

### Title:

Southstar Construction and Development Corporation v. Philippine Estates Corporation,  
G.R. No. 221885

### Facts:

Southstar Construction and Development Corporation (Southstar) executed three construction agreements with Philippine Estates Corporation (PHES) in 2005, requiring Southstar to complete multiple construction projects in Jaro Estates, Iloilo City.

1. **First Agreement** (March 31, 2005): Southstar was to construct three Model Houses at Coastal Villas for P3,358,000, with a timeline of 120 days starting March 7, 2005.
2. **Second Agreement** (March 31, 2005): Southstar was tasked with developing the Phase Entry for Coastal Villas for P900,000, to be completed in 45 days starting March 4, 2005.
3. **Third Agreement** (June 29, 2005): The project involved completing four Eunice Units at Chateaux Geneva for a total of P3,470,931.84.

Despite purported completion by October 2005, PHES withheld partial balances due to alleged substandard work and lack of final acceptance of the projects. Southstar issued several demands for payment in 2006 and 2007, prompting them to file a complaint for collection in the RTC of Imus, Cavite, in October 2007. PHES counterclaimed, alleging delays and substandard workmanship, and sought liquidated damages.

### Procedural History:

The RTC ruled partially in Southstar's favor, awarding it P1,975,836.17 (less liquidated damages) but denying attorney's fees to both parties. Southstar and PHES appealed. The Court of Appeals reversed the decision, ruling entirely in PHES's favor and granting its liquidated damages and claims. Aggrieved, Southstar petitioned for review with the Supreme Court.

### Issues:

1. Is Southstar entitled to the payment of alleged outstanding balances from PHES despite purported contractual failures?
2. Did Southstar incur undue delay in fulfilling its contractual obligations warranting PHES's claim for liquidated damages?
3. Should PHES's permissive counterclaims related to projects outside of the ones pertinent to this case be dismissed for lack of jurisdiction due to non-payment of docket fees?

### Court's Decision:

The Supreme Court partially granted Southstar's petition:

1. **Entitlement to Balance**: The Court upheld that Southstar was entitled to final payments for the Chateaux Geneva project, recognizing that a certificate of completion constituted acceptance. PHES was directed to pay outstanding sums for the three Model Houses and the Phase Entry Way, subtracting only retention money.
2. **Delay and Liquidated Damages**: While Southstar incurred delays justifying liquidated damages for the three Model Houses and Phase Entry, the certificate of completion for the four Eunice Units negated any such damages for these units.
3. **Counterclaims**: PHES's counterclaims pertaining to projects outside the Iloilo constructions were dismissed as permissive, given PHES's failure to pay docket fees. The court reinstated the RTC's initial decision but modified amounts due based on liquidated damages and retention.

### Doctrine:

1. **Completion and Acceptance**: A project completion certificate acts as prima facie evidence of acceptance, precluding argument for non-payment barring manifest evidence to the contrary.
2. **Delay and Liquidated Damages**: Contractual provisions explicitly defining time for completion and penalizing delays negate the necessity for demand for delay liability.
3. **Counterclaims**: Permissive counterclaims must be supported by appropriate docket fee payments to be considered jurisdictionally sound.

### Class Notes:

- **Completion vs. Acceptance**: Completion Certificates act equivalently to acceptance, bypassing Article 1234 unless clear refusal or objection is documented.
- **Liquidated Damages (Article VII)**: Explicit contract terms on penalties and lack of need for demand supports immediate applicability.
- **Counterclaims**: Highlighted as permissive are independently actionable and demarcated from compulsory counterclaims linked inherently to the original claim.

### Historical Background:

At the time of this case, construction disputes were common in the Philippines, especially involving real estate and infrastructure projects amidst expanding urban development. Contractual interpretations like retention conditions, counterclaim articulations, and

interpretation of completion certificates were central evaluative criteria to balance arms-length contracts and ensure enforceable mutual performance.