

****Title:**** Iloilo Jar Corporation v. Comglasco Corporation/Aguila Glass, G.R. No. 01475

****Facts:****

On August 16, 2000, Iloilo Jar Corporation (Iloilo Jar) entered into a three-year lease contract with Comglasco Corporation/Aguila Glass (Comglasco) for a warehouse space in Iloilo City, which was due to end on August 15, 2003. On December 1, 2001, Comglasco requested to pre-terminate the lease, citing financial difficulties due to the global and regional economic crisis. Iloilo Jar rejected the request, as the lease agreement did not permit pre-termination. On January 15, 2002, despite the rejection, Comglasco vacated the premises and stopped paying rent.

From the time of withdrawal, Iloilo Jar sent multiple demand letters for the unpaid rent, which Comglasco ignored. As a result, Iloilo Jar filed a civil action for breach of contract and damages in October 2003 at the Regional Trial Court (RTC) in Iloilo City. Comglasco, in its defense, invoked Article 1267 of the Civil Code, claiming it should be released from the obligation due to the economic hardship.

The RTC granted a Motion for Judgment on the Pleadings filed by Iloilo Jar, as Comglasco had admitted the essential facts of breaching the lease without providing a valid defense. The RTC ruled in favor of Iloilo Jar, but amended its order to correct the amount of unpaid rentals and other damages.

Comglasco appealed to the Court of Appeals (CA), arguing that there were factual issues requiring a trial. The CA reversed the RTC's judgment calling for further proceedings. Iloilo Jar then petitioned the Supreme Court (SC) for review of the CA's reversal and reaffirmation for a trial.

****Issues:****

1. Whether the defense raised by Comglasco is applicable and sufficient to tender an issue requiring trial.
2. Whether a Judgment on the Pleadings was appropriate given the defense raised by Comglasco.

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

****Issue 1:****

The Supreme Court found that the affirmative defense by Comglasco, invoking Article 1267, was insufficient as it pertains to obligations “to do” and not to obligations “to give” such as the payment of rentals. As such, economic hardship did not constitute a sufficient ground to release Comglasco from the lease.

****Issue 2:****

While it was improper to grant a Judgment on the Pleadings because Comglasco’s Answer included affirmative defenses creating factual disputes, the SC concluded that Summary Judgment was appropriate because no genuine issues of material fact existed. Specifically, the SC recognized that Comglasco’s admissions and the inapplicability of Article 1267 did not necessitate a trial.

The SC thus reversed the CA’s decision and affirmed the RTC’s Amended Order, mandating payment of unpaid rentals to Iloilo Jar and attorney’s fees but deleted exemplary damages and litigation expenses. Monetary awards were also modified in terms of applicable interest rates.

****Doctrine:****

- ****Judgment on the Pleadings:**** A motion is appropriate when an answer fails to tender an issue, not appropriate if affirmative defenses create genuine factual issues.
- ****Summary Judgment:**** Appropriate when no genuine issue of material fact exists, thus avoiding unnecessary trials.
- ****Article 1267 of the Civil Code:**** This Article applies only to obligations “to do” and not “to give.”
- ****Financial hardship as defense:**** Economic crises or financial struggles do not justify release from fixed contractual obligations.

****Class Notes:****

- ****Key Elements/Concepts:****
- ****Judgment on the Pleadings:**** All material facts are admitted, no issue tendered.
- ****Summary Judgment:**** No genuine issues of fact calling for a presentation of evidence.
- ****Article 1267:**** Applies only to obligations “to do”, not “to give.”
- ****Obligations to Give:**** Not excusable under rebus sic stantibus or unforeseen difficulties.
- ****Relevant Law:**** Civil Code Article 1267: “When the service has become so difficult as to

be manifestly beyond the contemplation of the parties, the obligor may also be released therefrom, in whole or in part.”

****Historical Background:****

The case took place in the early 2000s, an era marked by economic instability globally and regionally, which frequently prompted businesses to invoke economic hardship as a justification for contractual non-performance. This case contributed to clarifying the limitations of invoking Article 1267 in commercial lease agreements within Philippine jurisprudence.