

Title: Coca-Cola Bottlers Philippines, Inc. vs. Spouses Jose R. Bernardo and Lilibeth R. Bernardo

Facts:

1. **Initial Business Relationship:** Since 1987, Coca-Cola Bottlers Philippines Inc. (CCBPI) had designated respondents, Spouses Jose and Lilibeth Bernardo, as its distributor under the business name “Jolly Beverage Enterprises,” covering Quezon City.

2. **Dealership Agreements:**

- On 22 March 1994, an exclusive dealership contract was signed for three years with a sales quota of 7,000 cases per month, later renewed for another two years until 28 February 1999 with a quota increased to 8,000 cases per month.

3. **Submission of Customer List:** Before the contract’s expiry in early 1999, CCBPI requested a list of respondents’ customers, promising longer contract renewal, which did not materialize despite respondents’ compliance.

4. **Alleged Unfair Competition:**

- CCBPI allegedly used the list to directly approach the respondents’ customers, followed their delivery trucks, undercut prices, and initiated promotions (e.g., “Coke Alok” promo) that respondents could not match.

- CCBPI also sold in adjacent territories at lower prices, particularly through incentives and a direct sales strategy.

5. **Damages and Procedural Posture:**

- Respondents claimed loss of major and minor customers due to CCBPI’s acts, resulting in a business downturn and outstanding unpaid deliveries valued at P449,154.

- Respondents filed a Complaint for damages citing dishonesty, bad faith, gross negligence, fraud, and unfair competition under Articles 19, 20, 21, and 28 of the Civil Code.

6. **RTC Decision:**

- The RTC awarded respondents P500,000 in temperate damages (offset against their debt), P50,000 in moral damages, P20,000 in exemplary damages, and P100,000 in attorney’s fees.

7. **CA Affirmation:**

- The Court of Appeals affirmed the RTC’s decision in toto, rejecting CCBPI’s assertions and finding the abuse of rights and unfair competition claims valid.

8. **Supreme Court Petition:**

- CCBPI filed a Petition for Review, challenging the awards and jurisdiction of the RTC over the claimed damages.

Issues:

1. **Jurisdiction over Temperate Damages:** Whether the RTC had the jurisdiction to award temperate damages when they were not specifically pleaded for in the complaint.

2. **Violation of Civil Code Articles:** Whether CCBPI violated Articles 19, 20, 21, or 28 of the Civil Code, justifying the awards for temperate, moral, and exemplary damages, and attorney's fees.

3. **Credibility of Evidence:** Whether the evidence presented, especially the credibility of respondent Jose Bernardo's testimony, was sufficient to uphold the findings of unfair competition and abuse of rights.

Court's Decision:

1. Jurisdiction over Temperate Damages:

- **Justifiable Award:** The Supreme Court confirmed that even though respondents did not specifically pray for temperate damages, they requested "other reliefs which are just and equitable." The award was justified as respondents suffered pecuniary loss from CCBPI's oppressive schemes. Thus, compensatory damages in the form of temperate damages were awarded rightly.

2. Violation of Civil Code Articles:

- **Articles 19, 20, 21 and 28:** The Court upheld the findings under Articles 19, 20, 21 (abuse of rights), and Article 28 (unfair competition). CCBPI's methods were found to be deceitful and oppressive, diminishing respondents' business.

- **Underpricing Scheme:** CCBPI misused its power as a producer and distributor to unfairly price and market its products in a manner detrimental to respondents' business.

3. Credibility of Evidence:

- **Credibility of Respondents' Witnesses:** The Court respected the assessments of both RTC and CA on the credibility of testimonies provided by respondents' witnesses, which

were found more believable than those of CCBPI. As factual determinations of the lower courts carry weight, no compelling reason was found to overturn these findings.

****4. Awards for damages and fees:****

- ****Sustained Awards:**** The Supreme Court sustained the RTC's and CA's decisions regarding the awards for damages and attorney's fees. With additional legal interest imposed on these amounts from the finality of the decision until full satisfaction.

****Doctrine:****

- ****Abuse of Rights and Fair Competition:**** The case reinforced doctrines under Articles 19, 20, 21, and 28 of the Civil Code that protect against acts violating honesty, good faith in rights exercise, and unjust, oppressive business methods amounting to unfair competition.

****Class Notes:****

1. ****Civil Code Articles:****

- ****Article 19:**** Obligations to act with justice, honesty, and good faith.
- ****Article 20:**** Obligations to compensate damages caused contrary to law.
- ****Article 21:**** Obligations to indemnify willful acts causing damage contrary to morals, good customs, or public policy.
- ****Article 28:**** Right of action against unfair competition using unjust, oppressive methods.

2. ****Evidence Credibility:**** The assessments of witness credibility by trial courts are given high deference and will not be overtaken by appellate courts without compelling reasons.

3. ****Temperate Damages:**** Judges have discretion to award temperate damages even if not specifically pleaded, provided there is a prayer for general equitable relief and factual basis for pecuniary loss.

****Historical Background:****

This decision highlights the evolving comprehension of business ethics within Philippine jurisprudence, safeguarding small business operators against the manipulative commercial strategies of major corporations. It reaffirms the significance of fairness, and good faith, especially in sales and distribution agreements. It also underscores the protective stance of civil law in maintaining competitive equality and ethical considerations within commercial

engagements amidst power disparities in business contexts.