

AMERICAN CONSTITUTIONALISM  
VOLUME I: STRUCTURES OF GOVERNMENT  
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Supplementary Material

Chapter 5: The Jacksonian Era—Constitutional Authority and Judicial Power

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**Louisville, Cincinnati, & Charleston Railroad Co. v. Letson, 43 U.S. 497 (1844)**

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*Article III of the U.S. Constitution extends the judicial power of the United States to controversies “between Citizens of different States,” and that grant of diversity jurisdiction was effectively embodied in the early federal statutes creating the U.S. Supreme Court and the federal circuit courts. The Marshall Court had struggled with the question of how corporations fit into that jurisdictional scheme. Could corporations sue and be sued in the federal courts? The answer depended on how the term “citizens” was construed for purposes of the jurisdiction of the federal courts. One approach, adopted by the Marshall Court, was to regard suits involving corporations as functionally equivalent to suits involving the corporators, the individual members of the corporation who were themselves citizens of a state. As corporations grew in size and complexity, however, this solution gave rise to its own problem: what if the members of the corporation were not all citizens of a single state? The diversity of citizenship of the corporators would be particularly relevant if some of the corporators were citizens of the same state as an individual seeking to sue the corporation. Did such an overlap of citizenship by the contesting parties nullify federal jurisdiction? Did the federal courts, therefore, have less jurisdiction over corporations that spread across state lines than over corporations that were largely contained within a single state? An alternative solution was to conceptualize the corporation as an artificial body possessing “citizenship” status for purposes of federal jurisdiction. The corporation as such could sue and be sued, and federal jurisdiction turned on the identity of the corporation rather than the identity of the individuals who made up the corporation. The Taney Court made this move, ruling that a corporation was a citizen of the state in which it was incorporated.*

*The significance of treating a corporation as a citizen was made manifest in a case involving a contract dispute. Thomas Letson of New York was employed to build roads in South Carolina by the Louisville, Cincinnati, & Charleston Railroad Company. The two parties disagreed on the amount owed for the work, and Letson sued in federal circuit court in South Carolina for the difference (nearly \$18,000). The railroad contended that it could not be sued by Letson in federal court because members of the corporation were not all citizens of South Carolina (where the suit was brought). Moreover, the shareholders of the railroad included two other corporations (a bank and an insurance company), which included members who were citizens of New York. The circuit court sustained the action, and a jury ruled in favor of Letson. On appeal, the U.S. attorney general joined the case to argue in favor of Letson and contended that there would be a “great chasm in our laws” if a corporation could escape federal jurisdiction (and instead keep litigation in the courts of the state government that created it) by the simple expedient of having shareholders from multiple states. The U.S. Supreme Court unanimously agreed, overturning its existing precedents.*

*Can corporations be citizens of a state for purposes of jurisdiction but not for other purposes? If Article III was intended to encompass corporations, why did it use the language of citizens rather than the language of “persons”? Does corporate citizenship work to the advantage or disadvantage of the corporation in this case? Is the Marshall Court approach of thinking of these as suits involving the individuals who made up the corporation more consistent with the constitutional design? Is it possible for a corporation to have rights not possessed by the individuals who make up the corporation? What are the potential problems with the Taney Court’s test for determining the citizenship of a corporation?*

JUSTICE WAYNE delivered the opinion of the Court.

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The objection [by the appellant] is equivalent to this proposition, that a corporation in a state cannot be sued in the Circuit Court of the United States, by a citizen of another state, unless all the members of the corporation are citizens of the state in which the suit is brought.

The suit, in this instance, is brought by a citizen of New York in the Circuit Court of the United States for the district of South Carolina, which is the locality of the corporation sued.

Jurisdiction is decreed, because it is said, it is only given, when "the suit is between a citizen of the state where the suit is brought and a citizen of another state." And it is further said that the present is not such a suit, because two of the corporators are citizens of a third state.

....

Our first remark is, that the jurisdiction is not necessarily excluded by the terms, when "the suit is between a citizen of the state where the suit is brought and a citizen of another state," unless the word citizen is used in the Constitution and the laws of the United States in a sense which necessarily excludes a corporation.

A corporation aggregate is an artificial body of men, composed of diverse constituent members *ad instar corporis humani* [like the human body], the ligaments of which body politic, or artificial body, are the franchises and liberties thereof, which bind and unite all its members together; and in which the whole frame and essence of the corporation consist. . . .

Composed of persons, it may be that the members are citizens—and if they are, though the corporation can only plead and be impleaded by its name, or the name by which it may sue or be sued, if a controversy arises between it and a plaintiff who is a citizen of another state, and the residence of the corporation is in the state in which the suit is brought, is not the suit substantially between citizens of different states, or, in the words of the act giving to the courts jurisdiction, "a suit between a citizen of the state where the suit is brought and a citizen of another state?"

Jurisdiction, in one sense, in cases of corporations, exists in virtue of the character of members, and must be maintained in the courts of the United States, unless citizens can exempt themselves from their constitutional liability to be sued in those courts, by a citizen of another state, by the fact, that the subject of controversy between them has arisen upon a contract to which the former are parties, in their corporate and not in their personal character.

Constitutional rights and liabilities cannot be so taken away, or be so avoided. If they could be, the provision which we are here considering could not comprehend citizens universally, in all the relations of trade, but only those citizens in such relations of business as may arise from their individual or partnership transactions.

.... [D]oes it necessarily follow, because the citizenship and residence of the members give jurisdiction in a suit at the instance of a plaintiff of another state, that all of the corporators must be citizens of the state in which the suit is brought?

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The first, obvious, and necessary interpretation of the terms by which jurisdiction is given, is, that the suit need not be between citizen and citizen, but may be between citizens. Then, do the words, "of the state where the suit is brought," limit the jurisdiction to a case in which all the defendants are citizens of the same state?

....

A suit then brought by a citizen of one state against a corporation by its corporate name in the state of its locality, by which it was created and where its business is done by any of the corporators who are chosen to manage its affairs, is a suit, so far as jurisdiction is concerned, between citizens of the state where the suit is brought and a citizen of another state. The corporators as individuals are not defendants

in the suit, but they are parties having an interest in the result, and some of them being citizens of the state where the suit is brought, jurisdiction attaches over the corporation,—nor can we see how it can be defeated by some of the members, who cannot be sued, residing in a different state. It may be said that the suit is against the corporation, and that nothing must be looked at but the legal entity, and then that we cannot view the members except as an artificial aggregate. This is so, in respect to the subject-matter of the suit and the judgment which may be rendered; but if it be right to look to the members to ascertain whether there be jurisdiction or not, the want of appropriate citizenship in some of them to sustain jurisdiction, cannot take it away, when there are other members who are citizens, with the necessary residence to maintain it.

But we are now met and told that the cases of *Strawbridge v. Curtiss* (1806) and that of the *Bank of the United States v. Deveaux* (1809) hold a different doctrine.

. . . . The practice has been, since those cases were decided, that if there be two or more plaintiffs and two or more joint-defendants, each of the plaintiffs must be capable of suing each of the defendants in the courts of the United States in order to support the jurisdiction, and in cases of corporation to limit jurisdiction to cases in which all the corporators were citizens of the state in which the suit is brought. . . .

After mature deliberation, we feel free to say that [those cases] were carried too far. . . . We do not think either of them maintainable upon the true principles of interpretation of the Constitution and the laws of the United States. A corporation created by a state to perform its functions under the authority of that state and only suable there, though it may have members out of the state, seems to us to be a person, though an artificial one, inhabiting and belonging to that state, and therefore entitled, for the purpose of suing and being sued, to be deemed a citizen of that state. . . . [Those cases] have been followed always most reluctantly and with dissatisfaction. By no one was the correctness of them more questioned than by the late chief justice who gave them. It is within the knowledge of several of us, that he repeatedly expressed regret that those decisions had been made. . . . Our conclusion, too, if it shall not have universal acquiescence, will be admitted by all to be coincident with the policy of the Constitution and the condition of our country. It is coincident also with the recent legislation of Congress . . . [which] was passed exclusively with an intent to rid the courts of the decision in the case of *Strawbridge and Curtiss*.

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. . . . [A] corporation created by and doing business in a particular state, is to be deemed to all intents and purposes as a person, although an artificial person, an inhabitant of the same state, for the purposes of its incorporation, capable of being treated as a citizen of that state, as much as a natural person. Like a citizen it makes contracts, and though in regard to what it may do in some particulars it differs from a natural person, and in this especially, the manner in which it can sue and be sued, it is substantially, within the meaning of the law, a citizen of the state which created it, and where its business is done, for all the purposes of suing and being sued. And in coming to this conclusion, as to the character of a corporation, we only make a natural inference from the language of this court upon another occasion, and assert no new principle. In the case of *Dartmouth College v. Woodward* (1819), this court says, “a corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it, either expressly or as incidental to its very existence. Among the most important are immortality, and if the expression be allowed, individuality.” . . . We confess our inability to reconcile these qualities of a corporation—residence, habitancy, and individuality, with the doctrine that a corporation aggregate cannot be a citizen for the purposes of a suit in the courts of the United States, unless in consequence of a residence of all the corporators being of the state in which the suit is brought. When the corporation exercises its powers in the state which chartered it, that is its residence, and such an averment is sufficient to give the Circuit Courts jurisdiction.

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The judgment of the Circuit Court below is *affirmed*.