FLUOR DANIEL, INC.-PHILIPPINES, PETITIONER, VS. E.B. VILLAROSA & PARTNERS CO., LTD., RESPONDENT.

G.R. NO. 159648. July 27, 2007

Ponente: QUISUMBING, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-159648/

QUISUMBING, J.:

For review on certiorari are the Decision[1] dated October 24, 2002 and the Resolution[2] dated August 25, 2003 of the Court of Appeals in CA-G.R. SP No. 52897, which had affirmed the November 19, 1998[3] and March 24, 1999[4] Orders of the Regional Trial Court of Makati City, Branch 58, in Civil Case No. 98-1342.

The pertinent facts, borne by the records, are as follows.

Petitioner Fluor Daniel, Inc.-Philippines is a domestic corporation providing construction and program management services. Sometime in 1996, petitioner entered into an agreement with Fil-Estate Properties, Inc. (Fil-Estate) for the construction of the Fairways & Bluewater, Newcoast Island Resort in Boracay Island. Respondent E.B. Villarosa & Partners Co., Ltd. was one of the contractors engaged by petitioner to provide services for the said project.

On May 6, 1997, petitioner and respondent executed a separate contract for civil structure and architecture, for plumbing and fire protection, and for millworks. However, Fil-Estate failed to satisfy petitioner's monthly progress billing. Hence, petitioner did not pay respondent.

Petitioner apprised Fil-Estate that the project would have to be suspended. Petitioner likewise issued a notice of suspension of work to all its contractors, including respondent. In response, respondent informed petitioner that it deemed the contracts between them good as terminated. Thus, respondent demanded payment for suspension cost and for work so far performed.

Believing that petitioner was in bad faith, respondent also filed with the Regional Trial Court of Makati City, Branch 58, a complaint[5] for a sum of money and damages, docketed as Civil Case No. 98-1342.

Petitioner filed a motion to dismiss[6] on the ground that the complaint failed to state a cause of action. The trial court denied the motion in its first assailed Order, to wit:

> WHEREFORE, foregoing considered, defendant's motion to dismiss is hereby DENIED.
>
> Pursuant to Section 4 of Rule 16, 1997 Rules of Civil Procedure, defendant-movant shall file its answer within the balance of the period prescribed by Rule 11, same Rules, to which defendant was entitled at the time of serving its motion, but not less than five (5) days in any event, computed from receipt of this order.
>
> SO ORDERED.[7]

Petitioner's motion for reconsideration was likewise denied in the trial court's second impugned Order, thus:

> WHEREFORE, foregoing considered, defendant's Motion for Reconsideration is hereby DENIED.

> The filing of the last pleading and the consequent joinder of issues has ripened this case for pre-trial which is hereby set...
>
> Let notices of pre-trial be sent to the parties and their counsel.
>
> SO ORDERED.[8]

Respondent subsequently filed a motion to amend its complaint followed by its amended complaint. Petitioner, on the other hand, filed a motion to suspend proceedings. The trial court granted respondent's, but denied petitioner's motion, to wit:

> WHEREFORE, in view of the foregoing:
>
> 1) Plaintiff's Urgent Motion to Amend Complaint With Leave of Court is hereby GRANTED. Accordingly, plaintiff's Amended Complaint filed on May 07, 1999 is hereby admitted in lieu of the original complaint which is hereby deemed withdrawn for all intents and purposes. Consequently, defendant is given fifteen (15) days after receipt of this Order within which to file its Amended Answer to plaintiff's Amended Complaint.
>
> 2) Defendant's Motion to Suspend Proceedings is hereby DENIED.
>
> SO ORDERED.[9]

Petitioner filed with the Court of Appeals a special civil action for certiorari assailing the November 19, 1998 and March 24, 1999 Orders of the court a quo and praying for a temporary restraining order and/or writ of preliminary injunction. The appellate court decreed:

> WHEREFORE, the Order dated 19 November 1998 issued by the Regional Trial Court of Makati, Branch 58 in Civil Case No. 98-1342 entitled "E.B. Villarosa & Partners Co., Inc. vs. Fluor Daniel, Inc. –Philippines" denying petitioner's Motion To Dismiss as well as its order of 24 March 1999 denying reconsideration thereof, are both affirmed.
>
> Accordingly, the temporary restraining order issued by the Ninth Division of this Court as contained in Resolution dated 25 May 2000 ... is hereby lifted.
>
> Costs against petitioner.
>
> SO ORDERED.[10]

Hence, the instant petition, raising the following issues:

> I.
>
> Whether or not the Complaint sufficiently states a cause of action against FDIP [PETITIONER] in light of the jurisprudential tests and guidelines laid down by this Honorable Court.
>
> II.
>
> Whether or not the annexes attached to the Complaint should be considered in determining whether or not VILLAROSA's [RESPONDENT'S] Complaint sufficiently stated a cause of action against FDIP in light of jurisprudential tests and guidelines laid down by this Honorable Court.
>
> III.
>
> Whether or not the Court of Appeals, in refusing to consider the annexes to the Complaint, erred in failing to appreciate the clear admission of VILLAROSA [RESPONDENT] that payment of its billings was subject to the condition of timely receipt of similar payments from FIL-ESTATE.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

> IV.
>
> Whether or not the Court of Appeals, in refusing to consider the annexes to the Complaint, failed to appreciate the significance of VILLAROSA's [RESPONDENT'S] failure to satisfy the required criteria to justify payment under its monthly progress billings.[11]

Petitioner contends that the complaint utterly and miserably failed to state the operative facts which would give rise to a cause of action against it. Petitioner insists that the annexes attached to respondent's complaint and other pleadings should be considered in determining respondent's cause of action, or lack of it, against petitioner. Petitioner maintains that the Court of Appeals committed manifest error when it refused to consider the annexes to the complaint, showing respondent's admission that payment of its billings was subject to the condition of timely receipt of similar payments from petitioner.

Respondent, however, counters that its complaint sufficiently stated a cause of action against petitioner and that the annexes attached to the complaint bear no relevance, not having been admitted by stipulation. Respondent asserts that the three elements of a cause of action are all present in this case, namely: (i) legal right of respondent to demand payment from petitioner; (ii) obligation of petitioner to pay respondent; and (iii) failure of petitioner to pay respondent. Respondent stresses that petitioner cannot evade its liability to pay by claiming that payments to respondent are subject to timely receipt of similar payments from Fil-Estate.

The petition is impressed with merit.

Section 2, Rule 2 of the Rules of Civil Procedure provides:

> SEC. 2. Cause of action, defined. – A cause of action is the act or omission by which a party violates a right of another.

The essential elements of a cause of action are as follows: 1) A right in favor of the plaintiff by whatever means and under whatever law it arises or is created; 2) An obligation on the part of the defendant not to violate such right; and 3) An act or omission on the part of the defendant in violation of the right of the plaintiff or constituting a breach of the obligation of the defendant to the plaintiff for which the latter may maintain an action for recovery of damages or other relief.[12]

It is, thus, only upon the occurrence of the last element that a cause of action arises, giving the plaintiff a right to file an action in court for recovery of damages or other relief.[13] The test of sufficiency of facts alleged in the complaint as constituting a cause of action is whether or not admitting the facts alleged, the court could render a valid verdict in accordance with the prayer of the complaint.[14] That in determining sufficiency of cause of action, the court takes into account only the material allegations of the complaint and no other, is not a hard and fast rule. In some cases, the court considers the documents attached to the complaint to truly determine sufficiency of cause of action.[15]

We have ruled that a complaint should not be dismissed for insufficiency of cause of action if it appears clearly from the complaint and its attachments that the plaintiff is entitled to relief.[16] The converse is also true. The complaint may be dismissed for lack of cause of action if it is obvious from the complaint and its annexes that the plaintiff is not entitled to any relief.

In this case, we note that annexed to the subject complaint are the three contracts governing the rights and obligations between petitioner and respondent, namely the contract for civil structure and architecture, the contract for plumbing and fire protection, and the contract for millworks. Records show that recurring in each of the said contracts is the provision that payment by petitioner shall be subject to its timely receipt of similar payments from Fil-Estate. The said provision, found in each of the aforesaid contracts, is quoted below:

> 2.0 PRICING BASIS
>
> The Contract Price set forth herein is firm for the duration of the Work and includes all Contractor's costs, expenses, overhead and profit for complete performance of the Work.
>
> x x x x
>
> ...Payment of the billings shall be subject to the timely receipt of similar payments from the client by Fluor Daniel. Any prolonged delay in payment by Fluor Daniel is subject to a suspension of activities by EBV within five (5) work days after proper written notice is provided by contractor to Fluor Daniel.[17] (Emphasis supplied.)

On their face, the said attached contracts, which define and delimit the rights and obligations of the parties, clearly require a specific condition before petitioner may be held liable for payment. The complaint, however, failed to state that the said condition had been fulfilled. Without the said condition having taken place, petitioner cannot be said to have breached its obligation to pay.

We thus hold that respondent's complaint, taken with the contracts annexed to it, failed to pass the test of sufficiency of cause of action. Thus, the said complaint should have been dismissed on the ground of failure to state a cause of action.

WHEREFORE, the petition is GRANTED. The assailed Decision dated October 24, 2002 and the Resolution dated August 25, 2003 of the Court of Appeals in CA-G.R. SP No. 52897, which affirmed the November 19, 1998 and March 24, 1999 Orders of the Regional Trial Court of Makati City, Branch 58 in Civil Case No. 98-1342, are REVERSED AND SET ASIDE.

Costs against respondent.

SO ORDERED.

Carpio, Carpio Morales, Tinga, and Velasco, Jr., JJ., concur.

---

[1] Rollo, pp. 57-74. Penned by Associate Justice Bienvenido L. Reyes, with Associate Justices Romeo A. Brawner and Mario L. Guariña III concurring.

[2] Id. at 76-77.

[3] Id. at 373-376.

[4] Id. at 466-469.

[5] Id. at 79-87.

[6] Id. at 345-353.

[7] Id. at 376.

[8] Id. at 469.

[9] Id. at 61.

[10] Id. at 73-74.

[11] Id. at 819-820.

[12] Swagman Hotels and Travel, Inc. v. Court of Appeals, G.R. No. 161135, April 8, 2005, 455 SCRA 175, 183.

[13] Id.

[14] Misamis Occidental II Cooperative, Inc. v. David, G.R. No. 129928, August 25, 2005, 468 SCRA 63, 72.

[15] Jimenez, Jr. v. Jordana, G.R. No. 152526, November 25, 2004, 444 SCRA 250, 260-261.

[16] Alberto v. Court of Appeals, G.R. No. 119088, June 30, 2000, 334 SCRA 756, 770.

[17] Rollo, p. 118.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.