



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

NOTICE

Sirs/Mesdames

*Please take notice that the Court, Third Division, issued a Resolution dated August 30, 2023, which reads as follows:*

**G.R. No. 218651 – LARA’S GIFTS AND DECORS, INC. and SPOUSES LUIS VILLAFUERTE, JR. and LARA MARIA R. VILLAFUERTE, petitioners, versus METRO, INC. and SPOUSES FREDERICK and LIZA JUAN, respondents.**

This is a Petition for Review on *Certiorari* (**Petition**),<sup>1</sup> dated July 27, 2015, filed by the petitioners Lara’s Gifts and Decors, Inc. (**LGD**) and Spouses Luis Villafuerte, Jr. (**Lray**) and Lara Maria R. Villafuerte (**Lara**) (collectively, the **petitioners**) assailing the Court of Appeals (**CA**) Decision (**CA Decision**),<sup>2</sup> dated November 19, 2014, and the Resolution (**CA Resolution**),<sup>3</sup> dated June 3, 2015 in C.A. G.R. CV No. 98412 entitled “*Lara’s Gifts and Decors, Inc. and Spouses Luis Villafuerte, Jr. and Lara Maria R. Villafuerte v. Metro, Inc. and Spouses Frederick and Liza Juan.*” The CA vacated the Regional Trial Court of Las Piñas City, Branch 253 (**RTC**) Decision (**RTC Decision**),<sup>4</sup> dated November 30, 2010 in Civil Case No. LP-03-0120 entitled “*Lara’s Gifts and Decors, Inc. and Spouses Luis Villafuerte, Jr. and Lara Maria R. Villafuerte v. Metro, Inc. and Spouses Frederick and Liza Juan,*” and remanded the case for further trial.

*The Facts*

LGD and the respondent Metro, Inc. (**Metro**) are corporations engaged in manufacturing, producing, selling, and exporting handicrafts. Lray and Lara are the President and Vice-President of LGD, respectively, while the respondents Frederick Juan (**Frederick**) and Liza Juan (**Liza**) are Metro’s principal officers.<sup>5</sup>

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<sup>1</sup> *Rollo*, pp. 13–69.

<sup>2</sup> *Id.* at 73–92. Penned by Associate Justice Maria Elisa Sempio Diy and concurred in by Associate Justices Ramon M. Bato, Jr. and Rodil V. Zalameda (now a Member of the Court).

<sup>3</sup> *Id.* at 93–95.

<sup>4</sup> *Id.* at 97–108. Penned by Presiding Judge Salvador V. Timbang, Jr.

<sup>5</sup> *Id.* at 74, CA Decision.

After a series of discussions, on April 21, 2001, the petitioners and the respondents entered into a business deal through which LGD will transfer and endorse to Metro purchase orders that it will receive from its buyers in the United States, subject to certain conditions. The terms of this agreement were finalized through a document denominated as the 2001 Agreement.<sup>6</sup> The 2001 Agreement is contained in an email which the respondents Frederick and Liza sent to James R. Paddon (**Paddon**), whom all of the parties to this case confirm as LGD's agent in the United States.<sup>7</sup>

The 2001 Agreement stated:

Dear Jim,

This is to confirm my resignation from AMC Philippines as per the e-mail I have sent to Nandie of AMC Philippines dated 13 Feb. 2001. As per my discussion with Lray, the following was initially agreed upon:

1. We will include a 15% commission for JRP/LGD on every merchandise we sell to Target Stores Corporation.
2. All Purchase Orders will be coursed through LGD and LGD will open the irrevocable Transferrable Commercial Letter of Credit at sight to METRO's China Company.
3. Production, Inspection, Monitoring, Shipping and Documentation will be handled solely by METRO and will be the full responsibility and full accountability of METRO.
4. METRO will participate in discussions with JRP and Target buyers.
5. METRO will furnish LGD all calc slips, prices, and all pertinent information or other information relevant to any Target Stores Transactions.
6. METRO will fully cooperate, coordinate, and work together with LGD to satisfy Target requirements.
7. All orders will be subject for confirmation through a Proforma Invoice agreed by all parties.
8. We will have open books or open communications between our 3 companies and will keep all information confidential from outside parties.

Jim, I think I have covered most of it but would like to consult you, Lray and Lara if I have missed or misunderstood anything. Please feel free to comment. I will let you know too if there is anything to add. Anyway, the important things are trust, the integrity, the business relationship, and most of all, our friendship.

I believe we will all have no problem on agreeing on things. It is just really a matter of communication and openness [sic].

Sincerely,

Ricky and Liza Juan<sup>8</sup>

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<sup>6</sup> Id. at 109–110.

<sup>7</sup> Id. at 75, CA Decision.

<sup>8</sup> Id. at 109.

On May 18, 2001, LGD, Metro, and a third company called Kerson Investment Ltd. (**Kerson**) entered into a contract denominated as Remittance of Commission Contract (**Remittance Contract**). The Remittance Contract reads:

This contract, made this 18th day of May, 2001 **by and between Lara's Gifts and Decors, Metro Inc., and Kerson Investment Ltd.**

Witnesseth: that in consideration of the mutual covenants and agreements to be kept and performed on the part of the said parties hereto respectively as herein stated, the said party Lara's Gifts & Decors, Inc. hereby covenant and agree that it shall:

Transfer Letters of Credit received from Target Corporation to **Metro Inc. / Kerson Investment Ltd.** The portion of their purchase order Including the 15% commission of JR Paddon and Associates and Lara's Gifts and Decors Inc. where 7.5% is the corresponding share for each, as soon as Lara's Gifts & Decors Inc. received the Letters of Credit from Target Corporation.

**And said party of Metro Inc. / Kerson Investment Ltd. covenants and agrees that it shall.** [sic]

**Remit 15% of the entire amount of Letter of Credit transferred to them by Lara's Gifts and Decors** as payment for commission of JR Paddon and Associates and Lara's Gifts and Decors Inc. to Lara's Gifts and Decors, Inc's bank account in Hongkong Shanghai Bank, Manila Branch, Account No. 001-071893-130 **who will likewise remit corresponding 7.5% to JR Paddon and Associates, immediately upon negotiation of said Letter of Credit.**

This contract shall be binding upon the parties, this successors (sic), assign and personal representation. Time is of the essences on all undertakings. This agreement shall be enforced under the laws of the Philippines. This is the entire agreement Signed on this 18th day of May, 2001.<sup>9</sup> (Emphasis supplied)

The Remittance Contract was signed by Lray on behalf of LGD. Frederick also signed for Metro and Kerson.<sup>10</sup>

The petitioners allege that from July 2001 to December 2001, LGD endorsed 29 purchase orders to Metro from its client Target Stores Corporation (**Target**). Metro shipped goods and products to Target covered by these 29 purchase orders. For these transactions, LGD endorsed to Kerson letters of credit in the total amount of US\$583,937.84. In accordance with the 2001 Agreement and the Remittance Contract, 15% or US\$87,590.86 should have been remitted to LGD. However, the petitioners claim that the respondents only remitted the amount US\$80,465.20.<sup>11</sup>

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<sup>9</sup> Id. at 111.

<sup>10</sup> Id.

<sup>11</sup> Id. at 76, CA Decision.

From January to April 2002, the petitioners allege that the respondents shipped goods to Target covered by 35 purchase orders endorsed by LGD. As payment for these goods and products, LGD endorsed to Kerson the corresponding letters of credit in the amount of US\$3,617,064.64. The amount of US\$542,559.69 or 15% of this total amount should have been remitted to LGD. However, the respondents remitted only the amount US\$212,650.69.<sup>12</sup>

From May 2002 to July 2002, the petitioners allege that the respondents shipped goods and products to Target amounting to US\$1,232,047.56. The petitioners endorsed a letter of credit to the respondents for this amount.<sup>13</sup>

However, according to the petitioners, sometime in May 2002, the respondents stopped remitting the 15% commission agreed upon in the 2001 Agreement and the Remittance Contract. Thus, on August 1, 2002, the petitioners, through counsel, sent a demand letter to the respondents. This demand went unheeded.<sup>14</sup>

Moreover, the petitioners allege that the respondents had been selling their products directly to Target, in clear breach of the 2001 Agreement and the Remittance Contract.<sup>15</sup>

In May 2003, the petitioners filed a Complaint for Sum of Money and Damages with a prayer for the issuance of a Writ of Preliminary Attachment against the respondents before the RTC. This was raffled to RTC Branch 197.<sup>16</sup> On June 4, 2003, the petitioners filed an Amended Complaint,<sup>17</sup> dated June 4, 2003, where they alleged that as of July 2002, the respondents have defrauded them in the total amount of US\$521,841.62.<sup>18</sup>

In its Order, dated June 23, 2003, RTC Branch 197 granted the petitioners' prayer for a writ of preliminary attachment. This was later on lifted through RTC Branch 197's Order (**August 12, 2003 Order**) dated August 12, 2003, upon the respondents' motion to discharge on June 26, 2003.<sup>19</sup>

The petitioners assailed the August 12, 2003 Order in a petition for *certiorari* filed before the CA. The CA granted the petition and reversed the

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<sup>12</sup> Id. at 77.

<sup>13</sup> Id.

<sup>14</sup> Id.

<sup>15</sup> Id. at 27–28, Petition.

<sup>16</sup> Id. at 20.

<sup>17</sup> Id. at 112–119.

<sup>18</sup> Id. at 118.

<sup>19</sup> Id. at 77–78.

August 12, 2003 Order in its Decision, dated September 29, 2004. The Court affirmed the September 29, 2004 Order.<sup>20</sup>

Meanwhile the case was re-raffled to RTC Branch 253 where respondents filed their Answer with Compulsory Counterclaim (**Answer**),<sup>21</sup> dated September 1, 2003.

In their Answer, the respondents claimed that it was Kerson, not Metro, which shipped the goods to Target. They also alleged that LGD endorsed the letter of credit to Kerson and not to Metro. Thus, Kerson, not Metro, benefitted from the transactions. According to the respondents, Metro is a mere agent of Kerson and thus should not be held personally liable for Kerson's liabilities to LGD, assuming there is any.<sup>22</sup>

To support their claim that Metro merely acted as Kerson's agent, the respondents presented as part of their evidence a Service Contract (**Service Contract**),<sup>23</sup> dated January 3, 2000 with Kerson. The Service Contract states in part:

This will confirm our service contract by which you will render us the following services: 1) Design Services, Graphics, Prototyping, and Quality Inspection; and 2) Metro, Inc. shall also represent Kerson Investment, Ltd. as the latter's non-exclusive agent in agreements concerning the sale or manufacture of its goods and products.

For and in consideration of the aforesaid services, Metro, Inc. shall be entitled to a mark-up on a cost plus method of pricing. Payment shall be done on monthly remittances based on a proposed budget submitted by Metro, Inc. and duly approved by Kerson Investment, Ltd.

It is understood that Metro, Inc. carries an independent business and undertakes contract under its own responsibility according to its own manner and method.

This contract shall commence to be in full force and effect commencing from January 3, 2000 until January 3, 2001, with yearly automatic renewals under the same terms and conditions, unless sooner revoked by either party for any cause whatsoever, by written notice served by one party to the other at least fifteen (15) days prior to the intended day of termination.<sup>24</sup>

Thus, considering that it was Kerson who benefitted from the transactions and considering that Metro is only Kerson's agent, the respondents

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<sup>20</sup> Id. at 79.

<sup>21</sup> Id. at 131-140.

<sup>22</sup> Id. at 136.

<sup>23</sup> Id. at 237.

<sup>24</sup> Id.

asserted that Kerson is an indispensable party who should have been impleaded in the case.<sup>25</sup>

The respondents also alleged that while the Remittance Contract stated that the 15% commission would be remitted to LGD who will then transfer Paddon's 7.5% share of the commission, this was later on amended by the parties. They also claimed that Paddon requested them not to remit his 7.5% share of the commission to LGD, which purportedly refused to give him his share.<sup>26</sup>

Further, the respondents argued that LGD, in breach of their 2001 Agreement and the Remittance Contract, diverted some of Target's purchase orders to other firms for a higher profit.<sup>27</sup>

### *The Ruling of the RTC*

After trial, the RTC rendered the Decision in favor of the petitioners.

The RTC found that the respondents breached the 2001 Agreement when they sold their products directly to Target.<sup>28</sup> They also violated the Remittance Contract when they refused to remit the agreed upon 15% commission to LGD.<sup>29</sup>

Further, the RTC gave credence to the petitioners' claim that Frederick owns Kerson and that Kerson is Metro's company in China referred to in the 2001 Agreement.<sup>30</sup>

Moreover, over the respondents' objection to the admissibility and credibility of the petitioners' evidence, the RTC concluded that the petitioners satisfactorily established the existence of the transactions involving Target, Metro, and Kerson and that LGD did not receive the commissions under the 2001 Agreement and the Remittance Contract. However, the RTC ruled that since the 2001 Agreement and the Remittance Contract provide that Paddon is entitled to receive 7.5% of the commission and the petitioner did not prove that they have any special authority to receive Paddon's share, they are only entitled to half of the unremitted commission in the amount of US\$260,920.81.<sup>31</sup>

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<sup>25</sup> Id. at 135, Answer.

<sup>26</sup> Id. at 137.

<sup>27</sup> Id. at 136.

<sup>28</sup> Id. at 102.

<sup>29</sup> Id. at 103.

<sup>30</sup> Id. at 103-106.

<sup>31</sup> Id. at 107.

The RTC also awarded the petitioners moral damages and attorney's fees.

The dispositive portion of the RTC Decision states:

WHEREFORE, upon the foregoing, judgment is hereby rendered in favor of the plaintiffs and against the defendants, ordering the latter to pay the former, jointly and severally, the following amounts of money:

- a) The sum of US\$260,920.81 in its equivalent in Philippine Peso as principal amount due corresponding to plaintiffs' 7.5% share in the commission due, with legal interest from finality of judgment until full payment;
- b) The sum of Php300,000.00, as and by way of moral damages;
- c) The sum of Php100,000.00, as and by way of attorney's fees; and
- d) The cost of suit.

SO ORDERED.<sup>32</sup>

The respondents appealed the RTC Decision through a Notice of Appeal,<sup>33</sup> dated January 25, 2011.

On the other hand, the petitioners filed a Motion for Partial Reconsideration,<sup>34</sup> dated January 31, 2011, on the issue of the computation of legal interest. The RTC denied this in its Order,<sup>35</sup> dated April 29, 2011. Thus, the petitioners filed their Notice of Partial Appeal,<sup>36</sup> dated May 16, 2011.

### *The Ruling of the CA*

The CA denied the petitioners' appeal and partially granted the appeal of the respondents. The dispositive portion of the CA Decision provides:

**WHEREFORE**, premises considered, plaintiffs-appellants' appeal is **DENIED** and defendants-appellants' appeal is **PARTIALLY GRANTED**.

The decision dated November 30, 2010 in Civil Case No. LP-03-0120 is **VACATED**. The case is **REMANDED** to Branch 253, Regional Trial Court of Las Piñas City, which is **DIRECTED** to conduct further proceedings with dispatch and order plaintiffs-appellants to implead the pertinent indispensable party/parties in this case.

**SO ORDERED.**<sup>37</sup> (Emphasis in the original)

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<sup>32</sup> Id. at 108.

<sup>33</sup> Id. at 248–249.

<sup>34</sup> Id. at 251–256.

<sup>35</sup> Id. at 257–258.

<sup>36</sup> Id. at 259.

<sup>37</sup> Id. at 92.

The CA disagreed with the petitioners' contention that Metro and Kerson should be treated as one company. According to the CA, the Remittance Contract itself shows that Metro and Kerson are independent of each other. Kerson is a party to the Remittance Contract, independent of and separate from Metro. Significantly, in making this conclusion, the CA relied on Lray's testimony during his cross-examination, where he stated:

Atty Atencia

So do we understand that Kerson is a separate company from Metro?

Witness

Metro and Kerson having different names are different entities but they are represented by Mr. Ricky Juan and Mr. Paddon, majority owner of Kerson.<sup>38</sup>

The CA explained:

What mostly baffles the Court is Mr. Villafuerte's own testimony that Mr. Paddon, who was supposed to be LGD's agent in the US, is actually the majority owner of Kerson. No possible explanation was offered to show that this vital testimony is just a result of inadvertence. If We sort this out logically, Metro, through the Spouses Juan, actually proposed the 2001 Agreement to Mr. Paddon, as stated in the agreement in email form; and Mr. Paddon turns out to be the majority owner of Kerson. Thus, it is illogical to conclude that Metro is one and the same as Kerson.

The Court, therefore, finds that Metro and Kerson are not one and the same but are actually very different entities.<sup>39</sup>

The CA also noted that the letters of credit were endorsed by LGD to Kerson and it was Kerson who actually negotiated them. Thus, it was Kerson, not Metro, which is the beneficiary of the proceeds of the letters of credit.<sup>40</sup>

Given the foregoing, the CA ruled that Kerson and Paddon are indispensable parties to the case because they have a direct interest in the outcome of the litigation. Thus, the CA held that the RTC Decision should be vacated and the case be remanded to the RTC so that the indispensable parties may be properly impleaded.<sup>41</sup>

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<sup>38</sup> Id. at 87.

<sup>39</sup> Id. at 89.

<sup>40</sup> Id. at 88.

<sup>41</sup> Id. at 91.



The CA also denied the petitioners' Motion for Reconsideration in the CA Resolution.<sup>42</sup>

The petitioners filed the Petition seeking the reversal of the CA Decision and the CA Resolution. They raise the following arguments:

First, Paddon is not the majority owner of Kerson and is therefore not an indispensable party. The CA should not have relied on a single statement in Lray's cross-examination. The CA should have taken a closer and holistic look at his testimony. According to the petitioners, Lray "only meant that it was respondent Frederick "Ricky" Juan who represented Kerson, as he honestly believed (as per Juan's representation) that Juan is a majority owner of Kerson, and not JRP [Paddon]."<sup>43</sup> The petitioners assert that this is corroborated by Lara's testimony, where she asserted that Frederick represented that he owns a factory in China, as well as the 2001 Agreement which states that LGD will open an irrevocable commercial letter of credit at sight to Metro's company in China.<sup>44</sup>

In truth, Paddon is LGD's agent for United States-based companies such as Target. This is a fact which the respondents admitted in their Answer and in Frederick's Judicial Affidavit.<sup>45</sup>

Second, Kerson is Metro's China company, as stated in the 2001 Agreement and as the RTC correctly concluded.<sup>46</sup> Further, even assuming that the respondents' claim is true that Metro is Kerson's agent, the respondents are still liable because they expressly bound themselves to pay the commissions and because they did not inform the petitioners that Metro is only acting as Kerson's agent.<sup>47</sup>

Third, under the 2001 Agreement and the Remittance Contract, the respondents obligated themselves to pay and remit the commissions to LGD. They cannot pass this obligation to a third party.<sup>48</sup>

Fourth, the respondents are estopped from claiming that Kerson is an indispensable party and that Metro acted merely as Kerson's agent.<sup>49</sup>

Fifth, the CA erred in not dismissing the respondents' appeal because their Defendants-Appellants' Brief (**Appellants' Brief**),<sup>50</sup> dated October 19,

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<sup>42</sup> Id. at 95.

<sup>43</sup> Id. at 34-35.

<sup>44</sup> Id. at 36.

<sup>45</sup> Id. at 37-39.

<sup>46</sup> Id. at 41-43.

<sup>47</sup> Id. at 43-45.

<sup>48</sup> Id. at 45.

<sup>49</sup> Id. at 50-52.

2012, failed to comply with the requirements under Section 13 of Rule 44 of the Rules of Court. In particular, the respondents' Appellants' Brief did not contain the following: "(a) a subject index of the matter in the brief with a digest of the arguments and page references; (b) a clear and concise statement of the nature of the action and page references to the record in the Statement of the Facts and the Case; (c) a clear and concise statement of the issues of fact or law to be submitted, to the court for its judgment; and (d) on the authorities cited, references to the page of the report at which the case begins and page of the report on which the citation is found."<sup>51</sup>

Sixth, the petitioners are entitled to legal interest that should be computed from extra-judicial demand and not from the finality of the judgment as the RTC Decision held.<sup>52</sup>

Finally, the petitioners are entitled to the payment of moral damages and attorney's fees.<sup>53</sup>

In their Comment (**Comment**),<sup>54</sup> dated March 18, 2016, the respondents argued:

First, the CA correctly concluded that Paddon is the majority owner of Kerson. Thus, it is clear that Metro and Kerson are independent entities. The respondents also highlighted that the CA's conclusion that Metro and Kerson are separate corporations is based on various pieces of evidence including Lray's admission in open court that Paddon is Kerson's majority owner.<sup>55</sup>

Second, Kerson is an indispensable party because it is the beneficiary of the letters of credit and is a party to the Remittance Contract.<sup>56</sup>

Third, Kerson is not Metro's China company. Further, the Remittance Contract is clear that it is a tripartite agreement among LGD, Metro, and Kerson.<sup>57</sup>

Fourth, the respondents are not estopped from claiming that they are not liable for Kerson's obligations and Metro merely acted as Kerson's agent. According to the respondents, the petitioners were aware that Kerson and

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<sup>50</sup> Id. at 260-299.

<sup>51</sup> Id. at 53-54.

<sup>52</sup> Id. at 58-63.

<sup>53</sup> Id. at 64-66.

<sup>54</sup> Id. at 462-496.

<sup>55</sup> Id. at 474-478.

<sup>56</sup> Id. at 478-479.

<sup>57</sup> Id. at 480-485.

Metro are independent entities and they did not rely on any supposed representation made by the petitioners that Metro owns Kerson.<sup>58</sup>

Fifth, given the foregoing, Kerson and Paddon are indispensable parties and thus should be given their day in court.<sup>59</sup>

Sixth, contrary to the petitioners' claim, the respondents' Appellant's Brief complied with the requirements under Section 13 of Rule 44 of the Rules of Court. At the very least, the respondents substantially complied with these requirements.<sup>60</sup>

Seventh, legal interest should be computed from the finality of the decision and not from extrajudicial demand because at the time of the petitioner's extrajudicial demand, the amount which the respondents purportedly owed to the petitioners was not yet established with reasonable certainty.<sup>61</sup>

Finally, the petitioners are not entitled to the payment of moral damages and attorney's fees precisely because the respondents have no outstanding liability to the petitioners. Kerson is the party who actually produced and shipped the goods to Target and negotiated the letters of credit. It is also the party who paid the commissions by sending them to Metro who then transferred them to LGD.<sup>62</sup>

### *The Issues*

The issues for the Court's resolution are:

1. Did the respondents' Appellant's Brief comply with the requirements under Section 13 of Rule 44 of the Rules of Court?
2. Are Paddon and Kerson indispensable parties?
3. Should the case be remanded to the RTC for further proceedings?
4. Should the legal interest be reckoned from the date of the petitioners' extrajudicial demand?
5. Are the petitioners entitled to moral damages and attorney's fees?

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<sup>58</sup> Id. at 485-490.

<sup>59</sup> Id. at 490.

<sup>60</sup> Id. at 491-492.

<sup>61</sup> Id. at 492-493.

<sup>62</sup> Id. at 494-495.

*The Ruling of the Court**The respondents' Appellants' Brief  
is defective*

The respondents' Appellants' Brief has no subject index, page references to the records in the statements of the case and statement of the facts, and a clear and concise statement of the issues of fact and law. These are express requirements under Section 13 of Rule 44 of the Rules of Court.

The respondents argue that their Appellants' Brief substantially complies with the requirements because it apprised the CA of the essential facts and nature of the case, as well as the issues raised and the laws necessary to resolve the case through the table of contents, the citation of authorities, the statement of facts and of the case, and the arguments containing six assignment of errors.<sup>63</sup>

The requirements in Section 13 of Rule 44 of the Rules of Court serve an important purpose. They are intended to aid litigants to "present to the appellate court in the most helpful light, the factual and legal antecedents of a case on appeal."<sup>64</sup>

In *De Liano v. Court of Appeals*,<sup>65</sup> the Court explained the importance of the parts of an appellants' brief as required in Section 13, Rule 44 of the Rules of Court. The Court said:

**The first requirement of an appellant's brief is a subject index. The index is intended to facilitate the review of appeals by providing ready reference, functioning much like a table of contents.** Unlike in other jurisdictions, there is no limit on the length of appeal briefs or appeal memoranda filed before appellate courts. The danger of this is the very real possibility that the reviewing tribunal will be swamped with voluminous documents. This occurs even though the rules consistently urge the parties to be "brief" or "concise" in the drafting of pleadings, briefs, and other papers to be filed in court. **The subject index makes readily available at one's fingertips the subject of the contents of the brief so that the need to thumb through the brief page after page to locate a party's arguments, or a particular citation, or whatever else needs to be found and considered, is obviated.**

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**The rules then require that an appellant's brief must contain both a "statement of the case" and a "statement of facts."** A statement of the case gives the appellate tribunal an overview of the judicial antecedents of the case, providing material information regarding the

<sup>63</sup> Id. at 492.

<sup>64</sup> *De Liano v. Court of Appeals*, 421 Phil. 1033, 1042 (2001).

<sup>65</sup> Id.

nature of the controversy, the proceedings before the trial court, the orders and rulings elevated on appeal, and the judgment itself. **These data enable the appellate court to have a better grasp of the matter entrusted to it for its appraisal.**

**In turn, the statement of facts comprises the very heart of the appellant's brief.** The facts constitute the backbone of a legal argument; they are determinative of the law and jurisprudence applicable to the case, and consequently, will govern the appropriate relief. Appellants should remember that the Court of Appeals is empowered to review both questions of law *and* of facts. Otherwise, where only a pure question of law is involved, appeal would pertain to this Court. An appellant, therefore, should take care to state the facts accurately though it is permissible to present them in a manner favorable to one party. The brief must state the facts admitted by the parties, *as well as* the facts in controversy. To laymen, the distinction may appear insubstantial, but the difference is clear to the practitioner and the student of law. Facts which are admitted require no further proof, whereas facts in dispute must be backed by evidence. **Relative thereto, the rule specifically requires that one's statement of facts should be supported by page references to the record. Indeed, disobedience therewith has been punished by dismissal of the appeal. Page references to the record are not an empty requirement. If a statement of fact is unaccompanied by a page reference to the record, it may be presumed to be without support in the record and may be stricken or disregarded altogether.**

When the appellant has given an account of the case and of the facts, he is required to state the issues to be considered by the appellate court. **The statement of issues is not to be confused with the assignment of errors: they are not one and the same, for otherwise, the rules would not require a separate statement for each. The statement of issues puts forth the questions of fact or law to be resolved by the appellate court.**<sup>66</sup> (Emphasis supplied; citations omitted)

The Court has dismissed appeals for an appellant's failure to comply with Section 13 of Rule 44 of the Rules of Court.<sup>67</sup> To be sure, there have also been instances when the Court opted not to dismiss an appeal on this ground. In *Lui Enterprises, Inc. v. Zuellig Pharma Corp.*,<sup>68</sup> the Court explained:

There are exceptions to this rule. In *Philippine Coconut Authority v. Corona International, Inc.*, the Philippine Coconut Authority's appellant's brief lacked a clear and concise statement of the nature of the action, a summary of the proceedings, the nature of the judgment, and page references to the record. However, this court found that the Philippine Coconut Authority substantially complied with the Rules. Its appellant's brief **'appris[e] [the Court of Appeals] of the essential facts and nature of the case as well as the issues raised and the laws necessary [to dispose of the case].'** This court **'[deviated] from a rigid enforcement of the rules'** and

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<sup>66</sup> Id. at 1042–1044.

<sup>67</sup> *Mendoza v. United Coconut Planters Bank, Inc.*, 656 Phil. 342 (2011); *Lui Enterprises, Inc. v. Zuellig Pharma Corp.*, 729 Phil. 440 (2014).

<sup>68</sup> 729 Phil. 440 (2014).

ordered the Court of Appeals to resolve the Philippine Coconut Authority's appeal.

**In *Go v. Chaves*, Go's 17-page appellant's brief lacked a subject index. However, Go subsequently filed a subject index. This court excused Go's procedural lapse since the appellant's brief '[consisted] only of 17 pages which [the Court of Appeals] may easily peruse to apprise it of [the case] and of the relief sought.' This court ordered the Court of Appeals to resolve Go's appeal 'in the interest of justice.'**

In *Philippine Coconut Authority and Go*, the appellants substantially complied with the rules on the contents of the appellant's brief. Thus, this court excused the appellants' procedural lapses.

**In this case, Lui Enterprises did not substantially comply with the rules on the contents of the appellant's brief.** It admitted that its appellant's brief lacked the required subject index, page references to the record, and table of cases, textbooks, and statutes cited. **However, it did not even correct its admitted 'technical omissions' by filing an amended appellant's brief with the required contents. Thus, this case does not allow a relaxation of the rules.**<sup>69</sup> (Emphasis supplied, citations omitted)

The Court finds it worth underscoring that the respondents did not include a subject index in their Appellants' Brief. They also did not include any page references to the records in their statement of the facts and statement of the case. To reiterate, if "a statement of fact is unaccompanied by a page reference to the record, it may be presumed to be without support in the record and may be stricken or disregarded altogether."<sup>70</sup> Moreover, the respondents also did not include an identification of the issues of fact and law raised in the appeal.

Significantly, while the respondents recognize that their Appellant's Brief lacked some of the requirements under Section 13 of Rule 44 of the Rules of Court, they made no effort to correct this by filing an amended brief in the CA. They are now before the Court arguing that they substantially complied with the rules which merits the application of the exception rather than the general rule. The Court rules that there is no reason to relax the rules in this case.

Section 1 (f) of the Rules of Court reads:

SECTION 1. Grounds for dismissal of appeal. — An appeal may be dismissed by the Court of Appeals, on its own motion or on that of the appellee, on the following grounds:

....

<sup>69</sup> Id. at 464–465.

<sup>70</sup> *De Liano v. Court of Appeals*, supra note 64 at 1044.

(f) Absence of specific assignment of errors in the appellant's brief, or of page references to the record as required in section 13, paragraphs (a), (c), (d) and (f) of Rule 44[.]

Thus, on this ground alone, the respondents' appeal should have been dismissed. Nonetheless, even on the merits, the CA should have denied the respondents' appeal.

*Paddon is not an indispensable party*

At the outset, the Court emphasizes that it is not a trier of facts. The rule is that in a Rule 45 petition for review on *certiorari*, only questions of law may be raised. The Court will generally not review questions of fact. There are, however, recognized exceptions to this rule. In particular, the Court may review questions of fact in the following instances: (1) when the conclusion is a finding grounded entirely on speculation, surmises and conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) where there is a grave abuse of discretion; (4) **when the judgment is based on a misapprehension of facts**; (5) when the findings of fact are conflicting; (6) when the CA, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) **when the findings are contrary to those of the trial court**; (8) when the findings of fact are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioners' main and reply briefs are not disputed by the respondents; and (10) **when the findings of fact of the CA are premised on the supposed absence of evidence and contradicted by the evidence on record.**<sup>71</sup>

In this case, the Court rules that the CA's factual finding with respect specifically to the question of whether Paddon is the majority owner of Kerson should be reviewed and reversed because it is based on a misapprehension of facts, contrary to the findings of the trial court, and is contradicted by the evidence on record.

The CA ruled that Paddon is an indispensable party because he is purportedly the majority owner of Kerson. This is based on a single piece of evidence, particularly Lray's supposed admission during his cross-examination that Paddon is the majority owner of Kerson. According to the CA, no "plausible explanation was offered to show that this vital testimony is just a result of inadvertence."<sup>72</sup> The Court disagrees.

The petitioners explained in the Petition that what Lray actually meant was that "it was respondent Frederick "Ricky" Juan who represented Kerson,

<sup>71</sup> *Locsin v. Hizon*, 743 Phil 420, 428-429 (2014), citing *Cirtek Employees Labor Union-Federation of Free Workers v. Cirtek Electronics, Inc.*, 665 Phil. 784 (2011)

<sup>72</sup> *Rollo*, p. 89.

as he honestly believed (as per Juan's representation) that Juan is a majority owner of Kerson, not JRP."<sup>73</sup> The conclusion that this statement was inadvertently made is more consistent with the entirety of the records.

In particular, Lara testified that Frederick represented to her that he has a factory in China, which, the petitioners surmised is Kerson.<sup>74</sup> Further, both the petitioners and respondents admitted during trial that Paddon is LGD's agent in the United States.<sup>75</sup>

With respect specifically to the respondents, they admitted even in their Answer that Paddon is LGD's agent. Save for the Comment filed before the Court where they claim that the CA's factual finding on this point is correct, nowhere did the respondents assert in the lower courts that Paddon is the majority owner of Kerson. In their Answer, the respondents admitted that Paddon is LGD's agent in the United States.<sup>76</sup>

In fact, in Frederick's Judicial Affidavit filed in the RTC, he stated that he knew Paddon because he was an agent of LGD in charge of securing purchase orders from Target stores in the United States.<sup>77</sup> Frederick did not claim in his Judicial Affidavit that Paddon was a majority owner of Kerson. As regards Kerson, he stated in his Judicial Affidavit that Kerson is a "company owned by others, not me."<sup>78</sup> Moreover, Kerson's Annual Return,<sup>79</sup> submitted in evidence by the respondents, also does not show that Paddon is a shareholder, let alone a majority shareholder of Kerson.<sup>80</sup> These judicial admissions of the respondents are conclusive on them and no longer require proof.<sup>81</sup>

Given the foregoing, the Court is convinced that the petitioners' explanation that Lray's lone statement during cross-examination that Paddon is Kerson's majority owner was made merely due to inadvertence. The entirety of the evidence and the parties' admission confirm that Paddon acted as LGD's agent in the United States and that he did not own Kerson.

Whether or not Paddon is an indispensable party depends on his participation in the 2001 Agreement and the Remittance Contract because his role in these contracts will determine whether LGD can file an action against

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<sup>73</sup> Id. at 35.

<sup>74</sup> Id.

<sup>75</sup> Id. at 134 & 454.

<sup>76</sup> Id. at 134.

<sup>77</sup> Id. at 454.

<sup>78</sup> Id.

<sup>79</sup> Id. at 239-246.

<sup>80</sup> Id. at 241.

<sup>81</sup> RULES OF COURT, Rule 129, sec. 4.: An admission, verbal or written, made by the party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made; *Alfelor v. Halasan*, 520 Phil 982 (2006).



Metro to demand the payment of the 15% interest without affecting Paddon's interests.

Article 1311 of the New Civil Code of the Philippines (**Civil Code**) is applicable here. Article 1311 states:

**Art. 1311. Contracts take effect only between the parties, their assigns and heirs**, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

**If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person.** (Emphasis supplied)

Paddon is not a party to the 2001 Agreement and the Remittance Contract. He is not identified as a party to these contracts, and he did not sign either of them as a party.

While it is true that these contracts mention that Paddon is entitled to 7.5% of the commissions, they also categorically state that the obligation of Metro or Kerson is to deliver the 15% commission to **LGD** (and not Paddon), which then undertook to transfer 7.5% of the commission to Paddon. The references to Paddon in the contracts are in the nature of a stipulation *pour autrui*, which would grant him the right to demand the fulfillment of the obligation to deliver his 7.5% if he communicated his acceptance of the benefit in his favor to LGD.

Nevertheless, while Paddon may separately demand the delivery of the commission, the fact remains that Metro and Kerson's express contractual obligation is to deliver the 15% commission to LGD. Conversely, LGD has the contractual right to demand the delivery of the 15% commission from Metro and Kerson. This contractual right can be enforced even without Paddon's participation and its enforcement will not prevent Paddon from later on demanding that LGD deliver his share in the commissions.

Given these, Paddon is not an indispensable party.

Section 7, Rule 3 of the Rules of Court defines an indispensable party, thus:

SEC. 7. Compulsory joinder of indispensable parties. — Parties in interest without whom no final determination can be had of an action shall be joined either as plaintiffs or defendants.

In *Arcelona v. Court of Appeals*,<sup>82</sup> the Court explained when a party should be considered as an indispensable party. The Court said:

An indispensable party is a party who has such an interest in the controversy or subject matter that a final adjudication cannot be made, in his absence, without injuring or affecting that interest, a party who has not only an interest in the subject matter of the controversy, but also has an interest of such nature that a final decree cannot be made without affecting his interest or leaving the controversy in such a condition that its final determination may be wholly inconsistent with equity and good conscience. It has also been considered that an indispensable party is a person in whose absence there cannot be a determination between the parties already before the court which is effective, complete, or equitable. Further, an indispensable party is one who must be included in an action before it may properly go forward.

A person is not an indispensable party, however, if his interest in the controversy or subject matter is separable from the interest of the other parties, so that it will not necessarily be directly or injuriously affected by a decree which does complete justice between them. Also, a person is not an indispensable party if his presence would merely permit complete relief between him and those already parties to the action, or if he has no interest in the subject matter of the action. It is not a sufficient reason to declare a person to be an indispensable party that his presence will avoid multiple litigation.<sup>83</sup> (Citations omitted)

LGD's right to demand the remittance of the full commission is a right that it can enforce even without Paddon's participation. At the risk of repetition, Paddon is not a party to the 2001 Agreement and the Remittance Contract and he has the separate and independent right to demand from LGD the remittance of his share in the commission. This right is not prejudiced by LGD's decision to file a case against the respondents on the strength of its own contractual right. Further, whether LGD is entitled to the remittance of the commission is a matter that the courts can resolve even without Paddon's participation. It cannot be said, therefore, that Paddon's interest is such that no final adjudication can be made in the case without his participation or that his interest is inseparable from LGD and that any ruling in the case will be *res judicata* as against him.

Thus, the Court concludes that Paddon is not an indispensable party to this case and there is no need to remand the case to the RTC for the purpose of impleading him.

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<sup>82</sup> 345 Phil. 250 (1997).

<sup>83</sup> Id. at 269–270.

It is also significant that the RTC awarded to LGD only 7.5% of the undelivered commission. This means that Paddon's right to his share of the commissions was not affected by the RTC Decision and his right to demand its delivery is not prejudiced even if he was not impleaded as a party in the case.

*Kerson is not an indispensable party*

The Court agrees with the CA's conclusion that there is no evidence to satisfactorily establish that the respondents owned Kerson. Apart from the testimonies of the petitioners Lray and Lara, there is no other evidence proving that Metro or the respondents Frederick and Liza owned Kerson. On the contrary, the annual return submitted by the respondents as evidence does not show that Metro or the respondents Frederick and Liza are shareholders, let alone majority shareholders of Kerson. Considering that Metro and Kerson are two distinct corporations, the Court is compelled to recognize their separate and independent personalities.

Further, there is no evidence that the respondents owned Kerson or that Kerson authorized any of the respondents to represent it in the execution of the Remittance Contract. The rule is that no person can bind a corporation without the authority of the latter's board of directors.<sup>84</sup> As there is no proof of such authority, the Court cannot give any legal significance to Frederick's signature on behalf of Kerson that appears in the Remittance Contract. In the absence of proof of his authority or of Kerson's ratification of his acts, Frederick's purported act of representing Kerson by signing the contract cannot bind Kerson.

Moreover, the Court finds no merit in Metro's contention that it cannot be required to remit the commissions under the 2001 Agreement and the Remittance Contract because it purportedly merely acted as Kerson's agent in the transactions with LGD. To prove this, Metro presented in evidence the Service Contract.

The RTC ruled on this point that "[t]hough defendants [respondents in this case] presented a service agreement between itself and Kerson, nowhere in the contract does it mention transactions undertaken by defendants and LGD."<sup>85</sup>

There is nothing in the Service Contract indicating that Kerson authorized Metro to act as its agent in connection with the transactions involving LGD. The Service Contract merely states that Metro, shall, among others, serve as Kerson's non-exclusive agent in agreements concerning the sale or manufacture of its goods and products. The Court agrees with the RTC

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<sup>84</sup> *Premium Marble Resources, Inc. v. Court of Appeals*, 332 Phil. 10 (1996).

<sup>85</sup> *Rollo*, p. 103.

that this does not convincingly establish that Metro acted as Kerson's agent as regards its dealings with LGD specifically.

Moreover, even assuming that Kerson indeed authorized Metro to act as its agent in this case, it is worth noting that the respondents admitted that they never informed the petitioners that Metro was merely acting as an agent, let alone informed or presented the Service Contract to the petitioners.<sup>86</sup> There is similarly no indication in the 2001 Agreement and in the Remittance Contract that Metro was acting as an agent only. For all intents and purposes, when Metro signed the Remittance Contract and assumed the obligations stated therein, it did so as a party on its own and not as a mere agent.

While the general rule is that an agent is not personally liable to the party with whom it contracts, Article 1897 of the Civil Code expressly recognizes exceptions:

Art. 1897. The agent who acts as such is not personally liable to the party with whom he contracts, **unless he expressly binds himself** or exceeds the limits of his authority without giving such party sufficient notice of his powers. (Emphasis supplied)

As Metro expressly bound itself in the Remittance Contract to deliver the commission to LGD, it is personally liable for the contractual obligation it voluntarily undertook. It cannot, therefore, deny liability now on the argument that it was merely serving as Kerson's agent.

Given the foregoing, the Court concludes that there are only two parties to the Remittance Contract – LGD and Metro. By the express terms of the Remittance Contract, Metro has the obligation to deliver the 15% commission to LGD. LGD, therefore, has the right to demand the performance of this obligation from Metro.

The resolution of this question does not require the participation of Kerson in this case. Whether or not Metro may have recourse against Kerson, on the basis of its claim that it merely acted as Kerson's representative, need not be resolved here. Thus, Kerson is certainly not an indispensable party in this case.

At this juncture, the Court clarifies that as LGD opted to demand the fulfillment of the contractual obligation to remit the commission from Metro, the latter's obligation is to deliver the entirety of the commission. However, in the Petition filed before the Court, the petitioners merely ask for the reinstatement of the RTC Decision which orders the delivery only of 7.5% of

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<sup>86</sup> Id. at 47–48, Petition.

the commission. Considering that the petitioners do not deny that it is only truly entitled to 7.5% of the commission (as the other half ought to be delivered to Paddon), the Court affirms the award of only 7.5%.

*The respondents' liability for the payment of the commission, moral damages and attorney's fees with legal interest*

The determination of the amount of the commission that should be paid to LGD, as well as the petitioners' entitlement to and the amount of the moral damages and attorney's fees that should be paid, were all based on the RTC's factual findings and appreciation of the evidence presented. As the RTC is the court that conducted the trial, and thus, was in the best position to determine the weight, sufficiency, and credibility of the evidence, including the testimonies of witnesses, its factual findings are generally binding in the absence of any valid reason for an appellate court to review and reverse them.<sup>87</sup> The Court finds no reason to reverse the RTC's finding on the amount of commission that Metro is obligated to deliver to LGD under the Remittance Contract.

However, the Court deletes the award of moral damages and attorney's fees.

The rule is settled that moral damages are not recoverable simply on the basis of a contractual breach. Article 2220 of the Civil Code requires that the breach must be done fraudulently or in bad faith. As explained by the Court in *Adriano v. Lasala*:<sup>88</sup>

To recover moral damages in an action for breach of contract, the breach must be palpably wanton, reckless and malicious, in bad faith, oppressive, or abusive. Hence, the person claiming bad faith must prove its existence by clear and convincing evidence for the law always presumes good faith.

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.<sup>89</sup>

The Court rules that the evidence on record is insufficient to establish that the respondents acted wantonly, recklessly, and maliciously in violating

<sup>87</sup> *People v. Anod*, 783 Phil. 806 (2016).

<sup>88</sup> 719 Phil. 408 (2013).

<sup>89</sup> *Id.* at 409 & 419.

the Remittance Contract. While the respondents incorrectly interpreted Metro's contractual obligations, it does not appear that this was borne out of a desire to defraud LGD or to cause harm in evident bad faith.

In the absence of any basis for the award of moral damages, the Court similarly finds no basis in awarding attorney's fees.

As to the legal interest that should be awarded, the Court agrees with the petitioners that it should be reckoned from the date of the extrajudicial demand, and not from the finality of the RTC Decision.

In *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*,<sup>90</sup> which modified *Eastern Shipping Lines, Inc. v. Court of Appeals*<sup>91</sup> and *Nacar v. Gallery Frames*,<sup>92</sup> the Court reiterated that in obligations which do not consist of a loan or forbearance of money, goods, or credit, the legal interest may be imposed at the discretion of the court. However, "[n]o compensatory interest, however, shall be adjudged on unliquidated claims or damages until the demand can be established with reasonable certainty. Thus, when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date of the judgment of the trial court (at which time the quantification of damages may be deemed to have been reasonably ascertained) until full payment."<sup>93</sup>

The amount of the petitioners' demand can be reasonably determined with certainty at the time they sent their demand letter to the respondents on August 1, 2002. That this demand letter was duly received is a matter judicially admitted by the respondents.<sup>94</sup> In *Sunga-Chan v. Court of Appeals*,<sup>95</sup> the Court explained that the "legal norm for interest to accrue is 'reasonably determinable'" and not "determinable by mathematical computation."<sup>96</sup> Here, the petitioners' demand for the payment of the commission was reasonably determined at the time of extrajudicial demand, as clearly stated in the demand letter, and could be ascertained from readily accessible papers and records of the transaction.

As such, the legal interest should accrue from the date of extrajudicial demand. Further, in accordance with prevailing jurisprudence, the total monetary award shall bear legal interest at the rate of 6% per annum from the finality of this Resolution until full payment.<sup>97</sup>

<sup>90</sup> G.R. No. 225433 (Resolution), September 20, 2022.

<sup>91</sup> 304 Phil. 236 (1994).

<sup>92</sup> 716 Phil. 267 (2013).

<sup>93</sup> Id. at 279 & 282.

<sup>94</sup> *Rollo*, pp. 61–62, Petition.

<sup>95</sup> 578 Phil. 262 (2008).

<sup>96</sup> Id. at 278.

<sup>97</sup> *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*, supra note 90.

**WHEREFORE**, the Petition for Review on *Certiorari*, dated July 27, 2015, is **GRANTED**. The Court of Appeals Decision, dated November 19, 2014, and the Resolution, dated June 3, 2015 in C.A. G.R. CV No. 98412 are **REVERSED**.

The respondent Metro, Inc. is hereby ordered to pay the petitioner Lara's Gifts and Decors, Inc.:

1. The sum of US\$260,920.81 in its equivalent in Philippine pesos, as principal amount due corresponding to the petitioner Lara's Gifts and Decor's, Inc.'s 7.5% share in the commission due, with legal interest from finality of judgment until full payment; and
2. Legal interest at the rate of 6% per annum which shall be reckoned from the date of extrajudicial demand.

The total monetary award shall bear legal interest at the rate of 6% per annum from the finality of this Resolution until full payment.

**SO ORDERED.**

By authority of the Court:

*Misael Domingo C. Battung III*  
**MISAELO DOMINGO C. BATTUNG III**  
*Division Clerk of Court*

Atty. Jeffrey-John Zarate  
Counsel for Petitioners  
DONATO ZARATE & RODRIGUEZ  
7/F Electra House, 115 Esteban cor.  
VA Rufino Sts., Legaspi Village  
1229 Makati City

COURT OF APPEALS  
CA G.R. CV No. 98412  
1000 Manila

Atty. Arturo V. Atencia  
Counsel for Respondents  
ATENCIA LAW OFFICES  
3/F U-313 B1, AIC Burgundy Empire Tower  
ADB Avenue cor. Garnet & Sapphire Road  
1605 Ortigas Center, Pasig City

The Presiding Judge  
REGIONAL TRIAL COURT  
Branch 253, Las Piñas City  
(Civil Case No. LP-03-0120)

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