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Note and Comment

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NOTE AND COMMENT

STATE LEGISLATION EXTENDING TO NAVIGABLE WATERS.—In *Southern Pacific Company v. Jensen*, 37 Sup. Ct. —, decided May 21, 1917, the Supreme Court announces a decision in some respects of far reaching importance. It was held therein, Mr. Justice HOLMES dissenting, that the WORKMEN'S COMPENSATION Act of the State of New York did not support an award to the widow and children of a workman killed on board a ship of the Company while at the pier in New York City. Clearly the terms of the New York act covered the case, unless the fact that the accident occurred on navigable waters of the United States had a controlling effect to the contrary.

If the death was tortious, there can be no doubt under *Atlantic Transport Co. v. Imbrovek*, 234 U. S. 52, 59, that it was a maritime tort and within admiralty jurisdiction.

By ART. III, §2 of the Constitution, the judicial power of the United States is extended "To all cases of admiralty and maritime jurisdiction," and this has been held to confer paramount power upon Congress to fix and determine the maritime law which shall prevail throughout the country. *Butler v. Steamship Co.*, 130 U. S. 527, *In re Garnett*, 141 U. S. 1. In the latter case the court said: "As the Constitution extends the judicial power of the United States to 'all cases of admiralty and maritime jurisdiction,' and as this juris-

diction is held to be exclusive, the power of legislation on the same subject must necessarily be in the national legislature, and not in the State legislatures."

It is well established, however, that within certain limits, not clearly defined, State legislation in a sense affecting the general maritime law, may be upheld. *The Lottawanna*, 21 Wall. 558 (lien for repairs upon vessel in home port); *The J. E. Rumbell*, 148 U. S. 1 (same); *Cooley v. Board of Wardens*, 12 How. 299 (pilotage fees fixed); *Ex parte McNeil*, 13 Wall. 236 (same). In *Sherlock v. Alling*, 93 U. S. 99, a death act of the State of Indiana was held to give a cause of action for negligent injury suffered on the Ohio River; and in *The Hamilton*, 207 U. S. 398, and *La Bourgogne*, 210 U. S. 95, the laws of Delaware and France, respectively, giving a cause of action for negligently causing death were recognized and enforced in admiralty cases, the deaths having been caused on the high seas. Under the general maritime law there could have been no cause of action for causing death, but the court enforced rights created by the law of Delaware and France. Apparently these laws were not given the effect of changing the maritime law—that could be done only by Congress—but as creating rights under the state municipal law which courts of admiralty would enforce, just as one State may give recognition to and enforce rights created by the law of another State or country.

On the other hand, State law cannot authorize proceedings *in rem* as in admiralty. *The Moses Taylor*, 4 Wall. 411; *The Glide*, 167 U. S. 606. Nor will a State statute creating liens for materials used in repairing a foreign ship under circumstances not sufficient to create a lien under maritime law be upheld. *The Roanoke*, 189 U. S. 185. And where a certain act would give rise to a liability under maritime law, a rule of the law of the State within the territory of which the liability was incurred denying recovery will be disregarded. *Workman v. Mayor*, 179 U. S. 557.

The COMPENSATION ACT in the principal case, under the police powers of the State, created a liability for accidental injury not recognized by maritime law, just as the law of Delaware considered and upheld in *The Hamilton*, supra, created a liability for negligently causing death not recognized by maritime law, and if the court was right in the earlier case in giving effect in a court of admiralty to such right under the law of Delaware, it would seem that in the principal case like force should have been given to the New York statute. It is interesting that Mr. Justice HOLMES, who wrote the unanimous opinion of the court in *The Hamilton*, vigorously dissented in the principal case. A resulting lack of uniformity seems to have been the main reason for the majority of the court refusing to recognize the liability created by the statute. It is said that "If New York can subject foreign ships coming into her ports to such obligations as those imposed by her compensation statute, other States may do likewise. The necessary consequence would be destruction of the very uniformity in respect to maritime matters which the Constitution was designed to establish, and freedom of naviga-

tion between the States and with foreign countries would be seriously hampered and impeded". But how about the lack of uniformity under *Sherlock v. Alling*, supra, and *The Hamilton*, supra?

The court in determining whether State law shall stand as against or along with the maritime law, applies the same tests that are applied when the question is between State action and the national control over interstate commerce. In this connection it is interesting to refer to *The New York Central Railroad Company v. Winfield*, decided the same day, where it was held, Mr. Justice BRANDEIS and Mr. Justice CLARKE dissenting, that the COMPENSATION ACT of New York did not apply to non-tortious injuries to employees of the company, although the FEDERAL EMPLOYERS' LIABILITY ACT covers only negligent injuries. It apparently was conceded by all that but for the Federal Act the State statute would apply to employees engaged in interstate commerce as well as to those not so engaged. Congress, however, having acted, the State action was displaced. R.W.A.

RELETTING ON ABANDONMENT BY TENANT AS SURRENDER BY OPERATION OF LAW.—Among the very many difficult problems arising under the STATUTE OF FRAUDS not the least troublesome has been that of surrender of estates by "operation of law." The Statute (29 Car. II, c.3,§3,) provided that "no leases * * * shall * * * be assigned, granted, or surrendered, unless it be by deed or note in writing, * * * or by act and operation of law." Under a number of varying situations it has been held that a surrender by operation of law had been accomplished. See 2 TIFFANY, LANDLORD AND TENANT, §190. In *Lyon v. Reed*, 13 M. & W. 285, Baron PARKE, after referring to a number of such situations, said: "It is needless to multiply examples; all the old cases will be found to depend on the principle to which we have adverted, namely, an act done by or to the owner of a particular estate, the validity of which he is estopped from disputing, and which could not have been done if the particular estate continued to exist. The law there says, that the act itself amounts to a surrender. In such case it will be observed there can be no question of intention. It takes place independently, and even in spite of intention."

Perhaps the most common situation giving rise to a claim of surrender by operation of law is the re-letting of the premises to a new tenant after a lessee has abandoned them before the end of his term, notice of intention to continue to look to the original lessee to make up deficiencies, if any, sometimes being given and sometimes not. Whatever may be said as to the proper holding on sound legal reasoning, it is certainly true that the courts are holding that such re-letting does not necessarily bring about a surrender by operation of law; particularly is this true where the lessor has given notice to the first lessee that the new lease is made on his account, or without prejudice to any claims against him on the original lease. *Rucker v. Mason* (Okla. 1916), 161 Pac. 195, 15 MICH. L. REV. 357; *Hickman v. Bradford* (Iowa 1917), 162 N. W. 53.

If such surrenders are, as said by Baron PARKE, founded upon estoppels and are wholly independent of intention, it would seem that cases of the above

character must be considered as incorrectly decided. The new lease must be taken, at least as between the parties thereto, as valid; but how can it be valid as against the lessor unless the first lease has somehow been gotten out of the way? Can he be allowed to say that he has two present leases of the same premises running along concurrently? But the courts are far from agreement with Baron PARKE's doctrine that intention has nothing to do with surrenders by operation of law. See *Van Renssalaer's Heirs v. Peniman*, 6 Wend. 569; *Smith v. Kerr*, 108 N. Y. 31, 15 N. E. 70; *Thomas v. Zumbalen*, 43 Mo. 471; *Johnson v. Northern Trust Co.*, 265 Ill. 263, 106 N. E. 814; *O'Neil v. Pearce*, 87 N. J. L. 382, 94 Atl. 312; *Auer v. Penn*, 99 Pa. 370. See also *Nichells v. Atherstone*, 10 Q. B. 944; *Zick v. London United Tramways, Limited* [1908], 2 K. B. 126. And that surrenders by operation of law do not necessarily rest upon estoppels at all is the opinion expressed in an interesting note in 5 IRISH JURIST 117. Cf. 2 TIFFANY, LANDLORD AND TENANT 1322.

But whether the true explanation is estoppel or necessary implication from certain facts not amounting to a technical estoppel, it is difficult to see how in the usual case of re-letting after abandonment by a tenant before the end of his term the old term can be said to be continuing. And the mere giving of notice to the old tenant that the new lease shall not act as a release of liability would seem to make no real difference. An agreement by the original lessee may well produce a different result. Whatever may be said as to the necessity for estoppel to bring about a surrender by operation of law, it would seem quite proper to say that where all the elements of an estoppel to assert the continuance of the relation of landlord and tenant are present there has been a surrender by operation of law. It is submitted that in the type of cases under discussion there is such an estoppel.

The prevailing doctrine undoubtedly is due very largely to a desire on the part of the courts to avoid imposing what seems to be a hardship upon the landlord. It should be noted that a lease can be very easily so worded that the lessor may be protected and at the same time avoid the difficulties herein referred to. See, however, *Whitcomb v. Brant* (N. J. 1917), 100 Atl. 175, where such a provision in a lease led to another very interesting difficulty, the lessor on re-letting getting a higher rent than provided for in the original lease. It was held that the lessor did not need to account to the first lessee for such excess.

R. W. A.

THE PATENTABILITY OF A MENTAL PROCESS.—The fact of possession has been so correlated with the theory of property that it is difficult to dissociate ownership from the possibility of physical possession. One finds that the average lawyer, even though he may define a right *in rem* as a right enforceable against any person, is extremely apt, unless after especial thought, to explain that it is enforceable against anyone because it pertains to a thing capable of physical possession and control, a thing that could be actually sequestered from all other persons. Not at all infrequently the term property has been judicially stripped even of its significance of a right, and con-

fined to the objective material thing to which the right might apply. As a matter of fact, comparatively few things have ever been legally recognized as the object of property which have not been tangible. The right to one's reputation, and, more lately recognized, the right to privacy, for instance, are rights *in rem*, although incapable of tangible possession. The right to have a contract performed without interference by a third party and, it has been said, the right created by assignment of a chose in action, are equally rights *in rem*. These, and other *res*, are mere concepts, in no sense whatever corporeal, although the rights concerning them so appertain to the particular person in whose favor they exist as to be truly property rights, and correctly said to be owned by him. But the whole number of these is small compared to the quantity of tangible things which are the subject of property, and even these rights are not usually spoken of, even judicially, in terms of property, as are those pertaining to tangible things.

This difficulty in recognizing a mere mental concept, incapable of physical custody, as a proper subject of legal ownership, is quite evident in the law relating to patents for inventions. The Common Law recognized no property right whatever in an invention. It is possible that it did admit existence of a right in respect to the *rem* of an author's concepts, as formulated in words by him, but that right was so early covered by statute as to leave the state of the Common Law in some doubt. In respect to inventions, however, there is no doubt—one had no property right, as such, in his mental concept of a means for accomplishing a given result. So long as he kept his idea of means to the particular end locked in his own mind, it could not be legally dragged from him. Even if he revealed it, in such a way that the recipient of the knowledge was pledged to secrecy, equity would enjoin a breach of that pledge by the holder of the secret. But if the idea became known, in any way, its enjoyment was free to the public. The conceptor of the idea had no control over it whatever; he consequently had no more property in it than did the latest of those who had learned it. Any tangible thing in which he might embody the idea, being itself subject to control, was his property, just as would be any chattel which one might construct, but the *idea* embodied in the chattel was open to use by all the world who could find it out.

Any right *in rem* to the sole enjoyment of the idea depended altogether upon an express grant thereof by the sovereign, and still depends, in this country, wholly upon a grant of such right from the government. The statutes permitting such grants, and the patents granted thereunder, have been interpreted and construed by courts trained in the Common Law and accustomed to its assumptions. It is not surprising, therefore, to find occasionally evinced the feeling that the subject matter of a patent, that is, an "invention," ought to be something more than a mere concept of means, indeed must be a tangible thing of some sort. The very statute conveys this impression in directing the issue of a patent for an "art, machine, manufacture or composition of matter."

Fortunately for the undoubted purpose of the patent statutes, this has

been confined to expression and not carried into actual decision. It has not been wholly innocuous, because of the confusion it appears to have caused between "invention" and "evidence of the existence of" a particular invention. But so far as actual decisions are concerned, and in all careful expression, it is unquestionably the concept of the means to the end which is the subject of the patented property, and not merely the particular tangible things which may be constructed in embodiment of the idea. Indeed, things which are so constructed by others than the patentee, however wrongfully it may be done, are not the property of the patentee and do not become so because of their infringing character.

Unless a patent is extremely narrow, the patentee's protection is not restricted to the particular machine or device he may describe. His monopoly includes all machines of the same type and purpose which, though different in substantial form, do not involve any inventive difference. These can not be called the "same" machine as the one described by the patent since they are obviously materially different, but, as they embody the same idea of means, they are called "equivalents." If it were the tangible machine which was patented, this breadth of protection could not follow. It can be predicated only on the fact that the invention protected is the idea of means embodied in the material means literally described.

A good illustration of the fact that it is the idea which is patented, and not the substantial embodiment, is the case of *Tilghman v. Proctor*, 102 U. S. 707. The patentee in this case claimed nothing substantial at all, but said merely, "I claim, as my invention, the manufacturing of fat acids and glycerine from fatty bodies by the action of water at a high temperature and pressure." In his description he did set out a particular tangible means by which this could be accomplished. The court held that his protection was not limited to the described means but covered the accomplishing of the result by obviously different material aids. It named the invention a "process" or a "mode of acting," and distinguished it from a "machine" by saying "The one [machine] is visible to the eye—an object of perpetual observation. The other is a conception of the mind, seen only by its effects when being executed or performed."

Practically all of the definitions likewise concede that "The invention itself is an intellectual process or operation," *Phila. Etc. R. R. Co. v. Stimpson*, 14 Pet. 448, or in other more or less precise expression indicate that it is the mental concept, and not the tangible embodiment of it which really constitutes the subject of the patent. (The quoted definition is, of course, inexact to the extent that it attempts to express a "thing" in terms of an "act," but the thought contained in it is clearly that an invention is a concept.) It would be supererogatory to demonstrate further this fact.

An idea of means which is not capable of embodiment as an objective means has never, so far as the writer is aware, been the subject of an adjudicated patent. It is therefore an undecided question whether an invention which does not require tangible instrumentalities to effectuate the result desired is patentable. To argue that it is patentable would seem, it

must be confessed, like opposing a merely conjured contradiction, were it not for the number of patent law experts who have expressed a belief that such an idea could not be subject of a patent.

It is difficult, though not impossible, to conceive of an idea of means which does not involve the use of tangible instrumentalities. It largely depends on what one admits to be the "instrumentalities." There has been published, apparently at the author's expense, an amusing pamphlet, unconsciously amusing, and rather pathetically so, called "The Bitter, Bitter Cry of Outcast Inventors." The author's plaint is the refusal of the British government to patent an invention of his, and the suggestion of various publishers, to whom he offered the exposition of his idea, that he rest and recuperate in the country. His concept was a system of shorthand. To utilize it, fifteen men sit in a row, with fifteen more behind them. When a speech to be reported is commenced, person number one in the rear row taps the shoulder of number one in the front row just as the first word of the speech is being uttered. At the utterance of the second word, person number two of the rear ranks taps the shoulder of person number two in the front rank. Thus each rear rank man taps the shoulder of the man in front of him, in rotation, as the consecutive words of the speech are delivered. The person so tapped writes the word being uttered as the signal is given. At the end of the speech, a compilation of all the written words becomes a verbatim report of the speech. Assuming, for the sake of the argument, that this concept involved inventive genius, would it be patentable?

Even if it were admitted to be patentable, it might be said actually to utilize substantive means, namely, the persons of the thirty men, to effectuate its end, and therefore not to be conclusive of the issue. If one were to evolve a method for trisecting the angle, it is possible that the pencil and paper required—if only to present an unknown angle—might be called a substantive "means." Arithmeticians and mathematicians, however, are frequently evolving short-cuts to a desired end which involve purely mental processes, and which overwhelm the non-mathematical mind with astonished admiration at the rapidity with which the given result is reached. If one of these methods of arriving at the desired result were the creation of inventive genius—and surely the productions of mathematicians are more truly the result of something transcending mere trained skill, common to all their calling, than are many mechanical inventions—would it be patentable?

The only possible objection is a lingering vestige of the common feeling that property is physical. But when the Patent Law has been pressed to the point, it has invariably acted on the assumption that patented property is intangible. It is true that intangible property can not be "made," and it is loosely said—again the supposition of physical property—that it is not vendible, yet the patent statute gives an exclusive right to make, use and vend the invention. If making, using and vending were all necessary to constitute infringement, it is obvious that a mere mental process could not be infringed, and therefore was not presumably intended as the subject matter of a patent. But the phrase has been consistently interpreted as meaning make,

use or vend. It is in nowise necessary that an infringer do all of the forbidden acts, the doing of any one of them is sufficient, and it does not follow that patentable invention must be capable of enjoyment or infringement in all three ways. Its susceptibility to "use" would surely be sufficient. There is nothing therefore in the wording of the statute to preclude the patenting of such a process for accomplishing a desired result.

No more is there any reason in law, as established extraneous to the patent decisions, why the inventor should not have an exclusive right to the use of such an invention, except the bald fact that the Common Law did not recognize a right in *rem* to any invention. It did recognize other intangible *res*, however, so that there was no legal impossibility in an intangible ambit for a property right. As respects inventions particularly, the Common Law was changed by the statute. The logic of the change undoubtedly extends it to all inventions, whether they utilize tangible instrumentalities or not.

It is true that the exclusive right to such an invention might be extremely difficult to enforce, but the mere practical unsatisfactoriness of the remedy has never derogated the completeness of the right. Furthermore, it is not inconceivable that the exclusive right to use such an invention might have a very practicable value. If the means, the mental process, were one which could be used on the stage, for instance, to mystify audiences of those who were unacquainted with its details, the right to its use for such purposes might well be of considerable monetary value. Whether it is the law that such a concept is patentable, only the Supreme Court can say. Till that tribunal has spoken, it is, like the presence or absence of the inventive quality, a matter of opinion. But it may be said of this, as a certain lecturer used to say of invention, "if there is no reason why it is not, it probably is."

J. B. W.

STATUTORY LIABILITY OF SHAREHOLDERS ON TORT LIABILITIES AGAINST THE CORPORATION.—In the recent case of *Liningger v. Botsford*, 163 Pac. 63, it was necessary for the California Court of Appeals to pass upon whether the term "liability" as used in Art. 12, §3 of the California Constitution, and §322 of the Civil Code, imposing upon shareholders of corporations their proportional share of the "liabilities" of their corporation, over and above the unpaid part of their shares, extended to torts of the corporation. The court held that while the weight of authority was that that tort liabilities were not included within the scope of such provisions it had been held in California that the term "liability" included claims *ex delicto*, and therefore the shareholders must be held liable in this case. The case cited as to the construction of "liability," *Miller & Lux v. Kern County Land Co.*, 134 Cal. 586, sustains the court in its finding. But the court goes further and cites *Kelly v. Clark*, 21 Mont. 291, and *Buttner v. Adams*, 236 Fed. 105, to further support the decision. The former of these cases involved *common law* not *statutory* liability; the latter involved only the question of whether the liability was primary or secondary, and the matter of ultimate liability was not raised. The case serves to emphasize that the confusion and lack of discrimination which characterize the discussion of this question in all the

texts and most of the judicial opinions have been by no means dispelled even at this late date.

The first element of the confusion is that statutory liability is confused, on the one hand, with common law liability, where there is no question that the shareholder is liable for claims *ex delicto* of the corporation; and on the other hand, with penal liability for failure to perform some statutory corporate duty, where it is equally clear that no liability exists, unless by the express terms of the statute. The text writers are always clear enough on these two distinctions in their texts but entirely lose sight of them when they start to cite cases. In many of the judicial opinions the courts seem blissfully unconscious of any distinction whatsoever.

Another and still more effective element of confusion lies in the fact that the whole matter is one of statutory construction, that different theories of construction are employed, that the precise words of the particular statute are always of the utmost importance, and that cases construing radically different statutes are indiscriminately cited to support the construction announced of the statute under consideration. These elements, together with others hardly less important, such as whether the liability is secondary or primary, and whether it is contractual or statutory in nature, acting and reacting on one another, have resulted in a muddle fearful to contemplate.

In the first place it must be remembered that the liability imposed is purely statutory in nature. It had no existence at common law. Indeed at common law exemption from such liability was one of the most noteworthy characteristics of corporations. *Warner & Ray v. Beers*, 23 Wend. (N. Y.) 103; *Terry v. Little*, 101 U. S. 216; note in 43 Am. St. Rep. 834. Therefore though the statutes are "remedial" they are also "in derogation of the common law," which we take to mean that such statutes deprive shareholders of rights and immunities conferred upon them under the common law. And it must be again emphasized that since the liability is statutory the precise language of the statutes is always of the utmost importance. *Terry v. Little*, *supra*.

There are three theories of construction applied in the cases: (1) Liberal—The theory is that the statute is remedial and as such should be liberally construed to correct all the evils which the legislature intended to remedy. This theory is specifically applied in but four cases, viz, *Carver v. Braintree Mfg. Co.*, 5 Fed. Cas. No. 2485; *Rider v. Fritchie*, 49 Oh. St. 285; *Fleniken v. Marshall*, 43 S. C. 80; and *Henley v. Meyers*, 76 Kans. 723, 737. All these cases hark back to *Carver v. Braintree Mfg. Co.*, in which the opinion is given by Mr. Justice STORY. But that opinion proceeds entirely on the remedial nature of the statute, without considering the common law rights of the shareholders, and the case is expressly condemned in *Child v. Boston & Fairhaven Iron Wks.*, 137 Mass. 516, where FIELD, J., construing the same statute considered by STORY, J., says that "the decision of Mr. Justice STORY stands unsupported by any direct authority, either before or since"; in *Rogers v. Stag Mining Co.*, 171 S. W. 678, which refers to the decision as based on "strained construction"; in *Jones v. Rankin*, 19 N. Mex. 56, where the decision of STORY, J., is said to be against "the almost universal current

of authority in the United States, including the United States Supreme Court."

(2) Strict—The theory is that, because the statutes are "in derogation of the common law," depriving shareholders of immunities long enjoyed under the common law, the scope of the statute should not be extended beyond the natural meaning of the words actually employed. The weight of authority seems clearly with this view. Some of the cases are: *Jones v. Rankin*, supra; *Sherman v. Heacock*, 14 Wend. (N. Y.) 58; *Gray v. Coffin*, 9 Cush. (Mass.) 192; *Child v. Boston & Fairhaven Iron Wks.*, supra; *Rogers v. Stag Mining Co.*, supra.

(3) Reasonable or Natural.—This is merely modifying the "strict" construction view so as to interpret the words of the statute according to their reasonable and natural meaning, not straining their scope so as to give effect to an assumed intention of the legislators, on the one hand, nor employing them in their narrowest and most restricted sense, on the other. It is definitely formulated in this connection in but one case, *Bohn v. Brown*, 33 Mich. 257, but is in effect followed in most of the cases cited under the "strict construction" theory. Regarded by itself or as a modification of the narrowest statement of the "strict construction" theory it seems the only proper rule to adopt if the court is not to usurp purely legislative functions. And again we must revert to the same question with regard to the specific statute to be considered: "What is meant by the precise language employed in this statute?" The writer will not attempt to deal with each statute separately but will attempt briefly to state the law with regard to certain words and phrases commonly employed.

(a) "Liabilities"—This term includes tort claims against the corporation. *Linger v. Botsford*, 163 Pac. 63; *Miller & Lux v. Kern County Land Co.*, 134 Cal. 586; *Wood v. Currey*, 57 Cal. 208.

(b) "Demands"—This term includes tort claims against the corporation. *Heacock v. Sherman*, supra.

(c) "Dues"—This term includes tort claims against the corporation, *Henley v. Meyers*, supra; *Flemliken v. Marshall*, supra; *Rider v. Fritchie*, supra. But see *Ward v. Joslin*, 100 Fed. 676, contra.

(d) "Debts contracted"—This term does not include tort claims against the corporation, even though reduced to judgment. *Heacock v. Sherman*, supra; *Bohn v. Brown*, supra; *Child v. Boston & Fairhaven Iron Wks.*, supra; *Rogers v. Stag Mining Co.*, supra; Contra, *Carver v. Braintree Mfg. Co.*, supra, a case which has been sufficiently discussed above.

(e) "Creditors"—This term does not include those holding claims against the corporation, founded on the tort of the corporation. *Doyle v. Kimball*, 23 Misc. 431; *Ward v. Joslin*, supra. Contra, *Henley v. Meyers*, supra.

In conclusion it may be stated that this summary is intended to be neither comprehensive nor conclusive. Again it must be emphasized that each statute must be considered separately with regard to the particular language used and must stand on its own foundation. Nevertheless the writer believes that a careful reading of the cases cited will materially aid in arriving at a sound interpretation of the statute under consideration. E. B. H.