

****Title****: Hirakawa vs. Lopzcom Realty Corporation and Atty. Gari M. Tiongco

****Facts****:

Naoaki Hirakawa, through his agent Erica Shibamura, filed a lawsuit against Lopzcom Realty Corporation and its President and Chairman, Atty. Gari M. Tiongco. The basis of the dispute traces back to a transaction on December 28, 1995, where Takezo Sakai, representing various corporate entities, sold a 92-hectare subdivision project in Cebu City to Lopzcom for P100 million. Payment was made via postdated checks. Sakai later assigned four of these checks, totaling P65 million, to Hirakawa.

Subsequent attempts by Hirakawa to encash the checks resulted in dishonor due to a closed account and unfulfilled promises of assignment of golf course shares as alternative compensation. By 2010, with accrued interests and partial payments considered, Hirakawa claimed an obligation of over P114 million, leading to filing for breach of contract and attachment.

Despite an initially granted writ of preliminary attachment, which was later discharged against a counter-bond by respondents, the trial court denied respondents' motion to dismiss, which contested Hirakawa's legal standing and capacity. The denial was contested by respondents through a Rule 65 petition to the Court of Appeals, which reversed the trial court's decision, dismissing the complaint on the grounds that Hirakawa had no cause of action, being not a party to the original deed of sale.

Hirakawa's subsequent appeal to the Supreme Court culminated in the current proceeding.

****Issues****:

1. Whether the Court of Appeals erred in dismissing the complaint for lack of cause of action because Hirakawa was not a direct party to the Deed of Sale.
2. Whether the nature of the complaint should be determined by the body rather than the title of the complaint.

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

The Supreme Court reversed the Court of Appeals' decision. It clarified that the relativity of contracts does not strictly apply since Hirakawa was pursuing obligations stemming from post-dated checks that were made payable to him by the respondents and not directly enforcing the Deed of Sale of Windfields Subdivision. The case was identified fundamentally as one for the collection of a sum of money and damages, not solely for breach of contract. The body of the complaint and the resulting obligations from the transactions, with the

checks central to the dispute, set the stage for Hirakawa's cause of action, rendering the dismissal by the Court of Appeals as misplaced. Consequently, the case was remanded to the trial court for resolution on the merits, emphasizing procedural rules should advance substantial justice.

**Doctrine:**

1. **Relativity of Contracts**: Contracts bind only the parties who entered into it, except in cases where the rights and obligations are transmissible. This doctrine, however, does not bar action on obligations assigned or transferred to a third party.

2. **Nature of the Complaint**: The nature of an action is determined by the body of the pleading rather than its title, which ensures that claims are adjudicated based on substantive merits rather than form.

**Class Notes:**

- **Contractual Assignments**: An assignee can enforce rights and obligations stemming from assigned checks, even if not a party to the original contract.

- **Cause of Action Determination**: Legitimate claims should not be barred by technical errors in pleading nomenclature; substance over form is preferred for justice.

- **Procedural Justice**: Procedural rules are tools for justice, not barriers. Courts may apply flexibility to prevent substantial injustice.

**Historical Background:**

The case underscores evolving judicial interpretations of transactional disputes and contract law, particularly in scenarios of non-party engagements and obligations in the Philippines. By reiterating doctrines on the nature of complaints and assignments of rights, it reinforces a balance between strict contractual formalities and substantive justice, reflecting the judiciary's adaptability in resolving complex business disputes.