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Knox Vs. Exchange Bank

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Court : US Supreme Court

Decided On : 1870

Appeal No. : 79 U.S. 379

Appellant : Knox

Respondent : Exchange Bank

Judgement :

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Knox v. Exchange Bank

79 U.S. (12 Wall.) 379

MOTION TO DISMISS A WRIT OF ERROR TO

THE SUPREME COURT OF APPEALS OF VIRGINIA

SYLLABUS

1. A party to an action who has received his discharge in bankruptcy pending the action has no further interest in the suit, and therefore cannot bring a writ of error to a judgment rendered against him before receiving such discharge.

2. The assignee of the bankrupt is the proper party to bring error in such case.

3. This Court cannot entertain jurisdiction of a case from a state court, because the judgment of that court impairs or fails to give effect to a contract.

4. The judgment must give effect to some state statute or state constitution which impairs the obligation of a contract, or is alleged to do so by the plaintiff in error, or the case for review here does not arise.

5. It is not sufficient in such case that the party in his pleading or the counsel in argument assailed such statute on that ground. And it must appear that the state court rested its judgment on the validity of the statute, either expressly or by necessary intendments.

6. Hence, if the judgment of the court would have been the same without the aid of the special statutory provisions assailed by the plaintiff in error, there is no case for review in this Court.

The Exchange Bank of Virginia was, by its charter, authorized to issue notes of circulation, which were made a valid tender to the bank in payment of any debt due to it. After the war of the rebellion was over, a law was passed, February 12, 1866, authorizing the insolvent banks of the state to make general assignments for the benefit of their creditors. The Exchange Bank, being in that condition, made such an assignment, and the assignee sued Knox & Brothers, and also J. S. Knox, upon a negotiable note. The pleas were *nil debet,* tender and offset, and these were the issues. In the progress of the case, the defendants brought into court and tendered notes of the bank sufficient to cover the debt, interest, and costs to that date, which they pleaded in payment.

The Court of Appeals of Virginia, in the judgment which the present writ was designed to bring before this Court,

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held that this could not be done, and gave judgment accordingly. From that judgment the case was brought here under an assumption that it was within the

25th section of the Judiciary Act, which provides that a final judgment of the highest court of a state,

"where is drawn in question the validity of *a statute* . . . of any state on the ground of its being repugnant to the Constitution of the United States, and the decision is in favor of such, its validity may be reexamined and reversed"

in this Court.

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MR. JUSTICE MILLER delivered the opinion of the Court.

In the case of *Herndon v. Howard,* it was decided that the proper course when a party to a writ of error had been declared bankrupt and an assignee duly appointed was for the assignee in bankruptcy to make application to reinstate it and to be substituted for the bankrupt as plaintiff in error. The application, here, being made during the term, while the matter is still within our control, we see no objection to the substitution asked for, if the case is one which ought to be reinstated.

The motion on which the writ of error was dismissed last spring was based on the allegation that no question is found in the record which would give this Court jurisdiction to review the judgment of the state court. As it would be useless to set aside the order of dismissal merely to try that question again, on which the parties were fully heard, we must now inquire if that objection is well taken.

It is now argued by the plaintiff in error that the original provision in the charter of the bank making its notes receivable for debts due to it was a contract, and that the obligation of that contract has been impaired. We have decided in the case of *Furman v. Nichol,* that such a law does constitute a contract, which attaches to the notes in the hands of anyone to whom they may come, and we agree that if the

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trustee of the bank is to be considered as occupying, for the purposes of this suit, the place of the bank, that the judgment of the Court of Appeals was erroneous.

But we are not authorized by the Judiciary Act to review the judgments of the state courts, because their judgments refuse to give effect to valid contracts, or because those judgments, in their effect, impair the obligation of contracts. If we did, every case decided in a state court could be brought here, when the party setting up a contract alleged that the court had taken a different view of its obligation to that which he held. As this Court said in *Railroad Company v. Rock,* * it must be the constitution, or statute, of the state which impairs the obligation of a contract, or the case does not come within our jurisdiction.

What statute of Virginia is supposed to affect unfavorably the contract under which these notes were issued?

It is rather insinuated than fully declared, that the court gave such effect to the act of February, 1866, under which the bank made its assignment. But nothing in the record shows that the court based its judgment on any such proposition. Nor is there anything in that statute which by any possibility can be said to impair the force given to those notes by the charter of the bank. The latter statute merely authorized, in general terms, the insolvent banks to make assignments of all their effects for the benefit of all their creditors. This is a right which they probably had before. But whether they did or not the statute contains no expression from which the intent to affect the value of the notes of the bank as payment for its debts can be inferred.

In the case of *Nichol v. Furman,* the State of Tennessee passed a law by which the notes of the bank receivable by its charter for taxes were no longer to be so received, and this Court held that this latter statute impaired the obligation of the contract found in the charter. But there it was the statute which worked the injury and it was the judgment of

the state court holding the statute valid which gave this Court jurisdiction.

So in the case of *Bridge Proprietors v. Hoboken Company.* The Legislature of New Jersey had passed a law authorizing the company to erect a railroad bridge at a certain point where the complainants alleged that they had an exclusive privilege for bridging the stream under a statute passed many years before. If the first statute gave this exclusive right, it was clear that the second statute impaired that right, and so impaired the obligation of the contract. This we held to be a proper subject of inquiry by this Court. But in the present case there can be no pretense that the statute which authorized the assignment by the bank impaired the obligation of the contract to receive its notes for its debts, nor does the right or claim of the trustee to refuse the notes in payment rest on this statute or on any construction given to it by the court.

We are of opinion that nothing in the record before us shows jurisdiction in this Court, and the motion to reinstate is, for this reason,

Overruled.

* 71 U. S. 4 Wall. 181; *See also* *Railroad Company v. McClure,* 10 Wall. 511.

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