

****Title:**** Bernardo vs. Caltex (Philippines), Inc., 290 Phil. 591 (1990)

****Facts:****

Nonito J. Bernardo, an operator of two Caltex service stations, engaged Caltex (Philippines), Inc. for fuel orders on two occasions.

1. On December 3, 1990, Bernardo ordered and paid for 10,000 liters of diesel fuel.
2. On December 4, 1990, he ordered and paid for another 10,000 liters of premium gasoline.
3. The payments were made fully and in advance, and receipts were issued.

On December 5, 1990, Bernardo's tanker arrived at the Caltex Pandacan Terminal but could not take delivery due to a system malfunction. All deliveries were cut off at 6 PM due to a price increase announced by the Energy Regulatory Board, effective that very day. Consequently, Caltex refused to deliver unless Bernardo paid the new prices.

****Procedural Posture:****

1. Bernardo filed a complaint on January 8, 1991, in the Regional Trial Court (RTC) of Quezon City for delivery and damages.
2. Caltex moved to dismiss claiming improper venue and lack of a cause of action, citing the right to adjust prices according to the Purchase and Sale Agreement.
3. RTC denied Caltex's motion and issued an injunction for immediate delivery.
4. Caltex filed a special civil action of certiorari which was transferred to the Court of Appeals (CA).
5. The CA partially ruled in favor of Caltex, setting aside the injunction but upheld denial of the motion to dismiss.
6. The RTC dismissed the complaint for lack of jurisdiction, holding that the matter was within the purview of the Energy Regulatory Board (ERB).

Bernardo appealed to the Supreme Court to determine appropriate jurisdiction.

****Issues:****

1. Jurisdiction - Does the dispute fall under the jurisdiction of the Regional Trial Court or the Energy Regulatory Board?
2. Contractual obligation - What price should be applied to the prepaid fuel that was not delivered due to the ERB's price increase?

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

1. ****Jurisdiction of RTC:**** The Supreme Court ruled in favor of RTC's jurisdiction, stating

that the dispute between Bernardo and Caltex was based on a debtor-creditor relationship arising from a perfected contract of sale, not a dealership agreement dispute. It does not involve the ERB's regulatory powers but rather civil obligations under the Civil Code of the Philippines.

2. **Contractual Obligation:** The critical issue was whether the delivery should be at the prices paid before the increase or the new ERB-mandated prices. The Court, guided by precedent in *Mobil Oil Philippines, Inc. v. Court of Appeals*, judged that Bernardo had a contractual right to the petroleum products at the old price because the transaction was perfected on payment, and Caltex had delayed the delivery, causing the dispute.

Doctrine:

1. **Jurisdiction:** Disputes arising out of the relationship of debtor and creditor fall under Civil Courts' jurisdiction, not regulatory bodies.
2. **Contract of Sale:** Once a contract of sale is perfected and paid for, the seller is obligated to deliver the products at the agreed price unless otherwise stipulated in the contract.

Class Notes:

- **Key Elements/Concepts:**

- **Jurisdiction:** Differentiating proper jurisdiction involves examining the nature of the relationship (debtor-creditor vs. regulatory matters).
- **Contract of Sale (Civil Code):** Critical for understanding rights and obligations once a sale is perfected by payment.
- **Doctrine of Delayed Performance:** Seller's delay in delivery warrants liability if it results in an unfavorable price change for the buyer.
- **Applicable Statutes:**
- **Civil Code:** Obligation and contract provisions.
- **Executive Order No. 172:** Jurisdictional competence.
- **Energy Regulatory Board Circulars:** Pricing and operational guidelines.

Historical Background:

The case unfolded during a period of volatile fuel pricing and heightened regulatory control by the Philippine government. The jurisdictional confusion reflects the evolving landscape of commercial and regulatory law, illustrating the intersections between administrative regulation and traditional civil jurisdiction. This decision helped delineate jurisdictional boundaries and reinforced the sanctity of perfected sales agreements against mid-

transaction regulatory changes.