

Title:

Philippine Communications Satellite Corporation v. Globe Telecom, Inc.

Facts:

Philippine Communications Satellite Corporation (Philcomsat) and Globe Telecom, Inc. (Globe) entered into an Agreement for Philcomsat to establish an earth station at Cubi Point for the US Defense Communications Agency's use, with a term of 60 months. The RP-US Military Bases Agreement's looming expiration in 1991, which affected the US bases in Clark Air Base and Subic Naval Base, was known to both parties. Subsequent developments, including the Philippine Senate's non-ratification of a treaty that would extend the US bases' stay and the official termination notice of the RP-US Military Bases Agreement, led Globe to notify Philcomsat of discontinuing the earth station's use, invoking force majeure.

Philcomsat demanded payment for the remaining term's rentals; however, Globe refused. Litigation ensued with Philcomsat seeking liquidated damages, while Globe contended the cessation of the RP-US Military Bases Agreement constituted force majeure, excusing them from their obligations. The trial court partially agreed with both, leading to appeals from both parties to the Court of Appeals, which upheld Globe's force majeure claim, exempting it from paying rentals post-discontinuation but held Globe liable for December 1992 rentals. Both parties consequently filed Petitions for Review with the Supreme Court.

Issues:

1. Whether the termination of the RP-US Military Bases Agreement constitutes force majeure, exempting Globe from its contractual obligations.
2. Globe's liability for rentals for December 1992.
3. Entitlement of Philcomsat to attorney's fees and exemplary damages.

Court's Decision:

The Supreme Court affirmed the Court of Appeals' decision. It held that the termination of the RP-US Military Bases Agreement and its consequences constituted force majeure under their Agreement, exempting Globe from further rental payments post-termination. However, Globe was liable for December 1992 rentals, given the US forces' presence until then. Philcomsat was not entitled to attorney's fees and exemplary damages as Globe had valid grounds for its actions.

Doctrine:

1. An event constituting force majeure under a contract may include foreseeable events

provided they are inevitable, aligning with Article 1174 of the Civil Code.

2. Parties are free to define the scope of force majeure in their contract as long as it does not contravene the law, morals, or public order.

3. An obligor is exempt from fulfilling contractual obligations if the event is beyond human control, makes performance impossible, and the obligor is free of participation in the resultant damage to the obligee.

Class Notes:

Elements of a Force Majeure Claim:

- Independence from human will.
- Impossibility of normal fulfillment.
- Non-participation in the injury by the obligor.

Relevant Statutes:

- Article 1174 of the Civil Code, concerning fortuitous events.
- Article 1306 of the Civil Code, on contractual freedom.
- Obligations arising from contracts have the force of law between the contracting parties and must be complied with in good faith.

Historical Background:

This case highlights the legal implications of geopolitical developments, such as the non-ratification of treaties affecting foreign military bases, on private contractual relationships. It showcases how major political and governmental actions can invoke the concept of force majeure in contracts, emphasizing the interplay between international relations and domestic law.