

****Title:** Asian Construction and Development Corporation vs. Mero Structures, Inc., et al.**

****Facts:****

In celebration of the 100th anniversary of Philippine independence in 1998, First Centennial Clark Corporation (FCCC) embarked on a project to design, construct, operate, and manage the National Centennial Exposition at the Clark Special Economic Zone. FCCC contracted Asian Construction and Development Corporation (Asiakonstrukt) for construction works. Concurrently, Asiakonstrukt accepted a proposal from MERO Structures, Inc. (an American corporation) to supply materials for a Philippine flag structure.

The supplies were shipped, but FCCC's payment to Asiakonstrukt (and consequently Asiakonstrukt's payment to MERO) faced delays. MERO repeatedly sought payment directly from both Asiakonstrukt and FCCC, without success. Legal attempts to secure payment from various government bodies failed. In 2002, MERO initiated a Complaint for sum of money against Asiakonstrukt and FCCC, with NDC being indirectly involved due to funding provisions for FCCC.

At the RTC, all respondents contested MERO's claims, denying direct contractual relationships or responsibility for payment. The RTC ruled in favor of MERO, mandating Asiakonstrukt and FCCC to pay, but dismissed claims against NDC. Both MERO and Asiakonstrukt recontested; however, their efforts were rebuffed, leading to their separate appeals to the CA, which also upheld the RTC's decision with minor modifications regarding interest rates. Asiakonstrukt's subsequent appeal to the Supreme Court highlighted issues about a supposed new contract allowing MERO direct collection from FCCC and the legal standing of MERO after its conversion to Novum Structures LLC.

****Issues:****

1. Was there a new contract established between Asiakonstrukt and MERO, allowing MERO direct collection from FCCC?
2. Was MERO's transformation to Novum Structures LLC and its continued participation in the case procedurally and substantively proper?

****Court's Decision:****

The Supreme Court denied Asiakonstrukt's Petition for Review on Certiorari. The Court found no evidence of a new contract that would exempt Asiakonstrukt from its obligation to MERO. The letters exchanged did not constitute a novation nor exempt Asiakonstrukt from its payment duties. Regarding MERO's change to Novum, the Court recognized the

continuity of legal personality in litigation despite the change of corporate structure or name, upholding the CA's decision.

****Doctrine:****

This case reaffirms the principles of novation, emphasizing that for an obligation to be modified or extinguished by novation, such intention must be clearly expressed or the old and new obligations must be entirely incompatible. It also illustrates the legal treatment of corporate name changes or structural shifts concerning litigation continuity, underlining that such changes do not impede a party's legal standing or claims in ongoing proceedings.

****Class Notes:****

1. ****Novation**** - For novation to occur, there must be clear and unequivocal intent to extinguish the old obligation, through either a declaration in those terms or incompatibility of the old and new obligations. The case demonstrates the components and proof necessary to establish novation, highlighting the strict standards for claiming it as a defense.
2. ****Corporate Name Change and Litigation**** - A change in a company's name or structure does not affect its legal standing in ongoing litigation, provided the entity's core remains the same. Essential for understanding the continuity of rights and obligations in legal actions despite internal corporate transformations.

****Historical Background:****

The case is set against the backdrop of the Philippine centennial celebration, reflecting the intricacies of large-scale public-private partnerships. It illustrates the legal challenges and disputes that can arise in executing national projects involving multiple stakeholders with varied interests and contractual relationships.