

THIRD DIVISION

[G.R. No. 181068, May 04, 2010]

**PEOPLE'S AIR CARGO AND WAREHOUSING CO., INC,
PETITIONER, VS. HONORABLE FRANCISCO G. MENDIOLA, IN HIS
CAPACITY AS PRESIDING JUDGE OF THE REGIONAL TRIAL
COURT OF PASAY CITY, BRANCH 115, AND CATHAY PACIFIC
AIRWAYS, LTD., RESPONDENTS.**

D E C I S I O N

MENDOZA, J.:

At bench is a "Petition for Certiorari under Rule 65 of the Rules of Court with Application for Issuance of Temporary Restraining Order (TRO), Writ of Preliminary Injunction and/or Other Protective Relief," filed by People's Air Cargo & Warehousing Co., Inc. (*petitioner*) against Hon. Francisco G. Mendiola, in his capacity as Presiding Judge of the Regional Trial Court, Branch 115, Pasay City (*RTC*); and Cathay Pacific Airways, Ltd. (*respondents*).

The petition challenges the January 16, 2008 Order^[1] of the Regional Trial Court, Branch 115, Pasay City, the dispositive portion of which states:

WHEREFORE, the plaintiff's (petitioner herein) Motion for Leave to Admit Amended Complaint is GRANTED, and the writ of preliminary injunction previously affirmed by the Supreme Court shall continue in force and in effect, until further notice from this Court.

SO ORDERED.^[2]

THE RELEVANT ANTECEDENTS:

On May 24, 2004, petitioner filed a Complaint^[3] for Specific Performance, Injunction and Damages with application for Provisional Relief. This was docketed as **Civil Case No. 04-0321-CFM**. Pertinent portions of the said Complaint read:

1.4. In or about March 1997, plaintiff and defendant Cathay Pacific entered into an import cargo and warehousing contract in the form of a modified agreement following the 1993 Standard Ground Handling Agreement of the International Air Transport Association ('IATA') (the 'Contract') whereby the latter agreed to inbound and warehouse for storage and safekeeping purposes 'ALL [its] import and transit cargo arriving at the [NAIA] at plaintiff's above-described bonded warehouse, FREE OF CHARGE to defendant Cathay Pacific, for a period of **FIVE (5) years from 01 June 1997, RENEWABLE for another period of five**

(5) years, UNLESS terminated by either party by serving a written notice sixty (60) days prior to the termination date on 31 May 2002, and subject to such duties and functions as may be imposed by law, rules, regulations and incidental orders by the Bureau of Customs and other relevant government agencies.

x x x x x x x x

1.7 Based on the above `5 plus 5' or ten (10) year term security, plaintiff, with utmost diligence, honesty and good faith, faithfully discharged and performed its duties and obligations under the Contract for an UNINTERRUPTED period of almost seven (7) years now. Almost two (2) years have lapsed since the automatic renewal of the Contract for another five (5) years or until 31 May 2007, with a remaining term of three (3) years at date hereof.

x x x x x x x x

1.9. Despite plaintiff's demand for defendant Cathay Pacific to recall its arbitrary and unlawful pre-termination of its subsisting contract valid until 31 May 2007, defendant Cathay Pacific however has, with grave abuse, adamantly failed and rejected it to date, on its flimsy, ridiculous and arrogant claim that it has purportedly no subsisting contract with plaintiff.

x x x x x x x x

2.2 Plaintiff's subject Contract with defendant Cathay Pacific, Annexes `C' and `C-1,' is **valid and effective until 31 May 2007**. This, by virtue of its automatic renewal for a similar period of five (5) years from 31 May 2002 or until 31 May 2007.

2.3 However, defendant Cathay Pacific has, in utter breach thereof, fraudulently and in bad faith terminated it, without just and legal cause, and worse, has awarded to it another entity. Worst of all, defendant Cathay Pacific now arrogantly claims that it has no contractual relation with plaintiff, for which it has refused to arbitrate with it. Since there is a dispute between the parties, plaintiff is definitely entitled under the Contract to seek arbitration with defendant Cathay Pacific to resolve the following novel legal issues, to wit:

- a. Whether or not plaintiff's subject contract is valid until 31 May 2007?
- b. Conversely, whether or not defendant Cathay Pacific's Notice of Termination dated 25 March 2004 was lawful and justified, and produced any effect?
- c. Corollary, whether or not defendant Cathay Pacific's claim of `NO CONTRACTUAL RELATION' with plaintiff, based on its inconsistent premises and propositions

stated in its letter of 26 April 2004, is valid and justified.

- d. Incidentally, whether or not plaintiff is entitled to its claim for damages against defendant Cathay Pacific based on utter breach of contract in bad faith and/or tort and/or grave abuse of stature in airline industry.

2.4 Per its subject contract, specifically Article 9, IATA 1993 Standard Ground Handling Agreement, which provides:

` x x x x x x x x

ARTICLE 9. ARBITRATION.

9.1 Any dispute or claim concerning the scope, meaning, construction or effect of this Agreement or arising therefrom shall be referred to and finally settled by arbitration in accordance with the procedures set forth below and, if necessary, judgment on the award rendered may be entered in any Court having jurisdiction thereof:

x x x x x x x x'

defendant Cathay Pacific is mandated to settle any dispute or controversy with plaintiff, including the present dispute vis-à-vis defendant Cathay Pacific's illegal and fraudulent termination effective 01 June 2004 of the subject Contract, which plaintiff conversely asserts to be effective until 31 May 2007.

x x x x x x x x

3.3 As shown, plaintiff's subject contract is valid and effective until 31 May 2007. Defendant Cathay Pacific, therefore, acted wantonly, maliciously and in utter bad faith when it deliberately awarded plaintiff's scope of services under the Contract to another entity, there being three (3) more years left of the Contract term.

3.4 Moreover, by virtue of such automatic renewal until 31 May 2007, defendant Cathay Pacific's Notice of Termination dated 25 March 2004, therefore, is illegal, unlawful and unjustified. Per contract, defendant Cathay Pacific's right to terminate existed only within sixty (60) days on or before the termination date on 31 May 2002 x x x.

3.5 Plaintiff, therefore, respectfully prays that the Honorable Court declare its subject contract with defendant Cathay Pacific effective until 31 May 2007 and consequently defendant Cathay Pacific's Notice of Termination dated 25 March 2004 illegal and unjust, for which the parties ought be ordered and directed to fully comply with its terms in good faith, pending the final outcome of this case.

3.6 Clearly, defendant Cathay Pacific blatantly committed a further breach of the Contract (i.e. issued the unjustified Notice of Termination) to perpetuate its pre-conceived and malicious design to unlawfully dispossess plaintiff of its rights under the Contract, and award the same to a third party.

**ALLEGATIONS IN SUPPORT OF THE APPLICATION FOR
ISSUANCE OF PROVISIONAL RELIEF, SPECIFICALLY
EXECUTIVE AND THEN EXTENDED TEMPORARY
RESTRAINING ORDER, WRIT OF PRELIMINARY
INJUNCTION, STATUS QUO ANTE ORDER AND/OR
PROTECTIVE ORDER**

4.1 Plaintiff repleads therein by reference all of the foregoing allegations.

4.2 Plaintiff is entitled to the reliefs demanded, and the whole or part of such reliefs consist in:

a. On the main case, ordering defendant Cathay Pacific to fully comply, in good faith, with arbitration clause of its subject Contract with plaintiff, or alternatively, for the Honorable Court to declare the subject Contract valid and effective until 31 May 2004 and ordering defendant Cathay Pacific to fully comply with it in good faith;

b. Pending the final resolution of the above legal issues, whether via arbitration or directly by this Honorable Court, it is imperative that provisional or injunctive relief be issued by this Honorable Court to preserve the *status quo ante* respecting the rights of the Contract parties prior to the controversy, and more so, to prevent any judgment in the arbitration proceedings or in this case from being rendered moot, nugatory, ineffectual or impossible to enforce, should defendant Cathay Pacific be left unrestrained in (a) its unjust and illegal disregard for its valid and subsisting Contract with the plaintiff, and (b) its imminent turn over of its import and transit cargo to a third party, in blatant and brazen violation of Cathay Pacific's contractual commitment to deliver the same exclusively to plaintiff's custom bonded warehouse.

On the same date, the Executive Judge of the RTC of Pasay issued a Temporary Restraining Order (*TRO*) valid for 72 hours. The civil case was subsequently raffled to Branch 115 of the RTC of Pasay with public respondent as the Presiding Judge.^[4]

Public respondent judge, thereafter, extended the TRO for another seventeen (17) days. Injunction hearings were subsequently conducted.^[5]

In his Order, dated June 11, 2004,^[6] public respondent granted the Writ of Preliminary Injunction reasoning out that:

The evidence so far presented reveals that the right of the plaintiff to the relief prayed for is anchored on a written contract between the plaintiff

and the defendant, which by virtue of an implied automatic renewal, is still set to expire on May 3, 2007. Undeniably, however, prior to the date of termination, defendant unilaterally terminated the contract in a letter dated March 25, 2004 without specifying any cause. Thus, in the eyes of this Court, it appears that the twin requirements for a valid injunction, together with the showing of a threatened irreparable damages, have been met.

Considering further that the sole object of a preliminary injunction is simply to preserve the status quo until the merits of the case can be fully heard, this Court deems it best, in the meanwhile, to restrain the defendant from unilaterally terminating its contract with the plaintiff.

WHEREFORE, the defendant, their agents or authorized representatives and all persons acting for and in their behalf are hereby enjoined from terminating their contract with the plaintiff.

The order dated May 27, 2004 granting Temporary Restraining Order (TRO) will, thus, remain in full force and effect until the merits of this case are fully heard.

The plaintiff is directed to post a bond in the sum of Five Hundred Thousand Pesos (P500,000.00) conditioned to answer for any damage that the defendant may suffer, by reason of the issuance of this Order of preliminary injunction should this Court finally decide that the said issuance is unwarranted.

On June 14, 2004, the public respondent issued the Writ of Preliminary Injunction.
[7]

Private respondent then filed a Petition for Certiorari under Rule 65 with the Court of Appeals. The petition was docketed as **CA-GR SP No. 85395**. The petition alleged that:

"I. PUBLIC RESPONDENT ACTED WITH GRAVE ABUSE OF DISCRETION, BY ALLOWING A WRIT OF INJUNCTION TO ISSUE DESPITE THE ABSENCE OF A CLEAR LEGAL RIGHT ON THE PART OF THE PAIR.

II. PUBLIC RESPONDENT ACTED WITH GRAVE ABUSE OF DISCRETION, BY ALLOWING A WRIT OF INJUNCTION TO ISSUE DESPITE THE FACT THAT NO 'GRAVE AND IRRAPARABLE INJURY' WILL RESULT TO PRIVATE RESPONDENT.

III. PUBLIC RESPONDENT ACTED WITH GRAVE ABUSE OF DISCRETION BY DISREGARDING PETITIONER'S EVIDENCE." [8]

On February 7, 2005, the Court of Appeals dismissed the petition, [9] but ordered the public respondent to conduct the trial of the case and render judgment thereon with immediate dispatch so as not to render the case moot and academic, considering