

Title: Jacinto Tanguilig vs. Court of Appeals and Vicente Herce Jr.

Facts: Jacinto M. Tanguilig, operating under J.M.T. Engineering and General Merchandising, offered to construct a windmill system for Vicente Herce Jr. for PHP 60,000, with a one-year guarantee from the completion and acceptance date. Herce Jr. paid a down payment of PHP 30,000 and an installment of PHP 15,000 but withheld the final PHP 15,000, asserting that the amount was already paid to San Pedro General Merchandising Inc. (SPGMI), the company contracted to construct the deep well linked to the windmill. Tanguilig denied that the deep well was part of the windmill contract, arguing the price was for the windmill assembly alone. He claimed any windmill defects, which later collapsed, were due to a force majeure event, a typhoon, absolving him of liability.

Procedurally, Tanguilig filed a complaint to collect the unpaid balance on 14 March 1988. Herce Jr. responded, leading to a trial court decision favoring Tanguilig, stating the deep well was not part of the windmill project, and dismissing the defects claim due to lack of evidence. Herce Jr. appealed, and the Court of Appeals reversed the decision, claiming the deep well was included in the agreement, and ordered Tanguilig to reconstruct the windmill system under the one-year guaranty.

Issues: The Supreme Court tackled two key issues: (1) Whether the agreement to build the windmill system included the installation of a deep well, and (2) Whether Tanguilig was obligated to reconstruct the windmill after its collapse.

Court's Decision: The Supreme Court reversed the appellate court's decision regarding the inclusion of the deep well in the contract, agreeing with the trial court that installation of a deep well was not part of the original windmill system proposal and construction agreement. However, the Supreme Court upheld the appellate court's decision regarding Tanguilig's obligation to reconstruct the windmill under the one-year guarantee.

Doctrine: The case reiterates the doctrine of interpretation of contracts wherein the intention of the parties shall be accorded primordial consideration. In the event of doubt, parties' contemporaneous and subsequent acts are to be examined. The Supreme Court also reaffirmed the requisites for claiming exemption from liability due to a fortuitous event, per *Nakpil vs. Court of Appeals*: the event must be the sole and proximate cause of loss, unforeseeable, unavoidable, and the debtor must be free from participation in the injury to the creditor.

Class Notes:

1. Interpretation of Contracts - Parties' intention is primary, with contemporaneous and subsequent acts considered if there is doubt.
2. Reciprocal Obligations - Neither party incurs delay if the other has not complied or is not ready to comply properly.
3. Fortuitous Events - Requisites for exemption from liability include the event being the sole cause of loss, unforeseeable or unavoidable, impossible to fulfill obligation, and the debtor free from injury participation.

Relevant Legal Provisions:

- Article 1371 of the New Civil Code: Intention of parties in contracts.
- Article 1167 of the New Civil Code: Obligation to execute at the debtor's cost failing to do something.
- Article 1174 of the New Civil Code: Exemption from liability due to fortuitous events.

Historical Background: In Philippine jurisprudence, the interpretation of contracts and the question of liability in case of force majeure have long been established legal concepts, exemplified by numerous cases including *Nakpil vs. Court of Appeals*. This case underscores the necessity for clarity in agreements regarding the inclusion of related services and the importance of evidence when claiming force majeure to exempt from contract liability.