

SECOND DIVISION

[G.R. No. 119729, January 21, 1997]

**ACE-AGRO DEVELOPMENT CORPORATION, PETITIONER, VS.
COURT OF APPEALS AND COSMOS BOTTLING CORPORATION,
RESPONDENTS.
D E C I S I O N**

MENDOZA, J.:

This case originated in a complaint for damages for breach of contract which petitioner filed against private respondent. From the decision of the Regional Trial Court, Branch 72, Malabon, Metro Manila, finding private respondent guilty of breach of contract and ordering it to pay damages, private respondent appealed to the Court of Appeals which reversed the trial court's decision and dismissed the complaint for lack of merit. Petitioner in turn moved for a reconsideration, but its motion was denied. Hence, this petition for review on certiorari.

The facts are as follows:

Petitioner Ace-Agro Development Corporation and private respondent Cosmos Bottling Corporation are corporations duly organized and existing under Philippine laws. Private respondent Cosmos Bottling Corp. is engaged in the manufacture of soft drinks. Since 1979 petitioner Ace-Agro Development Corp. (Ace-Agro) had been cleaning soft drink bottles and repairing wooden shells for Cosmos, rendering its services within the company premises in San Fernando, Pampanga. The parties entered into service contracts which they renewed every year. On January 18, 1990, they signed a contract covering the period January 1, 1990 to December 31, 1990. Private respondent had earlier contracted the services of Aren Enterprises in view of the fact that petitioner could handle only from 2,000 to 2,500 cases a day and could not cope with private respondent's daily production of 8,000 cases. Unlike petitioner, Aren Enterprises rendered service outside private respondent's plant.

On April 25, 1990, fire broke out in private respondent's plant, destroying, among other places, the area where petitioner did its work. As a result, petitioner's work was stopped.

On May 15, 1990, petitioner asked private respondent to allow it to resume its service, but petitioner was advised that on account of the fire, which had "practically burned all . . . old soft drink bottles and wooden shells," private respondent was terminating their contract.

Petitioner expressed surprise at the termination of the contract and requested private respondent, on June 13, 1990, to reconsider its decision and allow petitioner to resume its work in order to "cushion the sudden impact of the unemployment of many of [its] workers." As it received no reply from private respondent, petitioner, on June 20, 1990, informed its employees of the termination of their employment.

Petitioner's memorandum [1] read:

MEMORANDUM TO : All Workers/Union Members

THRU : Mr. Angelito B. Catalan

Local Chapter President

Bisig Manggagawa sa Ace Agro-NAFLU

This is to inform you that the Cosmos Bottling Corp. has sent a letter to Ace Agro-Development Corp. terminating our contract with them.

However, we are still doing what we can to save our contract and resume our operations, though this might take some time.

We will notify you whatever would be the outcome of our negotiation with them in due time.

Truly yours,

ACE AGRO-DEVELOPMENT CORP.

(Sgd.)

ANTONIO L. ARQUIZA

Manager

This led the employees to file a complaint for illegal dismissal before the Labor Arbiter against petitioner and private respondent.

On July 17, 1990, petitioner sent another letter to private respondent, reiterating its request for reconsideration. Its letter [2] read:

COSMOS BOTTLING CORPORATION

San Isidro, MacArthur Highway

San Fernando, Pampanga

Attention: Mr. Norman P. Uy

General Services Manager

Gentlemen:

In our letter to you dated June 13, 1990 seeking your kind reconsideration of your sudden drastic decision to terminate our mutually beneficial contract of long standing, it is more than a month now but our office has not received a reply from you.

Our workers, who have been anxiously waiting for the resumption of the operations and who are the ones most affected by your sudden decision, are now becoming restless due to the financial difficulties they are now suffering.

We are, therefore, again seeking for the reconsideration of your decision to help alleviate the sufferings of the displaced workers, which we also have to consider for humanitarian reason.

Yours very truly,

ACE AGRO-DEVELOPMENT CORP.

(Sgd.) ANTONIO I. ARQUIZA

Manager

In response, private respondent advised petitioner on August 28, 1990 that the latter could resume the repair of wooden shells under terms similar to those contained in its contract but work had to be done outside the company premises.

Private respondent's letter [3] read:

MR. ANTONIO I. ARQUIZA

Manager

ACE-AGRO DEVELOPMENT CORPORATION

165 J.P. Bautista Street

Malabon, Metro Manila

Dear Mr. Arquiza:

We are pleased to inform you that COSMOS BOTTLING CORPORATION, San Fernando Plant is again accepting job-out contract for the repair of our wooden shells.

Work shall be done outside the premises of the plant and under similar terms you previously had with the company. We intend to give you priority so please see or contact me at my office soonest for the particulars regarding the job.

Here is looking forward to doing business with you at the earliest possible time.

(Sgd.) DANILO M. DE CASTRO

Plant General Manager

Petitioner refused the offer, claiming that to do its work outside the company's premises would make it (petitioner) incur additional costs for transportation which "will eat up the meager profits that [it] realizes from its original contract with Cosmos." In subsequent meetings with Danilo M. de Castro, Butch Ceña and Norman

Uy of Cosmos, petitioner's manager, Antonio I. Arquiza, asked for an extension of the term of the contract in view of the suspension of work. But its request was apparently turned down.

On November 7, 1990, private respondent advised petitioner that the latter could then resume its work inside the plant in accordance with its original contract with Cosmos. Private respondent's letter [4] stated:

MR. ANTONIO I. ARQUIZA

General Manager

Ace-Agro Development Corporation

165 J. P. Bautista St., Malabon

Metro Manila

Dear Mr. Arquiza:

This is to officially inform you that you can now resume the repair of wooden shells inside the plant according to your existing contract with the Company.

Please see Mr. Ener G. Ocampo, OIC-PDGS, on your new job site in the Plant.

Very truly yours,

COSMOS BOTTLING CORPORATION

(Sgd.) MICHAEL M. ALBINO

VP-Luzon/Plant General Manager

On November 17, 1990, petitioner rejected private respondent's offer, this time, citing the fact that there was a pending labor case. Its letter [5] to private respondent stated:

Mr. Michael M. Albino

VP-Luzon/Plant General Manager

Cosmos Bottling Corporation

San Fernando, Pampanga

Dear Mr. Albino,

This is in connection with your letter dated November 7, 1990 regarding the resumption of the repair of your wooden shells inside San Fernando, Pampanga Plant according to the existing contract with your company.

At present, there is a pending case before the Department of Labor and Employment in San Fernando, Pampanga which was a result of the premature termination of the said existing contract with your company. In view of that, we find it proper for us to work for the resolution of the said pending case and include in the Compromise Agreement the matter of the resumption of the repair of wooden shells in your San Fernando, Pampanga Plant.

Thank you very much.

Very truly yours,

ACE AGRO-DEVELOPMENT CORP.

(Sgd.) ANTONIO I. ARQUIZA

Manager

On January 3, 1991, petitioner brought this case against private respondent for breach of contract and damages in the Regional Trial Court of Malabon. It complained that the termination of its service contract was illegal and arbitrary and that, as a result, it stood to lose profits and to be held liable to its employees for backwages, damages and/or separation pay.

On January 16, 1991, a decision was rendered in the labor case, finding petitioner liable for the claims of its employees. Petitioner was ordered to reinstate the employees and pay them backwages. However, private respondent Cosmos was absolved from the employees' claims on the ground that there was no privity of contract between them and private respondent.

On the other hand, in its decision rendered on November 21, 1991, the RTC found private respondent guilty of breach of contract and ordered it to pay damages to petitioner. Petitioner's claim for reimbursement for what it had paid to its employees in the labor case was denied. The dispositive portion of the trial court's decision read:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff Ace-Agro Development Corporation and against defendant Cosmos Bottling Corporation, ordering the latter to pay to the former the following:

- a) The amount of P1,008,418.01 as actual damages;
- b) P100,000.00 as corrective or exemplary damages;
- c) The amount of P50,000.00 as and for attorney's fees; and
- d) Costs and expenses of litigation.