

**\*\*Title:\*\*** Camp John Hay Development Corporation vs. Charter Chemical and Coating Corporation: A Legal Analysis on Reciprocal Obligations and Rescission Under Philippine Law

**\*\*Facts:\*\***

The case revolves around the dispute between Camp John Hay Development Corporation (Camp John Hay Development), a consortium's investment arm involved in the Camp John Hay Manor's construction in Baguio City, and Charter Chemical and Coating Corporation (Charter Chemical), the awarded company for the painting works of the manor under a Contractor's Agreement in January 2001. The agreement included an offsetting scheme for the payment, allowing the offset of P5,900,000.00 through the transfer of two studio-type units in Camp John Hay Suites to Charter Chemical.

Upon completing the painting works in 2003 and after several demands, contracts to sell were executed in June 2005 between both parties for units 102 and 104 studio type in Camp John Hay Suites, with possession supposed to be delivered within a reasonable period from the units' completion date. However, the construction delays led Charter Chemical to demand either the transfer of the units or the payment of their value in 2007.

Charter Chemical initiated a Request for Arbitration before the Construction Industry Arbitration Commission (CIAC) in 2008, asserting entitlement to the units or their monetary equivalent due to the failure of Camp John Hay Development to deliver according to the agreed schedule.

Both the CIAC and the Court of Appeals found in favor of Charter Chemical, mandating the payment of P5,900,000.00 and attorney's fees amounting to P590,000.00 to Charter Chemical. Camp John Hay Development contended, among other things, that the CIAC lacked jurisdiction over the dispute and that a specific performance or a fixed period for completion should have been decided, instead of rescission under Article 1191 of the Civil Code.

**\*\*Issues:\*\***

1. Whether the Construction Industry Arbitration Commission has jurisdiction over the dispute.
2. Whether rescission under Article 1191 of the Civil Code is the proper remedy, and if the fixing of a period under Article 1197 of the Civil Code is necessary.
3. Legality of the Court of Appeals in affirming the award of attorney's fees to Charter

Chemical.

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

1. The Supreme Court upheld the jurisdiction of the CIAC over the dispute, emphasizing that the Contractor's Agreement contained an arbitration clause sufficient to vest the CIAC with jurisdiction.
2. The Court denied Camp John Hay Development's petition and affirmed the rescission under Article 1191, citing no just cause to fix the period for compliance under Article 1197. It declared that mutual restitution was required, ordering Camp John Hay Development to pay the monetary value of the two units inclusive of interest and attorney's fees to Charter Chemical.
3. The award of attorney's fees was deemed justified, as Charter Chemical was compelled to litigate due to Camp John Hay Development's refusal to comply with the obligations under the contract.

**\*\*Doctrine:\*\***

- Rescission under Article 1191 of the Civil Code is proper when a party fails to comply with reciprocal obligations, with the court's discretion not to fix a period under Article 1197 unless there is just cause.
- The CIAC has jurisdiction over disputes arising from construction contracts if the parties agreed to arbitration, regardless of subsequent contractual provisions suggesting alternative dispute resolutions.

**\*\*Class Notes:\*\***

- Reciprocal obligations require mutual compliance, with noncompliance by one party allowing the other to rescind under Article 1191.
- Rescission demands mutual restitution: returning benefits received from the contract to the extent possible, or paying the value if the service cannot be undone.
- Construction disputes with an arbitration clause are under the exclusive jurisdiction of the CIAC, notwithstanding any later contractual provisions.
- Attorney's fees can be awarded if a party is compelled to litigate to protect its interests or claims due to another party's unjust refusal to fulfill contractual obligations.

**\*\*Historical Background:\*\***

This case highlights the legal intricacies in settling construction-related disputes in the Philippines, particularly on enforcing reciprocal obligations and the mechanism of resolving

them through arbitration as encouraged under Philippine law. It underscores the preference for arbitration in construction disputes to ensure expeditious and expert resolution, reflecting the judiciary's support for alternative dispute resolutions to unburden the courts and provide swift justice to the parties involved.