

Title: ****Metro Rail Transit Development Corporation v. Gammon Philippines, Inc.: A Study on the Perfection of Contracts, Judicial Admissions, and Arbitration in Construction Disputes****

Facts:

The case revolves around the MRT-3 EDSA-North Triangle Development Project undertaken by Metro Rail Transit Development Corporation (MRT). Gammon Philippines, Inc. (Gammon) won a bidding process for the construction of the Podium Structure of the project, with anticipated phases due to existing squatters. A series of communications and documents including the Award Notice and subsequent Notices to Proceed marked the pre-construction phase.

Disagreement arose when MRT, citing financial concerns related to exchange rates, informed Gammon of a delay in formally proceeding, further leading to MRT's decision to redesign and downscale the project. Negotiations and temporary suspensions of work ensued, ultimately culminating in a revised project proposal by Gammon and a subsequent rejection by MRT in favor of another contractor. This led to Gammon's claims for reimbursements and lost profits due to breach of contract, which MRT contested, claiming no perfected contract existed and disputing the claimed amounts.

Gammon initiated arbitration before the Construction Industry Arbitration Commission (CIAC), which ruled in favor of Gammon, awarding monetary claims for lost profits and reimbursements. MRT's appeals to both the Court of Appeals and the Supreme Court were in defense of their stance against the CIAC's decision.

Issues:

1. Whether a perfected contract existed between MRT and Gammon.
2. The applicability of the doctrine of the law of the case based on a prior Supreme Court decision on CIAC's jurisdiction over the dispute.
3. Whether MRT is bound by its judicial admission regarding its willingness to reimburse certain costs to Gammon.
4. The sufficiency of Gammon's evidence for its claims on actual damages, reimbursements, and lost profits.

Court's Decision:

The Supreme Court denied MRT's petition, affirming the Court of Appeals decision which upheld CIAC's award to Gammon. The Court ruled there was a perfected contract between

MRT and Gammon, evidenced by continuous communications and mutual agreements on project conditions and changes, notwithstanding MRT's later refusal and redirection. The doctrine of the law of the case applied as the Supreme Court had previously determined CIAC's jurisdiction, implicitly recognizing the contract's existence. MRT's judicial admission in its Answer with Compulsory Counterclaim bound it to the acknowledged costs. Lastly, the Court found Gammon's evidence on claimed amounts, including the methodology for lost profits and reimbursements, acceptable given the arbitration context, emphasizing that the CIAC and appellate findings on factual matters are final and conclusive.

Doctrine:

The case reiterates that there can indeed be a perfected contract through the meeting of minds and subsequent exchanges even if formal documents are not finalized. It established that judicial admissions are binding unless proven made through palpable mistake. The case also underscores the principle that arbitration findings, especially by bodies with specialized expertise like the CIAC, are to be given finality and are not ordinarily reviewable by the Supreme Court, except on matters of law or jurisprudence.

Class Notes:

- **Perfected Contract:** A contract is perfected by the meeting of minds upon the object and cause, which signifies mutual consent (Articles 1315 and 1319, Civil Code). Acceptances must be absolute and based upon the terms stipulated.
- **Doctrine of the Law of the Case:** Once a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case.
- **Judicial Admissions:** Statements made by a party in the pleadings, or in the course of trial or other proceedings in the same case do not require proof and are conclusive unless it is shown that these were made through palpable mistake (Rule 129, Section 4, Revised Rules of Court).
- **Arbitration and CIAC Jurisdiction:** The Construction Industry Arbitration Commission (CIAC) has jurisdiction over disputes arising from construction contracts, with its findings generally accorded respect and finality, especially when affirmed by the Court of Appeals. Factual findings by arbitration bodies are final and conclusive and not ordinarily reviewable by higher courts except in exceptional circumstances (Executive Order No. 1008).

Historical Background:

The backdrop of this legal battle emphasizes the complexities associated with large-scale infrastructure projects including contract negotiations, financial considerations impacting project continuity, and the significant role of arbitration in resolving construction disputes

in the Philippines. The evolution of judicial acknowledgment towards the quasi-judicial bodies and arbitration awards signifies a movement towards efficient dispute resolution outside traditional court litigation.