Title:
Arrieta v. National Rice and Corn Corporation (NARIC)

Facts:
Paz P. Arrieta participated in a public bidding by the National Rice and Corn Corporation (NARIC) for the supply of 20,000 metric tons of Burmese rice. Winning the bid, she and NARIC signed a contract on July 1, 1952, wherein Arrieta was to supply the rice at $208.00 per metric ton, with payment via an irrevocable letter of credit to be opened immediately by NARIC. However, NARIC failed to open the letter of credit in a timely fashion, blaming insufficient funds and demanding from Arrieta further information which she had already provided. The letter was only opened two months later, causing the forfeiture of Arrieta's deposit to her supplier and the cancellation of the rice allocation.

Arrieta offered to substitute Thai rice for the Burmese rice, which NARIC rejected. Subsequently, Arrieta demanded compensation for damages caused by this breach, resulting in the filing of this case after NARIC's rejection of her demand. NARIC countered, seeking damages for unrealized profits, while Manila Underwriters Insurance Co., Inc. was roped in due to a performance bond.

Issues:
1. Whether NARIC's failure to open the letter of credit within the agreed time constituted a breach of contract.
2. Whether Arrieta's offer to supply Thai rice instead of Burmese rice constituted a waiver of her rights to claim damages for breach of contract.
3. The proper currency and rate for the damages to be awarded.

Court's Decision:
The Supreme Court found NARIC at fault for not opening the letter of credit on time, constituting a breach of contract. It rejected NARIC's claim that Arrieta was responsible for the delay. The Court also held that Arrieta's offer to substitute Thai rice did not constitute a waiver of her right to claim damages. The damages awarded by the trial court in US currency were affirmed, but the Supreme Court modified the award to be paid in Philippine pesos, following the prevailing exchange rate at the time the obligation was incurred (July 1, 1952). Manila Underwriters Insurance Co., being a third-party defendant, was relieved of liability.

Doctrine:

This case reinforced the principle that failure to perform an obligation within the contracted period–especially if caused by financial incapability known at the time of contract execution–constitutes a breach of contract liable for damages. It also upheld that waivers of rights must be clear and convincing, and obligations stipulated in foreign currency must be converted and paid in the local currency at the rate prevailing when the obligation was incurred, as per Republic Act No. 529.

Class Notes:
– **Breach of Contract**: Failure to fulfill an agreement within the timeline or manner agreed upon. Key in determining liability for damages.
– **Waiver of Rights**: Must be explicitly demonstrated and cannot be assumed.
– **Damages**: Compensation for breach. In contracts involving foreign currency, amounts must be converted to Philippine pesos based on the exchange rate at the time the contract was made, aligning with RA 529.

Historical Background:
This case occurred post World War II, during a period of significant economic restructuring in the Philippines. The creation and abolition of NARIC to RCA reflect governmental efforts to stabilize food supply and prices in the country. The legal transitions underscore the complexities of international trade, currency exchange regulations, and the country's move towards economic recovery and growth.