



Republic of the Philippines  
**Supreme Court**  
 Manila  
**SECOND DIVISION**

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**MAKATI WATER, INC.,**  
 Petitioner,

**G.R. No. 205604**

Present:

CARPIO, J., Chairperson,  
 PERLAS-BERNABE,  
 CAGUIOA,  
 J. REYES, JR., and  
 LAZARO-JAVIER, JJ.

- versus -

**AGUA VIDA SYSTEMS, INC.,**  
 Respondent.

Promulgated:

26 JUN 2019

X-----Alvin Cabalag of Angato-----X

**DECISION**

**CAGUIOA, J.:**

Before the Court is a Petition for Review on *Certiorari*<sup>1</sup> (Petition) under Rule 45 of the Rules of Court filed by petitioner Makati Water, Inc. (MWI) against respondent Agua Vida Systems, Inc. (AVSI), assailing the Decision<sup>2</sup> dated October 29, 2012 (assailed Decision) and Resolution<sup>3</sup> dated January 25, 2013 (assailed Resolution) rendered by the Court of Appeals (CA) in CA-G.R. CV No. 97538.

**The Facts and Antecedent Proceedings**

As narrated by the CA in its assailed Decision and as culled from the records of the instant case, the essential facts and antecedent proceedings of the case are as follows:

On November 11, 1996 and December 23[,] 1996, [respondent AVSI] and [petitioner MWI] entered into two (2) separate Franchise

<sup>1</sup> *Rollo*, pp. 4-45.

<sup>2</sup> *Id.* at 47-73. Penned by Associate Justice Remedios A. Salazar-Fernando with Associate Justices Normandie B. Pizarro and Manuel M. Barrios, concurring.

<sup>3</sup> *Id.* at 75-76.

**Agreements.**<sup>4</sup> The Franchise Agreements had an initial term of **five (5) years from the dates of their execution**. Under these agreements, [petitioner] MWI shall operate two (2) Agua Vida (AV) water refilling stations [under the franchise of respondent AVSI] located at 8788 Doña Aguirre Avenue cor. Daisy Road, Pilar Village, Las Piñas City, Metro Manila (**AV-Pilar**) and Pasay Road Extension, Makati City (**AV-Arnaiz**), respectively.

In compliance with the terms and conditions of the said Franchise Agreements, [petitioner] MWI operated [the] AV-Pilar and AV-Arnaiz water refilling stations and remitted all payments due to [respondent] AVSI.

**[With t]he Franchise Agreement for AV-Pilar [expiring] on November 1[1], 2001[,], while that of AV-Arnaiz [expiring] on December 2[3], 2001 x x x** Ms. Ruby Estaniel, President of [petitioner] MWI[,], wrote to [respondent] AVSI requesting that the terms and conditions of the Franchise Agreements over AV-Pilar and AV-Arnaiz be extended until December 31, 2001.

On December 3, 2001, [respondent] AVSI [expressed that it was amenable] to the extension of the Franchise Agreements with a reminder that in the event [petitioner] MWI fail[ed] to renew the same, [respondent] AVSI would enforce **Section IV-4 and IV-5 of both Franchise Agreements**. [The aforesaid Sections read:

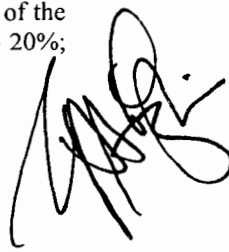
**IV.4. In case of Termination for any reason, AGUA VIDA shall have the right to repurchase all the equipment previously supplied by AGUA VIDA to FRANCHISEE and still serviceable at the time of termination. Should AGUA VIDA repurchase within the first year of the FRANCHISEE, the price will be 70% of the original net selling price to the FRANCHISEE; within the first 2 years – 50%; within 3 years – 30%; within 4 years – 10%;**

**IV.5. In the event of Termination, the FRANCHISEE agrees that he shall not in any way operate a water vending business within 2kms. of the terminated site for a period of two (2) years from termination.]<sup>5</sup>**

[However, t]he Franchise Agreements were no longer renewed by the parties. [Hence, **the Franchise Agreement covering the AV-Pilar expired on November 11, 2001, while the Franchise Agreement covering the AV-Arnaiz expired on December 23, 2001.**] [Petitioner] MWI ceased to operate both water refilling stations under the name of [respondent] AVSI. **However, it operated said water refilling stations under its own name.** On January 23, 2002 and June 11, 2002, [respondent] AVSI wrote to [petitioner] MWI[,], reminding the latter of

<sup>4</sup> Id. at 90-99.

<sup>5</sup> Id. at 93; emphasis supplied. In the Franchise Agreement for AV-Arnaiz “the price will be 60% of the original net selling price to the FRANCHISEE, within the first 2 years – 40%; within 3 years - 20%; within 4 years - 10%,” id. at 98.



the termination of the Franchise Agreements and demanded that it be allowed to repurchase the equipment and for it to cease and desist from operating the water refilling stations, but [petitioner] MWI failed to heed the demand.

On November 5, 2002, [respondent] AVSI filed two (2) separate complaints<sup>6</sup> for Specific Performance and Damages with Prayer for Writ of Preliminary Attachment against [petitioner] MWI. The cases were docketed as Civil Case No. 69191 raffled to the [Regional Trial Court of Pasig City (RTC), Branch 160] and Civil Case No. 69192 which was raffled to Branch 161 of the same court.

Except for the location and dates of execution of the Franchise Agreements, both complaints have common allegations and prayers[,] seeking among others: a) **The closure of both water refilling stations after the lapse of two (2) years from pre-termination of the Franchise Agreements or until x x x November 11, 2003 and December 23, 2003, respectively;** b) **The payment of compensatory damages for the continued operation of the water refilling stations from the termination of the [F]ranchise [A]greements until actual closure of the aforesaid stations in the estimated amount of P330.50 per day; and c) The issuance of an Order for [petitioner] MWI to allow [respondent] AVSI to exercise its right to repurchase the water purification system model PFMC 800 at the rate of ten percent (10%) of the acquisition cost.**

On February 12, 2003, [petitioner] MWI filed a Motion to Dismiss Civil Case No. 69191, seeking its dismissal on the ground of lack of cause of action to which [respondent] AVSI filed its Opposition. However, prior to the resolution of the said motion, [petitioner] MWI filed an Omnibus Motion (for Consolidation of Cases and to Defer Resolution on the Pending Motion to Dismiss before the [RTC], Branch 161.

On August 12, 2003, [RTC,] Branch 160 issued an Order approving the consolidation of Civil Case No. 69192, filed with [RTC], Branch 161, with Civil Case No. 69191, pending before it.

On December 5, 2003, [RTC,] Branch 160 denied [petitioner] MWI's Motion to Dismiss for lack of merit. [Petitioner] MWI moved for its reconsideration, however, the same was denied in an Order dated June 28, 2004.

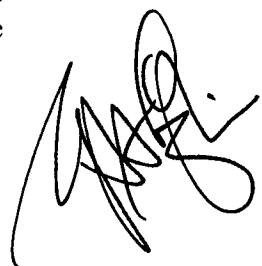
On September 6, 2004, [petitioner] MWI filed its Answer with Compulsory Counterclaim in the consolidated complaints, raising the defense among others, [respondent] AVSI's lack of cause of action against it.

x x x x

Meanwhile, [RTC,] Branch 160 sitting in Pasig City was transferred to San Juan, Metro Manila. As such, the complaints were

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<sup>6</sup> Id. at 100-115.



endorsed to the Office of the Clerk of Court of Pasig City for re-raffling. On March 5, 2007, the complaints were re-raffled to [RTC,] Branch 67 x x x.

x x x x

After the parties have submitted their respective memorandum, **the [RTC, Branch 67] rendered the assailed [D]ecision<sup>7</sup> [dated February 28, 2011.]** x x x

[With respect to Sections IV-4 of both Franchise Agreements, the RTC, Branch 67 denied respondent AVSI's prayer that it be allowed to repurchase the equipment previously supplied to petitioner MWI for the reason that under the said provisions of the Franchise Agreements, the right to repurchase may only be exercised up to the fourth year from the execution of the Franchise Agreements. Hence, since more than four years have already elapsed since the Franchise Agreements were executed in 1996, respondent AVSI cannot invoke anymore the right to repurchase under Sections IV-4 of the Franchise Agreements.

However, with respect to Sections IV-5 of the Franchise Agreements, the RTC, Branch 67 held that, in the event of termination of the Franchise Agreements, the said provisions imposed an obligation upon petitioner MWI to not operate water vending businesses within 2 kilometers from the terminated franchise sites for a period of two years from the time of termination. The RTC, Branch 67 found that the aforesaid provisions found on both Franchise Agreements are not limited to situations wherein there is premature cancellation of the Franchise Agreements; the clauses should also apply in cases wherein the Franchise Agreements have expired, which was exactly what occurred in the instant case. The RTC, Branch 67 explicitly found that the two-year prohibitory period shall be counted from the expiration of the Franchise Agreements, *i.e.*, two years from the expiration of the AV-Pilar Franchise Agreement on November 11, 2001, or until November 11, 2003; and two years from the expiration of the AV-Arnaiz Franchise Agreement on December 23, 2001, or until December 23, 2003.

Hence, the dispositive portion of the RTC, Branch 67's Decision reads:

**WHEREFORE**, in view of all the foregoing, the Court resolved to render judgment as follows:

1. Order the closure of the water refilling stations located at Pasay Road Extension, Makati City (AV-Arnaiz) and No. 8788 Doña Aguirre Avenue cor. Daisy Road, Pilar Villas, Las Piñas (AV-Pilar) operated by defendant Makati Water, Inc.;
2. Order the defendant to pay the plaintiff compensatory damages in the amount of P351,911.10 for

<sup>7</sup> Id. at 77-89. Penned by Presiding Judge Amorfin Cerrado-Cezar.



Civil Case No. 6919[2] and P233,979.60 for Civil Case No. 6919[1];

3. Order the defendant to pay exemplary damages amounting to One Hundred Thousand (Php100,000.00) Pesos;

4. Order defendant to pay 25% of the total amount due for the two (2) cases as and for attorney's fees;

5. Costs of suit.

As to the prayer of the defendant for compulsory counterclaim, the Court finds that no sufficient injury was caused to the defendant by the filing of the Complaint, hence, no sufficient basis to grant it.

SO ORDERED.<sup>8</sup>

It must be noted that respondent AVSI did not file any motion for reconsideration of the RTC, Branch 67's Decision, which denied its prayer that petitioner MWI be compelled to allow respondent AVSI to exercise its right to repurchase under Sections IV-4 of the Franchise Agreements.

On the other hand, petitioner MWI filed a Motion for Reconsideration<sup>9</sup> dated April 12, 2011, which was denied by the RTC, Branch 67 in its Order<sup>10</sup> dated June 30, 2011. Hence, petitioner MWI filed its Notice of Appeal<sup>11</sup> dated July 21, 2011, which was given due course by the RTC, Branch 67 in its Order<sup>12</sup> dated August 8, 2011.<sup>13</sup>

### The Ruling of the CA

In the assailed Decision, aside from reducing the amount of attorney's fees to ten percent (10%) of the total amount due, the CA affirmed the RTC, Branch 67's Decision and denied petitioner MWI's appeal for lack of merit.

The dispositive portion of the assailed Decision reads:

**WHEREFORE**, premises considered, the assailed [D]ecision dated February 28, 2011 of the RTC, Pasig City, Branch 67, in Civil [Case] Nos. 69191-92 is hereby **AFFIRMED with MODIFICATION** that the award for attorney's fees be reduced to 10% of the total amount due for the two (2) cases.

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<sup>8</sup> Id. at 88-89.

<sup>9</sup> Id. at 394-420.

<sup>10</sup> Id. at 421.

<sup>11</sup> Id. at 422-423.

<sup>12</sup> Id. at 425.

<sup>13</sup> Id. at 48-56; emphasis supplied.



**SO ORDERED.**<sup>14</sup>

The CA held that the RTC, Branch 67 did not err in ordering petitioner MWI to pay respondent AVSI compensatory damages in the amount of ₱351,911.10 for Civil Case No. 69192 and ₱233,979.60 for Civil Case No. 69191 because the said amounts were based on the actual sales performance of AV-Pilar and AV-Arnaiz, respectively, covering a period of two (2) years, as testified under oath by respondent AVSI's witness, Ms. Pamela Cayanan (Cayanan).<sup>15</sup>

Petitioner MWI filed its Motion for Reconsideration<sup>16</sup> dated November 23, 2012, which was denied by the CA in its assailed Resolution.

Hence, the instant appeal before the Court.

On May 23, 2013, respondent AVSI filed its Comment,<sup>17</sup> to which petitioner MWI responded by filing its Reply<sup>18</sup> on June 27, 2013.

**Issues**

In the instant Petition, petitioner MWI raised two main issues for the Court's consideration: (1) whether the CA erred in affirming the RTC's Decision in so far as it ordered the closure of petitioner MWI's two water refilling stations based on Section IV-5 of the Franchise Agreements; and (2) whether the CA erred in affirming the RTC's Decision in so far as it awarded compensatory damages, exemplary damages, attorney's fees, and costs of suit in favor of respondent AVSI due to the supposed violation by petitioner MWI of Section IV-5 of the Franchise Agreements.

Stripped to its core, the instant case centers on **the interpretation of contracts**. The resolution of the aforesaid issues hinges on the interpretation of the term *termination* found on Section IV-5 of the Franchise Agreements. Does the term *termination* under Section IV-5 of the Franchise Agreements include the expiration of the Franchise Agreements? Otherwise stated, when the Franchise Agreements state that the two-year prohibition clause apply "in the event of Termination," is it likewise applicable "in the event of Expiration?"

**The Court's Ruling**

It is not disputed that the Franchise Agreements were **not cancelled** by the parties; they **merely lapsed and expired** based on the period agreed upon by the parties, *i.e.*, five years from the execution of the Franchise Agreements. The Franchise Agreements covering the AV-Pilar and AV-

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<sup>14</sup> Id. at 72-73.

<sup>15</sup> Id. at 70-71.

<sup>16</sup> Id. at 484-509.

<sup>17</sup> Id. at 592-619.

<sup>18</sup> Id. at 627-638.



Arnaiz lapsed into non-effectivity on November 11, 2001 and December 23, 2001, respectively.

The instant Petition is centered on Section IV-5 of the Franchise Agreements:

**IV.5. In the event of Termination, the FRANCHISEE agrees that he shall not in any way operate a water vending business within 2 kms. of the terminated site for a period of two (2) years from termination;**<sup>19</sup>

On one hand, it is the position of respondent AVSI, as concurred by the RTC, Branch 67 and CA, that since petitioner MWI continued the operations of the AV-Pilar and AV-Arnaiz outlets (albeit under a different brand name) within the two-year period from the expiration of the Franchise Agreements on November 11, 2001 and December 23, 2001, respectively, it violated the aforementioned provision. On the other hand, petitioner MWI posits the view that Section IV-5 only applies to situations wherein the Franchise Agreement has been cancelled for reasons other than the mere expiration of the agreement.

Upon close reading of the Franchise Agreements as a whole, the Court finds petitioner MWI's interpretation of the term *termination* without merit; **Termination under Section IV-5 of the Franchise Agreements includes the expiration of the said agreements.**

According to Article 1370 of the Civil Code, if the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.

As previously held by the Court, pursuant to the aforesaid Civil Code provision, "the first and fundamental duty of the courts is the application of the contract according to its express terms, interpretation being resorted to only when such literal application is impossible."<sup>20</sup>

The literal, express, and plain meaning of the word *termination* is end of existence or conclusion.<sup>21</sup> The expiration of an agreement leads to the end of its existence and effectivity; an agreement has reached its conclusion upon expiration. Upon close reading of the Franchise Agreements, **there is no provision therein which expressly limits, restricts, or confines the term *termination* to the cancellation of the agreements by the acts of the parties prior to their expiry date.** There is no provision in the Franchise Agreements which shows the parties' alleged intent to exclude the expiration of the agreements from the coverage of the word *termination*.

<sup>19</sup> Id. at 93 and 98; emphasis and underscoring supplied.

<sup>20</sup> *Pichel v. Alonzo*, 197 Phil. 316, 325 (1982).

<sup>21</sup> Merriam Webster Online Dictionary, accessed at <<https://www.merriam-webster.com/dictionary/termination>>.



Under Article 1374 of the Civil Code, the various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.

The Court has previously held that in construing an instrument with several provisions, a construction must be adopted as will give effect to all. Under Article 1374 of the Civil Code, contracts cannot be construed by parts, but clauses must be interpreted in relation to one another to give effect to the whole. The legal effect of a contract is not determined alone by any particular provision disconnected from all others, but from the whole read together.<sup>22</sup>

Applying the foregoing in the instant case, it is the position of petitioner MWI that the term *termination* should be interpreted as excluding expiration if the other provisions of the Franchise Agreements are considered. Petitioner MWI focuses its sights on select provisions of Section IV of the Franchise Agreements, which state that: (1) any violation by either party of the terms and conditions of the agreements shall give the other party the right to immediately terminate the same by giving a written notice of termination thirty (30) days before the effectivity of the termination (Section IV-1); (2) the agreements may also be terminated by respondent AVSI if petitioner MWI is not operating its franchise to the benefit of the former and is performing any conduct seriously prejudicial to the interest of respondent AVSI (Section IV-2); and the agreements shall be automatically terminated in case petitioner MWI ceases operations and/or becomes insolvent, bankrupt, or undergoes receivership (Section IV-3).<sup>23</sup>

Under the interpretation of petitioner MWI, the aforesaid provisions of Section IV of the Franchise Agreements supposedly reveal that *termination* only has three grounds (which do not include expiration of the agreements), namely: (1) violation of the terms and conditions of the agreements; (2) conduct seriously prejudicial to the interest of respondent AVSI; and (3) cessation of operations, insolvency, bankruptcy, and receivership on the part of petitioner MWI.

The Court does not agree with such an interpretation. There is no provision under the Franchise Agreements which expressly limits, restricts, or confines the grounds of termination to the three abovementioned grounds. Section IV of the Franchise Agreements does not state that these three grounds are the only grounds for termination, to the exclusion of expiration.

In fact, upon a close reading of Section I of the Franchise Agreements, it would reveal that these three grounds enumerated under Section IV-1, IV-2, and IV-3 of the Franchise Agreements refer, not to termination *per se*, but to early termination. Under Section I-1 of the Franchise Agreements, in

<sup>22</sup> *Rivera v. Hon. Espiritu*, 425 Phil. 169, 184 (2002).

<sup>23</sup> *Rollo*, pp. 93 and 98.





reference to the grounds enumerated under Section IV, the Franchise Agreements refer to these grounds *apropos* situations wherein the parties have “**earlier terminated**”<sup>24</sup> the agreements. Referring to the grounds identified in Section IV of the Franchise Agreements, Section I-1 of the agreements qualifies termination with the adverb *earlier*.

This was confirmed by the testimony of the credit and collection manager of respondent AVSI, Cayanan, who testified under oath that the three grounds enumerated under Sections IV-1, IV-2, and IV-3 of the Franchise Agreements refer to earlier termination or pre-termination, and not to termination *per se*.<sup>25</sup>

The Court is further convinced that the term *termination* includes the expiration of the period of effectivity of the Franchise Agreements upon reading Section I-2 of the Franchise Agreements. The said provision deals with the extension or renewal of the agreements when the Franchise Agreements expire upon the lapse of the agreed term or duration of the agreements.

Section I-2 states that “[a]ny extension or renewal of this Agreement upon its **termination** shall be subject to another negotiation between parties and shall not automatically entitle the Franchisee to the same terms and conditions.”<sup>26</sup>

Hence, in using the term *termination* in referring to the extension or renewal of the Franchise Agreements upon their expiration, it is made painstakingly clear that it was the intention of the parties to include expiration within the coverage of termination.

Furthermore, the Civil Code states that the stipulations of a contract shall also be understood “as bearing that import which is most adequate to render it effectual”<sup>27</sup> and that “which is most in keeping with the nature and object of the contract.”<sup>28</sup>

As found by the CA, the evidence on record reveal that Section IV-5 of the Franchise Agreements was:

x x x placed by [respondent] AVSI primarily to protect its interests, name and goodwill which it has developed through the years. The Termination provisions were designed to prevent unauthorized parties from taking advantage of [respondent] AVSI’s reputation and image. This provision does not apply until the termination or expiration of the franchise agreement but even after the same has long expired. This

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<sup>24</sup> Id. at 90 and 95; emphasis and underscoring supplied.

<sup>25</sup> Id. at 64.

<sup>26</sup> Id. at 90 and 95; emphasis and underscoring supplied.

<sup>27</sup> CIVIL CODE, Art. 1373.

<sup>28</sup> CIVIL CODE, Art. 1375.



is to prevent the former franchisee to take a free ride and take advantage of the name and goodwill of [respondent] AVSI.<sup>29</sup>

Hence, if the intent of Section IV-5 is to protect the interests, name, and goodwill of respondent AVSI's brand, then it would not make sense to restrict the two-year prohibition clause found therein only to cases wherein the parties cancelled or pre-terminated the agreements. With respect to the protection of respondent AVSI's brand name, there is no substantial difference whatsoever between the agreements being pre-terminated or expiring/lapsing into non-effectivity. Hence, petitioner MWI's interpretation of *termination* under Section IV-5 of the Franchise Agreements is not in keeping with the intent and objective of the aforesaid provisions.

Nevertheless, there is merit in petitioner MWI's contention that there is a glaring infirmity in the dispositive portion of RTC, Branch 67's Decision, which ordered the indefinite "closure of the water refilling stations located at Pasay Road Extension, Makati City (AV-Arnaiz) and No. 8788 Doña Aguirre Avenue cor. Daisy Road, Pilar Villas, Las Piñas (AV-Pilar) operated by [petitioner MWI]."<sup>30</sup> without any qualifications.

To emphasize, Section IV-5 of the Franchise Agreements calls for the prohibition on the part of petitioner MWI to put up a water vending business within the two-kilometer distance from the terminated franchise sites **only within two years from the date of expiration of the Franchise Agreements**. Otherwise stated, the two-year prohibition should only last from November 11, 2001 until November 11, 2003 with respect to AV-Pilar, and December 23, 2001 until December 23, 2003 with respect to AV-Arnaiz.

In its Complaint, respondent AVSI did not pray for an indefinite closure of petitioner MWI's water refilling stations, but instead merely prayed that petitioner MWI follow the prohibitive period spanning two years counted from the dates of expiration of the Franchise Agreements,<sup>31</sup> in line with Section IV-5 of the Franchise Agreements. Petitioner MWI was correct in citing the Court's previous ruling in *Philippine Charter Insurance Corp. v. PNCC*,<sup>32</sup> wherein the Court held that "[t]he fundamental rule is that reliefs granted a litigant are limited to those specifically prayed for in the complaint."<sup>33</sup>

Therefore, the RTC, Branch 67 was in error when it ordered the indefinite and unqualified closure of the water refilling stations of petitioner MWI, considering that the two-year prohibitive period under Section IV-5 of the Franchise Agreements being invoked by respondent AVSI had already

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<sup>29</sup> *Rollo*, pp. 67-68.

<sup>30</sup> *Id.* at 88.

<sup>31</sup> *Id.* at 113.

<sup>32</sup> 617 Phil. 940 (2009).

<sup>33</sup> *Id.* at 948.



lapsed in 2003. The first part of the dispositive portion of RTC, Branch 67's Decision must perforce be deleted.

With respect to petitioner MWI's position that the CA erred in affirming with modifications the RTC, Branch 67's award of damages in favor of respondent AVSI, the Court finds the same unmeritorious.

Petitioner MWI believes that the award of damages in favor of respondent AVSI lacks any evidentiary basis. Jurisprudence has held that "[t]he issues on the award of damages [which] call for a re-evaluation of the evidence before the trial court, which is obviously a question of fact."<sup>34</sup>

In any case, the Court finds the CA's affirmation with modification of the award of damages laden with sufficient basis. With respect to compensatory damages, as noted by the CA, the amount awarded by the RTC, Branch 67 was substantiated and based on actual performance/sales data testified under oath by respondent AVSI's witness, Ms. Cayanan, computing the compensatory damages on the basis of the actual sales performance of AV-Pilar and AV-Arnaiz covering a period of two years.<sup>35</sup>

With respect to the exemplary damages awarded by the RTC, Branch 67, the Court previously held that the courts may impose exemplary damages as an accompaniment to compensatory damages when "the guilty party acted in a wanton, fraudulent, reckless, oppressive or malevolent manner."<sup>36</sup> In the instant case, as found by both the RTC, Branch 67 and CA, "[petitioner] MWI's continued refusal to abide by the provisions of the Franchise Agreements despite [respondent] AVSI's demand and reminder for it to refrain from operating the two (2) water refilling stations tantamounts to bad faith which justifies the award of exemplary damages."<sup>37</sup>

Lastly, with respect to the amount of attorney's fees and costs of litigation, which the CA reduced from 25% to 10% of the total amount due, according to Article 2208 of the Civil Code, attorney's fees and expenses of litigation can be awarded by the court in any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered. In the instant case, considering petitioner MWI's stubborn refusal to adhere to the clear and unequivocal dictates of the Franchise Agreements on the two-year prohibition period found under Section IV-5 thereof despite the repeated reminders of respondent AVSI, which the RTC, Branch 67 and CA assessed to be wanton and reckless, the award of attorney's fees and costs of litigation is with sufficient basis.

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<sup>34</sup> *Crisologo v. Globe Telecom, Inc.*, 514 Phil. 618, 626-627 (2005).

<sup>35</sup> *Rollo*, pp. 70-71.

<sup>36</sup> *Octot v. Ybañez*, 197 Phil. 76, 82 (1982).

<sup>37</sup> *Rollo*, p. 72.



**WHEREFORE**, the instant Petition is **PARTIALLY GRANTED**. The dispositive portion of the Decision dated February 28, 2011 rendered by the Regional Trial Court of Pasig City, Branch 67 is hereby **MODIFIED**, striking out the first paragraph of the said Decision which ordered the indefinite and unqualified closure of the water refilling stations of petitioner Makati Water, Inc. The said Decision is accordingly modified to read as follows:

**WHEREFORE**, in view of all the foregoing, the Court resolved to render judgment as follows:

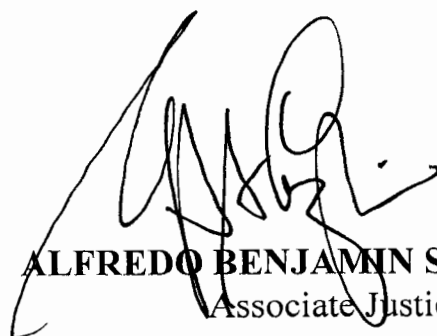
1. Order the defendant to pay the plaintiff compensatory damages in the amount of P351,911.10 for Civil Case No. 69192 and P233,979.60 for Civil Case No. 69191;
2. Order the defendant to pay exemplary damages amounting to One Hundred Thousand (Php100,000.00) Pesos;
3. Order defendant to pay 10% of the total amount due for the two (2) cases as and for attorney's fees;
4. Costs of suit.

The above-stated monetary awards shall earn 6% interest from finality of this Decision until full payment.

As to the prayer of the defendant for compulsory counterclaim, the Court finds that no sufficient injury was caused to the defendant by the filing of the Complaint, hence, no sufficient basis to grant it.


SO ORDERED.

**SO ORDERED.**




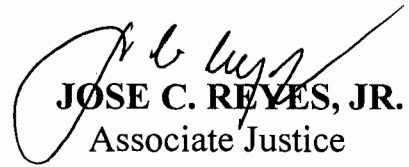
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

WE CONCUR:



**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson


  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice

  
**JOSE C. REYES, JR.**  
Associate Justice

  
**AMY C. LAZARO-JAVIER**  
Associate Justice

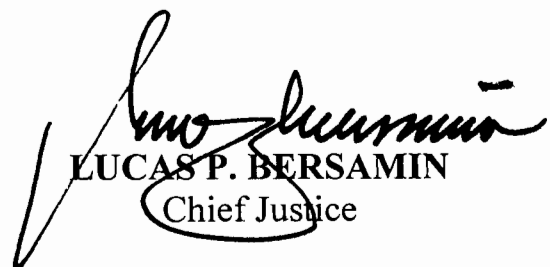
**ATTESTATION**

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson, Second Division

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**LUCAS P. BERSAMIN**  
Chief Justice

