

**LAWS 2216 – CURRENT ISSUES IN CORPORATE LAW**

**CORPORATE THEORY AND GOVERNANCE**

DR. LEONARD I. ROTMAN

**SYLLABUS – FALL TERM, 2018**

**Wednesdays 9:30 a.m. – 11:20 p.m.**

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... In my judgment the limited liability corporation is the greatest single discovery of modern times, whether you judge it by its social, by its ethical, by its industrial or, in the long run, after we understand it and know how to use it, by its political, effects. Even steam and electricity are far less important than the limited liability corporation, and they would be reduced to comparative impotence without it. ... It substitutes co-operation on a large scale for individual, cut-throat, parochial, competition. It makes possible huge economy in production and in trading. It means the modern provision of industrial insurance, of care for disability, old age and widowhood. It means ... the only possible engine for carrying on international trade on a scale commensurate with modern needs and opportunities.

-Nicholas M. Butler, President, Columbia University, to the Chamber of Commerce of the State of New York, Nov. 16, 1911.

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... [T]he corporation is the greatest single discovery of our civilization of this era, but corporations must be supervised and regulated as well as controlled ... The great corporation to-day must be viewed as a public trust. Business depression, unemployment, low wages, financial dishonesty, and corrupt politics, are more closely connected with essentially unsound corporate practices and grossly mistaken corporate vision than are generally realized. Corporations with vast power must accept the social responsibility which accompanies such power. ... Corporations must realize, or must be made to realize, that they owe an affirmative duty to the community which supports them as well as to the state which creates them. The parallel of Frankenstein and his vitalized monster is obvious.

-I. Maurice Wormser, *Frankenstein, Incorporated*, (New York: McGraw-Hill, 1931) at 54.

I venture to assert that when the history of the financial era which has just drawn to a close comes to be written, most of its mistakes, and its major faults will be ascribed to the failure to observe the fiduciary principle, the precept as old as holy writ, that "a man cannot serve two masters." ... No thinking man can believe that an economy built upon a business foundation can permanently endure without some loyalty to that principle.

-Harlan F. Stone, "The Public Influence of the Bar" (1934) 48 Harv. L. Rev. 8 at 9.

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**1. COURSE DESCRIPTION/PURPOSE**

This course examines the purpose and function of the corporate form, its internal functioning and the

external economic and social effects of corporate activity. The study of corporate law often ignores substantive analysis and evaluation of why things are done in favour of explaining the procedures for doing them. The course invites critical assessment of our most basic conceptions of the corporation in order to better understand what corporations are, why they exist, and how they function. The course will examine the corporation from the perspectives of law, history, theory, and film.

The unbridled pursuit of profit is often regarded as essential to the corporation and its endeavours, as exemplified by the words of 1980s corporate raider Gordon Gekko in the film *Wall Street*: “Greed is good. Greed works.” The corporation’s foundational purpose of maximizing profits is seen to provide sufficient justification for its self-centred behaviour. Indeed, not only may the corporation act in this way, it is expected to do so; if it does not, its shareholders are often said to have a cause of action against the directors or officers who failed to conform to such standards, as seen, for example, in the landmark case of *Dodge v. Ford Motor Co.*

Is this the only proper characterization of the modern corporation? Contemporary corporate scandals -- Adelphia, Enron, Global Crossing, Hollinger, Parmalat, Qwest, Tyco, and WorldCom, to name but a few -- suggest that the corporate form has been hijacked by self-interested individuals hiding behind the rationalizations of profit maximization and economic efficiency. While few question the ability of the corporation to pursue profits, what may be legitimately questioned is the means by which the corporation engages in such pursuits. What is “special” about the corporation that allows it to unabashedly chase after profits without apparent consequence? Are corporations to be regarded as citizens of the jurisdictions they inhabit or affect, such that they possess similar obligations as do other citizens? May corporations sacrifice their foundational pursuit of profit in order to be good corporate citizens? This course posits these fundamental questions and seeks to have students rethink ingrained notions of corporate function that are prevalent in various facets of contemporary society: film, television, novels, and even children’s cartoons and books.

The course will expand upon the discussion of corporate personality initiated in Business Associations through an examination and analysis of the history of the corporate form and its contemporary legal implications, with a particular focus on corporate governance issues. Comparisons will be made between Canadian corporate laws and those of the United States, the U.K. and Australia.

## **2. LEARNING OUTCOMES**

After taking this course, students will possess a sophisticated understanding of the purpose and function of corporations and the positive and negative implications of these. They will gain the ability to place complex corporate law issues in appropriate theoretical and practical contexts and more fully understand the policy debates that surround corporate law reform. They will be able to critically address the role of the corporation in contemporary society and be conversant in various theories of its rights and responsibilities. Students will also appreciate the manner in which corporate management functions and the duties incumbent upon it, as well as the identity of corporate constituencies and the need to balance their

interests.

### **3. REQUIRED READINGS**

All materials required for the course are available electronically, subject to any last minute changes. The following materials are required for the course:

**(a) For downloading:**

Leonard I. Rotman, “Debunking the ‘End of History’ Thesis for Corporate Law,” (2010) 33 *B.C. Int’l & Comp. L. Rev.* 219, available for download at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1517846](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1517846).

**(b) Available on the Brightspace course page:**

CB Leonard I. Rotman, *Comparative Corporate Theory and Governance Materials*, 2018.

**Other reading materials will be posted separately on the Brightspace page in PDF format or with links.**

### **4. METHOD OF INSTRUCTION/CLASS PARTICIPATION**

The course will be comprised of a combination of lectures, student presentations, practicums, and class discussion. I will generally lecture when introducing new material/concepts or at the beginning of new sections of the course. I hope to stimulate as much class discussion as possible by working with the materials and from the introductions I provide.

Please arrive to class on time and prepared to discuss assigned readings. Focus both on the facts/issues in the readings and attempt to draw links or analogies between cases/issues to provide a greater context for understanding the development of applicable laws and policies. Although I generally do not direct specific questions at individuals, students should be sufficiently knowledgeable about the day’s readings to follow, initiate and participate in class discussion.

As indicated in “Method of Evaluation,” below, students will receive a participation grade in this class.

### **5. SUBMISSION OF MAJOR PAPERS AND ASSIGNMENTS**

Major papers and assignments must be submitted in hard copy. Students should hand papers in to the place stipulated by the instructor and ensure they are date and time stamped. Please read the law school policy on late penalties:

<https://www.dal.ca/faculty/law/current-students/jd-students/academic-regulations.html>

Please note students may also be required to provide an identical electronic copy of their paper to the instructor by the due date. Papers may be submitted by the instructor to a text-matching software service to check for originality. Students wishing to choose an alternative method of checking the authenticity of their work must indicate to the instructor, by no later than the add/drop date of the course, which one of the following alternative methods they choose:

- a) submit copies of multiple drafts demonstrating development of their work
- b) submit copies of sources
- c) submit an annotated bibliography

### **Students Requests for Accommodation:**

Requests for special accommodation for reasons such as illness, injury or family emergency will require an application to the Law School Studies Committee. Such requests (for example, for assignment extensions) must be made to Associate Dean Michael Deturbide or the Director of Student Services as soon as possible, before a scheduled exam or a deadline for an assignment, and will generally require medical documentation. Retroactive accommodation will not be provided. Please note that individual professors cannot entertain accommodation requests.

Students may request accommodation for either classroom participation or the writing of tests and exams due to barriers related to disability, religious obligation, or any characteristic under the Nova Scotia *Human Rights Act*. Students who require such accommodation must make their request to the Advising and Access Services Center (AASC) at the outset of the regular academic year. Please visit [www.dal.ca/access](http://www.dal.ca/access) for more information and to obtain the Request for Accommodation – Form A. Students may also contact the Advising and Access Services Centre directly at 494-2836.

### **Plagiarism:**

All students must read the University policies on plagiarism and academic honesty <http://academicintegrity.dal.ca/> and the Law School policy on plagiarism <http://www.dal.ca/faculty/law/current-students/jd-students/academic-regulations.html>. Any paper or assignment submitted by a student at the Schulich School of Law may be checked for originality to confirm that the student has not plagiarized from other sources. Plagiarism is considered a serious academic offence which may lead to loss of credit, suspension or expulsion from the law school, or even revocation of a degree. It is essential that there be correct attribution of authorities from which facts and opinions have been derived. Prior to submitting any paper or other assignment, students should read and familiarize themselves with the policies referred to above and should consult with the instructor if they have any questions. **Ignorance of the policies on plagiarism will not excuse any violation of those policies.**

## 6. METHOD OF EVALUATION

The grading for this course will be comprised of 3 parts:

1. **Research paper: 70% of the course grade;**
2. **Paper Topic Presentations: 20% (10% each) of the course grade;**
3. **Class Participation: 10% of the course grade.**

**Paper Topics:** Research paper topics need not be restricted to issues covered in class, but obviously need to have a corporate/fiduciary law focus. They may look at single issues, comparative studies, or involve theoretical analyses. While not a course requirement, you may speak to me about your paper topic to ensure that it is feasible, there are adequate materials available, and that you have sufficient time to work on it. I am happy to assist you in selecting paper topics or to discuss your paper with you over the course of the term. I will read and comment on brief outlines, but not paper drafts, since that would restrict my ability to assist in the development of paper topics and to assist students in teasing out particular issues or obstacles with their paper topics should they arise. I am happy to work with students to help ascertain or refine paper topics.

**Paper Length:** The maximum length for the major paper will be 25 pages, in accordance with faculty guidelines not including cover page, bibliography and appendices. Papers are not to exceed this maximum length. Subject to this guideline, the length of the paper ought to reflect the space required to create a cogently-argued and well-written piece adequate to the topic chosen.

**Due Date:** **December 7, 2018 at noon.** Late penalties will be assessed according to the faculty policy on late submissions: <https://www.dal.ca/faculty/law/current-students/jd-students/academic-regulations.html>

**Evaluation of Papers:** Papers will be assessed on the basis of a variety of factors, including analysis, argument, organization, insight, comprehensiveness of research, the ability to combine case precedent and academic commentary with your own thoughts, the ability to provide an even-handed discussion of the topic, and persuasiveness.

Potential technical problems should be anticipated in advance by always backing up your work (i.e. having two copies), such as on a flash/thumb drive, and not waiting until the last minute to print your paper. The only guaranteed thing about technology is that it will fail and usually when you need it the most. Expect this and you will avoid problems that might adversely affect your grade in the course.

**You must submit both a hard copy and electronic copy of your paper** in some readable format (e.g. downloadable via thumb drive or via e-mail attachment). Hard copies are to be given to Julie Harnish at reception in the general office. **Electronic copies are to be sent directly to me.** **Failure to provide BOTH a hard copy and electronic copy of your paper entails that the paper is not properly submitted and late penalties may be imposed.**

**Paper Requirements:** All papers **MUST** include the following:

1. a title page that includes your name, my name, and the name of the course;
2. a list of references (statutes and case law), and;
3. a bibliography [including all published and unpublished materials you refer to (other than statutes and cases), **not just those cited in the footnotes – see “General rule of thumb for citations and references” below**].

**Citations:**

Papers are to use footnotes rather than endnotes. Footnotes must correspond to the McGill Style Guide. **All case law citations must be made to printed sources where these exist rather than their electronic equivalents.** Citations need not be to official reporters, but should be to major reporter series where possible (*i.e.* something in the library). Parallel citations are not required. **Pinpoint cites are required (where applicable), either to official paragraph numbers or page numbers in reported judgments,** but not to paragraphs or pages corresponding to electronic sources (since those may pertain only to those sources). **Articles must also be cited to page numbers in their printed sources rather than to the web, SSRN or any other electronic database.**

**General rule of thumb for citations and references:**

1. If you make specific reference to, or quote, a source (article, book, case, section(s) of a statute, etc.), it must be footnoted with a pinpoint citation (*i.e.* specific page, paragraph, or section reference);
2. If you make a general reference to a source, it should be footnoted, but to the source generally and not to any specific page, paragraph, or section number contained within it;
3. If your idea was informed by a source, but not by any specific element of it, the citation method in #2, above, should be used;
4. If you have used and footnoted a source, it should also be included in either the list of references OR bibliography, depending upon the type of source it is (refer back to the descriptions, above);
5. If you have read or perused a source, but have not footnoted it because it did not fall within any of the above rules of thumb, it should nonetheless still be included in either the list of references OR bibliography, as appropriate, because it formed part of your research leading to the production of your paper.
6. If you are still unsure about what to do, please consult with me or a reference librarian.

**Paper Topic Presentations:** Students will do 2 presentations on their paper topics during the term.

1. **First Presentation:** This presentation is intended to be more general, approx. 10-15 minutes in length, and providing an outline and overview of your topic sufficient to inform the class about what your paper is about and may include, *inter alia*, your methodology, any working hypotheses, questions to be answered, theoretical analyses, etc.

For this presentation, each student is to print and distribute, or post to the course Brightspace site, a brief, point-form handout, 1-2 pages in length, before or at the time they begin their presentations to the class.

2. **Second Presentation:** This presentation is more refined than your initial presentation, approx. 20 minutes in length, and providing more detail about methodology, establishing hypotheses, and answering questions posed, with more specific reference to sources relied upon (primary and/or secondary). It should demonstrate that you have been working through your paper topic and can demonstrate that you have learned more about fiduciary law generally, as well as its precise applicability to your topic.

For this presentation, each student is to print and distribute, or post to the course Brightspace site, a longer handout, 3-4 pages in length, before or at the time they begin their presentations to the class. This handout shall include a working introduction, a skeletal outline of the sections of the paper, as illustrated by the creation of headings and subheadings, and illustrations of how your paper has progressed since the first presentation.

Precise dates for student presentations will be determined according to the number of students enrolled in the class and the length of time necessary to hold all presentations. **What exists in the detailed course syllabus is subject to change once the class size is ascertainable.**

**Class Participation:** The class participation grade assigned will account for regular attendance, discussion in class (assessed on the quality rather than quantity of participation), essay topic presentation and participation in practicums and other exercises.

## **7. HELPFUL INFORMATION ABOUT TERM PAPERS**

A major research paper, such as the paper in this course, requires a considerable amount of work thinking, researching, thinking some more, drafting, editing, re-writing, more editing, and spell-checking. It is not something that can be done properly (or well) at the last moment. The final details (re-reading the paper, editing, and spell-checking) are just as important as the initial researching and writing. Bearing this in mind, please regard the final stages of paper polishing as being on par with the more substantive researching and writing of the paper. You do not want the quality of your work marred by careless mistakes.

A useful discussion of important considerations when writing a term paper follows:

### **WRITING RESEARCH PAPERS: 10 TOP TIPS**

By Marshall B. Kapp  
*The Law Teacher* (Fall, 1999)

Virtually all law students write at least one legal research paper during their law school career, besides composing the usual array of briefs, memos, and legal instruments. In the experience of grading hundreds of legal research papers, I have accumulated an assortment of pet peeves and compiled a list of tips that other law teachers may find useful to share with their students at the outset of the writing endeavor. Most of these suggestions fall in the category of common sense, which is precisely why they need to be set forth explicitly. Here, I present my “top ten” list.

#### **1. Analyze and synthesize; don't just paraphrase.**

Don't thankfully latch onto one article directly on your topic, wish that you had written that very article, and then spend 25 pages just paraphrasing it, even with proper attribution (i.e., many footnotes, but most of them being id's). In real legal practice, you will rarely be lucky enough to find one unassailable authority that conclusively and unarguably resolves your issue. If you can find incontrovertible authority on “all fours” with your case, by all means rely on it. Most of the time, however, the law has to progress by analysis that synthesizes, mainly through analogy and distinction, different pieces of a puzzle. Research papers should reflect that complex process.

#### **2. Avoid sweeping generalizations unless you can back them up with authority.**

Legal writing involves argument and persuasion based on a reasoning process beginning with supportable premises, not the mere assertion of a proposition. Statements such as “Congress should repeal the ERISA preemption because all HMO executives care only about the bottom line” may be a hit on the political campaign trail but detract markedly from credibility in legal writing, unless supporting sources can be cited.

#### **3. Avoid the “obvious.”**

Unless you are making a really unassailable proposition, such as “The earth revolves around the sun,” using terms such as “obviously,” “clearly,” “of course,” “unarguable,” “simply,” “certainly,” and “well known” raise enormous red flags for the reader.

If you have authority for a proposition, cite it. If you don't have any authority, perhaps the proposition is not as “obvious” as you thought. Besides, if your point is really that “obvious” to everyone, why waste time and space restating it? And, how can you be so sure that another lawyer won't come along and disagree with the proposition that you thought was so “clear”?

#### **4. Name one.**

Similarly, terms such as “any,” “several,” “numerous,” “some,” and “widely held” raise flags unless there is citation to examples. Think about how you would respond to a reader who sees such a term used, questions your accuracy, and demands, “Name one!” If you cannot, your bluff has been successfully called.

#### **5. Don’t apologize for your positions.**

You rarely need to preface your statements with introductory quasi-apologies or such equivocations as “In my opinion,” “I think,” “I believe,” or “I feel.” First, the reader of legal writing really doesn’t care what the author “thinks,” “believes,” or “feels.” In this genre, the only things that matter are what you can prove or logically support through reasoned analysis and argument.

Second, the reader automatically assumes that any proposition for which you do not cite authority must be your own opinion, so there is no need for the reminder. Just make your points and let them be evaluated for what they’re worth.

#### **6. Any particular law in mind?**

Avoid making broad statements such as “doing X is illegal” unless you can explain which specific statute, regulation, or common law rule is being violated, and why. Be especially cautious about making the claim that “doing X is unconstitutional” unless you can back up that claim with one or more constitutional clause(s).

#### **7. Cite primary sources.**

In a legitimate legal discussion, even the least strict constructionists at least begin by examining and citing the relevant law itself. Constitutional clauses, statutes, regulations, and judicial decisions are the primary building blocks of legal analysis; everything else is, literally, commentary. You can’t write a good legal research paper based solely on citations to secondary sources such as law review articles and textbooks. You have to begin with the actual law. Then, you can argue about interpretation. Legal readers, in the first instance, want to know what the law itself says, rather than what some law professor has to say.

#### **8. No gratuitous comments.**

Legal writing is not the place for gratuitous comments (e.g., “We should not forget that...” or “Unfortunately, the court disagreed...”) or throwaway lines. Words are the attorney’s only tool, so law students must learn to write as though every statement counts. In the same vein, use of rhetorical questions (e.g., “Why, you might ask ...”) should be minimized in legal writing, in favor of declarative statements. The reader wants to know your position on the issues, and providing your position as an answer to a rhetorical question may strike many readers as a bit condescending or patronizing.

## 9. Keep the tone serious

Legal writing does not have to be somber and boring. Indeed, it ought to be creative and interesting. Creativity and provocation must take place, however, within a serious tone. Certain techniques that may fit well into certain other forms of writing (e.g., humor, rhetorical questions, a “whiz bang!!” feel) detract from the purpose of a legal research paper, which is to persuade the reader to agree with – and ultimately to act upon – your argument. The worst criticism that can be leveled against an attorney is “He/she is dishonest,” but the next most devastating is “He/she’s a joke.” An attorney is of little value to the client if others won’t take the attorney seriously, and law students should learn how to begin to earn that respect through their writing style.

## 10. Proofread.

In Evidence and elsewhere in the curriculum, law students learn about presumptions and burdens of proof. When it comes to evaluating a law student’s – and eventually a practicing attorney’s – writing and the arguments being made in that writing, most readers start with a presumption that sloppy writing (e.g., misspellings, erroneous punctuation, noun-pronoun disagreement, grammatical mistakes) connotes sloppy thinking. Too many mechanical errors in a text can be so distracting that they obscure almost totally the argument the writer is trying to make. In today’s word-processing age, there is no excuse for turning in a paper that has not been thoroughly reviewed. The student can catch up on sleep after the paper has been submitted.

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### **ABOUT THE AUTHOR:**

Marshall B. Kapp teaches at both the Wright State University School of Medicine and the University of Dayton School of Law, 300 College Park, Dayton, OH 45469; (937) 775-3392; fax (937) 775-2851; [marshall.kapp@wright.edu](mailto:marshall.kapp@wright.edu).

## 8. OFFICE HOURS AND COMMUNICATION

My office is located in Room W425 of the law school (overlooking the front of the building). My office phone number is (902) 494-4293.

I will maintain regular office hours this term on Wednesdays from 11:30 a.m. – 1:00 p.m. I am also available to meet you at other times, either by appointment or by chance. Please feel free to drop by my office, discuss matters after class, or arrange for us to meet at a mutually convenient time. You may also feel free to send me questions by e-mail at [lrotman@dal.ca](mailto:lrotman@dal.ca).

If you have specific questions that you would like answered in person, please email me the question ahead of time, if possible, so that I may provide a more fulsome answer that we may discuss when we meet. Alternatively, I can send you my response by email and, once you look it over, decide whether you wish to schedule an in-person follow-up meeting.