

### Title: Financial Building Corporation vs. Forbes Park Association, Inc.

### Facts:

In 1985, the Union of Soviet Socialist Republic (USSR) contracted Financial Building Corporation to construct an office and apartment building on a lot within Forbes Park Village, Makati, for its Trade Representative, based on a representation to Forbes Park that a residence was to be built. Subsequent construction plans submitted to the Makati City Government revealed a deviation from the initially approved plan for a single-family residence, violating the village's deed restrictions. Forbes Park discovered this discrepancy and stopped the construction by suspending permits for entry of personnel and materials to the construction site in March 1987.

Financial Building, in response, filed for Injunction and Damages against Forbes Park (Civil Case No. 16540) at the Regional Trial Court of Makati, which initially issued a writ of preliminary injunction. Forbes Park filed a Motion to Dismiss based on the ground that Financial Building was not the real party-in-interest, leading to the Court of Appeals nullifying the writ and dismissing the complaint altogether, a decision affirmed by the Supreme Court in G.R. No. 79319.

Following the termination of G.R. No. 79319, Forbes Park filed a Complaint for Damages against Financial Building in 1989, claiming violations of its rules and regulations, resulting in a 1994 trial court decision in favor of Forbes Park, which was partly modified by the Court of Appeals in 1998. Financial Building then filed a petition for review on certiorari to the Supreme Court.

### Issues:

1. Whether Forbes Park's claims against Financial Building were barred by prior judgment and/or waived by not interposing them as compulsory counterclaims in Civil Case No. 16540.
2. Whether the Court of Appeals erred in awarding damages to Forbes Park.
3. Whether the Court of Appeals erred in ordering the demolition of the structure built by Financial Building.

### Court's Decision:

The Supreme Court granted the petition, holding that Forbes Park's failure to raise its

claims as compulsory counterclaims in the initial injunction suit (Civil Case No. 16540) barred it from filing a separate action. The Court applied tests determining the nature of a compulsory counterclaim, finding the subsequent damage suit to have arisen from the same occurrence and involved the same issues and parties as the prior case. As Forbes Park chose to file a motion to dismiss in the prior case, it implicitly waived any compulsory counterclaim, leading to the dismissal of its action for damages. The Court reversed and set aside the decision of the Court of Appeals.

### ### Doctrine:

This case reiterates the doctrine on compulsory counterclaims, underscoring that a compulsory counterclaim arises out of or is necessarily connected with the transaction or occurrence that is the subject matter of the opposing party's claim. It emphasizes that such a counterclaim cannot be the subject of a separate action if not set up in the action filed by the opposing party, being barred otherwise.

### ### Class Notes:

- **Compulsory Counterclaims**: These must be raised within the original suit if they arise from the same occurrence or transaction. Failure to do so results in the claims being barred from future litigation on the issue.
- **Doctrine Application**: The Court applied several tests to determine if a counterclaim is compulsory, including whether the issues of fact or law are largely the same for both the claim and counterclaim, and whether there is a logical relation between them.
- **Legal Strategies**: The decision illustrates the strategic choice between filing a motion to dismiss and asserting a compulsory counterclaim—highlighting that opting for the former can result in waiving the latter.

### ### Historical Background:

The case underscores the implications of construction and property development within exclusive residential areas and the enforcement of the deed restrictions that regulate these developments. It highlights the intricacies of property law in the Philippines, particularly the tension between development initiatives and the maintaining of community standards and regulations. This case is reflective of similar disputes that emerge in exclusive communities, underscoring the importance of clear communication, adherence to agreed regulations, and the legal ramifications of failing to do so.