

****Title: Northwest Airlines, Inc. vs. Steven P. Chiong – Contract of Carriage Breach****

****Facts:****

1. Steven Chiong, a seafarer, was hired by TransOcean Lines as a Third Engineer for M/V Elbia through Philimare Shipping and Seagull Maritime Corporation.
2. Philimare purchased a Northwest Airlines ticket for Chiong to travel from Manila to San Diego, departing on April 1, 1989.
3. Chiong arrived at Manila International Airport (MIA) three hours before departure and proceeded with the necessary boarding procedures, including securing clearance from the Philippine Coast Guard (PCG).
4. When Chiong attempted to check-in at the Northwest counter, he was informed his name was not on the list of confirmed passengers.
5. A “man in barong” demanded \$100 from Chiong for a boarding pass, which Chiong could not afford.
6. Chiong made multiple attempts to get help from Northwest personnel without success.
7. Chiong missed his flight and consequently could not join the M/V Elbia, causing him financial and emotional damages.
8. Chiong’s counsel demanded various compensations from Northwest, who refused to pay, prompting Chiong to file a lawsuit for breach of contract of carriage.
9. Northwest filed a Motion to Dismiss, claiming lack of jurisdiction, which was denied. They also moved for a suspension of proceedings and filed a separate criminal complaint against Chiong for False Testimony.
10. The Regional Trial Court (RTC) ruled in favor of Chiong, awarding him damages for breach of contract.
11. The Court of Appeals (CA) affirmed the RTC’s decision, finding that Chiong had been unjustly prevented from boarding the flight to accommodate another passenger, W. Costine.
12. Northwest petitioned the Supreme Court, contesting the decisions of the RTC and CA.

****Issues:****

1. Whether Northwest breached the contract of carriage with Chiong.
2. Whether Chiong was entitled to the compensatory, actual, moral, and exemplary damages awarded by the lower courts.
3. Whether the RTC and CA erred in excluding Northwest’s Flight Manifest and Passenger Name Record as hearsay evidence.

****Court’s Decision:****

1. ****Breach of Contract of Carriage:****

- The Supreme Court agreed with the lower courts that Northwest Airlines breached its contract of carriage. The evidence showed that Chiong was present at MIA on April 1, 1989, had a confirmed ticket, but was unjustly barred from boarding, causing him to miss his employment.

2. **Damages Awarded:**

- The Court affirmed the compensatory damages corresponding to Chiong's lost wages due to the breach of contract.
- Actual damages were confirmed based on the documented expenses incurred by Chiong.
- Moral damages were upheld, recognizing the bad faith exhibited by Northwest in handling Chiong's boarding.
- Exemplary damages were warranted as a deterrent against similar future conduct by Northwest.
- Attorney's fees were justified given the protracted litigation and the bad faith shown by Northwest throughout the proceedings.

3. **Hearsay Evidence:**

- The exclusion of Northwest's Exhibits "2" (Flight Manifest) and "3" (Passenger Name Record) was proper, as they were deemed hearsay. Northwest failed to present witnesses with personal knowledge to substantively verify these documents.

Doctrine:

- **Contracts of Carriage:** Airlines, as common carriers, must exercise extraordinary diligence in ensuring that passengers with confirmed tickets are boarded. Breach of this duty, especially for discriminatory reasons, constitutes a breach of contract.
- **Burden of Proof:** In civil cases, the burden of proving a breach of contract through a preponderance of evidence lies with the plaintiff. Once a prima facie case is established, the burden shifts to the defendant to refute it.
- **Moral and Exemplary Damages:** Awarded in cases where the breach of contract involves bad faith or acts of fraud by the carrier. These damages serve to indemnify the victim and deter similar future conduct.

Class Notes:

- **Key Elements:**
- **Existence of Contract:** Valid plane ticket issued by Northwest.
- **Breach Details:** Failure to board Chiong despite a confirmed ticket.
- **Damages:** Compensatory (lost wages), actual (incurred expenses), moral and

exemplary damages (bad faith and fraudulent acts), and attorney's fees.

- **Statutory Provisions:**

- **Article 2208 & 2220 of the Civil Code:** Justifying moral and exemplary damages for fraudulent or bad faith actions in contract breaches.

- **Rule 133, Section 1 of the Rules of Court:** Establishes preponderance of evidence required in civil cases.

- **Interpretation/ Application:**

- Evidence from non-neutral parties (e.g., Chiong's witnesses from Philimare) can be credible if it aligns convincingly with the facts.

- The principle "falsus in uno, falsus in omnibus" is not strictly applicable unless a witness is proven to have willfully falsified material testimony.

Historical Background:

- **Airline Industry Practices:** During the 1980s, airlines were often challenged on issues of passenger treatment and adherence to boarding procedures, reflecting the need for stringent enforcement of passenger rights and the responsibilities of carriers.

- **Contract Law Evolution:** The case underscores the evolution of contract law principles in ensuring consumer protection, particularly in transport services, emphasizing duty of diligence among common carriers.

This case exemplifies the importance of fair treatment in the travel industry and the judiciary's role in upholding contractual obligations and consumer rights.