The Vanishing Seal

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CURRENT LEGISLATION

will provide protection for labor similar to that provided for capital by the reserve policies of corporations. These reserves will prove a reservoir of purchasing power, the use of which will tend to lessen fluctuations in business by maintaining purchasing power in times of stress. Lastly, the insurance will enable workers to claim a legal right, to come forward as creditors, and no longer to be regarded as applicants to charity. The system gives not only de jure rights but de facto benefits.

Conclusion.

In discussing unemployment insurance we are merely touching the surface of the greatest problem confronting our generation—the problem of social security. It is admitted by most students of the subject that the only solution lies in a program of complete economic rehabilitation. In the last analysis, unemployment insurance is essentially a medicinal measure applicable only after the inception of the malignant disease. Granted that is so, what is the importance of the legislation discussed as to "certain hazards and vicissitudes of life?"

Historically, the enactments are of importance because they aim to promulgate for the first time in American history a system of compulsory unemployment insurance. They aim to bring us abreast of the social insurance legislation that most European nations have deemed feasible for a generation or two. Practically, both laws are minimal, the least that can be offered to wage earners. But we must remember that this is merely a beginning, an experiment. The near future will undoubtedly see the extension and liberalization of many features of the plan. In the meantime, both laws require intelligent administration and whole-hearted cooperation.

Isidore Starr.

THE VANISHING SEAL.—New York in 1935 took another long step forward in doing away with the old-time force and effect of a seal on a written instrument. Section 342 of the Civil Practice Act was rewritten so as to provide: (1) That a seal upon a written instrument executed subsequent to the effective date of the Act shall not be received as conclusive or presumptive evidence of consideration; and (2) that a written instrument need not be under seal in

61 International Labour Office, op. cit. supra note 2, at 10.
62 See works by Charles A. Beard, Paul H. Douglas, Stuart Chase, John Strachey, Norman Thomas, and George Soule.
63 For an elucidation of the argument that social insurance is a mere make-shift, a temporary device, a mere sop to discontent, a program which begs the entire issue of social security, see Mitchell, Social Insurance Is Not Enough (Feb. 1935) CURRENT HISTORY.
64 Andrews, supra note 76.
order to be effective to modify, vary or cancel another sealed instrument.

Prior to this amendment, Section 342 had provided simply that a seal upon an executory instrument should be only presumptive evidence of a sufficient consideration, which might be rebutted as if the instrument was not sealed.

At common law, a seal was a fearful and wonderful thing. In the first place, it was no mere scroll or flourish of the pen. It was required that it be impressed upon wax, wafer or other tenacious substance and affixed to the document. But once this was done, the instrument became in most cases a specialty, and possessed far more significance than a mere simple or unsealed contract.

No deed of real property was effective as a conveyance unless it was sealed. The fact that there was no consideration for the contract or the transaction evidenced by the writing was immaterial, for want, insufficiency or failure of consideration could not be shown, although it is true that at times equity would look behind the seal, and refuse to enforce an instrument, as by specific performance, unless there were in fact sufficient consideration. The presence of a seal on an otherwise negotiable instrument destroyed its negotiability except in the case of a corporate seal. Although the use of a corporate seal has long since ceased to be regarded as essential to the making of a valid contract by a corporation, nevertheless when the corporate seal is affixed to an instrument, its due

2 Town of Solon v. Williamsburgh Savings Bank, 114 N. Y. 122, 21 N. E. 168 (1889).
3 2 BLACKSTONE'S COMMENTARIES 305.
4 Storm v. United States, 94 U. S. 76, 24 L. ed. 42 (1876); see also Stiebel v. Grossberg, 202 N. Y. 266, 95 N. E. 692 (1911). Whether this was the result of a rule that the seal raised a conclusive presumption, or that the document was a formal one requiring no consideration, or that a party was estopped from alleging want of consideration, is a disputed question. See Nostrant v. Davison, 15 Alberta L. R. 252, 51 D. L. R. 205 (1920). However, whatever the theory, the result was the same.
5 See Annotations, 2 A. L. R. 631 (1919); 21 A. L. R. 137 (1922). A court of equity would also in some other instances give relief from the strict common law rules relating to the seal. For instance, the omission by mistake or inadvertence of a necessary seal from an instrument which by its terms purported to be under seal, or on which a seal was essential to its validity, could in many cases be corrected by reformation or otherwise. See Note on this subject, 28 L. R. A. (n. s.) 839 (1910). So also, where the rights of third parties (such as creditors) were involved, equity would frequently look behind the seal and inquire into the consideration (Holland v. Grote, 193 N. Y. 262, 86 N. E. 30 [1908]). Of course in such case it was fraud which furnished the basis of the attack on the instrument, and the want or insufficiency of consideration was merely evidence on that point. See Seymour v. Wilson, 19 N. Y. 417 (1859).
7 Ibid.
8 Whitford v. Laidler, 94 N. Y. 145 (1883).
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execution is presumed,9 this presumption, of course, being rebuttable.20 In the law of agency, the seal was also important. Authority to execute a contract under seal had to be conferred by an instrument under seal;11 and if the instrument conferring authority were under seal, it was sufficient to warrant the agent’s execution of a sealed instrument, even though it did not in terms confer any such authority.12 The doctrine of undisclosed principal did not apply to an instrument under seal, which bound only the parties named therein, proof outside the instrument being inadmissible to show that the nominal party was acting as the agent of another.13 A contract or other writing under seal could only be modified or cancelled by an instrument also under seal.14 The last important result of the use of the seal was the extension of the Statute of Limitations to twenty years15 as contrasted with the six-year limitation on simple contracts.16 This is not, of course, a true common law doctrine, as the Statute of Limitations is purely statutory.17 However, the principle has long been imbedded in our law.18

It is thus evident that at common law the seal itself and the method and manner of affixing it were matters of formality, and the results of its use were considerable and important. But many years ago courts and legislatures began making inroads both on the solemnity attached to the sealing of the instrument, and to the effect of such sealing.19 In New York, this has been largely accomplished by the legislature, as the Court of Appeals has on a number of occasions expressed its unwillingness to do away with the force and effect of the seal.20 The legislature has, on the other hand, in

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12 Ibid.
13 Crowley v. Lewis, 239 N. Y. 264, 146 N. E. 374 (1925).
15 N. Y. CIVIL PRACTICE ACT §47.
16 Id. §48.
17 Wilcox v. Fitch, 20 Johns. 472 (N. Y. 1823); see also Hamilton v. Royal Insurance Co., 156 N. Y. 327, 50 N. E. 863, 42 L. R. A. 485 (1898).
18 "At common law a right of action which had once accrued was immortal. Experience long ago demonstrated the unwise of such a rule. Practical consideration applied to the administration of justice demanded that legal disputes should be settled while evidence was readily obtainable. Since the twelfth century actions concerning real estate have been regulated by statutes of limitation and since the sixteenth century choses in action have been similarly restricted." Brooklyn Bank v. Barnaby, 197 N. Y. 210, 227, 90 N. E. 834, 27 L. R. A. (N. S.) 843 (1910).
several material aspects altered the common law rules relating to the seal, its use and effect.

First, as to the physical form and solemnity of the sealing: In 1892, with the enactment of the Statutory Construction Law,\textsuperscript{21} it was provided that in addition to the wax, wafer or other adhesive substance, the word "seal" or the letters "L.S." opposite the signature should be sufficient to constitute the private seal of a person other than a corporation.\textsuperscript{22} It was further provided that when a corporation shall not have adopted a corporate seal, an instrument or writing executed in the corporate name by the proper officers thereof under their private seals shall be deemed to have been executed under the corporate seal.\textsuperscript{23} Remembering that when the seal appears opposite the name of only one party, the other parties to the instrument are regarded as having adopted that seal;\textsuperscript{24} that a recognition of the seal in the body of the instrument by some such phrase as "witness my hand and seal" or "signed and sealed" is sufficient to show an intention to seal the instrument and any seal appearing thereon is deemed to have been affixed with such intent;\textsuperscript{25} and that even this recital is not necessary if the word "seal" or the letters "L.S." are printed on the instrument, as it is then obvious that they were there when the instrument was signed and there is thus shown an intention to seal the instrument;\textsuperscript{26} when all these things are considered, it is clear

\textit{Williamsburgh Savings Bank, supra note 2; Crowley v. Lewis, 239 N. Y. 264, 146 N. E. 374 (1925).} In the case first cited, the court said (pp. 45-46): "While much has been said about the anachronistic absurdity of giving to seals at the present day the solemnity and force which they once justly possessed and while courts have undoubtedly been quite ready to escape from an alleged invalidity of a contract predicated upon failure to use a seal, nevertheless this court has been unwilling to make a decision generally annulling and destroying well-settled rules pertaining to the use of seals. Such a decision without reservations, which we would be unable to make, would result in affecting contracts in a manner which would be chaotic and unjust. If the use of seals as now required is to be generally discontinued this result should be accomplished by the Legislature, which could make proper reservations preserving the integrity and force of contracts already executed and the task should not be attempted by us."

\textsuperscript{21} N. Y. Laws of 1892, c. 677.

\textsuperscript{22} Id. §13. This provision is now embodied in N. Y. General Construction Law (Cons. Laws, c. 27) §44.

\textsuperscript{23} Id. §13, now embodied in N. Y. General Construction Law §45.

\textsuperscript{24} Cammack v. Slattery & Bro., Inc., supra note 14. This rule applies as well to corporations as to individuals, the only limitation being that the seal adopted must be affixed as the seal of the corporation. Rusling v. Union Pipe & Construction Co., 5 App. Div. 448, 39 N. Y. Supp. 216 (1st Dept. 1896), aff'd, 158 N. Y. 737, 53 N. E. 1131 (1899). Of course, evidence as to whether or not there was any intention on the part of one party to adopt the seal of the other is admissible, and such intention may be shown by any competent evidence. Atlantic Dock Co. v. Leavitt, 54 N. Y. 35 (1873); Rollion Realty Co. v. Sacknoff, 223 App. Div. 723, 226 N. Y. Supp. 737 (2d Dept. 1928). A recital that the instrument is executed under the hands and seals of the parties is sufficient proof that all signing it have adopted the particular seal appearing thereon. Rusling v. Union Pipe & Construction Co., supra.

\textsuperscript{25} Rusling v. Union Pipe & Construction Co., supra note 24.

\textsuperscript{26} Barnard v. Gantz, 140 N. Y. 249, 39 N. E. 430 (1893).
that there is no solemnity and little formality attendant upon the execution of a sealed instrument today.\textsuperscript{27}

So also, the effect of the seal has been substantially modified. Under the present Statute of Frauds, a seal is no longer necessary to effect a conveyance of real property.\textsuperscript{28} Since the adoption in this state of the Uniform Negotiable Instruments Law,\textsuperscript{29} the presence of a seal does not affect the negotiability of paper otherwise negotiable.\textsuperscript{30}

The new amendment to Section 342 of the Civil Practice Act, in the second sentence, has done away with another common law result of the seal. An instrument under seal may now be modified, varied or cancelled by a written instrument not under seal. It will be noted that the sentence uses the words "a written instrument" so that an instrument under seal may not even now be modified, varied or cancelled verbally.\textsuperscript{31} This requirement may now be said to be a part of the Statute of Frauds, and to that extent the seal still has some effect.\textsuperscript{32}

It may be noted in passing that this sentence is an excellent example of bad legislative draftsmanship. It reads: "A written instrument, hereafter executed, which modifies, varies or cancels a sealed instrument, executed prior to the effective date of this section, shall not be deemed invalid or ineffectual because of the absence of a seal thereon." (Italics the writer's.) Literally, of course, this means

\textsuperscript{27}It should be noted, however, that in this state the mere expression of an intention to seal is insufficient. There must be some compliance with \textsection{44} of the General Construction Law; either the word "seal," the initials "L.S." or a wafer, wax or similar adhesive substance must appear on the paper. O'Keefe v. French, 239 App. Div. 498, 268 N. Y. Supp. 102 (1933), \textit{leave to appeal denied}, 264 N. Y. 465 (1934). Thus a recital such as "whereunto we have affixed our seals" is not sufficient in the absence of an actual seal of some sort. Rusling v. Union Pipe & Construction Co., \textit{supra} note 24.

\textsuperscript{28}N. Y. Real Property Law \textsection{423}; Leask v. Horton, 39 Misc. 144, 79 N. Y. Supp. 148 (1902); Heburn v. Reynolds, 73 Misc. 73, 132 N. Y. Supp. 460 (1911); Fitzpatrick v. Graham, 122 Fed. 401 (C. C. A. 2d, 1903). In the case first cited Mr. Justice Gaynor presents an illuminating history of the statute and the necessity for a seal under its various forms. It is interesting to note, however, that the short forms of conveyances and mortgages set forth in \textsection{258} of the New York Real Property Law recite that the parties have sealed the same, with the exception of \textit{statutory form M} (mortgage) which merely recites that "this mortgage has been duly executed by the mortgagor."

\textsuperscript{29}N. Y. Consolidated Laws, c. 30.

\textsuperscript{30}N. Y. Negotiable Instruments Law (Cons. Laws, c. 43) \textsection{25}.

\textsuperscript{31}Even before this amendment, it was held that where one party consented orally to the alteration of a contract under seal and the other party acted upon such consent to his detriment, the performance of the original terms of the contract might be said to have been waived. Imperator Realty Co. v. Tull, 228 N. Y. 447, 127 N. E. 263 (1920). At page 452 the court said: "The original contract is not changed by such waiver, but it stands as an answer to the other party who seeks to recover damages for non-performance induced by an unrecalled consent. * * * We think the doctrine of equitable estoppel applies in such case."

\textsuperscript{32}As a general rule, a writing is not necessary to modify a simple contract merely because it happens to be in writing. Ludwig v. Jersey City Inc. Co., 48 N. Y. 379, 383 (1872).
that a sealed instrument executed before September 1, 1935, may be varied or cancelled by another instrument not under seal; whereas a seal will be necessary if the instrument affected is executed subsequent to that date. Any such interpretation would result in an absurdity; and the intention to produce an absurd result is never to be imputed to the legislature. While ordinarily an omission of the legislature should not be supplied by the courts, it would seem, in view of the obvious purpose of the statute, that the omission here is merely an inadvertence, probably the result of an over-zealous desire to insure the retroactive effect of the amendment, and that it is wholly in accord with the legislative intent that the provision apply to the modification, variation and cancellation of instruments executed not only prior to the effective date of the statute, but also subsequent thereto; and the courts will in all probability adopt this construction with little hesitancy.

Coming now to the last and one of the most important of the statutory modifications of the common law rules—i.e., the effect of the seal as bearing on the presumption of consideration—the first such provision in New York was enacted as a part of the Revised Statutes of 1829 and provided substantially that in every action upon a sealed instrument or where a set-off was founded upon a sealed instrument, the seal should be only presumptive evidence of consideration. This provision remained until the enactment of the Code of Civil Procedure, in which it was incorporated as Section 840 thereof and provided that: "A seal upon an executory instrument, hereafter executed, is only presumptive evidence of a consideration, which may be rebutted, as if the instrument was not sealed." This section was carried into the Civil Practice Act as Section 342, and stood without change until 1935, when the amendment under consideration was passed. The first sentence of the new section reads: "A seal upon a written instrument hereafter executed shall not be received as conclusive or presumptive evidence of a sufficient consideration."

There has been considerable discussion as to the precise meaning and effect of this provision, and somewhat doleful prophecies as to its results, particularly in connection with general releases.

In the first place, it is clear, disregarding for the moment what instruments may be affected, that there is no longer any presumption of any kind as to consideration, arising from the use of the seal. The legislature has been clear and unequivocal on that point. Under the previous statutes, the seal was still, even in executory contracts, presumptive evidence of consideration. It is true that a few cases

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33 People v. Lovell, 21 Misc. 570, 48 N. Y. Supp. 879 (1897); Chase v. Lord, 16 Hun 369 (N. Y. 1878).
35 N. Y. Laws of 1876, cc. 448, 449.
decided by the lower courts held that while under these statutes, the presumption of consideration which at common law had been inherent in the seal itself might be overcome by proof, nevertheless, if the instrument contained a recital of consideration and also a seal, then such expression of consideration was not subject to contradiction for the purpose or with the effect of invalidating the instrument. Suffice it to say that this theory was never adopted by the Court of Appeals, and indeed would seem to have been expressly repudiated by that Court in Baird v. Baird.

It may therefore be said that in any instrument affected by the new Section 342, the seal is without any meaning whatsoever, so far as its effect on the necessity for, or presumption of, consideration is concerned, and this irrespective of whether or not there is an expression of a sufficient consideration in the instrument itself. Within the limitations of the parol evidence rule applying equally to all writings, evidence on the subject may now be introduced as if the instrument were not sealed.

As to just what instruments are affected by the amendment, a difference of opinion has been expressed. Under the Civil Practice Act and Code of Civil Procedure, the law applied only to executory instruments. Now that express limitation has been omitted, and the law by its terms covers "a written instrument." A contract, whether executed or executory, or any other writing not a true contract but rather a mere declaration or admission in writing (such as a receipt or a release), is still a written instrument, and would come within the clearly expressed intention of the legislature. In this respect, the new section is like the old provision of the Revised Statutes of 1829, which applies to "a sealed instrument." This provision was held to include both executory and executed instruments, although its scope was not nearly so broad as the present section by reason of the fact that it applied only to an action upon the instrument or when a set-off was claimed by virtue thereof.

38 145 N. Y. 659, 40 N. E. 222 (1895). "There are, it is true, expressions to be found in some cases to the effect that while the question of consideration is open to be varied by parol proof, yet the party cannot be permitted to claim that a deed or other instrument with a consideration clause or a seal, or both, is wholly without consideration, and thus entirely defeat it. If this idea is anything more than a somewhat shadowy and fanciful remnant of the ancient law, it is not easy to define its precise scope or practical application when applied to an executory instrument like a mortgage. To say that in a case like this it is open to the defendant to reduce by parol proof the sum expressed as the consideration to one dollar or any other nominal sum, but that he cannot go any farther, would be to confess that the distinction, if it exists, is altogether without substance. The instrument would be defeated in either case." (At 665.)
39 See note 36, supra.
42 Fay v. Richards, 21 Wend. 626 (N. Y. 1839).
It would seem clear, therefore, taking into consideration the express wording of the section, the history of the statute, and the interpretations of its predecessors, that the legislature has clearly expressed an intention that it shall apply to all written instruments, whether they be true contracts (executory or executed) or merely writings evidentiary of a transaction requiring consideration to support it. As has been indicated, the statute has no effect to change the general rules that oral evidence is inadmissible to vary or contradict the terms of a written instrument. In all probability its greatest importance from a practical standpoint will be as it affects instruments in which a consideration given by one party for the promise or act of another is expressed in a recital, since such an expression or recital of consideration is regarded merely as a receipt and as such is always open to explanation or contradiction, a proposition of law which has long been recognized and adopted by the courts of this state.

To sum up: We find that the rules concerning the use and effect of the seal have undergone substantial modification from those which prevailed at common law. The execution of a sealed instrument is no more a solemn and formal thing. Two small letters printed at the end of a law blank are all that is required. Failure to seal the instrument no longer renders a deed ineffectual, or commercial paper non-negotiable. A sealed instrument may now be altered or cancelled by an ordinary writing. The seal is today no evidence of a sufficient consideration.

On the other hand, although the seal is apparently surely if slowly passing into oblivion, it has by no means reached that state. The corporate seal still has the effect of raising a presumption of due execution. It is still impossible to hold an undisclosed principal on a sealed contract. Authority to execute such an instrument must be conferred by one of equal solemnity. The Statute of Limitations is still twenty years.

The reason the device should lose its physical characteristics and be deprived of so much of its former signification is undoubtedly due to a gradual realization on the part of the bar and the legislature that the original necessity for and purpose of the seal no longer exist. The reason that the use and effect thereof have not been entirely done away with is probably that it serves as a means of accomplishing some useful results which can be achieved in no other way under our law. It may be desirable in some transactions (such as those

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43 It goes without saying that the amendment will have no practical effect on those instruments for which no consideration is necessary, such as deeds of real property (Meriam v. Harsen, 2 Barb. Ch. 232 [N. Y. 1847]) and fully executed assignments by which title is vested in the assignee (Hull v. Hull, 172 App. Div. 287, 158 N. Y. Supp. 743 [3d Dept. 1916]).

44 See McCurtin v. Stevens, 13 Wend. 527 (N. Y. 1835); Russell v. Kinney, 1 Sandf. Ch. 34 (N. Y. 1843).

involving real property) to have a limitation of actions thereon exceeding six years. In spite of the fiction that full justice is awarded by the courts and that the allowance of costs to the successful plaintiff is payment in full for the trouble and expense to which he has been put in prosecuting his suit, there should be some method of settling a liquidated claim or demand by payment of less than the full amount due. Perhaps, so long as the seal retains any of its other significations, the authority of an agent to affix it should be equally solemn and formal.

But means to accomplish these and any other desirable ends should be attained by some method appropriate thereto. The fact that a long Statue of Limitations is appropriate in one transaction is no justification for adding fourteen years thereto in another merely because the letters "L.S." happen to be printed on the paper on which it is recorded. That accords neither with common sense, the intention of the parties nor the purpose of the Statute of Limitations. The United States Supreme Court said over half a century ago that a sealed instrument "binds the parties by force of the natural presumption that an instrument executed with so much deliberation and solemnity is founded upon some sufficient cause." Today no one will honestly believe or seriously contend that there exists any such "natural presumption."

It is submitted that, rather than continuing to pursue the course followed for the last one hundred years and more, of now and then essaying some infringement on the domain of the seal, and then a few years later amending and changing the degree of the infringement, the better and only proper course would be to do away entirely with this now decrepit remnant of ancient law; and in those cases where it is still serving some useful purpose, to provide a more logical and modern means of accomplishing the same end.

Wesley Davis.

THE WAR ON CRIME.—In recent years, the problem of dealing with crime and criminals has become a major one, and it has become increasingly evident that the old laws and methods were ineffective to battle the new type of criminals. Prior to the repeal of the Prohibition laws, the leaders in the movement for repeal declared that those laws were responsible for the increase in and prevalence of crime, and held forth the hope that with the repeal, crime would cease. However, there was no instantaneous change—in fact, there

\[\text{\#46} \] The present amendment has done away with the use of the sealed receipt or release as a means of settling out of court many claims, without substituting anything in place thereof. This will work a hardship on attorneys and clients alike. Means may be devised, such as giving a worthless chattel or the promise of a third person, as a part of the consideration. Whether or not the courts will countenance a too bare-faced subterfuge remains to be seen.

\[\text{\#47} \] Storm v. United States, 94 U. S. 76, 24 L. ed. 42 (1876).