

### Title

**Industrial Textile Manufacturing Company of the Philippines, Inc. v. LPJ Enterprises, Inc.,**  
G.R. No. L-68281, November 9, 1983

### Facts

1. **Initial Inquiry and Experiment:**

- **October 1970:** Cesar Campos, Vice-President of Industrial Textile Manufacturing Company of the Philippines (Itemcop), approached Lauro Panganiban, Jr., President of LPJ Enterprises, Inc., proposing an experiment to develop plastic cement bags.

- **Initial Tests:** Accompanied by Paulino Ugarte (another Vice-President of Itemcop), Panganiban conducted the first test with 50 plastic cement bags. It failed due to cement dust seepage.

- **Subsequent Adjustments:** A second batch also failed. Finally, with modifications, a third batch of 300 improved bags proved relatively successful.

2. **Implementation and Orders:**

- **December 29, 1970:** Based on satisfactory results, LPJ issued four purchase orders for plastic cement bags from Itemcop between January and April 1971, totaling 115,800 bags at a unit cost between P0.83 and P0.92.

- **Deliveries and Partial Payments:**

- Deliveries were made on January 12, February 27, March 19, and April 17, 1971.

- Partial payments totaling P17,350 were made, leaving an outstanding balance of P84,123.80.

3. **Refusal and Demand:**

- **Refusal to Use Bags:** Respondent used only 15,000 bags, returning to kraft paper bags due to health hazards from cement dust seepage.

- **Recall and Payment Refusal:** LPJ requested petitioner to take back the remaining unused bags, which petitioner claimed was LPJ's responsibility.

- **Legal Demand:** Prolonged non-payment prompted Itemcop to file a collection suit on April 11, 1973.

4. **Trial Court Decision:**

- **May 25, 1981:** The trial court ruled in favor of petitioner, ordering respondent to pay P84,123.80 with 12% interest per annum from May 1971 plus attorney's fees of 15% of the total obligation.

5. **Appellate Court Decision:**

- **Intermediate Appellate Court:** Reversed the trial court's decision, absolving respondent of any liability.

6. **Present Recourse:**

- **Petition for Review on Certiorari:** Presented before the Supreme Court to review and possibly reverse the appellate court's decision.

### ### Issues

The Supreme Court was tasked with resolving two main legal issues:

1. **Review of Factual Findings:** Whether the petition calls for re-examination of the factual findings of the appellate court.
2. **Liability for Unused Plastic Bags:** Whether the respondent LPJ Enterprises, Inc. could be held liable for the 47,000 plastic cement bags which were ordered but not used due to defects.

### ### Court's Decision

**1. Review of Factual Findings:**

- The Supreme Court acknowledged that the case warranted re-examination of factual findings under specific exceptions, such as misapprehension of facts or overlooked facts relevant to the case.

**2. Liability for Unused Plastic Bags:**

- **Experimentation Stage:** Despite initial tests, the transaction materialized into an actual sale indicated by repeated orders and deliveries.
- **Absolute Sale:** Based on the conduct of both parties and lack of explicit terms defining the transaction as conditional, the Court concluded that the process was an absolute sale.
- **Obligatory Payment:** LPJ Enterprises, therefore, is liable to pay for all the delivered bags despite the alleged defects.

### ### Doctrine

The Supreme Court reiterated principles regarding the finality of appellate factual findings, exceptions to review, and criteria distinguishing between a sale with conditions and absolute sale based on conduct and written agreements (Article 1502, Civil Code).

### ### Class Notes

- **Key Elements:**
- **Finality Doctrine:** Examining exceptions where the appellate court's factual findings

can be reviewed.

- **Article 1502, Civil Code:** Definition and application of sale or return and sale on approval transactions.
  
- **Essential Principles:**
- **Absolute Sale vs. Conditional Sale:** Criteria based on contract specification and conduct of parties.
- **Liability in Sales Contracts:** Full payment obligation if explicit conditional terms are not stated.
  
- **Critical Statutory Provisions:**
- **Civil Code Article 1502:** Necessity of written agreements for conditional sales.
- **Exception Doctrine:** Cases where appellate review of facts is justified (misapprehension of facts, overlooked relevant facts).

### ### Historical Background

During this period, the industrial sector in the Philippines was exploring innovative packaging solutions to increase efficiency. This case emerges from the backdrop of technological trials in material science concerning packaging industrial commodities like cement. The litigation highlights the dynamic between traditional kraft paper and emerging plastic materials, spelling out the conditions under which new technologies can be contractually solidified. The mindset and commercial practices during this era are central in understanding the judicial approach to contractual disputes and commercial liabilities.