

**\*\*Title:** Philippine National Oil Company and PNOC Dockyard & Engineering Corporation vs. Keppel Philippines Holdings, Inc.\*\*

**\*\*Facts:\*\***

In 1976, Keppel Philippines Holdings, Inc. (Keppel) entered into a lease agreement with Luzon Stevedoring Corporation (Lusteveco) for a 25-year lease of 11 hectares in Bauan, Batangas, with an option to purchase the land provided Keppel acquires the requisite Filipino ownership level. Lusteveco subsequently transferred its rights to PNOC, which accepted the agreement's terms. In 2000, Keppel, having achieved the required Filipino ownership level, notified PNOC of its intent to exercise the purchase option. PNOC did not respond favorably, leading Keppel to file for specific performance with the RTC. The RTC ruled in favor of Keppel, a decision affirmed by the CA. PNOC then appealed to the Philippine Supreme Court, challenging the agreement's constitutionality and the validity of the option contract.

**\*\*Issues:\*\***

1. Whether the lease agreement with the option to purchase violated the constitutional prohibition on foreign land ownership.
2. The validity of the option contract and whether it was supported by separate consideration.
3. Whether Keppel's Filipino ownership met constitutional requirements.

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

1. The Supreme Court found the lease agreement constitutional, distinguishing the commercial intent from residential use cases where similar arrangements were voided for circumventing land ownership laws.
2. The Court ruled the option contract was not supported by a separate consideration as required, but nonetheless constituted a valid offer that can transform into a binding contract upon acceptance.
3. The Court found Keppel's Filipino ownership met the constitutional requirement but remanded the case to determine compliance based on the separate class shareholdings requirement stipulated in *Gamboa v. Teves*.

**\*\*Doctrine:\*\***

The Court reaffirmed the doctrine that an option without consideration, while not a valid option contract, stands as an offer that can result in a binding contract upon acceptance. It also clarified the application of foreign ownership requirements to include specifics on

shareholding classes.

**\*\*Class Notes:\*\***

- Foreign Ownership of Land: Under Philippine laws, only Filipino citizens or corporations/associations at least 60% Filipino-owned can own land.
- Option Contracts: Must be supported by separate consideration to be valid; however, an accepted offer without consideration can still form a binding contract.
- Filipino Equity Requirement: For corporations, the 60% Filipino ownership applies to each class of shares, reinforcing the control requirement within the context of national patrimony.

**\*\*Historical Background:\*\***

This case underscores the evolving interpretation of land ownership laws in the Philippines, especially concerning foreign interests. The decision builds on past jurisprudence, emphasizing the protection of national patrimony while acknowledging legitimate business interests and investments. The Court's ruling also reflects its stance on the constitutional provisions regulating foreign ownership, balancing these with the practical considerations of foreign investment in nation-building.