

SO PING BUN, PETITIONER, VS. COURT OF APPEALS, TEK HUA ENTERPRISING CORP. AND MANUEL C. TIONG, RESPONDENTS.

G.R. No. 120554. September 21, 1999

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This petition for certiorari challenges the Decision[1] of the Court of Appeals dated October 10, 1994, and the Resolution[2] dated June 5, 1995, in CA-G.R. CV No. 38784. The appellate court affirmed the decision of the Regional Trial Court of Manila, Branch 35, except for the award of attorney's fees, as follows:

"WHEREFORE, foregoing considered, the appeal of respondent-appellant So Ping Bun for lack of merit is DISMISSED. The appealed decision dated April 20, 1992 of the court a quo is modified by reducing the attorney's fees awarded to plaintiff Tek Hua Enterprising Corporation from P500,000.00 to P200,000.00." [3]

The facts are as follows:

In 1963, Tek Hua Trading Co, through its managing partner, So Pek Giok, entered into lease agreements with lessor Dee C. Chuan & Sons Inc. (DCCSI). Subjects of four (4) lease contracts were premises located at Nos. 930, 930-Int., 924-B and 924-C, Soler Street, Binondo, Manila. Tek Hua used the areas to store its textiles. The contracts each had a one-year term. They provided that should the lessee continue to occupy the premises after the term, the lease shall be on a month-to-month basis.

When the contracts expired, the parties did not renew the contracts, but Tek Hua continued to occupy the premises. In 1976, Tek Hua Trading Co. was dissolved. Later, the original members of Tek Hua Trading Co. including Manuel C. Tiong, formed Tek Hua Enterprising Corp., herein respondent corporation.

So Pek Giok, managing partner of Tek Hua Trading, died in 1986. So Pek Giok's grandson, petitioner So Ping Bun, occupied the warehouse for his own textile business, Trendsetter Marketing.

On August 1, 1989, lessor DCCSI sent letters addressed to Tek Hua Enterprises, informing the latter of the 25% increase in rent effective September 1, 1989. The rent increase was later on reduced to 20% effective January 1, 1990, upon other lessees' demand. Again on December 1, 1990, the lessor implemented a 30% rent increase. Enclosed in these letters were new lease contracts for signing. DCCSI warned that failure of the lessee to accomplish the contracts shall be deemed as lack of interest on the lessee's part, and agreement to the termination of the lease. Private respondents did not answer any of these letters. Still, the lease contracts were not rescinded.

On March 1, 1991, private respondent Tiong sent a letter to petitioner, which reads as follows:

March 1, 1991

"Mr. So Ping Bun
930 Soler Street
Binondo, Manila

Dear Mr. So,

Due to my closed (sic) business associate (sic) for three decades with your late grandfather Mr. So Pek Giok and late father, Mr. So Chong Bon, I allowed you temporarily to use the warehouse of Tek Hua Enterprising Corp. for several years to generate your personal business.

Since I decided to go back into textile business, I need a warehouse immediately for my stocks. Therefore, please be advised to vacate all your stocks in Tek Hua Enterprising Corp. Warehouse. You are hereby given 14 days to vacate the premises unless you have good reasons that you have the right to stay. Otherwise, I will be constrained to take measure to protect my interest.

Please give this urgent matter your preferential attention to avoid inconvenience on your part.

Very truly yours,

(Sgd) Manuel C. Tiong

MANUEL C. TIONG

President”[4]

Petitioner refused to vacate. On March 4, 1992, petitioner requested formal contracts of lease with DCCSI in favor Trendsetter Marketing. So Ping Bun claimed that after the death of his grandfather, So Pek Giok, he had been occupying the premises for his textile business and religiously paid rent. DCCSI acceded to petitioner’s request. The lease contracts in favor of Trendsetter were executed.

In the suit for injunction, private respondents pressed for the nullification of the lease contracts between DCCSI and petitioner. They also claimed damages.

After trial, the trial court ruled:

“WHEREFORE, judgment is rendered:

1.

Annulling the four Contracts of Lease (Exhibits A, A-1 to A-3, inclusive) all dated March 11, 1991, between defendant So Ping Bun, doing business under the name and style of ‘Trendsetter Marketing’, and defendant Dee C. Chuan & Sons, Inc. over the premises located at Nos. 924-B, 924-C, 930 and 930, Int., respectively, Soler Street, Binondo Manila;

2.

Making permanent the writ of preliminary injunction issued by this Court on June 21, 1991;

3.

Ordering defendant So Ping Bun to pay the aggrieved party, plaintiff Tek Hua Enterprising Corporation, the sum of P500,000.00, for attorney's fees;

4.

Dismissing the complaint, insofar as plaintiff Manuel C. Tiong is concerned, and the respective counterclaims of the defendant;

5.

Ordering defendant So Ping Bun to pay the costs of this lawsuit;

This judgment is without prejudice to the rights of plaintiff Tek Hua Enterprising Corporation and defendant Dee C. Chuan & Sons, Inc. to negotiate for the renewal of their lease contracts over the premises located at Nos. 930, 930-Int., 924-B and 924-C Soler Street, Binondo, Manila, under such terms and conditions as they agree upon, provided they are not contrary to law, public policy, public order, and morals.

SO ORDERED.”[5]

Petitioner's motion for reconsideration of the above decision was denied.

On appeal by So Ping Bun, the Court of Appeals upheld the trial court. On motion for reconsideration, the appellate court modified the decision by reducing the award of attorney's fees from five hundred thousand (P500,000.00) pesos to two hundred thousand (P200,000.00) pesos.

Petitioner is now before the Court raising the following issues:

I.

WHETHER THE APPELLATE COURT ERRED IN AFFIRMING THE TRIAL COURT'S DECISION FINDING SO PING BUN GUILTY OF TORTUOUS INTERFERENCE OF CONTRACT?

II.

WHETHER THE APPELLATE COURT ERRED IN AWARDING ATTORNEY'S FEES OF P200,000.00 IN FAVOR OF PRIVATE RESPONDENTS.

The foregoing issues involve, essentially, the correct interpretation of the applicable law on tortuous conduct, particularly unlawful interference with contract. We have to begin, obviously, with certain fundamental principles on torts and damages.

Damage is the loss, hurt, or harm which results from injury, and damages are the recompense or compensation awarded for the damage suffered.[6] One becomes liable in an action for damages for a nontrespassory invasion of another's interest in the private use and enjoyment of asset if (a) the other has property rights and privileges with respect to the use or enjoyment interfered with, (b) the invasion is substantial, (c) the defendant's conduct is a legal cause of the invasion, and (d) the invasion is either intentional and unreasonable or unintentional and actionable under general negligence rules.[7]

The elements of tort interference are: (1) existence of a valid contract; (2) knowledge on the part of the third person of the existence of contract; and (3) interference of the third person is without legal justification or excuse.[8]

A duty which the law of torts is concerned with is respect for the property of others, and a cause of action ex delicto may be predicated upon an unlawful interference by one person of the enjoyment by the other of his

private property.[9] This may pertain to a situation where a third person induces a party to renege on or violate his undertaking under a contract. In the case before us, petitioner's Trendsetter Marketing asked DCCSI to execute lease contracts in its favor, and as a result petitioner deprived respondent corporation of the latter's property right. Clearly, and as correctly viewed by the appellate court, the three elements of tort interference above-mentioned are present in the instant case.

Authorities debate on whether interference may be justified where the defendant acts for the sole purpose of furthering his own financial or economic interest.[10] One view is that, as a general rule, justification for interfering with the business relations of another exists where the actor's motive is to benefit himself. Such justification does not exist where his sole motive is to cause harm to the other. Added to this, some authorities believe that it is not necessary that the interferer's interest outweigh that of the party whose rights are invaded, and that an individual acts under an economic interest that is substantial, not merely de minimis, such that wrongful and malicious motives are negated, for he acts in self-protection.[11] Moreover, justification for protecting one's financial position should not be made to depend on a comparison of his economic interest in the subject matter with that of others.[12] It is sufficient if the impetus of his conduct lies in a proper business interest rather than in wrongful motives.[13]

As early as *Gilchrist vs. Cuddy*,[14] we held that where there was no malice in the interference of a contract, and the impulse behind one's conduct lies in a proper business interest rather than in wrongful motives, a party cannot be a malicious interferer. Where the alleged interferer is financially interested, and such interest motivates his conduct, it cannot be said that he is an officious or malicious intermeddler.[15]

In the instant case, it is clear that petitioner So Ping Bun prevailed upon DCCSI to lease the warehouse to his enterprise at the expense of respondent corporation. Though petitioner took interest in the property of respondent corporation and benefited from it, nothing on record imputes deliberate wrongful motives or malice on him.

Section 1314 of the Civil Code categorically provides also that, "Any third person who induces another to violate his contract shall be liable for damages to the other contracting party." Petitioner argues that damage is an essential element of tort interference, and since the trial court and the appellate court ruled that private respondents were not entitled to actual, moral or exemplary damages, it follows that he ought to be absolved of any liability, including attorney's fees.

It is true that the lower courts did not award damages, but this was only because the extent of damages was not quantifiable. We had a similar situation in *Gilchrist*, where it was difficult or impossible to determine the extent of damage and there was nothing on record to serve as basis thereof. In that case we refrained from awarding damages. We believe the same conclusion applies in this case.

While we do not encourage tort interferers seeking their economic interest to intrude into existing contracts at the expense of others, however, we find that the conduct herein complained of did not transcend the limits forbidding an obligatory award for damages in the absence of any malice. The business desire is there to make some gain to the detriment of the contracting parties. Lack of malice, however, precludes damages. But it does not relieve petitioner of the legal liability for entering into contracts and causing breach of existing ones. The respondent appellate court correctly confirmed the permanent injunction and nullification of the lease contracts between DCCSI and Trendsetter Marketing, without awarding damages. The injunction saved the respondents from further damage or injury caused by petitioner's interference.

Lastly, the recovery of attorney's fees in the concept of actual or compensatory damages, is allowed under the circumstances provided for in Article 2208 of the Civil Code.[16] One such occasion is when the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his

interest.[17] But we have consistently held that the award of considerable damages should have clear factual and legal bases.[18] In connection with attorney's fees, the award should be commensurate to the benefits that would have been derived from a favorable judgment. Settled is the rule that fairness of the award of damages by the trial court calls for appellate review such that the award if far too excessive can be reduced.[19] This ruling applies with equal force on the award of attorney's fees. In a long line of cases we said, "It is not sound policy to place a penalty on the right to litigate. To compel the defeated party to pay the fees of counsel for his successful opponent would throw wide open the door of temptation to the opposing party and his counsel to swell the fees to undue proportions." [20]

Considering that the respondent corporation's lease contract, at the time when the cause of action accrued, ran only on a month-to-month basis whence before it was on a yearly basis, we find even the reduced amount of attorney's fees ordered by the Court of Appeals still exorbitant in the light of prevailing jurisprudence.[21] Consequently, the amount of two hundred thousand (P200,000.00) awarded by respondent appellate court should be reduced to one hundred thousand (P100,000.00) pesos as the reasonable award for attorney's fees in favor of private respondent corporation.

WHEREFORE, the petition is hereby DENIED. The assailed Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 38784 are hereby AFFIRMED, with MODIFICATION that the award of attorney's fees is reduced from two hundred thousand (P200,000.00) to one hundred thousand (P100,000.00) pesos. No pronouncement as to costs.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, and Buena, JJ., concur.

[1] Rollo, pp. 41 - 55.

[2] Id. at 57 - 58.

[3] Ibid.

[4] Rollo, pp. 45 - 46.

[5] Id. at 41 - 42.

[6] Custodio vs. Court of Appeals, 253 SCRA 483, 490 (1996)

[7] Restatement of the Law, Torts 2d, Sec. 822.

[8] 30 Am Jur., Section 19, pp. 71 - 72; Sampaguita Pictures Inc. vs. Vasquez, et al. (Court of Appeals, 68 O.G. 7666).

[9] 74 Am Jur 2d Torts, Section 34. Interference with property rights, p. 631.

[10] 45 Am Jur 2d Interference, Justification, Privilege Section 30. Furtherance of one's own interests, p. 307.

[11] Zoby vs. American Fidelity Co. 242 Federal Reporter, 2d Series, 76, 80 (1957).

[12] Ibid.

[13] Ibid.

[14] 29 Phil 542, 549 (1915).

[15] Kurtz vs. Oremland, 33 N. J. Super. 443, 111 A.2d 100; Restatement of the Law, Torts, 2d, Sec. 769.

[16] People vs. Bergante, 286 SCRA 629, 645 (1998).

[17] Article 2208 (2), Civil Code of the Philippines.

[18] De la Paz, Jr. vs. Intermediate Appellate Court, 154 SCRA 65, 76 (1987); Rubio vs. Court of Appeals, 141 SCRA 488 (1986).

[19] Danao vs. Court of Appeals, 154 SCRA 446, 460 (1987).

[20] Philippine National Bank vs. Court of Appeals, 159 SCRA 433, 442 (1988).

[21] Mayer Steel Pipe Corp. vs. CA, 274 SCRA 432 (1997); Fortune Express vs. CA, G.R. 119756, March 18, 1999; RCBC vs. CA, G.R. 133107, March 25, 1999; Urquiaga vs. CA, G.R. 127833, January 22, 1999.

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