilter Canada was given 60 days to retain new lawyers failing which it would be subject to default proceedings. The April 26, 2010 order was served on Gutterfilter Canada.

15 Relying on the settlement agreement mediated by the Prothonotary being a binding agreement, GutterFilter Canada deliberately decided not to participate any longer in the Michigan action. Gutterfilter Canada did not retain new counsel, and by order dated August 31, 2010, the Michigan court ordered it to show cause why it should not be noted in default.

16 In response to the show cause notice, Gutterfilter Canada's Canadian lawyer, Mr. Seed (counsel on the present motion) sent an e-mail to the Michigan court and asked leave to represent Gutterfilter Canada. It is disputed, but the e-mail message may also have mentioned the possible settlement of the Canadian litigation.

17 In any event, on September 22, 2010, the Michigan court ordered that Gutterfilter-U.S. should file for entry of a default judgment and that a copy of the court's order should be served on Mr. Stribing and Mr. Kropa directly.

18 On November 4, 2010, judgment was granted to Gutterfilter-U.S. in the Michigan action. Among other relief, it was awarded damages of \$72,045.00 and an attorney fee of \$39,871.99 for a total award of \$111,916.99 (U.S.\$). In making its decision, the Michigan court had before it an affidavit from Gutterfilter-U.S.'s principal, John Olthoff, deposing as to the damages suffered by Gutterfilter-U.S.

19 In February 2011, Gutterfilter Canada brought a motion in the Federal Court to enforce the settlement allegedly reached as the mediation before Prothonotary Aalto. Mr. Justice Zinn dismissed the motion, and he ruled that no settlement had been reached.

C. Discussion

20 To resist the motion to enforce the judgment of the Michigan court, Gutterfilter Canada makes several arguments. It argues that:

- There is no evidence that the Michigan court acted judicially and considered whether the damages alleged had in basis in trade-mark law or whether the subject matter of the action fell within the jurisdiction of the Michigan court.
- The subject matter of the action in Canada in the Federal Court and in Michigan arose out of the same facts and raised the same issues of fact and law and that by proceeding with the Michigan action, Gutterfilter-U.S. has attempted to circumvent the security for costs order made in Canada and to avoid the binding settlement.
- The application to enforce the Michigan judgment is an attempt to re-litigate a claim that has been settled and is an abuse of process.
- Gutterfilter-U.S. is seeking to impose extraterritorial reach of American trade mark law into Canada to obtain a judgment that has no basis in Canadian law.
- Under the set out in *Muscutt v. Courcelles* (2002), 60 O.R. (3d) 20 (Ont. C.A.), the Michigan court did not have jurisdiction over the subject matter of the lawsuit, and the Michigan court was wrong in assuming jurisdiction because Michigan did not have a real and substantial connection with the matter.

21 All of these submissions are misconceived, and they fail to provide a reason for this court not to enforce the judgment of the Michigan court.

22 As the common law has developed in Canada, subject to a few available defences, a Canadian court will enforce a final monetary judgment of a foreign court if the foreign court has a real and substantial connection with the subject matter of the law suit or if the defendant submitted or attorned to the jurisdiction of the foreign court.

23 If a real and substantial connection analysis does not suggest a basis for enforcing the foreign judgment, the court may enforce the foreign judgment if the defendant agreed to be bound by the judgment of the foreign court. An agreement to submit to a particular court's jurisdiction, along with attornment, residence, and presence in the foreign jurisdiction are traditional indications of jurisdiction and a long-standing basis for the enforcement of a foreign judgment.

24 The Supreme Court observed in *Beals v. Saldanha*, [2003] 3 S.C.R. 416 (S.C.C.) at para. 37 that while "a [real and substantial] connection is an important factor, parties to an action continue to be free to select or accept the jurisdiction in which their dispute is to be resolved by attorning or agreeing to the jurisdiction of a foreign court". See also: *Four Embarcadero Center Venture v. Kalen* (1988), 65 O.R. (2d) 551 (Ont. H.C.); *Oakwell Engineering Ltd. v. EnerNorth Industries Inc.* (2005), 76 O.R. (3d) 528 (Ont. S.C.J.), aff'd (2006), 81 O.R. (3d) 288 (Ont. C.A.), leave to appeal refused (2007), [2006] S.C.C.A. No. 343 (S.C.C.).

25 In an action to enforce the foreign judgment, the Ontario court will not re-litigate the underlying litigation that gave rise to the judgment, and if the foreign judgment is proven and is final, the Ontario court will enforce the foreign court's judgment with a judgment of its own: *Collier v. Hartford*, [2001] O.J. No. 6101 (Ont. S.C.J.). A default judgment is considered to be a final judgment: *Collier v. Hartford, supra*; *Four Embarcadero Center Venture v. Kalen, supra*.

26 In the case at bar, Gutterfilter Canada attorned to the Michigan court's jurisdiction, and if the Michigan court erred in how it exercised its jurisdiction or about the substantive law applicable to the action or in how it assessed damages, then Gutterfilter Canada can only blame itself for not participating and arguing how the law should have been applied. Gutterfilter Canada had pleaded an answer and counterclaim in the Michigan action for those purposes, but it then deliberately abandoned its attornment to the Michigan court's jurisdiction.

27 It is now too late to object to how the Michigan court exercised its jurisdiction. If the principles of natural justice are satisfied, the enforcing court is not interested in the substantive or procedural law of the foreign jurisdiction in which the monetary judgment sought to be enforced domestically was rendered: *Pro Swing Inc. v. ELTA Golf Inc.*, [2006] 2 S.C.R. 612 (S.C.C.) at para. 12; *Beals v. Saldanha, supra*.

28 Similarly, it is now too late to object to the Michigan action as duplicative of the Canadian action. This objection was made a part of the Michigan action as a part of Gutterfilter Canada's counterclaim, but, once again, it deliberately decided to abandon its counterclaim.

29 Although the creation of new defences to the enforcement of a foreign judgment is possible: *Beals v. Saldanha, supra*, at para. 42; *United States v. Yemec* (2009), 97 O.R. (3d) 409 (Ont. S.C.J.) at paras. 169-179), var'd [2010] O.J. No. 2411 (Ont. C.A.), there is a relatively small list of defences to the enforcement of a foreign judgment. The traditional defences to the enforcement

of a foreign judgment are: fraud in obtaining the judgment; violation of the principles of natural justice, including whether the defendant received proper notice; or violation of domestic public policy: *Beals v. Saldanha*, *supra*; *King v. Drabinsky* (2008), 91 O.R. (3d) 616 (Ont. C.A.); *UBS Real Estate Securities Inc. v. Mundi*, [2007] O.J. No. 5446 (Ont. S.C.J.); *Collier v. Hartford*, *supra*; *Four Embarcadero Center Venture v. Kalen*, *supra*. None of these defences arise on the facts of the case at bar.

30 The closest that Gutterfilter Canada comes to raising a defence is its argument that the similar or identical claim having been settled in Canada, the inconsistent judgment of the Michigan court ought not to be enforced. However, in my opinion, that argument falls short of raising a defence. Moreover, it is an argument that Gutterfilter Canada is now barred or estopped from making. Justice Zinn ruled that there was no settlement.

31 Further still, if there had have been a settlement in Canada, then that settlement might have provided a defence to the action in the Michigan court, but instead of putting the matter of the settlement before the Michigan court to whose jurisdiction it had attorned, Gutterfilter Canada deliberately choose not to participate in the Michigan proceedings.

D. Conclusion

32 For the above Reasons, I grant the application. If the parties cannot agree about the matter of costs, they may make submissions in writing beginning with Gutterfilter-U.S.'s submissions within 15 days from the release of these Reasons for Decision followed by Gutterfilter Canada's submissions within a further 15 days.

Application granted.