



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **July 6, 2022** which reads as follows:*

“G.R. No. 202382 (*Team Image Entertainment, Inc., v. Radio Philippines Network, Inc., Antonio M. Carandang, Victorino Vianzon, Luciano Firmacion and Teresita Mora*). – In this Petition for Review on *Certiorari*¹ (petition), petitioner Team Image Entertainment, Inc., (petitioner) assails the Decision dated 22 December 2011² and Resolution dated 25 June 2012³ promulgated by the Court of Appeals (CA) in CA-G.R. CV. No. 92698. The CA affirmed with modification the Decision⁴ dated 05 May 2008 rendered by Branch 58, Regional Trial Court (RTC) of Makati City and reduced the amount of damages awarded in favor of petitioner.

Antecedents

The case arose from a Complaint for Damages with Prayer for the Issuance of a Preliminary Prohibitory and Mandatory Injunction and Temporary Restraining Order filed by petitioner against respondent Radio Philippines Network, Inc. (RPN 9) and some of its officers, namely, Antonio M. Carandang, Victorino Vianzon, Luciano Firmacion and Teresita Mora (collectively, respondents).⁵ The CA summarized the factual backdrop of the case in this wise:

Plaintiff-appellee Team Image Entertainment, Inc. (TIE, for brevity) is a corporation engaged in the business of supplying inventory foreign programs such as telenovelas, movies, tv series,

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¹ *Rollo*, pp. 7-26

² *Id.* at 51-74; penned by Associate Justice Elihu A. Ybañez and concurred in by Associate Justices Celia C. Librea-Leagogo and Leoncia R. Dimagiba.

³ *Id.* at 89-92.

⁴ *Id.* at 30-49; penned by Presiding Judge Eugene C. Paras.

⁵ *Id.* at 30.

mini-series, docu-dramas, soap operas and the like. It also produced local shows for local television networks. As such, TIE enters into contracts, either as a block timer or as co-producer with the television network.

Sometime on 17 November 1997, plaintiff-appellee Team Image Entertainment, Inc. (TIE) and defendant-appellant Radio Philippines Network, Inc. (RPN 9) entered into a Memorandum of Agreement whereby TIE was guaranteed by RPN 9 specific airtime for its programs either as blocktimer or co-producer with the latter.

The MOA was signed by Felix Co (TIE president and CEO) and Rex Lores (RPN's President and General Manager). Under the coproduction agreement which became effective 01 September 1997, TIE was guaranteed fringe prime time slots (6:00 to 6:30 or 6:00 to 6:30 p.m. or 6:30 to 7:00 p.m.) from Monday to Friday for telenovelas; fringe prime time slots (6:00 to 7:00 p.m.) on Sundays; and prime time slots weekly between 7:00 to 10:00 p.m. Also, TIE was guaranteed a fringe prime time slot of 10:00 to 11:00 p.m. on Mondays including nine (9) slots on Saturday Night Playhouse and/or TV Greats on Friday per year for movies or specials. With regard to movies or specials, TIE agreed to pay RPN a minimum of Php500,000.00 per title payable five (5) working days before playdate.

On block time agreement, RPN guarantees to provide TIE with twelve (12) slots on Saturday Night Playhouse per year at a block time rate of Php700,000.00 per slot and twenty-four (24) slots on TV Greats on Friday per year on a block time rate of Php600,000.00 per slot effective 01 January 1998. TIE was also guaranteed an option to block time the slot of 12:00-1:00 p.m. noontime slot daily at a block time rate of Php40,000.00 per daily slot effective 01 May 1998.

In connection with the MOA, a barter agreement was entered into by RPN (thru Rex Lores) and TIE which allows RPN signing privileges at Manila Peninsula, Westin Philippine Plaza and ShangriLa Manila chargeable to the account of TIE with these hotels. The use of signing privileges was offset to TIE's account with RPN.

On 16 March 1998, TIE and RPN (thru Rex Lores) agreed to amend the time slot for the airing of telenovelas. Thus, it was agreed that the telenovelas will be aired Monday to Friday 7:00-7:30 p.m. starting 28 August 1998.

The relationship between TIE and RPN was smooth until defendant Antonio Carandang assumed office to replace Rex Lores as general manager and Chief Operating Officer (COO) of RPN.

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Initially, Carandang sent a letter to TIE on 15 September 1998 informing the latter that RPN is terminating the barter agreement concerning the signing privileges with the hotels provided to RPN. TIE expressed opposition to the said unilateral termination of the agreement. Absurdly, on 07 January 1999, Carandang again wrote TIE requesting that said barter agreement be extended until 31 December 1999.

The conflict between the parties started when RPN sent TIE conflicting program grid or schedule of programming of TV Greats on Friday and Saturday Night Playhouse which affected TIE's contracts with its clients. Thereafter, defendant Tessie Mora (RPN Program Operations Manager) sent a letter which was received by TIE on 26 February 1999 changing the slot of the telenovela "Esmeralda" from 7:00 p.m. to 6:30 p.m. TIE immediately indicated strong opposition on said change of time slot in its letter dated 01 March 1999.

On 22 March 1999, defendant Mora, again, wrote TIE informing the latter that the block time rate for the program special entitled "PLATTERS: ONLY YOU 1 & 2" is increased from the current rate of Php115,000.00 to Php275,000.00 per hour slot. TIE replied objecting on said increase for being unreasonable, unjustified and contrary to their existing MOA covering the said program.

On 23 March 1999, TIE received another letter, this time, from RPN's counsel informing them that RPN is rescinding the MOA dated 17 November 1997 on grounds of series of serious breach of said MOA. The contract is allegedly too disadvantageous to RPN and that said MOA does not bear the approval of the PCGG since RPN is a sequestered corporation. The following day, TIE contested the said unilateral rescission of the MOA stating its position on the alleged series of serious breach of the MOA imputed against them by RPN but to no avail. Later on, RPN canceled the airing of TIE's other programs which resulted in losses amounting to Php117,000,000.00. Thus, TIE was constrained to file this suit for damages against RPN.

During trial, defendant Carandang testified that, initially, he sought to cancel the barter agreement in order to collect cash from TIE instead of signing privileges since RPN then was financially unstable. However, Carandang also testified that he opted to renew the said barter and even asked TIE that it be extended beyond February 1999 since TIE said that it did not have money to pay in cash instead of the barter. Thus, the barter continued to be in effect between the parties but was not extended beyond February because, according to plaintiff, the Hotels will not agree since the use of signing privileges has a time frame or an expiration which is only up to February 1999.

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Carandang also testified that they decided to rescind the MOA due to series of violations committed by TIE such as failure to provide program titles in advance, failure to generate profit for RPN in various programs and to pay an outstanding obligation in the amount of Php17,000,000.00 more or less.

Defendant Mora also testified that she was the one in-charge in advance scheduling of programs. She likewise admitted that she was in-charge of program listings but defendant Carandang is the Chairman of the Programs Committee who does the recommendations and cancellation of any program. She also declared that she sent notices to TIE whenever there is cancellation of the latter's program except for instances when the cancellation or transfer of any program is within 24 hours.

Also testifying for the defendants is Susan Melendrez y de la Cruz, RPN's accounting director, in order to establish the indebtedness of TIE to RPN in the amount of Php17,000,000.00 (more or less). However, during her cross examination, she admitted that the documents in support of TIE's outstanding obligation with RPN were neither dated nor signed.⁶

Ruling of the RTC

On 05 May 2008, the RTC rendered a Decision⁷ in favor of petitioner and awarded damages, more specifically outlined as follows:

WHEREFORE, finding preponderance of evidence on the part of plaintiff, this Court hereby renders judgment as follows:

1. Ordering permanency of the Prohibitory and Mandatory Injunction issued by this Court at the onset of trial;
2. Ordering defendants to pay plaintiff the sum of P17,000,000.00 as actual or compensatory damages;
3. Ordering defendants to pay plaintiff P15,000,000.00 exemplary damages or corrective damages;
4. Ordering defendants to pay plaintiff P3,000,000.00 by way of attorney's fees; and
5. Ordering defendants to pay plaintiff the costs of suit.

SO ORDERED.⁸

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⁶ Id. at 52-58.

⁷ Id. at 30-49.

⁸ Id. at 48-49.

According to the RTC, RPN 9 erred in unilaterally rescinding the Memorandum of Agreement (MOA) it executed with petitioner. Based on the MOA, rescission of the agreement necessitates extremely compelling considerations with due regard to the investment of the parties and interest of the viewing public. However, the evidence presented by the parties showed the lack of any extremely compelling consideration necessitating the unilateral rescission of the MOA. As such, respondents' claim that the MOA was void for lack of approval by the Presidential Commission on Good Government (PCGG) is unfounded. Hence, the RTC granted petitioner's prayer for the award of ₱117,000,000.00 as actual damages apparently suffered by the company, as well as other damages arising from RPN 9's breach of contract.⁹

Ruling of the CA

The CA, in its assailed Decision¹⁰ dated 22 December 2011, affirmed with modification the RTC's ruling, *viz.*:

WHEREFORE, premises considered, the instant appeal is **PARTIALLY GRANTED**. The 05 May 2008 Decision of Branch 58 of the Regional Trial Court in Makati City in Civil Case No. 99-969 is hereby **AFFIRMED with MODIFICATION**. As modified, the award of P117,000,000.00 as actual damages is **DELETED**, and in lieu thereof, the amount of P300,000.00 as temperate damages is **AWARDED**. Further, the amount of exemplary damages is **REDUCED** to P100,000.00, and the attorney's fees to P50,000.00.

The said Decision is **AFFIRMED** in all other respects.

SO ORDERED.¹¹

As ruled by the appellate court, the MOA executed by the parties need not be approved by the PCGG since two-thirds of the corporation's board members are already PCGG's nominees. Moreover, RPN 9 did not have the right to unilaterally rescind the MOA due to unfounded breaches committed by petitioner. Conversely, it was RPN 9 which caused the unilateral, irregular, and instantaneous changing or rescheduling of programs causing conflicting programs grid or schedule of airtime. This derailed

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⁹ Id. at 44-48.

¹⁰ Id. at 51-74.

¹¹ Id. at 73.

petitioner's commitments to its clients and sponsors. Again, only "extremely compelling considerations" may be a cause for the termination of the MOA. Said vague term needs court interpretation before rescission could be had.¹²

The CA further found that respondents failed to prove petitioner's outstanding obligation to RPN 9 since the documents presented were unsigned and undated. It likewise ordered the deletion of the award of actual damages in favor of petitioner since there were no receipts or evidentiary proof to support such claim. Instead, the CA awarded temperate damages after recognizing that petitioner suffered losses, albeit unaccounted, due to the unilateral rescission of the MOA. The CA also reduced the amount of exemplary damages from ₱15,000,000.00 to ₱100,000.00 since this award was not intended to enrich a party but only imposed as a corrective measure against a guilty party.¹³

Issue

Petitioner now comes before the Court assailing the CA's modification of the awards granted to them. Thus, the issue for Our resolution is whether the CA erred in awarding temperate damages in lieu of actual damages and reducing the amount of exemplary damages and attorney's fees given to petitioner.

Ruling of the Court

The petition lacks merit.

Petitioner failed to prove the actual amount of loss it suffered with reasonable degree of certainty

The concept of actual or compensatory damages is described under Article 2199 of the Civil Code, which reads:

Article 2199. Except as provided by law or by stipulation, one is entitled to an adequate compensation only for such pecuniary loss suffered by him as he has duly proved. Such compensation is referred to as actual or compensatory damages.

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¹² Id. at 66-69.

¹³ Id. at 60-72.

Under the above provision, actual or compensatory damages are those awarded in satisfaction of, or in recompense for loss or injury sustained. They proceed from a sense of natural justice and are designed to repair the wrong that has been done, to compensate for the injury inflicted. They either refer to the loss of what a person already possesses (*daño emergente*), or the failure to receive as a benefit that which would have pertained to him (*lucro cesante*).¹⁴

To recover actual damages, an injured party is required to prove the actual amount of loss with reasonable degree of certainty based on competent proof and best evidence available. The burden of proof is on the party who would be defeated if no evidence would be presented on either side. The degree of proof required is preponderance of evidence meaning the evidence adduced by one side is superior to that of the other. Hence, damages cannot be presumed, and courts are required to identify specific facts serving as basis for measuring compensatory damages. Otherwise stated, courts cannot merely rely on speculations, conjectures, guesswork or uncorroborated testimony anent the fact and amount of damages in making an award.¹⁵

Here, the Court agrees with the CA that petitioner failed to prove the actual amount of loss it suffered with reasonable degree of certainty. Its only basis for its claim is the testimony of its lone witness, Mr. Felix Co, who simply claimed that petitioner suffered damages in the amount of ₱117 million representing loss of sales from commercials without any further discussion on how petitioner arrived at such valuation. Said conclusion is evident even in petitioner's assertions before the Court, aptly quoted as follows:

The trial court is the best and most competent party to appreciate the weight of petitioner TIE's evidence. The trial court had observed the demeanor of petitioner's witness, Felix Co, who personally signed the MOA and transacted with respondents, and it is of judicial notice that the appreciation by the trial court of the testimonial and documentary evidence before it deserves considerable weight. In the case at bar, the trial court's findings on the testimony of petitioner's lone witness, Mr. Felix Co, was so detailed that the trial court found it necessary to reflect the same in its Decision (Annex A). The testimony of Mr. Co, coupled with the number of documentary evidence identified and admitted (Exhibits A to L with submarkings) sufficed to convince the trial court that petitioner had the "preponderance of evidence" as compared to the testimonies of respondents' testimonial and documentary evidence.

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¹⁴ *Kabisig Real Wealth Dev., Inc. v. Young Builders Corp.*, 804 Phil. 389, 395-396 (2017).

¹⁵ *Id.*

In view of the “competent proof” presented by Petitioner TIE to support its claim for damages, it submits that the public respondent seriously erred when it deleted the award of actual damages in the amount of [P117,000,000.00].¹⁶

Clearly, petitioner’s argument before the Court centers more on how it successfully proved its entitlement to the payment of damages and not the actual amount of damages it suffered. Petitioner merely made a general but uncorroborated claim that it suffered an “estimated amount of ₱117 million” of damages.¹⁷ It did not even provide a breakdown for its claim of damages, nor did it present its contracts with its clients proving they stood to earn said amount but failed to do so because of respondents’ acts. In fact, the records are bereft of details as to the number of contracts affected and the consideration for each affected contract. The pieces of documentary evidence presented by petitioner solely consists of correspondences between the parties.¹⁸

As correctly pointed out by the CA, petitioner “merely prayed for in its [complaint] the amount of ₱117,000,000.00 as actual damages, but failed to prove the basis for the same.”¹⁹ There is, therefore, no single piece of evidence on record from which the amount of damages could be established thereby making the CA’s decision to delete the actual damages awarded to petitioner justified.

Notwithstanding the absence of sufficient proof for the award of actual damages, the Court still recognizes that petitioner suffered pecuniary loss due to RPN 9’s breach of the MOA. Hence, We find Article 2224 of the Civil Code as applicable to allow petitioner some form of redress, *viz*:

Article 2224. Temperate or moderate damages, which are more than nominal but less than compensatory damages, may be recovered when the court finds that some pecuniary loss has been suffered but its amount cannot, from the nature of the case, be provided with certainty.

Here, it was established that RPN 9’s modification of timeslots for petitioner’s shows, provision of conflicting program or grid schedule, and eventual unilateral rescission of the MOA, resulted to petitioner’s failure to uphold its commitment to its sponsors, who have already bought or placed commercial spots on petitioner’s

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¹⁶ *Rollo*, pp. 21-22.

¹⁷ *Id.* at 33.

¹⁸ *Id.* at 43-48.

¹⁹ *Id.* at 70.

programs. However, for failure of petitioner to establish by competent evidence the exact amount of damages it suffered, coupled with the lack of any basis for valuation of such loss, the Court is constrained to affirm the award of temperate damages in the amount of ₱300,000.00. This is consistent with the ruling in *Heirs of Gaité v. The Plaza, Inc.*,²⁰ where the Court affirmed the award of temperate damages in the amount of ₱300,000.00 after finding Rhogen Builders breached its contract with The Plaza, Inc.

The reduction of exemplary damages and attorney's fees is proper

As stated in Article 2229 of the Civil Code, exemplary damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated, or compensatory damages. In contracts and quasi contracts, exemplary damages may be awarded if the defendant acted in a wanton, fraudulent, reckless, oppressive or malevolent manner.²¹

The RTC and the CA consistently upheld petitioner's entitlement to exemplary damages by reason of RPN 9's arbitrary change of time slots for petitioner's shows, sudden increase of airtime rates without consultation, and unilateral rescission of the MOA. However, the CA deemed it fit to modify the amount awarded from ₱15,000,000.00 to ₱100,000.00 since the initial amount is too excessive and unconscionable.

We sustain the CA's reduction of the amount since "exemplary damages are imposed not to enrich one party or impoverish another, but to serve as a deterrent against or as a negative incentive to curb socially deleterious actions."²²

The same notion is upheld with respect to attorney's fees. While petitioner is entitled to such award since it was forced to litigate to protect its interest, coupled with RPN 9's refusal to satisfy petitioner's valid and demandable claim,²³ the award of attorney's fees

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²⁰ 655 Phil. 574, 594 (2011).

²¹ Article 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.

²² *Ardiente v. Spouses Pastorfide*, 714 Phil. 235, 247 (2013).

²³ *Id.*

should still be reasonable, just and equitable.²⁴ Hence, We deem reduction of the award of attorney's fees from ₱3,000,000.00 to ₱100,000.00 as proper.

However, We modify the CA's ruling to include the imposition of legal interest. Thus, all monetary awards in favor of petitioner shall earn interest at the rate of six percent (6%) per *annum* computed from the finality of this Resolution until full payment.²⁵

*There is no independent proof
of the officers' bad faith or
gross negligence*

Basic is the rule that a corporation is vested by law with a personality separate and distinct from that of each person composing or representing it. As such, only the corporation, and not its officers, may be held liable for its wrongful acts. Obligations incurred because of the directors' and officers' acts, as corporate agents, are not their personal liability but the direct responsibility of the corporation they represent.²⁶

The following requisites must concur before a director or officer of a corporation can be held personally liable for corporate obligations: (1) the complainant must allege in the complaint that the director or officer assented to patently unlawful acts of the corporation, or that the officer was guilty of gross negligence or bad faith; and (2) the complainant must clearly and convincingly prove such unlawful acts, negligence or bad faith.²⁷ In determining the presence of bad faith, courts probe if there is a "dishonest purpose or some moral obliquity and conscious doing of a wrong, not simply bad judgment or negligence. It means breach of a known duty through some motive or interest or ill will; it partakes of the nature of fraud." The bad faith or wrongdoing of the director or officer must be established clearly and convincingly considering bad faith is never presumed.²⁸ Meanwhile, gross negligence has been defined as "the want or absence of or failure to exercise slight care or diligence, or the entire absence of care. It evinces a thoughtless disregard of consequences without exerting any effort to avoid them."²⁹

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²⁴ *Yuchengco v. The Manila Chronicle Publishing Corp.*, 677 Phil. 442, 436 (2011).

²⁵ *Nacar v. Gallery Frames*, 716 Phil. 267, 281-283 (2013).

²⁶ *Lambert Pawnbrokers and Jewelry Corporation v. Binamira*, 639 Phil. 1, 14 (2010).

²⁷ *People v. Rios*, G.R. No. 226140, 26 February 2020.

²⁸ *Pioneer Insurance Surety Corp. v. Morning Star Travel & Tours, Inc.*, 763 Phil. 42, 444 (2015).

²⁹ *Villanueva v. Ganco Resort and Recreation, Inc.*, G.R. No. 227175, 08 January 2020.

In the present case, gross negligence or bad faith on the part of respondents Antonio M. Carandang (Carandang) as General Manager and Chief Operating Officer, Victorino Vianzon as Executive Assistant of Carandang, Luciano Firmacion as Senior Vice-President of Finance and Teresita Mora as Program Operations Manager,³⁰ were not sufficiently proven to justify a ruling of holding them solidarily liable with RPN 9. A corporation's wanton or oppressive act of breach of contract does not *ipso facto* mean that the corporate officers acted with gross negligence or bad faith. There must be independent proof of the officers' gross negligence or bad faith, which is apparently lacking in this case. Indeed, there is a lack of discussion on the supposed gross negligence or bad faith of the individual respondents either in the Decision dated 5 May 2008 rendered by the RTC or in the assailed Decision dated 22 December 2011 promulgated by CA. With no sufficient proof of the officers' gross negligence or bad faith inciting their corporate acts or decisions, the Court rules they cannot be held solidarily liable with RPN 9.

WHEREFORE, premises considered, the instant petition is hereby **DENIED**. Accordingly, the Decision dated 22 December 2011 and Resolution dated 25 June 2012 promulgated by the Court of Appeals in CA-G.R. CV. No. 92698 are **AFFIRMED with MODIFICATION** in that the total amount adjudged in favor of petitioner, Team Image Entertainment, Inc., shall earn interest at the rate of six percent (6%) per *annum* computed from the finality of this Resolution until full payment. Further, the finding of solidary liability of respondents Antonio M. Carandang, Victorino Vianzon, Luciano Firmacion, and Teresita Mora for the damages awarded in this case is **DELETED**.

SO ORDERED."

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court *ms slr*

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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³⁰ *Rollo*, pp. 32, 54-55.



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