

Title: Philippine Airlines, Inc. vs. Intermediate Appellate Court, George Lorenzana, and Veronica G. Lorenzana

Facts:

The case commenced when spouses George and Veronica Lorenzana checked in two pieces of baggage with Philippine Airlines (PAL) before boarding a flight from Manila to Honolulu via Tokyo on August 4, 1974. One baggage contained George's and some of Veronica's items, while the other held Veronica's personal items and samples of women's apparel meant for business purposes. The couple transferred from a PAL flight to a Pan American World Airways (Pan Am) flight on the Tokyo-Honolulu leg of the journey. Upon arrival in Honolulu, only one piece of baggage was delivered. Despite their efforts to locate the missing luggage, including reporting the loss and following-up during their stay, the baggage was not recovered. The Lorenzanas traveled to Los Angeles, San Francisco, Vancouver, and Toronto, before returning to Manila on September 24, 1974. They were informed of the luggage's recovery in April 1975, and it was returned to them on December 5, 1975.

Procedural Posture:

The Lorenzanas filed a suit for breach of contract against both PAL and Pan Am.

- In its defense, Pan Am claimed that it never received the baggage from PAL.
- PAL admitted to the non-delivery but argued that the Lorenzanas failed to retrieve the baggage upon notification and invoked the limited liability under the Warsaw Convention in the absence of a declared higher value by the respondents.

The trial court found PAL liable based on its admission and breach of contract and ruled in favor of the Lorenzanas, awarding \$5,000 in actual damages. Both PAL and Pan Am appealed, but the Intermediate Appellate Court affirmed the trial court's ruling with slight modification. PAL then filed a petition for certiorari before the Supreme Court.

Issues:

1. Whether the incident is classified as a mere "delay in delivery" under the Warsaw Convention, thus limiting PAL's liability.
2. Whether the award of \$5,000 as actual damages to George Lorenzana was justified.
3. Whether PAL's admission of non-delivery negated its claim of delay and limited liability.
4. The legitimacy of the actual damages claimed by the private respondents.
5. The propriety of the award for travel expenses and attorney's fees.

Court's Decision:

The Supreme Court dismissed the petition and affirmed the decision of the Intermediate Appellate Court with costs against PAL.

Resolution of Issues:

1. The Court ruled that there was no mere delay but a total failure to deliver the baggage. The luggage was not handed over to Pan Am in Tokyo and was returned to Manila, contrary to the terms of carriage, thus outside the limited liability clause of the Warsaw Convention.
2. The Court upheld the actual damages awarded, noting that the expenses and losses were substantiated by the Lorenzanas' testimony and corroborated by the trial court's findings.
3. PAL's admission of non-delivery during the entire trip established a breach of contract, invalidating its argument of delay. The court emphasized this total non-delivery as opposed to delay warranting further liability.
4. The Court found sufficient evidence supporting the claims of actual damages due to the frustration of the trip's purpose, referencing the expenses involved with the trip and missed business opportunities.
5. The award of attorney's fees and the decision regarding the damages payable in either US dollars or its equivalent in Philippine currency were upheld.

Doctrine:

1. Non-delivery, in the context of air carriage, is distinct from mere delay and does not warrant limited liability clauses under the Warsaw Convention.
2. Admission of breach of contract terms (failing to deliver baggage) affixes responsibility irrespective of exculpatory clauses for limited liability.
3. Claims for damages must be substantiated by credible and corroborated evidence.

Class Notes:

- Doctrine of Non-delivery vs. Delay: Non-delivery negates limited liability under international conventions like the Warsaw Convention.
- Admission in Judicio: Admitting facts in legal pleadings (i.e., failure to deliver) can seal the liability.
- Award for actual damages must be supported by factual evidence (court respect for trial court's findings).
- Legal Tender Payments: Awards can be paid in equivalent local currency, respecting

payment in the jurisdiction's legal tender.

**Historical Background:**

The decision reflects the stringent enforcement of obligations by common carriers under Philippine law, ensuring passenger protection against breaches of contract for carriage, not limited by international conventions' exculpatory clauses where non-delivery is concerned. The case emphasizes judicial safeguards for travelers, reinforcing accountability in the air transport industry.