

Title:

Dan Fue Leung vs. Hon. Intermediate Appellate Court and Leung Yiu (G.R. No. L-67123)

Facts:

1. In October 1955, Dan Fue Leung established Sun Wah Panciteria, a restaurant located at Florentino Torres Street, Sta. Cruz, Manila. It was registered as a single proprietorship, with all permits and licenses issued to Dan Fue Leung as the sole proprietor.
2. Leung Yiu claimed that he contributed PHP 4,000 to the establishment of Sun Wah Panciteria, making him a partner with a 22% share in the annual profits. As evidence, Yiu presented a receipt, written in Chinese, and signed by Dan Fue Leung.
3. Yiu successfully proved the authenticity of the receipt through witness testimonies and a translation certified by Florence Yap. Additionally, an examination conducted by the PC Crime Laboratory matched the signatures on the receipt with Dan Fue Leung's known signatures.
4. Yiu also presented a check of PHP 12,000 received from Dan Fue Leung in 1974, indicating profit sharing. This was verified by bank representatives from the China Banking Corporation and Equitable Banking Corporation.
5. Dan Fue Leung denied that Yiu contributed PHP 4,000 and claimed the restaurant was solely funded by his savings. Leung also denied issuing the receipt and the PHP 12,000 check.
6. The Court of First Instance (CFI) ruled in favor of Yiu, declaring him a partner and ordering Fue Leung to pay Yiu 22% of the annual profits.
7. Upon motion for reconsideration and new trial by Yiu, the CFI amended the decision, specifying the net profit as PHP 8,000 per day.
8. Dan Fue Leung appealed to the Intermediate Appellate Court (IAC), which further modified the decision but upheld Yiu's entitlement to 22% of the net profit.
9. The IAC's subsequent resolution affirmed the amended decision of the CFI.

Issues:

1. **Existence of Partnership:** Whether Leung Yiu was indeed a partner in Sun Wah Panciteria based on the evidence presented.
2. **Statute of Limitations:** Whether Yiu's claim was barred by prescription since the complaint was filed almost 23 years after the establishment of the restaurant.
3. **Validity of Forensic Evidence:** The weight and probative value of the PC Crime Laboratory report regarding the authenticity of petitioner's signatures.
4. **Extent of Monetary Award:** Whether the monetary damages awarded by the IAC represented an excessive and unconscionable amount.

5. **Dissolution of Partnership:** Whether the partnership should be dissolved and how the profits should be shared moving forward.

Court's Decision:

Existence of Partnership:

- **Ruling:** The Supreme Court ruled that a partnership did exist. The evidence showed that Yiu contributed PHP 4,000 with the understanding that he would receive 22% of the profits, meeting the criteria for a partnership under Article 1767 of the Civil Code.
- **Analysis:** The receipt of PHP 4,000 and Yiu's continuous sharing of profits, including the PHP 12,000 profit check, supported the existence of a partnership.

Statute of Limitations:

- **Ruling:** The Supreme Court found no merit in the prescription argument.
- **Analysis:** Under Article 1842 and related provisions, the right to an accounting exists as long as the partnership is operational, and prescription starts only upon its dissolution.

Validity of Forensic Evidence:

- **Ruling:** The forensic report by the PC Crime Laboratory was deemed valid and probative.
- **Analysis:** The petitioner failed to object to the handwriting specimens (Exhibits H, H-1 to H-24) and did not contest the motion for their examination.

Extent of Monetary Award:

- **Ruling:** The monetary awards were upheld.
- **Analysis:** The computation of the restaurant's income, supported by unchallenged testimony from the restaurant's cashier, justified the awards. The petitioner's repeated failures to produce accounting records weakened his position.

Dissolution of Partnership:

- **Ruling:** The partnership was ordered to be dissolved under Article 1831 of the Civil Code.
- **Analysis:** Given the impossibility of continued harmonious operation due to disputes, dissolution was deemed equitable.

Doctrine:

- **Partnership Contribution and Profit Sharing:** Article 1767 of the Civil Code defines a partnership as when two or more persons contribute money or property with the intention to share profits.

- **Accounting and Prescription:** Article 1842 states the right to an accounting accrues at dissolution, thus establishing a time frame for pursuing claims within the partnership context.
- **Equitable Dissolution:** Based on Article 1831, dissolution is warranted in case of misconduct affecting the business's viability or persistent breaches of the partnership agreement.

Class Notes:

1. **Contract of Partnership (Art. 1767, Civil Code):**
 - Two or more persons must contribute to a common fund.
 - Intention to divide profits is essential.
2. **Prescription of Actions (Arts. 1144, 1155, and 1842, Civil Code):**
 - Actions on written contracts must be brought within ten years.
 - The right to an accounting accrues at dissolution (Art. 1842).
3. **Forensic Evidence in Civil Cases:**
 - Importance of authenticity and probative value of signatures.

Historical Background:

- The decision highlights the complexities involved in identifying and proving partnerships, especially within familial and closely held business settings prevalent in 20th century Philippine commercial activities.
- The ruling reinforces the legal protections available to partners and the detailed scrutiny courts extend towards agreements perceived as financial assistance versus partnership contributions.