

Title: Spouses Jesus Fernando and Elizabeth S. Fernando vs. Northwest Airlines, Inc.

Facts:

The case emerged from two incidents involving the Spouses Jesus and Elizabeth S. Fernando, elite frequent flyers, and Northwest Airlines, Inc. (Northwest). The first incident occurred on December 20, 2001, when Jesus Fernando was held at the Los Angeles (LA) Airport due to a ticket validation issue, resulting in a humiliating interrogation and a shortened visa stay. The second on January 29, 2002, saw the Fernandos barred from boarding their flight due to a dispute over their electronic tickets, leading to unnecessary expenses and delay. The Fernandos filed a complaint for damages against Northwest, which was tried at the Regional Trial Court (RTC), Quezon City. Both parties contested the RTC's decision, which found Northwest liable for breach of contract of carriage, at the Court of Appeals (CA), which upheld the RTC's decision. Unsatisfied, both parties elevated the matter to the Supreme Court through petitions for review on certiorari.

Issues:

1. Whether Northwest committed a breach of contract of carriage and if it was executed in a manner constituting bad faith.
2. Whether Northwest is liable for the payment of moral damages and attorney's fees beyond those awarded by the RTC.
3. Whether Northwest owes payment for exemplary damages.
4. Whether Northwest Airlines is entitled to recover on its counterclaim.

Court's Decision:

The Supreme Court found merit in the Fernandos' petition. It held that Northwest Airlines breached its contract of carriage by failing to properly assist and accommodate the Fernandos, amounting to bad faith. The Court increased the award of moral damages to PHP 3,000,000.00 and exemplary damages to PHP 2,000,000.00, and upheld the award of attorney's fees, modifying the CA's decision accordingly. It emphasized the extraordinary diligence required of common carriers and found Northwest's failure to verify ticket validity and refusal to board the Fernandos despite confirmed tickets to be in bad faith. Northwest's counterclaim was denied as the original case was found not to be unfounded or malicious.

Doctrine:

This case reiterates the doctrine that common carriers are bound to observe extraordinary diligence in the vigilance over the safety of their passengers and are presumed to be at fault or to have acted negligently if they fail to prove that they observed such. Bad faith in the

context of contract breaches includes acts that constitute dishonest purpose, moral obliquity, or breach of a known duty through some motive or interest.

Class Notes:

1. **Extraordinary Diligence**: Common carriers are required to provide the highest level of care and diligence in safeguarding the safety of their passengers.
2. **Bad Faith in Breach of Contract**: Acts that show dishonest purpose, moral obliquity, or conscious wrongdoing, such as refusal to verify ticket validity or inappropriate handling of passenger concerns, amount to bad faith.
3. **Damages for Breach**: Victims of breach of contract of carriage due to bad faith are entitled to moral and exemplary damages, in addition to compensatory damages.
4. **Verification of Tickets**: Airlines must verify ticket validity when discrepancies arise to avoid unnecessary inconvenience to passengers.

Historical Background:

This case underscores the evolving standards of care and service that airlines, as common carriers, are legally obliged to meet, reflecting societal expectations for safety, respect, and professionalism in the transportation industry. It highlights the legal mechanisms available for redress in cases of service failure, emphasizing the role of judicial review in maintaining these standards.