

MARSMAN & COMPANY AND QUIRINO R. ILEDAN, PETITIONERS, VS. ARTEMIO M. LIGO, RESPONDENT.

G.R. No. 198643. August 19, 2015

Ponente: DEL CASTILLO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-198643/>

DEL CASTILLO, J.:

An employee who was wrongly accused of criminal acts, illegally arrested and detained, presented to the media at a humiliating press conference against his will, and prosecuted in an unfounded criminal suit is entitled to damages for malicious prosecution.

This Petition for Review on Certiorari[1] seeks to set aside the April 29, 2011 Decision[2] of the Court of Appeals in CA-G.R. CV No. 87004, as well as its September 16, 2011 Resolution[3] denying reconsideration thereof.

Factual Antecedents

Petitioner Marsman & Company, Inc. (Marsman) - now Metro Drug, Inc. - is a domestic corporation engaged in the business of distributing pharmaceutical products. Petitioner Quirino R. Iledan (Iledan) was Marsman's Warehouse Manager during the time material to this case.

Respondent Artemio M. Ligo was then Marsman's Warehouse Supervisor and was primarily responsible for the destruction of bad order and expired drugs.[4] Bad order drugs are those that are retrieved from the market for being unfit for human consumption, while expired drugs are those which have reached their expiry date.[5]

Sometime in February 1993, Iledan supposedly received a telephone call from Isabelito Miguel (Miguel), informing him that some of Marsman's bad order and expired drugs that were intended for destruction were not actually destroyed but were sold at the back of the Sto. Nino Church in Parañaque. Iledan relayed this information to Marsman President and Chief Executive Officer Dr. Eligio Santos (Santos), who called a meeting with Iledan and Marsman Assistant Vice-President for Human Resources Manolette Pilapil (Pilapil). During the meeting, Santos instructed Pilapil to seek the assistance of the National Bureau of Investigation (NBI) in the investigation of the matter. Thus, Pilapil sent a letter-request dated March 15, 1993 to NBI Director Epimaco Velasco (NBI Director Velasco).[6]

The NBI[7] conducted surveillance on several dates in coordination with Iledan. On May 7, 1993, it arrested several individuals who were supposedly caught in the act of distributing these medicines that should have been destroyed.[8] However, respondent was not one of them.

The following day, or on May 8, 1993, Iledan asked respondent to accompany him to the NBI office on the pretext of visiting one of the suspects arrested, Francisco Mercado (Mercado),[9] one of respondent's colleagues at work. They proceeded to the NBI headquarters in Manila, where respondent was arrested and placed in a detention cell.[10] Thereafter, respondent and other individuals were presented to the media during a live conference as the suspects in the distribution and sale of bad order and expired medicines. Their photographs were taken, and later published, by news reporters of The Daily Inquirer, Philippine Star, Bulletin, Taliba, Balita, and

Tempo.[11]

Respondent was detained at the NBI headquarters for at least 10 days, after which he was provisionally released after posting bond.[12] He was criminally charged with violation of Republic Act No. 3720[13] as amended by Executive Order No. 175[14] (RA 3720) which prohibits the sale, dispensing or delivery of expired or rejected pharmaceutical products. The criminal case was docketed with the Metropolitan Trial Court of Taguig City, Branch 74 as Criminal Case No. 9070. However, the court issued an Order[15] on October 12, 1994 acquitting respondent of the charge. The Order held in part:

From this evidence, the court finds that indeed the prosecution has miserably failed to prove the principal elements of the crime charged, that is there was no showing that the accused has [sic] sold or was [sic] selling much less dispensing the expired medicines. While it is true that the destructing [sic] or transferring [sic] the expired drugs is prohibited as defined in Section 11 of Republic Act 3720, the destruction or transfer referred to in the act is distributing or transferring the drugs to any third person or persons. From the testimony of witness NBI Agent Arnel Azul is [sic] that when they arrested the accused, the accused were transferring the expired drugs from one vehicle to another, to be exact from a 10 wheeler truck to [a] white delivery van and this transfer is not the transfer contemplated, defined and penalized; under Section 11 of R.A. 3720.

It is also the observation that from the evidences [sic] adduced by the prosecution that assuming arguendo that the transfer of the expired drugs from one vehicle to another is a crime by itself, from the evidence, it appears that the transfer was done and consummated in Angono, Rizal and therefore not within the territorial jurisdiction of this court and it is elementary in criminal prosecution that criminal cases has [sic] to be filed and prosecuted in the place [sic] it was committed except those continuing offenses, in the case at bar nowhere from the prosecution's evidence shows [sic] that the crime charged or any of its ingredient [sic] has been committed here in [Taguig], Metro Manila, the territorial jurisdiction of this court. Of course this is not impugned in the demurrer to evidence, this is but the observation of this court from the evidence adduced by the prosecution.

Viewed [from] the foregoing, the court finds that the prosecution has failed to establish the elements of the crime charged amounting to failure to prove the guilt of the accused beyond reasonable doubt and accordingly therefore, the above-entitled case is hereby dismissed with costs de officio.

x x x x

SO ORDERED.[16]

Respondent was likewise charged with serious misconduct, breach of trust, and commission of a crime against Marsman. After several hearings, was terminated from employment on the ground of "negligence and breach of trust and confidence" as well as failure to perform the "sensitive task of supervising the burning and destroying of expired, obsolete, bad order drugs and medicines,"[17] but not for commission of a crime against Marsman.

In October 1995, respondent filed a Complaint[18] for damages against petitioners Marsman and Iledan with the Regional Trial Court of Las Piñas, docketed as Civil Case No. LP-95-022 and assigned to Branch 275. Respondent alleged that petitioners maliciously conspired to frame him and fabricate a criminal charge against him by making it appear that he feloniously sold, dispensed or delivered expired or bad order medicines; that he was illegally arrested by the NBI on May 8, 1993, humiliated in a press conference, and unlawfully detained for 10 days; that photographs taken during the press conference were published in major dailies, and he became the object of embarrassing news reports on radio and television; that he was falsely charged criminally with violation of RA 3720 (Criminal Case No. 9070) and illegally dismissed from employment; that he was subsequently acquitted in Criminal Case No. 9070; that as a result of the frame-up, he and his family became the object of ridicule in the community, school and workplace, which thus forced them to relocate in order to avoid further

shame and embarrassment; and that in a demand letter to petitioners, he sought restitution, but was ignored. He thus prayed for indemnity in the amount of P5 million as moral damages, P1 million as exemplary damages, P50,000.00 as actual damages, 25% of the total amount as attorney's fees, and costs of suit.

Respondent's complaint particularly noted that when Iledan assumed his position as warehouse manager, he was arrogant and hostile toward the employees and even manifested his desire to replace respondent and other employees assigned at respondent's warehouse.[19]

In their Answer with Counterclaim,[20] petitioners insisted that respondent was involved in a scheme of selling expired and bad order drugs which he was supposed to destroy; that respondent's modus operandi became the subject of three preliminary surveillances conducted by the NBI, which revealed that the scheduled destruction of medicines through burning did not take place, and that respondent left the site without supervising the complete destruction of the medicines, while his cohorts transferred the medicines from the company truck to another vehicle; that on May 7, 1993, respondent's cohorts were intercepted and arrested by the NBI; that boxes of expired medicines scheduled for destruction were confiscated from them; that the next day, May 8, 1993, respondent reported for work and submitted a false Certificate of Destruction stating that all medicines scheduled for destruction the day before were destroyed; that respondent was arrested and charges were lodged against him and his cohorts; that an investigation for serious misconduct, breach of trust and commission of felony was also conducted by Marsman; that while photographs of respondent were taken at the NBI and published, they could not be held responsible therefor; that the dismissal of Criminal Case No. 9070 was grounded on lack of jurisdiction and not based on the merits; and that they acted in good faith, pursuant to duty, and in defense of Marsman's rights in reporting the suspected illegal operation to the NBI. By way of counterclaim, petitioners prayed to be awarded P10 million as moral damages; P1 million as exemplary damages; and P250,000.00 as attorney's fees and litigation expenses.

Trial ensued. The evidence of the parties were summed up by the trial court, as follows:

EVIDENCE FOR THE PLAINTIFF

x x x x

ARTEMIO LIGO, x x x testified that he was employed by defendant Marsman & Co., Inc. from February 5, 1970 to July 15, 1993. He was then the Warehouse Supervisor x x x receiving and supervising stocks, burning and destroying condemned medicines, x x x.

x x x x

x x x The last time plaintiff led the destruction was on May 7, 1993 at Angono, Rizal. Defendant Iledan requested a BIR representative and a Duncan pharmacist by the name of Rolando Rtoni and Susan Ferrer, respectively, xxx Loading of medicines started at about 8:00 in the morning xxx. With him in the van were Mr. Rtoni, Ms. Ferrer and Francisco Mercado, the company driver. They left for Angono, Rizal at around 9:30 and arrived at site at around 12:00 noon. The medicines were unloaded which took them more than 1 hour. During the unloading, Mr. Rtoni and Ms. Ferrer saw the bottled medicines x x x. At around 2:00 in the afternoon, the representatives wanted to leave because of heat, bad odor and flies in the area xxx. Defendant Iledan instructed him to attend to the representatives' needs.

x x x Around 6:30 in the morning of May 8, 1993, he reported to defendant Iledan on the accomplished mission, to which [Iledan remarked] "very good." Then Francisco's son arrived and informed him about Francisco's arrest in the afternoon of May 7, 1993. Surprised, he reported the matter immediately to defendant Iledan who pretended not to know it and [said] that they will go to NBI headquarters. They left at around 10:00 in the morning. Upon arrival, he was suddenly arrested while defendant Iledan who was beside him turned his back and left. Defendant Iledan did nothing when he was arrested. He was brought to the detention cell and

then [to] the 2nd floor where he was forced to admit the accusation, xxx (A)t the 2nd floor, he saw Francisco and companions. Director Epimaco Velasco entered the room and called them [to] the table where expired medicines were placed. Then news reporters of Balita, Tempo and others went inside and took them [sic] pictures, during which defendant Iledan was at his back, hiding. He had no occasion to talk to defendant Iledan. Then they were brought back to the detention cell x x x.

After 10 days, he was able to post a bond and was provisionally released. [A criminal] charge was filed against him by the NBI at the instance of defendant Iledan x x x. Hearings were conducted on the case and after a period of less than 2 years, the case was dismissed x x x.

Plaintiff had clean record in his 21 years of service at defendant company and received [an] award, a plaque of loyalty and appreciation letters x x x. Defendant Iledan would have caused the filing of the fabricated case because he was angry with union members as they were organizing a supervisors' union [in] which he was active. He engaged the services of a lawyer to protect his rights and interest at a fee of more than P50,000.0. He was restless, experienced sleepless nights, felt humiliated and was ashamed to his friends, relatives and neighbors, co-teachers of his wife and classmates of his children, being labeled "manloloko." He got sick often and they were constrained to transfer their residence x x x to avoid the hurling of bad remarks, x x x.

x x x x

He left the site at Angono on May 7, 1993 when some items were not yet burned[,] x x x as he was instructed by defendant Iledan to attend to the needs of the representatives when they leave the site. At [the] time he left, there were still bad order and expired medicines to be burned. During the burning, present were Mr. Rotoni, Ms. Ferrer, Francisco Mercado and brother and nephews, several scavengers and a policeman of Angono whom Francisco paid to help maintain peace and order, x x x (TSN, 12 September 1997).

x x x x

FRANCISCO MERCADO testified that he knows defendant company because he worked in that office from April 1, 1977 until May 7, 1993 when he was apprehended by NBI agents for selling condemned medicines, x x x [T]he last time [he was assigned to destroy the bad order medicines] was on May 7, 1993. xxx The representatives were from the BIR, DFA [sic] and pharmacist of the companies that have the bad order medicines. Plaintiff called the representatives. The destruction site on May 7, 1993 was at Angono, Rizal (TSN, 22 May 1998).

x x x On December 18, 1992, he invited defendant Iledan x x x for dinner [during which] Iledan said "kayong mga unionista, ida-down ko kayong lahat sa warehouse." Defendant was mad with the unionista and those in the warehouse, x x x On May 7, 1993, he was arrested by the NBI agents who blocked his way near the dump site at Angono. Around 8:00 in the morning, defendant Iledan called up their office and instructed him and plaintiff to burn the medicines. In the office, he saw the BIR representative and pharmacist of Duncan Co. They loaded the medicines to be burned [inside] the 10-wheeler truck xxx. The zebra van he was driving was not loaded with medicines. At [the] site, he was instructed by plaintiff to unload the medicines to be burned. Due to stinky bad odor and heat of the sun, plaintiff and the representatives left the area at about 2:30 in the afternoon. He stayed to conduct the burning as instructed by defendant Iledan (TSN, 28 September 1998).

The bottled medicines were ordered separated and placed [inside] the van as they cannot be burned as they will explode. These were brought to Taguig, the contents thrown and the bottles given to the helpers x x x. He was not able to reach the shop because the NBI agents, 7 of them on board 3 vehicles blocked [his path] and arrested him. Two agents were armed, asked him to alight from the vehicle and poked a gun at him. He was handcuffed and was asked the key of the van which he refused to give because it was his responsibility, x x x. They left and while on their way, somebody called by radio, introduced himself as defendant Iledan x x x.

x x x On December 27 or 28, 1992, x x x defendant Iledan said that the union members will not stay long

because he will file cases against them and he will terminate [the] witness from the service, x x x The arrest was masterminded by defendant Iledan x x x (TSN, 24 February 1999).

x x x x

ROLANDO ROTONI testified that he was a Revenue Examiner of the BIR x x x. Per referral by the Revenue District Officer, he represented the BIR in the destruction of bad order and expired medicines of defendant company on May 7, 1993. x x x. There was also a representative from Duncan Pharmaceuticals, Susan. They left the site at about 12:00 noon to 1:00 in the afternoon. Destruction started after arriving at the place. He was present during the burning of all the medicines, x x x

On cross-examination, he admitted that x x x [n]ot all the medicines were destroyed [sic] when they left the site, but [he] made sure that substantially all the medicines were actually destroyed, x x x. All the medicines were placed in 1 fire and were burned, using gasoline. He was checking while the medicines were being unloaded from the truck. No medicine was left, [the] truck was empty. None of the medicines were returned to any of the vehicles undestroyed. He was not sure that at the time he left the site, there were medicines still not destroyed. xxx. He left without making sure that all the medicines were actually destroyed because they were already x x x on fire. He would not know the other procedure for bottled medicines for destruction. The bottled medicines were not crushed as they were placed in 1 fire together with the capsules and tablets, then gasoline [was] poured on the single [pile] xxx and [set on fire].

x x x x

EVIDENCE FOR THE DEFENSE

Evidence for the defense consists of the testimonies of defendant Quirino Iledan, Efren Cruz, Leonora Pacson, Atty. Ferdinand Lavin and Exhibits "1" to "15," inclusive of submarkings.

QUIRINO ILEDAN testified that he was x x x the Warehouse Operations Manager since March 1984, responsible for the operations of the entire warehouse, xxx. He knew plaintiff being the warehouse supervisor, responsible for the receipt of good stocks from manufacturers and x x x the destruction of expired and bad order medicines, xxx. Francisco Mercado assisted plaintiff in the destruction, x x x. Stocks were to be destroyed, tablets should be crushed, bottles should be crushed and liquids should be thrown out of the bottles and the bottles should be crushed or perforated so that [they become] valueless. They should be unfit for human consumption as it is a requirement of the manufacturer to prevent its reuse. The certificate of destruction should be signed by plaintiff, representatives of the BIR, BFAD, Auditor and the manufacturer which certifies that the products have been destroyed. It was plaintiffs responsibility to make sure that the bad order medicines were completely destroyed.

In February 1998,[21] he received a call from Isabelito Miguel that expired and bad order medicines were being sold at the back of Sto. Nino church. He immediately informed Mr. Santos by telephone who called up the AVP, HRD to report the matter to the NBI. x x x. He informed the agents of the dates when to conduct the surveillance operations during the scheduled destruction, x x x. On May 8, 1993, he received a call from plaintiff informing him that Francisco was arrested by the NBI. x x x. He went to the NBI headquarters with plaintiff to visit Francisco in the afternoon and looked for the arresting officer, x x x

After he left the NBI headquarters, he was informed that plaintiff was arrested, x x x. The NBI filed a criminal case against plaintiff in which he had no participation, x x x. When plaintiff was informed that Francisco was arrested by NBI agents, he already heard but pretended not to know because he had the idea that plaintiff was involved and he might flee. He denied the truth of plaintiffs statement on June 4, 1997 that upon arrival at the NBI headquarters with plaintiff, the latter was suddenly arrested. Instead, they were told to execute [a] statement, after which he asked that he x x x be allowed to leave. He knew of the pictures taken by the NBI x x x but he did not know who took the pictures and who asked the photographers to go to the premises. He denied the truth in the statement of plaintiff taken on July 1, 1997 that the reason why defendant Iledan caused the

filing of complaint that led to his arrest was because defendant Iledan was angry with union members knowing that plaintiff organized and was an active union member, x x x. He also denied the plaintiffs testimony on July 30, 1997 that he manifested hostility and was angry with plaintiff and other employees especially at the warehouse division x x x (TSN, 15 February 2001).

He recalled that he has gone to Francisco's residence in December 1992, but denied x x x having stated "kayong mga unionista, ida-down ko kayong lahat sa warehouse." As a matter of procedure, plaintiff was authorized to leave the destruction site before the bad order medicines were destroyed, to have lunch with the representatives. After which, plaintiff must go back to the destruction site to witness the complete destruction. In that case, plaintiff no longer returned which was not the correct procedure, x x x

x x x x

EFREN CRUZ testified that he x x x was then the Employee Relations Manager x x x and was aware of [plaintiffs] termination due to violation of company policies and procedures, on the basis of NBI surveillance reports[,] x x x particularly in the conduct of destruction of expired and bad order drugs.

x x x The surveillance reports furnished by the NBI to the company served as basis for the investigation they conducted, x x x

x x x x

On redirect examination, he confirmed that he did not know if the surveillance reports were accurate or not. The basis of plaintiff s termination was his breach of trust and confidence and negligence in the performance of his duty based on such report and information gathered during the investigation that they conducted x x x (TSN, 24 April 2003).

x x x x

ATTY. FERDINAND LAVIN testified that he x x x was employed as Chief, Anti-Organized Crime Division of the NBI. x x x. He knew defendant company because they investigated its complaint (Exh. "1") requesting for investigative assistance, x x x. Then [a] series of case conferences and surveillance operations were conducted, x x x.[22]

Ruling of the Regional Trial Court

On February 28, 2005, the trial court issued its Decision[23] in Civil Case No. LP-95-022, decreeing thus:

PREMISES CONSIDERED, judgment is rendered in favor of the plaintiff and against the defendants who hereby are found to have maliciously prosecuted the plaintiff and they are directed to pay the plaintiff, jointly and severally, the following amounts, to wit:

1. Three Million (P3,000,000.00) Pesos by way of moral damages;
2. Five Hundred Thousand (P500,000.00) Pesos by way of exemplary damages;
3. 25% of the total amount awarded to plaintiff as attorney's fees and pay the cost of the suit.

SO ORDERED.[24]

The trial court held that all the elements of malicious prosecution have been proved, namely, that (1) the prosecution did occur and the defendant was himself the prosecutor, and the criminal action terminated in an acquittal; (2) in bringing the action, the prosecutor acted without probable cause; and (3) the prosecutor was actuated or impelled by legal malice, i.e. by improper or sinister motive.[25] It declared that petitioners knowingly and deliberately caused the investigation and prosecution of respondent through a false and unfounded

letter-complaint coursed through the NBI that was based on the supposed tip of Miguel who was not even called to testify in court. Acting without probable cause and with full knowledge that respondent and his colleagues were proceeding in accordance with accepted company practices regarding the destruction of the bad order and expired medicines and subsequent disposition of the medicine bottles - which, after emptying and destroying their contents, were cleaned and then awarded to the helpers as their compensation or sold, petitioners nonetheless caused the unlawful arrest of respondent and his colleagues while the latter were on their way to dispose of the bottled medicines (in accordance with said company-accepted procedure) on May 7, 1993 - on the false supposition or pretext that they were carrying out their modus operandi of selling and distributing the company's bad medicines. The trial court added that all the surveillance operations previously conducted by the NBI proved nothing other than that the employees were transporting the medicines to places where they would be destroyed and disposed of pursuant to accepted practices.

The trial court added that respondent and his colleagues were subjected to a humiliating press conference, and petitioners failed to assist them or shield them from embarrassment despite the fact that Iledan was then present at the press briefing; that he was detained for 10 days together with 40 other hardened criminal-inmates who threatened him every now and then and made him their servant for the whole duration of his detention, in a cell where they were packed like sardines; that he was then falsely charged in Criminal Case No. 9070 and subsequently acquitted for lack of evidence; and that he was terminated from employment.

The trial court concluded that for petitioners' malicious acts resulting in his unwarranted arrest, detention, prosecution, public humiliation, and suffering, respondent was entitled to indemnity.

Ruling of the Court of Appeals

Petitioners interposed an appeal with the CA contending essentially that not all the elements of malicious prosecution were present; that there was probable cause in filing the complaint and in requesting NBI assistance; that based on the surveillance reports, respondent committed anomalies which thus warranted a finding of probable cause; that the trial court erred in awarding damages to respondent; and that it was erroneous for the trial court to dismiss their counterclaim.

On April 29, 2011, the CA issued the assailed Decision, finding that there was indeed malicious prosecution of respondent; that the trial court was correct in declaring that Iledan knew from the start that the accusation against respondent was false and baseless; that the NBI surveillance operations merely revealed an irregularity in the manner of destruction of Marsman's expired and bad order medicines, and that no destruction took place on the dates when these surveillance operations were conducted - not that respondent was guilty of selling, dispensing or delivering expired or rejected pharmaceutical products; that Iledan knew and approved of the practice of reselling the empty medicine bottles rather than destroying them, which practice he should have disclosed to Marsman; and that Marsman should have conducted its own internal investigation of the case, instead of immediately seeking NBI assistance and subjecting respondent to a humiliating experience and unnecessary media exposure. The CA likewise sustained the trial court's award of moral and exemplary damages, noting that respondent's detention, media exposure, and unwarranted prosecution in an unfounded suit caused him and his family great damage, mental anguish, and serious anxiety. Thus, the appellate court decreed:

WHEREFORE, PREMISES CONSIDERED, the court a quo's decision dated 28 February 2005 is hereby AFFIRMED IN TOTO.

SO ORDERED.[26]

Petitioners moved for reconsideration, but in its September 16, 2011 Resolution, the CA stood its ground. Hence, the instant Petition.

Issues

Petitioners raise the following issues:

- THREE OUT OF THE FOUR ELEMENTS OF MALICIOUS PROSECUTION WERE NOT ESTABLISHED;
- THERE IS NO BASIS TO AWARD DAMAGES, ATTORNEY'S FEES AND COSTS; AND
- THE AWARD OF P3,500,000.00 IN MORAL AND EXEMPLARY DAMAGES AND P875,000.00 IN ATTORNEY'S FEES IS EXCESSIVE AND UNJUST.[27]

Petitioners' Arguments

In their Petition and Reply,[28] petitioners seek a reversal of the assailed CA dispositions and the consequent dismissal of respondent's complaint in Civil Case No. LP-95-022. They argue that three of the four elements required for a malicious prosecution suit to prosper are lacking, namely: 1) that the defendant in the malicious prosecution case is himself the prosecutor in the criminal, civil or other legal proceeding or case, or that he instigated its commencement; 2) that in bringing the action, the defendant acted without probable cause; and 3) that the defendant was impelled by legal malice -- an improper or sinister motive. In connection with the first requisite, petitioners contend that they did not act as prosecutors, nor did they commence the criminal case against respondent; that it was the NBI that investigated and caused the filing of Criminal Case No. 9070, and their role was limited to requesting the NBI's assistance in investigating the respondent's alleged pilferage of bad medicines; that they did not seek NBI assistance to prosecute respondent, but merely to investigate him; and that it was the NBI alone which determined what crime respondent should be charged with.

Relative to the second element, petitioners insist that they acted with probable cause in seeking the investigation of respondent and his colleagues, based on the tip provided by Miguel that bad medicines were being sold in Parañaque; that probable cause was established through the surveillance operations of the NBI and the State Prosecutor's recommendation to file Criminal Case No. 9070; that acquittal does not disprove the existence of probable cause,[29] and so it was erroneous for the CA to declare that respondent's acquittal implies lack of probable cause, as his acquittal was based on failure to prove guilt beyond reasonable doubt - not lack of probable cause.

On the third element, or the issue of legal malice, petitioners argue that since there was probable cause to charge respondent, then this is tantamount to absence of malice; stated otherwise, the absence of probable cause and malice must concur in an action for malicious prosecution.[30] Moreover, good faith is presumed in the absence of clear and convincing evidence of malice.

Petitioners add that they should not be penalized for exercising their right to litigate or for requesting NBI assistance in investigating respondent and his colleagues; that the mere act of submitting a case to the authorities for prosecution does not make them liable for malicious prosecution, since the law does not mean to impose a penalty on the right to litigate;[31] and that they acted as a sensible and prudent citizen would upon being told by the informant Miguel of the purported sale of bad medicines in Parañaque.

Finally, on the issue of indemnity, petitioners submit that since all the elements of malicious prosecution were not proved, there is no ground to hold them liable for damages, attorney's fees and costs; that the award is excessive; and that respondent's case should suffer the same fate as that instituted by Mercado,[32] which was dismissed for lack of merit - and which dismissal was affirmed with finality by the CA in CA-G.R. CV No. 88732.

Respondent's Arguments

On the other hand, respondent - seeking affirmation of the assailed CA pronouncements - maintains in his Comment and Addendum[33] thereto that the Petition is a rehash of petitioners' arguments in the CA; that Iledan's malice and hostile attitude toward his subordinates are the reasons for filing the criminal case against him; that instead of aiding his subordinates when they were arrested on May 7 and 8, 1993, Iledan instigated a humiliating press conference where photographs and footage of respondent and his companions were taken and published in the newspapers and aired on television; that Mercado's civil case is different from his, in that he and Mercado are not similarly situated - a fact which the trial court itself realized in disposing of Civil Case No. LP-96-0040; and that overall, the CA's pronouncements are correct and must be upheld.

Our Ruling

The Court denies the Petition.

In *Magbanua v. Junsay*,[34] malicious prosecution was defined and characterized as follows:

In this jurisdiction, the term 'malicious prosecution' has been defined as 'an action for damages brought by one against whom a criminal prosecution, civil suit, or other legal proceeding has been instituted maliciously and without probable cause, after the termination of such prosecution, suit, or other proceeding in favor of the defendant therein.' While generally associated with unfounded criminal actions, the term has been expanded to include unfounded civil suits instituted just to vex and humiliate the defendant despite the absence of a cause of action or probable cause.

This Court, in *Drilon v. Court of Appeals*, elucidated, viz.:

The term malicious prosecution has been defined in various ways. In American jurisdiction, it is defined as: 'One begun in malice without probable cause to believe the charges can be sustained (*Eustace v. Dechter*, 28 Cal. App. 2d. 706, 83 P. 2d. 525). Instituted with intention of injuring defendant and without probable cause, and which terminates in favor of the person prosecuted. For this injury an action on the case lies, called the action of malicious prosecution (*Hicks v. Brantley*, 29 S.E. 459, 102 Ga. 264; *Eggett v. Allen*, 96 N.W. 803, 119 Wis. 625).'

In Philippine jurisdiction, it has been defined as:

'An action for damages brought by one against whom a criminal prosecution, civil suit, or other legal proceeding has been instituted maliciously and without probable cause, after the termination of such prosecution, suit, or other proceeding in favor of the defendant therein. The gist of the action is the putting of legal process in force, regularly, for the mere purpose of vexation or injury (*Cabasaan v. Anota*, 14169-R, November 19, 1956).'

The statutory basis for a civil action for damages for malicious prosecution are found in the provisions of the New Civil Code on Human Relations and on damages particularly Articles 19, 20, 21, 26, 29, 32, 33, 35, 2217 and 2219 (8). To constitute malicious prosecution, however, there must be proof that the prosecution was prompted by a sinister design to vex and humiliate a person, and that it was initiated deliberately by the defendant knowing that his charges were false and groundless. Concededly, the mere act of submitting a case to the authorities for prosecution does not make one liable for malicious prosecution.

This Court has drawn the four elements that must be shown to concur to recover damages for malicious prosecution. Therefore, for a malicious prosecution suit to prosper, the plaintiff must prove the following: (1) the prosecution did occur, and the defendant was himself the prosecutor or that he instigated its commencement; (2) the criminal action finally ended with an acquittal; (3) in bringing the action, the prosecutor acted without probable cause; and (4) the prosecution was impelled by legal malice — an improper or a sinister motive. The gravamen of malicious prosecution is not the filing of a complaint based on the wrong provision of law, but the

deliberate initiation of an action with the knowledge that the charges were false and groundless.[35]

The CA is correct in declaring that all the elements of malicious prosecution exist in this case. First of all, there is no question that the investigation of respondent for alleged participation in a purported syndicate that sells Marsman's bad medicines was prompted by a supposed telephone call tip from Miguel, which resulted in Pilapil's March 15, 1993 request to then NBI Director Velasco for an investigation of the matter. Secondly, respondent was acquitted in the resulting criminal case - Criminal Case No. 9070 - for lack of evidence and lack of jurisdiction, through an October 12, 1994 Order of the Taguig City Metropolitan Trial Court, Branch 74. There is no doubt that Marsman instigated the investigation and prosecution of respondent and his colleagues. Petitioners cannot claim that they merely sought to investigate - and not prosecute - respondent; certainly, prosecution follows as a necessary consequence if the NBI believes that a crime has been committed, and petitioners cannot prevent the filing of charges, even if they wanted to. As correctly observed by the appellate court, if indeed petitioners simply sought to investigate and not prosecute respondent, they should have first conducted their own internal investigation of the matter instead of immediately referring the case to the NBI; the option to prosecute may be exercised later. In fact, this should have been the case; nothing prevented them from fielding confidential personnel to pose as buyers of these bad medicines they believe were being sold in Parañaque. Their so-called informant Miguel - if he actually existed - could have produced more than a simple telephone report.

On the question of probable cause,[36] it must be said that against the respondent, no probable cause existed to warrant his prosecution for violation of the provisions of RA 3720. There is no legal ground to suppose that respondent was involved in a syndicate which sold Marsman's bad medicines in Parañaque; the supposed tipster Miguel was not presented in court to identify the alleged perpetrators of the illegal act - hence, the basis for the accusation is lacking. Although informants are usually not presented in court because of the need to hide their identity and maintain their valuable service to the police,[37] this rule cannot apply in Miguel's case because he was not a confidential informant; his identity was precisely divulged. Likewise, there is no evidence to prove that respondent was involved in or committed any act violative of RA 3720. He was not even part of the group that was arrested by the NBI on May 7, 1993; he was arrested and detained - illegally, in fact - only the next day. His participation in any manner or degree has not been shown. Quite the contrary, the evidence indicates that on May 7, 1993, respondent was with the BIR representative Rotoni and Duncan Pharmaceuticals employee Ferrer the whole time. Rotoni testified as well that on that day, all the bad medicines were placed in a single pile, poured with gasoline, and burned, and nothing was left in the 10-wheeler truck and van that brought the bad medicines to the destruction site; this he made sure before he left - only that he, Ferrer and respondent left without making sure that all the bad medicines in the pile were completely destroyed. Nonetheless, if anything was recovered from the burning pile after Rotoni and respondent left, respondent did not actually participate in the recovery as he had to take Rotoni and Ferrer home. Moreover, if it is true that the NBI recovered bad medicines from respondent's colleagues on May 7, 1993 when they were arrested, this does not appear to constitute a violation of RA 3720: according to Mercado, the bottled bad medicines could not be burned in the pile because they would explode - which is true as a matter of experience - and thus, they had to be brought to a location in Taguig where their contents would be emptied, destroyed and the bottles recovered and given to the helpers as compensation, in accordance with accepted practice sanctioned by the petitioners. However, before they could get to the said location, they were intercepted and arrested by the NBI. Also, prior surveillance operations conducted by the NBI in March 1993 do not even indicate that respondent and his colleagues were involved in a syndicate relative to the sale of bad medicines; the testimony of NBI agent Lavin yields nothing other than that they conducted surveillance and tailing operations; he does not even know the identities of the individuals they were tailing at the time. The photographs taken during the operations do not show that respondent was there, or that he was performing illegal acts or omissions. Petitioners' very own witness, Marsman Employee Manager Efren Cruz,

admitted that he doubted the accuracy of the surveillance operations.[38]

In short, while Marsman officials confined themselves to their secure and relaxed offices, they simply relied on Iledan's claim that he received a tip from a so-called informant and did not even lift a finger to verify the truth of allegations that their bad medicines were being peddled in Parañaque. On the strength of a questionable and unreliable third party tip - by telephone at that, petitioners set into motion an investigative and prosecutorial process that resulted in a bungled, crackpot operation and the inevitable acquittal of the respondent. If petitioners and the NBI were prudent and clever enough, they would have taken the surveillance operations all the way to the point where the bad medicines were being actually sold to the public, before any arrests were made; instead, their half-baked and poorly planned operation yielded nothing to build a case on. As expected, Criminal Case No. 9070 could only be dismissed.

The fact that the plaintiff in a malicious prosecution case is acquitted of the criminal charge precisely places the prior finding of probable cause in issue, which must be determined in the malicious prosecution case. If the plaintiff was acquitted for reasons other than lack of probable cause, then certainly the malicious prosecution case cannot prosper. Thus, petitioners are correct in arguing that acquittal does not disprove the existence of probable cause. However, they are mistaken in concluding that respondent's acquittal was based on failure to prove guilt beyond reasonable doubt and not lack of probable cause. As a matter of fact, respondent's acquittal was due to lack of evidence, which presupposes lack of probable cause.

The Court is inclined to believe respondent and Mercado's statements that there is a standing company practice not to include bottled medicines in the burning process and that, instead, these are emptied of their contents and the bottles given to helpers as compensation or sold to the junk shops. Firstly, if these bottled medicines are burned, they would in all likelihood explode and potentially harm respondent and his colleagues; in short, it is not - from a practical point of view - acceptable procedure to burn them. Secondly, notwithstanding petitioners' claim that such procedure is not sanctioned, they have not offered any proof of strict protocol regarding disposal of bottled medicines other than to say that these medicine bottles should be crushed - which procedure, again, is unsafe and potentially harmful to respondents, his colleagues, and the public in general, since it is apparent that petitioners have not provided respondent and his colleagues the appropriate equipment and venue for crushing the bottles safely and efficiently. Quite the opposite, it appears that petitioners have adopted an irresponsible, unsafe, unhygienic, dangerous, unconscientious and lax procedure relative to the disposal of Marsman's bad medicines; their overwhelming attitude appears to be that it does not matter where or how the bad medicines are disposed, so long as they are gotten rid of. Indeed, the lack of safeguards and the multiple loopholes relative to the procedure of disposal, as well as the indifference and unconcerned attitude adopted by petitioners, are simply astounding. There is an absolute lack of strict protocol and procedure in the disposal of bad medicines. There is no controlled environment for the complete destruction of these potentially harmful chemicals: they are simply brought to a vacant lot or open space - where scavengers gather and ogle, hoping to salvage something from the pile of hazardous substances - or private residential or commercial lot, there to be burned without regard for the health and safety of bystanders and residents. The bad medicines are burned openly and the fumes allowed to escape freely, contaminating the environment, wreaking havoc and causing unimaginable damage and deadly disease; worse, the resultant chemical reactions caused by burning - which have permanent effects on the soil, groundwater, and all animal life in general - are of no concern to petitioners. The destruction is carried out and witnessed by lowly employees of Marsman - bereft of proper accountability and training — and whose attention is distracted as they must simultaneously attend to the personal needs of the BIR and pharmaceutical company representatives, feed them and men drive them home.[39] The warehouse head Iledan, all the while, simply sits idly in his comfortable office, there to conveniently await the return of his supervisor. It is as if Marsman actually encourages the pilferage of bad medicines. If any such pilferage occurs, Marsman and its officials should be

prosecuted together with the perpetrators; indeed, Marsman should be held responsible for downright negligence in failing to carry out strict procedure for the disposal of its bad medicines, which promotes permanent environmental damage and the introduction of these harmful products to the public at large. If there is anyone who should be prosecuted criminally for flagrant violations of RA 3720 and environmental laws, it should be the petitioners.

On the issue of legal malice, the Court notes respondent's complaint which specifically alleged that when Iledan assumed his position as warehouse manager, he was arrogant and hostile toward the employees and even manifested his desire to replace respondent and other employees of the respondent's warehouse. Respondent testified particularly that Iledan did not relish his attempt in 1992 at establishing a supervisors' union, and that Iledan was angry at union members. Mercado corroborated this, testifying that in December 1992, he invited Iledan and his family to their house for dinner, where Iledan became intoxicated and said "Kayong mga unionista, ida-down ko kayong lahat sa warehouse;" that was "mad with the unionista and those in the warehouse;" that union members like him will not stay long because Iledan will file cases against them; that Iledan will terminate him from the service; that Iledan was not able to say anything more as his wife - Malou, whom he knew - persuaded him to leave because what he was doing was wrong; and that he reported the incident to the union president, which prompted the union to send a letter to Iledan. For his part, Iledan affirmed that he and his family attended the December 1992 dinner at Mercado's home, but simply denied that he was intoxicated and made the remark about targeting union members. He did not present his wife to testify in his favor; nor did he refute the letter sent to him by the union pertaining to the December 1992 incident.

As against Iledan's denial, respondent's declarations and Mercado's testimony deserve weight. Iledan was prompted by hatred, malice and bad faith in deliberately initiating a baseless action against respondent, Mercado and their colleagues, with the solitary purpose of humiliating and harassing them and ultimately causing their removal from Marsman. It must be recalled that Iledan was the recipient of the supposed telephone tip from Miguel, whose identity and existence is exceedingly questionable since he was not presented in court. Relying blindly on Iledan's supposed information, Marsman immediately sought NBI assistance without the benefit of tackling the matter internally in order to make sikre that the tip was reliable in the first place. When respondent was illegally arrested in the presence of Iledan, no protest was heard from petitioners as a measure of concern for one of their long-serving employees. They allowed respondent and his colleagues to be humiliated and shamed before a press conference, where their photographs were taken and published indiscriminately in several newspapers as members of a supposed syndicate which sold Marsman's bad medicines - even before their guilt or innocence could be preliminarily or finally determined. Respondent was then illegally detained in an NBI detention cell for at least 10 days, where he experienced untold suffering. All these culminated in a false criminal charge and respondent's dismissal from Marsman.

On the issue of indemnity, we hold that since respondent has shown that all the elements of a malicious prosecution case are present, and that petitioners acted with evident bad faith, malice, and in gross disregard of respondent's rights, a grant of damages is only proper. Suffice it to state that the Court is in total agreement with the CA when it held that:

As regards the award of moral and exemplary damages as well as attorney's fees, We affirm the court a quo's findings that defendants-appellants are liable for damages for the malicious prosecution of appellee x x x

x x x x

The award of moral damages is proper when the following circumstances concur: (1) there is an injury, whether physical, mental or psychological, clearly sustained by the claimant; (2) there is a culpable act or omission factually established; (3) the wrongful act or omission of the defendant is the proximate cause of the

injury sustained by the claimant; and (4) the award of damages is predicated on any of the cases stated in Article 2219.

Exemplary damages are awarded in addition to moral damages if the basis for the latter was established. It must be shown that the party acted in a wanton, oppressive or malevolent manner for the award of exemplary damages to be proper.

The discretion of the court to award attorney's fees under Article 2208 of the Civil Code demands factual, legal, and equitable justification, without which the award is a conclusion without a premise, its basis being improperly left to speculation and conjecture. In all events, the court must state the reason for the award of attorney's fees.

As discussed by the court a quo and We agree, plaintiff-appellee's detention, presentation to the media and prosecution in an unfounded suit caused him and his family great damage, mental anguish, and serious anxiety which entitles him to the damages awarded. Also, the court a quo opined that defendants-appellants had several chances in rectifying [sic] their error particularly when the criminal case was dismissed but the latter failed to do so. Thus, plaintiff-appellee was constrained to go to court.[40]

WHEREFORE, the Petition is DENIED. The assailed April 29, 2011 Decision and September 16, 2011 Resolution of the Court of Appeals in CA-G.R. CV No. 87004 are AFFIRMED IN TOTO.

Let a copy of this Decision be furnished to the Department of Environment and Natural Resources for the conduct of investigation on Marsman's practice of disposing its bad order and expired medicines through unsanitary and unsafe means in violation of Republic Act No. 6969[41] and other applicable environmental and safety laws, and the filing of proper criminal, civil, and other charges if warranted.

SO ORDERED.

Carpio, (Chairperson), Brion, Peralta,[*] and Leonen, JJ., concur.

[*] Per Raffle dated July 20,2015.

[1] Rollo, pp. 10-42.

[2] Id. at 44-59; penned by Associate Justice Rodil V. Zalameda and concurred in by Associate Justices Amelita G. Tolentino and Normandie B. Pizarro.

[3] Id. at 61-62.

[4] Id. at 13.

[5] Id.

[6] Id. at 14-15.

[7] Id. at 84-85.

[8] Id. at 15.

[9] Id. at 85-86.

[10] Id. at 65, 86.

[11] Id. at 65, 69.

[12] Id. at 65.

[13] An Act To Ensure The Safety And Purity Of Foods, Drugs, And Cosmetics Being Made Available To The Public By Creating The Food And Drug Administration Which Shall Administer And Enforce The Laws Pertaining Thereto. June 22, 1963.

[14] Further Amending Republic Act No. 3720, Entitled "An Act To Ensure The Safety And Purity Of Foods, Drugs, And Cosmetics Being Made Available To The Public By Creating The Food And Drug Administration Which Shall Administer And Enforce The Laws Pertaining Thereto," As Amended, And For Other Purposes. May 22, 1987.

[15] Rollo, pp. 129-133; penned by Judge Virgilio D. Quijano.

[16] Id. at 132-133.

[17] Id. at 170.

[18] Id. at 136-142.

[19] Id. at 137.

[20] Id. at 143-153.

[21] Should be 1993.

[22] Rollo, pp. 64-78.

[23] Id. at 63-89; penned by Judge Bonifacio Sanz Maceda.

[24] Id. at 89.

[25] Citing *Lucas v. Royo*, 398 Phil. 400, 408 (2000).

[26] Rollo, p. 59.

[27] Id. at 19.

[28] Id. at 581-587.

[29] Citing *Villanueva v. United Coconut Planters Bank*, 384 Phil. 130, 143 (2000).

[30] Citing *Diaz v. Davao Light and Power Company, Inc.*, 549 Phil. 271, 293 (2007).

[31] Citing *Magbanua v. Junsay*, 544 Phil. 349 (2007); *Diaz v. Davao Light and Power Company, Inc.*, id.

[32] Civil Case No. LP-96-0040, Regional Trial Court of Las Piñas City, Branch 255.

[33] Rollo, pp. 562-578.

[34] *Supra* note 31.

[35] Id. at 364-365.

[36] "Probable cause, for purposes of filing a criminal information, are such facts as are sufficient to engender a well-founded belief that a crime has been committed and that the accused is probably guilty thereof. It is the existence of such facts and circumstances as would excite the belief in a reasonable mind, acting on the facts within the Knowledge of the prosecutor, that the person charged was guilty of the crime for which he is to be prosecuted. A finding of probable cause needs only to rest on evidence showing that, more likely than not, a crime

has been committed and that it was committed by the accused." Philippine National Bank v. Tria, G.R. No. 193250, April 25, 2012, 671 SCRA 440, 452.

[37] People v. Blanco, G.R. No. 193661, August 14, 2013, 703 SCRA 597, 605.

[38] Rollo, p. 77; TSN, April 24, 2003.

[39] Iledan testified that as a matter of procedure, respondent was authorized to leave the destruction site even before the bad order medicines were destroyed, in order to have lunch with the representatives.

[40] Rollo, pp. 57-58.

[41] TOXIC SUBSTANCES AND HAZARDOUS AND NUCLEAR WASTES CONTROL ACT OF 1990. October 26, 1990.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.