

THE UNITED STATES, PLAINTIFF AND APPELLEE, VS. AGAPITO BELTRAN AND PEDRO DE LEON, DEFENDANTS. AGAPITO BELTRAN, APPELLANT.

G.R. No. 16480, December 11, 1920

Ponente: MALCOLM, J.

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MALCOLM, J.:

On May 10, 1919, Agapito Beltran borrowed from Facundo Haw, the owner of a chineleria, the sum of P74.50. At the same time, Beltran signed a receipt of the following tenor:

"I borrowed from Mr. Facundo Haw the sum of seventy- four pesos and fifty centavos (P74.50), by virtue of our agreement that I shall work while I have not paid, and that I shall pay every week by installment."

Beltran worked continuously in Haw's shop from March 17, 1919, until August 30, 1919. During this period Beltran claims that he paid Haw P24 on account of his debt. Beltran left the employ of Haw because of a disagreement with the wife of his employer and because there was not enough work and material to keep him busy.

For failure to fulfill his agreement, Agapito Beltran was prosecuted, first in the municipal court of the city of Manila, and later, on appeal, in the Court of First Instance of the city of Manila, for a violation of section 1 of Act No. 2098, an Act relating to contracts of personal services and advances thereunder, and providing punishment for certain offenses connected therewith. He was found guilty and was sentenced by the latter court to two months' imprisonment, to pay Facundo Haw the sum of P83.65, and to pay one-half of the costs.

On appeal, the defendant relies on two assignments of error. The first is, that the lower court erred in not holding that Act No. 2098 has been repealed by Act No. 2300 of the Philippine Legislature. This court has heretofore held that Act No. 2098 of the Philippine Legislature is constitutional. (*Ramirez vs. Orozco* [1916], 34 Phil., 412.) But we need not pause to resolve the specific point presented, although parenthetically it may be remarked that it would require strong argument to demonstrate that Act No. 2300 prohibiting slavery, involuntary servitude, and peonage in the Philippine Islands, and enacted not long after Act No. 2098, has by its terms impliedly repealed Act No. 2098, because a decision on the second assignment of error, going to the facts in relation with a construction of Act No. 2098, is sufficient to decide the case.

All three sections of Act No. 2098 begin with the words "No person who, with intent to injure or defraud." Consequently, in order for there to be a conviction under Act No. 2098, section 1, it must be shown that at the time the contract was entered into, the employee did so with intention to defraud the employer. In other words, it is the fraudulent intent to get the money or property of another and not mere breach of contract which is made a crime by the statute. What is punished is fraudulent practices and not a failure to pay a debt. Unless the court is fully satisfied of an element of fraud in the transaction, there would only be a breach of contract, and for this the defendant could not be prosecuted criminally. Bad faith is the test. (See *Ex parte Hollman* [1908], 79 S. C. 9; 21 L. R. A. [N. S.], 242, and extensive note; *U. S. vs. Aduna*, R. G. No. 15082, decided August 25, 1919, not

reported.)

The foregoing interpretation of the Philippine statute is deemed to be correct notwithstanding our conception of the motives of the Legislature in enacting the law. The Legislature saw clearly that if Philippine trade and commerce was to prosper, fraud must be guarded against and contracts between employer and employee must be enforced. On the other hand, the purpose of the Legislature could only be carried out by enacting a law which would carefully avoid the pitfalls of the constitutional inhibitions against imprisonment for debt and a violation of the freedom of contract. As Mr. Justice Hughes well said in delivering the opinion of the United States Supreme Court in the leading case of *Bailey vs. Alabama* ([1910], 219 U. S., 219), "There is no more important concern than to safeguard the freedom of labor upon which alone can enduring prosperity be based."

That the construction we give to the Philippine statute is correct, is shown by contrasting it with the law of Alabama on the same subject, as analyzed by the United States Supreme Court. Before the amendment to the Alabama law in 1903 and 1907, held unconstitutional by the United States Supreme Court, the Code of Alabama contained a provision substantially the same as our Act No. 2098. The construction which the Supreme Court of Alabama placed upon the statute as it then stood in *Ex parte Riley* ([1891], 94 Ala., 82), quoted approvingly by the United States Supreme Court in *Bailey vs. Alabama*, *supra*, was as follows:

"The ingredients of this statutory offense are: (1) A contract in writing by the accused for the performance of any act or service; (2) an intent on the part of the accused, when he entered into the contract, to injure or defraud his employer; (3) the obtaining by the accused of money or other personal property from such employer by means of such contract entered into with such intent; and (4) the refusal by the accused, with like intent, and without just cause, and without refunding such money, or paying for such property, to perform such act or service. This statute by no means provides that a person who has entered into a written contract for the performance of services, under which he has obtained money or other personal property, is punishable as if he had stolen such money or other personal property, upon his refusal to perform the contract, without refunding the money or paying for the property. A mere breach of a contract is not by the statute made a crime. The criminal feature of the transaction is wanting unless the accused entered into the contract with intent to injure or defraud his employer, and unless his refusal to perform was with like intent and without just cause. That there was an intent to injure, or defraud the employer, both when the contract was entered into and when the accused refused performance, are facts which must be shown by the evidence. As the intent is the design, purpose, resolve, or determination in the mind of the accused, it can rarely be proved by direct evidence, but must be ascertained by means of inferences from the facts and circumstances developed by the proof. (*Carlisle vs. State*, 76 Ala., 75; *Mack vs. State*, 63 Ala., 138.) In the absence, however, of evidence from which such inferences may be drawn, the jury are not justified in indulging in mere unsupported conjectures, speculations, or suspicions as to intentions which were not disclosed by any visible or tangible act, expression, or circumstance. (*Green vs. State*, 68 Ala., 539.)"

Applying the foregoing principles to the facts, we find nothing to show that when the defendant borrowed from the complainant the amount of money mentioned in the receipt, he had made up his mind not to pay his debt, or to injure his employer. If anything, the fact that the accused worked for the complainant continuously for three or four months after the debt was incurred, would indicate good faith on the part of the accused at the time the agreement was signed. In addition to this the testimony of the accused with regard to the reason which compelled him to seek work in another place, appears to be more convincing than that of the complainant on the same point. Judgment is reversed, and the defendant is acquitted with all costs de officio. So ordered.

Mapa, C. J., Araullo, Street, Avancena, and Villamor, JJ., concur.

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