

## SECOND DIVISION

[ G.R. No. 193821, November 23, 2015 ]

### PHIL-AIR CONDITIONING CENTER, PETITIONER, VS. RCJ LINES AND ROLANDO ABADILLA, JR., RESPONDENTS.

#### DECISION

##### BRION, J.:

Phil-Air Conditioning Center (*Phil-Air*) filed this petition for review on certiorari<sup>[1]</sup> to assail the September 15, 2010 decision<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 85866.

The CA affirmed the September 8, 2004 decision of the Regional Trial Court (RTC), Branch 119 of Pasay City, dismissing Phil-Air's complaint for sum of money with prayer for a writ of preliminary attachment.<sup>[3]</sup>

Designated as Acting Member in lieu of Associate Justice Antonio T. Carpio, per Special Order No. 2282 dated November 13, 2015.

Designated as Acting Chairperson in lieu of Associate Justice Antonio T. Carpio, per Special Order No. 2281 dated November 13, 2015.

#### Antecedents

On various dates between March 5, 1990, and August 29, 1990, petitioner Phil-Air sold to respondent RCJ Lines four Carrier Paris 240 air-conditioning units for buses (*units*). The units included compressors, condensers, evaporators, switches, wiring, circuit boards, brackets, and fittings.<sup>[4]</sup>

The total purchases amounted to P1,240,000.00 as shown on a sales invoice dated November 5, 1990.<sup>[5]</sup> RCJ Lines paid P400,000.00, leaving a balance of P840,000.00.<sup>[6]</sup>

RCJ Lines accepted the delivery of the units, which Phil-Air then installed after they were inspected by RCJ Lines president Rolando Abadilla, Sr.<sup>[7]</sup>

Phil-Air allegedly performed regular maintenance checks on the units pursuant to the one-year warranty on parts and labor. After some months from installation, Phil-Air supposedly boosted the capacity of the units by upgrading them to the Carrier Paris 280 model.<sup>[8]</sup> It also purportedly repaired the control switch panel of one of the units for an additional cost of P60,000.00.<sup>[9]</sup>

RCJ Lines issued three post-dated checks in favor of Phil-Air to partly cover the

unpaid balance:

<i>Check No.</i>	<i>Amount</i>	<i>Post-dated</i>
479759	Php 244,998.00	February 28, 1992
479760	Php 244,998.00	March 31, 1992
479761	Php 244,998.00	April 30, 1992
<b>TOTAL</b>	<b>Php 734,994.00</b>	

All the post-dated checks were dishonored when Phil-Air subsequently presented them for payment. Check No. 479759 was returned because it was drawn against insufficient funds, while Check Nos. 479760 and 479761 were returned because payments were stopped.<sup>[10]</sup>

Before presenting the third check for payment, Phil-Air sent a demand letter<sup>[11]</sup> to Rolando Abadilla, Sr. on April 7, 1992, asking him to fund the post-dated checks.

On July 17, 1996, Phil-Air demanded payment from Rolando Abadilla, Jr., for the total amount of P734,994.00 plus interest, and attorney's fees equivalent to 25% of the amount due. Phil-Air warned that it would take court action if payment is not made within five days from demand.<sup>[12]</sup>

In view of the failure of RCJ Lines to pay the balance despite demand, Phil-Air filed on April 1, 1998 the complaint<sup>[13]</sup> for sum of money with prayer for the issuance of a writ of preliminary attachment.<sup>[14]</sup> Phil-Air sought to recover from RCJ Lines:

- a) The total amount of P840,000.00 exclusive of interest for the unpaid delivered air-conditioning units;
- b) The amount of P60,000.00 for the unpaid repair services;
- c) The total interest in the amount of P756,000.00 (P840,000.00 x 12% x 7 years + P60,000.00 x 12% x 7 years);
- d) The sum equivalent to 25% of the total amount due as attorney's fees, plus P3,000.00 per court appearance; and
- e) Costs of the suit.

In its answer with compulsory counterclaim,<sup>[15]</sup> RCJ Lines admitted that it purchased the units in the total amount of P1,240,000.00 and that it had only paid P400,000.00. It refused to pay the balance because Phil-Air allegedly breached its warranty.<sup>[16]</sup>

RCJ Lines averred that the units did not sufficiently cool the buses despite repeated repairs. Phil-Air purportedly represented that the units were in accord with RCJ Lines' cooling requirements as shown in Phil-Air's price quotation<sup>[17]</sup> dated August 4, 1989. The price quotation provided that full payment should be made upon the units' complete installation. Complete installation, according to RCJ Lines, is equivalent to being in operational condition.

As it turned out, the Carrier Paris 240 model was not suited to the 45 to 49-seater buses operated by RCJ Lines. The units, according to RCJ Lines, were defective and did not attain full operational condition.<sup>[18]</sup>

Further, RCJ Lines claimed that it was also entitled to be reimbursed for costs and damages occasioned by the enforcement of the writ of attachment.

RCJ Lines thus urged the RTC to order Phil-Air to pay (1) the replacement costs of the units; (2) lost profits for nine days from April 22 to April 30, 1999, resulting from the attachment of its two buses amounting to P207,000.00;<sup>[19]</sup> and (3) P64,390.00 for the counter-bond premium, moral damages, exemplary damages and attorney's fees.

### **The RTC Ruling**

The RTC granted the application for the issuance of a writ of preliminary attachment after Phil-Air posted an attachment bond in the amount of P1,656,000.00.<sup>[20]</sup> Two buses of RCJ Lines were attached pursuant to the writ dated December 18, 1998.<sup>[21]</sup> The writ was executed on April 21, 1999.<sup>[22]</sup> The attachment, however, was later lifted when the RTC granted RCJ Lines' urgent motion to discharge the writ of attachment.<sup>[23]</sup> RCJ Lines posted a counter-bond in the same amount as the attachment bond.<sup>[24]</sup>

Ruling on the merits after trial, the RTC found that Phil-Air was guilty of laches and estopped from pursuing its claim. It also sustained the allegation that Phil-Air had breached its warranty.

The dispositive portion of the RTC judgment reads:

WHEREFORE, judgment is hereby rendered as follows:

- A. Dismissing the complaint of plaintiff for lack of merit.
- B. Directing the plaintiff to pay the defendants the amount of P100,000.00 as attorney's fees as they were forced to spend and hire a lawyer to litigate for seven (7) years in this Court the unfounded and invalid cause of action of plaintiff.
- C. Directing the plaintiff to pay P82,274.00 as refund of the premium xxx for defendant's counter-bond for the release of the two buses which were attached per Writ of Attachment of this Court.
- D. Directing the plaintiff to pay P216,000.00 for the lost profits of defendants for the attachment of their two buses as there was no fraud in the transaction of the parties and plaintiff had no sufficient cause of action for the issuance of the writ of attachment.
- E. Dismissing all other claims of defendants as stated in their counter-claims.
- F. Costs against plaintiff. SO ORDERED.<sup>[25]</sup>

### **The CA Ruling**

The CA affirmed the RTC decision *in toto*.<sup>[26]</sup>

*First*, the CA held that Phil-Air's cause of action was barred by laches.<sup>[27]</sup>

The CA concluded that "Phil-Air's inaction on RCJ Lines' repeated demands and inexplicable failure to comply with its obligations had certainly led the latter to believe [Phil-Air] was no longer interested in pursuing any claim" and that "[Phil-Air] had been conspicuously silent for so long a time which is disturbingly unusual for one claiming to have been aggrieved by another."<sup>[28]</sup>

*Second*, the CA held that Phil-Air breached its warranty. The price quotation supposedly warranted that the Carrier Paris 240 model was suitable for 50-60-passenger coaches and especially recommended for operation in the tropics.<sup>[29]</sup>

The CA gave credence to the testimony of the country manager of Carrier Refrigeration Philippines Inc. (*Carrier Philippines*) who testified that the Carrier Paris 240 model is suited for buses with a maximum seating capacity of up to 35 persons; beyond that, the units would not function properly.<sup>[30]</sup> The CA also found convincing the testimonies of two RCJ Lines employees who testified that they experienced firsthand the inefficient cooling of the Carrier Paris 240.<sup>[31]</sup>

Relying on these testimonies, the CA found that the four units did not meet the cooling requirements of RCJ Lines.<sup>[32]</sup>

*Third*, the CA ordered Phil-Air to reimburse the premium on the counter-bond amounting to P82,274.00 since the writ was improvidently issued.

*Fourth*, the CA affirmed the finding of the RTC that RCJ Lines suffered losses when the RTC attached two of its buses.

The RTC and the CA relied on the testimony of Rolando Abadilla, Jr., who claimed to be in charge of the daily operations of RCJ Lines. He testified that they suffered losses for nine days as a result of the enforcement of the writ of preliminary attachment. The lost profits purportedly amounted to P227,280.00. To support this claim, RCJ Lines adduced as evidence the summary of the daily cash collections<sup>[33]</sup> from the buses that were not attached, on various dates in August and September 2000.<sup>[34]</sup>

*Finally*, the CA sustained the award of attorney's fees for PI 00,000.00 in favor of RCJ lines for having been compelled to litigate.

### **The Petition**

*First*, Phil-Air argues that the doctrine of laches is not applicable when the action is filed within the prescriptive period. Laches, being a doctrine of equity, should only be applied to fill a void in the law.<sup>[35]</sup>

Phil-Air asserts that it filed the complaint on April 1, 1998, or less than eight years from the execution of the sales invoice dated November 5, 1990. The complaint was

thus filed within the ten-year prescriptive period for actions based upon a written contract.

*Second*, Phil-Air denies that it breached its warranty.

It maintains that all the units were brand new and were accepted by RCJ Lines in good, working, and operational condition. The units were inspected, tested, and approved by then RCJ Lines president, Rolando Abadilla, Sr., as proved by the delivery receipts in which he affixed his signature.<sup>[36]</sup>

Phil-Air further avers that it was not notified of the alleged breach of warranty. Assuming it breached its warranty, Phil-Air submits that the action to enforce the warranty had already prescribed.

Third, Phil-Air rejects the CA's order that it must reimburse the premium payment for the counter-bond and the alleged losses suffered by RCJ Lines. The attachment bond should be answerable for damages, if any.

### **Respondent's Comment**

RCJ Lines reiterates all the arguments it raised in its counterclaim. It admits that it did not pay the balance of the purchase price.<sup>[37]</sup> It maintains, however, that it was justified in doing so because Phil-Air breached its warranty. It insists that Phil-Air was guilty of laches because it waited for eight years to file the collection case.<sup>[38]</sup>

### **Issues**

Based on the foregoing, the Court resolves the following issues:

- (1) Whether the claim of Phil-Air was barred by laches;
- (2) Whether Phil-Air should reimburse RCJ Lines for the counter- bond premium and its alleged unrealized profits;
- (3) Whether RCJ Lines proved its alleged unrealized profits arising from the enforcement of the preliminary writ of attachment; and
- (4) Whether RCJ Lines proved that Phil-Air breached its warranty.

### **Our Ruling**

We grant the petition.

#### **Phil-Air's claim is not barred by laches.**

In general, there is no room to apply the concept of laches when the law provides the period within which to enforce a claim or file an action in court. Phil-Air's complaint for sum of money is based on a written contract of sale. The ten-year prescriptive period under Article 1144 of the Civil Code thus applies.<sup>[39]</sup>

In the present case, both parties admit the existence and validity of the contract of sale. They recognize that the *price quotation* dated August 4, 1989, contained the terms and conditions of the sale contract. They also agree that the price and