

SUPREME COURT OF THE PHILIPPINES
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JUL 15 2019
BY: ysg
TIME: 9:04 am



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION,**
Petitioner,

G.R. No. 216569

Present:

CARPIO, *J.*, Chairperson,
PERLAS-BERNABE,
CAGUIOA,*
REYES, J. JR., and
LAZARO-JAVIER, *JJ.*

- versus -

**SUPERLINES TRANSPORTATION
CO., INC.,**
Respondent.

Promulgated:

03 JUN 2019

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[Signature]
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DECISION

REYES, J. JR. J.:

Before us is a Petition for Review on *Certiorari*, which seeks to assail the Decision¹ dated May 30, 2014 and Resolution² dated January 13, 2015 of the Court of Appeals (CA) in CA-G.R. CV No. 95429 which affirmed with modification the ruling of the Regional Trial Court of Gumaca, Quezon, Branch 62 (RTC).

Relevant Antecedents

This case is an offshoot of the case of *Superlines Transportation Company, Inc. v. Philippines National Construction Company*.³ A summary of the factual antecedents are as follows:

* On wellness leave.
¹ Penned by Associate Justice Elihu A. Ybañez, with Associate Justices Japar B. Dimaampao and Carmelita S. Manahan, concurring; *rollo*, pp. 33-51.
² Id. at 53-54.
³ G.R. No. 169596, 548 Phil. 354 (2007).

One of Superlines Transportation Co., Inc.'s (Superlines) buses crashed into the radio room of Philippine National Construction Corporation (PNCC), while traveling north and approaching the Alabang northbound exit lane. Manifestly, the radio room was damaged.⁴

Consequently, said bus was then turned over to the Alabang Traffic Bureau for the conduct of its investigation of the incident. As there was lack of adequate space, the bus was towed by the PNCC patrol to its compound, on request of traffic investigator Patrolman Cesar Lopera (Lopera).⁵

As the bus was stored inside the compound of PNCC, Superlines made several requests for PNCC to release the same, but its head of traffic control and security department Pedro Balubal (Balubal) denied the same. Balubal, instead, demanded the sum of ₱40,000.000 or a collateral with the same value, the estimated cost of the reconstruction of the damaged radio room.⁶

As a result, Superlines filed a complaint for replevin with damages against PNCC and Balubal with the RTC.⁷

In their Answer, PNCC and Balubal claimed that they merely towed the bus to the PNCC compound for safekeeping pursuant to an order from the police authorities. By way of Counterclaim, PNCC and Balubal prayed for actual and exemplary damages, attorney's fees, and litigation expenses.⁸

In a Decision dated December 9, 1997, the RTC dismissed Superlines' complaint. On PNCC's counterclaim, the RTC ordered Superlines to pay PNCC the amount of ₱40,320.00 representing actual damages to the radio room.⁹

Superlines filed an appeal before the CA, which held that the storage of the bus for safekeeping purposes partakes of the nature of a deposit; hence, custody or authority over it remained with Lopera who ordered the same. In the absence of any instruction from Lopera, PNCC may not release the bus. The CA concluded that the case should have been brought against the police authorities instead of PNCC.¹⁰

On appeal to this Court docketed as G.R. No. 169596, entitled *Superlines Transportation Company, Inc. v. Philippine National Construction Company*,¹¹ this Court ruled that Superlines' prayer for recovery of the bus is in order for there was a violation of its constitutional right against unreasonable seizure when PNCC, upon the

⁴ *Rollo*, pp. 33-34.

⁵ *Id.* at 34.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.* at 35.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Supra* note 3.

request of Lopera, seized and impounded the subject bus without authority. Corollary, this Court deemed it proper to implead Lopera and other police officers as indispensable parties for the proper determination on Superlines' claim for damages. The case was thus ordered remanded to the court of origin for the inclusion of such parties should Superlines pursue said claim. The *fallo* thereof reads:

WHEREFORE, the assailed Court of Appeals Decision is **REVERSED** and **SET ASIDE**.

The prayer of petitioner, Superlines Transportation Company, Inc. for recovery of possession of personal property is **GRANTED**.

The records of the case are **REMANDED** to the court of origin, the Regional Trial Court, Branch 62, Gumaca, Quezon, which is **DIRECTED** to **REINSTATE** petitioner's complaint to its docket if petitioner is still interested to pursue its claim for damages and to act in accordance with the foregoing pronouncement of the Court.

SO ORDERED.¹²

Acting on said ruling, Superlines filed its amended complaint, reiterating its basic allegations in the original complaint with the amendment being limited to the inclusion of Lopera as additional defendant. In response, Lopera filed his Answer.¹³

Even before the filing of said amended complaint, Superlines moved for the execution of this Court's decision. However, the whereabouts of the bus was undetermined anent the conflicting claims of PNCC and Superlines. The former claimed that the bus was already turned over to Superlines but the latter denied such allegation. Hence, the writ was not successfully implemented.¹⁴

Meanwhile, in the case remanded to the RTC, Lopera was dropped as party-defendant.¹⁵

In a Decision¹⁶ dated May 12, 2010, the RTC ruled that PNCC and Balubal are liable to pay the actual cost of the bus in view of their inability to deliver its possession and damages. The dispositive portion thereof reads:

WHEREFORE, judgment is rendered as follows:

(a) due to the inability of defendant PNCC to deliver possession of Bus No. 719 as directed by the Supreme Court in its G.R. No. 169596, because of lack of information as to Bus No. 719's whereabouts, **defendants PNCC and Pedro Balubal, jointly and severally are directed to pay plaintiff the amount of**

¹² Id. at 38.

¹³ Id. at 264.

¹⁴ Id. at 101-102.

¹⁵ Id. at 40.

¹⁶ Penned by Judge Hector Almeyda; id. at 98-115.

[P]2,036,500.00 representing the cost of acquiring a bus of similar kind or condition as Bus No. 719, with interest of 6% per annum from May 11, 2007 when the decision of the Supreme Court in G.R. No. 169596 attained finality;

(b) defendants PNCC and Pedro Balubal are directed to pay plaintiff, jointly and severally, the amount of [P]33,750,000.00 representing the lost/unearned income of Bus No. 719 for the period from 1991 to 2006, with 6% interest from March 1, 1991, the date of judicial demand;

(c) directing defendants PNCC and Pedro Balubal to pay plaintiff, jointly and severally, the amount of [P]5,000,000.00 as exemplary damage; and

(d) the amount of [P]300,000.00 as and for attorney's fees is awarded the plaintiff.

Costs against the defendants.

SO ORDERED.¹⁷

PNCC filed an appeal, essentially arguing that the RTC disregarded this Court's ruling in G.R. No. 169596 when it dropped Lopera as party-defendant.

In a Decision¹⁸ dated May 30, 2014, the CA affirmed with modification the decision of the trial court as to the amount of exemplary damages awarded. The CA interpreted that the ruling of this Court, which states that Superlines or the trial court **may** implead Lopera and other police officers as indispensable parties, is not mandatory. Hence, the trial court cannot be faulted for not holding Lopera liable under the circumstances, thus:

WHEREFORE, in view of the foregoing premises, the appealed Decision rendered on 12 May 2010 by Branch 62 of the Regional Trial Court (RTC) in Gumaca, Quezon in Civil Case No. 2130-G is **AFFIRMED** with the **MODIFICATION** that the award of exemplary damages is reduced to One Million Pesos (P1,000,000.00). The appealed Decision is **AFFIRMED** in all other aspects.

SO ORDERED.¹⁹

A Motion for Reconsideration filed by PNCC was denied in a Resolution²⁰ dated January 13, 2015.

Undeterred, PNCC filed this instant petition.

¹⁷ Id. at 114-115.

¹⁸ Supra note 1.

¹⁹ Id. at 50.

²⁰ Supra note 2.

The Issue

Whether or not the dropping of Lopera as defendant in the case violates this Court's ruling in G.R. No. 169596.

This Court's Ruling

To recall, this Court already made a definitive ruling in G.R. No. 169596 not only as to the propriety of the action for replevin, but also to the inclusion of Lopera as an indispensable party in the claim for damages.

The principle of the law of the case is thus significant. In the case of *Vios v. Pantangco*,²¹ this Court had the occasion to explain the implication of this doctrine, to wit:

The *law of the case* doctrine applies in a situation where an appellate court has made a ruling on a question on appeal and thereafter remands the case to the lower court for further proceedings; the question settled by the appellate court becomes the *law of the case* at the lower court and in any subsequent appeal. It means that whatever is irrevocably established as the controlling legal rule or decision between the same parties in the same case continues to be the law of the case, *whether correct on general principles or not*, so long as the facts on which the legal rule or decision was predicated continue to be the facts of the case before the court.²² (Citation omitted)

Therefore, what was established as the controlling decision in G.R. No. 169596 continues to be the *law of the case*, there being no supervening or additional facts presented in the case remanded before the RTC. Corollary, it is necessary to consider the disposition of this Court.

In G.R. No. 169596, this Court held:

The seizure and impounding of petitioners bus, on Lopera's request, were unquestionably violative of the "right to be let alone" by the authorities as guaranteed by the Constitution. (Citation omitted)

x x x x

As for petitioner's claim for damages, **the Court finds that it cannot pass upon the same without impleading Lopera and any other police officer responsible for ordering the seizure and distraint of the bus. The police authorities, through Lopera, having turned over the bus to respondents for safekeeping, a contract of deposit was perfected between them and respondents.** (Emphasis supplied; Citation omitted)

x x x x

²¹ 597 Phil. 705 (2009).

²² *Id.* at 718.

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For petitioner to pursue its claim for damages then, it or the trial court *motu proprio* **may** implead as defendants the indispensable parties — Lopera and any other responsible police officers.²³ (Emphasis supplied)

Considering the preceding pronouncement of this Court, the law of the case constitutes the fact that Lopera and other responsible officers are indispensable parties as to the claim for damages for they were implicated by virtue of a contract of deposit between them and PNCC. As this Court categorically stated, it was Lopera who requested the turnover of the subject bus to PNCC. Hence, as they orchestrated the illegal seizure and detention of the bus, which is violative of the Constitution, this Court found that they should be included as indispensable parties in Superlines' claim for damages, if the latter would pursue the same.

However, such declaration is not tantamount to adjudication of Lopera and other police officers' actual liability, especially so when they were not impleaded in said case as they are not bound by the same.²⁴

Their liability, if any, would ultimately depend on the findings of the RTC.

Complying with the directive of this Court, Superlines opted to file a complaint for damages and impleaded Lopera as additional defendant. Said amendment was granted by the RTC. During the proceedings, however, Superlines moved that Lopera be dropped as an indispensable party, which was likewise granted by the trial court.

As a general rule, failure to implead an indispensable party does not merit the dismissal of the case. However, if the plaintiff refuses to implead an indispensable party despite the order of the court, that court may dismiss the complaint for the plaintiff's failure to comply with the order.²⁵

This view is consistent with the pronouncement of this Court in *Pacaña-Contreras v. Rovila Water Supply, Inc.*,²⁶ wherein a categorical ruling was made as regards the effects of inclusion and non-inclusion of indispensable parties. In said case, this Court reiterated that:

x x x Pursuant to Section 9, Rule 3 of the Rules of Court, parties may be added by order of the court on motion of the party or on its own initiative at any stage of the action. If the plaintiff refuses to implead an indispensable party despite the order of the court, then the court may dismiss the complaint for the plaintiff's failure to comply with a lawful court order. **The operative act that would lead to the dismissal of the**

²³ *Superlines Transportation Company, Inc. v. Philippine National Construction Company*, supra note 3, at 365-367.

²⁴ *Guy v. Gacott*, 778 Phil. 308, 320 (2016).

²⁵ *Pamplona Plantation Company, Inc. v. Tinghil*, 491 Phil. 15, 29 (2005).

²⁶ 722 Phil. 460 (2013).

case would be the refusal to comply with the directive of the court for the joinder of an indispensable party to the case.²⁷ (Emphasis supplied; citations omitted)

At first blush, it appears that the ruling of this Court was not complied with, considering that Lopera was excluded in the action. However, it must be considered that the determination of whether there was indeed a transgression depends on the events leading to such exclusion.

A careful study of the records, reveals that the exclusion of Lopera in the complaint is actually not in defiance with this Court's ruling in G.R. No. 169596. Lopera's exclusion therein resulted from the trial court's findings that Lopera has no liability after due hearing and submission of evidence. In finding that Lopera should be excluded from liability, the trial court merely adhered to its mandate in ascertaining the obligation of the defendants in the case. On this note, this Court cannot question the wisdom of the trial court's resolution, more so, when it was not raised before us. Moreover, it must be noted that Lopera filed his answer to the complaint, which vested jurisdiction upon the trial court over his person. In this regard, the RTC exercised judicial power over the case because of the presence of all the indispensable parties.²⁸

To stress, the incidents leading to the exclusion of Lopera was not in violation of this Court's ruling in G.R. No. 169596. This, however, should not be construed as a recognition of the directory nature of this Court's order to implead indispensable parties, contrary to the ruling of the CA. The use of the word "may" in this Court's decision does not, in any way, alter this attribute. Such disposition must be construed in the light of the totality of the decision, and not in isolation. The word "may" was used because impleading indispensable parties is dependent on whether Superlines would pursue its claim for damages or not. If in the negative, then there is no necessity to implead Lopera and other police officers because the case was already decided on the merits. Nevertheless, non-inclusion of indispensable parties would render any judgment ineffective as it cannot attain real finality.²⁹ The joinder of indispensable parties is then mandatory.³⁰

As to the award of damages, this Court finds that modification of the same is in order.

Anent the award of unearned income for fifteen years, the RTC gave credence to the data submitted by Superlines, to wit: (a) the buses of Superlines would ply their respective routes for approximately fifteen years; (b) the average yearly earning of buses plying the Cubao-Daet route would earn ₱582,297.42 to ₱2,862,922.99 based on historical data; and (c) ₱7,500.00 daily lost income of the subject bus.

²⁷ Id. at 483.

²⁸ *Plasabas v. Court of Appeals* (Special Former 9th Division), 601 Phil. 669, 673 (2009).

²⁹ *Quilatan v. Heirs of Lorenzo Quilatan*, 614 Phil. 162, 166 (2009).

³⁰ *Lotte Phil., Co., Inc. v. Dela Cruz*, 502 Phil. 816, 821 (2005).

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In this regard, this Court notes that said data has no basis. Mere reiteration of the alleged longevity of the subject bus and its perceived daily income is not sufficient. In order to recover actual damages, the alleged unearned profits must not be conjectural or based on contingent transactions. Speculative damages are too remote to be included in an accurate estimate of damages.³¹

Exemplary damages may be awarded in contracts and quasi-contracts if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner.³² In this case, it was established that PNCC unduly seized and impounded the subject bus, which constitutes a violation of the constitution. However, the amount of ₱1,000,000.00 must be equitably reduced to ₱100,000.00. In the case of *Silahis International Hotel, Inc. v. Soluta*,³³ this Court affirmed the amount of ₱30,000.00 each as exemplary damages when four petitioners in said case caused an illegal search and seizure.


As to attorney's fees, the award of the same is proper under Article 2208 (1)³⁴ of the Civil Code, but the same must be reduced from ₱300,000.00 to ₱30,000.00.

WHEREFORE, premises considered, the instant petition is **DENIED**. The Decision dated May 30, 2014 and the Resolution dated January 13, 2015 of the Court of Appeals in CA-G.R. CV No. 95429 are **AFFIRMED** with **MODIFICATIONS** in that the award of lost/unearned income is hereby **DELETED**. The amount of exemplary damages and attorney's fees are **REDUCED** to ₱100,000.00 and ₱30,000.00, respectively.

The amount of exemplary damages shall earn an interest of six percent (6%) per annum from the date of the finality of this judgment until full satisfaction thereof.

All others **STAND**.

SO ORDERED.


JOSE C. REYES, JR.
Associate Justice

³¹ *Universal International Investment (BVI) Limited v. Ray Burton Development Corporation*, 799 Phil. 420, 437 (2016).

³² NEW CIVIL CODE OF THE PHILIPPINES, Article 2232.

³³ 518 Phil. 90 (2006).


³⁴ 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[.]

WE CONCUR:



ANTONIO T. CARPIO
Senior Associate Justice
Chairperson



ESTELA M. BERLAS-BERNABE
Associate Justice

(On Wellness Leave)
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

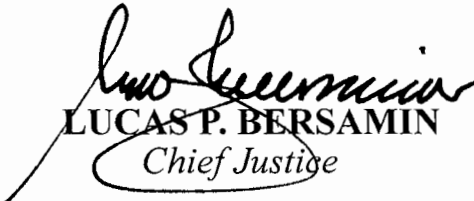


ANTONIO T. CARPIO
Senior Associate Justice
Chairperson, Second Division

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CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


LUCAS P. BERSAMIN
Chief Justice

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