Declaratory Judgment Act-What Constitutes a Controversy Within the Scope of the Act

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As arbitration clauses generally have been upheld as legal, it is extremely difficult to comprehend how they are illegal in this instance, unless such agreement is one of the provisions of a contract which is illegal because in restraint of trade. In other words, how can the arbitration stipulation be invalid while the contract is deemed valid? To defeat a contract as illegal because of it being in restraint of trade, it must appear that the contract is directly connected with the unlawful purpose and not merely collateral thereto. And contracts lawful on their face are illegal if in furtherance of a combination in itself illegal. In the instant case, it is obvious that the whole contract was in furtherance of the illegal combination of distributors and producers, it was the means to carry out the conspiracy. As far as the defendant is concerned, the vice is the contract and not merely the stipulation for arbitration since he was deprived of the freedom of contract which the law contemplates. The distributor is suing on the identical contract which was the evidence of the conspiracy and the object of the restraining decree in the Paramount case. The enforcement of the very instrumentality of the conspiracy itself, as done in this case, falls within the interdictum of the Supreme Court that an action cannot be maintained on a contract which is part of an unlawful conspiracy.

S. E. M.

Declaratory Judgment Act—What Constitutes a Controversy Within the Scope of the Act—In 1912, the defendant entered into a contract with Stoughton A. Fletcher and Albert E. Metzger under the terms of which she leased to them certain real estate in the city of Indianapolis for a term of ninety-nine years. The lessees assigned their interest to the plaintiff, the Fletcher Savings and Trust Building Company who, in turn, sublet the real estate and building, which it had erected thereon, to its coplaintiff, the Fletcher Savings and Trust Company, for a period of fifteen years, or until January 1, 1934. Under the covenants of this lease the lessees agreed to pay any taxes, assessments, benefits or rates levied by virtue of a local, state or national authority upon the real estate or buildings, or which might be assessed upon the right of the lessor to receive the rentals thereunder during the lease. After the 1913 income tax law was enacted by Congress, a controversy developed between the plaintiffs and defendant as to whether or not the duty rested on the plaintiffs, as lessees, to pay the income taxes charged against the rents received by the defendant from the plaintiffs. For the purpose of obtaining a declaratory judgment or decree respecting the duties and obligations of the respective parties, the plaintiffs filed a complaint, alleging these facts, to which the defendant demurred for want of a jurisdiction and insufficiency of facts to state a cause of action. This demurrer was overruled, whereupon the defendant filed an answer, to the second, third, and fourth paragraphs of which the plaintiffs demurred for insufficiency of facts. These demurrers were sustained. Upon the issues thus formed the cause was tried, resulting in a judgment for the plaintiffs. Defendant then filed a motion to modify the judgment, which was overruled, and a motion for a new trial, which was also overruled. The defendant then appealed, contending, among other things, that no actual controversy within the purview of the Declaratory Judgment Act was shown by the pleadings or proof. Held, where landlord and tenants

Ins. Co. of Wis. v. Glidden Co. (1931), 52 S. Ct. 69 (Held statutory arbitration due process of law).


16 Continental Wall Paper Co. v. Voight & Sons Co. (1907), 212 U. S. 227.
disagreed as to whether tenants under a ninety-nine year lease were required
to pay landlord's income tax in respect to rents, a "controversy" within the
Declaratory Judgment Act was presented.¹

With the adoption by Minnesota in 1933, there are now thirty states and
three territories which have adopted in one form or another the procedure
for declaratory judgments, eighteen of which have adopted the Uniform Act.²
It has been said that the purpose of a declaratory judgment is to serve as an
instrument of preventive justice and adjudicate rights or status of parties
without the necessity of previous crime, violence or breach,³ and to relieve
litigants of the common law rule that no declaration of rights may be judi-
cially given unless a right has been violated, for which relief may be granted.⁴

Indiana adopted the Uniform Declaratory Judgment Act⁵ in 1927. Section
1 of the Act provides: "Courts of record within their respective jurisdictions
shall have power to declare rights, status, and other legal relations whether
or not further relief is or could be claimed. No action or proceeding shall
be open to objection on the ground that a declaratory judgment or decree is
prayed for. The declaration may be either affirmative or negative in form
and effect; and such declaration shall have the force and effect of a final
judgment or decree." Section 2 provides that, "Any person interested under
a deed, will, written contract or other writings constituting a contract, or
whose rights, status or other legal relations are affected by a statute, munici-
pal ordinance, contract of franchise, may have determined any question of
construction or validity arising under the instrument, statute, ordinance, con-
tract, or franchise and obtain a declaration of rights, status or other legal
relations thereunder." Section 3 provides that, "A contract may be construed
either before or after there has been a breach thereof." Section 5 provides
that, "The enumeration in Sections 2, 3 and 4 does not limit or restrict the
exercise of the powers conferred in Section 1, in any proceeding where
declaratory relief is sought, in which a judgment or decree will terminate the
controversy or remove an uncertainty." Section 6 provides that, "The court
may refuse to render or enter a declaratory judgment or decree where such
judgment or decree, if rendered or entered, would not terminate the uncer-
tainty or controversy giving rise to the proceeding." Section 12 provides that,
"This act is declared to be remedial; its purpose is to settle and to afford
relief from uncertainty and insecurity with respect to rights, status and other
legal relations; and is to be liberally construed and administered."

There has been very little use of the Uniform Declaratory Judgment Act in
Indiana to date. In Robinson v. Moser,⁶ an action was brought under the act
by a prosecuting attorney to determine whether a statute postponing elections
of successors to prosecuting attorneys having commissions expiring in De-
cember, 1931, until the general election of 1932 was constitutional. In
Zoercher v. Agler,⁷ the leading Indiana case, it was held that taxpayers could
maintain an action for declaratory judgment to determine the legality of a
tax levy. The court said, concerning the question of what constituted a "con-
troversy," that "The person bringing the action must have a substantial pres-
ent interest in the relief sought, such as, there must exist not merely a theore-
tical question or controversy but a real or actual controversy, or at least the
ripening seeds of such a controversy, and that a question has arisen affecting

¹ Owen v. Fletcher Savings and Trust Bldg. Co. (1934), 189 N. E. 173 (Ind. App.).
² Bochard, Uniform Declaratory Judgments Act (1934), 18 Minn. L. Rev. 239.
³ Sheldon v. Powell (1930), 99 Fla. 782, 128 So. 258.
⁴ De Charette v. St. Mathews Bank and Trust Co. (1926), 214 Ky. 400, 283 S. W.
⁵ 410.
⁶ (1931), 203 Ind. 66, 179 N. E. 270.
⁷ (1930), 202 Ind. 214, 172 N. E. 186.
such right which ought to be decided in order to safeguard such right.” And in Emmeier v. Blaire, the latest reported case until the principal case, an action was brought by the clerk of a circuit court to determine his rights and status as affected by an act of the General Assembly.

In general, it may be said that to invoke the jurisdiction of the court it is essential that there be involved a genuine existing controversy calling for the adjudication of present rights. It is contemplated that the parties to the proceeding shall be adversely interested in the matter as to which the declaratory judgment is sought, and their relation thereto such that a judgment or decree will operate as res judicata to them. However, an interesting development of this proposition has been made in Pennsylvania, where it has been held that the court has jurisdiction either where there is an actual controversy, or if there exists the ripening seeds of such a controversy. The distinction made is that if the differences between the parties concerned, as to their legal rights, have reached the stage of antagonistic claims, which are being actively pressed on one side and opposed on the other, an actual controversy appears; but where claims of the several parties in interest, while not having reached that active stage are nevertheless present and indicative of threatened, apparently unavoidable litigation in the immediate future, the ripening seeds of a controversy appear. Apparently, the Indiana courts also have adopted this position. It would seem that this position is the better, as probably some of the older cases have used the word “controversy” in the common law sense where a primary right has already been invaded. Such a view, of course, defeats the very purpose of the Declaratory Judgment Act.

In spite of the view that the Declaratory Judgment Acts should be liberally interpreted, an examination of the recent cases shows that in a large number of them the courts are compelled to refuse to determine controversies which are not real. Moot or theoretical questions cannot be litigated under such acts; nor can actions be brought merely to secure free advice where there is no present existing controversy. Most courts also have stated that they will not render declaratory judgments contingent on future and uncertain events, but a few have pointed out the desirability of granting a contingent declaratory judgment where it will be of value as a guide to the present conduct of the parties. Professor Borchard, an enthusiastic proponent of the Uniform Declaratory Judgment Act, observes in a recent article that,

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8 (1931), 203 Ind. 475, 179 N. E. 783.
11 In Re Cryan’s Estate (1930), 301 Pa. St. 386, 152 Atl. 675.
18 Bochard, Declaratory Judgments in Federal Courts (1932), 141 Yale L. J. 1195.
"It goes without saying that a court can and should always refrain from deciding a particular issue before there is any necessity therefor, and that it is the court's function to establish in the case before it not only the existence of the procedural and substantive prerequisites of justiciability, but also the existence on the record of sufficient facts to pass upon the issue and make the decision res judicata in the case. If there are insufficient facts, the judgment may be withheld as in effect an advisory opinion or involving a moot case, and on actions for declaratory judgments courts have, as a rule, been alert and astute not to render advisory opinions, or decide abstract or hypothetical questions or moot cases.

Another development of litigation under the declaratory judgment statutes has been that such a judgment is usually denied where a specific statutory remedy for a special type of case has been provided. However, as Professor Bochard again so aptly points out, the occasional suggestion in Pennsylvania, Hawaii, Michigan, and elsewhere that a declaratory judgment will not be rendered merely because another common remedy is available is an error of law and a flat contradiction of the express words of the statute, which says, "whether or not further relief is or could be claimed."

R. S. O.

Injunction—Legality of Picketing—Constitutional Law—Defendants, as representatives of a restaurant employees union, undertook to organize an employees restaurant union in Hammond and asked plaintiffs to sign a contract whereby they would agree to employ only union members at terms set out in the contract. The plaintiffs refusing to sign such a contract, a strike was called and two of the plaintiffs' employees left their employment. Plaintiffs' place of business was picketed by members of the union who carried placards upon which in large letters were the words, "THIS RESTAURANT IS UNFAIR TO UNION LABOR." As a result, the plaintiffs lost the patronage of many customers, and drivers of trucks who delivered supplies to the restaurant refused to deal with the restaurant while the picketing was in progress. Held, the picketing, if conducted lawfully, without intimidation, or violence, fraud or misrepresentation, will not be enjoined even if there is a loss of patronage and consequent pecuniary damage.

All jurisdictions agree that picketing for an illegal purpose will be enjoined as a tort if resulting in irreparable injury. Picketing, therefore, will always be enjoined when in furtherance of an illegal strike, or when it induces an

24 Kaleikau v. Hall (1923), 27 Hawaii 420.
1 Scofes v. Helmar (1933), 187 N. E. 662.