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REPORT OF CASES

DETERMINED IN THE

SUPREME COURT OF THE PHILIPPINES

FIRST DIVISION

[G.R. No. L-30736. July 11, 1975]

LIRAG TEXTILE MILLS, INC. AND FELIX K. LIRAG, *petitioners, vs.* **COURT ON APPEALS and CRISTAN ALCANTARA,** *respondents.*

SYLLABUS

1. **LABOR AND SOCIAL LEGISLATION; EMPLOYER AND EMPLOYEE; EMPLOYMENT WITH A PERIOD; DURATION THEREOF.**— There is an *express agreement* between petitioner Lirag Textile Mills, Inc. and private respondent Cristan Alcantara as to the *period of the latter's employment in the former's firm, that definite period starting from Alcantara's employment* up *to the time Alcantara may voluntarily resign or when petitioner Lirag Textile Mills may remove Alcantara* for a valid cause or causes. It is clear that the duration of the employment agreed upon extends from the time when the employment of Alcantara commenced up to the time when he voluntarily resigns, or up to the time Alcantara by his act or acts creates a valid cause or causes which would justify petitioner Lirag Textile Mills in terminating his employment.

2. **CIVIL LAW; CONTRACTS; BREACH OF CONTRACT; LIABILITY OF EMPLOYER.**— Here petitioner Lirag Textile Mills, Inc. *terminated* private respondent Alcantara's employment *without a valid cause* because its contention of "serious reverses, both in terms of pecuniary loss and in market opportunities" was found by both the trial and appellate courts

Supreme Court E-Library

and by Us as false and alleged in bad faith. It thereby committed a breach of contract which made it liable to Alcantara for damages (Art. 1170 of the Civil Code). "Its bad faith in committing the breach of the contract of employment was compounded when petitioners as appellants in the respondent Appellate Court tried to raise for the first time the question of private respondent Alcantara's alleged lack of skill in its desperate effort to find a 'valid cause' for that wrongful breach. *The very act of petitioners in trying to pull the wool over the eyes of both the trial court and the respondent Appellate Court as to its true financial condition in its attempt to establish a false 'valid cause for its wrongful act is not only indicative of fraud and bad faith but likewise highly reprehensible because it is a deliberate distortion of the truth to subvert the ends of justice."*

3. ID.; DAMAGES; ACTUAL OR COMPENSATORY; DAMAGES AWARDED NOT A PENALTY ON THE RIGHT TO LITIGATE.— As to the belated contention that the award in the decision of the trial court, which has been affirmed by the Appellate Court and by Us, of "₱500.00 a month until the whole amounts due the private respondent are fully paid and settled by petitioner" is in the "nature of a penalty founded exclusively on delay in making payment of the amounts awarded and in the context of attending circumstances is oppressive and unconscionable, aside from being a penalty on the right to litigate", it is enough to say that the trial court awarded that amount in the concept of actual damages for salaries not received because of the wrongful act or breach of contract committed by petitioner Lirag Textile Mills, Inc. and Felix Lirag as defendants in that case. The award of damages is just to compensate, by a close approximation as far as human calculation may permit, the adverse effects of the wrong done to the victim. It cannot be considered as imposing a penalty on the right to litigate because the entity under obligation to pay the award has been clearly shown by the evidence to be liable. If that circumstance notwithstanding the entity still persisted in sustaining this litigation, then its persistence would but show its readiness to assume the risk and bear the consequences of its tenacity in refusing to give the adverse party its just due.

Supreme Court E-Library

RESOLUTION

ESGUERRA, *J.*:

The issue raised in the petitioner's motion for reconsideration having been extensively discussed in the decision, this Court pronounces with definite certainty that the provisions of Republic Act 1052, as amended, are not applicable to the case at bar. The reason is simple and obvious. There is an *express agreement* between petitioner Lirag Textile Mills, Inc. and private respondent Cristan Alcantara as to the *period of the latter's employment* in the former's firm, that definite period *starting from Alcantara's employment* up *to the time Alcantara may voluntarily resign or when petitioner Lirag Textile Mills may remove Alcantara* for a valid cause or causes. It is clear that the duration of the employment agreed upon extends from the time when the employment of Alcantara commenced up to the time when he voluntarily resigns, or up to the time Alcantara by his act or acts creates a valid cause or causes which would justify petitioner Lirag Textile Mills in terminating his employment.

Here petitioner Lirag Textile Mills, Inc. *terminated* private respondent Alcantara's employment *without a valid cause* because its contention of "serious reverses, both in terms of pecuniary loss and in market opportunities" was found by both the trial and appellate courts and by Us as false and alleged in bad faith. It thereby committed a breach of contract which made it liable to Alcantara for damages (Art. 1170 of the Civil Code).

We clearly stated in the decision that the original nature of the complaint in this case was for damages and that petitioner Lirag Textile Mills, Inc. acted in bad faith when it committed that breach of contract because it "tried its very best both in the trial court and in the respondent Appellate Court to convince both courts that it suffered 'serious losses both in terms of pecuniary loss and in market opportunities' as a valid cause for the termination of private respondent Alcantara's employment, said petitioners knowing fully well that such was not the truth as said allegation was a falsehood."

Supreme Court E-Library

As this Court said:

"Its bad faith in committing the breach of the contract of employment was compounded when petitioners as appellants in the respondent Appellate Court tried to raise for the first time the question of private respondent Alcantara's alleged lack of skill in its desperate effort to find a 'valid cause' for that wrongful breach. The *very act of petitioners in trying to pull the wool over the eyes of both the trial court and the respondent Appellate Court as to its true financial condition in its attempt to establish a false 'valid cause for its wrongful act is not only indicative of fraud and bad faith but likewise highly reprehensible because it is a deliberate distortion of the truth to subvert the ends of justice.*" (Italics for emphasis).

As to the belated contention that the award in the decision of the trial court, which has been affirmed by the Appellate Court and by Us, of "₱500.00 a month until the whole amounts due the private respondent are fully paid and settled by petitioner" is in the "nature of a penalty founded exclusively on delay in making payment of the amounts awarded and in the context of attending circumstances is oppressive and unconscionable, aside from being a penalty on the right to litigate," it is enough to say that the trial court awarded that amount in the concept of actual damages for salaries not received because of the wrongful act or breach of contract committed by petitioner Lirag Textile Mills, Inc. and Felix Lirag as defendants in that case. It is to be noted that although the trial court awarded in addition moral damages and attorney's fees to respondent Alcantara, the respective amounts of ₱5,000 and ₱3,000 given to him are nominal, considering the nature and extent of the breach of contract perpetrated in bad faith by petitioner Lirag Textile Mills, Inc. It is significant also that no award of exemplary damage was awarded, although it was proper to give it. We do not consider the award as oppressive and unconscionable, nor a penalty on the right to litigate because the amount given is reasonable taking into account the character of the breach of obligation and the damage incurred by private respondent Alcantara who gave up a permanent job upon inducement of petitioner Felix Lirag, only to suffer later by the wrongful act of the employer.

Supreme Court E-Library

The award of damages is just to compensate, by a close approximation as far as human calculation may permit, the adverse effects of the wrong done to the victim. It cannot be considered as imposing a penalty on the right to litigate because the entity under obligation to pay the award has been clearly shown by the evidence to be liable. If that circumstance notwithstanding the entity still persisted in sustaining this litigation, then its persistence would but show its readiness to assume the risk and bear the consequences of its tenacity in refusing to give the adverse party its just due.

WHEREFORE, the motion for reconsideration is denied and this denial is final and conclusive.

Castro (Chairman), Makasiar, Muñoz Palma, and *Martin, JJ.*, concur.

Teehankee, J., in on leave.

SECOND DIVISION

[G.R. No. L-21814. July 15, 1975]

THE DIRECTOR OF LANDS, *petitioner, vs.* **MELECIO ABANZADO, ET AL.,** *claimants.* **THE DIRECTOR OF FORESTRY,** *claimant-appellant, vs.* **PERPETUO SILVA, ET AL.,** *claimants-appellees.*

SYLLABUS

CONSTITUTIONAL LAW; BILL OF RIGHTS; PROCEDURAL; DUE PROCESS; IN CASE AT BAR.— While the lower court was not legally bound to send personal notice of the hearing to appellant, it does not mean, however, that it acted correctly and within legal bounds in summarily dismissing appellant's motion for reconsideration and new trial without any injury as