

R. Y. HANLON, PLAINTIFF AND APPELLEE, VS. JOHN W. HAUS-SERMANN AND A. W. BEAM, DEFENDANTS AND APPELLANTS. GEORGE C. SELLNER, INTERVENER.

G. R. No. 14617. December 09, 1920

Ponente: STREET, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-14617-2/>

STREET, J.:

We take occasion, from the presentation of a motion to rehear, to add a few words to an opinion already perhaps unduly extended. Directing attention again to the interpretation of clause (d) of paragraph II of the profit-sharing agreement, which is the central feature of the case, we note that the proponents of the motion reiterate their contention to the effect that the discharge contemplated in that clause is merely a discharge of the guaranty, so-called, to raise the capital which Sellner on the one part, and Haussermann and Beam on the other, had respectively agreed to raise on or before May 6, 1914; and that the discharge of Haussermann and Beam from this obligation left intact the broad obligation, expressed in paragraph I of the same contract, to do all in their power to promote the Hanlon project. Upon this point counsel say that not only the language but the punctuation of clause (d) shows conclusively that the antecedent of the word "obligation," twice employed therein, is the guaranty, or promise, to obtain the subscriptions within the period stated.

This may possibly be true, but the statement is apparently barren of significance; for when the contract is carefully examined, it will be found that this promise (guaranty?) expresses exactly the principal thing that these parties had agreed to do towards realizing the project. To be more specific: In one of the introductory clauses of the contract it is recited that the parties have agreed to cooperate and assist Hanlon in the flotation of the project for the rehabilitation of the Benguet Consolidated Mining Company; in paragraph I it is stipulated that each shall do all in his power to float said project and make the same a success; and in paragraph II it is agreed that said project shall be floated by the raising of capital in a certain manner and within a certain time. In other words, that which in the beginning is expressed in general terms as an undertaking to cooperate is finally reduced by a process of definition to the precise obligation indicated in the mutual promises of Sellner, Haussermann, and Beam, to raise the necessary capital within the period of six months. Of course nobody will be misled, by the use of the verb guarantee in clause (d), into supposing that the obligation there created is of a distinct type, different from that created by any ordinary and direct promise. In its ordinary significance the word "guarantee" implies the creation of a collateral obligation, but here it is evidently used for emphasis simply in the sense of promise.

What has been said shows the impossibility of separating the duty of the three associates above-mentioned to assist in the promotion of the Hanlon project from the more specific duty to raise the necessary capital in the particular manner set forth in clause (d). When the one obligation was discharged the other was necessarily extinguished also.

A single observation will be made upon another point, which may be indicated in the following question: What are the conditions under which an attorney in fact is bound to exercise a power in behalf of and for the benefit of

his principal? Manifestly, before the attorney in fact can be held liable for the breach of duty towards his principal there must have existed a specific obligation on the part of the attorney in fact to act for the principal. Such obligation is sometimes discoverable from an examination of the power itself, but is more often discoverable by implication in the circumstances surrounding the parties and their special relations with reference to each other and the subject-matter of the power.

In the present case the specific power of attorney executed by Hanlon in favor of Beam on November 10, 1913, prior to Hanlon's departure for the United States, clearly shows that it was executed in relation with the contracts of November 5 and 6, and was to be used in carrying those contracts into effect. Those contracts, however, as we have shown in the principal opinion, failed and became inoperative without fault of the defendants on May 6, 1914; and so far as the record shows, there was no act which could have been done in furtherance of those contracts prior to that date which was neglected by Beam under that power.

But it will be said that, even conceding that Beam was under the positive duty to act for Hanlon under the power of attorney in the matter of rehabilitating the mine after the sixth of May, nevertheless as he did afterwards in fact proceed in that matter under new and different auspices, he must now be held in equity to have been acting, in cooperation with Haussermann, for the benefit of the old joint enterprise. The difficulty here is and this we consider to be one of the fundamental fallacies underlying the case that the plaintiff is attempting to enforce an equitable obligation inconsistent with the specific contract. It is a well-known rule that no implied obligation, either legal or equitable, is ever created or imposed by law in respect to a matter which has been made the subject of express contract. Likewise, no implied duty can ever spring from the same soil where an express contract has existed and has been discharged. It follows that the discharge of Haussermann and Beam under the express provisions of clause (d), paragraph I, of the profit-sharing agreement, is a fatal obstacle to the creation of any implied duty, legal or equitable, derived from that contract or from the relation of the parties as incident thereto. The rights of the parties must be determined by the contract. And this applies not only with reference to the extent of the contractual obligation but to the conditions under which the obligation was extinguished.

The motion to rehear is denied. So ordered.

Mapa, C. J., Araullo, Malcolm, Avanceña and Villamor, JJ., concur.

[1] See main decision in 40 Phil., 796.

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.