351 Phil. 858

THIRD DIVISION

[G.R. No. 118972, April 03, 1998]

HOME DEVELOPMENT MUTUAL FUND AND MARILOU ADEA-PROTOR, PETITIONERS, VS. COURT OF APPEALS AND DR. CORA J. VIRATA (CONVIR) AND ASSOCIATES, INC., RESPONDENTS.

D E C I S I O N

PURISIMA, J.:

At bench is a petition for review on *certiorari* under Rule 45 of the Revised Rules of Court, to review and set aside the Decision of the Court of Appeals[1] dated June 30, 1994 in CA-GR No. 35240, affirming with modification the Decision dated March 22, 1991 in Civil Case No. 12715 of Branch 145,[2] Regional Trial Court of Makati City.

The antecedent facts that matter can be culled, as follows:

> On January 1, 1985, CONVIR and Associates, Inc., represented by its President, Dra. Cora J. Virata, and the petitioner, Home Development Mutual Fund (*HDMF*), represented by its Senior Vice-President, Vicente Reventar III, entered into a CONSULTANCY AGREEMENT by virtue of which the former obligated itself to render medical services to the employees of HDMF. The said service contract stipulated, among others:

"That this AGREEMENT takes effect on January 1, 1985 up to December 31, 1985, provided however, that either party who desires to terminate the contract may serve the other party a written notice at least thirty (30) days in advance."

> On December 16, 1985, Dra. Cora J. Virata wrote petitioner Marilou O. Adea-Proctor, then Deputy Chief Executive Officer and Officer-in-Charge of HDMF, to inform that she (*Dra. Cora J. Virata*) was assuming from their (*petitioners'*) silence that subject Agreement was **renewed** for the succeeding period, from January 1, 1986 to December 31, 1986.[3]

In her Reply-letter, dated December 23, 1985, petitioner Adea-Proctor notified Dra. Cora J. Virata of the termination of the contract in question upon its expiration on December 31, 1985; informing Dra. Virata of the appointment by management of a full-time physician to the vacant plantilla position, such that her services would not be needed anymore.[4] But such letter-reply was formally and actually received by the private respondents only on January 9, 1986.

In the Complaint filed on January 15, 1986, private respondents averred that petitioners' sudden and unexpected termination of the Consultancy Agreement, which requires a written notice thirty (*30*) days in advance, did not conform therewith. Consequently, private respondents prayed for unrealized income of at least Five Hundred Thousand (*₱500,000.00*) Pesos resulting from loss of business opportunities, Four Hundred Thousand (*₱400,000.00*) Pesos, as exemplary

damages, One Hundred Thousand (₱100,000.00) Pesos, as litigation expenses, and 25% of the total amount, as attorney's fees.

In their Answers sent in on January 14, 1986, petitioners Adea-Proctor and HDMF sought the dismissal of the Complaint; contending *inter alia* that the Complaint states no cause of action arising from the termination of the contract, upon expiration of the agreed period. They argued that private respondents' insistence on the necessity of a notice of renewal of the contract is predicated on an erroneous interpretation of its terms, conditions and duration which are clear.

On March 22, 1991, the trial court of origin came out with a decision; disposing, as follows:

> *"Wherefore, premises considered, judgment is hereby rendered, ordering defendant Home Development Mutual Fund, to pay plaintiff the sum of Fifty Thousand (₱50,000.00) Pesos, in Philippine Currency, as compensatory damages; and Twenty Thousand (₱20,000.00) Pesos, Philippine Currency, as and by way of attorney's fees, and the costs.*
>
> *Defendant's counterclaims are dismissed/ denied for lack of merit.*
>
> *SO ORDERED."*

On appeal, the aforesaid judgment was affirmed with modification by the Court of Appeals, deleting the award of compensatory damages for want of sufficient evidence to support the same. With the denial of their motion for reconsideration, petitioners found their way to this Court via the present Petition; theorizing, that:

> *I. THE PUBLIC RESPONDENT ERRED WHEN IT RULED TO THE EFFECT THAT BECAUSE OF THE RENEWAL OF THE CONSULTANCY AGREEMENT SINCE 1981, THE 1985 CONSULTANCY AGREEMENT IS DEEMED RENEWED FOR ANOTHER TERM UNLESS ADVANCED NOTICE OF TERMINATION/NON-RENEWAL IS SERVED BY EITHER PARTY TO THE OTHER;*
>
> *II. THE PUBLIC RESPONDENT ERRED WHEN IT RULED THAT THE MEDICAL SERVICES OF APPELLEE WAS UNREASONABLY TERMINATED/ NOT RENEWED BECAUSE THE LETTER OF TERMINATION/NON-RENEWAL "WAS SERVED OR MAILED SO CLOSE TO THE END OF THE YEAR...;"*
>
> *III. THE PUBLIC RESPONDENT ERRED IN HOLDING PETITIONER LIABLE FOR ATTORNEY'S FEES TO THE APPELLEE UNDER ART. 19 OF THE NEW CIVIL CODE.*

The petition is not impressed with merit.

Our pivot of inquiry is the correct construction or interpretation of subject Consultancy Agreement, particularly its provision:

> *"That this agreement takes effect on January 1, 1985 to December 31, 1985; Provided, however, that either party who desires to terminate the contract may serve the other party a written notice at least thirty (30) days in advance."*

The first clause of the aforecited stipulation, which is the bone of petitioners' stance, basically deals with the *term of the contract;* while the proviso, which is the core of

private respondents' action, prescribes the *manner* the service contract in question could be terminated.

It is petitioners' submission that the first clause referred to is independent, distinct and separate from the said proviso, such that upon the expiration of the period stated in the first clause, the Consultancy Agreement ceased to have any binding effect between the contracting parties even though they (*petitioners*) did not give any written notice of termination at least thirty (*30*) days in advance.

We cannot fathom how contracting parties, who are *sui juris*, and knowledgeable of the purposes for which they solemnly put their Agreement into writing, could be so careless as to include inconsistent conditions in such a short and simple provision in their contract sued upon.

Time-honored is the rule that "In the construction of an instrument where there are several provisions or particulars, such a construction is, if possible, to be adopted as will give effect to ***all.***"[5] Article 1374 of the New Civil Code, on the other hand, requires that "The various stipulations of a contract shall be interpreted ***together,*** attributing to the doubtful ones that sense which may result from all of them taken ***jointly.***" Conformably, to ascertain the true meaning or import of the controverted provision of subject Consultancy Agreement, its ***entirety*** must be considered; not merely the first clause.[6] Consequently, petitioners' interpretation solely based on the first clause, and which completely ignored the second clause under scrutiny, cannot be upheld.

The law mandates that "Obligations arising from contracts have the force of ***law*** between the contracting parties and should be complied with in good faith."[7]

Did petitioners comply with their contractual obligation in good faith, when they served the requisite written notice to private respondents nine *(9)* days after the expiration of the Agreement? The answer to this crucial question is in the negative.

The second clause of the contractual provision in dispute is to the effect that written notice of termination should be served at least thirty (*30*) days in advance. As a rule, the *method* of terminating a contract is primarily determined by the stipulation of the parties.[8] Thus, the requirements of contracts as to ***notice*** - as to the *time of giving, form*, and *manner of service* thereof - must be strictly observed because "In an obligation where a period is designated, it is presumed to have been established for the benefit of both the contracting parties."[9] Thus, the unilateral termination of the contract in question by the herein petitioners is violative of the ***principle of mutuality of contracts*** ordained in Art. 1308 of the New Civil Code.[10]

Petitioner Adea-Proctor contends that on December 26, 1985, she caused personal delivery of her letter-reply dated December 23, 1985, addressed to private respondent Dra. Cora Virata, informing the latter of the impending expiration of the contract which would not be renewed anymore because the petitioners planned to fill up the vacant plantilla position with a full-time physician, as approved by the Board of Trustees of HDMF.[11] However, petitioner Adea-Proctor claims that when the said letter was delivered by one Ramon Ortega, petitioners' messenger, to the Makati office of private respondents, the latter's representative, a certain Rose Sy, refused to receive it. So, petitioner Adea-Proctor had to send the said letter by