

13. Which of the following is not true about easements?

- a. an easement permits the holder to harvest trees from the land
- b. easements can be created through historical use
- c. easements give others the right to use your property
- d. easements can be registered against title in the land title office

Answer: a

Comment: Harvesting trees is done through a *profit à prendre*.

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Difficulty: Moderate

Skill: Recall

14. Ideas can be protected using:

- a. copyright law
- b. trademark law
- c. trade secrets
- d. industrial designs

Answer: c

Comment: Trade secrets and other ideas can be preserved by well-drafted contracts.

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Difficulty: Moderate

Skill: Applied

15. The term of patent protection in Canada is:

- a. 50 years from the date the application is filed
- b. 20 years from the date the patent is granted
- c. 20 years from the date the first invention is disclosed to the public
- d. 20 years from the date the application is filed

Answer: d

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Difficulty: Easy

Skill: Recall

ESSAY

16. Discuss the importance of registration of patents, copyright, trademarks, and industrial designs respectively.

Answer: Registration is most important for patents and industrial designs. Without registration, there is no protection at all for patents or industrial designs. Patents must be registered in each jurisdiction where the inventor wants protection, and there are time limits by which this registration must be completed. For copyrights, registration is not required. However, registration is useful for copyright because it proves who the owner of the copyright is. Registration is also required to take advantage of copyright treaties. Trademarks need not be registered, but if they are not, the trademark will only apply in the area the trademark is actually used. Registering a trademark gives the owner the exclusive right to use the trademark throughout Canada.

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Difficulty: Moderate

Skill: Applied

Chapter 5 Business Organizations

TRUE FALSE

17. Filing requirements for partnerships are generally less onerous than for corporations.

Answer: True

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Difficulty: Moderate

Skill: Recall

SHORT ANSWER

18. If you are setting up a business and are not concerned about liability, but expect to be very successful, what disadvantage is there to operating as a sole proprietor?

Answer: Sole proprietors pay tax on the profits of the business as personal income. For large incomes, the personal tax rate may be higher than the corporate tax rates, and so a sole proprietorship would not be efficient from a tax perspective.

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Difficulty: Moderate

Skill: Applied

MULTIPLE CHOICE

19. Which is the odd one out?

- a. articles of incorporation
- b. memoranda of association
- c. letters patent
- d. partnership agreement

Answer: d

Comment: The other documents are used to incorporate a company.

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Difficulty: Moderate

Skill: Applied

20. A director is considering buying a car for the corporation from a car dealership that is owned by his brother. To be absolutely safe, what should the director do before making the purchase?

- a. nothing, the corporation will be paying full price for the car, and the brother is not making any concession for the director
- b. disclose the director's relationship with the seller, and have the purchase approved by the shareholders
- c. disclose the director's relationship with the seller, and have the purchase approved by the independent directors on the board
- d. have his brother make a statutory declaration that the car was sold at fair market value

Answer: b

Comment: Approval by the board of directors may be sufficient, but approval by an appropriate majority of shareholders is unassailable.

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Difficulty: Difficult

Skill: Applied

Chapter 6 Contracts

TRUE FALSE

21. When a contract is voidable, the non-breaching party has the option to continue with the contract.

Answer: True Page: 46 Difficulty: Moderate Skill: Applied

Comment: However, when a contract is void, there is no option to continue.

SHORT ANSWER

22. Why is it advisable to record contracts in writing?

Answer: A record in writing makes it easier to prove what was agreed to.

Page: 45 Difficulty: Easy Skill: Recall

MULTIPLE CHOICE

23. When can a party revoke an offer?

- a. only after a counter-offer is made
- b. only when a new offer is made as a substitution
- c. after it has been accepted
- d. any time before it is accepted

Answer: d

Comment: Although, to be effective, the revocation must be communicated to the party the offer was made to.

Page: 46 Difficulty: Moderate Skill: Applied