

FIRST DIVISION

[G.R. No. 113103, June 13, 1997]

NATIONAL POWER CORPORATION, THE NATIONAL POWER CORPORATION BOARD OF DIRECTORS, CONRADO D. DEL ROSARIO AND MARCELINO ILAO, PETITIONERS, VS. THE HON. COURT OF APPEALS, HON. TOMAS V. TADEO, JR., IN HIS CAPACITY AS PRESIDING JUDGE, REGIONAL TRIAL COURT OF QUEZON CITY, BRANCH 105 AND GROWTH LINK, INC., RESPONDENTS.

[G.R. NO. 116000. JUNE 13 1997]

GROWTH LINK, INC., PETITIONER, VS. COURT OF APPEALS AND NATIONAL POWER CORPORATION, RESPONDENTS.

D E C I S I O N

HERMOSISIMA, JR., J.:

Raising the sole issue of the legacy of the award of the illegality of an exorbitant and unconscionable amount as attorney's fees granted^[1] by the Regional Trial Court^[2] in a Petition for Mandamus with Preliminary Mandatory Injunction and Damages^[3] and affirmed by the Court of Appeals^[4] in its Decisions^[5] in CA-G.R. SP No. 26898, entitled, "Growth Link, Inc. v. National Power Corporation, et al.," therein respondents-appellants National Power Corporation (NPC), the NPC Board of Directors, Conrado D. Del Rosario and Marcelino Ilao, petition this court to reverse said Decision "insofar as the award of attorney's fees is concerned."^[6]

Growth Link, Inc. (hereafter, Growth Link), which is the petitioner-appellee in CA-G.R. SP No. 26898, for its part, comes before us with a separate Petition in challenge of the same Decision which we are asked to completely reverse, Growth Link praying^[7] instead for the affirmance in toto of the trial court decision. Growth Link's Petition is docketed as G.R. 116000.

In a Resolution^[8] dated September 28, 1994, we granted the Motion for Consolidation filed by Growth Link and forthwith ordered the consolidation of G.R. Nos. 113103 and 116000.

We proceed from the following premises;

"The facts of the case as summarized by the trial court are as follows:

'1. [Growth Link] is a duly registered domestic corporation while x x x NPC is a duly organized government corporate entity while the individual [petitioners] are officers and/or members of the NPC Board of Directors, except that [petitioners]

Conrado Del Rosario and Crispin T. Ubaldo are no longer connected with x x x NPC;

(ON THE FIRST CAUSE OF ACTION:)

2. That on October 23, 1984, [Growth Link] was duly awarded Purchase Order (PO) No. 086653 to supply (sic) NPC, subject to certain terms therein expressed, two (2) pieces Pielstick Piston Skirt specified under Code No. 02.005.0171.00, Plate No. 6.02.005.04 at the total price of P230,000.00;

3. That subject Piston Skirts were actually delivered to and received by the NPC Manila (RWSS) Warehouse (sic) on January 16, 1985, subjected to actual visual inspection and were found conforming to technical specifications per PO, hence were accepted and approved for payment;

4. That said Piston Skirts were later shipped by NPC to the end-user, the General Santos Diesel Plant (GSDP), which acknowledged delivery thereof as of January 29, 1985;

5. That under date 24 May 1985, four (4) months from delivery, the following findings/observations were allegedly reported found in said Piston Skirts, namely: (a) damage[d]/used O-rings; (b) scratches on mid-span; (c) scratches on top and bottom portion of skirts; (d) carbon residue/deposit on top groove of piston skirts;

6. That the amount of P16,879.50 was deducted by NPC from [Growth Link's] other receivables thru PNB Check no. 102690 per NPC Credit Memo No. 030910;

7. That under date 6 March 1986, [Growth Link] was in receipt of a letter from the then NPC President, Hon. G.Y. Itchon, formally demanding immediate replacements of the Piston Skirts otherwise, NPC will be constrained (sic) to demand the refund of P227, 470 as purchase costs of the items and P23,051 as cost of delivery x x x plus applicable interest charges reckoned from date of receipt of NPC payment, meanwhile said amounts are withheld from [Growth Link's] outstanding receivables from NPC, pending replacements with the warning that a repetition of similar delivery or any subsequent infraction shall amount to immediate cancellation of [Growth Link's] accreditation with the NPC and prosecution of appropriate legal action;

8. That as direct consequence of the pressures aforesaid and despite the actual investigation findings on the rejected items by foreign principal authorized representative xxx [Growth Link] was eventually constrained to replace, as [it] actually did replace the questioned piston skirts, and the rejected items shipped back to Japan for evaluation/analysis;

ON THE SECOND CAUSE OF ACTION:

9. That under date February 23, 1984, [NPC] ordered thru [Growth Link], under Indent Order (I.O.) No. 07600, Pielstick Engine Piston Rings for the Panay Diesel Power Plant (PDPP-Dingle) per Inquiry No. F2C84-3/26-1053TR, PR No. 07381, worth FOBY1.87M;

10. That subject piston rings were shipped from Japan direct of consignee, the

NPC and were accepted and received by the end-user, PDPP-Dingle Panay, on May 30, 1985;

11. That under date 3 June 1986, almost a year later, Mr. Romeo A. Perlado, NPC Manager, Procurement Division, [that the Pielstick Engine Piston Rings for PDPP-Dingle Panay under] Indent Order No. N-07600 did not reach its normal expected life of 12,000 RH and [that Ms. Dalpas is] to x x x check and verify who was the supplier of these materials and x x x request them to replace their materials xxxx to put on record that x x x this supplier [gave] a bad supply of materials;

12. That upon the intercession of [Growth Link], the foreign supplier of said indented piston rings telexed NPC to send thru [Growth Link] all damaged rings/circumstia data for manufacturer's analysis/evaluation with further info that other NPC orders supplied by Fuji includes [sic] the same items per IO 7395,7501, and 7694;

13. That acting upon the foreign supplier's telex message aforesaid, Ms. Cecilia V. Dalpas, the NPC Manager, Procurement Division, Diliman, Quezon City, in Memorandum dated 11 July 1986, to the NPC VP Visayas Region, requested [for] two sets of these rings, one of which will be sent to the manufacturer and other for analysis by an independent party in the Philippines with the further request that the rings to be sent x x x should bear the markings of the manufacturer in order to avoid any room for doubt or denials that the damaged rings are their manufacture[d] [products.];

14. That in his report x x x dated April 6, 1987, Nacion T. Caballero, Manager, CMTS Department, addressed Mr. J. C. Guaderrama, Manager, Materials Management Department, NPC, re: PDPP-I Pielstick Piston Rings, stated:

1. Our inspection failed to produce the rejected pieces as there are no available damaged piston rings at the plant to be presented to Procurement Division dated 11 July 1986 addressed to VP-VRC x x x forwarded to this office for proper action;

2. Operating indicators and maintenance data fail to completely show evidence that will substantiate earlier reports of premature damage.

15. This six (6) months later herein petition was in receipt of a letter dated October 16, 1987 from NPC VP-Administrator, Ms. P. A. Segovia (Ms. Segovia was among those previously furnished the Caballero Report dated April 6, 1987, to the effect that the 4 pieces of the damaged rings are now available for release with the demand that all rejected piston ring(s) be now completely replaced by genuine parts manufactured by S.E.M.T. - licensed manufacturer);

ON [THE] THIRD CAUSE OF ACTION:

16. That under the date 14 June 1986, [Growth Link] was awarded Purchase Order (PO) No. 095435 to deliver four (4) pieces of Right Hand Exhaust Valve Body, Part No. 02.015.0226.00; Plate No. 02.015.11 and another four (4) pieces of Left Hand Exhaust Valve Body, Part No. 02.015.0117.00; Plate No. 02.015.12 at the NPC Old Bldg., Port Area Manila;

17. That upon delivery at the NPC Old Warehouse, Port Area Manila on

October 13, 1986 subject Valve Body were forthwith immediately rejected by the Quality Assurance Group on ground that they are manufactured by Fuji Diesel Co., Ltd., which is not licensee of S.E.M.T. Pielstick [and] that only Pielstick engine spare parts coming from the manufacturer or its licensed shall be accepted.

18. That the rejected exhaust valve body items still remain at the NPC Warehouse, Port area Manila.

ON THE FOURTH CAUSE OF ACTION:

19. The existence of the memo of NPC's General Counsel of January 28, 1987 x x x is admitted;

ON THE FIFTH CAUSE OF ACTION:

20. Under date 12 October 1987 [Growth Link] was in receipt of a letter (sic) dated 1 October 1987 from the x x x then NPC President C. D. del Rosario, that NPC is constrained to refrain transacting business with [Growth Link and] further alleging [that] certain subsequent deliveries by petitioner were either rejected or found with missing items as additional infraction, thus:

a. the 72 pieces of Screws covered by IO No. M-08354-AA allegedly did not conform with the dimensions of the original part.

b. the shipment consisting of washer, nut and screw for Pielstick Engine covered by IO No. M-07692 dated April 24, 1984 [had] four (4) missing items out of the eight (8) items ordered;

c. BBC turbocharger spares covered by PO No. 096345 dated October 9, 1985 and PO No. 096626 dated November 10, 1985 [were] rejected on March 10, 1987 by the Quality Assurance Dept. on grounds that the items delivered were found to be manufactured by IHI, Japan which although BBC licensee, was not specified manufacturer on [Growth Link's] bid offer;

d. Pielstick Engine spares covered by IO No. N-08186 dated July 20, 1985 shipped direct from Japan arrived at Aplaya, reported[ly] short-shipped x x x.

21. The existence of the Reply communication and [Growth Link's] motion for reconsideration is admitted;

22. [Growth Link] was pre-qualified as an NPC supplier in 1982.

The following facts have also been shown:

1. Since 1982 when, as admitted, [Growth Link] was pre-qualified as NPC supplier, up to the time in 1987 when x x x NPC refused to do business with petitioner, the latter had numerous sales through public biddings with a total value of over P60 million x x x.

2. [Growth Link] was the lowest bidder and the most advantageous bidder in several other biddings x x x but NPC did not issue the awards.

3. As a matter [of] procedure, NPC dealt only with accredited suppliers and NPC recognized [Growth Link] as duly accredited. x x x

4. At the start in 1982 [Growth Link] complied with the accreditation requirements of NPC by submitting voluminous documents like the articles of incorporation of GLI, corporate profile, appointment of [Growth Link] as exclusive supplier and distributor of spare parts by foreign manufacturers x x x, suppliers' warranties x x x catalogues, company profile and other information about foreign suppliers x x x. And, more importantly, it did not anymore undergo the same process ad (sic) subsequent biddings [that Growth Link] participated in. So that the accreditation was a continuing one and not on a per transaction basis.

5. On February 13, 1987 NPC announced its decision to stop transacting business with [Growth Link] x x x and was blacklisted due to violation of the conditions of the contract. x x x

6. The grounds for the cancellation of [Growth Link's] accreditation x x x are three, namely:

- a. that [Growth Link] supplied second hand piston skirts;
- b. that piston rings supplied by it did not reach the required running hours;
- c. that [Growth Link] supplied exhaust valve bodies manufactured by Fuji Diesel Ltd. which was not licensed by SEMT.

7. [Growth Link] refuted the charges in several letters x x x and was asking for opportunity to be heard at a formal hearing on [the] request for reconsideration but same was not acted upon by NPC.

8. [NPC's] witness Alejandro admitted that he knew of instances of switching cargoes in the Port Area of Manila (TSN, Oct. 16, 1990, p. 23).

9. On October 23, 1984, [Growth Link] was awarded by NPC Purchase Order No. 088653 to supply NPC two (2) pieces of Pielstick Skirt specified under Code No. 02.005.017.00, Plate No. 6.02.005.04 at the total price of P230,000.00 x x x. These items were manufactured in Japan by Fuji Diesel Ltd.

10. From Japan these were shipped to the Philippines on board Everett Orient Line vessel x x x and Bureau of Customs tagged the shipment as brand new.

11. Subject piston skirts were actually delivered to and received by NPC Manila (RWSS) Warehouse on January 16, 1985 and subjected to actual visual inspection and were found conforming to technical specification per PO, hence, were accepted and approved for payment x x x.

12. Having complied with all the terms and conditions in the PO, [Growth Link was] paid by x x x NPC for said piston skirts.

13. The piston skirts were shipped by NPC to end-user, the General Santos Diesel Plant (GSDP) and the latter rejected the items in view of the finding made on May 24, 1985 of a) damaged/used O-rings; b) scratches on mid span; c) scratches