

****Title: Pilipinas Shell Petroleum Corporation v. John Bordman Ltd. of Iloilo, Inc.****

****Facts:****

The dispute originates from 1955 to 1975, when John Bordman Ltd. of Iloilo, Inc. (John Bordman) purchased bunker oil from Arabay, Inc., the sole distributor of Pilipinas Shell Petroleum Corporation (Pilipinas Shell). Subsequently, Pilipinas Shell directly marketed its products to John Bordman after Arabay ceased its operations. Issues with short deliveries of the fuel oil emerged, prompting John Bordman to demand adjustments from Pilipinas Shell, which the latter refused. Thus, John Bordman initiated a civil case for specific performance against Pilipinas Shell in 1980, claiming short deliveries of fuel oil billed at 210 liters per drum, contrary to the actual volume that could only fill up to 190 or even 187.5 liters in various volumetric tests conducted. The case hinged on whether Pilipinas Shell's short deliveries constituted a breach of contract and if John Bordman's action was barred by prescription, laches, or estoppel. At the trial court level, the case was decided in favor of John Bordman, a decision which was appealed by Pilipinas Shell and later affirmed by the Court of Appeals with slight modifications.

****Issues:****

1. Whether the verification and certification against forum shopping complied with Section 4 of Rule 45 of the Rules of Court.
2. Whether the factual findings and appreciation by lower courts were grounded on evidence.
3. Whether the action had prescribed due to the claim being based on a quasi-delict.
4. Whether the claims were barred by estoppel and laches due to late assertion.
5. Whether exemplary damages and attorney's fees were properly awarded to John Bordman.

****Court's Decision:****

The Supreme Court dismissed Pilipinas Shell's petition, except for the deletion of exemplary damages. It held that the right of action accrued not from the contract's execution but from the discovery of the short deliveries in 1974, thus within the prescriptive period. It also found that John Bordman was not barred by estoppel or laches, as it had acted promptly upon learning of the discrepancy. However, exemplary damages were removed due to the lack of bad faith on Pilipinas Shell's part. Attorney's fees were deemed warranted due to the enforced litigation by John Bordman to protect its interests.

****Doctrine:****

The period for the prescription of an action based on breach of contract commences from the occurrence of the breach when the cause of action arises, not the execution of the contract. A cause of action materializes when there is a definite assertion of the contractual right and a denial thereof by the other party. Clauses in contracts of adhesion are construed against the party that prepared them.

****Class Notes:****

- A cause of action in contract law arises upon the breach or violation of the contract, not at the time of the contract's execution.
- The period of prescription for actions based on a written contract is ten years from the time the right of action accrues.
- Volumetric tests and agreement upon delivery volumes can become critical in disputes over quantity in the sale of goods.
- Contracts of adhesion: Clauses causing waiver or limitation of rights need clear, convincing evidence to be considered validly waived.
- In cases where a petition for review involves a certification against forum shopping, authority to file such certification derives from the company's by-laws or board resolution.
- Exemplary damages require the demonstration of bad faith or a manner of gross negligence.

****Historical Background:****

This case highlights the evolving jurisprudence on the doctrine of prescription in the context of breach of contracts within the Philippine legal system. It displays the court's discretion in interpreting contracts of adhesion and reiterates the non-favorable assumption of waivers or limitations of rights through such contracts. It further emphasizes the principle that jurisprudence nurtures the factual findings of lower courts, underscoring the high threshold for their reversal by the Supreme Court.