

Title:

So Ping Bun vs. Court of Appeals and Tek Hua Enterprising Corp.

Facts:

In 1963, Tek Hua Trading Co., through its managing partner So Pek Giok, signed lease agreements with Dee C. Chuan & Sons Inc. (DCCSI) for premises in Binondo, Manila, to store textiles. Despite the expiration of the agreements, Tek Hua continued occupation on a month-to-month basis. Following the company's dissolution in 1976, its members formed Tek Hua Enterprising Corp. with respondent Manuel C. Tiong. After So Pek Giok's death in 1986, his grandson, petitioner So Ping Bun, used the warehouses for his own business, Trendsetter Marketing. DCCSI issued rent increase notices and new lease contracts in 1989 and 1990, which were unresponded to by Tek Hua. In 1991, Tiong demanded Bun to vacate for his return to the textile business, which he refused. Subsequently, Bun acquired lease contracts from DCCSI for Trendsetter. Tek Hua Enterprising Corp. filed for injunction and damages, leading to a trial court decision annulling Bun's lease contracts and ordering him to pay attorney's fees, while dismissing Tek Hua's damage claims. The Court of Appeals upheld this decision, reducing the attorney's fees awarded.

Issues:

1. Whether the appellate court erred in affirming the trial court's decision finding So Ping Bun guilty of tortious interference of contract.
2. Whether the appellate court erred in awarding attorney's fees of P200,000.00 in favor of private respondents.

Court's Decision:

The Supreme Court affirmed the decisions of the lower courts with modification, reducing the award of attorney's fees from P200,000.00 to P100,000.00. It held that:

1. There was tortious interference as Bun's actions caused Tek Hua to be deprived of its property right, highlighting the presence of the three essential elements of tort interference.
2. While malice or wrongful motives were not established against Bun, the act of entering into the lease and causing breach of Tek Hua's existing contracts was considered liable for damages.
3. The award of attorney's fees, while not corresponding to damages, was justified as Bun's actions forced Tek Hua to incur expenses to protect its interest. However, the amount was deemed excessive and thus reduced.

Doctrine:

This case reinforces the doctrine on tortious interference, wherein a party interfering with contractual relationships must have a valid legal justification, or else bear the consequences if found to lack such justification. It also clarifies the application of attorney's fees as damages in the context of tortious interference.

Class Notes:

- **Elements of Tortious Interference**: Existence of a contract, knowledge by the third party of the contract, and interference without legal justification.
- **Doctrine on Attorney's Fees as Damages**: Awarded when the defendant's actions compel the plaintiff to litigate or to incur expenses to protect his interests (Article 2208, Civil Code of the Philippines).
- **Reduction of Attorney's Fees**: Even if attorney's fees are justified, the amount must be reasonable and commensurate to the interest protected.
- **Legal Statute**: Article 1314 of the New Civil Code on liability for damages for inducing another to violate their contract.

Historical Background:

This case reflects the evolving judicial perspective on business conduct and contractual relationships within the Philippine legal system. It emphasizes the importance of honoring contractual obligations and sets parameters around business competition, highlighting the balance between pursuing economic interests and respecting existing contractual agreements.