

Title:

****Spouses Cesar & Suthira Zalamea and Liana Zalamea vs. Court of Appeals and TransWorld Airlines, Inc.****

Facts:

1. ****Ticket Purchase:**** Petitioners Cesar Zalamea, Suthira Zalamea, and their daughter Liana Zalamea purchased tickets for TWA Flight 007 from New York to Los Angeles on June 6, 1984. Petitioners Cesar and Suthira held discounted tickets, while Liana held a full-fare ticket.

2. ****Reconfirmation:**** On June 4, 1984, petitioners received notice reconfirming their reservations.

3. ****Check-In:**** On June 6, 1984, the petitioners checked in at 10:00 am for the 11:00 am flight but were placed on a wait-list due to overbooked conditions.

- ****Wait List Position:**** Liana was No. 13 on the wait-list, and Cesar and Suthira were No. 34.

- ****Boarding:**** The first 22 names on the wait-list were allowed to board, including Cesar, accidentally using Liana's full-fare ticket. Suthira and Liana were left behind due to their discounted tickets.

4. ****Subsequent Attempt:**** Even the next TWA flight was fully booked, forcing Suthira and Liana to purchase tickets from American Airlines costing \$918.00.

5. ****Legal Action:**** Upon returning to the Philippines, the Zalameas filed a case for breach of contract of carriage and sought damages. The RTC of Makati ruled in their favor awarding various compensatory and moral damages.

****RTC Decision (January 9, 1989):****

- Refund for American Airlines tickets: \$918.00.

- Refund for unused TWA ticket for Suthira: \$159.49.

- Refund for Liana's TWA ticket: P8,934.50.

- Moral damages: P250,000.00.

- Attorney's fees: P100,000.00.

- Cost of suit.

6. ****Appeal:**** The Court of Appeals ruled that there was no fraud or bad faith by TWA, as overbooking is a common practice allowed by U.S. regulations, thereby modifying the lower

court's decision by reducing the damages awarded.

****CA Decision (October 25, 1991):****

- Moral and exemplary damages were eliminated.
- Refunds for tickets remained.
- Attorney's fees: P50,000.00.
- Cost of suit.

7. ****Supreme Court Petition:**** Petitioners escalated the case to the Supreme Court contesting the elimination of damages and raising issues of fraud, bad faith, and the refund of expenses incurred due to purchasing other airline tickets.

Issues:

1. ****Fraud/Bad Faith:**** Whether TWA acted in bad faith or committed fraud by not accommodating petitioners despite confirmed reservations.
2. ****Exemplary Damages:**** Whether the elimination of exemplary damages by the CA was justified.
3. ****Refund for Tickets:**** Whether the petitioners are entitled to refunds for both the TWA and American Airlines tickets used due to the overbooking situation.

Court's Decision:

1. ****Fraud/Bad Faith:****
 - The Supreme Court found TWA guilty of bad faith. The U.S. regulations allowing overbooking were not proved through proper legal channels.
 - Under Philippine law (*lex loci contractus*), overbooking constitutes bad faith entitling petitioners to moral damages.
2. ****Exemplary Damages:****
 - The SC held TWA liable for exemplary damages to deter future breaches. The mishandling of overbooking without adequate notice constitutes gross inattention to passenger rights and amounts to bad faith.
3. ****Refund for Tickets:****
 - ****TWA Ticket:**** SC upheld CA's decision that there should be no refund for Liana's TWA ticket since her father used it without clear evidence of TWA's deliberate act.
 - ****American Airlines Tickets:**** SC ruled that TWA must reimburse \$918 for American Airlines tickets. This amount reflected losses directly attributable to TWA's breach of contract.

Doctrine:

1. **Overbooking as Bad Faith:** Where an airline overbooks and fails to properly notify passengers with confirmed reservations, it constitutes bad faith and breach of contract.
2. **Lex Loci Contractus:** The law of the place where the contract (airline ticket) is issued governs the contract.

Class Notes:

- **Key Concepts:**

1. **Breach of Contract of Carriage:** Failure to accommodate passengers with confirmed tickets constitutes a breach.
2. **Bad Faith in Airlines:** Airline overbooking without prior notice to passengers signifies bad faith.
3. **Foreign Law Proof Requirements:** Foreign regulations must be proved with official publication for admissibility.
4. **Philippine Jurisprudence:** Lex loci contractus applies; Philippine law governs contracts issued in the Philippines.
5. **Damages In Contract Breach:** Moral and exemplary damages are awarded when bad faith is evident.

- **Relevant Statutes:**

- **Article 2201, New Civil Code:** Covers damages for breach of contract.
- **Article 2208 (2), Civil Code:** Grants attorney's fees when the plaintiff is compelled to litigate due to defendant's action or omission.

Historical Background:

In the 1980s, instances of overbooking by airlines led to numerous legal challenges globally. This case adds to the jurisprudence by firmly establishing that within the Philippines, airline overbooking without notice contravenes passenger contracts resulting in actionable bad faith.