

[with Resolution of September 29, 1962]*G. R. No. L-15092. May 18, 1962*

Ponente: REYES, J.B.L., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/cb5cc648819c/>**REYES, J.B.L., J.:**

Appeal on points of law from a judgment of the Court of First Instance of Occidental Negros, in its Civil Case No. 2603, dismissing plaintiff's complaint that sought to compel the defendant Milling Company to increase plaintiff's share in the sugar produced from their cane, from 60% to 62.33%, starting from the 1951-1952 crop year.

It is undisputed that plaintiffs-appellants, Alfredo Montelibano, Alejandro Montelibano, and the limited copartnership Gonzaga and Company, had been and are sugar planters adhered to the defendant-appellee's sugar central mill under identical milling contracts. Originally executed in 1919, said contracts were stipulated to be in force for 30 years starting with the 1920-21 crop, and provided that the resulting product should be divided in the ratio of 45% for the mill and 55% for the planters. Sometime in 1936, it was proposed to execute amended milling contracts, increasing the planters' share to 60% of the manufactured sugar and resulting molasses, besides other concessions, but extending the operation of the milling contract from the original 30 years to 45 years. To this effect, a printed Amended Milling Contract form was drawn up. On August 20, 1936, the Board of Directors of the appellee Bacolod Murcia Milling Co., Inc., adopted a resolution (Acta No. 11, Acuerdo No. 1) granting further concessions to the planters over and above those contained in the printed Amended Milling Contract. The bone of contention is paragraph 9 of this resolution, that reads as follows:

"ACTA NO. 11

SSESION DE LA JUNTA DIRECTIVA

AGOSTO 20, 1936

* * * * *

Acuerdo No. 1—Previa moeion debidamente secundada, la Junta en consideraci6n a una peticion de Ios pkintadores hecha por un comite nombrado por los mismos, acuerda enmendar el contrato de molienda enmendado mediante las siguientes:"

* * * * *

"9.a Que si durante la vigencia de este contrato de Molienda Enmendado, las centrales azucareras, de Negros Occidental, cuya produccion anual de azucar centrifugado sea mas de una tercera parte de la produccion total antfal de todas las centrales azucareras de Negros Occidental, concedieren a sus plantadores mejores condiciones que las estipuladas en el presente contrato, entonces esas mejores condiciones se concederan y por el presente, se enten-deran concedidas a los plantadores que hayan otorgado este Contrato de Molienda Enmendado."

Appellants signed and executed the printed Amended Milling Contract on September 10, 1936; but a copy of the resolution of August 20, 1936, signed by the Central's General Manager, was not attached to the printed contract until April 17, 1937; with the notation—

"Las enmiendas arriba transcritas forman parte del contrato de molienda enmendado, otorgado por— y la Bacolod Murcia Milling Co., Inc."

In 1953, the appellants initiated the present action, contending that three Negros sugar centrals (La Carlota, Binalbagan-Isabela and San Carlos), with a total annual production exceeding one-third of the production of all the sugar central mills in the province, had already granted increased participation (of 62.5 %) to their planters, and that under paragraph 9 of the resolution of August 20, 1936, heretofore quoted, the appellee had become obligated to grant similar concessions to the plaintiffs (appellants herein). The appellee Bacolod Murcia Milling Co., Inc., resisted the claim, and defended by urging that the stipulations contained in the resolution were made without consideration; that the resolution in question was, therefore, null and void ab initio, being in effect a donation that was ultra vires and beyond the powers of the corporate directors, to adopt.

After trial, the court below rendered judgment upholding the stand of the defendant milling company, and dismissed the complaint. Thereupon, plaintiffs duly appealed to this Court.

We agree with appellants that the appealed decisions can not stand. It must be remembered that the controverted resolution was adopted by appellee corporation as a supplement to, or further amendment of, the proposed milling contract, and that it was approved on August 20, 1936, twenty-one days prior to the signing by appellants on September 10, of the Amended Milling Contract itself; so that when the amended milling contract was executed, the concessions granted by the disputed resolution had been already incorporated into its terms. No reason appears of record why, in the face of such concessions, the appellants should reject them or consider them as separate and apart from the main amended milling contract,- specially taking into account that appellant Alfredo Montelibano was, at the time, the President of the Planters Association (Exhibit 4, p. 11) that had agitated for the concessions embodied in the resolution of August 20, 1936. That the resolution formed an integral part of the amended milling contract, signed on September 10, and not a separate bargain, is further shown by the fact that a copy of the resolution was simply attached to the printed contract without special negotiations or agreement between the parties.

It follows from the foregoing that the terms embodied in the resolution of August 20, 1936 were supported by the same causa or consideration underlying the main amended milling contract; i.e., the promises and obligations undertaken thereunder by the planters, and, particularly, the extension of its operative period for an additional 15 years over and beyond the 30 years stipulated in the original contract. Hence, the conclusion of the court below that the resolution constituted gratuitous concessions not supported by any consideration is legally untenable.

All disquisition concerning donations and the lack of power of the directors of the respondent sugar milling company to make a gift to the planters would be relevant if the resolution in question had embodied a separate agreement after the appellants had already bound themselves to the terms of the printed milling contract. But this was not the case. When the resolution was adopted and the additional concessions were made by the company, the appellants were not yet obligated by the terms of the printed contract, since they admittedly did not sign it until twenty-one days later, on September 10, 1936. Before that date, the printed form was no more than a proposal that either party could modify at its pleasure, and the appellee actually modified it by adopting the resolution in question. So that by September 10, 1936, defendant corporation already understood that the printed terms were not controlling, save as modified by its resolution of August 20, 1936; and we are satisfied that such was also the understanding of appellants herein, and that the minds of the parties met upon that basis. Otherwise there would have been no consent or "meeting of the minds", and no binding contract at all. But the conduct of the parties indicates that they assumed, and they do not now deny, that the signing of the contract on September 10, 1962 did give rise to a binding agreement. That agreement had to exist on the basis of the printed terms as modified by the resolution of August 20, 1936, or not at all. Since there is no rational explanation for the Company's assenting to

the further concessions asked by the planters before the contracts were signed, except as further inducement for the planters to agree to the extension of the contract period, to allow the company now to retract such concessions . would be to sanction a fraud upon the planters who relied on such additional stipulations.

The same considerations apply to the "void novation" theory of appellees. There can be no novation unless two distinct and successive binding contracts take place, with the later one designed to replace the preceding convention. Modifications introduced before a bargain become obligatory and can in no sense constitute novation in law.

Stress is placed on the fact that the text of the Resolution of August 20, 1936 was not attached to the printed contract until April 17, 1937. But, except in the case of statutory forms or solemn agreements (and it is not claimed that this is one), it is the assent and concurrence (the "meeting of the minds") of the parties, and not the setting down of its terms, that constitute a binding contract. And the fact that the addendum is only signed by the General Manager of the milling company emphasizes that the addition was made solely in order that the memorial of the terms of the agreement should be full and complete.

Much is made of the circumstance that the report submitted by the Board of Directors of the appellee company in November 19, 1936 (Exhibit 4) only made mention of the 90 per cent, the planters having agreed to the 60-40 sharing of the sugar set forth in the printed "amended milling contract", and did not make any reference at all to the terms of the resolution of August 20, 1936. But a reading of this report shows that it was not intended to inventory all the details of the amended contract; numerous provisions of the printed terms are also glossed over. The Directors of the appellee Milling Company had no reason at the time to call attention to the provisions of the resolution in question, since it contained mostly modifications in detail of the printed terms, and the only major change was paragraph 9 heretofore quoted; but when the report was made, that paragraph was not yet in effect, since it was conditioned on other centrals granting better concessions to their planters, and that did not happen until after 1950. There was no reason in 1936 to emphasize a concession that was not yet, and might never be, in effective operation.

There can be no doubt that the directors of the appellee company had authority to modify the proposed terms of the Amended Milling Contract for the purpose of making its terms more acceptable to the other contracting parties. The rule is that—

"It is a question, therefore, in each case, of the logical relation of the act to the corporate purpose expressed in the charter. If that act is one which is lawful in itself, and not otherwise prohibited, is done for the purpose of serving corporate ends, and is reasonably tributary to the promotion of those ends, in a substantial, and not in a remote and fanciful, sense, it may fairly be considered within charter powers. The test to be applied is whether the act in question is in direct and immediate furtherance of the corporation's business, fairly incident to the express powers and reasonably necessary to their exercise. If so, the corporation has the power to do it; otherwise, not." (Fletcher Cyc. Corp., Vol. 6, Rev. Ed. 1950, pp. 266-268)

As the resolution in question was passed in good faith by the board of directors, it is valid and binding, and whether or not it will cause losses or decrease the profits of the central, the court has no authority to review them.

"They hold such office charged with the duty to act for the corporation according to their best judgment, and in so doing they cannot be controlled in the reasonable exercise and performance of such duty. Whether the business of a corporation should be operated at a loss during depression, or close down at a smaller loss, is a purely business and economic problem to be determined by the directors of the corporation and not by the court. It is a well-known rule of law that questions of policy or of management are left solely to the honest decision of officers and directors of a corporation, and the court is without authority to substitute its judgment of the board of directors; the board is the business manager of the corporation, and so long as it acts in good

faith its orders are not reviewable by the courts." (Fletcher on Corporations, Vol. 2, p. 390)

And it appearing undisputed in this appeal that sugar centrals of La Carlota, Hawaiian Philippines, San Carlos and Binalbagan (which produce over one-third of the entire annual sugar production in Occidental Negros) have granted progressively increasing participations to their adhered planters, at an average rate of—

62.333% for the 1951-52 crop year;

64.2% for the 1952-53;

64.3% for the 1953-54;

64.5% for the 1954-55; and

63.5% for the 1955-1956,

the appellee Bacolod-Murcia Milling Company is, under the terms of its Resolution of August 20, 1936, duty bound to grant similar increases to plaintiffs-appellants herein.

Wherefore, the decision under appeal is reversed and set aside; and judgment is decreed sentencing defendant-appellee to pay plaintiffs-appellants the differential or increase of participation in the milled sugar in accordance with paragraph 9 of the appellee's Resolution of August 20, 1936, over and in addition to the 60% expressed in the printed Amended Milling Contract, or the value thereof when due, as follows:

0.333% to appellants Montelibano for the 1951-1952 crop year, said appellants having received an additional 2% corresponding to said year in October, 1953; 2.333% to appellant Gonzaga & Co., for the 1951-1952 crop year;

and to all appellants thereafter—

4.2% for the 1952-1953 crop year;

4.3% for the 1953-1954 crop year;

4.5% for the 1954-1955 crop year;

3.5% for the 1955-1956 crop year;

with interest at the legal rate on the value of such differential during the time they were withheld; and the right is reserved to plaintiffs-appellants to sue for such additional increases as they may be entitled to for the crop years subsequent to those herein adjudged.

Costs against appellee, Bacolod-Murcia Milling Co.

Padilla, Bautista Angelo, Labrador, Conception, Barrera, Paredes, and Dizon, JJ., concur.

RESOLUTION

September 29, 1962

REYES, J. B. L., J.:

The appellee Bacolod-Murcia Milling Company has filed two motions to reconsider, urging that our decision be set aside to give way for the consideration of the issues of fact raised in its original answer to appellants complaints, and for their resolution either by the court a quo or by the Court of Appeals.

We can not see our way clear to granting the motions taking into account that the court of first instance, in its appealed decision dismissing the complaint, limited itself exclusively to the questions of law posited by the defendant Company, now appellee, and ignored all its other defenses based on questions of fact. The appellee Company, in turn, even when made aware of the intention of the plaintiffs to appeal to this Court, did not ask the court below to make any findings on the issues of fact raised by its other defenses. Neither has it called our attention, during the period of more than two years that the appeal has been pending in this Court, to the necessity of considering such factual defenses. Indeed, appellee's brief has been limited to argue the issue of law that was raised by it and which was upheld by the court of origin.

During the pendency of the appeal, the appellee had more than ample opportunity to point out to the Court that the resolution of the issues of law would not bar its other defenses. Even more, as appellee, it could have discussed, under the Court's doctrines, its other defenses in its brief, by way of support of the dismissal made by the court of first instance. As pointed out in several decisions, an appellee, who is not an appellant, may even assign errors in his brief where his purpose is only to maintain the judgment on other grounds, although not to have the judgment modified or reversed.[1] In fact, appellee could have asked this Court to refer the case to the Court of Appeals for resolution of the issues of fact.

Appellee has taken none of these various options. Instead, it submitted the case for decision exclusively on the issue of law, and has called attention to the issues of fact only when the decision went against it. Now it wants the case remanded for another trial, another decision, and, in all probability, another appeal, with all the attendant delays.

Plainly, the course suggested can not be countenanced. The delay in the administration of justice and the clogging of court dockets have been a constant source of complaints in our country, and the policy of this Court has ever been to discourage piecemeal appeals. Thus, this Court has consistently ruled that a party defendant who demurs to the evidence presented by the plaintiff, and obtains a dismissal on the basis of its insufficiency, should not, in case that the dismissal is reversed on appeal, be allowed to submit evidence in its own behalf. As ruled In *Moody, Aaronson & Company vs. Hotel Bilbao*, 50 Phil., 198 (followed in many subsequent cases).

"The efforts of the courts should be concentrated on providing rules which will avoid lengthy and expensive litigation, and which will assist in the speedy disposition of cases"[2]

Again, by resolution of 23 March 1956, this Court refused to entertain a claim that a decision rendered by the Court of Appeals was void for lack of jurisdiction over the amount in issue, ruling that a party who allows an appeal to be considered and decided by the Court of Appeals must be deemed to have waived so much of its claim as is in excess of the jurisdiction of the Court of Appeals in order to discourage the practice of accepting a decision, if favorable, and attacking it for lack of jurisdiction when adverse.[3]

Consistently with these precedents, the appellee in the case at bar, having submitted the case on its legal issue without advertng to its factual defenses until the case was decided, despite ample opportunity to do so, must be regarded as having waived all such defenses. Its inaction, in fact, is evidence of its intention to so waived.

Finally, the appellee Company contends that our judgment is illegal in that the precise amount of sugar to which appellants are entitled is not determined. This argument is untenable, for the Court has fixed the additional percentages of sugar that under the contract appellants ought to have received in each of the crop years specified in the decision, so that the exact amount of piculs due becomes a matter of arithmetical computation on the basis of the production records for each year. This determination, like that of the interest on the market value of the sugar improperly withheld by the milling Company, to run from the time the various quantities of sugar should have been delivered, can be ascertained by the court of origin in supplementary proceedings in aid of execution

under Rule 34, paragraph 3, of the Rules of Court (Buenaventura vs. Fernan, G.R. No. L-14282, December 29, 1959; Deliva vs. Surtida, 92 Phil., 131; 48 Off. Gaz., (10) 4339; Villones vs. Nable, 85 Phil., 43). Such supplementary proceedings in aid of execution are neither a new trial nor a rehearing of the original case (Villones vs. Nable, ante).

Wherefore, the motions for reconsideration are denied.

Bengzon, C.J., Padilla, Bautista Angelo, Labrador, Paredes, and Dizon, JJ., concur.

[1] See cases collected in I. Moran, Comments on the Rules of Court, p. 712, footnotes 19 and 20.

[2] See Arroyo vs. Azur, 76 Phil. 499. Demeterio vs. Lopez, 50 Phil., 45. Abriol vs. Homeres, 84 Phil., 531.

[3] L-10096, Tyson Tan vs. Filipinas Cia Seguros

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.