

Title:

Alfredo Montelibano, et al. vs. Bacolod-Murcia Milling Co., Inc.

Facts:

Alfredo Montelibano, Alejandro Montelibano, and Gonzaga and Company partnered with Bacolod-Murcia Milling Co., Inc. under a milling contract executed in 1919. This contract, initially effective for 30 years starting in 1920-1921, stipulated that sugar production would be divided such that 45% went to the mill and 55% to the planters.

In 1936, new milling contracts proposed an increased share of 60% for the planters and an extension of the contract by an additional 15 years (totaling 45 years). Alongside these contracts, Bacolod-Murcia's Board of Directors adopted a resolution on August 20, 1936, including a provision that if other sugar mills in Negros Occidental offered better terms, those terms would apply to Bacolod-Murcia's planters as well.

The plaintiffs signed the amended contract on September 10, 1936. By 1953, plaintiffs claimed other sugar centrals (La Carlota, Binalbagan-Isabela, and San Carlos) had increased planter shares to 62.5% and demanded similar increases from Bacolod-Murcia based on the 1936 resolution. The defendant countered that the resolution was void, lacking consideration, and thus not binding.

The Court of First Instance of Occidental Negros dismissed the plaintiffs' claims, finding the resolution null and void. Plaintiffs appealed to the Supreme Court.

Issues:

1. Whether the August 20, 1936 resolution formed part of the milling contract.
2. Whether the resolution was supported by valid consideration.
3. Whether the resolution's terms, concerning increased planter shares, were binding on the appellee.

Court's Decision:

****Issue 1:****

The Supreme Court held that the resolution of August 20, 1936, was indeed an integral part of the printed amended milling contract. The plaintiffs signed the amended milling contract with the understanding that it included the resolution's additional terms.

****Issue 2:****

The court determined that the resolution was supported by sufficient legal consideration arising out of the promises and obligations of the main amended milling contract, notably

the extension of the operative period of the contract. Thus, it was not a separate gratuitous contract.

****Issue 3:****

Concluding that the board's resolution constituted a binding supplement to the contract, the Court held that Bacolod-Murcia Milling Co., Inc., was obligated to match the better terms offered by other centrals, as per paragraph 9 of the resolution.

Doctrine:

The doctrine reiterated by the Supreme Court is that resolution passed by a corporation's board of directors, adopted in good faith and aimed at amending the terms to benefit both parties, is valid and binding. Additionally, contractual modifications agreed upon before the execution of the contract's final form are inherently part of the contract.

Class Notes:

1. ****Contract Law:****

- ****Formation and Integration:**** Contract modifications proposed and agreed upon prior to execution form part of the final contract.

2. ****Consideration:****

- ****Adequacy of Consideration:**** Legal consideration can be tied to the benefits, obligations, and extensions of contract terms.

3. ****Binding Resolutions:****

- ****Corporate Authority:**** Directors' resolutions made in good faith and in furtherance of corporate purposes are binding.

4. ****Subsequent Terms:****

- ****Ratification of Terms:**** Ratified terms post-signature can be binding if understood and incorporated by both parties.

Historical Background:

The case unfolded within the Philippine sugar industry context, amid efforts by planters to negotiate better terms in milling contracts, reflecting broader economic and contractual practices of the time. The implications of the decision extended to reinforce the legality and enforceability of board resolutions integrated into contractual agreements, emphasizing corporate governance and fairness in contractual dealings.