

Title: Coca-Cola Femsa Philippines, Inc. vs. Pacific Sugar Holdings Corporation

Facts:

- **Agreement and Breach:** Coca-Cola Femsa Philippines, Inc. (Coca-Cola) and Pacific Sugar Holdings Corporation (Pacific Sugar) entered into a Supply and Purchase Agreement for the purchase of refined sugar. Pacific Sugar failed to deliver the agreed amount leading to amending the agreement multiple times. Eventually, Pacific Sugar unilaterally terminated the agreements citing low sugar cane productivity.
- **Coca-Cola's Response:** Coca-Cola found the termination unacceptable and demanded the delivery or payment for the undelivered sugar products.
- **Legal Action:** Coca-Cola filed a complaint with the Regional Trial Court (RTC), praying to nullify the termination and to issue a writ of preliminary attachment on Pacific Sugar's properties.
- **RTC's Orders:** The RTC granted Coca-Cola's application for preliminary attachment upon posting a bond. The RTC also issued a Writ of Preliminary Attachment.
- **Pacific Sugar's Standby Letter of Credit:** Later, Pacific Sugar filed a motion to dissolve the writ by filing a standby letter of credit instead of a counter-bond, which the RTC granted.
- **RTC Proceedings and Appeals:** Coca-Cola filed for reconsideration, which was denied. Coca-Cola then filed a Petition for Certiorari with the Court of Appeals (CA), claiming the RTC continued to exercise jurisdiction improperly.
- **CA Decision:** The CA dismissed the petition, affirming the RTC's ruling.

Issues:

1. Whether the RTC erred in exercising jurisdiction over the dissolution of the writ of preliminary attachment despite a pending certiorari petition before the CA.
2. Whether a standby letter of credit can substitute a counter-bond under Rule 57, Section 13 of the Rules of Court.

Court's Decision:

- **Jurisdiction Over Dissolution:** The Supreme Court ruled that the RTC committed grave abuse of discretion by continuing to exercise jurisdiction over the dissolution request during the pendency of the certiorari petition before the CA. Judicial courtesy should have suspended the trial court's proceedings.
- **Standby Letter of Credit vs. Counter-Bond:** The Supreme Court held that a standby letter of credit cannot replace the counter-bond required under Rule 57, Section 13 of the

Rules of Court. The conditions for activating a standby letter of credit are more onerous than those for a counter-bond, primarily requiring prior non-payment by the principal debtor and documentation, transforming it into a guarantee rather than a surety.

****Doctrine:****

- ****Compliance with Rules of Procedure:**** The judgment emphasized adherence to the modes prescribed by the Rules of Court for dissolving a writ of preliminary attachment. Parties are required to file a counter-bond or prove the attachment was improperly done to dissolve an attachment.
- ****Judicial Courtesy:**** The decision reiterated the necessity of judicial courtesy, thereby suspending concurrent trial court actions while an issue is being reviewed by a higher court.

****Class Notes:****

1. ****Preliminary Attachment:**** Rule 57, Section 1 - Protects the creditor's claim by attaching the debtor's property.
2. ****Dissolution Mechanisms:****
 - ****Rule 57, Section 12 -**** Allows dissolution by posting a counter-bond.
 - ****Rule 57, Section 13 -**** Allows dissolution by proving improper, irregular issuance, or excessiveness of the attachment bond.
3. ****Judicial Courtesy:**** Suspension of lower court proceedings if higher court review may be rendered moot.
4. ****Surety vs. Guarantee:**** Emphasizes the immediate liability of a surety versus the conditional liability of a guarantor.

****Historical Background:****

- ****Context:**** This case underscores the jurisprudential emphasis on strict procedural adherence in ancillary remedies such as preliminary attachments. The instant case also illustrates historical reluctance to equate commercial instruments like letters of credit with judicially prescribed bonds, solidifying jurisprudence around the firm interpretation of procedural law.