

## FIRST DIVISION

[ G.R. No. 190667, November 07, 2016 ]

**COCA-COLA BOTTLERS PHILIPPINES, INC., PETITIONER, VS. SPOUSES JOSE R. BERNARDO AND LILIBETH R. BERNARDO, DOING BUSINESS UNDER THE NAME AND STYLE "JOLLY BEVERAGE ENTERPRISES," RESPONDENTS.**

### DECISION

**SERENO, C.J.:**

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-GR. 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 P500,000 for loss of goodwill, to be offset against the latter's outstanding balance for deliveries in the amount of P449,154. The trial court ordered petitioner to pay P50,000 as moral damages, P20,000 as exemplary damages, and P100,000 as attorney's fees.

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 P449,154 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 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 P449,154.<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>

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 P500,000 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 P449,154.<sup>[34]</sup> In the *fallo*, the trial court awarded P50,000 as moral damages, P20,000 as exemplary damages, and P100,000 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 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 P40.00, 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 P76.00 per case, as opposed to [respondent's] offering of P112.00. 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, tor 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 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