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Meeting of the minds important to the enforceability of a contract (*Corridor Transport Inc. v. Lentini*)

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Founded in the 1920s, Gardiner Roberts LLP has grown to become a strategically placed mid-sized business law firm with a diverse client base which includes several of Canada's largest banks, public companies including mining, high tech and software companies, real estate enterprises, lenders and investors.

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A fundamental principle in the law of contracts is that parties to the contract must be *ad idem*. In other words, there must be a meeting of the minds of the contracting parties regarding the purpose, scope and terms of their agreement. Where there is no meeting of the minds, an alleged agreement between the parties is unenforceable.

In [*Corridor Transport Inc. v. Lentini*, 2024 ONCA 773](#), this bedrock principle of contract law was a significant factor in upholding a trial court ruling that the defendants had not breached an alleged contract with the plaintiffs and that the defendants had not wrongfully converted monies paid to them by customers of their small, family trucking business.

In 2009, JH and CM embarked on a business venture to transport specialized steel products by rail. However, in order to make this business venture viable, they required the services of a trucking business that could haul steel from road to rail. VL had such a trucking business and at the material times was involved in winding up the business and reincorporating it in order to continue

operations. Under the new trucking business, VL's son, VL Jr., was named the sole director even though he played no role in the business except to deliver cheques to his mother to deposit into the business' account.

In April 2010, VL agreed to work with JH and CM under the new venture and the family trucking business was moved to the new venture's address.

A Memorandum of Understanding (the "**MOU**") was also drafted by JH to explain the scope of the venture and describe the proposed corporate and partnership structure for the joint venture. Most importantly, the MOU provided that VL could compete with the partnership provided that family trucking business' independent revenue earned never exceeded a specified amount. Indeed, VL retained his own customers and continued to service them.

Ultimately, business documents were created to establish the structure of the new venture, but the trial judge had found that the defendants neither saw them nor reviewed them.

A bank account was also set up for the new venture. However, among other things, VL was not given any signing authority over the account. Under the banking documents, JH essentially retained control over the account.

Until May 2011, cheques made payable to VL's trucking business were deposited into the new venture's bank account. It was at this time that VL learned that he had no signing authority over the account and a dispute ensued. Rather than depositing cheques into the new venture's account, VL deposited cheques into the account of his own trucking business.

The trial judge held that there was no enforceable contract between the parties and that VL was entitled to deposit cheques made payable to his trucking business into the bank account of his own business.

On appeal, the plaintiffs contended that the trial judge had erred in failing to find that the parties had entered into a partnership and that the plaintiffs were thereby entitled to the monies VL had deposited into the bank account of his own business.

On the other hand, the defendants contended that the trial judge made no reversible error. Although the parties had been working in partnership, this did not mean that there was an enforceable contract or that the plaintiffs were entitled to the monies in dispute.

With respect to the enforceability of the alleged contract, this was a matter of contractual interpretation.

As determined by the Supreme Court of Canada in [Sattva Capital Corp. v. Creston Moly Corp., 2014 SCC 53](#), the trial judge's interpretation of the parties' contract was entitled to deference. To overturn the trial judge's decision, the plaintiffs were required to demonstrate that the

trial judge had erred in law or principle, or that the trial judge's factual findings constituted palpable and overriding error. The plaintiffs were unable to do so.

A key fact was that the contract between the parties raised doubt as to the identity of the actual contracting parties. While JH believed that VL Jr. was the contracting party on the part of the defendants, the defendants denied ever putting forth VL Jr. as their designate.

Even though VL Jr. was the sole director of VL's new trucking business, he was a director in name only, having nothing to do with the daily operations of the new business. VL Jr.'s only role was receiving cheques at his house and giving them to his mother for deposit.

In the circumstances, there was no meeting of the minds between the parties on the essential terms of their joint relationship, including the ownership of the account receivables for VL's new trucking business.

The Court of Appeal for Ontario found that since the identity of the contracting parties was an essential term of the contract and that there was confusion on this issue, this was enough to conclude that there was no enforceable agreement between the parties.

Furthermore, the Court of Appeal found that the evidence supported the conclusion that the parties never understood that all of the proceeds of VL's trucking business belonged to the partnership and that the only reason that cheques belonging to that business were deposited into the partnership's bank account was that JH had agreed to factor the receivables of VL's trucking business.

Based on the foregoing, the plaintiffs were unable to establish that the trial judge had erred in finding that there was no conversion.



As the Supreme Court of Canada set out in [*Boma Manufacturing Ltd. v. Canadian Imperial Bank of Commerce*, 1996 CanLII 149 \(SCC\)](#), conversion is a tort of strict liability that is established when one party wrongfully interferes with another party's property.

Without an enforceable contract, the plaintiffs were simply unable to prove an entitlement to the funds VL had deposited into the account of his own trucking business. The practice of depositing earlier cheques into the partnership account was not enough to establish entitlement to the monies in dispute. The plaintiffs were unable to establish a possessory interest in the funds or that the trial judge had committed any error or made an unreasonable ruling in connection with the monies in dispute.

Accordingly, the Court of Appeal for Ontario dismissed the plaintiffs' appeal, with costs. VL's new trucking business was entitled to retain all of the monies that had been deposited into the account of this business.

Representation by Gardiner Roberts LLP

The defendants were represented by Rob Winterstein, a partner in the dispute resolution group at Gardiner Roberts LLP.

Mr. Winterstein was assisted on the appeal by Michael Lauricella, an associate in the firm's dispute resolution group.

Mr. Winterstein and Mr. Lauricella were further assisted with the preparation of their written argument before the Court of Appeal for Ontario by Stephen Thiele, a partner and the firm's Director of Knowledge Management.

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