

FIRST DIVISION

[G.R. No. 169694, December 09, 2015]

MEGAWORLD PROPERTIES AND HOLDINGS, INC., EMPIRE EAST LAND HOLDINGS, INC., AND ANDREW L. TAN, PETITIONERS, VS. MAJESTIC FINANCE AND INVESTMENT CO., INC., RHODORA LOPEZ-LIM, AND PAULINA CRUZ, RESPONDENTS.

DECISION

BERSAMIN, J.:

This case arises from a dispute on whether either party of a joint venture agreement to develop property into a residential subdivision has already performed its obligation as to entitle it to demand the performance of the other's reciprocal obligation.

The Case

Under review is the decision promulgated on April 27, 2005,^[1] whereby the Court of Appeals (CA) upheld the order issued on November 5, 2002 by the Regional Trial Court, Branch 67, in Pasig City (RTC) in Civil Case No. 67813 directing the defendants (petitioners herein) to perform their obligation to provide round-the-clock security for the property under development.^[2] Also appealed is the resolution promulgated on September 12, 2005 denying the petitioners' motion for reconsideration.^[3]

Antecedents

On September 23, 1994, Megaworld Properties and Holdings, Inc. (developer) entered into a Joint Venture Agreement (JVA)^[4] with Majestic Finance and Investment Co., Inc. (owner) for the development of the residential subdivision located in Brgy. Alingaro, General Trias, Cavite. According to the JVA, the development of the 215 hectares of land belonging to the owner (joint venture property) would be for the sole account of the developer,^[5] and that upon completion of the development of the subdivision, the owner would compensate the developer in the form of saleable residential subdivision lots.^[6] The JVA further provided that the developer would advance all the costs for the relocation and resettlement of the occupants of the joint venture property, subject to reimbursement by the owner;^[7] and that the developer would deposit the initial amount of P10,000,000.00 to defray the expenses for the relocation and settlement, and the costs for obtaining from the Government the exemptions and conversion permits, and the required clearances.^[8]

On September 24, 1994, the developer and owner agreed, through the addendum to the JVA,^[9] to increase the initial deposit for the settlement of claims and the

relocation of the tenants from P10,000,000.00 to P60,000,000.00.

On October 27, 1994, the developer, by deed of assignment,^[10] transferred, conveyed and assigned to Empire East Land Holdings, Inc. (developer/assignee) all its rights and obligations under the JVA including the addendum.

On February 29, 2000, the owner filed in the RTC a complaint for specific performance with damages against the developer, the developer/assignee, and respondent Andrew Tan, who are now the petitioners herein. The complaint, docketed as Civil Case No. 67813, was mainly based on the failure of the petitioners to comply with their obligations under the JVA,^[11] including the obligation to maintain a strong security force to safeguard the entire joint venture property of 215 hectares from illegal entrants and occupants.

Following the joinder of issues by the petitioners' answer with counterclaim, and by the respondents' reply with answer to the counterclaim, the RTC set the pre-trial of the case. At the conclusion of the pre-trial conference, the presentation of the owner's evidence was suspended because of the parties' manifestation that they would settle the case amicably. It appears that the parties negotiated with each other on how to implement the JVA and the addendum.

On September 16, 2002, the owner filed in the RTC a manifestation and motion,^[12] praying therein that the petitioners be directed to provide round-the-clock security for the joint venture property in order to defend and protect it from the invasion of unauthorized persons. The petitioners opposed the manifestation and motion,^[13] pointing out that: (1) the move to have them provide security in the properties was premature; and (2) under the principle of reciprocal obligations, the owner could not compel them to perform their obligations under the JVA if the owner itself refused to honor its obligations under the JVA and the addendum.

On November 5, 2002, the RTC issued its first assailed order,^[14] directing the developer to provide sufficient round-the-clock security for the protection of the joint venture property, as follows:

For consideration is a "Manifestation and Motion" filed by plaintiff, through counsel, defendants having filed their Opposition thereto, the incident is now ripe for resolution.

After a careful examination of the records of this case, the Court believes that the defendants should provide security for the 215 hectares land subject of the joint venture agreement to protect it from unlawful elements as well as to avoid undue damage which may be caused by the settling of squatters. As specified in Article III par. (j) of the joint venture agreement which was entered into by plaintiffs and defendants, the latter shall at its exclusive account and sole expense secure the land in question from the influx of squatters and/or unauthorized settlers, occupants, tillers, cultivators and the likes from date of execution of this agreement.

WHEREFORE, and as prayed for, the Court hereby directs the defendants

to provide sufficient round the clock security for the protection of the 215 hectares land subject of the joint venture agreement during the pendency of this case.

SO ORDERED.

The petitioners sought the reconsideration of the November 5, 2002 order,^[15] but the RTC denied the motion on May 19, 2003,^[16] observing that there was no reason to reverse the order in question considering that the allegations in the motion for reconsideration, being a mere rehash of those made earlier, had already been passed upon.

On August 4, 2003, the petitioners instituted a special civil action for *certiorari* in the CA,^[17] claiming therein that the RTC thereby gravely abused its discretion amounting to lack or excess of jurisdiction in issuing the order of November 5, 2002, specifying the following grounds, namely:

THE PUBLIC RESPONDENT GRAVELY ABUSED HIS DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN DIRECTING PETITIONERS TO PROVIDE ROUND THE CLOCK SECURITY GUARDS ON THE SUBJECT PROPERTIES.

I. THE PUBLIC RESPONDENT ARBITRARILY AND PREMATURELY DISPOSED OF ONE OF THE RELIEF[S] PRAYED FOR BY PRIVATE RESPONDENTS IN THEIR COMPLAINT WHEN TRIAL HAS NOT EVEN STARTED.

II. PUBLIC RESPONDENT ARBITRARILY DISREGARDED THE FACT THAT THE PARTIES ARE DISCUSSING HOW TO PURSUE THE JVA.

III. PUBLIC RESPONDENT ARBITRARILY DISREGARDED THE PRINCIPLE OF "RECIPROCAL OBLIGATIONS" UNDER THE CIVIL CODE.

On April 27, 2005, the CA promulgated its assailed decision dismissing the petitioner's petition for *certiorari*,^[18] ruling thusly:

On the merits of the petition, our examination of the records shows nothing whimsical or arbitrary in the respondent judge's order directing the petitioners to provide security over the joint venture property. Like the respondent judge, we believe that the obligation of the petitioners under the JVA to provide security in the area, as spelled out under Article II, par. (c) and Article III, paragraphs (h) and (j), is well established, thus:

x x x x

These clear and categorical provisions in the JVA -which petitioners themselves do not question -obviously belie their contention that the respondent judge's order to provide security for the property is

premature at this stage. The petitioner's obligation to secure the property under the JVA arose upon the execution of the Agreement, or as soon as the petitioners acquired possession of the joint venture property in 1994, and is therefore already demandable. The settled rule is that "contracts are the laws between the contracting parties, and if their terms are clear and leave no room for doubt as to their intentions, the contracts are obligatory no matter what their forms may be, whenever the essential requisites for their validity are present." Thus, unless the existence of this particular obligation - i.e., to secure the joint venture property - is challenged, petitioners are bound to respect the terms of the Agreement and of his obligation as the law between them and MAJESTIC.

We stress along this line that the complaint MAJESTIC filed below is for specific performance and is not for rescission of contract. The complaint presupposes existing obligations on the part of the petitioners that MAJESTIC seeks to be carried out in accordance with the terms of the Agreement. Significantly, MAJESTIC did not pray in the complaint that petitioners be ordered to secure the area from the influx of illegal settlers and squatters because petitioner's obligation in this regard commenced upon the execution of the JVA and hence, is already an existing obligation. What it did ask is for the petitioners to maintain a strong security force at all times over the area, in keeping with their commitment to secure the area from the influx of illegal settlers and occupant. To be sure, to "maintain" means "to continue", "to carry on", to "hold or keep in any particular state or condition" and presupposes an obligation that already began. Thus, contrary to petitioner's submissions, the question of whether or not they have the obligation to provide security in the area is not at all an issue in the case below. The issue MAJESTIC presented below is whether or not petitioner should be ordered to maintain a strong security force within the joint venture property. Hence, in issuing the assailed orders, the public respondent prejudged no issue that is yet to be resolved after the parties shall have presented their evidence.

Our conclusion (that the petitioner's obligation to secure and protect the joint venture property is a non-issue in the case below) necessarily explains why the first assailed order -although not in the form of a preliminary mandatory injunction -is nonetheless legally justified. As an established and undisputed interim measure pending the resolution of the case on the merits, we do not see its enforcement as hindrance to whatever negotiations the parties may undertake to settle their dispute.

Nor do we find the principle of reciprocal obligations a justification for petitioner's refusal to perform their commitment of safeguarding the joint venture property. For, while it is true that the JVA gives rise to reciprocal obligations from both parties, these obligations are not necessarily demandable at the same time. MAJESTIC's initial obligation under the JVA is to deliver or surrender to the petitioners the possession of the joint venture property -an obligation it fulfilled upon the execution of the Agreement. MAJESTIC's obligation under the JVA to deliver to the petitioners the titles to the joint venture property and to reimburse them for tenant-related expenses are demandable at later stages of the

contract or upon completion of the development, and therefore may not be used by the petitioners as an excuse for not complying with their own currently demandable obligation.

All told, we believe that securing and protecting the area from unlawful elements benefits both the developer and the landowner who are equally keen in safeguarding their interests in the project. Otherwise stated, incursion by unlawful settlers into an unsecured and unprotected joint venture property can only cause great loss and damage to both parties. Reasons of practicality within legal parameters, rather than grave abuse of discretion, therefore underlie the respondent judge's challenged orders.

WHEREFORE, premises considered, we hereby DISMISS the petition for lack of merit.

SO ORDERED.^[19] (Emphasis omitted)

On May 26, 2005, the petitioners filed a motion for reconsideration,^[20] but the CA denied the motion on September 12, 2005.^[21]

Hence, this appeal by petition for review on *certiorari*.

Issues

The petitioner submits the following issues:

- a. Whether or not the petitioners are obligated to perform their obligations under the JVA, including that of providing round-the-clock security for the subject properties, despite respondents' failure or refusal to acknowledge, or perform their reciprocal obligations there;
- b. Whether or not the RTC gravely abused its discretion in directing the petitioners to perform their obligations under the JVA, including that of providing round-the-clock security for the subject properties, although the JVA had been suspended due to the parties' disagreement as to how to implement the same;
- c. Whether or not the RTC gravely abused its discretion in issuing the first and second assailed orders and prematurely resolving and disposing of one of the causes of action of the respondents, which was to provide round-the-clock security for the subject properties, an issue proposed by the respondents, even before the termination of the pre-trial;
- d. Whether or not the RTC gravely abused its discretion in issuing the first and second assailed orders in clear disregard of the mandatory requirements of Rule 58 of the *Rules of Court*.^[22]