

****Title:**** ACE Foods, Inc. v. Micro Pacific Technologies Co., Ltd., G.R. No. 89426, 723 Phil. 742 (2012)

****Facts:****

1. ACE Foods, Inc. (“ACE Foods”) is a domestic corporation trading consumer goods wholesomely and retail, while Micro Pacific Technologies Co., Ltd. (“MTCL”) supplies computer hardware.
2. On September 26, 2001, MTCL sent a letter-proposal to ACE Foods offering Cisco Routers and Frame Relay products (subject products) for installation at ACE Foods’ various offices.
3. The proposal included terms: 30 days payment upon delivery, price stability depending on dollar rate, immediate or within 30-45 days delivery, and a one-year warranty on parts and services.
4. ACE Foods accepted the proposal on October 29, 2001, and issued Purchase Order No. 100023 for P646,464.00.
5. On March 4, 2002, MTCL delivered the subject products, issuing Invoice No. 7733 which included a title reservation stipulation.
6. Products installed and configured at ACE Foods’ premises. Despite demands, ACE Foods did not pay, claiming a breach of “after delivery services.”
7. On September 19, 2002, ACE Foods sent a letter stating it had returned the products via a sales representative which was not completed.
8. On October 16, 2002, ACE Foods filed a complaint in RTC, claiming MTCL breached their “after delivery services” and delivered defective products, seeking removal of the products.
9. MTCL’s Answer with Counterclaim acknowledged delivery and installation, ongoing training, good working condition of products, and non-payment by ACE Foods, seeking payment and damages.

****RTC Ruling:****

- On February 28, 2007, RTC ruled the agreement as a contract to sell due to the title reservation stipulation, directing MTCL to remove products and indemnifying ACE Foods P200,000 actual damages and P100,000 attorneys’ fees.

****CA Ruling:****

- On October 21, 2011, CA reversed RTC's decision, ruling it as a contract of sale, ordering ACE Foods to pay P646,464.00 plus 6% interest per annum from April 4, 2002, and P50,000 attorney's fees. The CA found no agreement on "after delivery services" in the presented documents.

****Issues:****

1. The primary issue is whether ACE Foods should pay MTCL the purchase price for the subject products.
2. Whether the transaction was a contract of sale or a contract to sell.
3. The implications of the title reservation stipulation in the Invoice Receipt.
4. Whether MTCL breached any post-delivery service obligations.

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

- The Supreme Court affirmed the CA's ruling that there was a perfected contract of sale.

1. ****Contract Nature:**** The Court declared the agreement a contract of sale as perfected by ACE Foods' acceptance of MTCL's proposal with the Purchase Order. The title reservation in the Invoice Receipt did not convert it into a contract to sell and was deemed a unilateral imposition by MTCL without animus novandi.

2. ****Title Reservation:**** The title reservation did not constitute novation of the original agreement. No substantial evidence indicated an intention to modify the agreement to a contract to sell.

3. ****Non-Payment:**** ACE Foods was obligated to pay since MTCL had fulfilled its delivery and installation obligations. Refusal to pay contradicted the principle of reciprocity inherent in contracts of sale.

4. ****Breach Claims:**** ACE Foods failed to substantiate allegations of defective products or MTCL's failure in post-delivery services, hence rescission was not justified.

****Doctrine:****

- The nature of a contract is determined by its terms and the contemporaneous actions of the parties and not merely its title.
- Contracts of sale are consensual, perfected by mere consent without requiring a particular form.
- Title reservation clauses do not necessarily alter a contract of sale to a contract to sell

without clear mutual agreement to that effect.

****Class Notes:****

- ****Contract of Sale vs. Contract to Sell:**** Sale transfers ownership upon agreement, while a contract to sell reserves ownership until conditions are met (e.g., full payment).
- ****Essentials of Sale:**** Consent, determinate object, and price certain.
- ****Burden of Proof:**** Party alleging breach must prove; failure warrants no rescission.
- ****Novation:**** Explicit agreement or clear actions needed; not presumed.

****Historical Background:****

- The case highlights the complexities in commercial transactions involving modern technology products and the vital role of clear contractual terms. Historical instances of technology purchases often included disputes over fulfillment of additional service provisions, now more stringently examined with evolving contractual principles. The case reflects contemporary judicial emphasis on mutual contractual obligations and strict adherence to the agreements' explicit terms.