CITATION: Wolfe v. Pickar, 2011 ONCA 347
DATE: 20110505
DOCKET: C52181

COURT OF APPEAL FOR ONTARIO

Goudge, Gillese and Watt JJ.A.

BETWEEN

Dr. Bernard Wolfe and DMW Kildeer Incorporated

Plaintiffs (Respondents)

and

Wyeth and James H. Pickar and Wyeth Corporations

Defendants (Appellants)

John P. Koch and Allison A. Thornton, for the appellants

Earl Cherniak (Q.C.), Peter Kryworuk and Yola Ventresca, for the respondents

Heard: April 20, 2011

On appeal from the order of Justice Steven Rogin of the Superior Court of Justice dated April 30, 2010, with reasons reported at 2010 ONSC 2368.

Goudge J.A.:

[1] The appellants appeal from the order of Rogin J. dismissing their motion (a) to dismiss or permanently stay the respondents' action as *res judicata* because of a Pennsylvania court order that the respondents' claims are time barred under Pennsylvania law or, in the alternative, (b) to declare that the Ontario court has no jurisdiction over the appellants or the subject matter of the action, or (c) to declare that Ontario is not a convenient forum for this action.

[2] For the reasons that follow, I agree with the conclusions of the motion judge on all three issues. I would therefore dismiss the appeal.

THE BACKGROUND

[3] In this action, the respondents allege that the respondent Dr. Wolfe conceived and developed a low dose hormone replacement therapy for women, through his research at the University of Western Ontario in London. Pursuant to an agreement he made with the appellants, he disclosed confidential information to them concerning the therapy.

[4] On September 12, 2002, the appellant Wyeth filed a patent application in Canada for a low dose hormone replacement therapy naming the appellant Dr. Pickar, its assistant vice president clinical research and development, as the sole inventor. The appellants' position is that this was developed independently of Dr. Wolfe's work.

[5] On September 27, 2007, Dr. Wolfe commenced an action against Wyeth in the Federal Court of Canada seeking an order that its patent application be amended to list him as the sole inventor.

[6] The same day, the respondents commenced this action, claiming damages for breach of contract, wrongful use of confidential information, and breach of fiduciary duty, and an accounting of profits earned by the appellants, together with corollary relief. The statement of claim was served on the appellants in Pennsylvania on November 28, 2007.

[7] On February 15, 2008, the appellants commenced an action in Pennsylvania for a declaration that any claims Dr. Wolfe may have against Wyeth for breach of contract, misappropriation and breach of fiduciary duty are barred by the Pennsylvania statute of limitations and that, on the merits, Wyeth has not committed any of these wrongs.

[8] Dr. Wolfe sought an order from the Pennsylvania court staying the appellants' action in that court. On May 8, 2008, Judge Robert F. Kelly of the United States District Court for the Eastern District of Pennsylvania dismissed the motion. In his reasons, he found that that court had personal jurisdiction over Dr. Wolfe and that venue was proper there.

[9] In July 2008, both parties to the Pennsylvania action moved for judgment on the pleadings.

[10] On August 28, 2008, Judge Kelly issued his order with reasons granting Dr. Wolfe's motion and also granting Wyeth's motion "insofar as Wyeth requests that this court declare that Dr. Wolfe's claims are barred by the Pennsylvania statute of

limitations". He denied Wyeth's motion in all other respects. In particular, he declined to decide the merits of Dr. Wolfe's claims.

[11] On September 15, 2008, the appellants then brought the motion in this action that resulted in the order under appeal.

[12] The motion judge declined to apply the doctrine of *res judicata* and issue estoppel. He found that the issue decided in the Pennsylvania court was not the same as the issue before him. In the alternative, he held that he would exercise his discretion not to apply that doctrine because it was open to the appellants to advance their limitation defense at trial on the basis of all the evidence and thereby avoid an accusation of forum shopping, one of the evils the doctrine is designed to avoid.

[13] The motion judge went on to find that Ontario could properly accept jurisdiction over the action because the real and substantial connection test was met.

[14] Finally, the motion judge concluded that Ontario is a convenient forum for the action.

ANALYSIS

[15] In this court, the appellants focus primarily on the first of these findings but challenge the other two as well. I will deal with each issue in turn.

First Issue: *Res Judicata* and Issue Estoppel

[16] The appellants' position is that in adjudicating the action brought by the respondents, the Ontario court must find that their claims are time barred by the Pennsylvania statute of limitations because of the August 28, 2008, order of the Pennsylvania court. They argue that the Ontario court must recognize and apply that order. The appellants say that, as a consequence, the respondents' action must be dismissed or permanently stayed, as being time barred.

[17] The appellants' position is not that any of the causes of action advanced by the respondents have been adjudicated but rather that the limitation issue has been.

[18] While the appellants' notice of motion seeks an application of *res judicata*, it is better described as issue estoppel, because the appellants focus on one issue not on an entire cause of action: see *Danyluk v. Ainsworth Technologies*, [2001] 2 S.C.R. 460, at p. 474.

[19] In *Danyluk*, Binnie J., writing for the court, begins with the admonition that this judicial doctrine was designed to serve the ends of justice and should not be applied mechanically to work an injustice. He went on to make clear that the court always has the discretion, albeit one of quite limited application, to decline to apply the doctrine on this basis.

[20] At p. 476 of *Danyluk*, Binnie J. adopted the definition of issue estoppel offered by Middelton J.A. in *McIntosh v. Parent*, [1924] 4 D.L.R. 420, at p. 422:

> When a question is litigated, the judgment of the Court is a final determination as between the parties and their privies. Any right, question, or fact distinctly put in issue and directly determined by a Court of competent jurisdiction as a ground of recovery, or as an answer to a claim set up, cannot be re-tried in a subsequent suit between the same parties and their privies, though for a different cause of action.
>
> [Justice Binnie's Emphasis]

[21] Justice Binnie also added the refinement offered by Dickson J. (later C.J.) in *Angle v. Minister of National Revenue*, [1975] 2 S.C.R. 248, at p. 255:

> "It will not suffice" he said, "if the question arose collaterally or incidentally in the earlier proceedings or is one which must be inferred by argument from the judgment."

[22] At p. 477 Binnie J. went on to lay out the three requirements for the application of the issue estoppel:

> (1) the same question has been decided;
>
> (2) the judicial decision which is said to create the estoppel was final; and,
>
> (3) the parties to the judicial decision or their privies were the same persons as the parties to the proceedings in which the estoppel is raised or their privies.

[23] The first of these three is the focus here: has the same question been decided in the prior proceeding. The question in the Ontario action is whether the Ontario court should find that the respondents' claims in this action are time barred by the Pennsylvania statute of limitations. As the respondents argue, that question unpacks into two parts: should the Ontario court apply Pennsylvania law to these claims; and if so, does the Pennsylvania

statute bar the claims. It is apparent that if the choice of law by the Ontario court is not Pennsylvania law, the Pennsylvania statute has no application to this case.

[24] It is necessary then to determine what the Pennsylvania court decided and whether it is the same two part question that is before the Ontario court. Only if both parts were directly put in issue before the Pennsylvania court and directly determined by it is the first requirement of issue estoppel met.

[25] The Pennsylvania order was the response to motions for judgment on the pleadings by both Wyeth and Dr. Wolfe.

[26] Wyeth had pleaded that Dr. Wolfe's claims for breach of contract, misappropriation and breach of fiduciary duty asserted in the Ontario action were time barred by the Pennsylvania statute of limitations. Hence its motion for partial judgment on the pleadings sought a declaration that these claims are time barred.

[27] Dr. Wolfe moved for judgment on the pleadings that the Pennsylvania statute of limitations procedurally precludes him from asserting Pennsylvania based claims for breach of contract, misappropriation, or breach of fiduciary duty against Wyeth in the Pennsylvania court.

[28] In its reasons for its August 28 order, the court said only this about the limitation issue:

> With regard to the statute of limitations question, the parties agree, and this Court finds, that Dr. Wolfe's claims are time-barred by the Pennsylvania statute of limitations.

[29] The August 28 order of the Pennsylvania court is as follows:

> (1) The Motion for Judgment on the Pleadings filed by the Plaintiff Wyeth (Doc. No. 24) is **GRANTED** insofar as Wyeth requests that this Court declare that Dr. Wolfe's claims are barred by the Pennsylvania statute of limitations. Wyeth's Motion is **DENIED** in all other respects;
>
> (2) The Motion for Judgment on the Pleadings filed by Defendant Dr. Bernard M. J. Wolfe (Doc. No. 25) is **GRANTED**.

[30] This order granted the order sought by Dr. Wolfe that the Pennsylvania statute of limitations precludes him from asserting his claims in the Pennsylvania court.

[31] In this order, the court also granted Wyeth's motion for judgment but only insofar as Wyeth requested that the court declare that Dr. Wolfe's claims were barred by the Pennsylvania statute of limitations.

[32] The Pennsylvania court went on to decline Wyeth's requests to consider the merits of Dr. Wolfe's claims saying in its reasons that it would be improper to make a declaration as to the merits "for the sole purpose of providing Wyeth with a judgment that it can later use for the purposes of *res judicata* in the Ontario action." The reasons conclude by saying:

> The Canadian court is free to accept or reject any findings of this Court. Neither this Court, nor the parties, have any basis with which to determine how the Ontario Court will handle this case before it.

[33] When the Pennsylvania order is considered with this background, it is clear that it is a consent order. It is also clear that Dr. Wolfe's position before that court was confined

to claims he might assert in the Pennsylvania court. He said nothing about his claims made in the Ontario action, let alone the choice of law that should be made by the Ontario court to adjudicate them.

[34] The consent order must therefore be taken as going no further than Dr. Wolfe's position, namely that his claims are time barred if he were to assert them in the Pennsylvania court. It is not a consent order that in adjudicating the appellants' claims the Ontario court should apply Pennsylvania law to find the claims to be barred by the Pennsylvania statute of limitations.

[35] This reading is consistent with the tenor of the closing passage of the Pennsylvania court's reasons, which indicate that its decision was not intended to determine how the Ontario court will adjudicate the appellants' claims.

[36] Moreover, on its face, the Pennsylvania court order says nothing about the choice of law that the Ontario court should make in adjudicating the appellants' claims. Nor does the Pennsylvania court put forward any reasoning on that issue. It was clearly not a question distinctly put in issue and directly determined by that court.

[37] In short the Pennsylvania court did not decide the question that the appellants put before the Ontario court in this action. It did not decide that the Ontario court should find that Pennsylvania law applies and, as a consequence, find the respondents' claims to be time barred.

[38] This result is consistent with the ends of justice, the objective of the doctrine. The choice of law question is fact dependant, may well be complicated and may be differently answered depending on the particular cause of action. It is a question best decided on a full record at trial: see *General Refractions Co. of Canada v. Venturedyne Ltd.* 2001 Carswell Ont. 613 at para. 27. It best serves the ends of justice to address that question on a full trial record not on a preliminary motion.

[39] The other side of the coin is that to give the court order the effect contended for by the appellants would not serve the ends of justice. In the circumstances, it is not necessary to do so in order to permit the appellants their limitation defence. They can advance that at trial in the Ontario action. Moreover, to give it that effect in the circumstances, would at least give the appearance of sanctioning forum shopping, something courts ought not to do: see *Amchem Products Inc. v. B.C. (W.C.B.)*, [1993] 1 S.C.R. 897, at p. 912.

[40] Because it would not serve the ends of justice to do so, I agree with the motion judge that, in any event, the court ought not to exercise its discretion and should refuse to apply the doctrine of issue estoppel.

[41] For these reasons, I reject the appellants' argument based on the Pennsylvania order of August 28, 2008, that issue estoppel applies and requires the appellants' claims to be dismissed or permanently stayed as time barred. Since that order does not give rise

to issue estoppel, there is no need, at least at this stage of the action, for the Ontario court to consider whether to recognize and apply that order.

Second Issue: Jurisdiction

[42] Independent of the applicability of issue estoppel, the appellants argue that the motion judge erred in finding that the Ontario court can take jurisdiction over them for the purposes of this action. They say that he erred in finding that the real and substantial connection test was met.

[43] The respondents' primary answer is that, in any event, the appellants have attorned to the jurisdiction of the Ontario court. The Ontario court therefore has consent-based jurisdiction, and there is no need to examine whether Ontario can assume jurisdiction over the appellants. The respondents base this on the position taken by the appellants before the motion judge, where they sought an order from the Ontario court declaring that this action is *res judicata* and an abuse of process and should therefore be dismissed or permanently stayed. Only in the alternative did the appellant seek an order declaring that the Ontario court has no jurisdiction over them.

[44] I agree with the respondents. The appellants did not come before the motion judge under duress. Rather they voluntarily engaged the jurisdiction of the Ontario court by seeking to have the court apply the doctrine of issue estoppel, and as a consequence, dismiss or permanently stay the Ontario action. They sought to have the Ontario court engage with that issue. I agree with the British Columbia Court of Appeal in *Mid-Ohio*

Imported Car Co. v. Tri K Investments Ltd. (1995), 129 D.L.R. (4th) 181 that when a party to an action appears in court and goes beyond challenging the jurisdiction of the court based on jurisdiction *simpliciter* and *forum non conveniens*, the party will be regarded as appearing voluntarily, thus giving the court consent-based jurisdiction. That is what happened here.

[45] In any event, in my view, the motion judge was correct to conclude that the Ontario court could assume jurisdiction on the basis of the real and substantial connection test. The appellants do not contest that the taking of jurisdiction by the Pennsylvania court is no impediment to this conclusion. More than one court can have jurisdiction over a particular matter.

[46] In assessing this issue where there are factual matters in dispute, the plaintiffs' version of the facts should be accepted as long as it has a reasonable basis in the record. I agree with the reasoning of my colleague Laskin J.A. in *Young v. Tyco International of Canada Ltd.* (2008), 92 O.R. (3d) 161 (Ont. C.A.). While he was speaking of the *forum non conveniens* analysis the same logic applies to jurisdiction *simpliciter*. At para. 34 he said this:

> However, the important point is that at this preliminary stage of the action, the motion judge's assessment 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.

[47] In my view, in this case, it is clear that *service ex juris* was properly done under rule 17.01(f) and (g) and that jurisdiction should therefore be presumed unless the appellants demonstrate otherwise. The respondents assert that the contract in question was made in Ontario. All the negotiations, save one minor meeting, took place in London. Moreover, they point to the appellants' misuse of confidential information to support their patent application to acquire legal protection in Ontario for that information as the commission here of the torts pleaded.

[48] Turning to the core considerations for real and substantial connection, the connection between Ontario and the respondents' claim is clear. Among other things, Dr. Wolfe's research was all done here. The negotiations underlying the relationship between the parties essentially all took place here and the respondents suffered their loss of profits here.

[49] I think the connection with the appellants is equally clear. They carried on business in Ontario by concluding their arrangement with the respondents here. Both respondents interacted with Dr. Wolfe in support of his research here. They received confidential information coming from Ontario. Both appellants were in a relationship with Dr. Wolfe that originated in Ontario in which activity in Ontario was central. They could well have foreseen litigation in Ontario if obligations arising out of this relationship were not honoured. They have sought legal protection in Ontario for the use of this confidential information.

[50] Finally, viewed through the lens of fairness, these connecting factors must be assessed to be even stronger. It is not unfair to the appellants for Ontario to take jurisdiction, since they will still have every opportunity in the Ontario action to argue that the respondents' claims are time barred by the Pennsylvania legislation. However, if Ontario declines jurisdiction, the respondents will be left without a forum to provide a remedy.

[51] Thus, I conclude that the motion judge correctly decided this issue. I do so without the need to assess whether the same conclusion could be justified by the doctrine of necessity.

Third Issue: *forum conveniens*

[52] Here, too, the appellants argued that the motion judge erred. They acknowledge that he exercised his discretion in reaching his decision and that this court must give that decision deference. However, based on *Frimer v. Bretschaur* (1994), 19 O.R. (3d) 60 (C.A.), they argue that he placed the onus on them to demonstrate that Ontario is not the most convenient forum and that this constitutes error since they have been brought into the jurisdiction by *service ex juris*.

[53] The simple answer is that they have attorned to the jurisdiction. They have voluntarily appeared. They have not been brought unwillingly by *service ex juris*.

[54] Even if attornment had not occurred, I do not think the motion judge erred. He correctly proceeded on the basis that the appellants could succeed only by clearly

establishing that Pennsylvania is a more appropriate forum to have the issues decided than Ontario, the forum chosen by the respondents. That is the ultimate question: see *Precious Metal Capital Corp. v. Smith* (2008), 92 O.R. (3d) 701 (C.A.) at para. 30.

[55] The motion judge's only passing reference to onus was in reference to two factors: the location of key witness and the location of the bulk of the evidence. Without resort to any evidentiary onus, he determined both to be equally balanced between Ontario and Pennsylvania and therefore neutral. The reference to onus is to say no more than that if the appellants wished to have him put these factors on the Pennsylvania side of the scales for the ultimate question, the motion judge had to find that neither were equally balanced. That is true. The trial judge made no error in principle in his approach to this issue.

[56] Absent a basis on which to interfere with the motion judge's exercise of discretion, I see no basis for interfering with his conclusion that Ontario is the convenient forum for this action.

[57] For these reasons, the appeal is dismissed. Costs to the respondent fixed at $25,000, inclusive of disbursements and applicable taxes.

RELEASED: MAY 05 2011 ("S.T.G.")

"S. T. Goudge J.A."
"I agree. E. E. Gillese J.A."
"I agree. David Watt J.A."