

Be Careful When Signing Contracts

By Diane Bellavance

Gestion Panaber inc. v. Banque Toronto Dominion

In the decision of *Gestion Panaber inc. v. Banque Toronto Dominion* rendered on May 23, 2000, the Quebec Superior Court recalled the indoor management rule, a principle of law which stipulates that when people conduct the business of a company in a manner that appears to comply with the articles of incorporation, outside third parties who transact business with them should not be affected by any irregularities which may arise in the internal management of the company. These outside third parties are entitled to presume that the acts of the company's representatives have been carried out properly.

Thus, if the secretary of a company has signed an extract of a resolution certifying that this is a true copy of a resolution adopted by the board of directors of the company, a third party can presume that the resolution was adopted, and it is up to the secretary to ensure that this is the case.

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