

Runyan Vs. Lessee of Coster

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SooperKanoon Citation : sooperkanoon.com/79704

Court : US Supreme Court

Decided On : 1840

Appeal No. : 39 U.S. 122

Appellant : Runyan

Respondent : Lessee of Coster

Judgement :

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Runyan v. Lessee of Coster

39 U.S. (14 Pet.) 122

ERROR TO THE CIRCUIT COURT OF THE UNITED

STATES FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SYLLABUS

The Legislature of the State of New York, on 18 April, 1823, incorporated "The New York & Schuylkill Coal Company." The act of incorporation was granted for the purpose of supplying the City of New York and its vicinity with coal, and the

company having, at great expense, secured by purchase valuable and extensive coal lands in Pennsylvania, the Legislature of New York, to promote the supply of coal as fuel, granted the incorporation with the usual powers of a body corporate, giving to it the powers to purchase and hold lands to promote and attain the objects of the incorporation. The recitals in the act of incorporation show that this power was granted with special reference to the purchase of lands in the State of Pennsylvania. The right to hold the lands so purchased depends on the assent or permission, express or implied, of the State of Pennsylvania.

The policy of the State of Pennsylvania on the subject of holding lands in the state by corporations is clearly indicated by the Act of the Legislature of Pennsylvania of April 6, 1833. Lands held by corporations of the state or of any other state without license from the Commonwealth of Pennsylvania are subject to forfeiture to the commonwealth. But every such corporation, its fooffee or fooffees, hold and retain the same to be divested or dispossessed by the commonwealth by due course of law. The plain interpretation of this statute is that until the claim to a forfeiture is asserted by the state, the land is held subject to be divested by due course of law, instituted by the commonwealth alone, and for its own use.

The Supreme Court of Pennsylvania having decided that a corporation has, in that state, a right to purchase, hold, and convey land until some act is done by the government according to its own laws to vest the estate in itself; the estate may remain in a corporation so purchasing or holding lands, but such estate is defeasible by the commonwealth. This being the law of Pennsylvania, it must govern in a case where land in Pennsylvania had been purchased by a corporation created by the Legislature of New York for the purpose of supplying coal from Pennsylvania to the City of New York.

The case of [*Fairfax v. Hunter*](#), 7 Cranch 621, cited with approbation.

In the case of [*Bank of Augusta v. Earle*](#), 13 Pet. 584, and in various other cases decided in the Supreme Court, a corporation is considered an artificial being, existing only in contemplation of law, and being a mere creature of law, it possesses only those properties which the charter of its creation confers upon it,

either expressly or as incidental to its very existence. Corporations created by statute must depend for their powers, and the mode of exercising them, upon the true construction of the statute.

A corporation can have no legal existence out of the sovereignty by which it is created, as it exists only in contemplation of law and by force of the law, and when that law ceases to operate and is no longer obligatory, the corporation can have no existence. It must dwell in the place of its creation, and cannot migrate to another sovereignty. But although it may live and have its being in that state only, yet it does not follow that its existence there will not be recognized in other places; and its residence in one state

creates no insuperable objection to its power of contracting in another. The corporation must show that the law of its creation gave it authority to make such contracts. Yet, as in the case of a natural person, it is not necessary that it should actually exist in the sovereignty in which the contract is made. It is sufficient that its existence as an artificial person in the state of its creation is acknowledged and recognized by the state or nation where the dealing takes place, and that it is permitted by the laws of that place to exercise the powers with which it is endowed.

Every power which a corporation exercises in another state depends for its validity upon the laws of the sovereignty in which it is exercised, and a corporation can make no valid contract without the sanction, express or implied, of such sovereignty, unless a case should be presented in which the right claimed by the corporation should appear to be secured by the Constitution of the United States.

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This was an action of ejectment brought in the Circuit Court of the District of Pennsylvania by the defendant in error, the lessee of John S. Coster and Thomas K. Mercien, citizens of New York, for the recovery of a tract of land in Norwegian Township, Schuylkill County, Pennsylvania. The defendant in the circuit court was in possession of the land.

The title of the lessors of the plaintiff below was founded on a patent from the Commonwealth of Pennsylvania dated December 23, 1824, to Benjamin Pott, granting three hundred acres of land to him, in Schuylkill County; a survey of the land, and a deed executed on 17 March, 1830, by which the patentee conveyed the land to John G. Coster, John Hone, Moses Jaques, and Thomas K. Mercien, of the City of New York, trustees for the stockholders of the corporation known under the name of the New York & Schuylkill Coal Company, as well for such persons as were then stockholders as for such persons as might afterwards become stockholders

The New York & Schuylkill Coal Company was incorporated by the Legislature of New York on 18 April, 1823.

Moses Jaques, one of the trustees, by direction of the company, conveyed the right and interest in the land held by him under the deed from Benjamin Pott and wife to the other trustees on the same uses and trusts. The lessors of the plaintiff in the circuit court survived John Hone.

The defendant below, without offering any evidence, insisted and prayed the court to charge the jury that the plaintiff, upon the evidence, was not entitled to recover, but the court gave the contrary direction.

The jury having given a verdict for the plaintiff below in conformity with the directions of the court and a judgment having been entered on the same, the defendant prosecuted this writ of error.

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MR. JUSTICE THOMPSON delivered the opinion of the Court.

This is an action of ejectment brought to recover possession of about two hundred and thirteen acres of land in the Township of Norwegian in the County of Schuylkill. Upon the trial, the lessors of the plaintiff gave in evidence a warrant issued by the Secretary of the Land Office in the Commonwealth of Pennsylvania authorizing a survey for Benjamin Pott for the quantity of land applied for by him,

bearing date 23 December, in the year 1824. And also a survey of the land, containing two hundred and thirteen acres and fifteen perches, accepted on 11 August, 1825, embracing the land in controversy, together with a deed from Benjamin Pott and his wife, to John G. Coster, John Hone, Moses Jaques, and Thomas K. Mercien, for the same premises, bearing date 17 March in the year 1830, conveying to them in fee simple the said lands, upon certain trusts therein specified, to the sole use and behoof of the several individual stockholders of the corporation known under the name, style, and title of the New York & Schuylkill Coal Company. And further gave in evidence, a deed from Moses Jaques, one of the trustees, to John G. Coster and Thomas Mercien, the two surviving trustees named in the last mentioned deed, bearing date 25 July, 1837, releasing and conveying to his said co-trustees, in fee simple, all his right, title, interest, and trust, in law

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or equity, in the premises, to have and to hold the said tract of land to them, their heirs and assigns forever, to such uses and upon such trusts as are mentioned and contained in said deed. The death of John Hone, one of the trustees named in the first mentioned deed, having been proved, and that the defendant, John Runyan, was in possession of the premises when the suit was commenced, the plaintiff rested the cause, and thereupon the defendant, without offering any evidence, insisted and prayed the court to charge the jury that upon this evidence the plaintiff was not entitled to recover. The court refused to give such charge, but, on the contrary, directed the jury that the plaintiff was entitled to recover, whereupon the defendant tendered a bill of exceptions.

The question presented by this bill of exceptions is whether the lessors of the plaintiff, being trustees of a corporation in the State of New York, could, under the laws of the State of Pennsylvania, take the estate conveyed by Benjamin Pott and his wife to the trustees of that incorporation. If the lessors of the plaintiff had the legal estate in the premises in question vested in them, their right to recover followed as matter of course, nothing having been shown on the part of the defendant to impugn that right.

The rights and powers of a corporation were very fully examined and illustrated by this Court, at the last term, in the case of *Bank of Augusta v. Earle*, 13 Pet. 584. In which case, and in various other cases decided in this Court, a corporation is considered an artificial being, existing only in contemplation of law, and being a mere creature of the law, it possesses only those properties which the charter of its creation confers upon it, either expressly, or as incidental to its very existence. That corporations created by statute must depend for their powers and the mode of exercising them, upon the true construction of the statute. A corporation can have no legal existence out of the sovereignty by which it is created, as it exists only in contemplation of law and by force of the law, and that when that law ceases to operate and is no longer obligatory, the corporation can have no existence. It must dwell in the place of its creation, and cannot migrate to another sovereignty. But although it must live and have its being in that state only, yet it does not follow that its existence there will not be recognized in other places, and its residence in one state creates no insuperable objection to its power of contracting in another. The corporation must show that the law of its creation gave it authority to make such contracts. Yet, as in the case of a natural person, it is not necessary that it should actually exist in the sovereignty in which the contract is made. It is sufficient that its existence as an artificial person in the state of its creation, is acknowledged and recognized by the state or nation where the dealing takes place, and that it is permitted by the laws of that place to exercise there the powers with which it is endowed. Every power, however, which a corporation exercises in another state, depends for its validity upon the laws of the sovereignty in which it is exercised, and a corporation can make no valid contract,

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without the sanction, express or implied, of such sovereignty, unless a case should be presented in which the right claimed by the corporation should appear to be secured by the Constitution of the United States.

Under this general view of the rights and powers of a corporation and the limitation upon the exercise of such powers in places out of the jurisdiction where granted, the application of them to the case now before the court is the next subject of

inquiry.

The powers vested in the trustees of the New York & Schuylkill Coal Company, and the right to take the estate, and execute the trusts vested in them by the deed from Benjamin Pott and his wife, will depend upon the act of incorporation by the Legislature of New York of 18 April, 1823. The recital in that act shows that the incorporation was granted for the purpose of supplying the City of New York and its vicinity with coal, and that the company had at great expense secured the purchase of valuable and extensive coal lands in the State of Pennsylvania, and that the legislature being disposed to encourage the development of our internal resources, and being sensible of the importance of a supply of fuel to the city, and for the better security of the persons investing their money in an undertaking so extensive, and requiring so large a capital, granted the incorporation, with the usual powers of a body corporate, and giving to the corporation the right to purchase, hold, and convey any estate, real or personal, for the use of the said corporation, provided, that the real estate or their interest therein, so to be holden, shall be such only as shall be requisite to promote and obtain the objects of the incorporation. The right to purchase and hold real estate is therefore expressly vested in this corporation, and the recitals show that this power was granted with special reference to the purchase of lands in the State of Pennsylvania. And the deeds given in evidence show that the legal estate in the lands in question is vested in the lessors of the plaintiff, in trust for the stockholders, and the trusts therein declared, are for the purposes of carrying into execution the great and leading object of the corporation. The capacity, therefore, of the lessors of the plaintiff to take the lands in question for the use of the stockholders of this incorporation is very clearly shown. And the right to hold the lands must depend upon the assent or permission, either express or implied, of the State of Pennsylvania.

The policy of that state upon this subject is clearly indicated by the act of 6 April, 1833, relative to the escheat of lands held by corporations without the license of the commonwealth. It recites that whereas it is contrary to the laws and policy of the state for any corporation to prevent or impede the circulation of landed

property from man to man, without the license of the commonwealth, and no corporation, either of this state or of any other state, though lawfully incorporated, can in any case purchase lands within this state, without incurring the forfeiture of said lands to the commonwealth, unless such purchase be sanctioned and authorized

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by an act of the legislature, but every such corporation, its feoffer or feoffers, hold and retain the same, subject to be divested or dispossessed at any time by the commonwealth, according to due course of law.

The plain and obvious policy here indicated is that although corporations, either in that or any other state (no distinction being made in this respect), may purchase lands within the State of Pennsylvania, yet they shall be held subject to be divested by forfeiture to the commonwealth. And the act then points out the mode and manner in which proceedings shall be instituted and carried on to enforce the forfeiture, necessarily implying that until such claim to a forfeiture is asserted by the state, the land is held subject to be divested by due course of law, instituted by the commonwealth alone, and this conclusion is fortified by the provision in the fourth section of the act, that the rights of common informers in relation to escheats, shall not apply to proceedings under this statute. But it is made the exclusive duty of the escheator to prosecute the right of the commonwealth to such lands.

The doctrine of the Supreme Court of Pennsylvania in the case of *Leasure v. Hillegas*, 7 Binney 313, is directly applicable to this case. The question then before the court was as to the right of the Bank of North America to purchase, hold, and convey the lands in question, and the court took the distinction between the right to purchase and the right to hold lands, declaring them to be very different in their consequences, and that the right of a corporation in this respect was like an alien, who has power to take, but not to hold lands, and that although the land thus held by an alien may be subject to forfeiture after office found, yet until some act is done by the government, according to its own laws, to vest the estate in

itself, it remains in the alien, who may convey it to a purchaser, but he can convey no estate which is not defeasible by the commonwealth. Such being the law of Pennsylvania, it must govern in this case. But the principle has received the sanction of this Court in the case of [Fairfax v. Hunter](#), 7 Cranch 621, where it is said that it is incontrovertibly settled upon the fullest authority, that the title acquired by an alien, by purchase, is not divested until office found.

We do not enter at all into an examination of the question whether any, and if any, which of the English statutes of mortmain are in force in Pennsylvania, but place our decision of this case entirely upon the act of that state of the 6 April, 1833, and the doctrine of the Supreme Court in the case of *Leasure v. Hillegas*, which we think clearly establish the right of the lessors of the plaintiff to hold the premises in question until some act shall be done by the Commonwealth of Pennsylvania, according to its own laws, to divest that right and to vest the estate in itself. The legal estate is accordingly in the lessors of the plaintiff, and the defendant cannot set up any right of forfeiture which the State of Pennsylvania may

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assert. That is a matter which rests entirely in the discretion of that state.

The judgment of the circuit court is accordingly affirmed with costs.

This cause came on to be heard on the transcript of the record from the Circuit Court of the United States for the Eastern District of Pennsylvania and was argued by counsel. On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said circuit court in this cause be and the same is hereby affirmed with costs.