

Title: Ayala Corporation vs. Rosa-Diana Realty and Development Corporation

Facts:

The case involves a dispute over a property subject to specific building restrictions. Ayala Corporation was the registered owner of a parcel of land in Makati City, covered by Transfer Certificate of Title (TCT) No. 233435. On April 20, 1976, Ayala sold the lot to Manuel Sy and Sy Ka Kieng, and the sale was subject to Special Conditions and Deed Restrictions regarding the construction timeline and building specifications of the intended development. The restrictions were to expire in the year 2025. However, the original vendees did not comply with the conditions. They were later able to sell the lot to Rosa-Diana Realty (respondent), with the latter executing an Undertaking to abide by the same conditions.

Subsequently, Rosa-Diana submitted to the Makati building official a different set of building plans that violated the deed restrictions. Construction commenced based on the second set of plans, prompting Ayala to file an action for specific performance or alternatively rescission with the RTC. While the trial court proceedings were ongoing, Ayala's attempts to annotate a notice of lis pendens on Rosa-Diana's title were stymied by the Register of Deeds and eventually by the Court of Appeals, on the ground that the action was in personam.

The trial court ruled in favor of Rosa-Diana, finding that Ayala was guilty of abandonment or estoppel and failed to enforce the deed restrictions uniformly. The Court of Appeals affirmed the trial court's decision. Ultimately, Ayala Corporation filed a petition for review on certiorari with the Supreme Court.

Issues:

1. Whether the doctrine of the law of the case or stare decisis barred Ayala Corporation's appeal.
2. Whether the trial court and Court of Appeals were correct in finding that Ayala Corporation waived its right to enforce the deed restrictions.
3. The proper remedy for Rosa-Diana's admitted violation of the deed restrictions.

Court's Decision:

The Supreme Court reversed the Court of Appeals' decision. The High Court held that neither the law of the case nor stare decisis applied because the derivatively relevant issues were not conclusively decided in the earlier cases. The pronouncements in the earlier case

regarding estoppel were considered obiter dicta. The SC considered the issue fresh and found Rosa-Diana's bad faith in constructing the building beyond the contractual restrictions. However, specific performance was no longer possible, and rescission was not granted due to Ayala's consent in the resale of the property and the subsequent completion of the building.

With respect to remedies, the SC ordered Rosa-Diana to pay development charges based on the provisions of the consolidated and revised deed restrictions as compensatory damages for the violation. Additionally, Rosa-Diana was ordered to pay exemplary damages and attorney's fees.

Doctrine:

- The doctrine of the law of the case provides that once a decision on a legal issue is made, it will continue to control the same issues in subsequent stages in the same case. However, a distinguishing feature is that it does not carry the same judgment into other cases as precedent.
- The doctrine of stare decisis obligates courts to follow the rule established in previous decisions in future cases involving identical legal issues.

Class Notes:

- Contractual obligations have the force of law among the contracting parties and must be complied with in good faith (Article 1159, New Civil Code of the Philippines).
- A notice of lis pendens serves as a warning to prospective buyers or encumbrances that a particular property is subject to a pending court litigation. However, its propriety depends on the nature of the action.
- Obiter dictum refers to opinions expressed by a judge that do not form a part of the court's decision and are not binding precedent.
- Remedies for breach of contract may include specific performance, rescission, or the payment of damages if specific performance or rescission is not possible or relevant.

Historical Background:

This case underscores the importance of property development and compliance in the context of the rapidly expanding urban landscape of Makati City, a major commercial and economic hub in the Philippines. It illustrates the complex interactions between private contractual obligations and property law, particularly in situations where development restrictions are imposed to govern land use in a burgeoning metropolitan area. The case reflects ongoing legal challenges in ensuring equitable enforcement of such restrictions and

balancing the interests of property developers with the established contractual frameworks governing land use and development.