

Jones Vs. Bolles

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Court : US Supreme Court

Decided On : 1869

Appeal No. : 76 U.S. 364

Appellant : Jones

Respondent : Bolles

Judgement :

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Jones v. Bolles

76 U.S. (9 Wall.) 364

APPEAL FROM THE CIRCUIT COURT

FOR THE DISTRICT OF WISCONSIN

SYLLABUS

1. Equity has always jurisdiction of fraud, misrepresentation, and concealment, and this does not depend on discovery.

2. Where an agreement against which a complainant in equity asks to have relief is perpetual in its nature, and the keeping of it on foot is a fraud against the party complaining, so that the only effectual relief against it is to have it annulled, the case is one for equity, not for law.

3. Where a bill is filed by stockholders to enjoin the setting up of a claim for purchase money against the lands of a company whose capital stock is divided into shares, the ground of the bill being that the party now setting up the claim induced the complainants to buy their shares by fraudulently representing that the property sold to the company was unencumbered and that he had no interest in it -- the agents of the company also joining in such misrepresentations -- the company may be properly made a defendant, though no relief is prayed for against it, but rather relief in its favor.

4. A sufficient interest in the stock of a company will in such case be inferred where the bill expressly states that the complainant purchased on his own account and in trust for other parties a large number of shares, and paid therefor upwards of \$25,000, and then afterwards states that the defendant threatened to bring an action against the company to enforce the pretended claim whereby the stock of the company, which the complainant alleges he purchased in good faith and which he still held, was liable to become greatly depreciated in value, this statement being nowhere denied in the answer -- the defendant averring only his ignorance on the subject -- and the allegation being fully corroborated by the proof, at least so far forth as relates to the purchase of stock by the complainant, and no question having been made on the examination as to the complainants' still holding the stock.

Bolles, a citizen of Massachusetts, on behalf of himself and all other stockholders of the Mineral Point Mining Company, filed his bill of complaint in the court below against

one Jones, and the said company, the former a citizen, and the latter a corporation, of Wisconsin, for an injunction to restrain Jones from suing for, claiming or demanding against the said company the purchase money of a certain tract of mining land in Wisconsin or any mineral rents for mineral raised on the same. The matter set forth in the bill as a ground for this relief was a charge of misrepresentation and fraud on the part of Jones, perpetrated at Boston in Massachusetts in November, 1865, whereby he induced him, the complainant, Bolles, who was a broker, to purchase for himself and other persons a large amount of the capital stock of the said mining company. The substance of the specific charges was that Jones and others, agents of the company, represented to him, the complainant, Bolles, that the company was seized in fee of the said tract of land; that it had been conveyed to the company by him, Jones, for the consideration of \$30,000, which had been fully paid and satisfied, and that the title of the company was perfect and unencumbered, and, to beget further assurance in him, the complainant, that they exhibited a warranty deed from Jones to the company and an abstract of title showing an unencumbered title to the lands; that they further represented that the land was of great value for mining purposes and that Jones had no interest in the property; that the complainant being entirely ignorant of the facts except as represented to him by Jones, and relying on those representations, purchased on his own account and in trust for others a large amount of the capital stock of the company, and paid upwards of \$25,000 for it, and afterwards sold still larger amounts to parties who paid for the same on the faith of the said assurance that the property was unencumbered. The bill then alleged that at the time of the giving of the deed referred to, an agreement was made between Jones and the company (a copy of which was set out), the existence of which was carefully concealed by Jones when he made the representations complained of (but which he now asserted to be valid and subsisting), by which he claimed a large balance to be due to him for mineral rents and purchase money of the said lands, and threatened to

bring an action against the company therefor, which, if successful, would greatly depreciate the stock of the company and seriously embarrass it.

Jones, in his answer to the bill, denied the principal charge in the aggregate as made (a mode of answer which this Court observed, in passing, was altogether too narrow a mode of denial), admitted that he, with the president and secretary of the company, were in Boston at the time alleged and attended a meeting at Bolles' house on the subject, and that he understood that the secretary had made representations to the effect complained of, but that the room was large and pretty well filled, and that he did not hear it. That he afterwards expostulated with the secretary for having made such a statement, and took some pains to inform some persons that it was not true. But he did not allege that he ever so informed the complainant. He denied that he made any such representations himself. He admitted the agreement complained of and insisted upon its validity. He did not deny Bolles' interest as alleged in the stock of the company, though he averred ignorance on the subject of it. Other points were made in the answer, but what has been stated is sufficient to show the principal issue made in the suit.

The circuit court, after full proofs which showed, among other things alleged, the purchase of the stock, decreed in favor of the complainant, enjoined the defendant from bringing any action against the company, directed him to execute a release, and declared the agreement entered into between the company and the defendant void. Whereupon Jones, the defendant below, appealed. No question was made on the examination below as to Bolles' still holding his stock.

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MR. JUSTICE BRADLEY, having stated the case, delivered the opinion of the Court as follows:

We have examined the proofs in the cause and find them to be very full and convincing against the appellant, and are satisfied with the decree of the circuit court unless the same be invalid for some jurisdictional or technical reason.

It is objected that a court of equity has no jurisdiction of the case because the law affords a complete remedy in damages. This objection is groundless. Equity has always had jurisdiction of fraud, misrepresentation, and concealment, and it does not depend on discovery. But in this case, a court of law could not give adequate relief. The agreement complained of is perpetual in its nature, and the only effectual relief against it, where the keeping of it on foot is a fraud against parties, is the annulment of it. This cannot be decreed by a court of law, but can by a court of equity.

It is next objected that there is a misjoinder of defendants by reason of making the mining company a party. But the company is directly interested, and though no relief is prayed against it, but rather in its favor, it is eminently proper that it should be made a party, complainant or defendant. It could not be made complainant against its will, and besides, its own agents joined in the fraudulent representations that were made. As a separate and independent personality, therefore, distinct from the stockholder interest, there was propriety in making it a party defendant.

It is also objected that the appellee Bolles does not distinctly state or prove the amount of his interest in the company. The bill expressly states that the appellee purchased on his own account and in trust for other parties a large number of shares, and paid therefor upwards of \$25,000, and then afterwards states that the appellant threatened to bring an action against the company to enforce his pretended claim for rents and purchase money, whereby the stock of the company, which the appellee alleges he purchased in good faith, and which he still held, was liable to become greatly depreciated in value. This is surely an allegation of a large interest, and the statement is nowhere denied in the answer.

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The appellant avers only his ignorance on the subject. But the allegation is fully corroborated by the proof, at least so far forth as relates to the purchase of stock by the appellee. No question was made on the examination as to his still holding the stock.

We do not perceive any legal grounds of objection to the decree, and it is therefore.

Affirmed.

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