

****Title:**** ABS-CBN Broadcasting Corporation vs. Court of Appeals, Republic Broadcasting Corp., VIVA Productions, Inc., and Vicente Del Rosario

****Facts:****

In 1990, ABS-CBN and VIVA executed a Film Exhibition Agreement granting ABS-CBN exclusive rights to exhibit certain VIVA films. This agreement included a right of first refusal for the next twenty-four (24) VIVA films. In December 1991, VIVA offered ABS-CBN three film packages from which ABS-CBN could exercise its right of first refusal. ABS-CBN rejected the list, indicating interest in only 10 titles, one of which included “Maging Sino Ka Man.”

By February 1992, VIVA proposed another package comprising 156 titles with 52 originals and 52 re-runs for a total price of P60 million. ABS-CBN proposed a counter-offer involving 53 films for P35 million. No definitive agreement was reached.

In April 1992, VIVA entered into a new agreement with Republic Broadcasting Corporation (RBS) for the exclusive rights to 104 films for P60 million. ABS-CBN then filed a complaint against RBS, VIVA, and Vicente del Rosario for specific performance and a writ of preliminary injunction to stop the airing of the disputed films.

The RTC temporarily restrained the broadcasting of the films and later decided in favor of RBS and VIVA, prompting ABS-CBN to appeal. The Court of Appeals affirmed the RTC’s decision, leading to ABS-CBN petitioning the Supreme Court.

****Issues:****

1. Was there a perfected contract between ABS-CBN and VIVA?
2. Was ABS-CBN entitled to enforce its alleged right of first refusal?
3. Were the awards of damages and attorney’s fees to RBS justified?

****Court’s Decision:****

The Supreme Court examined each legal issue:

1. ****Perfected Contract:****

The Court held that no perfected contract existed between ABS-CBN and VIVA. For a valid contract, there must be a meeting of minds on the subject matter, consideration, and terms. The negotiations led to a counter-offer from ABS-CBN, which VIVA’s Board did not approve. A necessary element of a contract—corporate consent—was absent, as there was no mutual assent on the essential terms.

2. **Right of First Refusal:**

The Court found that ABS-CBN had exercised its right of first refusal when it rejected VIVA's initial offer of twenty-four films by selecting only ten titles. Any further negotiations were regarding new terms and not a matter of right based on the original agreement. Therefore, ABS-CBN could not claim an ongoing right of first refusal.

3. **Damages and Attorney's Fees:**

The allocation of actual damages was found to be unjustified. The expenses claimed by RBS were voluntary responses to the injunction, such as premiums on counterbonds, which were not necessitated by ABS-CBN. The Court also reversed the award of moral and exemplary damages to RBS, stressing that RBS, as a corporation, could not claim moral damages since it lacks personal emotion or physical suffering. Furthermore, there was no evidence of bad faith by ABS-CBN to justify such damages or attorney's fees.

Doctrine:

1. **Perfection of Contracts:** For a contract to be perfected, there must be mutual consent on the object and the cause as stated in the Civil Code.
2. **Right of First Refusal:** This right must be exercised within the specified terms, including the price and within the stipulated timeframe.
3. **Corporate Powers:** A corporation acts through its Board of Directors. Agents, unless specifically authorized, cannot bind the corporation.
4. **Damages:** Moral damages are not generally awarded to corporations unless there's clear proof of malicious injury impacting the corporation's reputation.

Class Notes:

1. Element of Contract: Consent, Object, Consideration (Civil Code Art. 1318).
2. Negotiation vs. Perfection: Qualified acceptance is a counter-offer, not acceptance.
3. Corporate Agency: Only the Board of Directors can make binding decisions (Corporation Code B.P. Blg. 68, Sec. 23).
4. Moral and Exemplary Damages: Primarily for personal harm; corporations rarely qualify (Civil Code Art. 2217-2229).

Historical Background:

This case occurred within the context of an expanding and competitive media industry in the Philippines during the early 1990s. ABS-CBN, having regained its position post-Martial Law, faced strong competition from RBS (now GMA Network Inc.). The film exhibition agreements reflect the struggle for exclusive content vital for television ratings in an

emerging media era. The case highlighted legal intricacies in contract negotiations and corporate governance.

This comprehensive brief should serve well as a study guide and quick reference for students and others interested in understanding the nuances and legal precedents of contracts, corporate powers, damages, and litigation practices within the framework of Philippine law.