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Harris Vs. Balk

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Court : US Supreme Court

Decided On : May-08-1905

Appeal No. : 198 U.S. 215

Appellant : Harris

Respondent : Balk

Judgement :

Harris v. Balk - 198 U.S. 215 (1905)
U.S. Supreme Court Harris v. Balk, 198 U.S. 215 (1905)

Harris v. Balk

No. 191

Argued April 4. 1905

Decided May 8, 1905

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ERROR TO THE SUPREME COURT OF

THE STATE OF NORTH CAROLINA

SYLLABUS

A citizen of North Carolina who owed money to another citizen of that state, was, while temporarily in Maryland, garnisheed by a creditor of the man to whom he owed the money. Judgment was duly entered according to Maryland practice, and paid. Thereafter, the garnishee was sued in North Carolina by the original creditor and set up the garnishee judgment and payment, but the North Carolina courts held that, as the situs of the debt was in North Carolina, the Maryland judgment was not a bar, and awarded judgment against him. *Held,* error and that:

As, under the laws of Maryland, the garnishee could have been sued by his creditor in the courts of that state, he was subject to garnishee process if found and served in the state, even though only there temporarily, no matter where the situs of the debt was originally.

Attachment is the creature of the local law, and power over the person of the garnishee confers jurisdiction on the courts of the state where the writ issues. A judgment against a garnishee, properly obtained according to the law of the state and paid, must, under the full faith and credit clause of the federal Constitution, be recognized as a payment of the original debt by the courts of another state in an action brought against the garnishee by the original creditor.

Where there is absolutely no defense and the plaintiff is entitled to recover, there is no reason why the garnishee should not consent to a judgment impounding the debt, and his doing so does not amount to such a voluntary payment that he is not protected thereby under the full faith and credit clause of the Constitution.

While it is the object of the courts to prevent the payment of any debt

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twice over, the failure on the part of the garnishee to give proper notice to his creditor of the levying of the attachment would be such neglect of duty to his creditor as would prevent him from availing of the garnishee judgment as bar to the suit of the creditor, and thus oblige him to pay the debt twice.

The plaintiff in error brings the case here in order to review the judgment of the Supreme Court of North Carolina affirming a judgment of a lower court against him for $180, with interest, as stated therein. The case has been several times before the Supreme Court of that state, and is reported in 122 N.C. 64, again, 124 N.C. 467. The opinion delivered at the time of entering the judgment now under review is to be found in 130 N.C. 381. *And see also* 132 N.C. 10.

The facts are as follows: the plaintiff in error, Harris, was a resident of North Carolina at the time of the commencement of this action in 1896, and prior to that time was indebted to the defendant in error, Balk, also a resident of North Carolina, in the sum of $180, for money borrowed from Balk by Harris during the year 1896, which Harris verbally promised to repay, but there was no written evidence of the obligation. During the year above mentioned, one Jacob Epstein, a resident of Baltimore, in the State of Maryland, asserted that Balk was indebted to him in the sum of over $300. In August, 1896, Harris visited Baltimore for the purpose of purchasing merchandise, and while he was in that city temporarily on August 6, 1896, Epstein caused to be issued out of a proper court in Baltimore a foreign or nonresident writ of attachment against Balk, attaching the debt due Balk from Harris, which writ the sheriff at Baltimore laid in the hands of Harris, with a summons to appear in the court at a day named. With that attachment, a writ of summons and a short declaration against Balk (as provided by the Maryland statute) were also delivered to the sheriff, and by him set up at the courthouse door, as required by the law of Maryland. Before the return day of the attachment writ, Harris left Baltimore and returned to his home in North Carolina. He did not contest the garnishee

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process, which was issued to garnish the debt which Harris owed Balk. After his return, Harris made an affidavit on August 11, 1896, that he owed Balk $180, and stated that the amount had been attached by Epstein, of Baltimore, and, by his counsel in the Maryland proceeding, Harris consented therein to an order of condemnation against him as such garnishee for $180, the amount of his debt to Balk. Judgment was thereafter entered against the garnishee and in favor of the

plaintiff, Epstein, for $180. After the entry of the garnishee judgment, condemning the $180 in the hands of the garnishee, Harris paid the amount of the judgment to one Warren, an attorney of Epstein, residing in North Carolina. On August 11, 1896, Balk commenced an action against Harris before a justice of the peace in North Carolina, to recover the $180 which he averred Harris owed him. The plaintiff in error, by way of answer to the suit, pleaded in bar the recovery of the Maryland judgment and his payment thereof, and contended that it was conclusive against the defendant in error in this action, because that judgment was a valid judgment in Maryland, and was therefore entitled to full faith and credit in the courts of North Carolina. This contention was not allowed by the trial court, and judgment was accordingly entered against Harris for the amount of his indebtedness to Balk, and that judgment was affirmed by the Supreme Court of North Carolina. The ground of such judgment was that the Maryland court obtained no jurisdiction to attach or garnish the debt due from Harris to Balk, because Harris was but temporarily in the state, and the situs of the debt was in North Carolina.

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MR. JUSTICE PECKHAM, after making the foregoing statement, delivered the opinion of the Court.

The state court of North Carolina has refused to give any effect in this action to the Maryland judgment, and the federal question is whether it did not thereby refuse the full faith and credit to such judgment which is required by the federal Constitution. If the Maryland court had jurisdiction to award it, the judgment is valid and entitled to the same full faith and credit in North Carolina that it has in Maryland as a valid domestic judgment.

The defendant in error contends that the Maryland court obtained no jurisdiction to award the judgment of condemnation because the garnishee, although at the time in the State of Maryland and personally served with process therein, was a nonresident of that state, only casually or temporarily within its boundaries; that

the situs of the debt due from Harris, the garnishee, to the defendant in error herein was in North Carolina, and did not accompany Harris to Maryland; that consequently, Harris, though within the State of Maryland, had not possession of any property of Balk, and the Maryland state court therefore obtained no jurisdiction over any property of Balk in the attachment proceedings, and the consent of Harris to the entry of the judgment was immaterial. The plaintiff in error, on the contrary, insists that, though the garnishee were but temporarily in Maryland, yet the laws of that state provide for an attachment of this nature if the debtor, the garnishee, is found in the state, and the court obtains jurisdiction over him by the service of process therein; that the judgment, condemning the debt from Harris to Balk, was a valid judgment, provided Balk could himself have sued Harris for the debt in Maryland. This, it is asserted, he could have done, and the judgment was therefore entitled to full faith and credit in the courts of North Carolina.

The cases holding that the state court obtains no jurisdiction over the garnishee if he be but temporarily within the state

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proceed upon the theory that the situs of the debt is at the domicil either of the creditor or of the debtor, and that it does not follow the debtor in his casual or temporary journey into another state, and the garnishee has no possession of any property or credit of the principal debtor in the foreign state.

We regard the contention of the plaintiff in error as the correct one. The authorities in the various state courts upon this question are not at all in harmony. They have been collected by counsel, and will be found in their respective briefs, and it is not necessary to here enlarge upon them.

Attachment is the creature of the local law -- that is, unless there is a law of the state providing for and permitting the attachment, it cannot be levied there. If there be a law of the state providing for the attachment of the debt, then, if the garnishee be found in that state and process be personally served upon him therein, we think

the court thereby acquires jurisdiction over him, and can garnish the debt due from him to the debtor of the plaintiff, and condemn it, provided the garnishee could himself be sued by his creditor in that state. We do not see how the question of jurisdiction *vel non* can properly be made to depend upon the so-called original situs of the debt, or upon the character of the stay of the garnishee, whether temporary or permanent, in the state where the attachment is issued. Power over the person of the garnishee confers jurisdiction on the courts of the state where the writ issues. *Blackstone v. Miller,* 188 U. S. 189 -206. If, while temporarily there, his creditor might sue him there and recover the debt, then he is liable to process of garnishment, no matter where the situs of the debt was originally. We do not see the materiality of the expression "situs of the debt," when used in connection with attachment proceedings. If by situs is meant the place of the creation of the debt, that fact is immaterial. If it be meant that the obligation to pay the debt can only be enforced at the situs thus fixed, we think it plainly untrue. The obligation of the debtor to pay his debt clings to and accompanies him wherever he goes. He is as

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much bound to pay his debt in a foreign state when therein sued upon his obligation by his creditor as he was in the state where the debt was contracted. We speak of ordinary debts, such as the one in this case. It would be no defense to such suit for the debtor to plead that he was only in the foreign state casually or temporarily. His obligation to pay would be the same whether he was there in that way or with an intention to remain. It is nothing but the obligation to pay which is garnished or attached. This obligation can be enforced by the courts of the foreign state, after personal service of process therein, just as well as by the courts of the domicil of the debtor. If the debtor leave the foreign state without appearing, a judgment by default may be entered, upon which execution may issue, or the judgment may be sued upon in any other state where the debtor might be found. In such case, the situs is unimportant. It is not a question of possession in the foreign state, for possession cannot be taken of a debt or of the obligation to pay it, as tangible property might be taken possession of. Notice to the debtor

(garnishee) of the commencement of the suit, and notice not to pay to his creditor, is all that can be given, whether the garnishee be a mere casual and temporary comer or a resident of the state where the attachment is laid. His obligation to pay to his creditor is thereby arrested, and a lien created upon the debt itself. *Cahoon v. Morgan,* 38 Vt. 236; *National Fire Ins. Co. v. Chambers,* 53 N.J.Eq. 468, 483. We can see no reason why the attachment could not be thus laid, provided the creditor of the garnishee could himself sue in that state, and its laws permitted the attachment.

There can be no doubt that Balk, as a citizen of the State of North Carolina, had the right to sue Harris in Maryland to recover the debt which Harris owed him. Being a citizen of North Carolina, he was entitled to all the privileges and immunities of citizens of the several states, one of which is the right to institute actions in the courts of another state. The law of Maryland provides for the attachment of credits in a

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case like this. *See* sections 8 and 10 of Article 9 of the Code of Public General Laws of Maryland, which provide that, upon the proper facts' being shown (as stated in the article), the attachment may be sued out against lands, tenements, goods, and credits of the debtor. Section 10 particularly provides that

"any kind of property or credits belonging to the defendant, in the plaintiff's own hands, or in the hands of any one else, may be attached, and credits may be attached which shall not then be due."

Sections 11, 12, and 13 of the above-mentioned article provide the general practice for levying the attachment, and the proceedings subsequent thereto. Where money or credits are attached, the inchoate lien attaches to the fund or credits when the attachment is laid in the hands of the garnishee, and the judgment condemning the amount in his hands becomes a personal judgment against him. *Buschman v. Hanna,* 72 Md. 1, 5-6. Section 34 of the same Maryland Code provides also that this judgment of condemnation against the

garnishee, or payment by him of such judgment, is pleadable in bar to an action brought against him by the defendant in the attachment suit for or concerning the property or credits so condemned.

It thus appears that Balk could have sued Harris in Maryland to recover his debt, notwithstanding the temporary character of Harris' stay there; it also appears that the municipal law of Maryland permits the debtor of the principal debtor to be garnished, and therefore if the court of the state where the garnishee is found obtains jurisdiction over him, through the service of process upon him within the state, then the judgment entered is a valid judgment. *See* Minor on Conflict of Laws, 125, where the various theories regarding the subject are stated and many of the authorities cited. He there cites many cases to prove the correctness of the theory of the validity of the judgment where the municipal law permits the debtor to be garnished, although his being within the state is but temporary. *See* pp. 289, 290. This is the doctrine which is also adopted in *Morgan v. Neville,* 74 Pa. 52, by the

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Supreme Court of Pennsylvania, per Agnew, J., in delivering the opinion of that court. The same principle is held in *Wyeth Hardware &c.; Co. v. Lang,* 127 Mo. 242, 247; in *Lancashire Ins. Co. v. Corbetts,* 165 Ill. 592, and in *Harvey v. Great Northern Ry. Co.,* 50 Minn. 405, 406-407, and to the same effect is *Embree v. Hanna,* 5 Johns. 101; also *Savin v. Bond,* 57 Md. 228, where the court held that the attachment was properly served upon a party in the District of Columbia while he was temporarily there; that as his debt to the appellant was payable wherever he was found, and process had been served upon him in the District of Columbia, the Supreme Court of the District had unquestioned jurisdiction to render judgment, and the same having been paid, there was no error in granting the prayer of the appellee that such judgment was conclusive. The case in 138 N.Y. 209, *Douglass v. Phenix Ins. Co.,* is not contrary to this doctrine. The question there was not as to the temporary character of the presence of the garnishee in the State of Massachusetts, but, as the garnishee was a foreign corporation, it was held that it was not within the State of Massachusetts so as to be liable to

attachment by the service upon an agent of the company within that state. The general principle laid down in *Embree v. Hanna,* 5 Johns. 110, was recognized as correct. There are, as we have said, authorities to the contrary, and they cannot be reconciled.

It seems to us, however, that the principle decided in *Chicago, R.I. &c.; Ry. Co. v. Sturm,* 174 U. S. 710 , recognizes the jurisdiction, although in that case it appears that the presence of the garnishee was not merely a temporary one in the state where the process was served. In that case, it was said:

"'All debts are payable everywhere unless there be some special limitation or provision in respect to the payment; the rule being that debts, as such, have no locus or situs, but accompany the creditor everywhere, and authorize a demand upon the debtor everywhere.' 2 Parsons, Contracts, 8th ed. 702 (8th ed. 702). The debt involved in the pending

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case had no 'special limitation or provision in respect to payment.' It was payable generally, *and could have been sued on in Iowa, and therefore was attachable in Iowa.* This is the principle and effect of the best considered cases -- the inevitable effect from the nature of transitory actions and the purpose of foreign attachment laws, if we would enforce that purpose."

The case recognizes the right of the creditor to sue in the state where the debtor may be found, even if but temporarily there, and upon that right is built the further right of the creditor to attach the debt owing by the garnishee to his creditor. The importance of the fact of the right of the original creditor to sue his debtor in the foreign state, as affecting the right of the creditor of that creditor to sue the debtor or garnishee, lies in the nature of the attachment proceeding. The plaintiff in such proceeding in the foreign state is able to sue out the attachment and attach the debt due from the garnishee to his (the garnishee's) creditor, because of the fact that the plaintiff is really, in such proceeding, a representative of the creditor of the garnishee, and therefore if such creditor himself had the right to commence suit to

recover the debt in the foreign state, his representative has the same right, as representing him, and may garnish or attach the debt, provided the municipal law of the state where the attachment was sued out permits it.

It seems to us, therefore, that the judgment against Harris in Maryland, condemning the $180 which he owed to Balk, was a valid judgment, because the court had jurisdiction over the garnishee by personal service of process within the State of Maryland.

It ought to be and it is the object of courts to prevent the payment of any debt twice over. Thus, if Harris, owing a debt to Balk, paid it under a valid judgment against him, to Epstein, he certainly ought not to be compelled to pay it a second time, but should have the right to plead his payment under the Maryland judgment. It is objected, however, that the payment by Harris to Epstein was not under legal compulsion.

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Harris in truth owed the debt to Balk, which was attached by Epstein. He had, therefore, as we have seen, no defense to set up against the attachment of the debt. Jurisdiction over him personally had been obtained by the Maryland court. As he was absolutely without defense, there was no reason why he should not consent to a judgment impounding the debt, which judgment the plaintiff was legally entitled to, and which he could not prevent. There was no merely voluntary payment within the meaning of that phrase as applicable here.

But most rights may be lost by negligence, and if the garnishee were guilty of negligence in the attachment proceeding, to the damage of Balk, he ought not to be permitted to set up the judgment as a defense. Thus, it is recognized as the duty of the garnishee to give notice to his own creditor, if he would protect himself, so that the creditor may have the opportunity to defend himself against the claim of the person suing out the attachment. This duty is affirmed in the case above cited of *Morgan v. Neville,* 74 Pa. 52, and is spoken of in *Railroad Co. v. Sturm, supra,* although it is not therein actually decided to be necessary, because in that case

notice was given and defense made. While the want of notification by the garnishee to his own creditor may have no effect upon the validity of the judgment against the garnishee (the proper publication being made by the plaintiff), we think it has and ought to have an effect upon the right of the garnishee to avail himself of the prior judgment and his payment thereunder. This notification by the garnishee is for the purpose of making sure that his creditor shall have an opportunity to defend the claim made against him in the attachment suit. Fair dealing requires this at the hands of the garnishee. In this case, while neither the defendant nor the garnishee appeared, the court, while condemning the credits attached, could not, by the terms of the Maryland statute, issue the writ of execution unless the plaintiff gave bond or sufficient security before the court awarding the execution to make restitution of the money paid if the defendant should at any time within a year and a day

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appear in the action and show that the plaintiff's claim, or some part thereof, was not due to the plaintiff. The defendant in error, Balk, had notice of this attachment, certainly within a few days after the issuing thereof and the entry of judgment thereon, because he sued the plaintiff in error to recover his debt within a few days after his (Harris') return to North Carolina, in which suit the judgment in Maryland was set up by Harris as a plea in bar to Balk's claim. Balk therefore had an opportunity for a year and a day after the entry of the judgment to litigate the question of his liability in the Maryland court, and to show that he did not owe the debt, or some part of it, as was claimed by Epstein. He, however, took no proceedings to that end, so far as the record shows, and the reason may be supposed to be that he could not successfully defend the claim, because he admitted in this case that he did at the time of the attachment proceeding, owe Epstein some $344.

Generally, though, the failure on the part of the garnishee to give proper notice to his creditor of the levying of the attachment would be such a neglect of duty on the part of the garnishee which he owed to his creditor as would prevent his availing himself of the judgment in the attachment suit as a bar to the suit of his creditor

against himself, which might therefore result in his being called upon to pay the debt twice.

The judgment of the Supreme Court of North Carolina must be reversed, and the cause remanded for further proceedings not inconsistent with the opinion of this Court.

Reversed.

MR. JUSTICE HARLAN and MR. JUSTICE DAY dissented.

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