

# BUSINESS ORGANISATIONS LAW

**Law 459 & Law 508  
Summer 2023  
Bruce MacDougall**

This course deals with the law of partnerships and corporations. The objective of the course is to ground student knowledge in this area of law in accordance with the topics listed below. It provides an introduction to this topic that is useful for all areas of law. The course also provides a preparation for students who wish to take more specialised business courses. The course will concentrate on the B.C. statutes in this area, but we will also look at the federal corporations statute that operates in this area to see how it has important similarities and differences as compared to the B.C. law.

Required course material:

All students must have copies of:

- (a) *British Columbia Business Corporations Act and Commentary*, Copy Uploaded on Canvas (“BCCA”) [alternatively, students may download this statute from the internet]
- (b) *Partnership Act*, R.S.B.C. 1996, c. 348, Copy Uploaded on Canvas (“PA”) [alternatively, students may download this statute from the internet]
- (c) *Canada Business Corporations Act and Commentary*, Copy Uploaded on Canvas (“CBCA”) [alternatively, students may download this statute from the internet]
- (d) Poonam Puri, Anita Anand, Ronald Daniels, et al., *Cases, Materials and Notes on Partnerships and Canadian Business Corporations* (**EITHER** Fifth **or** Sixth Edition) (Carswell, 2011 **or** 2016). [Page numbers below are for **both** editions, e.g.: 2011//2016]

The exam will be open-book so you will doubtless want paper copies of the materials. All page references in the reading list that follows are to **both** editions of the above text in item (d). The UBC Bookstore has ordered copies of the Sixth Edition (2016).

The exam will be two-and-a-half hours. It will start at 9:00 a.m. on Monday 12 June. The Law 459 grades will be based entirely on this exam. Students in Law 508 will also write a maximum 1250-word essay on a topic to be distributed at the end of the last class on 7 June and due by email in Word and pdf versions to instructor by 4 p.m. Friday 9 June. Law 508 grades will be based 80% on the exam and 20% on the essay.

If you have questions, contact the professor at any time by email at: [macdougall@allard.ubc.ca](mailto:macdougall@allard.ubc.ca).

This course will be held in-person Mondays, Wednesdays and Fridays from 8 May (a Monday) to 7 June (a Wednesday), from 8:30 a.m. to 12:30 p.m. in a room of Allard Hall to be

determined. Monday 22 May is Victoria Day and so there will be no class that day. The lectures will not be recorded. You are expected to attend in person. Ensure that you abide by social-distancing and other covid-preventative measures in effect at that time.

If a student needs an accommodation, then you should contact student services to ascertain how the process works in your case. Accommodations are not made by the professor.

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious and cultural observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available here (<https://senate.ubc.ca/policies-resources-support-student-success> )

The syllabus is not broken up into readings designated for particular days. Rather the order in which the material will be covered and the readings for the topics within that ordering are set out. Students will be told in advance of the next class how far in the readings we will get for the next class - and thus the readings to prepare.

The list of topics to be covered in the course lectures is as follows.

### **\* READING LIST \***

#### **1. TYPES OF BUSINESS ORGANISATIONS**

a. <u>Sole Proprietorships</u> .....	1//1	
PA, ss. 1“sole proprietorship”, 88, 89(1)		
b. <u>Partnerships</u> .....	2//2	
(i) <u>Definition</u> .....	3//4	
PA, ss. 1“general partnership”, “firm”, 2, 4, 7, 91		
<i>A.E. LePage Ltd. v. Kamex Developments Ltd.</i> .....		5//5
<i>Pooley. v. Driver</i> .....		13//14
(ii) <u>Legal Personality of Partnership</u>		
PA, ss. 1.1“partnership property”, 16, 81(1), 89(1)		
<i>Thorne v. N.B. (Workmen’s Compensation Board)</i> .....		21//30

(iii)	<u>Relationship of Partners to each other and third parties</u> .....	29 - 33//39 - 41
	PA, ss. 7, 11, 12, 14, 16, 19, 22, 23(1), 24, 27, 28, 29, 31, 35, 36, 37, 38(1), 42	
c.	<u>Limited Liability Partnerships</u> .....	44 - 46//54 - 57
	PA, ss. 94 “limited liability partnership”, 95, 96, 97, 102, 104, 105, 106	
d.	<u>Limited Partnerships</u> .....	34 - 37//43 - 45
	PA, ss. 49, 50, 51, 52, 55, 56, 57, 58, 59, 61, 62(1), 64	
	<i>Haughton Graphic Ltd. v. Zivot</i> .....	37//46
	<i>Nordile Holdings Ltd. v. Breckenridge</i> .....	42//52
e.	<u>Business Corporations</u> .....	2//2
<b>2.</b>	<b><u>THE EVOLUTION OF CORPORATIONS LAW &amp; THE NATURE OF CORPORATE PERSONALITY</u></b>	
a.	<u>History of Canadian Business Corporations Law</u> .....	47 - 58//61 - 69
b.	<u><i>Salomon v. Salomon &amp; Co. Ltd.</i></u> .....	59//73
c.	<u>Theorising Corporate Personality</u> .....	134 - 135//151 - 152
d.	<u>Limited Liability and Creditor Protection</u> .....	65–66, 69-75//80 - 81, 84 - 90
	BCA, s. 87	
	CBCA, s. 45(1)	
e.	<u>Liability in Tort</u>	
	<i>ADGA Systems Int’l. Ltd. v. Valcom</i> .....	78//93
f.	<u>Piercing the Corporate Veil</u> .....	87 - 88//102 - 103
	BCA, s. 2	
	<i>Clarkson Co. v. Zhelka</i> .....	88//103
	<i>Lee v. Lee’s Air Farming Ltd.</i> .....	114//131
	<i>De Salaberry Realities Ltd. v. M.N.R.</i> .....	117//134
	<i>Lynch v. Segal</i> .....	131//147
g.	<u>Criminal Liability</u> .....	135 - 147//152 - 164
	Criminal Code, ss. 22.1, 22.2, 718.21	
	<i>Canadian Dredge &amp; Dock Co. Ltd. v. R.</i> .....	136//153

### 3. **JURISDICTIONAL AND CATEGORISATION CONSIDERATIONS**

- a. Introduction and Place of Incorporation .....149-153//167 - 171
- b. Classification of Corporations:
  - (i) “Widely-held” (“public”) and “closely-held” (“private”) corporations ..155//173  
BCA, s. 1 “public company”, “reporting issuer” and “reporting issuer equivalent”.  
CBCA, s. 2(1) “distributing corporation”
  - (ii) One-Person Corporations ..... 156//175
  - (iii) Community Contribution Companies  
BCA, ss. 51.91-51.94, 51.97.
- c. Extra-Provincial Licensing and Filing Requirements.....153-154//171 - 172  
BCA, ss. 1 “company”, “extra-provincial company”, “foreign entity”,  
“foreign corporation”, “limited liability company”, 374 to 379
- d. Continuance Under the Law of Another Jurisdiction.....154-155//172 - 173  
BCA, ss. 269(b), 275(1)(b), 284(1), 302-311
- e. **THE CORPORATE CONSTITUTION**
  - a. Corporate Names .....158-159//177 - 178  
BCA, ss. 21 to 29, 263
  - b. Creating the Corporation .....159-163//179 - 183  
BCA, ss. 1 “articles”, 3, 10-19, 256-259, 263  
CBCA, ss. 2(1) “articles”, 5-9, 173
  - c. The Concept of Restrictions .....225-227//246 - 247  
BCA, ss. 30-33, 154(1)(a), 228(3)(c) 259, 260, and 378 (2) and (4)

### 4. **PRE-INCORPORATION CONTRACTS**

- a. Common Law
  - Kelner v. Baxter* ..... 167//187
  - Black v. Smallwood* ..... 171//190
  - Wickberg v. Shatsky* ..... 173//193
- b. Statutory Reform .....176-181//196 - 201  
BCA, s. 20  
CBCA, s. 14

## 5. MANAGEMENT AND CONTROL OF THE CORPORATION

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BCA, ss. 1(1)“director”, “first director”, 1(3), 128(3), 135-138, 143 (and Part 5 in gen'l)  
CBCA, ss. 2(1) “director”, “officer”, 102, 103, 109, 116
- b. Corporate Responsibility .....231-232//253 - 254  
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*Parke v. Daily News Ltd.* .....237//259  
*Re Peoples Dep't. Stores Ltd. (1992) Inc.* .....247//268  
*Re BCE Inc.* .....252//274
- c. Shareholder Input  
*Bushell v. Faith* .....200//221  
*Automatic Self-Cleansing Filter Syndicate Co. Ltd. v. Cuninghame*.....208//229
- (i) Sale of the Undertaking  
BCA, s. 301  
CBCA, s. 189(3)-(9)
- (ii) Unanimous Shareholder Agreements (and Equivalent), .....685-692//730 - 737  
BCA, s. 51.93(3), 137, 138  
CBCA, ss. 49(8), 146, 241(3)(c), 247  
*Bury v. Bell Gouinlock Ltd.* .....693//738
- d. Protecting Third Party Reliance - The Indoor Management Rule, .....226-227//248 - 249  
BCA, s. 146  
CBCA, ss. 17, 18  
*Sherwood Design Services Inc. v. 872935 Ontario Ltd.* .....228//249
- e. Protecting Outside Directors - The Audit Committee .....640//697  
BCA, ss. 223-226

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## 7. DUTIES OF DIRECTORS AND OFFICERS

- a. Directors (and Officers) - General  
BCA, ss. 120-122, 124, 126, 128, 130, 131, 134, 135, 140-143, 145, 146  
CBCA, ss. 102-106, 108, 109, 114-117, 121, 237.3, 237.4

b. <u>Directors - Personal Liability</u>	
BCA, ss. 154, 156-158	
CBCA, ss. 118, 119, 122, 123	
c. <u>Care and Skill</u>	
BCA, s. 142	
CBCA, s.122	
(ii) <u>Common Law</u>	
<i>Re City Equitable Fire Insurance Co. Ltd.</i> .....	269// <u>291</u>
(ii) <u>Statutory Reform</u> .....	276-278// <u>299 - 300</u>
BCA, ss. 142(1)(b), (2)(3), 154, 157	
CBCA, ss. 118, 122(1)(b), (2)(3), 123(4)(5)	
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<i>UPM-Kymmene Corp. v. UPM-Kymmene Miramichi Inc.</i> .....	322// <u>341</u>
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(ii) <u>To Whom Is the Fiduciary Duty Owed</u> .....	393-395// <u>421 - 423</u>
<i>Re BCE Inc.</i> .....	395// <u>423</u>
(iii) <u>Self-Dealing (Contracting with the Corporation)</u>	
(a) <u>The Common Law</u> .....	352-353// <u>379 - 380</u>
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(iv) <u>Corporate Opportunities</u> .....	357-358// <u>384 - 385</u>
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<i>Peso Silver Mines v. Cropper</i> .....	366// <u>393</u>
<i>Canadian Aero Services Ltd. v. O'Malley</i> .....	373// <u>400</u>

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**8. SHAREHOLDERS, SHARES AND SHAREHOLDERS' RIGHTS**

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	(i) <u>Unanimous and Consent Shareholders' Resolution</u>	
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b. <u>The Derivative Action</u>	
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(ii) <u>Common Law – The Rule in <i>Foss v. Harbottle</i></u>	702-705// <u>748 - 749</u>
(iii) <u>The Statutory Derivative Action</u>	706-707// <u>749 - 751</u>
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(iv) <u>Comments and <i>Re BCE Inc.</i></u>	724-728// <u>769 - 772</u>
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<i>Goldex Mines Ltd. v. Revill</i>	741// <u>785</u>
<i>Hercules Management Ltd. v. Ernst &amp; Young</i>	747// <u>791</u>
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CBCA, ss. 238, 241, 242	
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