

CITATION: Magnum Integrated Technologies Inc. v. Intergrated Industrial Systems,  
2010 ONSC 3389  
COURT FILE NO.: CV-09-390233  
DATE: 20100614

**SUPERIOR COURT OF JUSTICE - ONTARIO**

**RE:** MAGNUM INTEGRATED TECHNOLOGIES INC., Plaintiff

**AND:**

INTERGRATED INDUSTRIAL SYSTEMS, JOHN HERBST, RAYMOND JIN,  
BOOTHIPURAM VAITHEESWARUN, TENOVA I<sup>2</sup>S LLC and TENOVA SpA,  
Defendants

**BEFORE:** Justice A.D. Grace

**COUNSEL:** Philip P. Healey, Counsel for the Plaintiff

Robert B. Cohen, Counsel for the Defendants Intergrated Industrial Systems, John  
Herbst, Ray Jin, Boothipuram Vaitheeswaeen and I<sup>2</sup>S LLC

A. Irvin Schein, Counsel for the Defendant Tenova SpA

**HEARD:** May 25, 2010

**ENDORSEMENT**

[1] The defendants seek to set aside service of the statement of claim outside Ontario and dismiss the action on jurisdictional grounds or alternatively, stay the action on the basis of *forum non conveniens*.

[2] Magnum Integrated Technologies Inc. (“Magnum”) is Canadian based with its head office in Brampton, Ontario. Magnum commenced this action on October 30, 2009 alleging unauthorized use and passing off of, among other things, “materials, drawings, designs, documents, records, and/or computer-stored information relating to the business of” Magnum by the defendants. Additional claims are based on allegations of breach of fiduciary duty, interference with contractual relations, conversion and the use of the trade-marks SENDZIMIR, ZMILL and AS U ROLL (collectively “trade-marks”). The relief sought in the statement of claim is broad and includes declaratory and injunctive relief as well as general and punitive damages. Service of the statement of claim outside Ontario was alleged to have been properly effected on the basis of rule 17.02(a) (property in Ontario), (h) (damage sustained in Ontario) and (i) (injunction claimed in Ontario) of the *Rules of Civil Procedure*. During the course of the motion, Magnum also relied on rule 17.02(g) (tort committed in Ontario).

[3] While details are lacking and the documentation filed to date seems incomplete, it appears to be common ground that in 1993 a predecessor of Magnum acquired what is now known as Magnum's Waterbury Farrel division from Jones & Lamson Waterbury Farrel Corp. ("Jones & Lamson"). Jones & Lamson was the subject of proceedings conducted in the U.S. Bankruptcy Court in Connecticut. The acquisition included the proprietary information and the trade-marks which are in issue in this action. Magnum's Waterbury Farrel division manufactures and services rolling mills and specialty transfer press machinery. While Magnum's products are sold throughout the world, its operations are now based in Ontario although it has a small office in Westbrook, Maine.

[4] The defendants Intergrated Industrial Systems and I<sup>2</sup>S LLC (described in the statement of claim as Tenova I<sup>2</sup>S LLC) (collectively "Intergrated") are competitors of Magnum. Intergrated is an American company based in Wallingford, Connecticut and its products are also sold throughout the world. It does not, however, have any operations in Canada. Presently the market for the products manufactured and sold by Magnum and by Intergrated is predominantly in Asia and Europe.

[5] While the statement of claim lacks particularity, some background for the claim was provided in the motion material and in the transcripts of the cross-examinations of two of the deponents. Magnum and Intergrated are active in China. Magnum claims it learned from a customer in China that Intergrated had in its possession and was making use of Magnum's drawings and designs. Allegations that Intergrated and Tenova SpA breached certain statutory and common law rights followed. It should be noted that paragraph 10 of the statement of claim states that all of the trade-marks are registered. While they are, indeed, registered in the United States Patent and Trademark office, only AS U ROLL is registered in Canada. With respect to the others, insofar as Canada is concerned, Magnum relies on rights it alleges it obtained at common law.

[6] The individual defendants are alleged to have gained access to proprietary information of Magnum's Waterbury Farrel division through their connection, many years ago, to Jones & Lamson. Magnum also alleges that the defendants have infringed the trade-marks.

[7] The issues are:

- a. Does Ontario have a real and substantial connection to Magnum's claim?
- b. If there is a real and substantial connection, should the action nonetheless be stayed on the grounds of *forum non conveniens*?

### **Stage One: Real and Substantial Connection**

[8] Section 106 of the *Courts of Justice Act* provides:

"A court, on its own initiative or on motion by any person, whether or not a party, may stay any proceeding in the court on such terms as are considered just."

[9] Rule 17.06 of the *Rules of Civil Procedure* allows a party served with a statement of claim outside Ontario to move to set aside the service or for an order staying the proceeding before delivering a defence or notice of intent to defend.

[10] Until recently the test for determining whether a “real and substantial” connection existed was set out in *Muscutt v. Courcelles*, [2002] O.J. No. 2128 (C.A.) (“*Muscutt*”). However, in the recently decided *Van Breda v. Village Resorts Limited*, 2010 ONCA 84 (C.A.) (“*Van Breda*”) a five member panel of the Court of Appeal analyzed and reformulated the *Muscutt* test. At paragraph 109, Sharpe J.A. wrote:

“First, the court should determine whether the claim falls under rule 17.02 (excepting subrules (h) [damage sustained in Ontario] and (o) [necessary or proper party] to determine whether a real and substantial connection with Ontario is presumed to exist...If one of the connections...is made out, the defendant bears the burden of showing that a real and substantial connection does not exist. If one of those connections is not made out, the burden falls on the plaintiff to demonstrate that, in the particular circumstances of the case, the real and substantial test is met.” (Portions in square brackets added)

[11] Mr. Healey submits Magnum is entitled to the benefit of that presumption. He relies on the following portions of the rule:

“17.02 A party to a proceeding may, without a court order, be served outside Ontario with an originating process...where the proceeding against the party consists of a claim or claims,

(a) *Property in Ontario* - in respect of real or personal property in Ontario;

(g) *Tort committed in Ontario* - in respect of a tort committed in Ontario;

(i) *Injunctions* - for an injunction ordering a party to do, or refrain from doing, anything in Ontario or affecting real or personal property in Ontario;”

[12] I will deal with each of the subrules in turn. Mr. Healey submits that rule 17.02(a) is applicable because the property upon which the claim is based is, to the extent the property is tangible such as drawings or designs, located in Ontario. While crafted more broadly, I was advised that Magnum’s claims in respect of trade-marks are restricted to those in Canada.

[13] No authority was cited to me with respect to the meaning of rule 17.02(a). It seems to me it is intended to allow an Ontario court to make binding determinations with respect to a person’s entitlement to real or personal property situate in Ontario even if one of the claimant’s does not reside or carry on business in Ontario. However, the assumption of jurisdiction to determine rights *in rem* presupposes that the Ontario based property is the primary object of the action as opposed to rights and liabilities which are incidental to such property.

[14] Despite Mr. Healey's commendable effort, I remain unconvinced that anything sought by Magnum in this action "consists of a claim...in respect of ...personal property in Ontario". If I had been satisfied the issues in this action involved competing claims to Canadian trade-marks or the other personal property referred to in the statement of claim, I would have agreed with Mr. Healey's submission that rule 17.02(a) applied. However, I do not believe Magnum's claim fits within the rule.

[15] What is at issue in this action is the ability of Magnum to prevent the defendants from pursuing business opportunities in other parts of the world using personal property Magnum says it acquired in Connecticut and brought to Ontario. That involves a determination of the extent to which Magnum's rights are enforceable in the United States where Intergrated's business is based. Mr. Healey concedes that the courts of the United States should adjudicate issues relating to the trade-mark registrations in the United States and the rights, if any, which flow from them. Magnum is currently a defendant in a complaint initiated by a non-party in this action, T. Sendzimir Inc. ("Sendzimir") on October 7, 2009 in the United States District Court for the District of Connecticut, questioning, among other things, the validity of the trade-marks in the United States. Sendzimir challenges the very foundation upon which rights to personal property in Ontario are asserted by Magnum in this action. The contractual relationship between Intergrated and Sendzimir means that Intergrated has a vested interest in that dispute.

[16] It does not seem to me that subrule 17.02(a) was intended to allow an Ontario court to take jurisdiction to adjudicate upon the propriety of business activities conducted by foreign defendants entirely outside Ontario's borders especially when the personal property in issue originated in the United States, was acquired in the United States and is subject to competing claims of residents of the United States. To conclude that rule 17.02(a) applies to the current fact situation simply because Magnum decided to move to Ontario seems artificial and wrong, *a fortiori*, where, as here, the competing rights are alleged to have existed at the time Magnum's predecessor acquired the Waterbury Farrel division and long before any relocation to Ontario.

[17] I reach the same conclusion with respect to rule 17.02(i) which is only operative when the claimant seeks an injunction in respect of activity undertaken or affecting property *in Ontario*. While Magnum's statement of claim contains no territorial limitation, Intergrated does not carry on business in Ontario and has deleted mention of the trade-marks claimed by Magnum from its website. Therefore it is unlikely Magnum has the ability to successfully seek an injunction in Ontario. Even if an injunction were obtained it will not be effective unless recognized in Connecticut: *Pro Swing Inc. v. ELTA Golf Inc.*, [2006] S.C.J. No. 52; *Canadian Standards Association v. Solid Applied Technologies Ltd.*, [2007] CanLII 31 (Ont. S.C.J.).

[18] Magnum also relies on subrule 17.02(g). While not mentioned in the statement of claim as a basis for service outside Ontario, it was relied upon in Magnum's factum. There is simply nothing in the evidence to suggest that any tort was committed by the defendants in Ontario. If Magnum's property was used or passed off, that occurred in Connecticut and in the jurisdictions in which Intergrated has customers. Magnum relies on work done by Intergrated for Wolverine Ratcliff's Inc. ("Wolverine"), in Fergus, Ontario. However, the relationship was long known by Magnum, involved the supply of less than \$15,000 of parts between 1997 and 2001 and ended shortly before Wolverine's operations in Canada closed in 2002. While Intergrated may, some years ago, "have dipped a small toe in Ontario", I do not believe that to be sufficient to satisfy

Rule 17.02(g): *Unity Life of Canada v. Worthington Emond Beaudin Services Financieres Inc.* (2009), 96 O.R. (3d) 769 (S.C.J.) (“*Unity Life*”) (paras. 32-33).

[19] The substance of Magnum’s claim is that it is sustaining damage in Ontario by reason of the defendants’ actions. That is not sufficient to raise the *presumption* of a real and substantial connection: *Van Breda, supra*, at para. 114. However, as set forth in *Van Breda, supra*, the plaintiff is still to be given an opportunity to satisfy the real and substantial connection test.

[20] In *Unity Life, supra*, Strathy J. said:

“I begin by reminding myself that the test requires “real and substantial connection”. The import of this expression should not be glossed over. The connection must be “real”, in the sense that it is demonstrable and not artificial, and “substantial” in the sense of weighty or significant. The plaintiff is asking the court to assert jurisdiction over parties who do not have a presence in the jurisdiction and who have not voluntarily submitted to the court’s jurisdiction. The requisite connection in order to do so...must be both real and substantial – both demonstrable and weighty.” (para. 27)

[21] On that topic, Sharpe J.A. said in *Van Breda, supra*:

“The core of the real and substantial connection test is the connection that the plaintiff’s claim has to the forum and the connection of the defendant to the forum, respectively. The remaining considerations or principles serve as analytic tools to assist the court in assessing the significance of the connections between the forum, the claim and the defendant.” (para. 84)

[22] Later, he said:

“I would maintain the connection between the plaintiff’s claim and the forum as a core element of the real and substantial connection test.” (para. 88)

[23] In this case, there is, in my view, a significant connection between Magnum’s claim and Ontario because, with the exception of a small office in Westbrook, Maine, Magnum’s operations are centered in Brampton and any damage is being sustained in this province: *Van Breda, supra*, para. 114. However, that fact is not, of itself, a reliable or in my view sufficient indicator of a real and substantial connection to Ontario: *Van Breda, supra*, para. 78. As already stated, the connection between Magnum’s claim and Ontario is small. If Intergrated misused propriety information and trademarks, converted property or interfered with contractual relations, it did so in Connecticut and in the other jurisdictions in which it carries on business.

[24] With respect to the other parties to an action, Sharpe J.A. said:

“when assessing the connection between the forum and the defendant, the primary focus is on things done by the defendant within the jurisdiction.

Where the defendant confines its activities to its home jurisdiction, it will not ordinarily be subject to the jurisdiction of the forum...However...physical presence or activity within the jurisdiction is not always required. Where a defendant could reasonably foresee that its conduct would cause harm within the forum by putting a product into the normal channels of trade and knows, or ought to know, that the product would be used in the forum and that if defective could harm a consumer in the forum, jurisdiction may be assumed.” (para.89)

[25] None of the corporate defendants were incorporated here. Intergrated has offices in nine countries. Canada is not one of them. Tenova SpA is based in Italy. While Tenova SpA has a small Ontario based subsidiary, the subsidiary has no connection to or involvement in this dispute. None of the defendants’ employees are Canadian. None reside here. There is no evidence any of them travel to Ontario on business frequently, if at all. Business in Ontario appears to be currently non-existent. Since Magnum’s own domestic business is nominal that fact is not surprising.

[26] The activity which caused Magnum to commence these proceedings occurred in China. Mr. Healey submits the fact Intergrated’s website can be accessed from Ontario and mentions two of the trade-marks is sufficient connection. With respect, I do not agree. The website was created and is maintained in the United States. The website does not even mention Ontario or, indeed, Canada. The appropriateness of the references to SENDZIMIR and Z-MILL on the website will presumably be addressed in Connecticut by reason of the Sendzimir complaint. Intergrated has already deleted mention of the trade-marks from its website to eliminate the issue going forward. The website is not, with respect, demonstrable or weighty.

[27] My comments with respect to the employees of Intergrated apply to the individual defendants Messrs. Herbst, Jin and Vaitheeswaeen (described in the statement of claim as Vaitheeswarun). They are not Canadian, do not reside or carry on business here or have cause to come to Ontario for any reason. If the individual defendants owe Magnum fiduciary duties they arose in Connecticut where Jones & Lamson carried on business and have been breached during their tenure with Intergrated in that same State.

[28] Where does the analysis take us particularly given language which suggests that jurisdiction *simpliciter* should not be easily declined? For example, in *Morguard Investments Ltd. v. De Savoye*, [1990] 3 S.C.R. 1077, La Forest J. wrote:

“It seems to me that the approach of permitting suit where there is a real and substantial connection with the action provides a reasonable balance between the rights of the parties. It affords some protection against being pursued in jurisdictions having little or no connection with the transaction or the parties. In a world where even the most familiar things we buy and sell originate or are manufactured elsewhere, and where people are constantly moving from province to province, it is simply anachronistic to uphold a “power theory” or a single situs for torts or contracts for the proper exercise of jurisdiction.”

[29] In *Muscutt supra*, the Court of Appeal added:

“The forum has an interest in protecting the legal rights of its residents and affording injured plaintiffs generous access for litigating claims against tortfeasors.” (para. 77)

[30] Further, I am conscious of the reminder from Laskin J.A. in *Young v. Tyco International of Canada Ltd.*, 2008 ONCA 709 that, in a motion of this kind, “the motion judge should avoid drawing conclusions or making findings of important factual or legal disputes relating to the merits.” (para. 31) Laskin J.A. added:

“the important point is that at this preliminary stage of the action, the motion judge’s assessment of and weighing of the *forum non conveniens* factors should be based on the plaintiff’s claim if it has a reasonable basis in the record, not on the defendant’s defence to that claim. This approach makes sense to me because the ultimate question is whether an Ontario court should take jurisdiction over the plaintiff’s claim.” (para. 34)

[31] That statement applies equally to this stage of the analysis. As Rosenberg J.A. said in *Incorporated Broadcasters Ltd. v. Canwest Global Communications Corp.* (2003), 63 O.R. (3d) 431 (C.A.):

“The appellants do not seek an oppression remedy under the *Manitoba Corporations Act*. They seek remedies under the *CBCA*. In my view, the appellants are entitled to have the jurisdiction and convenient forum issues determined on that basis. The motions judge may be right in his interpretation of the Manitoba and federal legislation, in which case the appellant’s action will fail, but it seems to me that is a question to be determined at another time either under a Rule 20 or 21 motion or at trial. The merits...should not, in my view, be decided at this preliminary stage.” (para. 54)

[32] Weighing the evidence introduced to date, it seems to me inappropriate and unfair to accept jurisdiction. The defendants are, in every sense of the word, strangers to Ontario. Their connection is essentially limited to the fact a competitor, Magnum, is based here. That is not, in my view, nearly enough. If a foreign court were to accept jurisdiction in comparable circumstances, I cannot imagine Ontario being willing to recognize and enforce a judgment rendered over an Ontario based defendant’s jurisdictional challenge. Indeed, in my view, the proceeding would smack of an unhealthy dose of protectionism which would be difficult to accept as appropriate. The action should be stayed. I agree that “a defendant can reasonably be brought within the embrace of a foreign jurisdiction’s law where he or she has participated in something of significance or was actively involved in that foreign jurisdiction” but, as outlined already and addressed further in these reasons, that is not the case here: *Beals v. Saldhana*, [2003] 3 S.C.R. 416 at para. 32.

## Stage Two: Forum non conveniens

[33] Had I found there was a real and substantial connection to Ontario I would have stayed the action on the basis of *forum non conveniens*. While the location of the parties and to the extent identified to date, the location of key witnesses appear to be neutral factors, the following support a conclusion that Ontario is not the appropriate forum for this dispute:

a. the transactions which resulted in Magnum acquiring the Waterbury Farrel division occurred in Connecticut through the United States Bankruptcy Court. Sendzimir is challenging Magnum's assertion it enjoys property rights which deserve protection. While Sendzimir is not a party to this action, Sendzimir has purported to grant to Intergrated rights which Magnum alleges Intergrated does not have. Those issues are closely connected to the State of Connecticut and should be determined by its courts according to the laws of the State of Connecticut and the federal laws of the United States applicable there.

b. a multiplicity of proceedings should be avoided wherever possible. The Sendzimir complaint seeks declaratory relief that the trade-marks are invalid in the United States and are not being infringed, that Sendzimir is entitled to use the trade-marks and that Sendzimir has not engaged in knowing interference with Magnum's contractual relations or converted Magnum's property. No one has suggested that the proceeding cannot be enlarged to include the defendants in this action and the claims for relief asserted by Magnum in this action. Indeed it appears that Magnum made claims against Sendzimir in correspondence sent in July and September, 2009 which are virtually identical to those asserted in this action.

c. I agree with Strathy J. in *Unity Life, supra*, that it seems likely the law of the place where the alleged tort or wrong was committed – the *lex loci delicti* – would apply. The law of the State of Connecticut would certainly be relevant. The laws of Ontario do not seem to be.

d. Beyond a speculative statement that Intergrated may, one day and in an improved economic climate, conduct significant business in Ontario, there is no evidence an order of this court will have any effect absent the assistance of a foreign court. Taking jurisdiction on tenuous grounds may not assist Magnum even if it is, ultimately, successful because a decision made by this court in such circumstances may not be recognized or enforced in another jurisdiction.

e. It does not appear as though Magnum will lose any juridical advantage if this court declines to exercise jurisdiction. In fact the evidence is to the contrary. An affidavit of Suresh Neelakantan, general manager of Magnum's Waterbury Farrel division was filed on the motion. Mr. Neelakantan deposed that:

"I am informed by US trade-mark counsel that the trade-marks in the United States are what is known as "incontestable" given the longstanding use in commerce without opposition, which gives them very strong

protection in the USA, including the fact that the marks cannot be challenged.”

And later, he deposed:

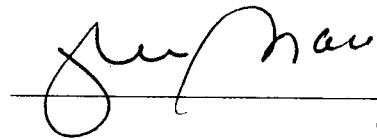
“I am informed by counsel that the Connecticut case is based on very flimsy grounds. T. Sendzimir Inc. did not at any time challenge the validity of the Magnum/Waterbury Farrel’s trade-marks, and did not oppose the registration of the marks applied for in 2004.”

[34] In my view, Connecticut is clearly the more convenient forum for this action: *Bunyan v. Enns*, [2010] ONSC 216 (S.C.J.); *Coldmatic Refrigeration of Canada Ltd. v. Leveltek Processing LLC*, 2005 CanLII 1042 (Ont. C.A.); *Samina North America Inc. v. H3 Environmental II LLC*, 2004 CanLII 65382 (Ont. S.C.J.). Had I found that Magnum had satisfied the *Van Breda* test, I would have exercised my discretion and stayed the action on the basis of *forum non conveniens*.

### Conclusion

[35] Rule 17.06 (1) contemplates an order setting aside service of a statement of claim outside Ontario *or* an order staying the proceeding. For the reasons given, the action is stayed.

[36] Absent agreement, written submissions on costs may be sent to me through Judge’s Administration by the close of business on Friday, July 16, 2010.

  
GRACE J.

**Date:** June 14, 2010