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# Corporations--Promoters--Individual Liability on Contracts in Behalf of Corporation

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tionable, must affect injuriously the corporation, as distinct from the individuals who compose it. *Brayton* v. *Cleveland Special Police Co.,* 63 Oh. St. 85, 57 N. E. 1085. But it may sue if the libel or slander of the individuals who compose it causes the corporation to sustain special damages. *Trenton Mut. Life etc. Ins. Co.* v. *Perrine,* 23 N. J. L. 412. A corporation cannot sue in respect of a charge of murder, or incest, or adultery, or corruption, or assault because it cannot commit these crimes. The words complained of must attack the corporation in the method of conducting its affairs, or in its financial position, or must accuse it of fraud or mismanagement. *South Hetton Coal Co.* v. *Northeastern News Ass'n,* [1894] 1 Q. B. 133; *Metropolitan Saloon Omnibus Co.* v. *Hawkins,* 4 H. & N. 87; *Hahnemannian Life Ins. Co.* v. *Beebe,* 48 Ill. 87. The fact that the libel or slander was uttered or published by a member of the corporation will not defeat recovery. *Metropolitan Saloon Omnibus Co.* v. *Hawkins,* 4 H. & N. 87. The rule as to recovery is the same when the libel or slander is directed against the corporate business. *St. James Military Academy* v. *Gaiser, supra.* A person guilty of libelling or slandering a private corporation may be held liable criminally. *Boogher* v. *Life Ass'n of America,* 75 Mo. 319; *People* v. *Carroll,* 48 N. Y. App. Div. 201, 62 N. Y. Supp, 790. There is only one modern case which holds that a corporation cannot sue for slander. *Church of St. Louis* v. *Blanc,* 8 Rob. 51 (La. 1844).

—W. E. G.

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CORPORATIONS—PROMOTERS—INDIVIDUAL LIABILITY ON CONTRACTS IN BEHALF OF CORPORATION.—The complainants owned a lease on two lots and a building thereon. They agreed to sell the same to a corporation later to be formed by the two defendants. Notes purporting to be the notes of the corporation, signed by the defendants as president and secretary, respectively, were given to the complainants in consideration of the sale; and a deed of trust, signed in like manner, was given to secure the same. The corporation was formed and had the benefit of the contract. Upon default in the payment of the notes it was sought to hold the defendants liable personally. *Held,* that the promoters were not liable. *Carle et al.* v. *Corhan et al.,* 103 S. E. 699 (Va. 1920).

The early English authority was that only the promoters were

liable on a contract purporting to be for a future corporation, on the ground that there was no existing principal and that when the corporation later came into being it could not logically ratify a contract which it could not itself have made. *Kelner* v. *Baxter,* L. R. 2 C. P. 174. This was followed in Massachusetts. *Abbott* v. *Hapgood,* 150 Mass. 248, 22 N. E. 90G. Later cases in England spell out a liability on the part of the corporation, but require a showing of an express new contract of identical terms. See H. S. Richards, "The Liability of Corporations on Contracts Made by Promoters", 19 HARV. L. REV. 97, 102. American courts, where there are acts by the corporation appropriating the benefits of the contract, make it liable by what is termed an "adoption" of the contract. *Munson* v. *Syracuse R. Co.,* 103 N. Y. 58, 8 N. E. 355; *McArthur* v. *Times Printing Co.,* 48 Minn. 319, 51 N. W. 216. The true basis for the holding is not, it is submitted, an anomalous "adoption" of the contract, but an implied in fact novation. The principal case is, in outcome, in accord with this American rule. But the opinion goes farther and says, by way of *dictum,* that once the corporation has become liable the third party has then generally the "double security" of the corporation and of the promoters. The only authority cited is a previous *dictum* of the same court. *Strause* v. *Richmond Woodworking Co.,* 109 Va. 724, 65 S. E. 659. *Cf. Fentress* v. *Steele,* 110 Va. 578, 583, 66 S. E. 870, 872. The meaning intended by the language used is not clear. It can hardly be meant that there can ever be a double recovery on such contracts. If it be meant that the promoters and the corporation may be held jointly liable or that one or the other may be held at the option of the third party it is submitted that this is inconsistent with the only theory upon which the corporation can be held, *i. e.,* upon an implied in fact novation. —S. C. M.

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CONSTITUTIONAL LAW—PERSONAL RIGHTS—COUNCIL OF DEFENCE ACTS: BASIS OF CONSTITUTIONALITY.—A West Virginia statute (ACTS 1917, c. 12 § 2) provided that every able bodied male resident of the state between the ages of sixteen and sixty years, except *bona fide* students during school term, who should fail or refuse to engage regularly and steadily for at least thirty-six hours a week in some lawful and recognized business, profession, occupation or employment, should be held to be a vagrant and be guilty of a misdemeanor, regardless of the financial ability of such per-