

Title:

Harry Ives Shoemaker vs. La Tondeña, Inc. (G.R. No. 45667)

Facts:

Harry Ives Shoemaker entered into a written contract with La Tondena, Inc. on March 30, 1929. Under this contract, Shoemaker was employed as the technical manager for La Tondena, Inc. and its affiliated companies for a five-year term starting January 1, 1929. The compensation structure was 8% of the net earnings of La Tondena, Inc., with a guaranteed minimum compensation of P18,000 per annum.

In March 1933, during the last year of the contract, modifications were made orally due to the defendant's business difficulties:

1. Shoemaker agreed to a temporary deduction of P200 from his monthly salary with the understanding this amount would be reimbursed once conditions improved or upon contract termination.
2. Shoemaker would forgo his six-month paid vacation in 1933 but expected it to be honored upon contract termination or compensated equivalently.

Shoemaker continued to fulfill his duties and even absorbed additional responsibilities without extra compensation. Deduction of P200 per month was made by La Tondena, Inc. from March to December 1933. Upon contract termination, Shoemaker sought payment of the deducted amount and compensation for the six-month leave, which La Tondena, Inc. refused.

Procedurally, Shoemaker filed a second amended complaint on January 19, 1937, in which he prayed for P11,000 (P2,000 for salary deductions and P9,000 for the six-month leave with full pay). La Tondena, Inc. demurred, asserting the alleged oral agreement modifying the written contract was unenforceable under the Statute of Frauds. This demurrer was sustained by the lower court, leading to the dismissal of Shoemaker's claim. Shoemaker then appealed the decision.

Issues:

1. **Whether the oral agreement modifying the original written contract is enforceable despite the Statute of Frauds.**
2. **Whether Shoemaker complied with his obligations under the oral agreement, thereby meriting the enforcement of the defendant's obligations.**

Court's Decision:

The Supreme Court reversed the lower court's decision, holding that:

1. **Oral Agreement Enforceability:**

The Statute of Frauds aims to prevent fraud and perjury in the enforcement of obligations without written evidence. However, it also provides that when one party has executed their part of an oral contract which, by its terms, is to be performed within a year, the other party cannot repudiate it on the ground it was not in writing.

2. **Compliance and Equity:**

Shoemaker performed his obligations within the year 1933, thus performing a part of the oral agreement outside the statute's purview which La Tondena, Inc. benefited from. Equity demands that La Tondena, Inc. cannot invoke the Statute of Frauds to avoid fulfilling its own obligations.

The case was remanded to the lower court with instructions to overrule the demurrer, allowing La Tondena, Inc. to answer the second amended complaint.

Doctrine:

When one party fulfills their obligations under an oral contract within a year, the other party cannot evade their responsibilities by invoking the Statute of Frauds. The statute is designed to prevent fraud, not protect it.

Class Notes:

- **Statute of Frauds (Sec. 335, paragraph 1, Code of Civil Procedure):** Agreements not performed within a year need to be in writing.
- **Part Performance Doctrine:** If one party performs their obligations within the year, the oral contract can be enforceable.
- **Equitable Relief in Contracts:** The court may enforce an oral contract to avoid fraud, ensuring fairness ("equity will not permit the statute to be used as an instrument of fraud").

Historical Background:

During the early 20th century, the Philippine legal system followed American principles, including the Statute of Frauds, emphasizing the importance of written agreements to prevent misunderstandings and fraudulent claims. This case reflects the court's willingness to look beyond the strict requirements of written contracts to ensure fairness and equity when one party has already met their obligations, aligning local jurisprudence with broader equitable principles prevalent in common law jurisdictions.