

****Title:**** Gloria M. de Erquiaga vs. Hon. Court of Appeals, et al.

****Facts:****

The case originated in 1970, when Santiago de Erquiaga filed a complaint for rescission with a preliminary injunction against Jose L. Reynoso and Erquiaga Development Corporation in the Court of First Instance of Sorsogon. The issue stemmed from a contract to sell 3,100 shares (100%) of Erquiaga Development Corporation by Santiago de Erquiaga to Jose L. Reynoso, which was not fully paid for, prompting Erquiaga to seek rescission. Despite a decision rendered in 1972 favoring Erquiaga, its execution encountered numerous delays and legal maneuvers for the next 17 years, involving petitions, appeals to the Court of Appeals, and motions concerning the rescission's execution, appointment of a receiver for the hacienda involved, and compliance with the trial court's judgment.

****Issues:****

The Supreme Court identified several legal issues:

1. Whether the Court of Appeals erred in ordering the payment of P410,000 plus interest by the petitioner without awaiting Reynoso's accounting of the fruits of the hacienda.
2. Whether the application of Corporation Law by the Court of Appeals was erroneous specifically in relation to voting rights and registration of shares.
3. The propriety of the Court of Appeals' direction to enter its judgment, considering that settlement negotiations were pending.

****Court's Decision:****

The Supreme Court granted the petition for review in part. It modified the Court of Appeals' decision, stating that the payment of legal interest by Erquiaga to Reynoso should be computed only up to the date of the judgment in 1972 and should await Reynoso's accounting of the fruits received from the hacienda. It affirmed the decisions on the necessity of share registration for voting rights. It found the entry of judgment by the Court of Appeals premature given ongoing settlement negotiations.

****Doctrine:****

The case reaffirmed principles of mutual restitution upon rescission of a contract, outlined in Article 1385 of the Civil Code, and the fundamental rule in Corporation Law regarding the necessity of share registration for the exercise of voting rights.

****Class Notes:****

Key elements for easy memorization:

- Article 1385 of the Civil Code dictates mutual restitution upon rescission.
- In Corporation Law, share registration is a prerequisite for a stockholder to exercise voting rights.
- Legal interest payments are contingent upon mutual compliance with restitution obligations.
- Preliminary injunctions and receivership can be instrumental in securing assets pending litigation.

****Historical Background:****

The protracted litigation, prolonged by legal maneuvers and delays, underscores challenges in executing court judgments, especially in complex corporate and property disputes. The case reflects on the legal procedures for enforcing corporate rights and obligations, alongside the practical difficulties in rescission and restitution of property and money.