

Miller Vs. Tiffany

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Decided On : 1863

Appeal No. : 68 U.S. 298

Appellant : Miller

Respondent : Tiffany

Judgement :

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Miller v. Tiffany

68 U.S. (1 Wall.) 298

ERROR TO THE CIRCUIT COURT

FOR THE DISTRICT OF INDIANA

SYLLABUS

In an action for the price of goods which the purchaser by his own agents examined and selected and which he himself afterwards received and kept without objection, it is no defense that the price as agreed on was above that of the

market, there having been neither fraud, misrepresentation, nor warranty in the case.

A person contracting for the payment of interest may contract to pay it either at the rate of the "place of contract" or at that of the "place of performance," as one or the other may be agreed on by himself and the creditor, and the fact that the rate of the place at which it is agreed that it shall be paid is higher than the rate in the other place will not expose the transaction to the imputation of usury unless the place agreed on was fixed for the purpose of obtaining the higher rate and to evade the penalty of a usurious contract at the other place.

Tiffany filed a bill against Miller and wife in the Circuit Court for the District of Indiana to foreclose a mortgage which the last-named persons had given to Palmer, a merchant of New York, and Wallace, an attorney at law of Cleveland, Ohio, as assignees of two insolvent firms, which mortgage they, the said Palmer and Wallace, had assigned to him, the complainant.

The facts of the case were essentially these:

Two mercantile firms, closely connected with each other and in part composed of the same persons -- one in Cleveland, *Ohio*, and one in *New York City* -- being unfortunate in business, had made an assignment of their effects, dry goods chiefly, to these two persons, Wallace and Palmer, Palmer being a large creditor of the firms. About \$50,000 worth of the goods were at Cleveland under Wallace's charge, and about \$73,000 worth in New York, under Palmer's.

In this state of things, Miller, a German trader, resident at Fort Wayne, in *Indiana*, who had a valuable unencumbered real estate in that state, but who was largely in debt and much embarrassed for ready money, employed two personal friends, Turner and Rufner, to go to New York and raise him money. They went there in February, 1858, and after making, according to Rufner's account, "desperate efforts, for at least four weeks, by publication in the Herald

and Tribune," fell in with a broker, named Anthony, who introduced them to Palmer. The result was that Palmer entered into a treaty to sell Miller \$20,000 worth of that part of the assigned goods in New York, at six months' credit, and to receive in payment for them a mortgage on Miller's real estate in Indiana, payable in five years, the mortgage to provide, however, that if there should be any default in paying the interest, the principal should become due at once. Palmer wrote, on the 15th of February, 1858, to Wallace at Cleveland what he had agreed on, requested him to go to Fort Wayne in Indiana, examine the property and title, and if satisfied with both to have the papers prepared, after which the goods should be delivered to Miller or his agents. Wallace accordingly went to Fort Wayne, in Indiana, and being satisfied with the security, a note for the term mentioned was given by Miller, with interest at ten percent, payable not in New York, where Palmer lived and where the goods were bought, nor yet in Fort Wayne, the residence of Miller, but in Cleveland (at the Commercial Branch Bank there), the residence of Wallace, with the current rate of exchange on New York. [[Footnote 1](#)] Matters being thus concluded, Rufner, the friend of Miller, went to New York and selected the goods out of the assigned stock there. They were then shipped to Fort Wayne, where Miller received them.

Six percent, it is necessary to state, was apparently the lawful rate of interest in Indiana. Ten was allowable in Ohio, under a statute of 14th March, 1850, at that time in

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force. Whether *on a sale of goods* ten was in New York was not so clear. On the loan of money it was not.

The interest not being paid and the present bill filed to foreclose the mortgage, Miller set up two principal defenses:

1. That the goods were not worth anything like the sum at which they had been sold to him.
2. That the contract for ten percent was usurious and void.

As respected the value of the goods, the testimony was conflicting. *Evans*, a trader of Fort Wayne, who on Miller's invitation had looked through the goods, "without any special motive, but the same as he would look through any other stock of goods in town, to see what I had to compete with," when interrogated as to their value replied,

"This is a difficult question to answer, *one in which, perhaps, no two men would agree*. Their value to any man depends upon *his facilities for getting rid of them*. I should estimate their value to *me*, considering the fact that the stock was an old stock of goods, a great portion of them out of style, being poorly assorted, a large quantity of goods of a particular kind, and few or none of other kinds necessary to make up an assortment in proportion to the whole amount of stock, at from *sixty* to sixty-five percent of the invoices."

Walker, another resident of Fort Wayne, who had been "engaged in trading goods for about seven years, railroading some, and a part of the time engaged in outside trading," confirmed this estimate between invoice and *cash* values; adding,

"the principal objections to the stock were, that the goods were badly *selected*; large amounts of some kinds, and a few or none of others to make them saleable. A considerable quantity of them were out of style, which is a bad objection in selling goods. Part of the goods were worth more than the invoice price, and a part of them less, making the average value about two-thirds invoiced price."

Gilford, who was a clerk of Miller, when the goods arrived at Fort Wayne, thought that

"the general character of the goods was not very good. The goods were principally old styles, and was a hard stock to sell, and the majority of them

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were billed to Miller at too high prices for retailing purposes. They were worth, in my opinion, about sixty cents on the dollar."

As respected the matter of usury. It appeared that Mr. Hough, an attorney of Fort Wayne, where Miller lived, was employed by Wallace, on his visit to Fort Wayne, to draw the papers in the case. In giving an account of the circumstances under which the note was made payable, Hough's testimony was that on the morning of the day when the note was drawn, Miller introduced him to Wallace. The witness stated as follows:

"The note and mortgage were drawn up in my office on the 22d of February, 1858. I first wrote a note *payable in New York* for the amount specified, *with ten percent interest*, upon which some conversation ensued between Wallace and Miller, when Miller remarked in substance that he would rather pay it to Wallace: 'I know you, Wallace; you are a clever fellow; I would rather pay you, as I don't know Palmer,' and asked if it could not be paid in Cleveland, adding that he expected to trade there, and *it would be easier for him to pay it in Cleveland. Upon the request of Miller,* Wallace wrote a note, and made it payable at the Commercial Branch Bank at Cleveland, which was and is the residence of Wallace."

There was no evidence to contradict this except so far as it might be found in a correspondence between Palmer in New York and Wallace in Cleveland. Palmer, after concluding the negotiation with Rufner and Turner (Miller's agents in New York), gave Rufner, then on his way through Cleveland to Fort Wayne, an open letter to Wallace -- the one already mentioned, and dated 15th February, 1858 -- and to be delivered by Rufner to him. It ran thus:

"This will be handed to you by Mr. Rufner, one of the parties who have been negotiating with me for the purchase of part of our stock of goods here, the purchase money to be secured by mortgage on Mr. Miller's property at Fort Wayne. My proposal to them is to sell \$20,000 of our goods, at our regular prices to the country, at six months' credit, and to receive in pay therefor, a bond and mortgage on Mr. Miller's property -- provided

it affords satisfactory security for the amount and the title is undoubted, the mortgage to be the first lien on the property, and payable on or before five years, bearing *ten* percent semiannual interest, the first interest to be payable in twelve months from the date of the delivery of the goods here, the principal and *interest* to be payable *here*, "

etc.

On the 22d February, 1858, Wallace, who, in pursuance of this letter, went, as already mentioned, to Fort Wayne, in Indiana, having, as he says, "concluded the business for which I came here," writes to his co-assignee Palmer, from that place, late in the evening and when "tired," a long letter and "in full," "how he found things and what he had done." He gives an account of some accidents on the way, his being detained by "a blockade of snow," how he had examined the property thoroughly with Mr. Hough, a full account of the character and value of the property &c.;, and after a mention of some other things proper enough to be reported to his co-assignee or principal, his letter contained this sentence, the only one having any reference whatever to the place where the interest on the mortgage note was to be paid, or as to *why* Palmer's instructions on that point had been departed from:

"I have taken the liberty *to vary from your instructions in reference to the place where the note is made payable. Seven* percent being, as I understand, the legal rate of interest in New York, and *six percent being the rate in Indiana, the note would seem to be open to the plea of usury both here and in New York if made for ten* percent. *So, to avoid this, I made it payable in Ohio and dated it there, where ten percent is the legal rate with exchange on New York, which results the same.* "

Wallace, who was himself examined as a witness, gave this account. After confirming Hough's statement that the note was originally drawn so as to make interest payable in New York and that it was by *Miller's* request that it was finally made payable in Cleveland, Wallace continued:

"Upon *this request of Mr. Miller*, I consented that I would take his note, payable as he had desired, with exchange on New York,

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to which he agreed, and the note in suit was thus drawn up by myself and executed by Mr. Miller. The note was so executed by Miller, and received by me in the utmost good faith on my part as to the place where it was dated and made payable, *and mainly for the reason expressed by Miller, that it would enable him to pay it in his home currency. Perhaps another reason* which induced me to consent to the change proposed by Miller was that I understood that by the laws of New York, seven percent was the legal rate of interest, and as Mr. Palmer had informed me that the note was to draw ten percent interest, it occurred to me that perhaps the contract *might upon its face be opened to the plea of usury if payable in New York, and not having time to examine the question, and as the laws of my own state allowed parties to contract for ten percent interest*, and believing that I had the same right to make the note payable at my place of residence (as we were joint assignees in both New York and Cleveland), as at the domicile of Mr. Palmer, I thought it would remove that *apparent objection upon the face*, if the note was made payable at my residence in Ohio."

A sharp cross-examination got no very different result. The witness said:

"I regarded my knowledge as very imperfect upon the subject, for I had no knowledge of the *construction* of the statute of New York. I only had *queries* in my mind in reference to it, and fears that the contract *might* be regarded *upon its face* as usurious. I knew that the legal rate of interest in New York was seven percent, and at the same time I had that confidence in Mr. Palmer's experience as a businessman that *he* must know the statute of his own state in respect to interest upon all contracts, that he would not have bargained blindly for an illegal rate. Hence my *doubts* as to whether or not it was usurious upon its face. I regarded the contract as important, and I had a good deal of interest, but I had less personal anxiety in regard to it, and did not investigate questions connected with it as I should have done had I not known that Palmer, before consummating

the sale, *would consult his lawyer* in New York, Mr. Charles Tracy."

On the other hand, there were some *indications* in the evidence that the whole business, so far as Miller was concerned,

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was a scheme of his, and perhaps of Rufner's, to get the goods by fraud and without paying anything to anybody for them. It appeared, at least, that after Wallace, late at night -- near midnight -- had written his letter to Palmer of 22d of February, 1858, a copy of it -- either at his request and because he was tried, or at the request of Rufner, and for some purpose, honest or dishonest, of his -- had been taken by Miller's clerk, and that copy, containing the remark as to the reason why the interest had been made payable at Cleveland, was now produced accordingly. Rufner also swore that when he and Turner were making the treaty or negotiation with Palmer in New York for the goods, nothing was said about the rate of interest, that *he* expected it was to be seven percent, the New York rate, and that the first intimation he had to the contrary was Palmer's open letter to Wallace, given to him, Rufner, to be delivered. Giving an account further on of the report, which, on getting to Fort Wayne, in Indiana, he had made to his principal and friend Miller, Rufner said:

"I did report to Mr. Miller the terms as were written to Mr. Wallace, *it being the only evidence in writing that we had in relation to the whole transaction up to that time.* Mr. Miller swore that by * * * ten percent would eat him up; he might as well surrender at once, and that the idea of his wife joining in a mortgage and note was a thing he had never been called upon to do, and he could not consent to accept such a * * * proposition, and that he had better let his business go to * * *. I told him, of course, he was the judge in the matter; that these were the terms; I knew they were hard, but it was the best and only thing I could do with Mr. Palmer, and that, in my opinion, if he objected to any portion of Palmer's written instruction to Mr. Wallace, he might as well abandon the whole; that I had understood *Mr. Wallace had no power to act in the matter. I said I thought that the contract with ten percent interest was a usurious one.* "

This conversation was just before Wallace arrived in Fort Wayne to examine and conclude matters, and at Miller's request changed the place of paying the interest.

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It appeared that immediately after the mortgage was executed and forwarded to Palmer at New York, Rufner, who now went to New York to select the goods, wrote, on the *25th of February*, to Miller, about the subject of his business there. The contents of his letter were to be inferred from the reply. Miller writes back on the 2d of March, 1858, that is to say, *ten days after* the conclusion of matters at Fort Wayne, between himself and Wallace, thus:

" *Friend Rufner:* Yours of the 25th February was received this morning, and contents particularly noticed, and in reply, have but little to say, knowing that your good judgment will enable you to see and do things for me and yourself far better at this late day than I could suggest, being so far from the place of action, and knowing so little of the surroundings and influences under which you will have to act, in order to accomplish the object of your visit to New York. . . . *Be sure you preserve a copy of Mr. Wallace's letter to Mr. Palmer.* "

And he adds in a postscript:

"P.S. In regard to the ten percent matter, let the Palmer party do all the talking themselves, *and keep perfectly cool and shady* on that subject. Don't let Turner see this letter."

The court below made a decree of foreclosure, and from that decree the present appeal was taken; the questions here being the same as below.

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MR. JUSTICE SWAYNE delivered the opinion of the Court:

Two defenses to the mortgage are relied upon:

1. That the goods sold to the defendant, which formed the consideration of the note secured by the mortgage, were worth largely less than the amount for which the note was given. It is claimed, therefore, that there has been a partial failure of consideration.

The evidence upon the subject is conflicting. It has failed

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to establish to our satisfaction the fact alleged. Fraud or misrepresentation by the vendor is neither averred nor proved. It is in proof that the goods were carefully examined by the agents of Miller before they were bought, and that they were selected when the purchase was made. They were sold at the regular prices of the establishment. It does not appear that Miller made any objection, either to the prices or quality, when he received them, or that he ever made any objection until it was set up in his answer in this case, more than a year after the goods were delivered to him.

The objection comes too late. The sanctity of contracts cannot thus be trifled with. The common law, unlike the civil law, does not imply a warranty from a full price. Where there is neither fraud nor warranty and the buyer receives and retains the goods without objection, he waives the right to object afterwards, and is finally concluded. In such cases, the rule of *caveat emptor* applies. [[Footnote 2](#)]

2. The defense chiefly relied upon is usury. The result of our inquiry upon that subject must depend upon the *lex loci* that governs the contract.

Palmer and Wallace, the payees of the note, were the assignees of an insolvent firm which did business under one name in New York and under another at Cleveland, Ohio. Palmer resided at New York and Wallace at Cleveland. About \$50,000 worth of the goods, covered by the assignment, were at the former city, and about \$75,000 worth at the latter. The negotiation for the sale was commenced by Palmer and concluded by Wallace. The note is as follows: [His Honor here read the mortgage note, already described. [[Footnote 3](#)]] Miller lived in Indiana. The note and mortgage were executed in that state. The mortgaged

premises are situated there. Wallace was present at the execution of the securities. They were transmitted to Palmer at New York, and the goods were thereupon shipped thence to Indiana. The note and mortgage have been assigned to the appellee.

We lay out of view the imputation upon Palmer and Wallace

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of a fraudulent purpose to evade by shift or device the usury statute of Indiana or New York. It is wholly unsupported by the evidence. They were acting in a fiduciary character, and could have had no motive to engage in such a transaction. There is no reason to believe that such a conception entered into their minds. On the other hand, we are by no means satisfied that it was not the deliberate purpose of Miller, when the arrangement was made, to involve them in the toils of this defense and if possible to escape with the goods without paying anything for them. Our business, however, is to ascertain and apply the law of the case. We shall not discuss the evidence bearing upon the ethics of his conduct.

"The general principle in relation to contracts made in one place to be performed in another is well settled. They are to be governed by the law of the place of performance, and if the interest allowed by the law of the place of performance is higher than that permitted at the place of contract, the parties may stipulate for the higher interest without incurring the penalties of usury. [[Footnote 4](#)]"

The converse of this proposition is also well settled. If the rate of interest be higher at the place of the contract than at the place of performance, the parties may lawfully contract in that case also for the higher rate. [[Footnote 5](#)]

These rules are subject to the qualification that the parties act in good faith and that the form of the transaction is not adopted to disguise its real character. The validity of the contract is determined by the law of the place where it is entered into. Whether void or valid there, it is so everywhere. [[Footnote 6](#)]

When these securities were executed, the statute of Ohio of the 14th of March, 1850, upon the subject of interest, was

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in force. According to its provisions, parties might lawfully contract for any rate of interest not exceeding ten percent per annum. The contract of Miller was therefore valid.

Decree affirmed with costs.

[[Footnote 1](#)]

The note was in these words:

"\$20,000 CLEVELAND, O., February 22, 1850"

"Five years after date, for value received, I, George Miller, of Fort Wayne, Allen County, Indiana, promise to pay Courtland Palmer and Frederick Wallace, assignees, or their order twenty thousand dollars, *with interest at the rate of ten percentum per annum*, payable semiannually, after six months from the date hereof, and on failure to pay said interest when due, the whole of said note to become due and collectable, the above note, interest, and principal, *negotiable and payable at the Commercial Branch Bank, Cleveland, Ohio, with the current rate of exchange on New York*, and without relief from valuation or appraisement laws of the State of Indiana."

"GEORGE MILLER"

[[Footnote 2](#)]

Hargous v. Stone, 1 Selden 73.

[[Footnote 3](#)]

See *ante*, p. <68 U.S. 299|>299, note.

[[Footnote 4](#)]

[Andrews v. Pond](#), 13 Pet. 77, [38 U. S. 78](#) ; *Curtis v. Leavitt*, 15 N.Y. 92;
Berrien v. Wright, 26 Barbour 213.

[[Footnote 5](#)]

[Depeau v. Humphrey](#), 20 How. 1; *Chapman v. Robinson*, 6 Paige 634.

[[Footnote 6](#)]

[Andrews v. Pond](#), 13 Pet. 78; *Mix v. Madison Ins. Co.*, 11 Ind. 117; *Corcoran & Riggs v. Powers*, 6 Ohio St. 19.

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