

MA-AO SUGAR CENTRAL CO., INC., PETITIONER, VS. FRANCISCO RODRIGUEZ, RESPONDENT.

G.R. No. L-28478. August 23, 1974

Ponente: MAKALINTAL, C.J.

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MAKALINTAL, C.J.:

The only issue in this appeal by certiorari is whether the herein petitioner Ma-ao Sugar Central Co., Inc. was correctly adjudged by the Court of Appeals (CA-G.R. No. 25388-R) to pay the sum of P10,000.00 as attorney's fees and expenses of litigation to respondent Francisco Rodriguez.

The following findings in the decision under review form the background of the issue:

"There is no question that since 1920, plaintiff (Francisco Rodriguez),* who is a sugar planter in Ma-ao and La Carlota, Negros Occidental, had been milling his sugar cane with the sugar central of the defendant (Ma-ao Sugar Central, Inc.) * through the Ma-ao Sugar Planters Association, which said defendant dealt directly (sic). Although his original milling contract with the defendant expired in September 1951, x x x plaintiff continued to mill his sugar canes in the sugar central of the defendant from year to year up to the crop year 1955-1956, under the same terms and conditions of the expired contract. Under that original milling contract, plaintiff obligated himself to supply the defendant with the necessary containers for his share in the molasses produced from his sugar cane. He also agreed to remove those molasses from the premises of the defendant within one week from production date, and if he fails his molasses would thereby be forfeited in defendant's favor.x x x

The only defense interposed by the defendant against the first cause of action of the plaintiff (i.e. to recover plaintiff's 60% share of the total amount of molasses produced from his sugar cane for the crop years 1948 to 1953 inclusive) is that the molasses in question were already forfeited in its (defendant's) favor x x x, because said plaintiff failed to furnish the necessary containers therefor and to remove the same from the premises of the defendant within one week from the date of production. However, examining the evidence, we found that for the crop years 1948-49 and 1949-1950, plaintiff was credited with a total of 36,961.76 gallons of molasses as his share in the by-products of his sugar canes which were milled in defendant's sugar central. Of these 36,961.76 gallons, the Ma-ao Sugar Planters Association of which the plaintiff is a member, sold 25,039.89 gallons to the defendant, for the benefit and account of the said plaintiff, and the remaining 11,921.87 gallons of molasses were sent to defendant's distillery to be converted into alcohol (which actually netted 6,683 liters or 1,765.47 gallons of alcohol). Under these circumstances, we agree with the argument of the plaintiff that it became unnecessary for him to take a physical delivery of his share in the said molasses after a portion thereof was sold to the defendant and the remainder was sent to its distillery for conversion into alcohol. x x x the evidence shows that the defendant has not yet paid the plaintiff the price of the 25,039.89 gallons of molasses. Similarly, the evidence indicates that the defendant has not yet delivered to the plaintiff his 1,765.47 gallons of alcohol or its value in pesos. The prevailing price per gallon of molasses in 1948 was P0.27, P0.18 in 1949 and P0.08 in 1950. Inasmuch as the evidence does not disclose how many gallons of molasses were given to the plaintiff as his share in the crop year 1949-1950, we can only calculate the price of the disputed molasses for those two crop years by average. The average price of the molasses for the years 1948 to 1950 was P0.17 per gallon x x x Consequently, at P0.17 per gallon, defendant owes the plaintiff the sum of P4,256.73 for the

25,039.60 gallons of molasses which it purchased from the said plaintiff through the Ma-ao Sugar Planters Association. The defendant, therefore, should be ordered to pay this amount to the plaintiff.

In like manner, the evidence discloses that defendant has not yet delivered to the plaintiff the latter's 1,765.47 gallons of alcohol or the equivalent value thereof, which is P2.05 per gallon, as the average price based on the 1949 and 1950 list of prices.

For the crop year 1950-1951, the evidence discloses that plaintiff was credited with 35,701.61 gallons of molasses as his net share in the by-products of his sugar canes milled in defendant's sugar central. Of these 35,701.61 gallons, plaintiff, through defendant, sold a total of 28,215.82 gallons to the Luzon Stevedoring Co. and the Asano Bussan Co., yielding him a total net proceed of P3,887.71. Plaintiff also sent to the distillery of the defendant's a total of 4,301.36 gallons of molasses for conversion into alcohol. . . the evidence reveals that the defendant failed to turn over to the plaintiff the sum of P3,887.71. Similarly, it appears from the evidence that defendant has not accounted to the plaintiff what happened with the alcohol produced from the latter's 4,301.36 gallons which he sent to the former's distillery. Hence, said defendant must also be ordered to render an accounting therefor to the plaintiff and to pay the price thereof at the rate of P0.17 per gallon, which was the prevailing price of malasses during the crop year 1950-1951, if defendant cannot produce and turn over to the plaintiff the alcohol manufactured from his said molasses.

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The evidence further reveals that plaintiff, either personally, or through counsel, or through the Ma-ao Sugar Planters Association of which he is a member, had repeatedly and in due time demanded from the defendant the release to him of his shares of molasses (for the crop years 1951-1952 up to 1955-1956 inclusive), which demands drew favorable replies and promises from defendant's responsible officials that those molasses will be released and distributed to the different planters as soon as possible. However, x x x these demands of the plaintiff and these promises of the defendant were all ignored later and never complied with, x x x At any rate, the defendant does not deny plaintiff's assertion that it refused to release to the latter his corresponding share in the molasses from his sugar canes. Consequently, defendant should be ordered to deliver to the plaintiff those molasses or pay him the prices thereof prevailing during the corresponding crop year.

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x x x to maintain its position (that Francisco Rodriguez was not entitled to be awarded hauling allowances amounting to P2,673.69), defendant argues that since its railroad system had been destroyed during the Second World War and at the time it resumed operations in the 1948-1949 crop year its railroad system had not yet been completely rehabilitated, it was therefore under no obligation to furnish transportation facilities, much less transportation allowances to the plaintiff, the failure of its railways system having been occasioned by force majeure.

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While it may be true that under the x x x provisions of the milling contract the defendant cannot be obliged to perform its part of the contract when prevented from doing so by force majeure, the same may also be said with respect to the plaintiff, that is, when prevented by force majeure, he is likewise relieved of his obligation to continue milling his sugar canes in defendant's sugar central at least during the period of such force majeure. It was precisely in view of these 'Obligaciones Mutuas' that the plaintiff and the defendant entered into another covenant wherein they agreed that plaintiff would resume milling his canes in the sugar central of the defendant and the latter would defray the hauling expenses for the portion of the railway which had not yet been reconstructed. In this connection, plaintiff swore that he agreed to resume milling his sugar canes in the sugar central of the defendant even though the railroad of the latter had not yet been fully rehabilitated, because said defendant agreed and undertook to pay him P0.20 per ton of sugar cane for every kilometer of the unreconstructed railroad from his hacienda, as hauling allowances x x x This testimony of the plaintiff is

confirmed by Exhibit FF and FF-1, columnar sheets of the defendant, where it has been entered that the amount of P2,673.69 is due to said plaintiff as his hauling allowances for the crop year 1948-1949. For these reasons defendant cannot now repudiate its duty to pay the plaintiff his hauling allowances for the said crop year on the empty pretension that by virtue of force majeure it was relieved of its obligation to furnish the stipulated transportation facilities under the milling contract. Since payment of hauling expenses by the defendant was one of the efficient causes which led the plaintiff to resume milling his canes in the sugar central of the defendant, the same had become contractual, the effect of which said defendant cannot now avoid."

The trial court had ordered payment to the plaintiff of the hauling allowance for the crop year 1948-1949 amounting to P2,673.69. The Court of Appeals modified this judgment by likewise ordering the defendant to pay the plaintiff the value of the molasses found to have been purchased by the sugar central or sold by it for and in his behalf, and the value of the other quantities of molasses adjudged to be due the plaintiff. In addition, the Court of Appeals awarded to the plaintiff the sum of P10,000.00 as attorney's fees and expenses of litigation. On this point the appellate court said:

"x x x Defendant's unreasonable and capricious refusal to satisfy plaintiff's valid, just and demandable claim has compelled the latter to incur litigation expenses to protect his interest. It is therefore but just that said defendant be ordered to pay attorney's fees and expenses of litigation which otherwise plaintiff would not have incurred except for the said act of the former. Under Article 2208 of the New Civil Code, attorney's fees and expenses of litigation may be awarded 'when the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest' (par. 2, italics supplied), and 'where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim' (par. 5). In our opinion, the sum of P10,000.00 is reasonable enough, under the facts and circumstances of the case at bar, to compensate the plaintiff of his attorney's fees and expenses of litigation."

In the instant petition for review by certiorari the petitioner raises as sole issue the correctness of the award by the Court of Appeals of attorney's fees and expenses of litigation in favor of the respondent.

The petitioner points out that its refusal to accede to the initial claim for the release of the plaintiff's molasses and to the reimbursement to him of alleged hauling expenses incurred was due to its honest belief — fortified by legal advice solicited from its retained counsel — that under the terms of the milling contract the petitioner's refusal to comply with the plaintiff's claim was legally tenable. The petitioner argues that the mere fact that the position it took did not prosper on appeal did not automatically convert its refusal to accede to the plaintiff's demand into an unfounded one so as to entitled the plaintiff to recover attorney's fees and expenses of litigation. "(S)uch an award x x x in favor of the respondent simply because the judgment turned out to be favorable to him (plaintiff-respondent) would amount to imposing a penalty on the rights of the petitioner to seek for a ruling in the courts of justice."

The foregoing contention entirely misses the real reason for the award of attorney's fees and expenses of litigation. The Court of Appeals found and held that "it became unnecessary for him (plaintiff) to take a physical delivery of his share in the said molasses after a portion thereof was sold to the defendant (sugar central) and the remainder was sent to its distillery for conversion into alcohol:" that the defendant sugar central's responsible officers had reneged without reason on their promise to release and distribute the molasses despite the plaintiff's demand therefor; that it was untenable for the sugar central to unilaterally repudiate its assumed obligation to defray the plaintiff's hauling expenses for the crop year 1948-1949, when such condition was precisely the efficient cause which led the plaintiff to resume milling his sugar canes in the defendant's sugar central despite the fact that a portion of the latter's railway had yet to be reconstructed. These findings are binding upon this Court for purposes of this appeal; indeed they are not questioned by the petitioner.

After the plaintiff had sold a portion of his molasses to the sugar central and sent the remainder to the latter's distillery for conversion into alcohol, what remained to be done was for the defendant to turn over to the plaintiff the proceeds of the sale. It was obvious that the specific stipulations in the milling contract concerning delivery of the molasses to the plaintiff and the latter's having to furnish the containers thereof had neither relevance nor application after the molasses had been sold to the defendant or sent to its distillery for conversion into alcohol. The defendant evidently acted without justification when it refused to satisfy the plaintiff's valid and demandable claim. And regarding the plaintiff's right to be reimbursed his hauling expenses, any attempt to question the conclusion arrived at by both the trial court and the Court of Appeals is now foreclosed.

The Court of Appeals did not err in awarding attorney's fees and expenses of litigation in accordance with Article 2208, paragraph 2, 5 and 11, of the Civil Code, which authorize the recovery of such fees "(2) When the defendant's act or omission has compelled the plaintiff to litigate x x x or to incur expenses to protect his interest;" x x x "(5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim" x x x and "(11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered." However, taking into account the extent and nature of the legal work employed as well as the total award of P31,237 to the plaintiff, the sum of P5,000.00 as attorney's fees and expenses of litigation would be reasonable under the premises. (Cf. Soriano vs. Compania General de Tabacos de Filipinas, 18 SCRA 999).

WHEREFORE, with the modification thus indicated, the decision appealed from is affirmed. Costs against petitioner.

Ruiz Castro, Teehankee, Makasiar, Esguerra, and Muñoz Palma, JJ., concur.

* Parenthesis supplied.

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