

Title: Noell Whessoe, Inc. v. Independent Testing Consultants, Inc. et al.

Facts:

The case involves a dispute arising from non-payment of services rendered by Independent Testing Consultants, Inc. (ITCI), a company engaged in conducting non-destructive testing on gas pipes and vessels. In June 1998, ITCI was engaged by Petrotech Systems, Inc. (Petrotech), a subcontractor of Liquigaz Philippines Corporation (Liquigaz), to conduct such tests on Liquigaz's facilities.

ITCI billed Petrotech for its services, but Petrotech failed to pay despite repeated demands. ITCI then filed a complaint against Petrotech, Liquigaz, and Noell Whessoe, Inc. (Noell Whessoe), alleging that Noell Whessoe, a construction manager, was Liquigaz's contractor that subcontracted Petrotech.

Noell Whessoe and Liquigaz denied liability, stating they had no direct contract with ITCI. Noell Whessoe also argued that it was merely hired by Whessoe Projects Limited (Whessoe UK), a UK-based company, to supervise construction and that Whessoe UK had fully paid Petrotech.

Petrotech was declared in default for failure to appear at the pre-trial conference. The Regional Trial Court found the three defendants solidarily liable to ITCI. Only Noell Whessoe and Liquigaz appealed, making the decision final regarding Petrotech. The Court of Appeals affirmed the solidary liability of Noell Whessoe and modified Liquigaz's liability, limiting it to the amount Liquigaz could have withheld from Petrotech.

Noell Whessoe filed a motion for reconsideration with the Court of Appeals and subsequent petition for review with the Supreme Court, insisting on its non-liability due to a lack of privity of contract with ITCI and the full payment made to Petrotech by Whessoe UK.

Issues:

1. Whether Noell Whessoe can be held solidarily liable with Liquigaz and Petrotech for unpaid fees to ITCI.
2. Assuming Noell Whessoe was not liable, whether it was entitled to moral damages.

Court's Decision:

The Supreme Court held that under Article 1729 of the Civil Code, there is solidary liability among the owner, contractor, and subcontractor in favor of the supplier's unpaid fees. However, the Court ruled that since Whessoe UK (treated as the same entity as Noell

Whessoe) had fully paid Petrotech, Noell Whessoe was absolved from the solidary liability. Liability, if any, should be borne by Liquigaz and Petrotech. Additionally, the Court denied Noell Whessoe's claim for moral damages as corporations cannot experience physical suffering or mental anguish, which are the bases for awarding moral damages.

**Doctrine:**

The Court reiterated that (1) under Article 1729 of the Civil Code, the contractor may be solidarily liable with the owner and the subcontractor for unpaid obligations to the subcontractor's supplier despite the absence of a direct contract, but (2) full payment to the subcontractor serves as a valid defense against this liability.

**Class Notes:**

- When resolving cases involving solidary liability in a construction context, consider the roles and responsibilities as defined by contracts; contracts generally affect only parties involved and their assigns or heirs.
- Distinctions between questions of law (reviewable by the Supreme Court) and questions of fact (generally not reviewable) are crucial.
- In cases involving corporations, one must be aware of the limitations on awarding moral damages since corporations cannot experience physical suffering or emotions.

**Historical Background:**

This case reflects the legal complexities and principles governing obligations and contracts, particularly those relating to construction projects. It discusses the importance of contractual relationships, the protection of suppliers and laborers from unscrupulous practices, and the liability of corporations in the context of moral damages. The decision not only employs principles from the Civil Code on solidary obligations but also illustrates the practical implications of corporate identity in the context of liabilities arising from construction projects.