

Valdes Vs. Larrinaga

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Court : US Supreme Court

Decided On : May-25-1914

Appeal No. : 233 U.S. 705

Appellant : Valdes

Respondent : Larrinaga

Judgement :

Valdes v. Larrinaga - 233 U.S. 705 (1914)

U.S. Supreme Court Valdes v. Larrinaga, 233 U.S. 705 (1914)

Valdes v. Larrinaga

No. 343

Argued May 4, 1914

Decided May 25, 1914

233 U.S. 705

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES

FOR PORTO RICO

SYLLABUS

Although the contract for participation in profit involved in this case may not have created a partnership, as defined under 157, Civil Code of Porto Rico, it gave the party entitled to participate an equitable interest in the property involved which attached specifically

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to the profits when they came into being. *Barnes v. Alexander*, [232 U. S. 117](#) .

In such a case, if the party having the legal control of the property and profits abuses the fiduciary relation created by the contract, equitable relief is proper.

In this case, it does not appear that the contract under which one who had formerly occupied a government office in Porto Rico rendered services in connection with obtaining a franchise from the local and federal governments was improper or against public policy. *Hazelton v. Sheckells*, [202 U. S. 71](#) , distinguished.

In this case, *held* that notwithstanding the forfeiture of an original grant and the final sale relating to a new but similar grant, as there was a continuous pursuit of the end achieved, one who was entitled to a share in the profits of the enterprise as originally conceived was entitled to share in the proceeds.

Where no error of magnitude is made by the court below in construing a contract for services executed in a foreign language and establishing the amount due thereunder, and only a translation of the contract is before this Court, the decree will not be reversed.

The facts, which involve the validity of a judgment on contract for services entered by the District Court of the United States for Porto Rico, are stated in the opinion.

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MR. JUSTICE HOLMES delivered the opinion of the Court.

This is a bill in equity for an account under a contract between the parties, upon which the plaintiff (appellee) obtained a decree for \$13,000 and interest. The contract was embodied in letters, as follows, according to the official translation: on October 30, 1898, Valdes wrote to Larrinaga, reciting that he had applied for "a water franchise from the River Plata, place called Salto, for the purpose of developing electric power," while Larrinaga was assistant secretary of "Fomento" (now Department of the Interior), and going on,

"So that you may help me in getting it through, and in all the rest in connection with said franchise, such as plans, projects, and in everything concerning the technical part thereof, I need a person of my absolute confidence, and as you deserve it fully to me, and not believing that this is inconsistent with your present position of chief engineer of harbor works, I propose to interest you in the profits of said concession in the amount of a 10%, provided that you accept the obligations hereinabove mentioned."

The next day, Larrinaga answered, acknowledging the letter

"wherein you propose me a share of 10% in the property of the concession for the

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utilization of waters from the La Plata River at the point called el Salto, near Comerio, I, in exchange, to help you in the steps to be gone through and in everything in connection with said concession, such as plans, projects, and all what concerns to the technical part. I hereby accept the participation of 10% of said concession in exchange of my personal or professional services without any obligation on my part"

to contribute money to the exploitation.

It is objected in the first place that the case is not one for equitable relief. But whether the contract created a partnership under the definition of the Civil Code of Porto Rico, 1567, as argued by the appellee, or not, it gave the appellee an

equitable interest in the concession to the extent of securing his share of the profits, if any, and attached to these profits specifically if and when they came into being. *Barnes v. Alexander*, [232 U. S. 117](#) , [232 U. S. 121](#) . It established a fiduciary relation between Valdes, who had legal control, and the plaintiff. The bill alleges an abuse of the relation by a secret transaction from which it is alleged that the profits accrued. It is a proper case for equitable relief.

It is contended more energetically that the contract was against public policy. We shall not speculate nicely as to exactly what the law was in Porto Rico at the time when the contract was made, but shall give the plaintiff the benefit of the decisions upon which he relies, such as *Hazelton v. Sheckells*, [202 U. S. 71](#) . But we discover nothing in the language of the letters that necessarily imports, or even persuasively suggests, any improper intent or dangerous tendency. Larrinaga had ceased to be assistant secretary, and while in that position, had refused to take part in the plan. His answer, which must control if there is any difference, as the parties went ahead on it (*Minneapolis & St. Louis Ry. Co. v. Columbus Rolling Mill*, [119 U. S. 149](#)), binds him to help in the steps to be

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gone through, and in the technical part. If his help in the steps to be gone through was not to be, like the rest of his work, in the technical part alone, still there is nothing to indicate that it was of a kind that could not be stipulated for. In view of the subject matter, a grant, it would seem, to a riparian owner, of the right to use water power for public service, the things done, such as joining in an application to the military governor for a franchise on the footing of a joint interest, or helping to present it to the Secretary of War when it came up to him, or preparing plans and specifications to be presented to the executive council of Porto Rico when the first franchise granted by the Secretary of War had been lost by not complying with its terms, have no sinister smack. We see nothing to control the decision of the district judge that the contract was not against the policy of the law.

As we have intimated, the executive council of Porto Rico was applied to after the loss of the first franchise, and it granted a new one on December 17, 1900; but,

after some extensions of time, it declared the grant forfeited in July, 1902. Valdes and the plaintiff, however, did not admit the forfeiture, and Valdes procured the formation of a Maine corporation to take over his rights. On January 14, 1905, he made a preliminary contract for the sale of the franchise alleged to be forfeited, and lands, easements, and options for use in connection with the same, reciting that he had petitioned for a new concession, or confirmation of the franchise. For this he was to receive \$27,000, par value, of the mortgage bonds of the new company, and \$102,778, par value, of its stock, to be put in escrow until the company got a good title to the water rights and the franchise applied for. On June 1, 1905, in pursuance of the contract, a conveyance was made of the easements and lands that Valdes owned on the La Plata and his right to construct works there on the terms above

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mentioned, with a slight change of the figures, to \$28,000 and \$103,000 respectively. The franchise was granted on January 4, 1906, the grant expressly providing that it should not be deemed a recognition of any right of Valdes to any previous grant.

On these facts, it is argued that the concession in which Larrinaga was interested was not sold by Valdes, and was not the source of any profit. That Valdes purported to sell it by his conveyance, as he agreed to sell it by the contract which the conveyance referred to and executed, or else that his rights under it passed *sub silentio* with the land, we think admits of no doubt. And while it may be true that the sale would not be likely to have taken place without a confirmation or regrant of the franchise, still, as between these parties, it seems fairly probable that there was a continuous pursuit of the end; that, while the franchise gave the value to the land, the land gave a *locus standi* to the franchise; that, notwithstanding the disclaimer of the executive council, the position of Valdes as riparian owner and previous grantee had their effect on the final grant, and that at all events, when the contract was made on January 14, 1905, Larrinaga became entitled to receive his ten percent when that contract should be carried out.

The last objection to the decree is that the court did not deduct from the sum paid the value of the other property which entered into the consideration. We do not think it clear that Larrinaga did not stipulate for ten percent of the land as well as of the franchise. The Spanish is not before us, and the words "10% in the property of the concession" well might mean that. At all events, no error of magnitude is made out, and, without mentioning every detail, it is enough to add that no sufficient reason is shown why the decree should not be affirmed.

Decree affirmed.

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