

**\*\*Title: Behn, Meyer & Co. (Ltd.) vs. Teodoro R. Yangco\*\***

**\*\*Facts:\*\***

On March 7, 1916, Behn, Meyer & Co. (Ltd.) and Teodoro R. Yangco executed a memorandum agreement (Contract No. 37) for the sale of 80 drums of Caustic Soda, 76% "Carabao" brand, priced at \$9.75 per 100 pounds, C.I.F. (cost, insurance, freight) Manila. The goods were to be shipped in March 1916. The merchandise was subsequently shipped from New York on the steamship "Chinese Prince".

**\*\*Procedural Posture:\*\***

1. The goods shipped were detained by British authorities in Penang, resulting in 71 drums of the caustic soda being removed.
2. Defendant refused to accept delivery of the remaining 9 drums, alleging they were in bad order.
3. Plaintiff offered either a wait for the remainder of the shipment or substitution of 71 drums from its stock, which the defendant declined.
4. Plaintiff sold the 80 drums from its own stock and claimed damages for breach of contract.
5. The trial court ruled that the plaintiff take nothing by its action, without special finding as to costs.
6. Plaintiff appealed to the Supreme Court of the Philippines.

**\*\*Issues:\*\***

1. What was the exact contract between the parties?
2. Whether the plaintiff complied with the subject matter and consideration specified in the contract.
3. Where was the place of delivery of the goods?
4. Whether the time of delivery stipulated in the contract was adhered to.
5. Whether there were sufficient grounds for the contract's rescission by the defendant.

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

1. **\*\*Identification of Contract Type:\*\***

- The agreement was for 80 drums of caustic soda of a specific brand to be delivered C.I.F. Manila in March 1916.

2. **\*\*Subject Matter and Consideration:\*\***

- The specific merchandise (Carabao brand) was not tendered by the plaintiff. The

remaining 9 drums were allegedly in bad order, and the plaintiff's alternative offer of a different type of soda did not comply with the original contract terms.

3. **Place of Delivery:**

- The phrase "C.I.F. Manila" in the contract indicated that delivery was to be made at Manila. The Court inferred that the property should be transferred at the point of destination (Manila), rather than New York, where the shipment originated. The Court noted that if the plaintiff believed New York was the point of delivery, they would have let the consequences of the loss at Penang fall upon the defendant.

4. **Time of Delivery:**

- The contract stipulated shipment in March 1916, yet the goods were shipped on April 12, 1916. This deviation rendered the performance untimely and non-compliant with the contract.

5. **Grounds for Rescission:**

- The plaintiff failed to perform conditions precedent in the contract. The failure to deliver the specified merchandise in the stipulated time justified the defendant's refusal to accept, and therefore, rescission was valid.

**Doctrine:**

- **The Doctrine of Substantial Performance:** A seller must strictly comply with material terms of the contract, including delivering the exact merchandise agreed upon, at the place and time stipulated. Failure in these areas can justify rescission by the buyer.

- **C.I.F. Contracts Interpretation:** In contracts with C.I.F. terms, delivery is deemed complete when goods reach the specified destination, provided other terms do not indicate a different intention.

**Class Notes:**

- **Key Elements:**

- **Contract Specificity:** Type, quantity, and quality of goods.

- **Transportation Terms:** C.I.F. (Cost, Insurance, Freight) - Delivery responsibility and risk transfer when goods reach destination.

- **Timeliness:** Adherence to stipulated shipping dates.

- **Remedies for Breach:** Grounds for rescission, as per Article 1451 of the Civil Code.

- **Relevant Statute:**

- **Article 1451 of the Civil Code:** Relatives to rescission based on substantial

nonperformance of contracts.

- **\*\*Application:\*\***

- Contract interpretation under commercial terms like C.I.F.
- Enforcement of specific time and place terms in sales contracts.

**\*\*Historical Background:\*\***

- The case emerged during the colonial period when the Philippines had substantial commercial dealings with the United States and other international entities. This context is essential as it reflects the application of hybrid legal principles influenced by both Anglo-American and Spanish legal traditions. The case highlights early 20th-century commercial disputes and the importance of comprehensively adhering to contract terms in international trade.