

During World War II, when allied cargo ships were being sunk by German U-boats, the Federal government in a bid to expand its ship building capabilities, condemned land in Fairfield, Baltimore, Maryland. The land was given to Bethlehem Steel Corporation, primarily to build and repair ships. After the owners of property in the condemned area were compensated, the District Court in the District of Maryland convened to determine what compensation if any the Mayor and City of Baltimore were entitled to for the alleys that were condemned.

The Court granted the Mayor and City of Baltimore only nominal damages as just compensation for the alleys. The Court reasoned that the condemnation of the land to which the alleys abutted, removed any use of the alleys and thus, there was no need to replace the alleys.

The Court also found that since the City held the land in the alleys in trust for the benefit of the public, its interest in the alleys were beneficial use interest. To receive just compensation however for condemnation, the City had to have a fee interest.

The Mayor and City of Baltimore appealed to the Fourth Circuit Court of Appeals. The Fourth Circuit upheld the District Court's awarding the Mayor and City of Baltimore nominal damages.