



Republic of the Philippines  
**Supreme Court**  
 Manila

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**FIRST DIVISION**

**SPOUSES ROMEO PAJARES and  
 IDA T. PAJARES,**  
*Petitioners,*

**G.R. No. 212690\***

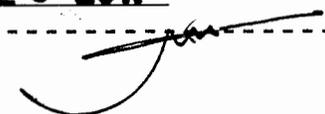
Present:

- versus -

SERENO, *C.J.*, Chairperson,  
 LEONARDO-DE CASTRO,  
 DEL CASTILLO,  
 PERLAS-BERNABE, *and*  
 CAGUIOA, *JJ.*

**REMARKABLE LAUNDRY AND  
 DRY CLEANING, represented by  
 ARCHEMEDES G. SOLIS,**  
*Respondent.*

Promulgated:  
**FEB 20 2017**

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**DECISION**

**DEL CASTILLO, J.:**

Breach of contract may give rise to an action for specific performance or rescission of contract.<sup>1</sup> It may also be the cause of action in a complaint for damages filed pursuant to Art. 1170 of the Civil Code.<sup>2</sup> In the specific performance and rescission of contract cases, the subject matter is incapable of pecuniary estimation, hence jurisdiction belongs to the Regional Trial Court (RTC). In the case for damages, however, the court that has jurisdiction depends upon the total amount of the damages claimed.

Assailed in this Petition for Review on *Certiorari*<sup>3</sup> is the December 11, 2013 Decision<sup>4</sup> of the Court of Appeals (CA) in CA-G.R. CEB SP No. 07711 that set aside the February 19, 2013 Order<sup>5</sup> of the RTC, Branch 17, Cebu City dismissing Civil Case No. CEB-39025 for lack of jurisdiction. 

\* Formerly UDK-15080.

<sup>1</sup> See *Radio Communications of the Philippines, Inc. v. Court of Appeals*, 435 Phil. 62, 68 (2002).

<sup>2</sup> See *Pacmac, Inc. v. Intermediate Appellate Court*, 234 Phil. 548, 556 (1987).

<sup>3</sup> *Rollo*, pp. 4-24.

<sup>4</sup> *Id.* at 25-34; penned by Associate Justice Ma, Luisa C. Quijano-Padilla and concurred in by Associate Justices Ramon Paul L. Hernando and Carmelita Salandanan-Manahan.

<sup>5</sup> *Id.* at 97; penned by Judge Silvestre A. Maamo, Jr.

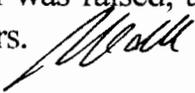
***Factual Antecedents***

On September 3, 2012, Remarkable Laundry and Dry Cleaning (respondent) filed a Complaint denominated as “Breach of Contract and Damages”<sup>6</sup> against spouses Romeo and Ida Pajares (petitioners) before the RTC of Cebu City, which was docketed as Civil Case No. CEB-39025 and assigned to Branch 17 of said court. Respondent alleged that it entered into a Remarkable Dealer Outlet Contract<sup>7</sup> with petitioners whereby the latter, acting as a dealer outlet, shall accept and receive items or materials for laundry which are then picked up and processed by the former in its main plant or laundry outlet; that petitioners violated Article IV (Standard Required Quota & Penalties) of said contract, which required them to produce at least 200 kilos of laundry items each week, when, on April 30, 2012, they ceased dealer outlet operations on account of lack of personnel; that respondent made written demands upon petitioners for the payment of penalties imposed and provided for in the contract, but the latter failed to pay; and, that petitioners’ violation constitutes breach of contract. Respondent thus prayed, as follows:

WHEREFORE, premises considered, by reason of the above-mentioned breach of the subject dealer contract agreement made by the defendant, it is most respectfully prayed of the Honorable Court to order the said defendant to pay the following *incidental and consequential* damages to the plaintiff, to wit:

- a) TWO HUNDRED THOUSAND PESOS (PHP200,000.00) plus legal interest as *incidental and consequential* [sic] for violating Articles IV and XVI of the Remarkable Laundry Dealer Contract dated 08 September 2011.
- b) Thirty Thousand Pesos (₱30,000.00) as legal expenses.
- c) Thirty Thousand Pesos (₱30,000.00) as exemplary damages.
- d) Twenty Thousand Pesos (₱20,000.00) as cost of suit.
- e) Such other reliefs that the Honorable Court deems as just and equitable.<sup>8</sup> (Italics in the original)

Petitioners submitted their Answer,<sup>9</sup> to which respondent filed its Reply.<sup>10</sup>

During pre-trial, the issue of jurisdiction was raised, and the parties were required to submit their respective position papers. 

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<sup>6</sup> Id. at 38-43.

<sup>7</sup> Id. at 44-52.

<sup>8</sup> Id. at 42.

<sup>9</sup> Id. at 57-63.

<sup>10</sup> Id. at 71-77.

### ***Ruling of the Regional Trial Court***

On February 19, 2013, the RTC issued an Order dismissing Civil Case No. CEB-39025 for lack of jurisdiction, stating:

In the instant case, the plaintiff's complaint is for the recovery of damages for the alleged breach of contract. The complaint sought the award of ₱200,000.00 as incidental and consequential damages; the amount of ₱30,000.00 as legal expenses; the amount of ₱30,000.00 as exemplary damages; and the amount of ₱20,000.00 as cost of the suit, **or for the total amount of ₱280,000.00 as damages.**

Under the provisions of Batas Pambansa Blg. 129 as amended by Republic Act No. 7691, the amount of demand or claim in the complaint for the Regional Trial Courts (RTCs) to exercise exclusive original jurisdiction shall exceed ₱300,000.00; otherwise, the action shall fall under the jurisdiction of the Municipal Trial Courts. In this case, the total amount of demand in the complaint is only ₱280,000.00, which is less than the jurisdictional amount of the RTCs. Hence, this Court (RTC) has no jurisdiction over the instant case.

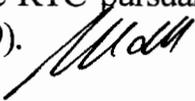
WHEREFORE, premises considered, the instant case is hereby DISMISSED for lack of jurisdiction.

Notify the counsels.

SO ORDERED.<sup>11</sup> (Emphasis in the original)

Respondent filed its Motion for Reconsideration,<sup>12</sup> arguing that as Civil Case No. CEB-39025 is for breach of contract, or one whose subject is incapable of pecuniary estimation, jurisdiction thus falls with the RTC. However, in an April 29, 2013 Order,<sup>13</sup> the RTC held its ground.

### ***Ruling of the Court of Appeals***

Respondent filed CA-G.R. CEB SP No. 07711, a Petition for *Certiorari*<sup>14</sup> seeking to nullify the RTC's February 19, 2013 and April 29, 2013 Orders. It argued that the RTC acted with grave abuse of discretion in dismissing Civil Case No. CEB-39025. According to respondent, said case is one whose subject matter is incapable of pecuniary estimation and that the damages prayed for therein are merely incidental thereto. Hence, Civil Case No. CEB-39025 falls within the jurisdiction of the RTC pursuant to Section 19 of *Batas Pambansa Blg. 129*, as amended (BP 129). 

<sup>11</sup> Id. at 97.

<sup>12</sup> Id. at 98-105.

<sup>13</sup> Id. at 118.

<sup>14</sup> Id. at 119-136.

On December 11, 2013, the CA rendered the assailed Decision setting aside the February 19, 2013 Order of the RTC and remanding the case to the court *a quo* for further proceedings. It held as follows:

In determining the jurisdiction of an action whose subject is incapable of pecuniary estimation, the nature of the principal action or remedy sought must first be ascertained. If it is primarily for the recovery of a sum of money, the claim is considered capable of pecuniary estimation and the jurisdiction of the court depends on the amount of the claim. But, where the primary issue is something other than the right to recover a sum of money, where the money claim is purely incidental to, or a consequence of the principal relief sought, such are actions whose subjects are incapable of pecuniary estimation, hence cognizable by the RTCs.<sup>15</sup>

x x x x

Verily, what determines the nature of the action and which court has jurisdiction over it are the allegations of the complaint and the character of the relief sought.<sup>16</sup>

In our considered view, the complaint, is one incapable of pecuniary estimation; thus, one within the RTC's jurisdiction. x x x

x x x x

A case for breach of contract [sic] is a cause of action either for specific performance or rescission of contracts. An action for rescission of contract, as a counterpart of an action for specific performance, is incapable of pecuniary estimation, and therefore falls under the jurisdiction of the RTC.<sup>17</sup>

Thus, the totality of damages principle finds no application in the instant case since the same applies only when damages is principally and primarily demanded in accordance with the specification in Administrative Circular No. 09-94 which reads: 'in cases where the claim for damages is the main cause of action...the amount of such claim shall be considered in determining the jurisdiction of the court.'

Thus, the court *a quo* should not have dismissed the instant case.

WHEREFORE, in view of the foregoing, the Order dated February 19, 2013 of the Regional Trial Court, 7th Judicial Region, Branch 17, Cebu City in Civil Case No. CEB-39025 for Breach of Contract and Damages is hereby REVERSED and SET ASIDE. This case is hereby REMANDED to the RTC which is ORDERED to PROCEED with the trial on the merits with dispatch.

SO ORDERED.<sup>18</sup>



<sup>15</sup> Citing *Villena v. Payoyo*, 550 Phil 686, 691 (2007).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 692.

<sup>18</sup> *Rollo*, pp. 28-33.

Petitioners sought to reconsider, but were denied. Hence, the present Petition.

### **Issue**

In a June 29, 2015 Resolution,<sup>19</sup> this Court resolved to give due course to the Petition, which claims that the CA erred in declaring that the RTC had jurisdiction over respondent's Complaint which, although denominated as one for breach of contract, is essentially one for simple payment of damages.

### ***Petitioners' Arguments***

In praying that the assailed CA dispositions be set aside and that the RTC's February 19, 2013 Order dismissing Civil Case No. CEB-39025 be reinstated, petitioners in their Petition and Reply<sup>20</sup> espouse the original findings of the RTC that Civil Case No. CEB-39025 is for the recovery of a sum of money in the form of damages. They asserted that in determining jurisdiction over the subject matter, the allegations in the Complaint and the principal relief in the prayer thereof must be considered; that since respondent merely prayed for the payment of damages in its Complaint and not a judgment on the claim of breach of contract, then jurisdiction should be determined based solely on the total amount of the claim or demand as alleged in the prayer; that while breach of contract may involve a claim for specific performance or rescission, neither relief was sought in respondent's Complaint; and, that respondent "chose to focus his [sic] primary relief on the payment of damages,"<sup>21</sup> which is "the true, actual, and principal relief sought, and is not merely incidental to or a consequence of the alleged breach of contract."<sup>22</sup> Petitioners conclude that, applying the totality of claims rule, respondent's Complaint should be dismissed as the claim stated therein is below the jurisdictional amount of the RTC.

### ***Respondent's Arguments***

Respondent, on the other hand, counters in its Comment<sup>23</sup> that the CA is correct in declaring that Civil Case No. CEB-39025 is primarily based on breach of contract, and the damages prayed for are merely incidental to the principal action; that the Complaint itself made reference to the Remarkable Dealer Outlet Contract and the breach committed by petitioners, which gave rise to a cause of action against the latter; and, that with the filing of the case, the trial court was thus called upon to determine whether petitioners violated the dealer outlet contract,

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<sup>19</sup> Id. at 243-244.

<sup>20</sup> Id. at 231-240.

<sup>21</sup> Id. at 15.

<sup>22</sup> Id. at 16.

<sup>23</sup> Id. at 201-217.

and if so, the amount of damages that may be adjudged in respondent's favor.

### Our Ruling

The Court grants the Petition. The RTC was correct in categorizing Civil Case No. CEB-39025 as an action for damages seeking to recover an amount below its jurisdictional limit.

*Respondent's complaint denominated as one for "Breach of Contract & Damages" is neither an action for specific performance nor a complaint for rescission of contract.*

In ruling that respondent's Complaint is incapable of pecuniary estimation and that the RTC has jurisdiction, the CA comported itself with the following ratiocination:

A case for breach of contract [sic] is a cause of action either for specific performance or rescission of contracts. An action for rescission of contract, as a counterpart of an action for specific performance, is incapable of pecuniary estimation, and therefore falls under the jurisdiction of the RTC.<sup>24</sup>

without, however, determining whether, from the four corners of the Complaint, respondent actually intended to initiate an action for specific performance or an action for rescission of contract. Specific performance is "[t]he remedy of requiring exact performance of a contract in the specific form in which it was made, or according to the precise terms agreed upon. [It is t]he actual accomplishment of a contract by a party bound to fulfill it."<sup>25</sup> Rescission of contract under Article 1191 of the Civil Code, on the other hand, is a remedy available to the obligee when the obligor cannot comply with what is incumbent upon him.<sup>26</sup> It is predicated on a breach of faith by the other party who violates the reciprocity between them. Rescission may also refer to a remedy granted by law to the contracting parties and sometimes even to third persons in order to secure reparation of damages caused them by a valid contract, by means of

<sup>24</sup> Id. at 32.

<sup>25</sup> *Ayala Life Assurance, Inc. v. Ray Burton Development Corporation*, 515 Phil. 431, 438 (2006), citing Black's Law Dictionary, Sixth Centennial Edition, at 1138.

<sup>26</sup> Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission even after he has chosen fulfillment, if the latter should become impossible.

The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.

This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with Articles 1385 and 1388 and the Mortgage Law.

restoration of things to their condition in which they were prior to the celebration of the contract.<sup>27</sup>

In a line of cases, this Court held that –

In determining whether an action is one the subject matter of which is not capable of pecuniary estimation this Court has adopted the criterion of first ascertaining the nature of the principal action or remedy sought. If it is primarily for the recovery of a sum of money, the claim is considered capable of pecuniary estimation, and whether jurisdiction is in the municipal trial courts or in the courts of first instance would depend on the amount of the claim. However, where the basic issue is something other than the right to recover a sum of money, where the money claim is purely incidental to, or a consequence of, the principal relief sought, this Court has considered such actions as cases where the subject of the litigation may not be estimated in terms of money, and are cognizable exclusively by courts of first instance (now Regional Trial Courts).<sup>28</sup>

To write *finis* to this controversy, therefore, it is imperative that we first determine the real nature of respondent's principal action, as well as the relief sought in its Complaint, which we quote in *haec verba*:

REPUBLIC OF THE PHILIPPINES  
REGIONAL TRIAL COURT  
BRANCH \_\_\_\_\_  
CEBU CITY

Remarkable Laundry and Dry Cleaning  
herein represented by Archemedes G. Solis,  
*Plaintiff,*

Civil Case No. \_\_\_\_\_  
For: Breach of Contract  
& Damages

vs.

Spouses Romeo Pajares and Ida T. Pajares,  
*Defendants.*



<sup>27</sup> ARTICLE 1381. The following contracts are rescissible:

- (1) Those which are entered into by guardians whenever the wards whom they represent suffer lesion by more than one-fourth of the value of the things which are the object thereof;
- (2) Those agreed upon in representation of absentees, if the latter suffer the lesion stated in the preceding number;
- (3) Those undertaken in fraud of creditors when the latter cannot in any other manner collect the claims due them;
- (4) Those which refer to things under litigation if they have been entered into by the defendant without the knowledge and approval of the litigants or of competent judicial authority;
- (5) All other contracts specially declared by law to be subject to rescission.

<sup>28</sup> *Russel v. Hon. Vestil*, 364 Phil. 392, 400 (1999), citing *Singson v. Isabela Sawmill*, 177 Phil. 575, 588-589 (1979); *Raymundo v. Court of Appeals*, 288 Phil. 344, 348 (1992); *Genesis Investment, Inc. v. Heirs of Ceferino Ebarasabal*, 721 Phil. 798, 807 (2013).

## COMPLAINT

Plaintiff, by counsels, to the Honorable Court most respectfully states THAT:

1. Plaintiff Remarkable Laundry and Dry Cleaning Services, is a sole proprietorship business owned by Archemedes Solis with principal office address at PREDECO CMPD AS-Ostechi Bldg. Banilad, Hernan Cortes St., Mandaue City.

2. Defendant Ida Pajares is of legal age, Filipino, married with address at Hermag Village, Basak Mandaue City where she can be served with summons and other processes of the Honorable Court.

3. On 08 SEP 2011, parties entered and signed a Remarkable Laundry Dealer Outlet Contract for the processing of laundry materials, plaintiff being the owner of Remarkable Laundry and the defendant being the authorized dealer of the said business. (Attached and marked as Annex "A" is a copy of the Remarkable Laundry Dealer Outlet Contract.)

CAUSES OF ACTION:

4. Sometime on [sic] the second (2<sup>nd</sup>) quarter of 2012, defendant failed to follow the required standard purchase quota mentioned in article IV of the subject dealership agreement.

5. Defendant through a letter dated April 24, 2012 said it [sic] would CEASE OPERATION. It [sic] further stated that they [sic] would just notify or advise the office when they are [sic] ready for the business again making the whole business endeavor totally dependent upon their [sic] whims and caprices. (Attached and marked as Annex "B" is a copy of letter of the defendant dated April 24, 2012.)

6. The aforementioned act of unilateral cessation of operation by the defendant constitutes a serious breach to [sic] the contract because it totally, whimsically and grossly disregarded the Remarkable Laundry Dealer Outlet Contract, which resulted to [sic] failure on its part in obtaining the minimum purchase or delivery of 200 kilos per week for the entire duration of its cessation of operations.

7. Under the aforementioned Dealer Contract, specifically in Article XV of the same are classified as BREACH BY THE OUTLETS:

‘The parties agree that the happening of any of the stipulation and events by the dealer outlet is otherwise [sic] in default of any of its obligations or violate any of the terms and condition under this agreement.

Any violation of the above-mentioned provisions shall result in the immediate termination of this agreement, without prejudice to any of the RL Main Operators rights or remedies granted to it by law.

THE DEALER OUTLET SHALL ALSO BE LIABLE TO PAY A FINE OF TWENTY FIVE THOUSAND PESOS,



(₱25,000), FOR EVERY VIOLATION AND PHP 50,000 IF PRE-TERMINATION BY THE RL MAIN OPERATOR DUE TO BREACH OF THIS AGREEMENT.'

8. Likewise it is provided in the said contract that:

'... The DEALER OUTLET must have a minimum 200 kilos on a six-day or per week pick-up for the entire duration of the contract to free the dealer outlet from being charge[d] Php 200/week on falling below required minimum kilos per week of laundry materials. Automatic charging shall become part of the billing on the services of the dealer outlet on cases where the minimum requirements on required kilos are not met.[']

9. The cessation of operation by the defendant, which is tantamount to gross infraction to [sic] the subject contract, resulted to [sic] incidental damages amounting to Two Hundred Thousand Pesos (PHP200,000.00). Defendant should have opted to comply with the Pre-termination clause in the subject contract other than its [sic] unilateral and whimsical cessation of operations.

10. The plaintiff formally reminded the defendant of her obligations under the subject contract through demand letters, but to no avail. The defendant purposely ignored the letters by [sic] the plaintiff. (Attached and marked as Annex "C" to "C-2" are the Demand Letters dated May 2, 2012, June 2, 2012 and June 19, 2012 respectively.)

11. To reiterate, the defendant temporarily stopped its business operation prior to the two-year contract duration had elapsed to the prejudice of the plaintiff, which is a clear disregard of its two-year obligation to operate the business unless a pre-termination is called.

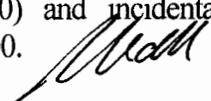
12. Under Article 1159 of the Civil Code of the Philippines provides [sic]:

*'Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.'*

13. Likewise, Article 1170 of the Civil Code of the Philippines [provides] that:

*'Those who in the performance of their obligations are guilty of fraud, negligence, or delay, and those who in any manner contravene the tenor thereof are liable for damages.'*

14. That the above-mentioned violations by the defendant to the Remarkable Laundry Dealer Contract, specifically Articles IV and XVI thereof constitute gross breach of contract which are unlawful and malicious under the Civil Code of the Philippines, which caused the plaintiff to incur *incidental and consequential damages* as found in the subject dealer contract in the total amount of Two Hundred Thousand Pesos (PHP200,000.00) and incidental legal expenses to protect its rights in the amount of ₱30,000.00.

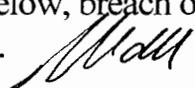


## PRAYER:

WHEREFORE, premises considered, by reason of the above-mentioned breach of the subject dealer contract agreement made by the defendant, it is most respectfully prayed of the Honorable Court to order the said defendant to pay the following *incidental and consequential* damages to the plaintiff, to wit:

- a) TWO HUNDRED THOUSAND PESOS (PHP200,000.00) plus legal interest as *incidental and consequential* [damages] for violating Articles IV and XVI of the Remarkable Laundry Dealer Contract dated 08 SEP 2011;
- b) Thirty Thousand Pesos (₱30,000.00) as legal expenses;
- c) Thirty Thousand Pesos (₱30,000.00) as exemplary damages;
- d) Twenty Thousand Pesos (₱20,000.00) as cost of suit;
- e) Such other reliefs that the Honorable Court deems as just and equitable.

August 31, 2012, Cebu City, Philippines.<sup>29</sup>

An analysis of the factual and material allegations in the Complaint shows that there is nothing therein which would support a conclusion that respondent's Complaint is one for specific performance or rescission of contract. It should be recalled that the principal obligation of petitioners under the Remarkable Laundry Dealership Contract is to act as respondent's dealer outlet. Respondent, however, neither asked the RTC to compel petitioners to perform such obligation as contemplated in said contract nor sought the rescission thereof. The Complaint's body, heading, and relief are bereft of such allegation. In fact, neither phrase appeared on or was used in the Complaint when, for purposes of clarity, respondent's counsels, who are presumed to be learned in law, could and should have used any of those phrases to indicate the proper designation of the Complaint. To the contrary, respondent's counsels designated the Complaint as one for "Breach of Contract & Damages," which is a misnomer and inaccurate. This erroneous notion was reiterated in respondent's Memorandum<sup>30</sup> wherein it was stated that "the main action of CEB 39025 is one for a breach of contract."<sup>31</sup> There is no such thing as an "action for breach of contract." Rather, "[b]reach of contract is a cause of action,<sup>32</sup> but not the action or relief itself."<sup>33</sup> Breach of contract may be the cause of action in a complaint for specific performance or rescission of contract, both of which are incapable of pecuniary estimation and, therefore, cognizable by the RTC. However, as will be discussed below, breach of contract may also be the cause of action in a complaint for damages. 

<sup>29</sup> *Rollo*, pp. 38-42.

<sup>30</sup> *Id.* at 258-275.

<sup>31</sup> *Id.* at 268.

<sup>32</sup> A cause of action is the delict or wrongful act or omission committed by the defendant in violation of the primary rights of the plaintiff.

<sup>33</sup> *Baguioro v. Barrios and Tupus Vda. de Atas*, 77 Phil. 120, 124 (1946).

***A complaint primarily seeking to enforce the accessory obligation contained in the penal clause is actually an action for damages capable of pecuniary estimation.***

Neither can we sustain respondent's contention that its Complaint is incapable of pecuniary estimation since it primarily seeks to enforce the penal clause contained in Article IV of the Remarkable Dealer Outlet Contract, which reads:

Article IV: STANDARD REQUIRED QUOTA & PENALTIES

In consideration [sic] for such renewal of franchise-dealership rights, the dealer outlet must have a minimum 200 kilos on a six-day or per week pick-up for the entire duration of the contract to FREE the dealer outlet from being charge [sic] Php200/week on falling below required minimum kilos per week of laundry materials. Automatic charging shall become part of the billing on the services of the dealer outlet on cases where the minimum requirements on required kilos are not met.

The RL Main Operator has the option to cancel, terminate this dealership outlet contract, at its option should [sic] in the event that there are unpaid services equivalent to a two-week minimum required number of kilos of laundry materials but not ₱8,000 worth of collectibles, for services performed by the RL Main Operator or its assigned Franchise Outlet, unpaid bills on ordered and delivered support products, falling below required monthly minimum number of kilos.

Ten [percent] (10%) interest charge per month will be collected on all unpaid obligations but should not be more than 45 days or an additional 10% on top of uncollected amount shall be imposed and shall earn additional 10% on the next succeeding months if it still remains unpaid. However, if the cause of default is due to issuance of a bouncing check the amount of such check shall earn same penalty charge with additional 5% for the first two weeks and 10% for the next two weeks and its succeeding two weeks thereafter from the date of dishonor until fully paid without prejudice to the filing of appropriate cases before the courts of justice. Violation of this provision if remained unsettled for two months shall be considered as violation [wherein] Article XV of this agreement shall be applied.<sup>34</sup>

To Our mind, petitioners' responsibility under the above penal clause involves the payment of liquidated damages because under Article 2226<sup>35</sup> of the Civil Code *the amount the parties stipulated to pay in case of breach are liquidated damages*. "It is attached to an obligation in order to ensure performance and has a double function: (1) to provide for liquidated damages, and (2) to strengthen the coercive

<sup>34</sup> *Rollo*, p. 45.

<sup>35</sup> ARTICLE 2226. Liquidated damages are those agreed upon by the parties to a contract, to be paid in case of breach thereof.



force of the obligation by the threat of greater responsibility in the event of breach.”<sup>36</sup>

Concomitantly, what respondent primarily seeks in its Complaint is to recover aforesaid liquidated damages (which it termed as “incidental and consequential damages”) premised on the alleged breach of contract committed by the petitioners when they unilaterally ceased business operations. Breach of contract may also be the cause of action in a complaint for damages filed pursuant to Article 1170 of the Civil Code. It provides:

Art. 1170. Those who in the performance of their obligations are guilty of fraud, negligence, or delay, *and those who in any manner contravene the tenor thereof*, are liable for damages. (Emphasis supplied)

In *Pacmac, Inc. v. Intermediate Appellate Court*,<sup>37</sup> this Court held that the party who unilaterally terminated the exclusive distributorship contract without any legal justification can be held liable for damages by reason of the breach committed pursuant to Article 1170.

In sum, after juxtaposing Article IV of the Remarkable Dealer Outlet Contract *vis-à-vis* the prayer sought in respondent’s Complaint, this Court is convinced that said Complaint is one for damages. True, breach of contract may give rise to a complaint for specific performance or rescission of contract. In which case, the subject matter is incapable of pecuniary estimation and, therefore, jurisdiction is lodged with the RTC. However, breach of contract may also be the cause of action in a complaint for damages. Thus, it is not correct to immediately conclude, as the CA erroneously did, that since the cause of action is breach of contract, the case would only either be specific performance or rescission of contract because it may happen, as in this case, that the complaint is one for damages.

***In an action for damages, the court which has jurisdiction is determined by the total amount of damages claimed.***

Having thus determined the nature of respondent’s principal action, the next question brought to fore is whether it is the RTC which has jurisdiction over the subject matter of Civil Case No. CEB-39025. 

<sup>36</sup> *BF Corporation v. Werdenberg International Corporation*, G.R. No. 174387, December 9, 2015, 777 SCRA 60, 86.

<sup>37</sup> *Supra* note 2 at 556.

Paragraph 8, Section 19<sup>38</sup> of BP 129, as amended by Republic Act No. 7691,<sup>39</sup> provides that where the amount of the demand exceeds ₱100,000.00, exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs, exclusive jurisdiction is lodged with the RTC. Otherwise, jurisdiction belongs to the Municipal Trial Court.<sup>40</sup>

The above jurisdictional amount had been increased to ₱200,000.00 on March 20, 1999 and further raised to ₱300,000.00 on February 22, 2004 pursuant to Section 5 of RA 7691.<sup>41</sup>

Then in Administrative Circular No. 09-94<sup>42</sup> this Court declared that "where the claim for damages is the main cause of action, or one of the causes of action, the amount of such claim shall be considered in determining the jurisdiction of the court." In other words, where the complaint primarily seeks to recover damages, all claims for damages should be considered in determining which court has jurisdiction over the subject matter of the case regardless of whether they arose from a single cause of action or several causes of action.

Since the total amount of the damages claimed by the respondent in its Complaint filed with the RTC on September 3, 2012 amounted only to ₱280,000.00, said court was correct in refusing to take cognizance of the case. 

<sup>38</sup> SEC. 19. *Jurisdiction in civil cases.* – Regional Trial Courts shall exercise exclusive original jurisdiction:

(1) In all civil actions in which the subject of the litigation is incapable of pecuniary estimation;

x x x x

(8) In all other cases in which the demand, exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs or the value of the property in controversy exceeds one hundred thousand pesos (₱100,000.00) or, in such other cases in Metro Manila, where the demand, exclusive of the abovementioned items exceeds two hundred thousand pesos (₱200,000.00).

x x x x

<sup>39</sup> AN ACT EXPANDING THE JURISDICTION OF THE METROPOLITAN TRIAL COURTS, MUNICIPAL TRIAL COURTS, AND MUNICIPAL CIRCUIT TRIAL COURTS, AMENDING FOR THE PURPOSE BATAS PAMBANSA BLG. 129, OTHERWISE KNOWN AS THE "JUDICIARY REORGANIZATION ACT OF 1980."

<sup>40</sup> SEC. 33. *Jurisdiction of Metropolitan Trial Courts, Municipal Trial Courts and Municipal Circuit Trial Courts in Civil Cases.* – Metropolitan Trial Courts, Municipal Trial Courts and Municipal Circuit Trial Courts shall exercise:

(1) Exclusive original jurisdiction over civil actions and probate proceedings, testate and intestate, including the grant of provisional remedies in proper cases, where the value of the property, estate, or amount of the demand does not exceed one hundred thousand pesos (₱100,000.00) or, in Metro Manila where such personal property, estate, or amount of the demand does not exceed two hundred thousand pesos (₱200,000.00), exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs, the amount of which must be specifically alleged: *Provided*, That interest, damages of whatever kind, attorney's fees, litigation expenses and costs shall be included in the determination of the filing fees: *Provided further*, That where there are several claims or causes of actions between the same or different parties embodied in the same complaint, the amount of the demand shall be the totality of the claims in all the causes of action, irrespective of whether the causes of action arose out of the same or different transactions;

<sup>41</sup> *Crisostomo v. De Guzman*, 551 Phil. 951 (2007).

<sup>42</sup> GUIDELINES IN THE IMPLEMENTATION OF REPUBLIC ACT NO. 7691. ENTITLED "AN ACT EXPANDING THE JURISDICTION OF THE METROPOLITAN TRIAL COURTS, MUNICIPAL TRIAL COURTS AND MUNICIPAL CIRCUIT TRIAL COURTS, AMENDING FOR THE PURPOSE BATAS PAMBANSA BLG. 129, OTHERWISE KNOWN AS THE 'JUDICIARY REORGANIZATION ACT OF 1980.'"

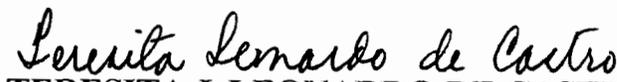
**WHEREFORE**, the Petition is **GRANTED** and the December 11, 2013 Decision and March 19, 2014 Resolution of the Court of Appeals in CA-G.R. CEB SP No. 07711 are **REVERSED and SET ASIDE**. The February 19, 2013 Order of the Regional Trial Court, Branch 17, Cebu City dismissing Civil Case No. CEB-39025 for lack of jurisdiction is **REINSTATED**.

**SO ORDERED.**

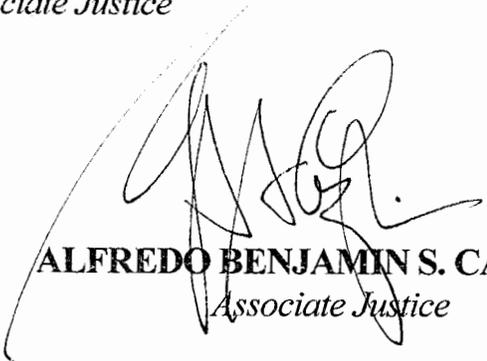
  
**MARIANO C. DEL CASTILLO**  
*Associate Justice*

WE CONCUR:

  
**MARIA LOURDES P. A. SERENO**  
*Chief Justice*  
*Chairperson*

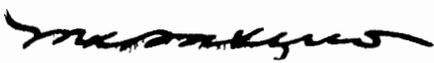
  
**TERESITA J. LEONARDO-DE CASTRO**  
*Associate Justice*

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

  
**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*

## CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.

  
**MARIA LOURDES P. A. SERENO**  
*Chief Justice*

