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Highlights

COUNSEL AS WITNESS

early disqualification of the counsel witness

The right to counsel of choice is a fundamental right. There is also a fundamental rule of practice that counsel ought not to appear as counsel on a matter in which they are a witness. In circumstances where the right and the rule have the potential to collide, the court must determine whether and at what point it is appropriate to disqualify counsel. Four recent Ontario decisions have treated the rule against counsel testifying as absolute. Two favoured early disqualification as a matter of practicality. Trent Morris and Sean Grayson examine the relationship between the right and the rule and determine that the practical rule against counsel testifying is not absolute, and that the issue of disqualification may arise and subside from time to time during the litigation. 562

INJUNCTIONS

courts expand injunction enforcement

Courts have historically refused to grant, or to recognize and enforce, injunctions against persons who were located outside of the court's geographic, or *in personam*, jurisdiction. These injunctions would not be granted or enforced because (i) the granting court could not enforce the injunction by using its contempt powers; and (ii) the common law rules provided that only judgments for a definite sum of money could be recognized and enforced in a foreign jurisdiction. However, until recently, it has remained unclear whether these historic rules have been abrogated by the new principles of jurisdiction and recognition of foreign judgments first enunciated in *Morguard Investments Ltd. v. De Savoye*. Jason Wadden explains how three decisions from the British Columbia and Ontario courts have now signaled that in the post-*Morguard* era, courts should be able to grant, and enforce and recognize, injunctions having extra-territorial effect. 570

JURISDICTION

proceedings involving foreign corporations

Courts frequently deal with commercial matters involving foreign corporations. As a result, the issue of the grounds for their jurisdiction over such corporations is important to any party commencing or defending an action involving a foreign corporation. Jonathan Stainsby and Patrick Cotter explain the principles involved with this issue, including the effect of a recent Supreme Court of Canada decision which indicates that an assessment of the real and substantial connection test is required regardless of whether the court is attempting to assert based jurisdiction or assumed jurisdiction. 576

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INJUNCTIONS

The Granting and Recognition of Extra-territorial Injunctions Revisited

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There can be little question that the Supreme Court of Canada's decision in *Morguard Investments Ltd. v. De Savoye*[1] has brought significant changes in the law regarding the assumption and recognition of jurisdiction. However, until recently, the extent to which *Morguard* changed the law regarding the recognition of injunctions granted by a foreign court remained unclear. The flip-side of this question has also been uncertain: when will a court grant an injunction against a person where the court only has "assumed" jurisdiction over the person (under the *Morguard* test), as opposed to *in personam* jurisdiction in the traditional sense (i.e., the person was physically located within the court's geographic jurisdiction)? Historically, the common law rules provided that only foreign judgments for a definite sum of money could be recognized and enforced, and courts of equity were reluctant to grant injunctions unless they had *in personam* jurisdiction over the target of the injunction.

These historic rules were ripe for change, and that change appears to have come. In three cases, *Uniforêst Pate Port-Cartier Inc. v. Zerotech Technologies Inc.*,[2] *Pro Swing Inc. v. ELTA Golf Inc.*[3] and *Barrick Gold Corp. v. Lopehandia*,[4] the Court appears to have recognized that these historic rules were out of balance with the principles enunciated in *Morguard*, and appear to have restored that balance by finding that *Morguard* has abrogated these historic rules.

Historical Impediments

Under the common law rules of private international law, a court would only recognize a foreign judgment if the judgment (i) was for a definite sum of money; and (ii) was a final and conclusive order. Historically, an action on a foreign judgment or order was in the nature of an action for debt as the court would not inquire into the factual matrix behind the decision, but would simply treat the foreign judgment as a debt.[5] For this reason, courts would only recognize foreign orders that were for a definite sum of money. It was unclear whether these common rules were abrogated by *Morguard*, and the cases that followed it, did not address the common law requirements for the enforcement of foreign orders and were themselves cases dealing with generally for the recognition of judgments for the payment of a definite sum of money.[6]

The historic rules of equity posed barriers to the granting of an injunction against someone in another forum. Historically, an injunction would only be granted where the court had *in personam* jurisdiction over the target of the injunction. This requirement stemmed from the fact that equity acted on a person's conscience, and therefore, the person had to be located within the court's *in personam* jurisdiction so the court could enforce the order (usually by way of contempt proceedings, and if necessary, incarceration). Thus, as a general proposition, the court of chancery was reluctant to grant an order that it could not enforce, and injunctions were generally only granted against persons who were subject to the court's *in personam* jurisdiction.[7]

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[1] *Morguard Investments Ltd. v. De Savoye*, [1990] 3 S.C.R. 1077 ("*Morguard*").

[2] *Uniforêst v. Pate Port-Cartier Inc. v. Zerotech Technologies Inc.* (1998), 50 B.C.L.R. (3d) 359 (B.C.S.C.) ("*Uniforêst*").

[3] *Pro Swing Inc. v. ELTA Golf Inc.* (2003), 68 O.R. (3d) 443 (S.C.J.) ("*Pro Swing*"); reversed in the result [2004] O.J. No. 2801 (QL) (C.A.).

[4] *Barrick Gold Corp. v. Lopehandia* (2004), 239 D.L.R. (4th) 577 (C.A.) ("*Barrick*").

[5] *Pro Swing*, supra note 3.

[6] Cf. *Hunt v. T&N plc.*, [1993] 4 S.C.R. 289 ("*Hunt*"), that dealt with the ability of a court to determine the constitutionality of a Quebec statute that precluded the removal of business records from the province.

[7] However, this, like all legal rules, did admit some exceptions where the conduct sought to be enjoined

These common law and equitable rules were, like the other rules of private international law and equity, adopted from England. In *Morguard*, Justice La Forest clearly stated that the rules that developed in a unitary state such as England cannot be adopted "unthinkingly" into the Canadian federal context. He also stated that courts cannot ignore the new reality of trans-border flow of people and business. In light of these comments, the time was ripe for common law rules to be revisited in light of Canada's federal context and the new reality of today's global community.

Judgments for a Definite Sum of Money

The common law rule that an order of a foreign court will only be enforced if it is an order for the payment of a definite sum of money was the biggest challenge to the recognition and enforcement of a foreign injunction order. Even following *Morguard* and the cases that followed, it appeared that the general consensus among commentators was that *Morguard* did not abrogate this common law rule.[8]

Uniforêst Pate Port-Cartier Inc. v. Zerotech Technologies Inc.

That proposition, however, appears to have been first challenged by Justice Clancy of the British Columbia Supreme Court in *Uniforêst Pate Port-Cartier Inc. v. Zerotech Technologies Inc.*[9] In that case, Uniforêst brought an application for the recognition and enforcement of an order of the Quebec Superior Court. Uniforêst was the owner of a pulp mill in Port-Cartier, Quebec. It entered into a contract with the defendant Zerotech, a company based in Vancouver, British Columbia, to design, engineer and construct an effluent system and a power boiler for Uniforêst's pulp mill.

In 1996, a dispute under the contract arose between the parties and was submitted to arbitration as required by the contract. The arbitration panel found that Uniforêst was "to be given access to Zerotech's books and records and to take photocopies of the following documents and orders Zerotech to give Uniforêst access thereto and to allow it to take photocopies thereof." The arbitration panel's decision was homologated by the Quebec Superior Court (the process by which an arbitral decision becomes an order of the Court). After Zerotech failed to comply with the order, Uniforêst brought an application before the British Columbia Supreme Court to enforce the order of the Quebec Superior Court.

Zerotech sought to defend the application on the basis that the Quebec order could not be enforced by the British Columbian courts because it was not for the payment of a definite sum of money. After considering the authorities relied upon by the parties, Justice Clancy held that under the common law, the judgment or order sought to be recognized and enforced must be an order for a definite sum of money. He also held, however, that the cases relied upon by the parties were all decided prior to *Morguard*, but also noted that no authority was provided to [him] in support of the proposition that *Morguard* abrogated the common law rule that only foreign orders for the payment of a definite sum of money could be enforced. Nonetheless, Justice Clancy stated that the traditional common law rule required further examination in light of *Morguard.*

After reviewing the broad principles enunciated in *Morguard* and *Hunt v. T&N plc.*,[10] Justice Clancy held that the starting point for determining whether or not a judgment from a foreign jurisdiction should be enforced is whether there was a real and substantial connection between the foreign court and the subject matter of the proceedings. He also noted that Canadian courts must, as a constitutional requirement, give full faith and credit to judgments rendered in other provinces if the original court could take jurisdiction in accordance with the broad principles of order and fairness.[11] After finding

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occurred within the court's jurisdiction: see, for example, *Torzier v. Hawkins* (1885), 15 Q.B.D. 680 (C.A.) regarding an injunction in respect of defamatory statements originating outside the forum.

[8] Castel, *Canadian Conflicts of Law*, 4th ed. (Toronto: Butterworths, 1997), paragraph 202. In the most recent edition of his work, Professor Castel has discussed this movement in the law: Castel, *Canada Conflict of Laws*; 5th ed., looseleaf (Toronto: Butterworths, 2002+), at 146.

[9] *Uniforêst,* supra note 2.

[10] *Hunt*, supra note 6.

[11] *Uniforêst,* supra note 2 at 366.

that there was a real and substantial connection between the action and the jurisdiction of the Quebec Superior Court, Justice Clancy continued:

> Following the principles established in *Morguard* and subsequent authorities, I conclude that, even assuming the common law rule required that a judgment be for a sum certain before it could be enforced, the rule has been abrogated. To paraphrase La Forest J. in *Morguard*, it would be a serious error to give effect to such a rule when the obvious intention of the Canadian Constitution is to create a single country. There is no principled reason why judgments other than monetary judgments should not be recognized and enforced.[12]

Thus, Justice Clancy recognized that the historical common law rule was inconsistent with principles enunciated by the Supreme Court of Canada and, consequently, the rule had been abrogated by *Morguard*. Justice Clancy also held, however, that *Morguard* did not abrogate the common law rule that the foreign order had to be final and conclusive. He refused to enforce the Quebec order on the basis that it was not "final" because the order failed to precisely define how the audit was to be conducted. Justice Clancy found that the Quebec order required further defining and that the British Columbia court could not vary or expand upon the order as to do so would violate the principle of giving "full faith and credit" to the Quebec order.

The *Uniforêst* decision was also quoted approvingly, in *obiter*, by Justice Taylor of the British Columbia Supreme Court in *A.T.U. v. I.C.T.U.*[13]

Pro Swing Inc. v. ELTA Golf Inc.

The Ontario courts were recently given the opportunity to consider whether *Morguard* abrogated the "definite sum" rule in *Pro Swing Inc. v. ELTA Golf Inc.*[14] In that case, both the motions judge and the Ontario Court of Appeal held that the rule that the foreign judgment had to be for a definite sum of money had been abrogated.

Pro Swing was a manufacturer of golf clubs and golf club heads located in Ohio. It marketed its products under the trade mark "Trident." The defendant, ELTA, was a company whose principal place of business was in Toronto, Ontario. ELTA marketed golf clubs and golf club heads under the trade name "Rident." Pro Swing brought an action in Ohio against ELTA alleging, *inter alia*, that the "Rident" mark infringed its "Trident" trade mark. In July 1998, the parties entered into a consent decree (a form of a consent order) that was endorsed by the Ohio Court. The consent decree enjoined ELTA from purchasing, marketing, selling or using golf clubs bearing the "Rident" trade mark.

In December 2002, Pro Swing learned that ELTA was violating the consent decree and brought contempt proceedings against ELTA. The Ohio Court found ELTA to be in contempt of the consent decree and ordered that ELTA was (i) again enjoined from purchasing, marketing, selling or using golf clubs or golf club components which bore the plaintiff's trade mark or other confusing mark; (ii) to provide an accounting; (iii) to pay compensatory damages; (iv) to surrender all infringing product; (v) to provide information about its suppliers; (vi) to provide the names of its customers; and (vii) to recall and deliver to the sheriff all counterfeit and infringing golf clubs and components.

Pro Swing brought an action in Ontario to enforce the Ohio orders. In her decision, Justice Pepall first noted that the principles set out in *Morguard* applied not only to interprovincial orders, but also to international orders.[15] She then considered whether the consent decree was "unenforceable in Ontario in that it is in the nature of injunctive relief and not for a fixed sum of money."[16] Justice Pepall also recognized that the "real issue is whether the law relating to the requirement of fixed sum had been abrogated by *Morguard* or subsequent decisions."[17]

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[12] *Uniforêst*, ibid. at 367.
[13] *A.T.U. v. I.C.T.U.* (1998), 24 C.P.C. (4th) (B.C.S.C. [Chambers]).
[14] *Pro Swing* (S.C.J.), supra note 3.
[15] Citing *Beals v. Saldanha* [2003] 3 S.C.R. 416 ("*Beals*") and *United States of America v. Ivey* (1995), 26 O.R. (3d) 533 (Gen. Div.); affirmed (1996), 30 O.R. (3d) 370 (C.A.).
[16] *Pro Swing* (S.C.J.), supra note 3 at 447.
[17] Ibid. at 448.

Justice Pepall noted that neither *Morguard, Beals v. Saldanha*,[18] nor the academic commentary following those cases, suggested that the common law rule that only foreign judgments for the payment of a definite sum of money can be recognized and enforced had been abrogated. However, she noted that the general principles enunciated by the Supreme Court of Canada regarding the recognition of foreign judgments in *Morguard, Hunt* and *Beals* were just as applicable to the enforcement of non-monetary judgments. After discussing the rationale for the common law rule, Justice Pepall held that the requirement for a definite sum of money can be relaxed or removed completely depending on the circumstances:

> I do not believe that *Morguard* changed the law relating to the need for a fixed sum as this issue was not before the court. On the other hand, at least within a Canadian context, the principles set forth in *Morguard, Hunt* and *Beals v. Saldanha* are equally applicable to the recognition and enforcement of non-monetary judgments. Some difficulties arise. At common law, an action for enforcement of a foreign monetary judgment is an action for a debt, thus diminishing the need for detailed knowledge of the underlying factual matrix. This is not the case with equitable relief in the nature of an injunction. There is also the issue of whether the foreign court intends that the non-monetary judgment have extraterritorial application. The existence of any such difficulties differs from case to case. While I am not convinced that the ratio of *Morguard* changed the law relating to the need for a fixed sum, I am persuaded that this requirement may be relaxed or removed depending on the circumstances of the case. Indeed, within a Canadian context, the requirement is of questionable utility.[19]

Justice Pepall found that by its terms, it was clear that the consent decree issued by the Ohio Court was clearly intended to have extraterritorial effect. She accordingly ordered that the Ohio consent decree was valid and enforceable in Ontario.

In an appeal brought by ETLA, the Ontario Court of Appeal upheld the motions judge's decision that the common law rule had been abrogated by *Morguard*. However, the Court reversed the decision on the basis that, as in *Uniforêst*, the foreign order was ambiguous in respect of material matters such that further intervention by Ontario courts would be required to enforce the order. In its decision, the Court, comprised of Justices Moldaver, Gillese and Blair, noted that the motions judge had given "thoughtful analysis" to the jurisprudence in reaching her decision and that they were in agreement with her decision on this point:

> We are inclined to agree that the time is ripe for a re-examination of the rules governing the recognition and enforcement of foreign non-monetary judgments. Indeed, such re-examination would accord with the principles expressed by the Supreme Court of Canada in *Morguard* ...[20]

Impact of Uniforêst and Pro Swing

In light of *Uniforêst* and *Pro Swing*, it is difficult to imagine a situation where the court would deny the recognition of an inter-provincial, or even international, judgment or order solely on the basis that the order was not for the payment of a definite sum of money. This is particularly the case given that the Ontario Court of Appeal appeared to be unconcerned by the fact that the order sought to be enforced in *Pro Swing* was granted by a truly foreign court, and not another Canadian court. However, these cases will not open the floodgates to the recognition of all non-monetary orders. As in *Uniforêst* and *Pro Swing*, the court will still require the order to be final and conclusive so that the enforcing court will not have to vary, modify or intervene in determining the terms of the order. In addition, the recognition of foreign judgments will continue to apply, such as the rule against the recognition and enforcement of a foreign country's revenue or public policy, a consideration of Canada's own public policy and whether such recognition would be reciprocated. Furthermore, it is also possible that a court might consider the importance of the injunctive or other non-monetary relief in determining whether there was in fact a real and substantial connection to the original forum. Nonetheless, *Uniforêst* and

[18] *Beals*, supra note 15.
[19] *Pro Swing* (S.C.J.), supra note 3 at 449.
[20] *Pro Swing* (C.A.), supra note 3 at paragraphs 8-9.

Pro Swing appear to clear the way for the recognition and enforcement of the injunctions granted in another jurisdiction that has a real and substantial connection to the parties or the subject matter.

Equity's General Reluctance to Grant Extra-territorial Injunctions

The basis of how equity operates has historically presented a barrier to obtaining an injunction that had extra-territorial effect or which targeted a person outside the court's *in personam* jurisdiction. As equity operated by acting upon a person's conscience, or *in personam*, it was sometimes held that a court of equity would not grant an injunction in respect of a person over whom the court did not have *in personam* jurisdiction (as opposed to assumed jurisdiction). The courts were reluctant to grant such injunctions because the court could not enforce the injunction and the court would not grant an order it could not enforce.[21] The exact application or appropriateness of this "rule" is of some debate.[22] Nonetheless, the historical common law rules for the recognition of foreign judgments acted as an impediment to the granting of injunctions that had extra-territorial application because the court was concerned that such injunctions would not be enforced. In one recent decision, however, the Ontario Court of Appeal has suggested that in light of *Morguard*, the court is not precluded from granting injunctions over people in foreign jurisdictions.

In *Barrick Gold Corp. v. Lopehandia*,[23] the Ontario Court of Appeal considered an appeal brought by the plaintiff from a motion for judgment. The plaintiff, Barrick, was one of the world's largest gold producers, and had its head offices in Toronto, Ontario. The defendant, Lopehandia, was a resident of British Columbia and had no apparent connections to Ontario. Following a failed attempt to extort money from Barrick, Lopehandia posted hundreds of highly defamatory statements regarding Barrick on several Internet message boards that were dedicated to Barrick or the gold mining industry. Barrick sued Lopehandia for defamation in Ontario, but Lopehandia did not defend the action. In addition to compensatory and exemplary damages, Barrick sought a permanent injunction to restrain Lopehandia from publishing any further defamatory statements.

On the motion for judgment, Justice Swinton found that she had jurisdiction to consider Barrick's claim for defamation. However, despite finding that the statements made by Lopehandia were libellous and that he was likely to continue his campaign of libel, she refused to grant an injunction enjoining Lopehandia from publishing further libellous statements. She refused to grant the injunctions on the basis that, among other things, the claim for injunctive relief is an *in personam* claim and should have been pursued against Lopehandia in British Columbia where the courts have the ability to supervise any injunctive relief that might be granted.[24]

Writing for the Court of Appeal on the injunction issue,[25] Justice Blair held that the motions judge erred in refusing to grant the injunction. After noting that courts have traditionally been reluctant to grant injunctive relief against defendants who were outside their forum, he held that an injunction should be issued because there was a real and substantial connection to Ontario against Lopehandia:

> Moreover, it is also a case where there is a sufficient connection, actual and potential, between the parties and Ontario to justify the granting of a permanent injunction as sought. Not only is there a real and substantial connection between Barrick and Ontario, but there is a connection between the publication of the libel by Mr. Lopehandia and Ontario as well.

The Court also stated that it must be able to provide a remedy to a litigant who properly brings a claim before the court, notwithstanding that the defendant might be able to absent himself from the jurisdiction. The Court noted that it was impossible to determine where Lopehandia was when he posted his messages onto the Internet – he might have posted the

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[21] Sharpe, *Injunctions and Specific Performance in Canada*, 2d ed., looseleaf (Toronto: Canada Law Book, 2002+) at 1-54 to 1-55.

[22] See Spry, *The Principles of Equitable Remedies*, 6th ed. (Toronto: Carswell, 2001) at 36ff.

[23] *Barrick*, supra note 4.

[24] *Barrick*, ibid. at 601.

[25] Justices Laskin and Blair comprised the majority of the Court. Justice Doherty dissented on this issue of the assessment of damages.

messages in British Columbia or from anywhere else in the world that has access to the Internet. Justice Blair stated in strong words that the Court would not be left impotent to give a deserving litigant a remedy:

> The courts are faced with a dilemma. On the one hand, they can throw up their collective hands in despair, taking the view that enforcement against such ephemeral transmission around the world is ineffective, and concluding therefore that only the jurisdiction where the originator of the communication may happen to be found can enjoin the offending conduct. On the other hand, they can at least protect against the impugned conduct re-occurring in their own jurisdiction. In this respect, I agree with the following observation of Kirby J. in [*Dow Jones & Company v. Gutnick*[26]], at para. 115:
>
> "Any suggestion that there can be no effective remedy for the tort of defamation (or other civil wrongs) committed by the use of the Internet (or that such wrongs must simply be tolerated as the price to be paid for the advantages of the medium) is self-evidently unacceptable."

Justice Blair noted that although it was not for the Ontario courts to usurp the role of the courts of another province, the courts of other provinces might now, in the post-*Morguard* era, recognize and enforce the injunction order. He noted that the British Columbia Court of Appeal had recently recognized and enforced foreign judgments on the basis that the foreign court had a real and substantial connection to the matter.[27]

Although it was not expressly stated, *Barrick* certainly appears to stand for the proposition that the historical concern about direct enforceability of injunctions is no longer a valid objection to the granting of an injunction against a person who is outside the forum.

The Promotion of Order and Fairness

These cases are a welcome development. If the *Morguard* principles were not extended to apply to the granting and recognition of injunctions, an incongruous result would surely follow – a litigant could be deprived the right of choosing to litigate in a forum that has a real and substantial connection to the dispute simply because it also seeks injunctive relief that is ancillary to the main action. Given that injunctive and non-monetary relief is often sought in civil matters, such a result would be contrary to the general principles that were enunciated in *Morguard*.

By bringing the law regarding the granting and recognition of injunctions in line with the general principles of the assumption and recognition of jurisdiction under *Morguard*, these cases help to promote order and fairness. By allowing courts to recognize foreign injunction orders, these cases help ensure that order will be maintained by removing the incentive for a plaintiff to bring multiple actions in different jurisdictions for the purposes of obtaining an injunction. These decisions also promote fairness by allowing a litigant to bring an action in a forum that has a real and substantial connection to the dispute without having to forego injunctive relief that it otherwise would be entitled to.

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[26] *Dow Jones & Company Inc. v. Gutnik*, [2002] H.C.A. 56.

[27] *Barrick*, supra note 4 at 605.