

CO CHO CHIT, DOING BUSINESS UNDER THE NAME AND STYLE OF GRACE PARK ENGINEERING, PETITIONER, VS. HANSON, ORTH & STEVENSON, INC., ET AL., RESPONDENTS.

G.R. No. L-8439. May 30, 1958

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

This is a petition for review of a decision of the Court of Appeals modifying that of the court a quo "in the sense that defendant is not bound to pay the plaintiff the sum of P2,341.69 as expenses incurred by the latter in connection with the installation of the hemp press in its plant, and that upon refund of the purchase price of this machine and of the corresponding legal interest thereon, plaintiff shall allow defendant to get back the hemp preys bought from him in the same condition as it was when delivered."

The facts as found by the Court of Appeals are:

"On March 10, 1949, Co Cho Chit entered a contract with Hanson, Orth & Stevenson, Inc., in virtue of which the latter bought from the former one hemp press, furnished With marine type reversible clutch; hemp box guide made of angular steel and beltings to the main drive power engine' for the sum of P8,000.00, which the buyer paid the purchaser under the terms and conditions stipulated in the contract of sale (Exhs. A & 1), one of which was that the vendor would furnish free of charge the services of a competent mechanic to supervise the installation of the above hemp press and turn same over to the purchaser in satisfactory running order, as well as the mechanic to supervise the installation of the power drive engine to be furnished by the purchaser for said hemp press. As per letter of Co Cho Chit of March 10, 1949, to Hanson, Orth & Stevenson, Inc. (Exhs. A-1 & 4), the vendor further guaranteed that the said hemp press would give satisfactory service under reasonable use of the same for a period of six months, excepting breakage of any part thereof due to careless handling by buyer's operators.

"In consonance with the contract and letter aforementioned, said hemp press was shipped to, and installed at, plaintiff's Fiber Plant in Davao City under the supervision and direction of the vendor's mechanics, though in spite of all efforts and cooperation given by the purchaser, the same has never been up to the present in a satisfactory running order, nor could it give satisfactory service, because it could not compress and turn out hemp bales to regulation size of 12 cubic feet each, or less, in accordance with Section 9, paragraph (d) of Fiber Inspection Administration Order No. 5, nor has the vendor ever turned over said hemp press to the buyer as provided in said contract.

"By reason of such vendor's alleged failure to comply with his aforementioned obligations, the purchaser demanded from him the refund of the sum of P8,000.00 paid as purchase price of the hemp press, and as Co Cho Chit refused to yield to this demand, Hanson, Orth & Stevenson, Inc., instituted on October 13, 1949, the corresponding complaint that gave rise to this action in the Court of First Instance of Manila against Co Cho Chit, praying in the complaint that this defendant be sentenced to refund said sum of P8,000.00 to the plaintiff and to further pay the latter the following sums: (1) P2,341.68 spent for freight, loading and forwarding charges of the hemp press and for materials and labor in the installation of the same at purchaser's Fiber Plant

in Davao City and for the transportation, board and lodging of defendant's mechanic who supervised and directed the installation of the hemp press as well as the power drive engine mentioned in said contract; (2) P2,400.00 paid by the purchaser to Arsenio Siy as rentals for the warehouse located in Davao City for the months of July and August, 1949, that is, after the period that the vendor had to finish the installation of the hemp press and the said power engine as per the contract; and (3) the sum of P100.00 a month as compensation for the safekeeping of the aforesaid hemp press in purchaser's Davao Fiber Plant from July 1, 1949, until the said hemp press be removed therefrom.

"The defendant answered the complaint setting affirmative defenses and denying that the hemp press is not in a satisfactory-running order; that it does not give satisfactory service; that it does not press and turn out hemp bales in government regulation size; and that it has not been turned over to the plaintiff by the defendant, and prayed the court to dismiss the complaint, with costs against plaintiff, praying further for such other remedy as the court may deem just and equitable in the premises.

"As on November 29, 1950, plaintiff Hanson, Orth & Stevenson had sold, transferred, conveyed and assigned unto Conrad & Co., Inc. its claims and cause of action in this case, the latter applied for the substitution of the former in this litigation, which substitution was approved by order of the court of May 14, 1951. After hearing the court rendered judgment, the dispositive part of which is as follows:

"IN VIEW OF THE FOREGOING, the Court hereby renders judgments in favor of the plaintiff and against the defendant, declaring the contract rescinded and ordering the defendant to pay the plaintiff the amounts of P8,000.00 and P2,341.69, the purchase price and the expense incurred by it for the unsatisfactory installation, respectively, with interest at the rate of 6% per annum from the date of the filing of the complaint until fully paid. With cost against the defendant."

From this decision the defendant appealed to the Court of Appeals which modified the same as stated above. Petitioner now contends that:

"THE COURT OF APPEALS ERRED ON A QUESTION OF LAW WHEN, IN EFFECT, IT HELD THAT UNDER THE CONTRACT APPELLANT BOUND HIMSELF ON A WARRANTY THAT THE HEMP PRESS WOULD RENDER 'SATISFACTORY' SERVICE IN THE SENSE THAT 'THE PRESS COULD BE USED, AFTER INSTALLATION, IN ACCORDANCE WITH APPELLEE'S BUSINESS OF EXPORTATION OF HEMP'—

"(a) THERE BEING NO EXPRESS WARRANTY IN THAT SENSE,

"(b) THERE BEING NO IMPLIED WARRANTY AS CONTRACT WAS FOR THE SALE AND DELIVERY OF A SPECIAL HEMP PRESS,

"(c) EVIDENCE OF CIRCUMSTANCES TENDING TO VARY TERMS OF A WRITTEN CONTRACT BEING BARRED BY THE PAROL EVIDENCE RULE FROM CONSIDERATION BY THE COURT, AND

"(d) THERE BEING NO CASE OF WARRANTY AGAINST HIDDEN DEFECTS, THE DEFECTS COMPLAINED OF BEING NOT HIDDEN DEFECTS AND THE VENDEE NOT HAVING RELIED UPON THE KNOWLEDGE OR SKILL OF VENDOR."

The contract that was concluded between the parties relative to the sale of the hemp press in question is embodied in the letter of March 10, 1949 sent by petitioner to respondent which, for purposes of reference, we quote hereunder:

March 10, 1949

Messrs. Hanson, Orth & Stevenson, Inc.
Trade & Commerce Building

Juan Luna Street, Manila

CONTRACT

Dear Sirs:

Confirming previous correspondence, we submit for your consideration the following offer:

One (1) Hemp Press furnished with marine type reversible clutch; hemp box guide made of angular steel and beltings to the main drive power engine—

Price, including tax; crating; forwarding and loading aboard the ship at Manila harbor—P8,000.00.

TERMS OF PAYMENT:

P8,000.00 cash upon presentation of shipping documents and invoices.

We shall furnish, free of charge, the services of a competent mechanic to supervise the installation of the above hemp press and turn same over to you in satisfactory running order. Our mechanic will also supervise the installation of the power drive engine to be furnished by you for the above hemp press.

Ocean freight, unloading and forwarding charges at ship destination to site of installation will be for your account.

Erection materials, such, as cement, sand, gravel, from lumber for cement foundations and hemp box, and all other equipment not specifically included in the above offer will be for your account.

Please signify your acceptance to the above by signing the original of this contract and returning same to this office.

Yours very truly,

GRACE PARK ENGINEERING

/s/ Co Cho Chit

/t/ Co Cho Chit

Proprietor

We hereby accept the offer herein made, subject to all terms and conditions therein, specified.

HANSON, ORTH & STEVENSON, INC.

/s/ J. DEANE CONRAD

Signed in the presence of:

/s/ Illegible

/t/ J. M. PINO"

In connection with the aforequoted contract, the Court of Appeals also considered as important the statement made in 'another letter which says: "In connection with the said hemp press, we guaranty same to give satisfactory-service under reasonable use of same for a period of six months, excepting breakage of any part thereof due to careless handling by your operators" (Exhibit A-1). And considering the terms of the two letters in relation to the rest of the evidence, the Court of Appeals made the following findings:

"It is to be also noted in this connection that J. Deane Conrad who carried out the transaction with Co Cho Chit, is not a mechanic, while the vendor is the head, if not the owner, of Grace Park Engineering; that Hanson, Orth & Stevenson, Inc., for which the hemp press was bought, needed this machine in the operation of its business of exporting hemp from the country; that with the exception of a very small percentage, almost all of the hemp produced in the Philippines is for exportation; that since its installation the hemp press in question has not been able to bale hemp of regulation size for exportation; and that because of this failure or defect plaintiff has never accepted said hemp press. Such being the case, and even if the terms of the contract do not specifically or expressly bind defendant to make the installation of the hemp press but only to furnish the service of competent mechanics to supervise the installation thereof, yet this hemp press had to be installed under the supervision of the personnel of the defendant and had 'to give (after installation) satisfactory service under reasonable use of same for a period of six months, excepting breakage of any part thereof due to careless handling by plaintiff's operators; and such service could not be 'satisfactory if the hemp press could not be used, after its installation, in accordance with appellee's business of exportation of hemp. In the case at bar, the failure in carrying" out the installation in question may not be a basis for rescission of the contract Exhibit A, but even so, there still would be ground for the resolution thereof if one of the parties thereto fails to fulfill his part of the contract."

From the above findings, the following appears clear; that respondent, for which the hemp press was bought, needed this machine in the operation of its business of exporting hemp from the country; that with the exception of a very small percentage, almost all the hemp produced in the Philippines is for exportation; that since its installation, the hemp press in question has not been able to bale hemp of regulation size for exportation; and that because of this failure or defect, respondent has never accepted said hemp press. For this reason, the court concluded that petitioner breached his contract and so respondent is entitled to its rescission.

The letter-contract Exhibit A shows clearly that petitioner obligated himself to perform only two obligations, to wit: first, to sell and deliver to respondent the described hemp press, and, second, to furnish free of charge the services of a competent mechanic to supervise the installation of the hemp press and turn the same over to respondent in satisfactory running condition. In addition, it may be said, considering the clarifying letter Exhibit A-1, that petitioner guaranteed that the hemp press would "give satisfactory service under reasonable use of same for a period of six months." It would appear that these commitments of petitioner were complied with, since the hemp press as described was delivered, the same was installed to respondent's satisfaction, and it is giving satisfactory service under reasonable use for the purpose for which it was made. There is nothing in the record to show that the hemp press delivered is not in accordance with the specification contained in the contract, nor is there any point raised that it is not functioning for the purpose for which it was made. Such being the case, it would seem that petitioner has done his part in the contract and therefore there is no reason why it should be rescinded to his prejudice. Of course, in the clarifying contract Exhibit A-1, petitioner guaranteed that the hemp press would give satisfactory service under reasonable use for a period of six months, but this guaranty cannot be interpreted to mean that the hemp press would press hemp in bales of any specified size or according to the regulation size needed for exportation. Said guaranty only means that the hemp press would give satisfactory

service if reasonably used for the purpose it was made, and this purpose is the one described in the contract.

It is true that the hemp press is not able to bale hemp of regulation size for exportation which is the purpose respondent want to be, but why is it that such brand of press was not specified in the contract? Why is it that it was not clearly expressed therein that the hemp press needed by respondent was intended to bale hemp in connection with its business of exportation? The record shows that J. Deane Conrad, who carried out the transaction with petitioner, is a responsible official who has had enough experience in the business of hemp and as such he should have known what was best for his firm in connection with the purchase, and when he failed to make his intention clear and definite, he alone should be blamed for the consequences. The vendor cannot be expected to presume the particular commodity a customer desires to buy when he goes to his store and make his own choice and pays for it. After the vendor has done his part of delivering the merchandise the purchaser has chosen, it would be unfair to rescind the contract if it turns out not suitable to the purpose the latter has intended. This is the situation herein obtained.

Moreover, the hemp press installed was strictly in accordance with the description in the contract. There is no claim to the contrary. Such being the case, the fact that respondent could not use it to suit its own private and specific purpose cannot render the contract rescindable. The vendor has done his part and it is but fair that the vendee should do his. The contract in such a case is valid and binding and not rescindable.

"After a careful examination of the record, we have not the least doubt that the plaintiff delivered the machine as described in the sales contract, and the fact that the defendant could not use it satisfactorily in the three cold stores divisions cannot be attributed to plaintiff's fault; as far as we can see, the machine was strictly in accordance with the written contract between the parties, and the defendant can hardly honestly say that there was any deception by the plaintiff. (See article 327, Code of Commerce; *Palanca vs. Fred Wilson & Co.*, 37 Phil., 506)." (*Pacific Commercial Company vs. Ermita Market & Cold Stores, Inc.*, 56 Phil., 617, 620-621; *Italics supplied*)

Wherefore, the decision appealed from is reversed. The complaint is dismissed, with costs against respondent.

Paras, C.J., Bengzon, Montemayor, Reyes, A., Concepcion, Reyes, J.B.L. and Endencia, JJ., concur.

DISSENTING

LABRADOR, J.,

The facts found by the Court of Appeals, which cannot be modified by Us, are as follows:

"It is to be also noted in this connection that J. Deane Conrad who carried out the transaction with Co Cho Chit, is not a mechanic while the vendor is the head, if not the owner, of Grace Park Engineering; that Hanson, Orth & Stevenson, Inc., for which the hemp press was bought, needed this machine in the operation of its business of exporting hemp from the country; that with the exception of a very small percentage, almost all of the hemp produced in the Philippines is for exportation; that since its installation the hemp press in question has not been able to bale hemp of regulation size for exportation; and that because of this failure or defect plaintiff has never accepted said hemp press. Such being the case, and even if the terms of the contract do not specifically or expressly bind defendant to make the installation of the hemp press but only to furnish the service of competent mechanics to supervise the installation thereof, yet this hemp press had to be installed under the supervision of the personnel of the defendant and had 'to give (after installation) satisfactory service under reasonable use of same, for a period of six months, excepting breakage of any part thereof due to

careless handling by plaintiff's operators'; and such service could not be 'satisfactory' if the hemp press could not be used, after its installation, in accordance with appellee's business of exportation of hemp. In the case at bar, the failure in carrying out the installation in question may not be a basis for rescission of the contract Exhibit A, but even so, there still would be ground for the resolution thereof if one of the parties thereto fails to fulfill his part of the contract."

The above facts fully justify the conclusion and judgment rendered by the Court of Appeals. I, therefore, believe that said judgment should be affirmed.

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