

Title:

****Benguet Corporation, et al. v. Cesar Cabildo, G.R. No. 171052****

Facts:

Benguet Corporation, a mining company with facilities in Balatoc, Antamok, and Acupan, employed Cesar Cabildo as a Department Manager until his retirement in 1981. Post-retirement, Cabildo ventured into service contracting. In February 1983, he bid for and was awarded a contract to paint the Mill Buildings and Bunkhouses at Benguet Corporation's Balatoc site, following discussions with company officers Dennis R. Belmonte, Efren C. Reyes, and Gregorio A. Fider. Though initial work began without a formalized written contract—which was later signed on March 23, 1983—the project entailed Cabildo and his recruited laborers handling painting tasks for specified rates per square meter, with materials provided by Benguet Corporation.

Conflicts arose when it was revealed that Velasco, a general foreman hired by Cabildo and later a separate contractor, entered into contracts with Benguet Corporation for painting tasks in supposed overlapping areas. This led to disputes over scope distinctions (interior vs. exterior painting), delayed payments, and eventual suspension of Cabildo's work by Benguet Corporation in June 1983, citing incidents and internal investigations.

Attempts by Cabildo to resolve the overlap and payment issues through legal counsel were unsuccessful, leading him to file a complaint for damages in the RTC alleging breach of contract and harassment by Benguet Corporation and its officers.

The RTC ruled in favor of Cabildo, finding joint and several liability for actual, moral, and exemplary damages, unrealized profit, attorney's fees, and costs against petitioners and Velasco. The CA upheld the RTC's decision with modifications, excluding Velasco from liability. The petitioners then sought review before the Supreme Court.

Issues:

1. Whether there was a breach of contract by Benguet Corporation.
2. Whether the award of damages and attorney's fees to Cabildo was justified.
3. Whether Benguet Corporation's counterclaim should be granted.

Court's Decision:

The Supreme Court affirmed the CA's decision. Each legal issue concerning the alleged breach of contract was resolved in favor of Cabildo.

1. **Breach of Contract**:

The Court found that Benguet Corporation breached the Contract of Work by simultaneously awarding Velasco a contract that overlapped with Cabildo's. The Contract of Work with Cabildo did not differentiate between exterior and interior painting, and there was no substantial evidence supporting Benguet Corporation's assertion that the contract was limited to exterior services only.

2. **Award of Damages and Attorney's Fees**:

The Court upheld the trial and appellate court's decisions to award damages and attorney's fees. The breach of contract by Benguet Corporation caused Cabildo harm, justified compensatory and moral damages, and for failing to fulfill their contractual obligations with inattentive reasoning.

3. **Counterclaim**:

Benguet Corporation's counterclaim was directly tied to their interpretation of the contract stipulations, which the Court found unsubstantiated. Thus, the dismissal of the counterclaim was likewise affirmed.

Doctrine:

Contractual Clarity and Interpretation:

Under Civil Code Article 1370, if the terms of a contract are clear and leave no doubt of the intention, the literal meaning of its stipulations governs. As seen, contracts drafted by one party are interpreted against the drafter in case of ambiguities, per Article 1377. Clear contract terms are determinative unless contemporaneous and subsequent acts provide reasonable alternative interpretations, yet contracting practices which do not expressly limit obligations are bounded by established contractual stipulations.

Class Notes:

- **Contract Interpretation**:

- Article 1370: Clarity of contract terms dictates interpretation.
- Article 1377: Ambiguities construed against the drafter.
- Article 1371: Contemporaneous and subsequent acts inform intention.

- **Damages and Breach**:

- Contractual breaches necessitate reparations, moral and exemplary damages, and attorney fees upon demonstrable harm.
- Multiple claims require independent, substantiated support to avoid counterclaims.

Historical Background:

Post-martial law in the Philippines saw economic and industrial fluctuations impacting corporate operations, employee relations, and contractor agreements. The legal precedent of this case highlights the importance of clear contractual terms and the expectations of mutual compliance within rapidly changing economic conditions, particularly within sectors like mining and construction, which were pivotal during economic recuperation.

This case exemplifies the necessity for clear, unambiguous contract provisions to prevent potential disputes and the rigorous obligations corporations owe contractors, safeguarding equitable redress within judicial proceedings.