

Lederer Vs. Fidelity Trust Co.

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Court : US Supreme Court

Decided On : Jan-26-1925

Appeal No. : 267 U.S. 17

Appellant : Lederer

Respondent : Fidelity Trust Co.

Judgement :

Lederer v. Fidelity Trust Co. - 267 U.S. 17 (1925)

U.S. Supreme Court Lederer v. Fidelity Trust Co., 267 U.S. 17 (1925)

Lederer v. Fidelity Trust Company

No. 184

Argued January 15, 16, 1925

Decided January 26, 1925

267 U.S. 17

CERTIORARI TO THE CIRCUIT COURT OF APPEALS

FOR THE THIRD CIRCUIT

SYLLABUS

1. Railroad equipment certificates issued by a trust company as security for money advanced by a syndicate to purchase equipment leased by the trust company to a railroad under contract for periodical payments, as rentals, and ultimate acquisition of title by the latter, and which are payable with interest to bearer or registered holder from the rentals thus to be paid by the railroad, *held* subject to stamp tax under Title XI, 1100 and schedule A(1) of the Act of February 24, 1919, c. 18, as in the category of "instruments . . . issued by any corporation . . . known generally as corporate securities." P. [267 U. S. 20](#) .

28 F. 1009 reversed.

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Certiorari to a judgment of the circuit court of appeals which reversed a judgment of the district court in favor of the petitioner in an action brought by the respondent to recover the amount of a stamp tax paid under protest.

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MR. JUSTICE HOLMES delivered the opinion of the Court.

This is a suit by the Fidelity Trust Company to recover \$450 and interest paid by it under protest for internal revenue stamps which the Collector, Lederer, required it to attach to railroad equipment certificates drawn in a form set forth. The parties agree that the only question is whether these certificates are subject to a stamp tax under the Act of February 24, 1919, c. 18, Tit. 11, 1100, and Schedule A(1), 40 Stat. 1057, 1133, 1135. The section imposes a tax according to the schedule, and the material part of the schedule is as follows:

"1. Bonds of indebtedness: on all bonds, debentures, or certificates of indebtedness issued by any person, and all instruments, however termed, issued by any corporation with interest coupons or in registered form, known generally as

corporate securities, on each \$100 of face value or fraction thereof, 5 cents."

The question more narrowly stated is whether the certificates are instruments issued, etc., known generally as corporate securities. The circuit court of appeals, reversing the judgment of the district court, held that they were not within the schedule, that

"no indebtedness is involved or obligation incurred by the trustee to the holder, but it is simply a certificate of the holder's right to proportionate participation in a rental when paid."

Fidelity Trust Co. v. Lederer, 289 F. 1009, 1012. A writ of certiorari was granted by this Court.

Using a familiar device, the Fidelity Trust Company agreed to furnish and let to the Interstate Railroad Company

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500 specified cars, and the lessee agreed to pay \$90,000, being one-tenth of the cost of the cars, annually at certain dates, and three percent half-yearly on the part then unpaid. When the whole amount should be paid, the trustee agreed to sell the cars to the railroad company for one dollar. As part of the same transaction by an instrument reciting that subscriptions had been secured through certain bankers to a fund, to be known as Interstate Railroad Equipment Trust, Series "C," for the payment of the price of the railroad equipment described in the lease, and that the trustee proposed "to secure to the parties subscribing" to the fund the payment thereof in ten annual installments with interest at six percent, the trustee covenanted with the railroad on receipt of the money subscribed to issue to the bankers the certificates in question here. The essential features are that the bearer or registered holder is entitled to one share of \$1,000 in Interstate Railroad Equipment Trust, Series "C," in accordance with the above agreement, referred to; that the principal shall be payable at the dates of the payments by the railroad, one-tenth of the certificates, identified by number, each year, and in the meantime dividends will be payable as evidenced by dividend warrants attached, principal

and interest payable in gold, etc., "but only from and out of the deferred rentals as provided in" the lease referred to.

The petitioner asks us to look through the form of the arrangement and give it a somewhat different meaning. The respondent, on the other hand, says, in the language of [*United States v. Isham*](#), 17 Wall. 496, "whatever, upon its face, [the instrument] purports to be, that it is for the purpose of ascertaining the stamp duty." We are content to adopt the respondent's rule for this case as, upon any rule, the result seems to us clear.

As a matter of common speech, to which the statute refers, we have no doubt that these instruments would be

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known as corporate securities. They would be called so more accurately than some other documents which we believe also would be known generally by that name. Their purpose, as stated in the agreement of the trustee with the railroad, is to secure payment to the holder with interest. They do nothing else. We do not regard the precise limits of the trust company's undertaking as important. If it were only to collect and pay money received by the company under the secured contract of the railroad, it would be a security for money payment. But the counsel for the company seemed not prepared to argue that the company could not put the money received from the railroad into its general account without a breach of trust, and give the certificate holder cash or a check for his interest or principal. But, be the undertaking greater or less, the security better or worse, we cannot regard these certificates as anything but corporate securities by general understanding and in fact.

Judgment reversed.