

Title: Marsman Drysdale Land, Inc. v. Philippine Geoanalytics, Inc. et al., G.R. Nos. 183374 & 183376

Facts:

Marsman Drysdale Land, Inc. (Marsman Drysdale) and Gotesco Properties, Inc. (Gotesco) formed a joint venture through a Joint Venture Agreement (JVA) on February 12, 1997, for a building project in Makati City, with a 50-50 capital investment where Marsman Drysdale contributed the land and Gotesco contributed monetary funds. Subsequently, a Technical Services Contract (TSC) was signed on July 14, 1997, engaging Philippine Geoanalytics, Inc. (PGI) to perform technical services for the project. PGI carried out certain work but was hampered from completing all duties due to alleged site access issues attributed to both partners' failure to clear areas for drilling.

PGI billed the joint venture for services rendered but was not paid, leading PGI to file on November 11, 1999, for collection and damages against Marsman Drysdale and Gotesco in the RTC of Quezon City. Marsman Drysdale deflected liability solely onto Gotesco, while Gotesco argued that PGI had not completed its contractual obligations and attributed delays to Marsman Drysdale.

In 2004, the RTC held both Marsman Drysdale and Gotesco jointly liable to PGI with principal amounts, exemplary damages, attorney's fees, and costs, along with a cross-claim acknowledgment granting Marsman reimbursement rights against Gotesco. Marsman and Gotesco appealed, but the Court of Appeals in 2008 affirmed, with modifications eliminating exemplary damages and adjusting reimbursement terms.

Both parties further advanced petitions for review to the Supreme Court, which consolidated the cases.

Issues:

1. Whether Marsman Drysdale should be held jointly liable with Gotesco for PGI's payment claims.
2. The appropriateness of awarding attorney's fees to PGI and indemnification for Marsman Drysdale's legal costs.
3. The validity of requiring Gotesco to solely reimburse Marsman Drysdale for expenses paid.

Court's Decision:

1. Joint Liability Justified: The Supreme Court ruled that PGI, a contractual third party,

cannot be restrained by the internal agreements between Marsman Drysdale and Gotesco. Both were partners in the joint venture and held directly accountable to fulfill the external contractual obligations incurred with PGI.

2. Attorney's Fees and Reimbursements: The court concluded that attorney's fees awarded by previous judgments were justified given the legal pursuit necessitated by TG/AT's incomplete fulfillment of payments. However, Marsman was not eligible to claim attorney's fees from Gotesco since both partners shared liability proportionately under the loss-sharing provisions similar to the profit-sharing set at 50-50 in the JVA.

3. Interest Imposition and Reversal of Reimbursement: A modification eliminated Gotesco's requirement to reimburse Marsman Drysdale, emphasizing equal liability. An interest of 12% per annum was imposed on the outstanding obligation from the date of demand due to delayed payment, considered as a form of monetary forbearance.

#### Doctrine:

The court reaffirmed principles including the relativity of contracts where third-party agreements cannot be impaired by internal arrangements (Civil Code, Arts. 1207 and 1208), partnership liability (Art. 1797 in profit and loss distribution), and the obligation to honor valid and duly-formed third-party claims barring internal understanding.

#### Class Notes:

- Relativity of Contracts: Contracts bind only parties involved and not third parties (see Arts. 1207, 1208).
- Partnership Obligations: Liable for losses based on established profit-sharing ratios (Art. 1797).

#### Historical Background:

The case spotlighted legal complications during late 1990s economic downturns, where ventures often stalled due to financial instabilities, influencing judicial review of intra-partnership liabilities against third-party claims and equitable interest enforcement.