

### Title: Asset Privatization Trust vs. T.J. Enterprises

### Facts:

This case involves the Asset Privatization Trust (APT), a government entity tasked with managing and disposing of assets from government institutions, and T.J. Enterprises (respondent). APT acquired assets from the Development Bank of the Philippines, which included machinery and refrigeration equipment stored in a compound leased to Creative Lines, Inc. These assets were sold on an “as-is-where-is” basis.

On November 7, 1990, APT and the respondent entered into an absolute deed of sale for specific machinery and refrigeration equipment for P84,000, as evidenced by Receipt No. 12844. By November 9, 1990, the respondent demanded delivery of the purchased machinery. In March 1991, APT issued Gate Pass No. 4955 allowing the respondent to remove the machinery from the compound. The respondent was able to retrieve several items but was prevented by Creative Lines’ employees from hauling away the remainder of Lot No. 2 due to damages and missing parts.

The respondent filed a complaint for specific performance and damages against APT and Creative Lines. The Regional Trial Court (RTC) found APT liable for breach of contract, a decision affirmed by the Court of Appeals (CA).

### Issues:

1. Did APT comply with its obligation to deliver the properties subject to the sale?
2. Does the “as-is-where-is” basis of sale exempt APT from delivery obligations?
3. Does the disclaimer of warranty in the deed of sale absolve APT from liability for nondelivery?
4. Was the failure to deliver due to a fortuitous event beyond APT’s control?

### Court’s Decision:

1. **\*\*On Delivery Obligations:\*\*** The Supreme Court held that there was no constructive delivery upon execution of the deed of absolute sale or issuance of the gate pass since Creative Lines had actual possession, negating the presumption of delivery.
2. **\*\*As-Is-Where-Is Basis:\*\*** The Court determined this condition pertains only to the physical state of the goods and not to the legal obligation of delivery, meaning APT still had the responsibility to ensure delivery.
3. **\*\*Disclaimer of Warranty:\*\*** The Court found this disclaimer does not absolve APT from its obligation to transfer ownership through delivery, as required by the Civil Code.

4. **Fortuitous Event:** The Court rejected the argument that Creative Lines' refusal constituted a force majeure, stating APT should have arranged for a smooth transition of the items, thus holding APT liable for damages.

**Doctrine:**

- Execution of a public instrument leads to a presumption of delivery, which is rebuttable by evidence showing a legal impediment to such delivery.
- An "as-is-where-is" basis sale does not exempt the seller from the legal obligation of delivering the sold items.
- A disclaimer of warranty in a deed of sale does not relieve the seller from the obligation of delivery.
- The principle of a fortuitous event does not apply when the event is foreseeable and could have been avoided through diligence.

**Class Notes:**

- **Constructive Delivery:** The transfer of right by means other than physical delivery, effective when the seller exercises acts of ownership with intent to transfer, unless a legal impediment exists.
- **As-Is-Where-Is Basis:** Describes physical condition only; does not waive seller's duty to deliver.
- **Disclaimer of Warranty:** Does not negate seller's basic obligations under the law to deliver the item and transfer ownership.
- **Fortuitous Events:** Must be unforeseeable or unavoidable, and not due to any party's fault or negligence, to exempt a party from liability.

**Historical Background:**

The Asset Privatization Trust was a governmental body established to manage and dispose of state assets as part of broader economic reforms. This case reflects the complexities involved in such dispositions, particularly where third parties occupy or have interests in the assets subject to privatization. The decision underscores the importance of securing physical and legal control over assets before their sale, aligning with principles of contractual and civil law in the Philippines.