

Title:

Lorenzo Shipping Corp. vs. BJ Marthel International, Inc.: A Case of Contract Dispute Regarding the Delivery and Payment of Marine Engine Parts

Facts:

Lorenzo Shipping Corporation, a coastwise shipping company, entered into a business transaction with BJ Marthel International, Inc., a distributor of machine parts, for the supply of various engine parts for its vessel, M/V Dadiangas Express. Following a formal quotation from BJ Marthel on 31 May 1989, Lorenzo Shipping issued two purchase orders for cylinder liners, with the first on 02 November 1989 and the second on 15 January 1990. Payment was to be made through postdated checks.

A dispute arose when the first of these checks, dated for 18 January 1990, was dishonored by the bank for insufficient funds. BJ Marthel claimed the check was returned to Lorenzo Shipping without replacement, while Lorenzo argued they replaced it with a valid payment. Despite this hiccup, BJ Marthel ordered the requested parts from its supplier in Japan, delivering them on 20 April 1990, which Lorenzo Shipping received indicating “subject to verification.”

Subsequently, disagreements over payment surfaced, culminating in BJ Marthel demanding payment through letters and eventually filing a case for sum of money and damages against Lorenzo in the Regional Trial Court (RTC) of Makati City. Lorenzo argued the delivery was late, asserting the contract was cancelable if its terms weren't met. The trial court dismissed BJ Marthel's claims, ruling in favor of Lorenzo. BJ Marthel appealed to the Court of Appeals, which reversed the RTC's decision, ordering Lorenzo to pay the amount due with interest.

Issues:

1. Whether BJ Marthel International, Inc. incurred delay in the performance of its contractual obligations under the contract of sale.
2. Whether the contract of sale between the parties was validly rescinded by Lorenzo Shipping Corp.

Court's Decision:

The Supreme Court affirmed the Court of Appeals' decision reversing the RTC and held that time was not of the essence in the contract of sale of the cylinder liners. The court resolved the issues as follows:

- There was no delay by BJ Marthel in delivering the cylinder liners since the purchase orders did not specify a strict delivery time, and the delivery on 20 April 1990 was within a reasonable timeframe given the circumstances.
- Lorenzo Shipping Corp. had not properly rescinded the contract as there was no clear and timely indication to BJ Marthel that it intended to do so. Moreover, their acceptance of the cylinder liners upon delivery indicated that they considered the contract still valid.

Doctrine:

This case underscored the doctrine that in contracts where time is not expressly declared as essential, delivery and performance are expected within a reasonable time. It further reiterated the principle that rescission of a contract must be clearly communicated and validated, considering the actions and intentions of both parties.

Class Notes:

- ****Key Elements:**** In contracts of sale, the specific terms regarding delivery time and payment method should be clearly defined. If not specified, the law presumes that delivery should be made within a reasonable time.
- ****Principle Established:**** The mere issuance of postdated checks does not necessarily comply with the payment obligations if such checks are not honored. The principle of treating a contract as rescinded or resolved due to infractions must be explicitly communicated and justified.
- ****Relevant Statutes:**** Article 1169 of the Civil Code (on obligations to deliver or do something and delay), and Article 1191 (on rescission due to non-fulfillment of obligations).

Historical Background:

This case provides an insight into commercial transactions between corporations and suppliers, emphasizing the importance of clear agreements on payment terms and delivery schedules within the context of Philippine contract law. It showcases the judicial process in resolving commercial disputes, from the RTC to the Supreme Court, and the interplay between contractual stipulations and legal doctrines.