

Title: University of the Philippines vs. De los Angeles et al.

Facts:

The case revolves around three orders issued by the Court of First Instance of Rizal (Quezon City) in Civil Case No. 9435, which the University of the Philippines (UP) sought to annul through a petition for certiorari and prohibition against Judge Walfredo de los Angeles and the Associated Lumber Manufacturing Company, Inc. (ALUMCO).

The central point of contention was UP's timber land grant in Laguna and Quezon, which it wanted to develop through logging for additional income, as authorized by Act 3608. On 2 November 1960, UP and ALUMCO entered a logging agreement, granting ALUMCO exclusive logging rights until 31 December 1965, with a mutual option to extend for five more years. However, ALUMCO accumulated unpaid accounts, leading UP to consider rescinding the agreement. Despite ALUMCO's acknowledgment of debt and proposed payment plan, further debts were incurred. On 19 July 1965, UP informed ALUMCO of the rescission of their agreement and subsequently filed a complaint for payment collection, also obtaining orders for a preliminary attachment and injunction against ALUMCO's logging operations.

In response to UP's invitation to bid for new logging rights and the awarded contract to Sta. Clara Lumber Company, Inc., ALUMCO filed petitions against UP. Judge De los Angeles issued orders enjoining UP from awarding the logging rights to another party, declared UP in contempt for proceeding with Sta. Clara, and denied UP's motion for reconsideration of the contempt order. These actions by the lower court prompted UP to seek judicial relief from the Supreme Court.

Issues:

1. Whether UP can consider its contract with ALUMCO rescinded and disregard the same before any judicial pronouncement to that effect.
2. Whether the lower court's issuance of injunctions against UP and declaration of contempt were issued in grave abuse of discretion.

Court's Decision:

The Supreme Court granted UP's petition for certiorari, setting aside the order of respondent court dated 25 February 1966, that enjoined UP from awarding logging rights to another party. The Court held that UP and ALUMCO had indeed stipulated in their "Acknowledgment of Debt and Proposed Manner of Payment" that UP had the right to

consider the contract rescinded upon ALUMCO's default, without the necessity of judicial action. The Supreme Court clarified that while such extrajudicial rescission is provisional and subject to judicial review if contested, it is permissible under the law and the parties' agreement.

The Court distinguished between the need for judicial action in resolving reciprocal obligations and the parties' prerogative to provide for extrajudicial resolution in their agreements. It pointed out that acting upon such a stipulation proceeds at the party's own risk, subject to the final judgment of the court, which affirms whether the rescission was proper.

Regarding the orders issued by the lower court, the Supreme Court found that there was grave abuse of discretion, since the acts of enjoining UP's protective measures were made without receiving evidence on the raised issues. The Court abstained from ruling on the order finding UP in contempt since it was pending appeal in another jurisdiction. The Supreme Court remanded the records for further proceedings in accordance with its opinion.

Doctrine:

This case reiterates the doctrine that parties to a contract may agree to provisions for extrajudicial resolution of breaches, including stipulations that allow one party to unilaterally deem the contract rescinded due to the other's breach, without necessity of prior judicial action. However, such extrajudicial actions are provisional and subject to judicial validation upon contestation. It also underscores the principle that courts should exercise caution and consider evidence before issuing orders that restrain parties from protecting their interests.

Class Notes:

- **Key Concept:** Extrajudicial Rescission of Contracts
- **Legal Basis:** Article 1191 of the Civil Code of the Philippines, and related jurisprudence, allows parties to mutually stipulate conditions under which a contract can be rescinded for breach without prior court action. Such rescission is provisional and can be contested in court.
- **Application:** In contracts, explicit provisions for extrajudicial rescission upon breach safeguard the injured party's rights while still subjecting the rescission to judicial scrutiny if contested. Courts must carefully weigh evidence before granting injunctions that prevent parties from acting on such provisions.

Historical Background:

This case is situated within the broader context of contractual law in the Philippines, specifically relating to the enforcement of reciprocal obligations and the rights of parties to provide for extrajudicial remedies in their contracts. It exemplifies the tension between the need for judicial oversight of contract cancellations and the parties' autonomy to define the terms of their agreements, including mechanisms for resolution in case of breaches.