AMERICAN CONSTITUTIONALISM
VOLUME I: STRUCTURES OF GOVERNMENT
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Supplementary Material

Chapter 5: The Jacksonian Era—Constitutional Authority and Judicial Power

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Sheldon v. Sill, 49 U.S. 441 (1850)

In 1838, Thomas Sheldon took out a loan from the Bank of Michigan, and the loan was secured by a mortgage on a parcel of land in Michigan. Less than a year later, the bank sold (or "assigned") the loan to William Sill, a citizen of New York. Sill sought to collect on the debt in a federal circuit court in Michigan, and the court ruled in his favor. Sill had sued under the federal Judiciary Act of 1789, which authorized federal courts to hear suits over debts in diversity of citizenship cases (cases in which the two parties were citizens of different states). Suits involving only the citizens of a single state could only be heard in the state courts in which they resided.

Sheldon appealed, contending that the federal circuit court did not have jurisdiction over such a suit. The eleventh section of the Judiciary Act gave circuit courts jurisdiction over suits between citizens of different states to recover debts, but excluded cases involving in-state debts that had been assigned to a third party. The statutory restriction was designed to prevent in-state creditors (especially regarding real estate) from manufacturing a diversity case through the simple expedient of assigning a debt to an out-of-state agent. As Sheldon's attorney observed, "A considerable portion of the judicial power, placed at the disposal of Congress by the Constitution, has been intentionally permitted to lie dormant, by not being called into action by law," and Congress had discretion over whether and when to authorize the circuit courts to exercise the federal jurisdiction that the Constitution made available. Sill responded that Congress had no authority to preclude the federal courts from hearing cases that the Constitution had entrusted to them. "Where does Congress get the power or authority to deprive the courts of the United States of the judicial power with which the Constitution has invested them?" The U.S. Supreme Court unanimously agreed with Sheldon, finding that Congress had chosen not to grant jurisdiction to the circuit courts over this type of suit.

Is the grant of federal jurisdiction in Article III of the U.S. Constitution mandatory or discretionary? Could Congress choose to exclude all diversity suits from the federal courts? Could Congress choose to exclude diversity suits of certain types but not others? Could Congress force out-of-state creditors to collect debts in the state courts of the debtor? Is there any jurisdiction that Congress must grant to the federal courts? Can Congress pick and choose what "judicial power" the federal courts may exercise? What would be the implications of overturning the rule laid out in this case?

JUSTICE GRIER delivered the opinion of the Court.

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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.

. . . . 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 prescribed the limits of their jurisdiction, cannot be in conflict with the Constitution, unless it confers powers not enumerated therein.

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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.

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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.

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