

**US Supreme Court**

**Case:** *Central Railroad & Banking Co. of Georgia v. Pettus*, 5 S. Ct. 387 (1885)

**Date:** January 5, 1885

**Votes:** Unanimous (Waite Court)

**Opinion:** Justice Harlan

**Tags:** Attorney fees, fund, reasonable compensation

**Question(s) Presented:** Are the attorneys for the creditors entitled to reasonable compensation for their services on behalf of those who benefited from their efforts but did not actively participate in the suit?

**Holdings:** Yes, everyone who benefited from the results of this case should contribute to the fees of the attorneys involved out of the fund.

- “We are of opinion that the appellees are entitled to reasonable compensation for their professional services.” (392)

**Rationale:** The attorneys worked for everybody who benefits financially from the outcome.

**Facts:** One RR co. took over for another and assumed all debts and mortgages of the first. Some dispute arose regarding paying creditors. Lawyers for the creditors sued for attorney fees for work they had done on behalf of others who benefitted from the results of the case.

**Appeals to Statute & Precedent:**

- ***Trustees v. Greenough*, 105 U.S. 527 (1882):** recovery of fees and costs properly charged to a trust fund, because “a trust estate must bear the expenses of its administration” (390). If a complainant takes the trouble to bring the suit, he should be compensated if he prevails, and others who benefited should also contribute through the trust to the cost of representation and litigation.
- **AL law:** an attorney may ask for contractual fees out of monetary reward, “or, if there has been no specific agreement for compensation, to the extent to which he is entitled to recover, viz., **reasonable compensation** for the services rendered.” (393)

**Dicta/Discussion:**

- “Branch, Sons, & Co. and their co-complainants instituted suit for the benefit of themselves and other creditors of the same class. They and their solicitors bore the entire burden of the litigation until the lien was finally declared, and the property ordered to be sold to pay all claims filed pursuant to the decree.” (391)
- “It thus appears that by the suit instituted by Branch, Sons & Co. and others, the property was brought under the direct control of the court, to be administered for all entitled to share the fruits of the litigation.” (391)

- “It is clear that . . . Branch, Sons & Co. and their co-complainants are entitled to be allowed, out of the property thus brought under the control of the court, for all expenses properly incurred in the preparation and conduct of the suit, including such **reasonable attorneys’ fees** as were fairly earned in effecting the result indicated by the final decree.” (391)
- Sure, the complainants were under contract to pay their lawyers, so the lawyers would have some compensation that way. But they had taken the case “in the belief that they had the right to demand, and would demand, such additional compensation as was reasonable” because they also helped out other complainants who weren’t involved in the lawsuit.
- “The creditors who are entitled to the benefit of the decree had only to await its execution in order to receive the full amount of their claims; and that result was due to the skill and vigilance of the appellees, so far as the result of litigation may, in any case, be referred to the labors of counsel.” (392)
- “Those expenses necessarily included reasonable counsel fees, which, upon every ground of justice, should be estimated with reference as well to the claims of the complainants who undertook to protect the rights of all the unsecured creditors, as of the claims of those who accepted the fruits of the labors of complainants and their solicitors.” (392)
- “It remains only to consider whether the sum allowed appellees was too great. We think it was. The decree gave them an amount equal to 10 per cent. upon the aggregate principal and interest of the bonds and coupons filed in the cause . . .” [Court thinks this is too much bcz other creditors only had to contribute 5%.] One-half the sum allowed was, under all the circumstances, sufficient.”