

Title: Laudico & Harden vs. Arias et al. (43 Phil. 270, 1919)^{05, 2004 (Case Brief / Digest)}

Facts:

On February 5, 1919, Vicente Arias, on behalf of himself and his co-defendants, who owned multiple buildings on Carriedo Street, sent a letter to Mamerto Laudico, giving him an option to lease the building. Along with the letter, Arias enclosed a tentative contract outlining the terms and conditions of the proposed lease. Laudico found Fred M. Harden as a potential lessee. During negotiations, additional conditions were added, and counter-proposals and clarifications were exchanged.

Negotiations took place through correspondence and verbal discussions with Vicente Arias. By March 6, 1919, no concrete agreement was reached until Laudico wrote a letter to Arias accepting the amended and supplemented proposals. This acceptance letter was delivered to Arias at 2:53 p.m. on the same day.

However, Arias had already sent a letter to Laudico at 11:25 a.m. on March 6, 1919, withdrawing the lease offer. This withdrawal letter was delivered before Arias received Laudico's acceptance letter.

Procedural Posture:

Plaintiffs Mamerto Laudico and Fred M. Harden filed a complaint to compel the defendants to execute the lease contract based on the aforementioned transactions. The trial court ruled in favor of the defendants, and the plaintiffs appealed to the Supreme Court.

Issues:

1. Whether a contract was perfected between the parties when Laudico sent his acceptance letter.
2. Whether Arias had the right to withdraw the offer before the acceptance was communicated.

Court's Decision:

The Supreme Court held that no contract was perfected between the parties. The Court resolved the issues as follows:

1. **Perfection of Contract:** Under Article 1262, paragraph 2 of the Civil Code, an

acceptance by letter does not have any effect until it comes to the knowledge of the offeror. At the time of Arias's withdrawal of the offer, he had not yet received Laudico's acceptance letter. Therefore, there was no binding agreement as the acceptance was only effective upon the offeror's knowledge.

2. **Right to Withdraw Offer:** The Court affirmed that under the relevant civil code provision, an offer can be withdrawn at any time before acceptance. Since Arias withdrew his offer before he learned of Laudico's acceptance, he was within his rights. Furthermore, the notice of the withdrawal was received by Laudico before Arias received the acceptance, meaning the withdrawal was effective.

Doctrine:

The case established and reaffirmed the doctrine that an acceptance of an offer via letter is only effective once it is known to the offeror. An offer is revocable at any time before such acceptance is communicated and known to the offeror. The ruling developed the understanding that a contract requires a mutual concurrence of intent, realized through communicated offer and acceptance.

Class Notes:

1. **Contracts - Perfection:** Acceptance of an offer via letter is effective only upon its receipt and knowledge by the offeror (Article 1262, paragraph 2, Civil Code).
2. **Revocation of Offers:** An offer can be withdrawn at any time before it is accepted and communicated to the offeror.
3. **Meeting of Minds:** Essential for contract formation; requires the offer and acceptance to align and be communicated to both parties.

Historical Background:

This case dealt with issues concerning contract formation under the Civil Code of 1889 in the Philippine legal context, specifically addressing how offers and acceptances operate within contractual negotiations. It illustrated the application of legal principles regarding the interaction between parties in civil contracts, highlighting the rights of offerors to revoke offers before they are accepted. At the time, the Philippine legal system was influenced by Spanish civil law principles, with specific nuances applicable to commercial and lease agreements.