

Title: Song Fo & Company vs. Hawaiian-Philippine Co.

Facts:

Song Fo & Company, the plaintiff, initiated an action against the Hawaiian-Philippine Co., the defendant, in the Court of First Instance of Iloilo, for breach of contract involving the purchase of molasses. The plaintiff sought a damages award of P70,369.50 with legal interest and costs. The defendant, in turn, filed an amended answer and cross-complaint asserting their rescission of the contract due to the plaintiff's failure to make timely payments for the molasses delivered.

Proceeding to the Supreme Court, the case was founded on a stipulation of facts by both parties, sidestepping a trial based on oral evidence.

The plaintiff had agreed to purchase a specific quantity of molasses from the defendant, but when the plaintiff defaulted on the payment terms, the defendant decided to rescind the contract, leading to the legal dispute. The pivotal question centered around the agreed quantity—whether it was 300,000 or 400,000 gallons.

The trial court sided with the plaintiff, ordering the defendant to pay P35,317.93 with legal interest from the date of filing the complaint. The defendant appealed the decision to the Supreme Court, highlighting four significant errors they believed the lower court had made.

Issues:

1. Did the defendant agree to sell the plaintiff 400,000 gallons of molasses or only 300,000 gallons?
2. Did the defendant rightfully rescind the contract for the sale of molasses due to the plaintiff's payment default?
3. What is the proper judgment for the case based on the merits?
4. Was the lower court correct in denying the defendant's motion for a new trial?

Court's Decision:

The Supreme Court analyzed the correspondence between the parties and determined that the contract specified the delivery of 300,000 gallons of molasses. The additional 100,000 gallons were not firmly agreed upon as an obligation. The Court also evaluated the payment terms and concluded that while the plaintiff did not pay on time for one delivery, this delay was not substantial enough to warrant contract rescission by the defendant.

Analyzing the issue of damages, considering the plaintiff had to purchase undelivered

molasses from other sources at a higher price, the Court ascertained the amount to be P3,000, owing to the greater cost and loss due to delay. However, regarding the lost profits, there was insufficient evidence to support the plaintiff's claim, and the Supreme Court found no basis to award damages for the second cause of action.

Doctrine:

- Contracts specifying time of payment are considered to have the time element as the essence of the contract.
- Rescission of a contract for minor or casual breaches is not permitted; it is allowed only for substantial breaches that defeat the purpose of the contract.
- The party claiming damages must provide sufficient evidence, not mere conclusions or speculative assertions.

Class Notes:

- Contracts, Formation: Contracts must have explicit terms and conditions that are agreed upon by both parties.
- Contracts, Rescission: Rescission requires a justifiable cause that significantly impacts the agreed terms.
- Evidence, Damages: When claiming damages, the burden is on the claimant to provide concrete evidence quantifying the loss.
- Breach of Contract, Damages: Delay in payment that does not substantially harm the other party does not warrant rescission; however, it may lead to compensable damage if extra costs were incurred.

Historical Background:

The case of *Song Fo & Company vs. Hawaiian-Philippine Co.* reflects the contractual dealings typical of the early 20th century in the Philippines, where agriculture and commodities such as sugar and molasses were significant trade goods. The decision underscores the legal principles governing commercial transactions and contractual obligations during that era. It also highlights the importance of clear contractual terms and the consequences of breaching such terms within the judicial context of the Philippines during the American colonial period.