

Title

****Jose Fernandez vs. Francisco de la Rosa, 1 Phil. 671 (1903)****

Facts

In January 1900, Jose Fernandez (plaintiff) and Francisco de la Rosa (defendant) verbally agreed to form a partnership to purchase and lease out cascoes in Manila. Per their agreement, de la Rosa was to buy the cascoes, each partner contributing what they could, with profits split proportionately. Fernandez provided de la Rosa with PHP 300 to buy Casco No. 1515, which de la Rosa bought for PHP 500 from Dona Isabel Vales, holding the title in his name. Fernandez also paid approximately PHP 300 for repairs on the casco. In March, Fernandez gave de la Rosa PHP 825 to buy Casco No. 2089 for PHP 1,000 from Luis R. Yangco, again titled to de la Rosa.

In April, attempts to formalize the partnership failed when de la Rosa proposed terms deviating significantly from their verbal agreement, especially excluding Casco No. 2089 from the partnership. De la Rosa controlled both cascoes but refused to account for his administration, denying the partnership. Defendant de la Rosa claimed he borrowed PHP 300 in January from a bakery firm involving Fernandez and his partners. He acknowledged receiving PHP 825 from Fernandez in March but alleged it was for Casco No. 1515, contradicting the sequence of events claimed by Fernandez.

Procedurally, Fernandez sued de la Rosa, seeking recognition of the partnership and an accounting. The trial court ruled in favor of de la Rosa, dismissing the partnership's existence. Fernandez appealed to the Supreme Court, challenging the trial court's decision.

Issues

1. ****Existence of Partnership:**** Did a partnership exist between Fernandez and de la Rosa?
2. ****Effect of Returned Money:**** Did Fernandez's acceptance of money returned to him terminate the partnership or imply waiver of his rights?

Court's Decision

1. ****Existence of Partnership:**** The Court found a partnership existed between the parties. The essential elements of mutual contribution and joint interest in profits were fulfilled. Fernandez provided money explicitly earmarked for purchasing cascoes, establishing mutual contribution. The intention to share profits was inferred from the nature of their agreement and actions, such as pooling funds to buy and later lease cascoes.

2. ****Effect of Returned Money:**** The Court ruled that the repayment of PHP 1,125 did not

terminate the partnership or constitute waiver. Fernandez's acceptance of the money was conditional, with a clear reservation of his partnership rights. This act did not dissolve the partnership nor converted it into a *societas leonina* as claimed by de la Rosa.

Doctrine

A partnership is constituted by a mutual contribution towards a common stock and a joint interest in profits (Civil Code, Art. 1665). The specific details of profit sharing or the formal execution of partnership articles are not requisite to establish a valid partnership if these two elements are present. Additionally, withdrawal of contributed capital does not inherently dissolve a partnership unless accompanied by an express or implied waiver of partnership rights.

Class Notes

- **Key Elements of Partnership:**
- **Mutual Contribution:** Each partner must contribute money, property, or industry to a common fund.
- **Joint Interest in Profits:** There must be an intention to share profits.
- **Legal Reference:**
- Civil Code Art. 1665: Definition of partnership.
- Civil Code Art. 1689: Rules for distributing profits and losses.
- Civil Code Art. 1667: Requirement of a public writing for contributions of immovables.
- **Application:** Partnership can be implied from actions and contributions even without formal articles, and mutual understanding on contribution and profit-sharing is sufficient.

Historical Background

The case occurred during the early 20th century in the Philippines under Spanish-derived civil law, reflecting transitional legal frameworks from Spanish to American influence. Business relationships based on verbal agreements and informal understandings were common. This case clarified the legal standards for partnership agreements relevant under the Civil Code, particularly articulating that even without formal documentation, such entities could be recognized based on actions and implied agreements.