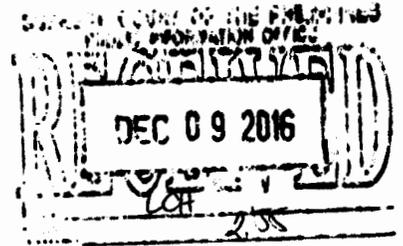




Republic of the Philippines  
Supreme Court  
Manila



FIRST DIVISION

**COCA-COLA BOTTTLERS**  
**PHILIPPINES, INC.,**

Petitioner,

**G.R. No. 190667**

Present:

- versus -

SERENO, *CJ*, Chairperson,  
LEONARDO-DE CASTRO,  
BERSAMIN,  
PERLAS-BERNABE, and  
CAGUIOA, *JJ*.

**SPOUSES JOSE R. BERNARDO**  
**AND LILIBETH R. BERNARDO,**  
**DOING BUSINESS UNDER THE**  
**NAME AND STYLE "JOLLY**  
**BEVERAGE ENTERPRISES,"**

Respondents.

Promulgated:

**NOV 07 2016**

X-----X

**DECISION**

**SERENO, *CJ*:**

This is a Petition for Review<sup>1</sup> filed by Coca-Cola Bottlers Philippines, Inc. (petitioner), from the Court of Appeals (CA) Decision<sup>2</sup> and Resolution<sup>3</sup> in CA-G.R. CV No. 91096. The CA affirmed *in toto* the Decision<sup>4</sup> of Regional Trial Court (RTC) Branch 88 in Quezon City in Civil Case No. Q-00-42320.

This case originated from the claim for damages filed by respondent spouses Jose and Lilibeth Bernardo (respondents) against petitioner for violation of Articles 19, 20, 21, and 28 of the Civil Code. The RTC found petitioner liable to pay respondents temperate damages in the amount of ₱500,000 for loss of goodwill, to be offset against the latter's outstanding balance for deliveries in the amount of ₱449,154. The trial court ordered petitioner to pay ₱50,000 as moral damages, ₱20,000 as exemplary damages, and ₱100,000 as attorney's fees.

<sup>1</sup> *Rollo*, pp. 10-35.

<sup>2</sup> Penned by Presiding Justice Conrado M. Vasquez and concurred in by Associate Justices Arturo G. Tayag and Ramon M. Bato, Jr., dated 23 July 2009; *id.* at 42-59.

<sup>3</sup> Dated 19 November 2009; *id.* at 60-61.

<sup>4</sup> Penned by Presiding Judge Rosanna Fe Romero-Maglaya, dated 28 September 2007; *id.* at 109-121.

Petitioner asserts that the Complaint had no basis, and that the trial court had no jurisdiction to award temperate damages in an amount equivalent to the outstanding obligation of respondents. It prays not only for the reversal of the assailed judgments, but also for an award of moral and exemplary damages, as well as attorney's fees and litigation expenses. It also asks that respondents be ordered to pay ₱449,154 plus legal interest from the date of demand until full payment.<sup>5</sup>

We deny the Petition.

### FACTS

Petitioner is a domestic corporation engaged in the large-scale manufacture, sale, and distribution of beverages around the country.<sup>6</sup> On the other hand, respondents, doing business under the name "Jolly Beverage Enterprises," are wholesalers of softdrinks in Quezon City, particularly in the vicinities of Bulacan Street, V. Luna Road, Katipunan Avenue, and Timog Avenue.<sup>7</sup>

The business relationship between the parties commenced in 1987 when petitioner designated respondents as its distributor.<sup>8</sup> On 22 March 1994, the parties formally entered into an exclusive dealership contract for three years.<sup>9</sup> Under the Agreement,<sup>10</sup> petitioner would extend developmental assistance to respondents in the form of cash assistance and trade discount incentives. For their part, respondents undertook to sell petitioner's products exclusively, meet the sales quota of 7,000 cases per month, and assist petitioner in its marketing efforts.<sup>11</sup>

On 1 March 1997, the parties executed a similar agreement for another two years, or until 28 February 1999.<sup>12</sup> This time, petitioner gave respondents complimentary cases of its products instead of cash assistance, and increased the latter's sales quota to 8,000 cases per month.

For 13 years, the parties enjoyed a good and harmonious business partnership.<sup>13</sup> While the contracts contained a clause for breach, it was never enforced.<sup>14</sup>

Sometime in late 1998 or early 1999, before the contract expired, petitioner required respondents to submit a list of their customers on the

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<sup>5</sup> Id. at 34.

<sup>6</sup> Id. at 43.

<sup>7</sup> Id.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Id. at 93-95.

<sup>11</sup> Id. at 93-94.

<sup>12</sup> Agreement; id. at 97-99.

<sup>13</sup> *Rollo*, p. 110.

<sup>14</sup> This observation was consistent with respondents' claim that they had faithfully complied with all their obligations.



pretext that it would formulate a policy defining its territorial dealership in Quezon City.<sup>15</sup> It assured respondents that their contract would be renewed for a longer period, provided that they would submit the list.<sup>16</sup> However, despite their compliance, the promise did not materialize.<sup>17</sup>

Respondents discovered that in February 1999, petitioner started to reach out to the persons whose names were on the list.<sup>18</sup> Respondents also received reports that their delivery trucks were being trailed by petitioner's agents; and that as soon as the trucks left, the latter would approach the former's customers.<sup>19</sup> Further, respondents found out that petitioner had employed a different pricing scheme, such that the price given to distributors was significantly higher than that given to supermarkets.<sup>20</sup> It also enticed direct buyers and *sari-sari* store owners in the area with its "*Coke Alok*" promo, in which it gave away one free bottle for every case purchased.<sup>21</sup> It further engaged a store adjacent to respondents' warehouse to sell the former's products at a substantially lower price.<sup>22</sup>

Respondents claimed that because of these schemes, they lost not only their major customers – such as Peach Blossoms, May Flower Restaurant, Saisaki Restaurant, and Kim Hong Restaurant – but also small stores, such as the canteen in the hospital where respondent Jose Bernardo worked.<sup>23</sup> They admitted that they were unable to pay deliveries worth ₱449,154.<sup>24</sup>

Respondents filed a Complaint<sup>25</sup> for damages, alleging that the acts of petitioner constituted dishonesty, bad faith, gross negligence, fraud, and unfair competition in commercial enterprise.<sup>26</sup> The Complaint was later amended<sup>27</sup> to implead petitioner's officers and personnel, include additional factual allegations, and increase the amount of damages prayed for.

Petitioner denied the allegations.<sup>28</sup> It maintained that it had obtained a list of clients through surveys, and that promotional activities or developmental strategies were implemented only after the expiration of the Agreements.<sup>29</sup> It opined that the filing of the complaint was a mere ploy resorted to by respondents to evade the payment of the deliveries.<sup>30</sup>

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<sup>15</sup> *Rollo*, p. 44, 110.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 110.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 111.

<sup>20</sup> *Id.* at 53.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 55.

<sup>23</sup> *Id.* at 115.

<sup>24</sup> *Id.* at 45.

<sup>25</sup> *Id.* at 62-64.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 82-92.

<sup>28</sup> *See Answer*, *id.* at 66-76.

<sup>29</sup> *Id.* at 71

<sup>30</sup> *Id.* at 74.

The RTC held petitioner liable for damages for abuse of rights in violation of Articles 19, 20, and 21 of the Civil Code and for unfair competition under Article 28. It found that petitioner's agents solicited the list of clients in order to penetrate the market and directly supply customers with its products.<sup>31</sup> Moreover, the trial court found that petitioner had recklessly ignored the rights of respondents to have a fair chance to engage in business or earn a living when it deliberately used oppressive methods to deprive them of their business.<sup>32</sup> Its officers were, however, absolved of liability, as there was no showing that they had acted in their individual and personal capacities.<sup>33</sup>

In the body of its Decision, the RTC stated that petitioner should pay respondents ₱500,000 as temperate damages, and that it was only just and fair that the latter offset this amount against their outstanding obligation to petitioner in the amount of ₱449,154.<sup>34</sup> In the *fallo*, the trial court awarded ₱50,000 as moral damages, ₱20,000 as exemplary damages, and ₱100,000 as attorney's fees.<sup>35</sup> It denied petitioner's counterclaim for damages for lack of factual and legal basis.<sup>36</sup> Petitioner moved for reconsideration, but the motion was denied.<sup>37</sup>

Petitioner then elevated the case to the CA, which affirmed the RTC Decision *in toto*. According to the appellate court's ruling, petitioner had used its sizable resources to railroad the business of respondents:<sup>38</sup>

[Petitioner] infiltrated certain areas in Quezon City at the expense of and later, in derogation of its wholesalers, particularly [respondents]. As admitted by Allan Mercado, the Integrated Selling and Marketing Manager of appellant, it was previously dependent on wholesalers to circulate its products around the country. x x x.

x x x x

[T]owards the end of the partnership, appellant employed a different marketing scheme purportedly to obviate the poor dealership management from wholesalers in major areas. But as may be shown by the incidents leading to the filing of this case, this method was designed strategically to overrun [respondents'] business and take over the customers of its wholesalers.

x x x x

One such method was "different pricing schemes" wherein the prices given to supermarkets and grocery stores were considerably lower than those imposed on wholesalers. No prior advice thereof was given to [respondents] or any of the wholesalers. In fact, they only knew of it when

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<sup>31</sup> Id. 109-121.

<sup>32</sup> Id. at 120.

<sup>33</sup> Id.

<sup>34</sup> Id. at 121.

<sup>35</sup> Id.

<sup>36</sup> Id.

<sup>37</sup> Order dated 8 February 2008; id. at 141-143.

<sup>38</sup> *Rollo*, pp. 52-55.

their customers began complaining about the variation in prices of softdrinks sold in supermarkets and those that were sold by them. When in fact [respondent] Bernardo personally inspected the products in grocery stores, he discovered that a box of Coke-in-can is sold at ₱40.00, lower than those offered by them as wholesalers.

About the same time, [petitioner] also implemented the “Area Market Cooperatives” (AMC) and the “Coke-Alok” promo. Under the AMC, customers of wholesalers can purchase [petitioner’s] products from prominent stores in heavily crowded areas for ₱76.00 per case, as opposed to [respondent’s] offering of ₱112.00. In “Coke-Alok,” [petitioner] directly sold Coke products to wholesale customers with incentives as free bottle of Coke for every case of softdrinks purchased. Being of limited resources, [respondents had no] means to equal the lucrative incentives given by [petitioner] to their customers.

x x x x

Apart from direct selling and other promotions, [petitioner] also employed high-handed means that further shrunk [respondents’] market coverage. In one instance, [petitioner’s sales representative] advised [respondents] and other wholesalers to keep away from major thoroughfares. Apparently, [petitioner] was going to supply their products to these stores themselves.  
x x x.

x x x x

x x x Furthermore, one of [petitioner’s] representatives, Nelson Pabulayan, admitted that he sold products at the canteen in V. Luna Hospital [which was then being serviced by respondents].

As if that was not enough, petitioner engaged other stores, such as Freezel’s Bakeshop that was located adjacent to [respondent’s] warehouse, to sell Coke products at a price substantially lower than [that offered by respondents].

## ISSUES

Petitioner argues that the trial court had no jurisdiction to award temperate damages that were not prayed for in the Complaint. It further asserts that it did not violate Articles 19, 20, 21 or 28; hence, the award of damages and attorney’s fees was improper.

## OUR RULING

The CA did not err in affirming the finding that petitioner was liable for temperate, moral and exemplary damages, as well as attorney’s fees, for abuse of rights and unfair competition.

### *The Petition raises questions of fact.*

Petitioner ignores the nature of a petition for review as a remedy against errors of law. Instead, it raises factual matters that have already been passed upon by the RTC and the CA.



It insists on the following facts: 1) the “promotional activities” were implemented after the dealership agreements expired;<sup>39</sup> 2) the “developmental strategies” were implemented nationwide and were not meant to destroy the business of respondents;<sup>40</sup> 3) its agents did not follow the trucks of Jolly Beverages;<sup>41</sup> 4) the price difference resulted because respondents could no longer avail of trade discounts and incentives under the expired Agreement;<sup>42</sup> and 5) there is no causal connection between the promotional activities and the claimed losses of respondents.<sup>43</sup>

Petitioner contends that since it did not assign any exclusive territory to respondents, the latter had no exclusive right to any customer.<sup>44</sup> It supposedly decided to rely on its own sales personnel to push the sale of its products, because the distributors had violated the terms of their agreements by selling competing products, failing to meet the required sales volume, or failing to pay on time.<sup>45</sup> Petitioner, however, did not allege that respondents committed any of these actions during the existence of the agreement.

We have repeatedly held that factual findings of the trial court, especially when affirmed by the appellate court, are given great weight, even finality, by this Court.<sup>46</sup> Petitioner fails to make a convincing argument that this case falls under any of the exceptions to the rule. On the contrary, the Decisions of the RTC and the CA appear to be supported by the records.

Petitioner bewails the fact that the RTC and the CA, in establishing the facts, relied heavily on the testimony of respondent Jose Bernardo.<sup>47</sup> Petitioner, however, forgets that trial courts are in an ideal position to observe the demeanor of the witnesses and can therefore discern if the latter are telling the truth or not.<sup>48</sup> In this case, both the trial and the appellate courts found the testimonies of respondent Jose Bernardo and his witnesses more credible than those of the witnesses presented by petitioners. We shall not substitute our judgment for that of the trial court, absent any compelling reason.

***Petitioner is liable for damages for abuse of rights and unfair competition under the Civil Code.***

Both the RTC and the CA found that petitioner had employed oppressive and high-handed schemes to unjustly limit the market coverage

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<sup>39</sup> Id. at 25.

<sup>40</sup> Id. at 26.

<sup>41</sup> Id. at 27.

<sup>42</sup> Id. at 28.

<sup>43</sup> Id. at 30.

<sup>44</sup> Id. at 25.

<sup>45</sup> Id. at 12-13.

<sup>46</sup> *Castillo v. CA*, 329 Phil. 150 (1996).

<sup>47</sup> *Rollo*, pp. 21, 26-27.

<sup>48</sup> *People v. Cabalhin y Daclitan*, G.R. No. 100204, 28 March 1994, 231 SCRA 486 citing *People v. Rodriguez y Teves*, 254 Phil. 763 (1989); *People v. Solares y Manaloto*, 255 Phil. 196 (1989).

and diminish the investment returns of respondents.<sup>49</sup> The CA summarized its findings as follows:<sup>50</sup>

This [cut-throat competition] is precisely what appellant did in order to take over the market: directly sell its products to or deal them off to competing stores at a price substantially lower than those imposed on its wholesalers. As a result, the wholesalers suffered losses, and in [respondents'] case, laid off a number of employees and alienated the patronage of its major customers including small-scale stores.

It must be emphasized that petitioner is not only a beverage giant, but also the manufacturer of the products; hence, it sets the price. In addition, it took advantage of the information provided by respondents to facilitate its takeover of the latter's usual business area. Distributors like respondents, who had assisted petitioner in its marketing efforts, suddenly found themselves with fewer customers. Other distributors were left with no choice but to fold.<sup>51</sup>

Articles 19, 20, and 21 of the Civil Code provide the legal bedrock for the award of damages to a party who suffers damage whenever another person commits an act in violation of some legal provision; or an act which, though not constituting a transgression of positive law, nevertheless violates certain rudimentary rights of the party aggrieved.<sup>52</sup> The provisions read:

Art. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

Art. 20. Every person who, contrary to law, wilfully or negligently causes damage to another, shall indemnify the latter for the same.

Art. 21. Any person who wilfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage.

In *Albenson Enterprises Corp. v. CA*,<sup>53</sup> this Court held that under any of the above provisions of law, an act that causes injury to another may be made the basis for an award of damages. As explained by this Court in *GF Equity, Inc. v. Valenzona*:<sup>54</sup>

The exercise of a right ends when the right disappears; and it disappears when it is abused, especially to the prejudice of others. The mask of a right without the spirit of justice which gives it life is repugnant to the modern concept of social law. It cannot be said that a person exercises a right when he unnecessarily prejudices another or offends

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<sup>49</sup> *Rollo*, pp. 56, 118.

<sup>50</sup> *Id.* at 54.

<sup>51</sup> Glicerio Oliveros, Jr. and Zenaida Flores testified that they had closed their stores because of business losses; *see id.* at 116.

<sup>52</sup> *Carpio v. Valmonte*, 481 Phil. 352 (2004).

<sup>53</sup> G.R. No. 88694, 11 January 1993, 217 SCRA 16.

<sup>54</sup> 501 Phil. 153, 164-165 (2005) citing *De Guzman v. NLRC*, G.R. No. 90856, 23 July 1992, 211 SCRA 723 further citing Tolentino, *Civil Code of the Philippines*, Vol. 1, 61 (1990).

morals or good customs. Over and above the specific precepts of positive law are the supreme norms of justice which the law develops and which are expressed in three principles: *honeste vivere*, *alterum non laedere* and *jus suum quique tribuere*; and he who violates them violates the law. For this reason, it is not permissible to abuse our rights to prejudice others.

Meanwhile, the use of unjust, oppressive, or high-handed business methods resulting in unfair competition also gives a right of action to the injured party. Article 28 of the Civil Code provides:

Art. 28. Unfair competition in agricultural, commercial or industrial enterprises or in labor through the use of force, intimidation, deceit, machination or any other unjust, oppressive or highhanded method shall give rise to a right of action by the person who thereby suffers damage.

Petitioner cites Tolentino, who in turn cited Colin and Capitant. According to the latter, the act of “a merchant [who] puts up a store near the store of another and in this way attracts some of the latter’s patrons” is not an abuse of a right.<sup>55</sup> The scenario in the present case is vastly different: the merchant was also the producer who, with the use of a list provided by its distributor, knocked on the doors of the latter’s customers and offered the products at a substantially lower price. Unsatisfied, the merchant even sold its products at a preferential rate to another store within the vicinity. Jurisprudence holds that when a person starts an opposing place of business, not for the sake of profit, but regardless of loss and for the sole purpose of driving a competitor out of business, in order to take advantage of the effects of a malevolent purpose, that person is guilty of a wanton wrong.<sup>56</sup>

***Temperate, moral, and exemplary damages, as well as attorney’s fees, were properly awarded.***

Petitioner argues that the trial court did not have jurisdiction to grant an award of temperate damages, because respondents did not *specifically* pray for it in their Amended Complaint:

WHEREFORE, premises considered, it is most respectfully prayed that the Honorable Court render a judgment directing defendants to:

1. Pay plaintiffs the amount of ₱1,000,000.00 representing loss of goodwill nurtured over the past 13 years as actual damages.
2. Pay plaintiffs the amount of ₱200,000 representing moral damages.
3. Pay plaintiffs the amount of ₱100,000 representing exemplary damages.
4. Pay plaintiffs the amount of ₱100,000 representing attorney’s fees.

Other reliefs which are just and equitable under the premises are also prayed for.

<sup>55</sup> *Rollo*, p. 30.

<sup>56</sup> *Willaware Products Corp. v. Jesichris Manufacturing Corp.*, G.R. No. 195549, 3 September 2014, 734 SCRA 238 citing Tolentino, *supra* note 54, p. 117.

Petitioner's argument is flimsy and unsupported even by the cases it has cited.<sup>57</sup> The CA correctly ruled that the award of temperate damages was justified, even if it was not specifically prayed for, because 1) respondents did pray for the grant of "other reliefs," and 2) the award was clearly warranted under the circumstances. Indeed, the law permits judges to award a different kind of damages as an alternative to actual damages:

Civil Code, Art. 2224. Temperate or moderate damages, which are more than nominal but less than compensatory damages, may be recovered *when the court finds* that some pecuniary loss has been suffered but its amount can not, from the nature of the case, be provided with certainty. (Emphasis supplied)

Compensatory damages may be awarded in the *concept* of temperate damages for injury to business reputation or business standing, loss of goodwill, and loss of customers who shifted their patronage to competitors.<sup>58</sup>

It is not extraordinary for courts to award temperate damages in lieu of actual damages. In *Canada v. All Commodities Marketing Corporation*,<sup>59</sup> this Court awarded temperate damages in recognition of the pecuniary loss suffered, after finding that actual damages could not be awarded for lack of proof. In *Public Estates Authority v. Chu*,<sup>60</sup> this Court held that temperate damages should have been awarded by the trial court considering that the plaintiff therein had suffered some pecuniary loss.

In this case, both the RTC and the CA found that respondents had similarly suffered pecuniary loss by reason of petitioner's high-handed machinations to eliminate competition in the market.<sup>61</sup>

We see no grave error on the part of the RTC when it ruled that the unpaid obligation of respondents shall be offset against the temperate damages due them from petitioner.<sup>62</sup> However, the trial court was not

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<sup>57</sup> *Casent Realty v. Premiere Development Bank* (516 Phil. 219 [2006]) does not aid its cause. In that case, the trial court denied Casent Realty's Very Urgent Motion for Clarification regarding the functions of an independent auditor, but allowed the petitioner to file a manifestation that it was uninterested in having independent auditors assist the parties in arriving at an amicable settlement of the case, so that pre-trial would proceed. While this Court found that the order of the trial court was inconsistent with the allegations made in the motion, it held that there was no grave abuse of discretion.

The other case cited by petitioner, *Spouses Gonzaga v. CA* (483 Phil. 424 [2004]), is inapplicable. In that case, the petition was denied because of the failure of Spouses Gonzaga to file a cross-claim against a third party for the refund of a certain amount. The additional relief they asked from the court – the enforcement of the deed of conditional sale, the deed of final and absolute sale, and the memorandum of agreement executed by them and the third party – would be distinct from the relief they prayed for in their third-party complaint, which is for the payment of whatever would be adjudged against them for their occupation of the land. In this case, the trial court merely awarded an alternative kind of damages.

<sup>58</sup> *RCPI v. CA*, 190 Phil. 1058 (1981).

<sup>59</sup> 590 Phil. 342 (2008).

<sup>60</sup> 507 Phil. 472 (2005).

<sup>61</sup> *Rollo*, p. 58.

<sup>62</sup> Petitioner never questioned this part of the RTC Decision pertaining to the offsetting (*See id.* at 121):

The Court is not unmindful of the undisputed fact that plaintiffs have an outstanding obligation with CCBPI in the amount of ₱449,154.00. However, record shows that said outstanding obligation was incurred by the plaintiffs at the time the afore-said marketing strategies were already employed by CCBPI and the wholesalers' grievances including that of the plaintiffs were already aired by them. Hence, it is not amiss to deduce that these obligations arose

accurate in considering the ₱500,000 temperate damages as adequate to completely extinguish the obligation of respondents to petitioner.<sup>63</sup> We note that while the principal was ₱449,154, this amount earned legal interest from the time of demand. Nonetheless, in view of the established fact that respondents incurred the losses after their business was systematically crippled by petitioner, it is only proper and just that the obligation, as well as the legal interest that has accrued, be deemed totally compensated by the temperate damages. Therefore, respondents do not need to tender the amount of ₱449,154 plus legal interest to petitioner, while the latter does not have to tender any amount as temperate damages to the former.

With regard to moral damages, petitioner argues that respondents failed to provide satisfactory proof that the latter had undergone any suffering or injury.<sup>64</sup> This is a factual question that has been resolved by the trial court in a Decision affirmed by the CA. The award finds legal basis under Article 2219(10) of the Civil Code, which states that moral damages may be recovered in acts and actions referred to in Articles 21 and 28.<sup>65</sup>

Petitioner likewise questions the award of exemplary damages without “competent proof.”<sup>66</sup> It cites *Spouses Villafuerte v. CA*<sup>67</sup> as basis for arguing that the CA should have based its Decision regarding the fact and the amount of exemplary damages upon competent proof that respondents have suffered injury and upon evidence of the actual amount thereof. We enjoin petitioner’s counsel to fully and carefully read the text of our decisions before citing them as authority.<sup>68</sup> The excerpt lifted pertains to compensatory damages, not exemplary damages. We remind counsel that exemplary damages are awarded under Article 2229 of the Civil Code by way of example or correction for the public good. The determination of the amount is left to the discretion of the judge; its proof is not incumbent upon the claimant.

There being no meritorious argument raised by petitioner, the award of exemplary damages must be sustained to caution powerful business owners against the use of oppressive and high-handed commercial strategies

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cont.

as a result of CCBPI’s machinations leading to plaintiff’s business reversals. The Court thus finds, as justice and fair play require, that plaintiff’s outstanding obligation be offset by the temperate damages CCBPI caused to plaintiffs and is held liable for as a consequence of its unfair marketing strategies.

<sup>63</sup> In order to effect total compensation under Article 1281 of the Civil Code, the two debts must be of the same amount.

<sup>64</sup> *Rollo*, pp. 22-23.

<sup>65</sup> Article 2219. Moral damages may be recovered in the following and analogous cases:

x x x x

(10) Acts and actions referred to in articles 21, 26, 27, 28, 29, 30, 32, 34, and 35.

<sup>66</sup> *Rollo*, p. 23.

<sup>67</sup> 498 Phil. 105 (2005).

<sup>68</sup> Rule 10.2, Canon 10 of the Code of Professional Responsibility states:

Rule 10.02 - A lawyer shall not knowingly misquote or misrepresent the contents of a paper, the language or the argument of opposing counsel, or the text of a decision or authority, or knowingly cite as law a provision already rendered inoperative by repeal or amendment, or assert as a fact that which has not been proved.



to target and trample on the rights of small business owners, who are striving to make a decent living.

Exemplary damages having been awarded, the grant of attorney's fees was therefore warranted.<sup>69</sup>

***Petitioner's counterclaims for moral and exemplary damages, as well as attorney's fees and litigation expenses, were properly denied.***

The counterclaim for the payment of ₱449,154 plus legal interest was effectively granted when the trial court offset the temperate damages awarded to respondents against the outstanding obligation of the latter to petitioner.

The counterclaims for moral and exemplary damages, as well as attorney's fees and litigation expenses, had no basis and were properly denied. The fact that petitioner was compelled to engage the services of counsel in order to defend itself against the suit of respondents did not entitle it to attorney's fees.

According to petitioner, it is entitled to moral damages, because "respondents clearly acted in a vexatious manner when they instituted this suit."<sup>70</sup> We see nothing in the record to sustain this argument.

With respect to the prayer for exemplary damages, neither do we find any act of respondents that has to be deterred.

**WHEREFORE**, the Petition is **DENIED**. The Decision dated 23 July 2009 and Resolution dated 19 November 2009 rendered by the Court of Appeals in CA-G.R. CV No. 91096, which affirmed *in toto* the Decision dated 28 September 2007 issued by Regional Trial Court Branch 88 Quezon City in Civil Case No. Q-00-42320, are hereby **AFFIRMED** with **MODIFICATION** in that the damages awarded shall earn legal interest of 6% per annum from the date of finality of this Decision until its full satisfaction. The total compensation of respondents' unpaid obligation, including legal interest that has accrued, and the temperate damages awarded to them, is hereby upheld.

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<sup>69</sup> Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

(1) When exemplary damages are awarded;

xxxx

See also *PhilTranco Service Enterprises, Inc. v. CA*, 340 Phil. 98 (1997); *Air France v. Carrascoso*, 124 Phil. 722 (1966).

<sup>70</sup> *Rollo*, p. 33.



**SO ORDERED.**



**MARIA LOURDES P. A. SERENO**  
Chief Justice, Chairperson

WE CONCUR:

*Teresita Leonardo de Castro*  
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice

*Lucas P. Bersamin*  
**LUCAS P. BERSAMIN**  
Associate Justice

*Estela M. Perlas-Bernabe*  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice

*Alfredo Benjamin S. Caguioa*  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARIA LOURDES P. A. SERENO**  
Chief Justice