

THIRD DIVISION

[G.R. No. 119398, July 02, 1999]

EDUARDO M. COJUANGCO JR., PETITIONER VS. COURT OF APPEALS, THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE AND FERNANDO O. CARRASCOSO JR., RESPONDENTS.

DECISION

PANGANIBAN, J.:

To hold public officers personally liable for moral and exemplary damages and for attorney's fees for acts done in the performance of official functions, the plaintiff must prove that these officers exhibited acts characterized by evident bad faith, malice, or gross negligence. But even if their acts had not been so tainted, public officers may still be held liable for nominal damages if they had violated the plaintiff's constitutional rights.

The Case

Before us is a Petition for Review under Rule 45 of the Rules of Court seeking to set aside the Decision^[1] of the Court of Appeals^[2] in CA-GR CV No. 39252 promulgated on September 9, 1994. The assailed Decision reversed the Regional Trial Court (RTC) of Manila, Branch 2, in Civil Case No. 91-55873, which disposed of the controversy in favor of herein petitioner in the following manner:^[3]

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendants, ordering them, jointly and severally the following:

ON THE FIRST CAUSE OF ACTION

1. To pay P143,000.00 plus interest thereon from March 26, 1986 until complete payment thereof;
2. To pay P28,000.00 plus interest thereon [from] June 8, 1986 until complete payment thereof;
3. To pay P142,700.00 plus interest thereon from July 10, 1987 until complete payment thereof;
4. To pay P70,000.00 plus interest thereon from February 1, 1987 until complete payment thereof;
5. To pay P140,000.00 plus interest thereon from March 22, 1987 until complete payment thereof;

6. To pay P28,000.00 plus interest thereon from April 26, 1987 until complete payment thereof;
7. To pay P14,000.00 plus interest thereon from May 17, 1987 until complete payment thereof;
8. To pay P140,000.00 plus interest thereon from August 9, 1987 until complete payment thereof;
9. To pay P174,000.00 plus interest thereon from December 13, 1987 until complete payment thereof;
10. To pay P140,000.00 plus interest thereon from September 18, 1988 until complete payment thereof;
11. All income derived from the foregoing amounts.

ON THE SECOND CAUSE OF ACTION

Ordering defendant Fernando O. Carrascoso the following:

1. To pay moral damages in the amount of One Hundred Thousand Pesos (P100,000.00);
2. To pay exemplary damages in the amount of Twenty Thousand Pesos (P20,000.00);
3. To pay attorney's fees in the amount of Thirty Thousand Pesos (P30,000.00);
4. To pay the costs of suit.

The counterclaim is ordered dismissed, for lack of merit.

SO ORDERED."

In a Resolution^[4] dated March 7, 1995, Respondent Court denied petitioner's Motion for Reconsideration.

The Facts

The following is the Court of Appeals' undisputed narration of the facts:

"Plaintiff [herein petitioner] is a known businessman-sportsman owning several racehorses which he entered in the sweepstakes races between the periods covering March 6, 1986 to September 18, 1989. Several of his horses won the races on various dates, landing first, second or third places, respectively, and winning prizes together with the 30% due for trainer/grooms which are itemized as follows:

Date	Place	Stake Horse Winner	Racewinning Prize Claims	30% Due Training Grooms	Net Amount Withheld by
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					PCSO
03/25/86	1st	Hansuyen	200,000.00	57,000.00	143,000.00
06/08/86	2nd	Stronghold	40,000.00	12,000.00	28,000.00
07/10/86	1st	Kahala	200,000.00	57,300.00	142,700.00
02/01/87	1st	Devil's Brew	100,000.00	30,000.00	70,000.00
03/22/87	1st	Time to Explode	200,000.00	60,000.00	140,000.00
04/26/87	3rd	Stormy Petril	40,000.00	12,000.00	28,000.00
05/17/87	1st	Starring Role	20,000.00	6,000.00	14,000.00
08/09/87	1st	Star Studded	200,000.00	60,000.00	140,000.00
12/13/87	2nd	Charade	250,000.00	75,000.00	174,000.00
09/18/88	1st	Hair Trigger	200,000.00	60,000.00	140,000.00
TOTAL			1,450,000.00	429,300.00	1,020,700.00

[Herein petitioner] sent letters of demand (Exhibits `A,' dated July 3, 1986; `B' dated August 18, 1986; and `C,' dated September 11, 1990) to the defendants [herein private respondents] for the collection of the prizes due him. And [herein private respondents] consistently replied (Exhibits 2 and 3) that the demanded prizes are being withheld on advice of Commissioner Ramon A. Diaz of the Presidential Commission on Good Government. Finally on January 30, 1991, this case was filed before the Regional Trial Court of Manila. But before receipt of the summons on February 7, 1991, Presidential Commission on Good Government advi[s]ed defendants that `it poses no more objection to the remittance of the prize winnings' (Exh. 6) to [herein petitioner]. Immediately, this was communicated to Atty. Estelito Mendoza by [Private Respondent Fernando] Carrascoso [Jr.]."^[5]

As culled from the pleadings of the parties, Atty. Estelito P. Mendoza, petitioner's counsel, refused to accept the prizes at this point, reasoning that the matter had already been brought to court.

Ruling of the Trial Court

The trial court ruled that Respondent Philippine Charity Sweepstakes Office (PCSO) and its then chairman, Respondent Fernando O. Carrascoso Jr., had no authority to withhold the subject racehorse winnings of petitioner, since no writ of sequestration therefor had been issued by the Presidential Commission on Good Government (PCGG). It held that it was Carrascoso's unwarranted personal initiative not to release the prizes. Having been a previous longtime associate of petitioner in his horse racing and breeding activities, he had supposedly been aware that petitioner's winning horses were not ill-gotten. The trial court held that, by not paying the winnings, Carrascoso had acted in bad faith amounting to the persecution and harassment of petitioner and his family.^[6] It thus ordered the PCSO and Carrascoso to pay *in solidum* petitioner's claimed winnings plus interests. It further ordered Carrascoso to pay moral and exemplary damages, attorney's fees and costs of suit.

While the case was pending with the Court of Appeals, petitioner moved for the

partial execution pending appeal of the RTC judgment, praying for the payment of the principal amount of his prize winnings. Private respondents posed no objection thereto and manifested their readiness to release the amount prayed for. Hence, the trial court issued on February 14, 1992, an Order^[7] for the issuance of a writ of execution in the amount of P1,020,700. Accordingly, on May 20, 1992, Respondent PCSO delivered the amount to petitioner.

Ruling of the Court of Appeals

Before the appellate court, herein private respondents assigned the following errors:
^[8]

"I

THE COURT A QUO ERRED IN HOLDING THAT DEFENDANTS-APPELLANTS
ACTED IN BAD FAITH IN WITHHOLDING PLAINTIFF-APPELLEE[`S]
PRIZE[S];

II.

THE COURT A QUO ERRED [IN] AWARDING MORAL DAMAGES,
EXEMPLARY DAMAGES AND ATTORNEY'S FEES IN FAVOR OF PLAINTIFF-
APPELLEE."

In reversing the trial court's finding of bad faith on the part of Carrascoso, the Court of Appeals held that the former PCSO chairman was merely carrying out the instruction of the PCGG in regard to the prize winnings of petitioner. It noted that, at the time, the scope of the sequestration of the properties of former President Ferdinand E. Marcos and his cronies was not well-defined. Respondent Court explained:^[9]

"xxx Under those equivocalities, defendant Carrascoso could not be faulted in asking further instructions from the PCGG, the official government agency on the matter, on what to do with the prize winnings of the [petitioner], and more so, to obey the instructions subsequently given. The actions taken may be a hard blow on [petitioner] but defendant Carrascoso had no alternative. It was the safest he could do in order to protect public interest, act within the powers of his position and serve the public demands then prevailing. More importantly, it was the surest way to avoid a possible complaint for neglect of duty or misfeasance of office or an anti-graft case against him."

The Court of Appeals also noted that the following actuations of Carrascoso negated bad faith: (1) he promptly replied to petitioner's demand for the release of his prizes, citing PCGG's instruction to withhold payment thereof; (2) upon PCGG's subsequent advice to release petitioner's winnings, he immediately informed petitioner thereof; and (3) he interposed no objection to the partial execution, pending appeal, of the RTC decision. Respondent Court finally disposed as follows:
^[10]

"IN VIEW OF ALL THE FOREGOING, the judgment appealed from is **REVERSED** and **SET ASIDE** and a new one entered **DISMISSING** this case. No pronouncement as to costs."

On September 29, 1994, petitioner filed a Motion for Reconsideration, which was denied on March 7, 1995. Hence, this petition.^[11]

Issues

Petitioner asks this Court to resolve the following issues:

"a. Whether the Court of Appeals had jurisdiction over the appeal of respondent Philippine Charity Sweepstakes Office (PCSO);

"b. Whether the appeal of respondent Carrascoso, Jr. should have been dismissed for his failure to file an appeal brief;

"c. Whether the Court of Appeals had jurisdiction to review and reverse the judgment on a cause of action which was not appealed from by the respondents;

"d. Whether the award for damages against respondent Carrascoso, Jr. is warranted by evidence and the law."^[12]

Being related, the first two issues will be discussed jointly.

The Court's Ruling

The petition is partly meritorious.

First and Second Issues: **Effect of PCSO's Appeal Brief**

Petitioner contends that the appeal filed by the PCSO before Respondent Court of Appeals should have been dismissed outright. The appealed RTC decision ruled on two causes of action: (1) a judgment against *both* PCSO and Carrascoso to jointly and severally pay petitioner his winnings plus interest and income; and (2) a judgment against Carrascoso *alone* for moral and exemplary damages, as well as attorney's fees and costs. The PCSO, through the Office of the Government Corporate Counsel (OGCC), appealed only the second item: "the impropriety of the award of damages xxx." This appealed portion, however, condemned only Carrascoso, not the PCSO. Technically, petitioner claims, PCSO could not have appealed the second portion of the RTC Decision which ruled against Carrascoso only, and not against the government corporation.

Petitioner further avers that Carrascoso failed to file his own appeal brief; accordingly, his appeal should have been dismissed. The PCSO brief, he submits, could not have inured to the benefit of Carrascoso, because the latter was no longer chairman of that office at the time the brief was filed and, hence, could no longer be represented by the OGCC.

On the other hand, respondents aver that the withholding of petitioner's racehorse winnings by Respondent Carrascoso occurred during the latter's incumbency as PCSO chairman. According to him, he had honestly believed that it was within the scope of his authority not to release said winnings, in view of then President