REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Second Division, issued a Resolution dated **02 March 2022** *which reads as follows*:

"UDK-16943 ***(Matt Ian J. Baron v. Lexmark Research & Development Corporation).*** – This resolves the Petition for Review on *ertiorari*[1] under Rule 45 of the Rules of Court assailing the Decision[2] dated March 17, 2020 and the Resolution[3] dated January 26, 2021 promulgated by the Court of Appeals (CA) in CA-G.R. CEB CV. No. 06998.

The facts, as culled from the records of the case, are as follows:

On April 1, 2004, Matt Ian J. Baron (petitioner) was hired by respondent Lexmark Research & Development Corporation (respondent) as a Technical Writer, whose job entailed creating user manuals for respondent's printer products. In July 2005, petitioner applied for and was chosen by respondent to be its service writer.

Petitioner was sent on two (2) occasions to Lexington, Kentucky, United States of America (USA) for training.

For the first time, on May to August 2004, petitioner signed a Training Memorandum of Agreement (TMA) prior to his departure. He completed his training and continued working for respondent upon his return.

For his second trip, petitioner was not able to sign an agreement as he went on leave for two weeks prior to his departure from the Philippines. During his trip, respondent incurred expenses for petitioner's airfare,

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[1] *Rollo*, pp. 16-57.
[2] Id. at 58-73. Penned by Associate Justice Gabriel T. Ingles, with the concurrence of Associate Justices Alfredo D. Ampuan and Carlito B. Calpatura.
[3] Id. at 74-78.

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accommodations, and other necessary items. Upon his return, petitioner worked continuously for eight (8) months until he tendered his resignation on December 5, 2006, to take effect on January 5, 2007.

Sometime after tendering his resignation, respondent's officers directed petitioner to execute an unsigned TMA in view of his failure to do so prior to his second trip overseas. Petitioner refused to sign the TMA.

Thereafter, respondent sent petitioner a demand letter dated December 19, 2006, requiring petitioner to pay the amount of USD 5,485.52 or PHP 312,725.34 as reimbursement for training expenses. Respondent claimed that petitioner violated his employment contract and TMA, which required petitioner to render service for 24 months from the date of completion of his training.

Petitioner disclaimed the alleged breach of contract by claiming that he was working and not training in Lexington, Kentucky, USA, and is therefore not liable to reimburse respondent for training expenses. He added that he did not sign any TMA before his departure.

RTC Decision

In a Decision[4] dated October 11, 2013, the RTC found petitioner liable for breach of contract. The RTC found that the stipulation to render 24 months of service after training overseas was embodied in the employment contract between petitioner and respondent.

The RTC also found no merit in petitioner's contention that he was working, and not training, in Lexington, USA, as the evidence showed that the purpose of his trip was for specialization training on service writing. The RTC noted that petitioner even asked for an extension of his stay since the training period was insufficient to develop his competence as a service writer.

In addition to the actual damages in the amount of PHP 367,802.00, which represented the pro-rated amount that petitioner is liable to reimburse respondent, petitioner was ordered to pay PHP 100,000.00 as exemplary damages and PHP 100,000.00 as attorney's fees.

CA Decision

Aggrieved, petitioner appealed to the CA, which affirmed the RTC's ruling in a Decision[5] dated March 17, 2020.

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[4] Id. at 122-187. Penned by Presiding Judge Estela Alma A. Singco.
[5] Id. at 58-73.

The CA found the execution of the TMA to be a surplusage of the employment contract, which already expressly provides for the 24-month service requirement after overseas training. The CA also found that petitioner's unjustifiable refusal to sign the TMA shows evident bad faith, meriting the award of exemplary damages against him.

The CA denied petitioner's motion for reconsideration in a Resolution dated January 26, 2021.

Hence, this petition.

The Court's Ruling

At the outset, the Court notes that the petition raises questions of fact and of law.

Section 1 of Rule 45 of the Rules of Court dictates that only questions of law may be raised in a petition for review on *certiorari*.[6] A question of fact exists "when the doubt or difference arises as to the truth or the falsehood of alleged facts."[7] On the other hand, a question of law exists "when the doubt or difference arises as to what the law is on a certain state of facts."[8]

By way of exception, questions of fact may be raised in such petitions in the following circumstances: (1) when there is grave abuse of discretion; (2) when the findings are grounded on speculations; (3) when the inference made is manifestly mistaken; (4) when the judgment of the Court of Appeals is based on a misapprehension of facts; (5) when the factual findings are conflicting; (6) when the Court of Appeals went beyond the issues of the case and its findings are contrary to the admissions of the parties; (7) when the Court of Appeals overlooked undisputed facts which, if properly considered, would justify a different conclusion; (8) when the findings of the Court of Appeals are contrary to those of the trial court; (9) when the facts set forth by the petitioner are not disputed by the respondent; and (10) when the findings of the Court of Appeals are premised on the absence of evidence and are contradicted by the evidence on record.[9]

Specifically, the issue of whether the purpose for petitioner's travel to Lexington, Kentucky, USA was for training or for work, or both, is undeniably a question of fact. There is no showing of any of the exceptions that would

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[6] See *Century Iron Works, Inc. v. Banas*, 711 Phil. 576 (2013); *Kumar v. People of the Philippines*, G.R. No. 247661, June 15, 2020; *Miro v. Vda. De Erederos*, 721 Phil. 772, 773 (2013).
[7] *Miro v. Vda. De Erederos*, supra.
[8] Id.
[9] *New City Builders, Inc. v. National Labor Relations Commission*, 499 Phil. 207, 213 (2005), citing *Insular Life Assurance Company, Ltd. v. Court of Appeals*, 472 Phil. 11, 23 (2004).

lead this Court to reassess both courts' finding that petitioner's overseas trip was for training.

Factual issues aside, the legal issues raised in the petition can be simplified into two:

(1) Whether or not petitioner is liable for breach of contract for not rendering 24 months of service after availing of overseas training; and

(2) Whether or not petitioner is liable for exemplary damages and attorney's fees.

The Court resolves to deny the petition for lack of merit.

Petitioner is liable for breach of the employment contract for failing to render two (2) years of service after completing his overseas training.

Petitioner argues that he did not commit any breach of contract as he did not execute the TMA.

A contract is the law between the parties.[10] Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.[11] Unless the stipulations in a contract are contrary to law, morals, good customs, public order or public policy, the same are binding as between the parties.[12]

There is no dispute that petitioner and respondent freely entered into the employment contract subject of this case. As such, the terms and conditions thereunder are binding between them.

Petitioner's argument that the employment contract is void for being a contract of adhesion that heavily favors respondent also deserves scant consideration.

In *Tolentino, M.D. v. Court of Appeals*,[13] the Court described the legal consequences of contracts of adhesion as follows:

> A contract of adhesion is an agreement where one of the parties imposes a ready-made form of contract which the other party may accept or

[10] *Morla v. Belmonte*, 678 Phil. 102, 104 (2011).
[11] Id.
[12] Id.
[13] G.R. No. 171354, 546 Phil. 557, 563-564 (2007).

> reject, but which the latter cannot modify. One party prepares the stipulation in the contract, while the other party merely affixes his signature or his "adhesion" thereto giving no room for negotiation and depriving the latter of the opportunity to bargain on equal footing.
>
> It bears stressing that a contract of adhesion is just as binding as ordinary contracts. However, there are instances when this Court has struck down such contract as void when the weaker party is imposed upon in dealing with the dominant bargaining party and is reduced to the alternative of taking it or leaving it, completely deprived of the opportunity to bargain on equal footing. Nevertheless, **a contract of adhesion is not invalid per se**; it is not entirely prohibited. The one who adheres to the contract is in reality free to reject it entirely; if he adheres, he gives his consent.
>
> Should there be any ambiguity in a contract of adhesion, such ambiguity is to be construed against the party who prepared it. **If, however, the stipulations are not obscure, but are clear and leave no doubt on the intention of the parties, the literal meaning of its stipulations must be held controlling.**[14] (Emphases supplied)

It has also been held that absent any showing that the "adhering party" was disadvantaged, uneducated or utterly inexperienced, then there is no reason for courts to step in and protect the interest of the supposed weaker party.[15]

In the case at bar, there is no ambiguity in the employment contract, especially with respect to the stipulation pertaining to the service requirement after overseas training, which provides:

> 11. Contract of Undertaking
>
> The Company may send you for Overseas Training in accordance with the Company's Travel Policy. All travel and housing expenses related with the Training will be paid for by the Company and a per diem will be provided for food, laundry, and miscellaneous expenses. Consequently, **you will be required to stay under the employ of the Company for a period of not more than two (2) years from the date of the completion of the training**, as outlined in our Training Agreement Policy. **If you resign from the Company prior to the completion of the said service requirement, you are liable to pay the Company the full or remaining amount of the expenses as outlined above.**[16] (Emphases supplied)

Further, there is no showing that petitioner was so disadvantaged, uneducated, or utterly inexperienced in dealing with employment terms as to merit the court's intervention to protect his interest. In fact, the record shows that petitioner is a college graduate, holding an accountancy degree.[17]

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[14] Id.
[15] *Cabanting v. BPI Family Savings Bank, Inc.*, 781 Phil. 164, 169-170 (2006).
[16] *Rollo*, p. 69.
[17] Id. at 68-69.

As correctly found by the CA, petitioner breached the employment contract when he unilaterally terminated his employment (through his resignation) without having completely served the 24-month period after training overseas. It is undisputed that he had only worked for eight (8) months after the completion of his overseas training, contrary to the stipulation that he is required to stay with respondent for a period of not less than two (2) years after completion of his overseas training.

It is of no moment that petitioner failed and refused to execute the TMA prior to his departure. The CA correctly construed as a surplusage the requirement under the TMA for the respondent's HR Manager to require the concerned employee to sign the TMA to signify his or her understanding and acceptance of its contents. This is apparent in view of the express stipulation in the employment contract quoted above.

Therefore, the Court finds no reversible error on the part of the CA in holding petitioner liable for breaching the employment contract and ordering him to pay respondent the expenses that the latter had incurred in relation to petitioner's second trip abroad, less the pro-rated amount corresponding to the eight (8) months that petitioner had served upon completion of his training.

Petitioner is liable for exemplary damages and attorney's fees, as he acted in bad faith and in a fraudulent manner in refusing to satisfy respondent's claim for reimbursement.

The Court affirms the award of exemplary damages and attorney's fees.

Articles 2229 and 2232 of the Civil Code provide:

> Art. 2229. Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.
>
> Art. 2232. In contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner.

With respect to attorney's fees, Article 2208 of the Civil code provides:

> Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:
>
> (1) **When exemplary damages are awarded;**

> (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
>
> (3) In criminal cases of malicious prosecution against the plaintiff;
>
> (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
>
> (5) **Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim**;
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> (6) In actions for legal support;
>
> (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
>
> (8) In actions for indemnity under workmen's compensation and employer's liability laws;
>
> (9) In a separate civil action to recover civil liability arising from a crime;
>
> (10) When at least double judicial costs are awarded;
>
> (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered. (Emphases supplied)

Exemplary damages and attorney's fees were adjudged for petitioner's unjustified refusal to comply with respondent's demand for reimbursement and for execution of the TMA, which the CA and the RTC viewed as a showing of evident bad faith. Specifically, the basis for the RTC's award of exemplary damages was pronounced as follows:

> In sum, the court finds defendant to have committed an actionable wrong when he **unreasonably failed to comply with the 2 year service requirement** after completion of his training and/or despite demand, he **persistently refused to reimburse his training expenses**, commensurate to the number of months he failed to serve plaintiff, thus, effectively preventing plaintiff to benefit from his training for which he was sent, and causing it to incur unnecessary expenses which could have been applied for better use that will benefit it.[18] (Emphases supplied)

It is settled that good faith is always presumed and that one who alleges bad faith must establish it by clear and convincing evidence.[19] In *Adriano v.*

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[18] Id. at 185.
[19] *Espinoza v. Mayandoc*, 812 Phil. 95, 96 (2017).

Lasala,[20] the Court elaborated on what constitutes bad faith with respect to contractual relations:

> Bad faith does not simply connote bad judgment or negligence. It imports a **dishonest purpose** or **some moral obliquity and conscious doing of a wrong, a breach of known duty through some motive or interest or ill will that partakes of the nature of fraud**. It is, therefore, a question of intention, which can be inferred from one's conduct and/or contemporaneous statements.[21] (Emphases supplied.)

In the case at bar, petitioner was fully aware of the obligations that arise subsequent to overseas training provided by respondent at the latter's cost. This is shown by the fact that petitioner had already been sent abroad for training in 2004, and he had served the required months of service, although he continued his employment even beyond the required period. Yet, despite his knowledge of his obligations, he still refused to comply with respondent's reasonable and fair demands.

Further, the record shows that in evading payment of respondent's claim, petitioner set forth the defense that he had already served the required period of service, citing the wording of the employment contract that states that he would only be required to stay for a period of "not more than two (2) years" from the date of the completion of the training.[22] Petitioner posited that even if he had worked for only a week, he would have still satisfied the period of not more than two (2) years.[23]

Petitioner also disclaimed any liability by arguing that there was no TMA executed prior to his trip. This, despite being aware of the pertinent stipulation under the employment contract and the expenses that respondent shouldered for his overseas training that lasted for more than three months, one month of which was an extension that he sought from respondent.

It is thus apparent that petitioner availed of the overseas training offered by respondent with the fraudulent intention of not being bound by either the two-year service period or the requirement to reimburse respondent for expenses. This is clearly shown by his refusal to execute the TMA, his absurd view that a week's work would satisfy the two-year service period requirement, and his contention that he was sent abroad not for training, but for work.

Verily, the unjustified refusal of petitioner to comply with respondent's simple claim for reimbursement through feigned defenses and illogical constructions of plain contractual stipulations show bad faith on his part and

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[20] 719 Phil. 408 (2013).
[21] Id. at 409.
[22] *Rollo*, p. 31.
[23] Id.

reflects a fraudulent intention of unjustly enriching himself at respondent's expense.

All told, therefore, the CA committed no reversible error in affirming the RTC decision.

Consistent with the Court's ruling in *Nacar v. Gallery Frames*,[24] legal interest at the rate of six percent (6%) *per annum* is imposed on all monetary awards from finality of this resolution until its full satisfaction.

WHEREFORE, the instant petition for review on *certiorari* is **DENIED** for lack of merit. The March 17, 2020 Decision and the January 26, 2021 Resolution of the Court of Appeals in CA-G.R. CEB CV. No. 06998 are **AFFIRMED with MODIFICATION** in that all amounts due shall be subject to legal interest of six percent (6%) *per annum* from the finality of this resolution until full satisfaction.

SO ORDERED."

By authority of the Court:

TERESITA AQUINO TUAZON
Division Clerk of Court
18 AUG 2022

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HON. PRESIDING JUDGE (reg)
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(Civil Case No. CEB-33089)

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*with copy of the CA Decision dated March 17, 2020 & Resolution dated January 26, 2021
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UDK16943. 03/02/2022(200)URES

[24] 716 Phil. 267, 278-279 (2013).