

Title: MCC Industrial Sales Corporation vs. Ssangyong Corporation: A Case on Breach of Contract and the Application of the Electronic Commerce Act

Facts:

****Events Leading to the Supreme Court:****

1. ****Initial Business Dealings****: MCC, a domestic corporation engaged in importing and wholesaling stainless steel, regularly conducted business with Ssangyong, an international trading company. They communicated through faxes for orders, confirmed by signed pro forma invoices outlining terms and conditions.
2. ****The Agreement****: On April 13, 2000, Ssangyong confirmed an order of 220 metric tons (MT) of hot rolled stainless steel with MCC under preferential rates. MCC confirmed the order through a signed fax.
3. ****Order Splitting and Partial Letter of Credit (L/C)****: Due to MCC's inability to open a full L/C, the order was split into two. Subsequent communications oversaw details on shipment and further price adjustments informed through faxes, all of which were acknowledged by MCC.
4. ****Failure to Open L/C and Requests for Extensions****: Despite several communications, MCC failed to open the L/C as agreed. Ssangyong sent multiple requests for the facilitation of the L/C, even offered a discount, but MCC could only open a partial L/C for one half of the order. They further requested price adjustments citing market price drops and operational losses.
5. ****Legal Action for Damages****: As MCC still failed to fulfill its obligation for the remaining half, Ssangyong sought legal remedy and filed a civil action for damages due to breach of contract. MCC lodged a defense claiming failure in presenting original pro forma invoices among others.
6. ****Lower Court Rulings****: The trial court found MCC and its manager liable, awarding damages and attorney's fees to Ssangyong. The decision was appealed to the CA, which upheld the trial court's ruling but absolved the manager from liability.
7. ****Supreme Court Petition and Ruling****: MCC sought a review claiming issues on evidence admissibility and the imposition of damages. The Supreme Court partially granted MCC's appeal, adjudicating discussions on the electronic evidence admissibility under the

Electronic Commerce Act, the existence of a contract, and the appropriate imposition of damages.

Issues:

1. **Finality of the CA Decision**: Whether the CA decision had become final and executory due to procedural lapses.
2. **Admissibility of Electronic Evidence**: The admissibility of faxed documents as electronic evidence under the Electronic Commerce Act of 2000 and the Rules on Electronic Evidence.
3. **Existence of a Perfected Contract**: Whether there was a perfected contract between MCC and Ssangyong and if MCC breached such contract.
4. **Appropriateness of Damages Award**: The validity of the awarded actual damages and attorney's fees in favor of Ssangyong.

Court's Decision:

1. **Procedural Issue**: The court found valid reasons to consider the appeal despite procedural lapses, citing substantial justice concerns.
2. **Electronic Evidence**: The court ruled that original fax transmissions are not considered electronic documents under the Electronic Commerce Act and thus, photocopies of such faxes cannot be considered as electronic evidence.
3. **Contract and Breach**: The court affirmed the existence of a contract and MCC's subsequent breach, based on the totality of business conduct and other unchallenged documentary evidence.
4. **Damages**: The court struck down the actual damages award due to insufficient proof but maintained the award for attorney's fees. It awarded nominal damages to Ssangyong for the breach.

Doctrine:

The Supreme Court clarified that not all forms of electronic communications, such as fax transmissions, are considered electronic documents under the Electronic Commerce Act of 2000. Additionally, a party's conduct, alongside documentary evidence, can sufficiently

prove the existence and breach of a contract.

Class Notes:

1. **Breach of Contract**: A breach occurs when a party fails to perform any term of the contract without a legitimate legal excuse.
2. **Electronic Commerce Act of 2000 (R.A. No. 8792)**: Not all electronic communications fall under this act. Facsimile transmissions, unless computer-generated, are not considered electronic documents.
3. **Damages for Breach**: Actual damages require substantial and concrete proof, but courts may award nominal damages to acknowledge a right that was violated without substantial loss.
4. **Admissibility of Evidence**: The admissibility of secondary evidence requires proving the existence and unavailability of the original due to loss or destruction without bad faith.

Historical Background:

This case underscores the evolving nature of commercial transactions with the advent of electronic communications and the law's response. It offers a significant viewpoint on how the Philippine legal system interprets the Electronic Commerce Act in line with established principles of contract law and evidence.