

****Title:** Aerospace Chemical Industries, Inc. vs. Court of Appeals and Philippine Phosphate Fertilizer Corp.**

****Facts:****

The case originates from a commercial transaction dated June 27, 1986, where Aerospace Chemical Industries, Inc. (Petitioner) purchased 500 metric tons (MT) of sulfuric acid from Philippine Phosphate Fertilizer Corporation (Respondent). The agreement stipulated delivery from two locations, Basay and Sangi, with payment in Philippine currency to be made five days before the shipment. The petitioner encountered issues with the designated ship, M/T Sultan Kayumanggi, which only managed to load a partial amount due to tilting issues and eventually sank with 227.51 MT of the acid onboard. Efforts to arrange for another shipment via a different vessel, M/T Don Victor, and requests for additional purchase of 227.51 MT to utilize the full capacity of the new vessel were marred by delays and non-fulfillment. The petitioner's repeated demands for the retrieval of the sulfuric acid or reimbursement met with responses about incurred storage costs from the respondent, ultimately leading to a legal dispute filed on May 4, 1989, at the Regional Trial Court (RTC) of Pasig, which initially ruled in favor of the petitioner. However, upon appeal, the Court of Appeals reversed this decision, finding the petitioner liable for damages due to delays and failure to haul the remaining sulfuric acid.

****Issues:****

1. Whether the Court of Appeals erred in finding the petitioner guilty of breaching the contract due to delays in hauling the sulfuric acid.
2. Whether the petitioner is liable for damages resulting from said delays, particularly in the light of the argument about force majeure.
3. The legal standing of an alleged verbal agreement to purchase an additional 227.519 MT of sulfuric acid.
4. The applicability of Article 1504 of the Civil Code regarding the expenses for the storage and maintenance of the purchased sulfuric acid.

****Court's Decision:****

The Supreme Court affirmed the decision of the Court of Appeals with modifications. The Court found that the petitioner failed to fulfill its contractual obligation to haul the sulfuric acid within the agreed period, and that the sinking of M/T Sultan Kayumanggi did not qualify as force majeure that would exempt the petitioner from its obligations. The insistence on an additional purchase for shipment completion was found to have no contractual basis. The Court ruled that the petitioner's delay was unjustified, making it

liable for damages, particularly the costs associated with the rental of storage facilities. However, the decision acknowledged that expenses incurred before a certain date were part of regular business expenses and should not be charged to the petitioner. As a result, the damages awarded to the respondent were reduced, and an excess amount from the petitioner's advance payment was ordered to be returned.

****Doctrine:****

The Supreme Court clarified the obligations of buyers and sellers in contracts involving the haulage of goods, highlighting that delays by the buyer in fulfilling such obligations can lead to liability for damages. It also reiterated the principles regarding force majeure, contractual modifications, and the responsibility for storage costs under Article 1504 of the Civil Code.

****Class Notes:****

1. Contractual Obligations: Buyers are obliged to adhere to agreed terms, especially regarding haulage schedules.
2. Force Majeure: The burden of proof for force majeure exemptions lies with the claimant, demonstrating that unforeseen events directly led to the inability to fulfill contractual obligations.
3. Verbal Agreements: Modifications to written contracts must be supported by clear and convincing evidence, with high scrutiny on claims based solely on verbal agreements.
4. Storage Expenses: Under Article 1504 of the Civil Code, the seller bears storage and maintenance costs until ownership is transferred unless the buyer is at fault.

****Historical Background:****

This case illustrates the complexities and legal challenges involved in commercial transactions, especially in the context of the Philippines' legal framework governing contracts and liabilities. It underscores the judiciary's role in interpreting contractual terms and assessing obligations and liabilities, thereby contributing to the body of jurisprudence on contract law in the Philippines.