

U.S. Supreme Court

Ohio & Mississippi Railroad Company v. Wheeler, 66 U.S. 1 Black 286 (1861)
Ohio & Mississippi Railroad Company v. Wheeler
66 U.S. (1 Black) 286

CERTIFICATE OF DIVISION OF OPINION BETWEEN JUDGES OF THE CIRCUIT COURT OF THE UNITED STATES FOR THE DISTRICT OF INDIANA

Syllabus

1. A corporation exists only in contemplation of law, and by force of law, and can have no legal existence beyond the bounds of the sovereignty by which it is created. It must dwell in the place of its creation.
2. A corporation is not a citizen within the meaning of the Constitution of the United States, and cannot maintain a suit in a court of the United States against the citizen of a different state from that by which it was chartered unless the persons who compose the corporate body are all citizens of that state.
3. In such case, they may sue by their corporate name, averring the citizenship of all the members, and such a suit would be regarded as the joint suit of individual persons, united together in the corporate body and acting under the name conferred upon them for the more convenient transaction of business, and consequently entitled to maintain a suit in the courts of the United States against a citizen of another state.
4. Where a corporation is created by the laws of a state, the legal presumption is that its members are citizens of the state in which alone the corporate body has a legal existence.
5. A suit by or against a corporation, in its corporate name, must be presumed to be a suit by or against citizens of the state which created the corporate body, and no averment or evidence to the contrary is admissible for the purpose of withdrawing the suit from the jurisdiction of a court of the United States.
6. A corporation endued with the capacities and faculties it possesses by the cooperating legislation of two states cannot have one and the same legal being in both states. Neither state could confer on it a corporate existence in the other nor add to or diminish the powers to be there exercised.
7. The two corporations, deriving their powers from distinct sovereignties, and exercising them within distinct limits, cannot unite as plaintiffs in a suit in a court of the United States against a citizen of either of the states which chartered them.

This was assumpsit brought in the Circuit Court of the United States for the District of Indiana against Wheeler, a **Page 66 U. S. 287** citizen of that state, to recover the amount due on his subscription to the stock of the Ohio & Mississippi Railroad company. The declaration described the plaintiffs as

“The President and Directors of the Ohio & Mississippi Railroad company, a corporation created by the laws of the States of Indiana and Ohio and having its principal place of business in Cincinnati, in the State of Ohio, a citizen of the State of Ohio.”

The defendant pleaded to the jurisdiction as follows:

“And the said Henry D. Wheeler, in his own proper person, comes and defends &c., and says that this Court ought not to have or take further cognizance of the action aforesaid; because, he says, that at the time of the commencement of this suit, and ever since, he was and has been a citizen of the State of Indiana, and is now

such citizen; that the plaintiff, before and at the time of the commencement of this action, was, and ever since has been and now is a citizen of the same State of Indiana, in this, to-wit, that then, and during all that time, and now, the plaintiff was, has been, and is a body politic and corporate, created, organized, and existing in the same state, under and by virtue of an act of the General Assembly of the State of Indiana, entitled ‘An act to incorporate the Ohio & Mississippi Railroad company,’ approved February 14, 1848, and an act of said general assembly, entitled ‘An act to amend an act to incorporate the Ohio & Mississippi Railroad company,’ approved January 15, 1849; and that under and by virtue of said acts, the railroad therein mentioned, so far as the same was by said acts contemplated to be situate in the State of Indiana, was long before the commencement of this suit, to-wit, on the first day of January, 1856, built and completed, and has been ever since that time, and now is, used and operated in said district by the plaintiff. And this the said defendant is ready to verify. Wherefore he prays judgment whether this Court can or will take further cognizance of the action aforesaid.”

This plea was sworn to. The plaintiff filed a general demurrer, and the defendant joined in demurrer.

“And thereupon the judges of the court were opposed in **Page 66 U. S. 288** opinion on the following question presented by the said pleadings: has this court, on the facts presented by said pleadings, jurisdiction of this case?”

This was, of course, the only question before the Supreme Court.

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MR. CHIEF JUSTICE TANEY.

This action was brought in the circuit court of the United States for the District of Indiana to recover ,400, with ten percent damages, which the plaintiffs alleged to be due for fifty shares of the capital stock of the company, subscribed by the defendant.

The declaration state that the plaintiffs are “a corporation, created by the laws of the states of Indiana and Ohio, having its principal place of business in Cincinnati, in the State of Ohio; that the corporation is a citizen of the State of Ohio, and Henry D. Wheeler, the defendant, is a citizen of the State of Indiana.”

The defendant pleaded to the jurisdiction of the court, averring that he was a citizen of the State of Indiana, and that the plaintiffs were a body politic and corporate, created, organized, and existing in the same state under and by virtue of an act of assembly of the state.

The plaintiffs demurred to this plea, and the judges being opposed in opinion upon the question whether their court had jurisdiction, ordered their division of opinion to be certified to this Court.

A brief reference to cases heretofore decided will show how the question must be answered. And as the subject was fully considered and discussed in the cases to which we are about to refer, it is unnecessary to state here the principles and rules of law which have heretofore governed the decisions of the court, and must decide the question now before us.

In case of *Bank of Augusta v. Earle*, **13 Pet. 512**, the Court held that the artificial person or legal entity known to the common law as a corporation can have no legal existence out of the bounds of the sovereignty by which it is created, that it exists only in contemplation of law and by force of law, and where that law ceases to operate, the corporation can have no existence. It must dwell in the place of its creation.

It had been decided in the case of *Bank v. Deviary*, 5 Cr. 61, long before the case of *Bank of Augusta v. Earle* came before the Court, that a corporation is not a citizen within the meaning of the Constitution of the United States, and **Page 66 U. S. 296** cannot maintain a suit in a court of the United States against the citizen of a

different state from that by which it was chartered unless the persons who compose the corporate body are all citizens of that state. But if that be the case, they may sue by their corporate name, averring the citizenship of all of the members, and such a suit would be regarded as the joint suit of the individual persons, united together in the corporate body and acting under the name conferred upon them for the more convenient transaction of business, and consequently entitled to maintain a suit in the courts of the United States against a citizen of another state.

This question as to the character of a corporation and the jurisdiction of the courts of the United States in cases wherein they were sued or brought suit in their corporate name, was again brought before the Court in the case of *Louisville, Cincinnati & Charleston Railroad Company v. Letson*, reported in 2 How. 497, and the Court in that case, upon full consideration, decided that where a corporation is created by the laws of a state, the legal presumption is that its members are citizens of the state in which alone the corporate body has a legal existence, and that a suit by or against a corporation in its corporate name must be presumed to be a suit by or against citizens of the state which created the corporate body, and that no averment or evidence to the contrary is admissible for the purposes of withdrawing the suit from the jurisdiction of a court of the United States.

The question, however, was felt by this Court to be one of great difficulty and delicacy, and it was again argued and maturely considered in the case of *Marshall v. Baltimore & Ohio Railroad Company*, 16 How. 314, as will appear by the report, and the decision in the case of *Louisville, Cincinnati & Charleston Railroad company v. Letson* reaffirmed.

And again, in the case of *Covington Drawbridge Company v. Shepherd*, 20 How. 232, the same question of jurisdiction was presented, and the rule laid down in the two last-mentioned cases fully maintained. After these successive decisions, the law upon this subject must be regarded as settled, and a suit by or against a corporation in its corporate **Page 66 U. S. 297** name, as a suit by or against citizens of the state which created it.

It follows from these decisions that this suit in the corporate name is, in contemplation of law, the suit of the individual persons who compose it, and must therefore be regarded and treated as a suit in which citizens of Ohio and Indiana are joined as plaintiffs in an action against a citizen of the last-mentioned state. Such an action cannot be maintained in a court of the United States, where jurisdiction of the case depends altogether on the citizenship of the parties. And in such a suit it can make no difference whether the plaintiffs sue in their own proper names or by the corporate name and style by which they are described.

The averments in the declaration would seem to imply that the plaintiffs claim to have been created a corporate body, and to have been endued with the capacities and faculties it possesses by the cooperating legislation of the two states, and to be one and the same legal being in both states.

If this were the case, it would not affect the question of jurisdiction in this suit. But such a corporation can have no legal existence upon the principles of the common law or under the decision of this Court in the case of *Bank of Augusta v. Earle*, before referred to.

It is true, that a corporation by the name and style of the plaintiffs appears to have been chartered by the States of Indiana and Ohio, clothed with the same capacities and powers, and intended to accomplish the same objects, and it is spoken of in the laws of the states as one corporate body, exercising the same powers and fulfilling the same duties in both states. Yet it has no legal existence in either state except by the law of the state. And neither state could confer on it a corporate existence in the other nor add to or diminish the powers to be there exercised. It may indeed be composed of and represent, under the corporate name, the same natural persons. But the legal entity or person, which exists by force of law, can have no existence beyond the limits of the state or sovereignty which brings it into life and endues it with its faculties and powers. The president and directors **Page 66 U. S. 298** of the Ohio & Mississippi Railroad Company is therefore a distinct and separate corporate body in Indiana from the corporate body of the same name in Ohio, and they cannot be joined in a suit as one and the same plaintiff, nor maintain a suit in that character against a citizen of Ohio or Indiana in a circuit court of the United States.

These questions, however, have been so fully examined in the cases above referred to that further discussion can hardly be necessary in deciding the case before us. And we shall certify to the circuit court that it has no jurisdiction of the case on the facts presented by the pleadings.