

FIRST DIVISION

[G.R. No. 124221, August 04, 2000]

VICTORINO MAGAT, JR. SUBSTITUTED BY HEIRS, OLIVIA D. MAGAT, AND MINORS MA. DULCE MAGAT, MA. MAGNOLIA MAGAT, RONALD MAGAT AND DENNIS MAGAT, PETITIONERS, VS. COURT OF APPEALS AND SANTIAGO A. GUERRERO, RESPONDENTS.

DECISION

PARDO, J.:

The case is an appeal^[1] from the decision of the Court of Appeals^[2] reversing the decision of the Regional Trial Court of Makati, Metro Manila,^[3] ruling in favor of respondent Santiago A. Guerrero and dismissing petitioners' complaint.

First, the facts.

Private respondent Santiago A. Guerrero (hereinafter referred to as "Guerrero") was President and Chairman of^[4] "Guerrero Transport Services", a single proprietorship.^[5]

Sometime in 1972, Guerrero Transport Services won a bid for the operation of a fleet of taxicabs within the Subic Naval Base, in Olongapo. As highest bidder, Guerrero was to "provide radio-controlled taxi service within the U. S. Naval Base, Subic Bay, utilizing as demand requires... 160 operational taxis consisting of four wheel, four-door, four passenger, radio controlled, meter controlled, sedans, not more than one year..."^[6]

On September 22, 1972, with the advent of martial law, President Ferdinand E. Marcos issued Letter of Instruction No. 1 (hereinafter referred to as "the LOI"). We reproduce the text, as follows:

"Letter of Instruction No. 1

"SUBJECT: SEIZURE AND CONTROL
OF ALL PRIVATELY
OWNED NEWSPAPERS,
MAGAZINES, RADIO AND
TELEVISION FACILITIES
AND ALL OTHER MEDIA OF
COMMUNICATION

"To: 1. The Press Secretary
Office of the President
Manila

"2. The Secretary
Department of
National
Defense
Camp E. Aguinaldo,
Q.C.

"In view of the present national emergency which has been brought about by the activities of those who are actively engaged in a criminal conspiracy to seize political and state power in the Philippines and to take over the Government by force and violence the extent of which has now assumed the proportion of an actual war against our people and their legitimate Government, and pursuant to Proclamation No. 1081 dated September 21, 1972, and in my capacity as commander in chief of all the armed forces of the Philippines and in order to prevent the use of privately owned newspapers, magazines, radio and television facilities and all other media of communications, for propaganda purposes against the government and its duly constituted authorities or for any purpose that tend to undermine the faith and confidence of the people in our government and aggravate the present national emergency, you are hereby ordered forthwith to take over and control or cause the taking over and control of all such newspapers, magazines, radio and television facilities and all other media of communications, wherever they are, for the duration of the present national emergency, or until otherwise ordered by me or by my duly designated representative.

"In carrying out the foregoing order you are hereby also directed to see to it that reasonable means are employed by you and your men and that injury to persons and property must be carefully avoided."

On September 25, 1972, pursuant to the aforequoted Letter of Instruction, the Radio Control Office issued Administrative Circular No. 4 (hereinafter referred to as "the Admin. Circular"), herein quoted in full:

"SUBJECT: SUSPENDING THE
ACCEPTANCE AND
PROCESSING OF
APPLICATIONS FOR
RADIO STATION
CONSTRUCTION
PERMITS AND FOR
PERMITS TO OWN
AND/OR POSSESS
RADIO
TRANSMITTERS OR
TRANSCEIVERS.

"In view of the existence of a state of emergency and the declaration by the President of martial law in the entire country under Proclamation No. 1081 dated September 21, 1972, effective immediately the acceptance and processing by the radio control office of applications for radio stations constructions permits and for permits to possess, own, transfer, purchase and sale of radio transmitters and transreceivers as well as manufacturers and dealer's permits of said equipment is hereby suspended.

"Exempted from this circular are applications for radio station construction permits and for permits to possess, own, transfer, purchase and sell radio transmitters and transceivers for the following radio stations:

- "1. Aeronautical Stations;
- "2. Aeronautical Fixed Stations;
- "3. Aircraft Stations;
- "4. Coastal Stations; and
- "5. Ship Stations.

"This circular shall be strictly observed until lifted upon proper instructions from higher authorities."

On September 25, 1972, Guerrero and Victorino D. Magat (hereinafter referred to as Victorino), as General Manager of Spectrum Electronic Laboratories, a single proprietorship, executed a letter-contract for the purchase of transceivers at a quoted price of US\$77,620.59, FOB Yokohoma. Victorino was to deliver the transceivers within 60 to 90 days after receiving notice from Guerrero of the assigned radio frequency,^[7] "taking note of Government Regulations."^[8]

The contract was signed and Victorino contacted his Japanese supplier, Koide & Co., Ltd. and placed an order for the transceivers.

On September 29, 1972, Navy Exchange Officer, A. G. Mason confirmed that Guerrero won the bid for the commercial transportation contract.^[9]

On October 4, 1972, middle man and broker^[10] Isidro Q. Aligada of Reliance Group Engineers, Inc. (hereinafter referred to as "Aligada"), wrote Victorino, informing him that a radio frequency was not yet assigned to Guerrero and that government regulations might complicate the importation of the transceivers. However, in the same letter, Victorino was advised to advise his supplier "to proceed (with) production pending frequency information." Victorino was also assured of Guerrero's financial capability to comply with the contract.^[11]

On October 6, 1972, Guerrero informed Aligada of the frequency number^[12] assigned by Subic Naval Base authorities. Aligada was instructed to "proceed with the order thru Spectrum Electronics Laboratories."^[13]

On October 7, 1972, Aligada informed Magat of the assigned frequency number. Aligada also advised Victorino to "proceed with the order upon receipt of letter of credit."^[14]

On January 10, 1973, Guerrero applied for a letter of credit with the Metropolitan Bank and Trust Company.^[15] This application was not pursued.^[16]

On March 27, 1973, Victorino, represented by his lawyer, Atty. Sinesio S. Vergara, informed Guerrero that the order with the Japanese supplier has not been canceled. Should the contract be canceled, the Japanese firm would forfeit 30% of the deposit and charge a cancellation fee in an amount not yet known, Guerrero to bear the loss. Further, should the contract be canceled, Victorino would demand an additional amount equivalent to 10% of the contract price.^[17]

Unable to get a letter of credit from the Central Bank due to the refusal of the Philippine government^[18] to issue a permit to import the transceivers,^[19] Guerrero commenced operation of the taxi cabs within Subic Naval Base, using radio units borrowed from the U.S. government (through the Subic Naval Base authorities).^[20] Victorino thus canceled his order with his Japanese supplier.

On May 22, 1973, Victorino filed with the Regional Trial Court, Makati a complaint for damages arising from breach of contract against Guerrero.^[21]

On June 7, 1973, Guerrero moved to dismiss the complaint on the ground that it did not state a cause of action.^[22]

On June 16, 1973, the trial court^[23] granted the motion and dismissed the complaint.^[24]

On July 11, 1973, Victorino filed a petition for review on certiorari with this Court assailing the dismissal of the complaint.^[25]

On April 20, 1983, this Court^[26] ruled that the complaint sufficiently averred a cause of action. We set aside the order of dismissal and remanded the case to the trial court for further proceedings, to wit:^[27]

"ACCORDINGLY, the questioned order of dismissal is hereby set aside and the case ordered remanded to the court of origin for further proceedings.
No costs.

"SO ORDERED."

On November 27, 1984, the trial court^[28] ordered that the case be archived for failure of Victorino to prosecute.^[29]

On March 11, 1985, petitioners, Olivia, Dulce, Ma. Magnolia, Ronald and Dennis Magat (hereinafter referred to as "heirs of Victorino"), moved to reinstate the case and to substitute Victorino in its prosecution. Apparently, Victorino died on February 18, 1985.^[30]

On April 29, 1985, the trial court granted the motion.^[31]

On July 12, 1991, the trial court decided in favor of the heirs of Victorino and ordered Guerrero to pay temperate, moral and exemplary damages, and attorney's fees, disposing of the case in this wise :^[32]

"WHEREFORE, judgment is rendered for the substituted plaintiffs and against the defendant

"1. Ordering defendant to pay substituted plaintiffs the sum of P25,000.00 for temperate damages for injury to plaintiff's business dealings with foreign and local businessmen;

"2. P50,000.00 as moral damages;

"3. P25,000.00 as exemplary damages; and

"4. P20,000.00 as attorney's fees.

"SO ORDERED."

On August 21, 1991, Guerrero appealed to the Court of Appeals.^[33]

On October 4, 1995, the Court of Appeals rendered the decision appealed from, disposing as follows:^[34]

"WHEREFORE, judgment is hereby rendered DISMISSING the complaint.

"No pronouncements as to costs.

" SO ORDERED."