

Smith v. Union Bank.

his right has been affected by any law of the territory, or of the state. It is not pretended, that his right, whatever it may be, is not secured as fully under the constitution and laws of Illinois, as under the ordinance. In support of his claim, a reference is made to the judicial decisions of the state, under its own laws.

If, then, a suit be brought by a citizen of Illinois to enforce a right in the courts of Missouri, which exists to as great an extent under the constitution and laws of the state of Illinois, as in the territorial government, under *517] the ordinance, and a *decision be given against the right, can the party asserting it, ask the interposition of this court? The prosecution of this writ of error presents the question to this court, in the same point of view, as if the suit in Missouri had been commenced by the plaintiff in error. His title does not arise under an act of congress. This is essential to give jurisdiction, under this head. It is not enough to give jurisdiction, that the act of congress did not take away a right, which previously existed; such an act cannot be said to give the right, though it may not destroy it. This suit must, therefore, be dismissed, as this court has no jurisdiction of the case.

Writ of error dismissed.

*518] *CLEMENT SMITH, Administrator of SAMUEL ROBERTSON, deceased, Plaintiff in error, v. The President and Directors of The UNION BANK OF GEORGETOWN, Defendant in error.

Decedents' estates.—Conflict of laws.

Robertson was domiciled at Norfolk, in Virginia, and there contracted a debt on bond to T.; he was also indebted to the Union Bank of Georgetown, in the district of Columbia, on simple contract; he died intestate, at Bedford, in Pennsylvania; leaving personal estate in the city of Washington, in the district of Columbia, of which administration was there granted. By the laws of Maryland, all debts are of equal dignity in administration, and by the laws of Virginia, where R. was domiciled, debts on bond are preferred; the assets in the hands of the administrator were insufficient to discharge the bond and simple-contract debts: *Held*, that the effects of the intestate, in the hands of the administrator, were to be distributed among his creditors according to the laws of Maryland, and not according to the laws of Virginia.¹

¹ The general rule is, that the law of the place of the decedent's domicil governs the distribution of the personal estate, so far as it designates the persons who are entitled to take as next of kin. *Harrison v. Nixon*, 9 Pet. 504. The succession is regulated by the law of the domicil; but administration by the *lex loci rei sitae*. And this distinction is of infinite value to the creditor, whose action might be barred in a foreign court, by the lapse of a period that would be insufficient to bar it at home; or whose demand might, in the event of a deficiency, be subjected to a less beneficial rule in the order of payment. It is, therefore, indispensable, that the effects of a decedent be collected and administered under the control of the government, within whose jurisdiction they were, at the time of his death. *Mothland v.*

Wiseman

3 P. & W. 187-8, *per Gibson*, Ch. J. The ground on which the assets are to be collected by the authority, and administered according to the law of the country, in which they may happen to be, at the decedent's death, is the claim which its citizens have to the protection and assistance of the government, in the prosecution of their rights; this protective principle has never been relaxed by the American courts. *Miller's Estate*, 3 Rawle 319. But when the purposes of protection and assistance have been answered, or there are, in fact, no resident creditors to be protected, the court of the *forum* will distribute the fund in accordance with the law of the domicil. *Id.* And see *Page's Estate*, 95 Penn. St. 87; *Pleasants's Appeal*, 77 Id. 356.

Smith v. Union Bank.

ERROR to the Circuit Court of the district of Columbia, for the county of Washington. This case came before the circuit court on the following case agreed :

“Samuel Robertson, a native of the state of Maryland, a purser in the navy of the United States, and as such purser, for several years before his death, stationed and domiciled at Norfolk, in the state of Virginia, died, in the year 182-, at Bedford, in Pennsylvania, intestate, insolvent—whither he had gone on a visit, for the benefit of his health. He was, at the time of his death, indebted to the plaintiffs, residing in the district of Columbia, on simple contract, not under seal, entered into here, in the sum of \$2228, with legal interest from the 3d November 1818, till paid ; which sum of money and interest still remain due and unpaid ; and the said Robertson, at the time of his death, was also indebted to Thompson, residing in Virginia, upon contracts and bonds under seal, entered into in the state of Virginia, in a sum exceeding the whole amount of assets in the hands of the defendant, as administrator as aforesaid. The said Robertson, at the time of his death, was possessed of personal assets in Washington county, in this district. The defendant, Clement Smith, took out letters of administration *upon his estate in this county, and has collected in this county, and now [*519 holds in his hands as administrator, the sum of \$8390.01½. The plaintiffs claim a dividend of the assets, according to the laws of administration in force in this county. The defendant resists payment, upon the ground of the debt due to said Thompson, who claims a priority as creditor upon the said sealed contracts, and that the assets must be paid away to the creditors pursuant to the laws in force in Virginia. If the court are of opinion, that the assets are to be administered, as to creditors, according to the laws in force in this county, then judgment to be entered for the plaintiffs for the amount of their debt aforesaid, to bind assets in the hands of defendant, C. Smith, the administrator ; if otherwise, then judgment of *non-pros.*”

Upon this case, the circuit court gave judgment for the plaintiff ; and the defendant prosecuted this writ of error.

The case was argued by *Coxe* and *Lear*, for the plaintiff in error ; and by *Key* and *Dunlop*, for the defendants.

For the *plaintiff* in error, it was stated, that the whole question in the case is, whether the law of the place, where the funds for distribution are found, at the decease of the intestate, or the law of the *domicil*, shall regulate and govern the distribution of these effects. For the plaintiff in error, it was contended, that the law upon this question has been settled in England and in the United States ; and the principle so established is, that the law of the *domicil* is to govern. It is, therefore, according to the law of Virginia, where, by the case stated, the intestate had his *domicil*, that the administrator, the plaintiff, must pay the debts of the intestate. The funds in the hands of the administrator are the moneys received from the treasury of the United States, for a debt due to Robertson, as a purser in the navy ; the same being the balance of his accounts as settled at the treasury. This question is to be settled by a reference to adjudged cases, and a careful investigation of what has been decided, rather than by an argument upon general principles. It is important, that the rule shall be settled ; the whole community is *interested in its being fixed and deter- [*520

Smith v. Union Bank.

mined; and the case now before the court affords an occasion for its final decision.

It is contended, that the decisions of the courts of equity have uniformly sustained the principle, that the law of the domicil governs the distribution. The cases arranged chronologically are: *Ambl.* 25, decided in 1774; *Ibid.* 415, decided in 1762; 2 *Ves. sen.* 35, decided in 1750; 2 *Bos. & Pul.* 229, decided in 1790; 1 *H. Bl.* 665, decided in 1791; 2 *Ibid.* 402, decided in 1795; 5 *Ves. jr.* 750, decided in 1800. The following cases show that the courts of England sustain the law of the domicil, in bankrupt cases, in other countries, against their own attachment laws. 1 *H. Bl.* 131, 132. In these cases, English creditors attached debts due in England to one who was a bankrupt in Holland, and the attachments were not sustained. So also, in *Hunter v. Potts*, 4 *T. R.* 182, a bankruptcy in Rhode Island was held to vest in the assignees, a debt due to the bankrupt in England. The following cases upon this point have been decided in the United States, 1 *Mason* 410; 8 *Mass.* 506; 11 *Ibid.* 256. The case of *Harvey v. Richards*, 1 *Mason* 410, is considered as establishing the principle claimed by the plaintiff in error. The question in that case was, whether the circuit court of Massachusetts district, on its chancery side, had power to decide, whether the fund in Massachusetts should be sent to India to be distributed; or should be distributed by that court, according to the law of India. The other American cases are *Harrison v. Sterry*, 5 *Cranch* 289; *Dixon's Executors v. Ramsay's Executors*, 3 *Ibid.* 323; *The Adeline*, 9 *Ibid.* 244; *The Star*, 3 *Wheat.* 78; *The Mary and Susan*, 1 *Ibid.* 25, 56; 4 *Mass.* 318; 1 *Binn.* 336. Also cited, 6 *Bro. P. C.* 550, 577; *Coop. Eq. Pl.* 123; 3 *Eden* 210; 11 *Mass.* 256, 257; 2 *Hagg.* 59.

It is admitted, in some of the cases cited, that the courtesy of nations ^{*521]} requiresthe adoption of this principle. If this be *so, between foreign states, there is a much stronger policy for its adoption between our own states. It is asked, may not the law of distribution of Virginia be considered as part of the contract? It is with a view to the laws of the country in which all contracts are entered into, that their obligations are assumed; and for which the parties look for the effect and the extent of the contracts they enter into. The counsel for the plaintiff in error also contended, that personal property has no *situs*, but follows the domicil of the party entitled to it. This is not a new principle; but is recognised to the full extent in the cases cited from 1 *Mason* 381, and 3 *Cranch* 323.

Key and Dunlop, for the defendants in error.—They stated that this is a case of a foreign creditor coming into our courts, under the *lex loci* of the contract, or of the domicil, and claiming to take out of the jurisdiction of the court the whole effects of a deceased debtor, domiciled abroad; although there are creditors here, for debts contracted here; and the effects are found here, and are in the course of administration. The municipal law is against this claim; and is it to be sustained by national comity, which is to overthrow our own laws, and destroy rights derived under them, and make our own courts subservient to this injustice?

1. Does the *lex loci contractus* authorize the claim in this case? It is admitted, that contracts are to be expounded according to the law of the place where they are made; but it is equally true, that the remedy for the

Smith v. Union Bank.

breach of such a contract is regulated by the *lex fori*. The priority of payment claimed for the Virginia creditors is not of the essence of the contract ; but is collateral and contingent, depending on the death of the debtor, and exists only when the debtor is insolvent. This is the view of the law expressed by the chief justice of this court, in the case of *Harrison v. Sterry*, 5 Cranch 289. In Maryland, no such priority is given, and the law of the *forum* must govern.

2. It is said, that the *lex loci domicilii* is to decide this case ; that personal effects have no *situs*, and follow the person ; and *that this principle is founded on the law and practice of nations. The general [522 rule may be in favor of the position of the plaintiff in error, but when its application would affect the rights of a third person, ascertained and secured to him by the laws of his country, and which are in opposition to the foreign law, they do not prevail : when there is such a conflict, the domestic laws, and not those which are foreign, will operate. Fonbl. Eq. 444. No case can be found to sustain a principle of a different character. *Potter v. Brown*, 5 East 131 ; *Hunter v. Potts*, 4 T. R. 183 ; 1 H. Bl. 696 ; 2 Ibid. 402 ; 4 Johns. 478-9, 488, 471-2.

It was also contended, that the laws of foreign domicil never have been applied to the payment of debts. They only govern the surplus remaining after the debts of the intestate have been fully paid. They operate on what he had a right to dispose of in his lifetime : and that being left at his death, comity gives the disposal of this to the laws of his country. As to the surplus after the payment of the debts, the country where the goods are found has no interest in its distribution. The rights of its citizens cannot be affected by its appropriation, and it is but proper, that it should be given up to the *lex loci rei sitae*. Legatees and distributees claim from the bounty of their testator or the intestate ; and the laws which governed their benefactor should regulate their rights and claims. He is supposed to have known those laws, and to have intended they should operate on his property. But creditors do not stand in the same relation to those laws. Their rights are to look to their own laws, and to their own courts, by which their contracts shall be construed and enforced ; and for the appropriation and distribution of the funds which shall be within the power of their laws. It is inquired, would the bond debt of the Virginia creditor be a bar to a suit by the Union Bank against Robertson, if he were alive ? Would it dissolve an attachment laid on his effects here ? The administrator of Robinson may be obliged to bring suits here for the recovery of debts due to the estate ; and under what law shall he proceed ? Why shall not the same rule apply in prosecuting a suit, which prevails in defending it ?

There is no conflict of laws in this case. The Virginia statute of distribution is the English statute. Was the English *statute ever extended to any other country than England, but by express adoption ? [523 The statute of Virginia applies to different persons, and to a different state of things from that of Maryland ; and therefore, there is no conflict. Fonbl. Eq. 444 ; Huberus, lib. 1, tit. 3, § 9 ; 5 East 131 ; *Willison v. Watkins*, 3 Pet. 43 ; 2 Har. & Johns. 224 ; 4 Mass. 318 ; 11 Ibid. 256, 264 ; 6 Binn. 361 ; 2 Kent's Com. 344 ; 3 Caines 154 ; 1 Har. & McHen. 236 ; Beawes' Lex Merc. 499 ; Insolvent Law of Maryland of 1798, ch. 101, § 2, 3 ; 4 Johns. Ch. 460 ; 1 Ibid. 118.

Smith v. Union Bank.

JOHNSON, Justice, delivered the opinion of the court.—The judgment below is rendered upon an agreed case, on which the following state of facts is exhibited. The defendant's testator was domiciled at Norfolk, in Virginia, at which place he contracted a debt on bond to one Thompson. He was also indebted to the Union Bank, the defendant in error, on simple contract. He died at Bedford, in Pennsylvania, and the defendant Smith administered on his estate in the county of Washington, in this district. Robertson, at the time of his death, was possessed of personal assets in the county of Washington; and the administrator, having reduced these assets into possession, now holds them subject to his debts.

By the laws of Maryland, which govern the county of Washington, all debts are of equal dignity in administration; but by the laws of Virginia, the country of Robertson's domicil, bond debts have preference, and the assets are insufficient to satisfy both. The question then is whether the bond debt shall take precedence, or come in average with the simple-contract debts?

On the bearing of the *lex loci contractus*, on this question, nothing need be added to the doctrine of the chief justice of this court in the case of *Harrison v. Sterry*, to wit: "the law of the place where the contract is made is, generally speaking, the law of the contract; that is, the law by which the contract is expounded. But the right of priority forms no part of the contract itself." The passage which follows these words in the same opinion will present, in as succinct a form as they need be stated, the ^{*524]} positions on the correctness of which the decision of this ^{*cause} must mainly, depend. It is in these terms: "It (the right of priority) is intrinsic, and rather a personal privilege, dependent on the law of the place where the property lies, and where the court sits, which is to decide the cause. In the familiar case of the administration of the estate of a deceased person, the assets are always distributed according to the dignity of the debt, as regulated by the law of the country where the representative of the deceased acts, and from which he derives his power."

The argument urged against this doctrine is, that personal property has no *situs*; that it follows the law of the person; and that there is no other rule that can give uniformity and consistency to its administration. In support of this argument, great industry has been exhibited in collecting and collating the cases which relate to the distribution of intestates' effects, and the execution of the British bankrupt law; and analogy, it is insisted, requires the application of the rule of those cases to that of the payment of debts.

With regard to the first class of cases, we expect to be understood as not intending to dispose of them, directly or incidentally. Whenever a case arises upon the distribution of an intestate's effects, exhibiting a conflict between the laws of the domicil and those of the *situs*, it will be time enough to give the views of this court on the law of that case. And as the cases in which the British courts have asserted a power over the effects of a bankrupt, the *situs* of which placed them beyond the action of their bankrupt laws, we are not aware of any instance in which they have gone further than to treat that power as an incident to the jurisdiction of these laws over their own subjects. As, in the instance in which a British subject had, by process of law, in this country, possessed himself of the effects

Smith v. Union Bank.

of a British bankrupt, to the prejudice of the other creditors. That there is no violation of principle in doing this, is fully affirmed in the same case of *Harrison v. Sterry*; in which this government, and this court, availed themselves of jurisdiction in fact over the effects of a foreign bankrupt, so as to subject them to the priority given by our laws to the debts due our government. Each government thus asserting the power of its own laws over the subject-matter, when within its control.

*That personal property has no *situs*, seems rather a metaphysical position than a practical and legal truth. We are now considering the subject with regard to subjecting such property to the payment of debts, through the medium of letters of administration. And here there is much reason for maintaining, that even the common law has given it a *situs*, by reference to any circumstances which mark it locally with discrimination and precision. Thus, in the case of *Byron v. Byron* (Hil. 38 Eliz.), Cro. Eliz. 472, ANDERSON, Chief Justice, says, "the debt is where the bond is, being upon a specialty, but debt upon contract follows the person of the debtor; and this difference has been oftentimes agreed." So, Godolphin lays down the same distinction, as established law. (Orphan's Legacy 70.) And Swinburn lays down the same rule with still greater precision, as well against the effect of domicil as of the place of contract. For he says, "debt shall be accounted goods, as to the granting of administration, where the bond was at his (creditor's) death, not where it was made." And again, "debts due the testator will make *bona notabilia* as well as goods in possession; but there is a difference between bonds and specialties, and debts due on simple contracts: for bond debts make *bona notabilia*, where the bonds or other specialties are at the time of the death of him whose they are, and not where he dwelt or died; but debts on simple contracts are *bona notabilia* in that country where the debtor dwells." (Part 6, ch. 11.) And so of judgments, locality is given them by the *situs* of the court where they are entered. Carth. 149; 3 Mod. 324; 1 Salk. 40; Dyer 305; 1 Roll. Abr. 908; 1 Plowd. 25; Carth. 373; Comb. 392, are cited for these distinctions.

It is not unworthy of remark, that in almost every treaty between civilized nations, we find an article stipulating for permission to remove the goods of a deceased subject to the country of his domicil. And from the generality of the stipulation, it would seem to be intended, for the purpose of subjecting the goods to the law of the deceased's country or domicil, even as to their application to the payment of debts. There is the more reason to believe this, with regard to our own treaties, since there are two instances in which the generality of that provision is deviated from; the one in favor of the payment of debts due where the goods are, *and the other subjecting the right of property to the law of the *situs*. I mean, the French consular convention of 1788, by the 5th article of which it is expressly stipulated, that goods shall be subjected to the payment of debts due in the foreign country. And both our treaties with Prussia contain a stipulation, in the 10th article, "that if questions shall arise among several complainants to which of them the said goods belong, the same shall be decided finally by the laws and judges of the land wherein the said goods are." It would seem, that such a provision would be wholly unnecessary, if there existed any established rule of international law, by

Smith v. Union Bank.

which the law of the domicil could be enforced in this regard, in the country of the *situs*. Or, if the fact of locality did not subject the goods to the laws of the government under which they were found at the party's death.

In point of fact, it cannot be questioned, that goods thus found within the limits of a sovereign's jurisdiction, are subject to his laws; it would be an absurdity, in terms, to affirm the contrary. Even the person of an ambassador is exempted from jurisdiction, only by an established exception from the general principle. And the *onus* lies certainly upon those who argue here for the precedence of the law of the domicil, to establish a similar exception in favor of foreign debts. But if we look into books, we do not find it there; for it is an acknowledged doctrine, that in conflicts of rights, those arising under our own laws, if not superseded in point of time, shall take precedence, "*majus jus nostrum quam jus alienum servemus.*" The obligation of the sovereign to enforce his own laws, and protect his own subjects, is acknowledged to be paramount.

If we look into facts, we find no evidence there, to sustain such an exception; for every sovereign has his own code of administration, varying to infinity as to the order of paying debts; and almost without an exception, asserting the right to be himself first paid out of the assets. And the obligation on the administrator to conform to such laws, is very generally enforced, not only by a bond, but an oath; both of which must rest for their efficacy on the laws of the state which requires them. On what principle, then, shall we insert into all those laws an amendment in favor of foreign creditors, nowhere to *be found in their provisions; and in *527] many instances, operating as a repeal of or proviso to their enactments?

Nor will the search after the exception under consideration, be attended with any greater success, if extended to the reason and policy of laws. Property, palpably and visibly possessed, is calculated rather more certainly to give credit, than actual residence. The inhabitant of a northern or eastern state may be largely interested as a planter in the south, or in Cuba; his agent may there, with or without express instruction, have obtained extensive credits for subsistence or improvements, expended upon the very property itself; when, upon the death of the proprietor, his estate may turn out insolvent; and insolvent from debts or speculations at the place of his domicil. What greater reason can, in such a state of things, be urged, in favor of the debts of his domicil, than what applies to those of the *situs* of his property? But the reason of the thing may be followed out a little further. Contracts *contrà bonos mores*, or against the policy or laws of a state, will not be enforced in the courts of that state, though lawful in the state in which they are entered into. Suppose, then, a bond given for the purchase of a slave were postponed or held void under the laws of the deceased's domicil, though otherwise in the country of the *situs* of his property, what reason would there be in referring the creditor to the law of the domicil? Or, rather, what iniquity in confining him to it?

The actual course of legislative action in every civilized country, upon the effects of deceased persons, seems wisely calculated to guard against the embarrassments arising out of such conflicts, and to preserve in their own hands the means of administering justice, according to their own laws and institutions. It has been solemnly adjudged in this court, and is the general

Winship v. United States Bank.

principle in, perhaps, every state in the Union, that one administering in one state cannot bring suit in the courts of another state. This necessity of administering, where the debt is to be recovered, effectually places the application of the proceeds under the control of the laws of the state of the administration. And if, in any instance, the rule is deviated from, it forms, *pro hac*, an exception; a voluntary relinquishment of a right, countenanced by universal practice; and is of the *character of the treaty stipulations already remarked upon, by which foreign nations surrender [^{*528} virtually a right, which locality certainly puts in their power.

Whether it would or would not be politic, to establish a different rule by a convention of the states, under constitutional sanction, is not a question for our consideration. But such an arrangement could only be carried into effect, by a reciprocal relinquishment of the right of granting administration to the country of the domicil of the deceased, exclusively, and the mutual concession of the right to the administrator, so constituted, to prosecute suits everywhere, in virtue of the power so locally granted him; both of which concessions would most materially interfere with the exercise of sovereign right, as at present generally asserted and exercised.

There is no error, therefore, in the judgment below, and the same is affirmed, with costs.

BALDWIN, Justice, dissented from the opinion and judgment of the court.¹

*JOHN WINSHIP and others, Plaintiffs in error, v. The BANK OF [^{*529} THE UNITED STATES, Defendant in error.

Partnership.

If the particular terms of articles of partnership are unknown to the public, they have a right to deal with the firm, in respect to its business, upon the general principles and presumptions of limited partnerships of a like nature and any special restrictions in the articles, do not affect them. In such partnerships, it is within the general authority of the partners, to make and indorse notes, and to obtain advances and credits for the business and benefit of the firm; and if such were the general usage of trade, that authority must be presumed to exist; but not to extend to transactions beyond the scope and objects of the copartnership.²

¹ See the dissenting opinion of Judge BALDWIN, in *Harrison v. Nixon*, 9 Pet. 505, in which he affects to consider this case as overruled; this, however, is not the case; there is a clear distinction between the cases; in the one case, domestic creditors intervened; the other was a mere question of construction, as to the person designated as heir-at-law.

² To constitute one a dormant partner, it is not essential, that he should wholly abstain from any actual participation in the business of the firm, or be universally unknown as having a connection with it, nor that there should be a studied concealment of the fact; it is sufficient, that he is not an ostensible member. *North v. Bliss*, 80 N. Y. 374. When a partnership is formed for the transaction of a special business only, a dormant partner in such firm is not

liable for its contracts, outside such limited transactions. *Bank of Pennsylvania v. Hadfeg*, 3 Yeates 580; *s. p. Ex parte Munn*, 3 Biss. 442. Where, however, a general partnership business is transacted in the name of an active partner, it has been held, that a promissory note given in his name, is *prima facie*, a partnership debt. *Miffin v. Smith*, 17 S. & R. 165. This case has never been overruled, though strong doubts are expressed of its soundness, in *Burrough's Appeal*, 26 Penn. St. 264. But it was there ruled, that it requires but very slight evidence, to impose upon the holder, especially, if a party to the original transaction, the burden of showing that it was intended and understood as a partnership act, and was within the partnership business. See *Jones v. Fegely*, 4 Phila. 1. Where the intention of the contracting parties is, that