

**C. STILIANOPULOS & CO., PLAINTIFF AND APPELLANT, VS.
MANILA TRADING & SUPPLY CO., DEFENDANT AND APPELLEE.**

G.R. No. 30003. February 27, 1929

Ponente: JOHNS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-30003/>

JOHNS, J.:

In the final analysis, the real question involved is the legal construction which should be placed upon the contract Exhibit B dated February 14, 1924, the execution of which the defendant admits, and of which paragraphs 7, 8 and 9 are as follows:

"7. It is agreed and understood by both of the parties hereto that this agreement does not become effective until the approval of the said Ford Motor Company shall have been endorsed hereon, and shall continue in force and govern all transactions between the parties hereto until cancelled or terminated by either party; it being agreed that either party shall have the privilege with or without cause, if approved by the Ford Motor Company, of cancelling and annulling this agreement at any time upon written notice to the other party; and that this agreement may also be terminated upon notice to both parties given by the said Ford Motor Company, withdrawing its approval of this agreement and requesting that same should no longer remain in force.

"8. If this agreement shall be terminated in any of the ways above set forth, it is agreed that such cancellation or termination shall operate as a cancellation of all unfilled orders which may have been received by the Dealer from the Service Dealer prior to the date when notice of such cancellation was received.

"9. Said Service Dealer shall have no right to assign this agreement or any interest in same without the written consent of the Dealer and the approval of the Ford Motor Company."

The plaintiff contends that in no circumstances could the defendant cancel the contract without the approval of the Ford Motor Company.

The defendant contends that it had the right to cancel the contract at any time at its option with or without the approval of the Ford Motor Company, and that in truth and in fact, it was cancelled with the approval of that company.

In analyzing those questions, the trial court in a learned, well written opinion says:

"Plaintiff vigorously contends that the phrase 'if approved by the Ford Motor Company' constitutes a condition precedent that should have been complied with by the defendant before the notice or notification addressed to it under date September 27, 1925, cancelling the service or agency agreement for the sale of Ford automobiles and trucks, could become effective. Plaintiff argues, further, that, the approval of the Ford Motor Company not having been previously obtained as provided in the contract, the cancellation was null, void, and of no legal effect, and that, therefore, plaintiff is entitled to be indemnified both for the profits which it failed to realize and the losses suffered by it as a result of the defendant's having opened in the town of Legaspi a branch for the sale of the same motor cars and accessories.

"Defendant dissents wholly from the theory sustained by the plaintiff, and alleges that Clause 7 of the contract

does not require prior approval of the notice of cancellation and that the cancellation became effective immediately because the phrase 'if approved by the Ford Motor Company' does not constitute a condition precedent in order that the contract could be rescinded. Defendant's attorneys argue this interesting aspect of the question in the following manner:

"FIRST QUESTION

"We submit that there is not the slightest doubt that the defendant company could cancel its contract with the plaintiff company Exhibit B-1 without the previous approval of the Ford Motor Company.

"Clause 7 of the contract Exhibit B-1 reads as follows:.

"It is agreed and understood by both of the parties hereto that this agreement does not become effective until the approval of the said Ford Motor Company shall have been endorsed hereon, and shall continue in force and govern all transactions between the parties hereto until cancelled or terminated by either party; it being agreed that either party shall have the privilege with or without cause, if approved by the Ford Motor Company, of cancelling and annulling this agreement at any time upon written notice to the other party; and that this agreement may also be terminated upon notice to both parties given by the said Ford Motor Company, withdrawing its approval of this agreement and requesting that same should no longer remain in force.

"It is to be noted, that in order that the contract should become effective, that is to say, in order that the contract should obligate the contracting parties, two conditions are required: (1) Previous approval of the same by the Ford Motor Company, and (2) that such approval should appear in the contract itself.

"It is also to be noted, on the other hand, that the contract provides that either of the contracting parties may cancel it, with or without cause, at any time, upon written notice to the other party, if the Ford Motor Company approves the cancellation of the contract.

"From this clause (7) of the contract Exhibit B-1 it is evident that the prior approval of the Ford Motor Company is not required for its cancellation. It suffices that the Ford Motor Company shall have approved the cancellation before or after the giving of notice, either verbally or in writing.

"If, in order to cancel the contract, the prior written approval of the Ford Motor Company were necessary, this fact would have been set out expressly in the contract, in the same way as was the condition that in order that the contract could become effective the prior approval of the Ford Motor Company in writing should be endorsed thereon.

"Furthermore, if the contract may be cancelled, with or without cause, and at any time, upon written notice by either of the contracting parties to the other, it would be an absurdity to require that the Ford Motor Company should previously approve such cancellation. If prior approval of the Ford Motor Company were necessary, neither of the contracting parties could cancel the contract at any time, with or without cause, and this is authorized by the contract.

"SECOND QUESTION

"Even admitting for the sake of argument, that the contract Exhibit B-1 could not be cancelled without the prior approval of the Ford Motor Company, as plaintiff contends, nevertheless we submit that plaintiff's complaint should be dismissed.

"The Ford Motor Company did approve the cancellation of the contract Exhibit B-1 by the defendant company, first verbally and later in writing.

"The contract Exhibit B-1 was cancelled on October 3, 1925. On September 10 of the same year, J. S. Reese, the President of the defendant company, verbally informed the Assistant Sales Manager of the Ford Motor Company in Detroit, Michigan, Mr. R. I. Roberge, that the defendant company was going to cancel the

contract in question Exhibit B-1, and Mr. Roberge authorized Mr. Reese to cancel it, requesting the latter, further, to advise him when the contract had been cancelled in order that the Ford Company might confirm the cancellation, as it did, as appears from the instrument Exhibit 1 of the deposition of the witness J. S. Reese, and which reads as follows:

" 'Referring to your cancellation on October 3, 1925, of the Service Agreement and Rider, executed between C. Stilianopulos & Company of Legaspi and yourselves on February 14, 1924, your action is hereby approved, ratified and confirmed of that date.

" 'Yours very truly,

" 'FORD MOTOR COMPANY

(Sgd.)" 'R. I. ROBERGE

" 'ASSISTANT MANAGER OF SALES'"

"The pertinent part of said clause clearly states that the parties have agreed that either of them shall have the privilege, with or without cause, if approved by the Ford Motor Company, to cancel and annul the contract at any time upon notice in writing to the other party. Applying the rules of construction, and giving to each word the meaning contemplated by the contracting parties, it is readily seen that the phrase if approved by the Ford Motor Company does not constitute a condition precedent to the cancellation or annulment of the contract, and that such approval could be given after the written notice which either party was obligated to give to the other. This interpretation is justified not only by grammatical construction and the natural meaning of the words used, but also by the meaning of the verb 'to approve' employed by the parties. To approve, according to the dictionary, means to qualify or regard a thing as good; in connection with the agreement entered into by the parties it means to qualify or regard as good the cancellation agreed upon between them. If this is the meaning of the verb so employed, then it cannot be doubted that it was not the intention of the parties that the Ford Motor Company should give its consent beforehand to the cancellation or annulment of the contract, for that would be tantamount to requiring that it should qualify and regard as good an act or contract which as yet did not exist. A different conclusion would be reached if, instead of using the phrase 'if approved' the parties had agreed that the cancellation or annulment of the contract could not be effected 'without the previous consent' of the Ford Motor Company. In the latter case, the intention would be clearly in harmony with the plaintiff's theory, inasmuch as in order to perfect the contract and render it binding upon the parties the consent must necessarily have been obtained at the time of the execution of the contract.

"For these reasons, it must be concluded that under the above mentioned clause there was no obligation on the part of the defendant to obtain the prior approval of the Ford Motor Company, and that, the cancellation or annulment of the contract being valid, plaintiff cannot rightfully maintain this action.

"It may be added that the proof introduced warrants defendant's contention that the Ford Motor Company did approve, both verbally and in writing, the cancellation in question; so that from this point of view also the action brought by plaintiff cannot be sustained.

"In view of the conclusions above set forth, it is unnecessary to consider the question of the right claimed by plaintiff to indemnity for losses and damages (danos y 'perjuicios), nor the amount thereof."

The opinion of the lower court is very materially strengthened by the further important fact that the contract does not mention or specify any period of time for its duration, by reason of which either party, without such clauses, could terminate the contract at any time of its own volition. It will also be noted that the Ford Motor Company is not a party to the contract. We agree with the trial court that it was the purpose and intent of the parties that Exhibit B was signed by the defendant subject to the approval of the Ford Motor Company, and that it did not become a valid and binding contract until such time as it was approved by the Ford Motor Company. But even so, after its approval, either party had a legal right at its option, with or without cause, to cancel the contract, with or

without the approval of the Ford Motor Company. But the record is also conclusive that the cancellation of the contract by the defendant was approved by the Ford Motor Company both orally and in writing.

In the final analysis, both plaintiff and defendant signed the contract Exhibit B, which does not have or specify any period of time for its duration, and in and by which both parties agreed that either party at its option, with or without cause, could cancel the contract, and either party on its own volition had the legal right to cancel the contract at any time after it was signed. Plaintiff's contention would destroy and defeat the plain and express provisions of its own contract.

The judgment of the lower court is affirmed, with costs. So ordered.

Johnson, Street, Malcolm, Villamor, Ostrand, Romualdez and Villa-Real, JJ., concur.

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.