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Sheldon Vs. Sill

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Court : US Supreme Court

Decided On : 1850

Appeal No. : 49 U.S. 441

Appellant : Sheldon

Respondent : Sill

Judgement :

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Sheldon v. Sill

49 U.S. (8 How.) 441

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES

FOR THE DISTRICT OF MICHIGAN, SITTING IN EQUITY

SYLLABUS

Courts created by statute can have no jurisdiction but such as the statute confers.

Therefore, where the Third Article of the Constitution of the United States says that the judicial power shall have cognizance over controversies between citizens of different states, but the act of Congress restrains the circuit courts from taking cognizance of any suit to recover the contents of a chose in action brought by an assignee when the original holder could not have maintained the suit, this act of Congress is not inconsistent with the Constitution.

A debt secured by bond and mortgage is a chose in action.

Therefore, where the mortgagor and mortgagee resided in the same state, and the mortgagee assigned the mortgage to the citizen of another state, this assignee could not file his bill for foreclosure in the circuit court of the United States.

The appellee was the complainant in the court below. The bill was filed to procure satisfaction of a bond, executed by the appellant, Thomas C. Sheldon, and secured by a mortgage on lands in Michigan executed by him and Eleanor his wife, the other appellant. The bond and mortgage were dated on 1 November, 1838, and were given by the appellants, then and ever since citizens of the State of Michigan, to Eurotas P. Hastings, President of the Bank of Michigan, in trust for the President, Directors, and Company of the Bank of Michigan.

The said Hastings was then and ever since has been a citizen of the State of Michigan, and the Bank of Michigan was a body corporate in the same state.

On 3 January, A.D. 1839, Hastings, President of said bank, under the authority and direction of the Board of Directors,

"sold, assigned, and transferred, by deed duly executed under the seal of the bank, and under his own seal, the said bond and mortgage, and the moneys secured thereby, and the estate thereby created"

to said Sill, the complainant below, who was then and still is a citizen of New York.

These are all the facts which it is necessary to state, for the purpose of raising the question of jurisdiction.

The circuit court decided in favor of the complainant below, and decreed a sale of the mortgaged premises &c.;

From this decree the defendants appealed to this Court.

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MR. JUSTICE GRIER delivered the opinion of the Court.

The only question which it will be necessary to notice in this case is whether the circuit court had jurisdiction.

Sill, the complainant below, a citizen of New York, filed his bill in the Circuit Court of the United States for Michigan, against Sheldon, claiming to recover the amount of a bond and mortgage, which had been assigned to him by Hastings, the President of the Bank of Michigan.

Sheldon, in his answer, among other things, pleaded that

"the bond and mortgage in controversy, having been originally given by a citizen of Michigan to another citizen of the same state, and the complainant being assignee of them, the circuit court had no jurisdiction."

The eleventh section of the Judiciary Act, which defines the jurisdiction of the circuit courts, restrains them from taking

"cognizance of any suit to recover the contents of any promissory note or other chose in action in favor of an assignee unless a suit might have been prosecuted in such court to recover the contents if no assignment had been made, except in cases of foreign bills of exchange."

The Third Article of the Constitution declares that

"The judicial power of the United States shall be vested in one Supreme Court and such inferior courts as the Congress may, from time to time, ordain and establish."

The second section of the same article enumerates the cases and controversies of which the judicial power shall have cognizance, and, among others, it specifies "controversies between citizens of different states."

It has been alleged that this restriction of the Judiciary Act, with regard to assignees of choses in action, is in conflict with this provision of the Constitution and therefore void.

It must be admitted that if the Constitution had ordained and established the inferior courts and distributed to them their respective powers, they could not be restricted or divested by Congress. But as it has made no such distribution, one of two consequences must result -- either that each inferior court created by Congress must exercise all the judicial powers not given to the Supreme Court or that Congress, having the power to establish the courts, must define their respective jurisdictions.

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The first of these inferences has never been asserted, and could not be defended with any show of reason, and if not, the latter would seem to follow as a necessary consequence. And it would seem to follow also that, having a right to prescribe, Congress may withhold from any court of its creation jurisdiction of any of the enumerated controversies. Courts created by statute can have no jurisdiction but such as the statute confers. No one of them can assert a just claim to jurisdiction exclusively conferred on another or withheld from all.

The Constitution has defined the limits of the judicial power of the United States, but has not prescribed how much of it shall be exercised by the circuit court; consequently the statute which does prescribe the limits of their jurisdiction cannot be in conflict with the Constitution unless it confers powers not enumerated therein.

Such has been the doctrine held by this Court since its first establishment. To enumerate all the cases in which it has been either directly advanced or tacitly assumed would be tedious and unnecessary.

In the case of *Turner v. Bank of North America,* 4 Dall. 10, it was contended, as in this case, that as it was a controversy between citizens of different states, the Constitution gave the plaintiff a right to sue in the circuit court notwithstanding he was an assignee within the restriction of the eleventh section of the Judiciary Act. But the Court said

"The political truth is that the disposal of the judicial power (except in a few specified instances) belongs to Congress, and Congress is not bound to enlarge the jurisdiction of the federal courts to every subject in every form which the Constitution might warrant."

This decision was made in 1799; since that time, the same doctrine has been frequently asserted by this Court, as may be seen in *McIntire v. Wood,* 7 Cranch 506; *Kendall v. United States,* 12 Pet. 616; *Cary v. Curtis,* 3 How. 245.

The only remaining inquiry is whether the complainant in this case is the assignee of a "chose in action" within the meaning of the statute. The term "chose in action" is one of comprehensive import. It includes the infinite variety of contracts, covenants, and promises which confer on one party a right to recover a personal chattel or a sum of money from another by action.

It is true a deed or title for land does not come within this description. And it is true also that a mortgagee may avail himself of his legal title to recover in ejectment in a court of law. Yet even there, he is considered as having but a chattel

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interest, while the mortgagor is treated as the true owner. The land will descend to the heir of the mortgagor. His widow will be entitled to dower. But on the death of the mortgagee, the debt secured by the mortgage will be assets in the hands of his executor, and although the technical legal estate may descend to his heir, it can be used only for the purpose of obtaining satisfaction of the debt. The heir will be but a trustee for the executor.

In equity, the debt or bond is treated as the principal, and the mortgage as the incident. It passes by the assignment or transfer of the bond, and is discharged by its payment. It is in fact but a special security or lien on the property mortgaged. The remedy obtained on it in a court of equity is not the recovery of land, but the satisfaction of the debt. It is the pursuit by action of one debt on two instruments or securities -- the one general, the other special. The decree is that the mortgaged premises be sold to pay the debt, and if insufficient for that purpose, that the complainant have further remedy by execution for the balance.

The complainant in this case is the purchaser and assignee of a sum of money, a debt, a chose in action -- not of a tract of land. He seeks to recover by this action a debt assigned to him. He is therefore the "assignee of a chose in action" within the letter and spirit of the act of Congress under consideration, and cannot support this action in the circuit court of the United States where his assignor could not.

The judgment of the circuit court must therefore be

Reversed for want of jurisdiction.

ORDER

This cause came on to be heard on the transcript of the record from the Circuit Court of the United States for the District of Michigan and was argued by counsel. On consideration whereof it is now here ordered and decreed by this Court that this cause be and the same is hereby reversed for the want of jurisdiction in that court, and that this cause be and the same is hereby remanded to the said circuit court with directions to dismiss the bill of complaint for the want of jurisdiction.

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