

****Title:** Angel V. Talampas, Jr. vs. Moldex Realty, Inc.**

****Facts:**** The petitioner, Angel V. Talampas, Jr., owned and managed Angel V. Talampas, Jr. Construction (AVTJ Construction) engaged in general engineering and building. On December 16, 1992, a contract was entered into with respondent Moldex Realty, Inc. for the development of Metrogate Silang Estates in Cavite, with construction starting on January 14, 1993. Due to a redesign of the subdivision plan, construction was temporarily suspended on May 14, 1993. However, this suspension extended beyond the stated duration, causing the petitioner's resources to remain idle. Subsequently, the petitioner received an antedated letter on June 16, 1993, indicating termination of the contract by Moldex Realty. Talampas then demanded payment for equipment rentals incurred during the suspension and for the cost of opportunity lost due to contract termination, which Moldex Realty refused. Following this refusal, Talampas filed a complaint for breach of contract and damages against Moldex Realty on November 5, 1993.

The trial court found in favor of Talampas, considering Moldex Realty's non-disclosure of the project's lack of a conversion clearance certificate from the Department of Agrarian Reform (DAR) as fraudulent and a breach of contract. Moldex Realty appealed, and the Court of Appeals reversed the trial court's decision, leading to Talampas petitioning the Supreme Court for review.

****Issues:****

1. Whether Moldex Realty unilaterally terminated the contract without just cause or if there was mutual agreement for termination.
2. The role of DAR conversion clearance non-disclosure in the contract's termination.
3. Moldex Realty's duty to disclose the lack of DAR clearance before contract execution and if non-disclosure constitutes fraud.
4. Whether the contract was an integrated, indivisible one.
5. Talampas' entitlement to damages awarded by the trial court.

****Court's Decision:**** The Supreme Court granted Talampas' appeal, reversing the Court of Appeals' decision. The Court held that the contract's termination by Moldex Realty did not comply with the stipulated grounds for unilateral termination. The alleged mutual agreement to terminate the contract was not established with convincing evidence. Talampas' request for an official termination letter and acceptance of certain payments did not constitute consent to or ratification of the termination. The Court also determined Talampas was entitled to payments for equipment rentals incurred during the work

suspension and a cost of opportunity lost due to the premature termination but rejected the award of moral and exemplary damages due to the absence of proven fraud or bad faith on the part of Moldex Realty.

****Doctrine:**** Contracts bear the force of law between parties and must be performed in good faith. The unilateral termination of a contract requires compliance with the grounds explicitly stated within the contract. Mutual agreement for termination should be clearly established, and mere acceptance of payments for performed work does not signify consent to the termination.

****Class Notes:****

- ****Legal Elements in Contractual Breach:**** For a complaint of contractual breach to prosper, the breach must be palpable and without legal justification. Consent for contract modification or termination must be mutual and evidenced unequivocally.
- ****Doctrine on Non-disclosure and Fraud:**** Non-disclosure of critical information, where there exists a duty to disclose, can constitute fraud under Article 1339 of the Civil Code. However, the absence of fraud or bad faith negates the award of moral and exemplary damages.
- ****Doctrine on Termination for Convenience:**** A party may not unilaterally terminate a contract unless such right is explicitly provided for within the contract and the termination complies with the agreed-upon stipulations.

****Historical Context:**** This case illustrates the stringent requirements under Philippine law for contract modifications, terminations, and the duty of parties to disclose material facts during contract negotiations. The ruling emphasizes good faith in contractual relationships and the need to adhere strictly to contract stipulations, echoing the Civil Code's provisions on contracts and obligations.