SUPERIOR COURT OF JUSTICE – ONTARIO

RE: COWAL CHALMERS INC., plaintiff

AND:

CITY OF KITCHENER, defendants

AND:

STUART CAMERON MURRAY carrying on business under the name and style of MULLUN LAW FIRM and ELMIRA CHIMIROVA, third parties

- **BEFORE:** ASSOCIATE JUSTICE R. FRANK
- **COUNSEL:** Stuart Murray, proposed representative for the plaintiff and self-represented third party

Milena Protich for the defendant, City of Kitchener

Dora Konomi for the third party, Elmira Chimirova

HEARD: June 13, 2024, July 11, 2024 and July 19, 2024¹

ENDORSEMENT

A. OVERVIEW

[1] This is a motion by a non-lawyer, Stuart Murray, for leave to represent the plaintiff corporation, Cowal Chalmers Inc., in this action. In the alternative, Mr. Murray seeks an order staying, striking or severing the third party claim and granting him leave to represent the plaintiff corporation.

¹ This motion was initially heard by me on June 13, 2024 and taken under reserve. Shortly after the decision was taken under reserve, counsel for the defendant advised my Assistant Trial Coordinator that the Court of Appeal had released a decision which counsel for the defendant considered to be relevant and that should be brought to my attention. Mr. Murray did not consent to the defendant doing so and the parties appeared before me on July 11, 2024 and again on July 19, 2024 to make submissions on whether leave should be granted to place the Court of Appeal decision before me and, if I granted leave, to make submissions on it. After hearing the parties' submissions on July 19, 2024, I granted leave and heard submissions from the parties on the following two decisions: *GlycoBioSciences Inc. (Glyco) v. Industria Farmaceutica Andromaco, S.A., de C.V. (Andromaco),* 2024 ONCA 481 ("GlycoBioSciences") and GlycoBioSciences Inc. v. L'Oreal Canada Inc. 2024 ONSC 3745 ("L'Oreal").

[2] The defendant opposes the motion. The third parties take no position on Mr. Murray's request to represent the plaintiff corporation but oppose the balance of the requested relief.

[3] For the reasons that follow, Mr. Murray is granted leave to represent the plaintiff in this action.

B. ISSUES

[4] The issues on this motion are as follows:

- 1. Should Mr. Murray be granted leave to represent the plaintiff corporation?
- 2. In the alternative, should the third party claim be stayed, struck, or severed and should Mr. Murray be granted leave to represent the plaintiff corporation?

C. LAW AND ANALYSIS

(i) Should Mr. Murray be granted leave to represent the plaintiff corporation?

[5] Pursuant to Rule 15.01(2), a party to a proceeding that is a corporation shall be represented by a lawyer, except with leave of the court. Ultimately, the court must make an order that is in the interests of justice, and pursuant to Rule 1.04 the court must construe the rules to ensure the just, most expeditious and least expensive determination of every civil proceeding on its merits.² The decision to permit a non-lawyer to represent a corporation is a discretionary decision that must be made having regard to all of the circumstances in a particular case.³

[6] In *Extend-A-Call Inc. v. Dmitri Granovski et al.*,⁴ Boswell J. outlined the following factors to be considered in assessing whether leave should be granted pursuant to Rule 15.01(2):

- (i) whether the proposed representative has been duly authorized by the corporation to act as its legal representative;
- (ii) whether the proposed representative has a connection to the corporation;
- (iii) the structure of the corporation in terms of shareholders, officers and directors and whether it is a closely held corporation;
- (iv) whether the interests of shareholders, officers, directors, employees, creditors and other potential stakeholders are adequately protected by the granting of leave;
- (v) whether the proposed representative is reasonably capable of comprehending the issues in the litigation and advocating on behalf of the corporation. The Court

² De La Rocha v. Markham Endoscopy Diagnostics Inc., 2010 ONSC 5100 at para 3

³ *GlycoBioSciences* at para 1

⁴ Extend-A-Call Inc. v. Dmitri Granovski et al., 2009 CanLII 33047 (ON SC) ("Extend-A-Call Inc.")

should not impose too high a threshold at this stage, given that the courts abound with self-represented litigants of varying skills. The proposed representative should, however, be reasonably capable of comprehending the issues and articulating the case on behalf of the corporation;

- (vi) whether the corporation is financially capable of retaining counsel. Access to justice has been a concern troubling courts at all levels in Canada for some considerable time. It is fundamental to the integrity of the courts and the reputation of the administration of justice that parties have reasonable access to our courts. If the refusal to grant leave would effectively bar a corporation from access to justice, this factor should be given considerable weight; and
- (vii) any other relevant factor specific to the circumstances of the individual case.⁵

[7] The onus is on the non-lawyer seeking leave to represent the corporation to demonstrate that leave should be granted.⁶ Representation of a corporation in legal proceedings by someone other than a lawyer is the exception and not the rule.⁷ As explained by the Court of Appeal:

[6] ... the default position is that corporations must be represented in legal proceedings by a lawyer. The court may permit otherwise, but the granting of leave is exceptional. Leave is discretionary but cannot be granted in a manner that normalizes what the rule otherwise prohibits.

[7] The rationale for the rule requiring representation by a lawyer is plain. A non-lawyer who is closely tied to the corporation granted leave under r. 15.01(2) is akin to a self-represented party, but the separate legal personhood of the corporation means, in effect, that the non-lawyer is providing legal services to another person, contrary to s. 26.1(1) of the *Law Society Act*, R.S.O. 1990, c. L.8. Moreover, non-lawyers are not bound by the *Rules of Professional Conduct*, nor are they subject to the personal financial consequences associated with cost orders that self-represented litigants face: *Leisure Farm Construction Limited v. Dalew Farms Inc. et.al.*, 2021 ONSC 105 at paras. 12-15. Permitting a non-lawyer to act also risks creating an undue burden on the respondents and the court. These considerations must be balanced with any concerns that may arise about access to justice...⁸

(a) Has Mr. Murray been duly authorized by the corporation to act as its legal representative?

[8] In the motion record and reply motion record filed by Mr. Murray in support of this motion, Mr. Murray did not include evidence that he had been authorized by the corporation to act as its

⁸ *GlycoBioSciences* at paras 6-7

⁵ *Extend-A-Call Inc.* at para 19

⁶ Tash Benson Group Inc. v. Back-Bone Gear Inc. et al., 2021 ONSC 7667 ("Tash Benson") at para 22

⁷ Leisure Farm Construction Limited v. Dalew Farms Irie. et al., 2021 ONSC 105 ("Leisure Farm") at para 16

legal representative in this action. This was one of the bases on which the defendant opposed the motion.

[9] Shortly prior to the June 13, 2024 hearing of the motion, Mr. Murray filed a supplementary affidavit confirming that he has been duly authorized by the corporation to act as its legal representative in this action. His explanation for the late filing of the supplementary affidavit is that he did not initially appreciate the need for it given the evidence he had already filed confirming that he is the sole shareholder, director and officer of the corporate plaintiff. However, having seen and considered the case law relied on by the defendant that explains the need for him to have formal authorization to act, he proceeded to obtain and file evidence of that authorization.

[10] The defendant initially objected to the late filing of the evidence regarding authorization but ultimately acknowledged that Mr. Murray now has the required authorization. The defendant submits, however, that Mr. Murray's initial misunderstanding of the need for formal authorization is an example, among numerous others, of his inability to comprehend the issues and advocate on behalf of the plaintiff.

[11] The impact, if any, of Mr. Murray's late filing of his authorization to act is considered below in my analysis of his ability to represent the corporation. For purposes of assessing this factor, I find that Mr. Murray has been duly authorized to represent the corporation. While this is a necessary condition for an order under Rule 15.01(2), it is not sufficient on its own,⁹ and I turn to the other factors to be considered in determining whether leave should be granted.

(b) Structure of the corporate plaintiff, Mr. Murray's connection to it, and whether the interests of stakeholders will be adequately protected

[12] Mr. Murray is the sole shareholder, officer and director of the plaintiff. In circumstances such as these, the court has often drawn an analogy in granting leave to a self-represented litigant, on the assumption that the person will act in the best interests of the corporation because they are intricately connected to it and will be personally affected by the results of the proceedings.¹⁰

[13] In this case, given that the plaintiff is a closely held corporation in respect of which Mr. Murray is the directing mind and alter ago, the current situation is distinguishable from circumstances where the proposed representative had no direct connection to the plaintiff corporation,¹¹ or where it was not clear whether there were employees, creditors or other stakeholders whose interests may not be adequately protected.¹² It is also distinguishable from *GlycoBioSciences*, in which the reasons for refusing to grant leave to a proposed representative of

("Super Channel") at paras 9-10; Lamond v Smith, 2004 CanLII 6218 ("Lamond") at paras 9-11

⁹ *GlycoBioSciences* at para 10

¹⁰ See, for example, *Braysan Properties Inc. v. Muchos et al.*, 2022 ONSC 940 ("*Braysan*") at paras 40-41; *Extend-A-Call Inc.* at para 18; *Super Channel International Corp. v. Canada (Attorney General)*, 2024 ONSC 1439

¹¹ See *Braysan* at para 50

¹² MTCC No. 1049 v. 1127937 Ontario Inc., 2023 ONSC 5472 at para 12

the corporate plaintiff included his acknowledgement that the corporation had four directors and approximately 30 shareholders.¹³

- [14] This factor weighs in favour of granting Mr. Murray leave to represent the plaintiff.
 - (c) Is Mr. Murray capable of comprehending the issues and advocating on behalf of the corporation?

[15] The defendant submits that Mr. Murray's conduct of this motion and the proceedings to date demonstrates that he does not have the requisite ability to act on behalf of the corporation, including the following conduct:

- (i) He has not provided reasonable accommodation to counsel, such as waivers of deadlines to prepare pleadings.
- (ii) He has set dates for motions without consulting the other parties, despite saying he would not do so, and he has declined to agree to adjournments.
- (iii) He has filed motion materials late, including with respect to his formal authorization to act on behalf of the plaintiff.
- (iv) For one of the initial return dates for the motion, he failed to confirm the motion on time.
- (v) He attempted to obtain a discovery plan to move the matter forward while this motion was pending.
- (vi) He provided late notice of an intention to seek an order staying, striking or severing the third party claim, if such is necessary to obtain leave to represent the plaintiff, which led to an adjournment of the motion.
- (vii) He has made a number of procedural missteps in attempting to amend the statement of claim.
- (viii) He refused to allow the defendant to schedule a "cross-motion" to have the action dismissed for delay in the event he failed to obtain leave to represent the plaintiff.

[16] Considering the procedural history of this action in full context, I do not accept the defendant's submission that Mr. Murray has demonstrated himself to be incapable of representing the plaintiff corporation. In this regard, I note the following:

(i) Many of the delays and missteps in this case are ones that arise regularly in matters where the deficient party is represented by a lawyer.

¹³ GlycoBioSciences Inc. at para 11

- (ii) Many of the procedural disputes would have benefitted from a case conference, such as the ones the parties ultimately attended before Associate Justice Abrams.
- (iii) Mr. Murray's failure to confirm the motion on time was due to a serious personal issue he faced with respect to his daughter.
- (iv) Some of the hurdles to the scheduling of this motion arose because of scheduling conflicts for counsel or because of health issues encountered by counsel for the defendant.
- (v) Some of the scheduling issues arose because counsel for the defendant (rather than Mr. Murray) was not familiar with motion scheduling practice in the Toronto region, including that it is common to obtain dates prior to agreement on a timetable for all steps for the motion, and that a motion booking by one party does not entitle the opposite party to demand a portion of the time for a "cross-motion". While counsel for the defendant takes issue with the steps Mr. Murray took in December 2022 to schedule the motion, that scheduling appears to have been done in a manner that was consistent with an unintentionally ambiguous suggestion made from counsel for the third party.
- (vi) Mr. Murray has demonstrated an ability to obtain motion dates, prepare electronic materials with bookmarks and hyperlinks, file materials, and upload materials to Case Center. His conduct at the case conference before me and at the hearings for this motion was respectful and appropriate.

[17] The current circumstances are distinguishable from cases in which the court has found that the proposed representative had commenced improper proceedings that were dismissed as an abuse of process, filed an improperly voluminous record, made reckless allegations, and failed to pay costs orders relating to misconduct,¹⁴ or where the representative commenced proceedings in an effort to circumvent a court order.¹⁵ No doubt Mr. Murray has made various procedural errors and has taken positions on certain events that do not appear to have been well-founded. However, as noted above, in considering the ability of a proposed representative, "[t]he Court should not impose too high a threshold at this stage, given that the courts abound with self-represented litigants of varying skills".¹⁶ Further, as noted, a number of the defendant's complaints relate to procedural missteps with respect to which all parties in this matter (including those represented by counsel) contributed, or are of the type that occur on a regular basis in matters where all parties are represented by a lawyer.

[18] In summary, I am not satisfied that Mr. Murray's conduct of the litigation to date supports a finding that it would be unfair to the defendants to permit him to represent the plaintiff in this

¹⁴ *GlycoBioSciences* at paras 13-15

¹⁵ *L'Oreal* at para 23

¹⁶ Extend-A-Call Inc. at para 19

action.¹⁷ In the result, I find that Mr. Murray is reasonably capable of comprehending the issues and articulating the case on behalf of the corporation.

[19] This factor weighs in favour of granting Mr. Murray leave to represent the plaintiff.

(d) Is Mr. Murray precluded from representing the plaintiff because he is a disbarred lawyer?

[20] The defendant submits that, as a disbarred lawyer, Mr. Murrray should not be granted leave to represent the plaintiff. Relying on the principles articulated in *Re James Estate*,¹⁸ the defendant submits that the reasons for Mr. Murray's disbarment, which include a finding that he misappropriated client funds, are relevant and demonstrate that "he is no longer entitled to the presumption, without question, of being a person of integrity, probity and trustworthiness."¹⁹

[21] In my view, *Re James Estate* is distinguishable from the current case. In *Re James Estate*, Mew J. noted that he was not aware of any authority which holds that the removal of an individual's licence to practise law automatically disqualifies that individual from acting as an estate trustee. Nevertheless, he held that the application before him was one of the rare cases where the court should invoke its inherent discretion to decline an application for the appointment of an estate trustee. Part of the reasoning for reaching that conclusion was that an estate trustee is appointed to protect the assets of a trust and the interests of the estate beneficiaries. However, the considerations on this motion are different. Whereas an estate trustee is charged with protecting the assets and interests of others (i.e. the beneficiaries of an estate), the proposed representative of the closely held corporate plaintiff, Mr. Murray, is its sole shareholder. Further, the pool of persons who can act as an estate trustee is not inherently restricted. For example, there is no requirement for the trustee to be closely related, or related at all, to the estate beneficiaries. In contrast, in this case, Mr. Murray – the sole shareholder, director, officer of the corporation – is the only person with a sufficient relationship to the corporation to be appointed as its representative.

[22] The defendant also argues that, Mr. Murray – a disbarred lawyer – has provided legal services to the plaintiff contrary to the *Law Society Act*.²⁰ The defendant submits that, as in *Re James Estate*, Mr. Murray seeks to be appointed to represent the plaintiff in circumstances where "there are ample grounds to believe that he may indeed have engaged in precluded activities."²¹ Again, I find that the circumstances of this case are distinguishable from those in *Re James Estate*. While Rule 15.01(2) is not intended to permit a non-lawyer who is unrelated to the corporation to act as an unlicensed lawyer for the corporation,²² Mr. Murray is seeking leave to represent a corporation to which he is closely related as the sole shareholder, officer and director.

¹⁷ See *Tash Benson* at para 49; *Murphy v. Stefaniak*, 2014 ONSC 4396 ("*Murphy*") at paras 11-12; *Super Channel* at paras 12-13

¹⁸ Re James Estate, 2023 ONSC 6432

¹⁹ Re James Estate at paras 20-21

²⁰ Law Society Act, R.S.O. 1990, c. L.8

²¹ Re James Estate at para. 26

²² Leisure Farm at para 13, citing Robert M. Simon Construction Ltd. v. Waterloo (Regional Municipality),

²⁰⁰⁷ CarswellOnt 3240 at para 29 (emphasis added)

In this regard, I note that the defendant has not cited any case that stands for the proposition that a former lawyer that is related to a corporation cannot be granted leave to act as its representative.

[23] The defendant also submits that Mr. Murray should not be appointed as a representative of the plaintiff because he was found to have participated in dishonest and fraudulent conduct as a result of which his licence to practice law was revoked. In connection with that conduct, Mr. Murray also pleaded guilty to a charge of fraud over \$5,000.00.

[24] While Mr. Murray is no longer permitted to act for others as a lawyer, I do not view this as an automatic bar to him acting as a representative of the plaintiff.²³ In addition, in the fall of 2021, Mr. Murray commenced proceedings to set aside his guilty plea to the fraud charge, and in the spring of 2022 he brought a motion for leave to extend the time to appeal the disbarment order of the Law Society Tribunal. The grounds include his cognitive and mental capacity at the time that those matters were determined. The proceeding to set aside the guilty plea to the fraud charge is expected to be heard this year by the Court of Appeal. The Law Society of Ontario has agreed to hold Mr. Murray's appeal of the Law Society disciplinary matter in abeyance pending completion of the criminal proceedings.

[25] Considering the circumstances noted above, I find that Mr. Murray's disbarment is not a basis to preclude him from acting on behalf of a closely held corporation for which he is the alter ago.

(e) Is Mr. Murray precluded from representing the plaintiff corporation due to a conflict of interest arising from the third party claim against him?

[26] The defendant submits that the interests of the plaintiff will not be adequately protected if leave is granted because (i) the pleadings directly raise the issue that Mr. Murray caused the plaintiff to be represented by his own law firm with respect to the purchase of the property in issue in this action, (ii) in the third party claim against Mr. Murray personally, the defendant asserts that Mr. Murray failed to protect the interests of the plaintiff in the purchase; and (iii) Mr. Murray will likely be a significant witness in the matter, which double role will likely cause confusion.²⁴

[27] In my view, the third party claim against Mr. Murray personally does not create a bar to him acting for the corporate plaintiff. A conflict does not arise simply because one party alleges that other parties have conflicting positions. It is for those other parties to determine how they wish to respond to the allegations against them, which they may choose to do by asserting a common rather than conflicting position. If the converse were true, then any litigant could create a conflict between two parties (who may otherwise wish to be represented by the same person) merely through allegations in a pleading.

[28] Having considered the pleadings in Mr. Murray's third party defence to the third party claim, it is not apparent at this time that the corporate plaintiff and Mr. Murray are or will be asserting conflicting positions. In Mr. Murray's third party defence, he denies the defendant's

²³ See, by analogy, *Re James Estate* at para 13

²⁴ Canada Trust v. OPGT, 2019 ONSC 1768 at para 11

allegations in the third party claim. He has not defended the main action. His position as to the cause of the plaintiff's alleged damages is not in conflict with the plaintiff's allegations in the statement of claim. In the event that a conflict or potential conflict arises, it will be for the corporate plaintiff and Mr. Murray, and not the defendant, to determine how they wish to address the conflict. In this regard, I note that the authorization provided to Mr. Murray expressly provides that he is authorized to act for the corporate plaintiff in this action, and that the corporate plaintiff understands that Mr. Murray is named as a defendant in a third party claim brought by the defendant.

(f) Is the plaintiff corporation financially capable of retaining counsel?

[29] There are conflicting decisions as to the importance of a company's ability or inability to afford a lawyer. In *Lamond*, Quinn J. found that the ability or inability to afford a lawyer was not a relevant factor.²⁵ That approach was followed in cases such as *Murphy*.²⁶

[30] Other cases take a different view. In *Leisure Farm*, RSJ Ellies found that a company's financial ability to hire a lawyer is a relevant factor in the assessment of representation by a non-lawyer. In discussing this factor, RSJ Ellies wrote as follows:

If the company cannot afford to hire a lawyer, or has no insurer willing to do so, then at the very least, this should inform everyone involved, including the court, when it comes to determining the access to justice and proportionality issues referred to in r. 1.04 and by my colleague Boswell J. in *De La Rocha*.²⁷

[31] This approach is consistent with the view recently expressed by the Court of Appeal in *GlycoBioSciences*. In that case, Huscroft J.A. noted that allowing a non-lawyer to act on behelf of a corporation risks creating an undue burden on the opposing parties and the court, which is a consideration that must be balanced with any concerns that may arise about access to justice.²⁸ In *GlycoBioSciences*, the financial ability of the plaintiff corporation was considered as a relevant factor in the court's assessment of whether access to justice supported the granting of the motion.²⁹ However, the plaintiff corporation in *GlycoBioSciences* was not a "one person" corporation, and the Court of Appeal did not consider whether evidence of financial ability is less significant in the case of a one-person corporation.³⁰

[32] In this case, the evidence with respect to the plaintiff's financial ability includes: (i) bank statements for a significant period that show a zero balance in the plaintiff's bank account; and (ii) Mr. Murray's attestations that the plaintiff is not financially capable of retaining counsel. The defendant submits that the partially redacted bank statements of the corporate plaintiff and Mr. Murray's assertion that the plaintiff cannot afford to retain counsel are insufficient evidence

²⁵ *Lamond* at para 13

²⁶ Murphy at para 10

²⁷ Leisure Farm at para 15

²⁸ GlycoBioSciences at para 7

²⁹ *GlycoBioSciences* at para 12

³⁰ See, for example, *Super Channel* at para 11

that the plaintiff lacks the financial resources to retain counsel. It also submits that Mr. Murray has failed to account for certain funds the defendant asserts the plaintiff received prior to commencing this action. The defendant argues that because the plaintiff failed to put forward sufficient evidence (including relevant documentation) to support the claim of financial inability to retain counsel, the court may assume that the plaintiff has the financial means to retain counsel.³¹

[33] I do not agree that there is insufficient evidence of the plaintiff's financial inability to retain a lawyer. In my view, the current circumstances are distinguishable from those in the cases relied on by the defendant. In *Sacred Heart Seniors Health* and *DM Urban-Scape*, the plaintiff's evidence did not include bank statements such as the ones filed on this motion. Further, the proposed representative in each of those cases was cross-examined and refused, on the basis of relevancy, to produce relevant documents such as bank statements or tax returns, or answer questions about the plaintiff's financial ability to retain counsel. It was on that basis that the court concluded in those cases that there was insufficient evidence of the plaintiff's inability to retain counsel. Those decisions can be contrasted with *Leisure Farm* where the court accepted the evidence of the plaintiff's inability to pay even though it was "quite vague".³²

[34] In this case, the defendant had the opportunity to cross-examine Mr. Murray with respect to the plaintiff's financial ability, but it did not do so. In the circumstances, I am satisfied on the evidence before me that the plaintiff corporation is financially unable to retain counsel and that the plaintiff would not be able to proceed with the action in the event that Mr. Murray is not granted leave to represent it. In this case, access to justice weighs in favour of granting the motion.

(g) Conclusion with respect to whether leave should be granted pursuant to Rule 15.01(2)

[35] Considering all of the relevant factors, I find that Mr. Murray has satisfied the onus of demonstrating that he should be granted leave to represent the corporate plaintiff in this action.

(ii) As alternative relief, should the third party claim be stayed, struck or severed and should *Mr. Murray be granted leave to represent the plaintiff corporation?*

[36] In view of my conclusion that Mr. Murray should be granted leave under Rule 15.01(2) to represent the corporate plaintiff, I need not determine the issue of whether the third party claim should be stayed, struck or severed.

D. DISPOSITION AND COSTS

[37] For the reasons outlined above, Mr. Murray is granted leave to represent the corporate plaintiff in this action.

³¹Ward v. 1121720 Ontario Ltd. o/a Havcare Investments Inc., 2015 ONSC 3873 at paras 5 and 10; Sacred Heart Seniors Health and Recreation Center Inc. v. 1112396 Ontario Limited, 2022 ONSC 5035 ("Sacred Heart Seniors Health") at para 36; DM Urban-Scape Property Developments Ltd. v. Body Blitz Spa East Inc., 2014 ONSC 1616 ("DM Urban-Scape") at paras 7-11

³² Leisure Farm at paras 17-18

[38] The parties are encouraged to settle the issue of costs of this motion. If the parties are unable to agree on costs, they may file written costs submissions (not to exceed three pages, excluding Costs Outlines) in accordance with the following timetable:

- 1. Mr. Murray shall serve, file and upload to Case Center written costs submissions, which shall not exceed three pages, on or before October 20, 2024.
- 2. The defendant and the third party shall serve, file and upload to Case Center their respective written costs submissions, which shall not exceed four pages, on or before October 30, 2024.

DATE: October 8, 2024

R. Frank Associate J.