Calder Vs. Michigan

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SooperKanoon Citation : sooperkanoon.com/90790

Court : US Supreme Court

Decided On : Dec-12-1910

Appeal No. : 218 U.S. 591

Appellant : Calder

Respondent : Michigan

Judgement :

Calder v. Michigan - 218 U.S. 591 (1910)
U.S. Supreme Court Calder v. Michigan, 218 U.S. 591 (1910)

Calder v. Michigan

No. 58

Argued November 29, 30, 1910

Decided December 12, 1910

218 U.S. 591

ERROR TO THE SUPREME COURT

OF THE STATE OF MICHIGAN

SYLLABUS

This Court does not inquire into the knowledge, negligence, methods or motives of the legislation if, as in this case, the statute is passed in due form, and where the statute repeals the charter of a corporation under the reserved power of repeal, the only question here is whether the statute goes beyond the power expressly reserved.

A corporation contracts subject, and not paramount, to reservations in its charter, and cannot, by making contracts or incurring obligations, remove or affect such reservations.

A franchise given by a city to a public service corporation does not enlarge the right of the corporation to exist as against an expressly reserved power to repeal the charter, even if the corporation has mortgaged such franchise.

In this case, held that the question of parties is not open in this Court.

153 Mich. 724 affirmed.

The facts are stated in the opinion.

Page 218 U. S. 597

MR. JUSTICE HOLMES delivered the opinion of the Court.

The judgment upon which this writ of error is based ousts the defendants (plaintiffs in error) from acting as a body corporate under the name of the Grand Rapids

Page 218 U. S. 598

Hydraulic Company. It was rendered, upon an information in the nature of *quo warranto,* by a county court, and was affirmed by the supreme court of the state. 153 Mich. 724. The case was heard on demurrer. The defendants pleaded that, in 1849, the legislature incorporated the Grand Rapids Hydraulic Company, and that they were directors of the company; that the company had constructed and was

maintaining an elaborate system of water supply; that, in 1905, the legislature purported to repeal this charter, but that, owing to the manner in which the repeal was passed, as well as to the contents of the act purporting to effect it, the repeal was void under Article 1, 10, and the Fourteenth Amendment of the Constitution of the United States. Seemingly in aid of this contention, the defendants alleged the issue of bonds and a mortgage of the company's plant, including its franchise to own and operate the same, that still are outstanding. To this plea the state demurred.

As to the manner in which the repeal was obtained and passed, the plea alleged that the City of Grand Rapids was a rival of the company in furnishing water, and that the mayor and city authorities carried out an unfair scheme for getting the repeal hurried through the legislature without notice to the company. It set out the particulars with much detail. The defendants now, on the ground that there are limits even to the operation of a reserved power to repeal, argue that we should consider these allegations. But we do not inquire into the knowledge, negligence, methods, or motives of the legislature if, as in this case, the repeal was passed in due form. *United States v. Des Moines Navigation & Railway Co.,* 142 U. S. 510 , 142 U. S. 544 . The only question that we can consider is whether there is anything relevant to the present case in the terms or effect of the repeal that goes beyond the power that the charter expressly reserves.

The charter provides that "the legislature may at any

Page 218 U. S. 599

time hereafter, amend or repeal this act." Laws of 1849, Act No. 223, 11. Now in the first place, with regard to the reference in argument to the bondholders, it is enough to say that they are not before the court. The defendants do not represent them; the defendants represent the debtors, not the creditors. By making a contract or incurring a debt, the defendants, so far as they are concerned, could not get rid of an infirmity inherent in the corporation. They contracted subject, not paramount, to the proviso for repeal, as is shown by a long line of cases. *Greenwood v. Freight Co.,* 105 U. S. 13 ; *Bridge Co. v. United States,* 105 U. S.

470 ; *Chicago Life Insurance Co. v. Needles,* 113 U. S. 574 ; *Monongahela Navigation Co. v. United States,* 148 U. S. 313 , 148 U. S. 338 -340; *New Orleans Waterworks Co. v. Louisiana,* 185 U. S. 336 , 185 U. S. 353 -354; *Knoxville Water Co. v. Knoxville,* 189 U. S. 434 , 189 U. S. 437 -438; *Manigault v. Springs,* 199 U. S. 473 , 199 U. S. 480 . It would be a waste of words to try to make clearer than it is on its face the meaning and effect of this reservation of the power to repeal.

But the legislature did not content itself with a bare repeal, and leave the consequences to the law. Act No. 492 of the Local Acts of 1905, after repealing the charter, provides that the company at any time before January, 1906, may present a claim to the City of Grand Rapids for the value of its real and tangible estate, "not including franchise," and transfer the property to the city. If the parties do not agree, an action of assumpsit may be brought, with the usual incidents, and the amount of the final judgment is made a claim against the city, to be paid like other claims. If the company does not elect this course, it may remove the property, first giving bond, to be approved by the common council, to protect the city for any damages caused thereby, and is to leave the streets in as good condition as before. It is argued that these provisions are void, and the argument may perhaps be abridged

Page 218 U. S. 600

as follows: corporations with existence limited in time may take a fee simple or a franchise of longer duration than themselves. *Minneapolis v. Minneapolis Street Ry. Co.,* 215 U. S. 417 , 215 U. S. 430 ; *Detroit v. Detroit Citizens' Street Ry. Co.,* 184 U. S. 368 , 184 U. S. 394 -395. There is a distinction between the franchise to be a corporation and that to operate its plant. *Vicksburg v. Vicksburg Waterworks Co.,* 202 U. S. 453 , 202 U. S. 464 . As the corporation had been authorized to lay its pipes, and lawfully had mortgaged not only its pipes, but its franchise to own and operate them, it must be taken to have given a security not limited or terminable by anything short of payment. The attempt to extinguish the corporation, if successful, would render the security and continuing franchise unavailable, and is void. It is argued further that the exclusion of "franchise"

(assumed to embrace the supposed franchise to operate the works) from the valuation is unconstitutional.

We express no opinion as to whether the premises of the foregoing argument are justified by anything appearing in the present record. In any event, the conclusion cannot be maintained. If the city gave the privilege of using the streets to the corporation forever, it could not enlarge the right of the corporation to continue in existence as against the sovereign power, as sufficiently appears from the cases already cited. *See also Arkansas Southern Ry. Co. v. Louisiana & Arkansas Ry. Co., ante,* p. 218 U. S. 431 . The only question before us now is the validity of the judgment ousting the defendants from "assuming to act as a body corporate, and particularly under the name and style of the Grand Rapids Hydraulic Company." This really is too plain to require the argument that we have spent upon it. We may add that it is a matter upon which the bondholders have nothing to say. Moreover, the question of parties is not open here. *New Orleans Waterworks Co. v. Louisiana, supra; Commonwealth v. Tenth Massachusetts Turnpike Corporation,*

Page 218 U. S. 601

5 Cush. 509, 511. Also, whether the provisions as to valuation do the bondholders or members of the corporation wrong is not before the Court.

Judgment affirmed.