

### Title: M. D. Taylor vs. Uy Tieng Piao and Tan Liuan & Co.

### Facts:

On December 12, 1918, M. D. Taylor entered into a contract with Tan Liuan & Company, represented by Uy Tieng Piao and Tan Liuan, to serve as superintendent for an upcoming oil factory in Manila, with a two-year term and salary set at PHP 600 and PHP 700 for the first and second years, respectively. Provisions for electric, water, residence, or a PHP 60 monthly allowance in lieu were included. At contract signing, necessary machinery hadn't been procured, but ten expellers were ordered from the US. A clause allowed contract cancellation if the machinery didn't arrive within six months, with discretion resting with Tan Liuan & Co. When the machinery failed to arrive within this period due to business prospects or financial challenges, the company opted to cancel the contract on June 28, 1919, and Taylor was let go by June 30. Taylor sued for damages amounting to PHP 13,000, accounting for salary and benefits due and to become due under the contract.

### Issues:

1. Whether the provision allowing Tan Liuan & Co. to cancel the contract due to the nonarrival of machinery within six months is legally binding, regardless of the machinery's nonarrival being within the company's control.
2. If Uy Tieng Piao, as a partner, is liable for the act of Tan Liuan in entering into the contract with Taylor.
3. Whether the awarded damages to Taylor by the Court of First Instance were just and in accordance with the contract terms.

### Court's Decision:

The Supreme Court held that the contract clause allowing cancellation due to the machinery's nonarrival, for any reason, within six months is valid and enforceable, supporting the decision of the Court of First Instance. However, the Court modified the awarded damages to include an overlooked amount for the commutation of house rent for June 1919, raising the total to PHP 360 from PHP 300. Uy Tieng Piao's liable as a partner was upheld, affirming his obligation under the contract.

### Doctrine:

The decision reiterated that a contract for personal service can legally include a resolutive condition permitting cancellation by one party, especially when such a condition was agreed upon by both parties. Article 1256 of the Civil Code does not prevent the inclusion of such stipulations in contracts, emphasizing the parties' autonomy in setting their contractual

terms within legal bounds.

### ### Class Notes:

- **Resolutive Condition**: A contractual provision that permits one party to terminate the contract under specified conditions.
- **Autonomy of the Parties (Article 1255, Civil Code)**: Parties are free to establish terms in their agreements, provided they do not conflict with law, morals, good customs, public order, or public policy.
- **Liability of Partners**: Partners are liable for contractual obligations entered into by one partner on behalf of the partnership.
- **Article 1256, Civil Code**: The validity and fulfillment of contracts cannot be left to the will of one of the contracting parties, but a resolutive condition agreed upon does not violate this principle.

### ### Historical Background:

This case highlights the early 20th-century commercial practices and the judicial affirmation of contractual freedoms within the bounds of the Civil Code of the Philippines. It illustrates the adaptability of contract law to evolving business needs and conditions, emphasizing the principle of autonomy in contractual agreements amidst the economic uncertainties post-World War I.