

****Title:**** United Airlines, Inc. v. Court of Appeals, G.R. No. 120015 (First Division, 1999)

****Facts:****

On March 1, 1989, Aniceto Fontanilla purchased three “Visit the U.S.A.” tickets from United Airlines for himself, his wife, and his minor son Mychal. The scheduled flight legs included:

- (a) San Francisco to Washington (April 15, 1989);
- (b) Washington to Chicago (April 25, 1989);
- (c) Chicago to Los Angeles (April 29, 1989); and
- (d) Los Angeles to San Francisco (May 1, 1989, for Mrs. Fontanilla and May 5, 1989, for Mr. Fontanilla and Mychal).

All flights were confirmed by United Airlines, and the Fontanillas utilized the first coupon from San Francisco to Washington.

On April 24, 1989, Aniceto purchased additional coupons for the Los Angeles to San Francisco flight, securing tickets with boarding passes marked “CHECK-IN REQUIRED” for Flight No. 1108, scheduled to depart Los Angeles at 10:30 a.m. on May 5, 1989.

****Incidents at Los Angeles Airport:****

The Fontanillas proceeded to the United Airlines counter attended by an employee named “LINDA” on May 5. Despite being assured swiftly that boarding would commence in fifteen minutes, they were denied boarding as they did not have assigned seat numbers. They were directed to the “check-in” counter and subsequently informed by Linda that the flight was overbooked. Requests for special consideration were met with dismissive and racist remarks by Linda, according to the Fontanillas. Following the degradation, they were finally boarded on Flight No. 803 at noon.

United Airlines claimed the Fontanillas failed to check-in to secure their seat assignments, which led to their boarding denial due to overbooking.

****Procedural Posture:****

The Fontanillas filed Civil Case No. 89-4268 for damages at the Regional Trial Court (RTC) of Makati, which dismissed their complaint. On appeal, the Court of Appeals (CA) reversed the RTC’s decision, awarding the Fontanillas moral and exemplary damages as well as attorney’s fees. United Airlines petitioned the Supreme Court to review the CA’s decision.

****Issues Raised:****

1. Did the CA err in ruling that the Fontanillas observed the check-in requirement?
2. Does the failure to observe the check-in requirement affect the claims because the denied boarding rules were not complied with?
3. Were the Fontanillas entitled to moral damages?
4. Were the Fontanillas entitled to exemplary damages?
5. Were the Fontanillas entitled to attorney's fees?

****Court's Decision:****

The Supreme Court ruled as follows on the issues:

****1. Observance of the Check-in Requirement:****

The CA mistakenly concluded an implied admission by United Airlines regarding compliance with the check-in requirement. The factual determination by the trial court showing no check-in compliance was upheld. The petitioner presented sufficient evidence (e.g., boarding pass marked "CHECK-IN REQUIRED" without assigned seat numbers).

****2. Effect of Failure to Observe Check-in Requirement:****

The CA incorrectly applied U.S. law (Code of Federal Regulations) instead of Philippine law, which governs this contract of carriage originating in Manila. Under Economic Regulations No. 7 amended by the Civil Aeronautics Board, non-compliance with check-in requirements precludes claims against the carrier.

****3. Moral Damages:****

There was insufficient evidence of bad faith or fraud by United Airlines. The Fontanillas failed to corroborate their claims of rude treatment. The broad assertion of mistreatment did not meet the preponderance of evidence standard necessary for awarding moral damages.

****4. Exemplary Damages:****

Given the absence of willful and deliberate acts by United Airlines in overbooking (which should not exceed ten percent as per the governing Philippine regulation), the award of exemplary damages was improper.

****5. Attorney's Fees:****

With no grounds for moral and exemplary damages, the basis for attorney's fees also fell apart. The respondent failed to establish significant legal or factual bases to support the claims necessitating attorney fees.

****Doctrine Established:****

The Supreme Court reiterated that in cases of breach of contract for carriage of passengers, adherence to the prevailing laws (*lex loci contractus*) is crucial. Moreover, there must be clear evidence of bad faith or fraud to justify moral and exemplary damages.

****Class Notes:****

- ****Burden of Proof in Civil Cases:**** The plaintiff carries the burden to establish their claims by a preponderance of evidence.
- ****Lex Loci Contractus:**** Governs the nature, validity, and interpretation of contracts by the law of the place where such contracts are made.
- ****Moral and Exemplary Damages:**** Requires evidence of bad faith or fraud by the defendant, not mere inadvertence or error.
- ****Economic Regulations No. 7 (Philippines):**** Governs airline procedures and passengers' rights concerning check-in requirements and denied boarding compensations.

****Historical Background:****

During the late 1980s, international travel was increasing, and legal frameworks were evolving to protect passenger rights and stabilize airline acts under carriage contracts. This case reflects the significance of compliance with procedural requirements and the crucial role of justice in international disputes involving service industries. The decision underscores a paradigm where due process and stringent legal adherence transcend borders, maintaining consistency in consumer protection laws.