

SECOND DIVISION

[G.R. No. 152411, September 29, 2004]

UNIVERSITY OF THE PHILIPPINES, PETITIONER, VS. PHILAB INDUSTRIES, INC., RESPONDENT.

DECISION

CALLEJO, SR., J.:

Before the Court is a petition for review on *certiorari* of the Decision^[1] of the Court of Appeals in CA-G.R. CV No. 44209, as well as its Resolution^[2] denying the petitioner's motion for the reconsideration thereof. The Court of Appeals set aside the Decision^[3] of Branch 150 of the Regional Trial Court (RTC) of Makati City, which dismissed the complaint of the respondent against the petitioner for sum of money and damages.

The Facts of the Case

Sometime in 1979, the University of the Philippines (UP) decided to construct an integrated system of research organization known as the Research Complex. As part of the project, laboratory equipment and furniture were purchased for the National Institute of Biotechnology and Applied Microbiology (BIOTECH) at the UP Los Baños. Providentially, the Ferdinand E. Marcos Foundation (FEMF) came forward and agreed to fund the acquisition of the laboratory furniture, including the fabrication thereof.

Renato E. Lirio, the Executive Assistant of the FEMF, gave the go-signal to BIOTECH to contact a corporation to accomplish the project. On July 23, 1982, Dr. William Padolina, the Executive Deputy Director of BIOTECH, arranged for Philippine Laboratory Industries, Inc. (PHILAB), to fabricate the laboratory furniture and deliver the same to BIOTECH for the BIOTECH Building Project, for the account of the FEMF. Lirio directed Padolina to give the go-signal to PHILAB to proceed with the fabrication of the laboratory furniture, and requested Padolina to forward the contract of the project to FEMF for its approval.

On July 13, 1982, Padolina wrote Lirio and requested for the issuance of the purchase order and downpayment for the office and laboratory furniture for the project, thus:

1. Supply and Installation of Laboratory furniture for the BIOTECH Building Project

Amount : P2,934,068.90

Supplier : Philippine Laboratory Furniture Co.,

College, Laguna
Attention: Mr. Hector C.
Navasero
President

Downpayment : 40% or ₱1,173,627.56

2. Fabrication and Supply of office furniture for the BIOTECH Building Project

Amount : ₱573,375.00

Supplier : Trans-Oriental Woodworks,
Inc.
1st Avenue, Bagumbayan
Tanyag, Taguig, Metro
Manila

Downpayment : 50% or ₱286,687.50^[4]

Padolina assured Lirio that the contract would be prepared as soon as possible before the issuance of the purchase orders and the downpayment for the goods, and would be transmitted to the FEMF as soon as possible.

In a Letter dated July 23, 1982, Padolina informed Hector Navasero, the President of PHILAB, to proceed with the fabrication of the laboratory furniture, per the directive of FEMF Executive Assistant Lirio. Padolina also requested for copies of the shop drawings and a sample contract^[5] for the project, and that such contract and drawings had to be finalized before the down payment could be remitted to the PHILAB the following week. However, PHILAB failed to forward any sample contract.

Subsequently, PHILAB made partial deliveries of office and laboratory furniture to BIOTECH after having been duly inspected by their representatives and FEMF Executive Assistant Lirio.

On August 24, 1982, FEMF remitted ₱600,000 to PHILAB as downpayment for the laboratory furniture for the BIOTECH project, for which PHILAB issued Official Receipt No. 253 to FEMF. On October 22, 1982, FEMF made another partial payment of ₱800,000 to PHILAB, for which the latter issued Official Receipt No. 256 to FEMF. The remittances were in the form of checks drawn by FEMF and delivered to PHILAB, through Padolina.

On October 16, 1982, UP, through Emil Q. Javier, the Chancellor of UP Los Baños and FEMF, represented by its Executive Officer, Rolando Gapud, executed a Memorandum of Agreement (MOA) in which FEMF agreed to grant financial support and donate sums of money to UP for the construction of buildings, installation of laboratory and other capitalization for the project, not to exceed ₱29,000,000.00. The obligations of FEMF under the MOA are the following:

ARTICLE II

OBLIGATIONS OF THE FOUNDATION

2.1. The FOUNDATION, in carrying out its principal objectives of promoting philanthropic and scientific projects through financial support to such projects that will contribute to the country's economic development, shall grant such financial support and donate such sums of money to the RESEARCH COMPLEX as may be necessary for the construction of buildings, installation of laboratories, setting up of offices and physical plants and facilities and other capital investment of the RESEARCH COMPLEX and/or any of its component Research Institutes not to exceed ₱29 Million. For this purpose, the FOUNDATION shall:

(a) Acquire and donate to the UNIVERSITY the site for the RESEARCH COMPLEX; and

(b) Donate or cause to be donated to the UNIVERSITY the sum of TWENTY-NINE MILLION PESOS (₱29,000,000.00) for the construction of the buildings of the National Institutes of Biotechnology and Applied Microbiology (BIOTECH) and the installation of their laboratories and their physical plants and other facilities to enable them to commence operations.

2.2. In addition, the FOUNDATION shall, subject to the approval of the Board of Trustees of the FOUNDATION, continue to support the activities of the RESEARCH COMPLEX by way of recurrent additional grants and donations for specific research and development projects which may be mutually agreed upon and, from time to time, additional grants and donations of such amounts as may be necessary to provide the RESEARCH COMPLEX and/or any of its Research Institutes with operational flexibility especially with regard to incentives to staff purchase of equipment/facilities, travel abroad, recruitment of local and expatriate staff and such other activities and inputs which are difficult to obtain under usual government rules and regulations.^[6]

The Board of Regents of the UP approved the MOA on November 25, 1982.^[7]

In the meantime, Navasero promised to submit the contract for the installation of laboratory furniture to BIOTECH, by January 12, 1983. However, Navasero failed to do so. In a Letter dated February 1, 1983, BIOTECH reminded Navasero of the need to submit the contract so that it could be submitted to FEMF for its evaluation and approval.^[8] Instead of submitting the said contract, PHILAB submitted to BIOTECH an accomplishment report on the project as of February 28, 1983, and requested payment thereon.^[9] By May 1983, PHILAB had completed 78% of the project, amounting to ₱2,288,573.74 out of the total cost of ₱2,934,068.90. The FEMF had already paid forty percent (40%) of the total cost of the project. On May 12, 1983, Padolina wrote Lirio and furnished him the progress billing from PHILAB.^[10] On August 11, 1983, the FEMF made another partial payment of ₱836,119.52 representing the already delivered laboratory and office furniture after the requisite inspection and verification thereof by representatives from the BIOTECH, FEMF, and PHILAB. The payment was made in the form of a check, for which PHILAB issued Official Receipt No. 202 to FEMF through Padolina.^[11]

On July 1, 1984, PHILAB submitted to BIOTECH Invoice No. 01643 in the amount of P702,939.40 for the final payment of laboratory furniture. Representatives from BIOTECH, PHILAB, and Lirio for the FEMF, conducted a verification of the accomplishment of the work and confirmed the same. BIOTECH forwarded the invoice to Lirio on December 18, 1984 for its payment.^[12] Lirio, in turn, forwarded the invoice to Gapud, presumably sometime in the early part of 1985. However, the FEMF failed to pay the bill. PHILAB reiterated its request for payment through a letter on May 9, 1985.^[13] BIOTECH again wrote Lirio on March 21, 1985, requesting the payment of PHILAB's bill.^[14] It sent another letter to Gapud, on November 22, 1985, again appealing for the payment of PHILAB's bill.^[15] In a Letter to BIOTECH dated December 5, 1985, PHILAB requested payment of P702,939.40 plus interest thereon of P224,940.61.^[16] There was, however, no response from the FEMF. On February 24, 1986, PHILAB wrote BIOTECH, appealing for the payment of its bill even on installment basis.^[17]

President Marcos was ousted from office during the February 1986 EDSA Revolution. On March 26, 1986, Navasero wrote BIOTECH requesting for its much-needed assistance for the payment of the balance already due plus interest of P295,234.55 for its fabrication and supply of laboratory furniture.^[18]

On April 22, 1986, PHILAB wrote President Corazon C. Aquino asking her help to secure the payment of the amount due from the FEMF.^[19] The letter was referred to then Budget Minister Alberto Romulo, who referred the letter to then UP President Edgardo Angara on June 9, 1986. On September 30, 1986, Raul P. de Guzman, the Chancellor of UP Los Baños, wrote then Chairman of the Presidential Commission on Good Government (PCGG) Jovito Salonga, submitting PHILAB's claim to be officially entered as "accounts payable" as soon as the assets of FEMF were liquidated by the PCGG.^[20]

In the meantime, the PCGG wrote UP requesting for a copy of the relevant contract and the MOA for its perusal.^[21]

Chancellor De Guzman wrote Navasero requesting for a copy of the contract executed between PHILAB and FEMF. In a Letter dated October 20, 1987, Navasero informed De Guzman that PHILAB and FEMF did not execute any contract regarding the fabrication and delivery of laboratory furniture to BIOTECH.

Exasperated, PHILAB filed a complaint for sum of money and damages against UP. In the complaint, PHILAB prayed that it be paid the following:

- (1) PESOS: SEVEN HUNDRED TWO THOUSAND NINE HUNDRED THIRTY NINE & 40/100 (P702,939.40) plus an additional amount (as shall be determined during the hearing) to cover the actual cost of money which at the time of transaction the value of the peso was eleven to a dollar (P11.00:\$1) and twenty seven (27%) percent interest on the total amount from August 1982 until fully paid;
- (2) PESOS: ONE HUNDRED THOUSAND (P100,000.00) exemplary damages;

- (3) FIFTY THOUSAND [PESOS] (P50,000.00) as and for attorney's fees; and
- (4) Cost of suit. [22]

PHILAB alleged, *inter alia*, that:

3. Sometime in August 1982, defendant, through its officials, particularly MR. WILLIAM PADOLINA, Director, asked plaintiff to supply and install several laboratory furnitures and equipment at BIOTECH, a research laboratory of herein defendant located at its campus in College, Laguna, for a total contract price of PESOS: TWO MILLION NINE HUNDRED THIRTY-NINE THOUSAND FIFTY-EIGHT & 90/100 (P2,939,058.90);
4. After the completion of the delivery and installation of said laboratory furnitures and equipment at defendant's BIOTECH Laboratory, defendant paid three (3) times on installment basis:
 - a) P600,000.00 as per Official Receipt No. 253 dated August 24, 1982;
 - b) P800,000.00 as per Official Receipt No. 256 dated October 22, 1982;
 - c) P836,119.52 as per Official Receipt No. 202 dated August 11, 1983;thus leaving a balance of PESOS: SEVEN HUNDRED TWO THOUSAND NINE HUNDRED THIRTY-NINE & 40/100 (P702,939.40).
5. That notwithstanding repeated demands for the past eight years, defendant arrogantly and maliciously made plaintiff believe that it was going to pay the balance aforesated, that was why plaintiff's President and General Manager himself, HECTOR C. NAVASERO, personally went to and from UP Los Baños to talk with defendant's responsible officers in the hope of expecting payment, when, in truth and in fact, defendant had no intention to pay whatsoever right from the start on a misplaced ground of technicalities. Some of plaintiff's demand letters since year 1983 up to the present are hereto attached as Annexes A, B, C, D, E, F, G, and H hereof;
6. That by reason of defendant's malicious, evil and unnecessary misrepresentations that it was going to pay its obligation and asking plaintiff so many red tapes and requirements to submit, compliance of all of which took plaintiff almost eight (8) years to finish, when, in truth and in fact, defendant had no intention to pay, defendant should be ordered to pay plaintiff no less than PESOS: ONE HUNDRED THOUSAND (P100,000.00) exemplary damages, so that other government institutions may be warned that they must not