

Title:

****Diesel Construction Company, Inc. vs. Jollibee Foods Corporation: A Critical Analysis on Discretionary Execution of Judgment Pending Appeal****

Facts:

In December 1991, Diesel Construction Company, Inc. (DCCI) initiated a lawsuit against Jollibee Food Corporation (JFC) for recovery of escalated construction costs amounting to P4.3 million for projects in Batangas City and Calamba, Laguna. JFC counterclaimed for damages and attorney's fees totaling P2.7 million due to allegedly delayed project completions.

Post-trial, the Makati City Regional Trial Court (RTC) on May 13, 1997, ruled in favor of DCCI, awarding them the escalated costs, attorney's fees, and interest rates. Following this, both parties filed their respective Notices of Appeal. Additionally, DCCI filed a Motion for Execution Pending Appeal citing financial distress and offered to post a 20% bond of the total amount due, to which JFC opposed.

Despite opposition, in December 1997, the RTC approved DCCI's motion on grounds including the rightful entitlement to escalation costs and the interpretation that JFC's appeal was merely dilatory. However, it conditioned the execution on the posting of a bond equivalent to 150% of the judgment amount.

Subsequently, the case records were elevated to the Court of Appeals (CA) due to both parties' appeals. DCCI filed a "Motion for Issuance of Premature Writ of Execution" with the CA, leading to a September 1998 CA resolution allowing execution upon DCCI posting a P10 million bond, but stayed upon JFC's filing of a P15 million supersedeas bond. This was reaffirmed in a December 1998 resolution following DCCI's failed reconsideration motion.

Issues:

1. Whether Rule 45 of the Rules of Court grants appellate courts discretionary power to stay executions issued by trial courts.
2. Whether the pendency of an appeal or the posting of a supersedeas bond justifies a stay of execution pending appeal.
3. Whether filing similar motions in different judicial forums constitutes forum shopping.

Court's Decision:

The Supreme Court (SC) held that the CA has its own discretionary jurisdiction to grant or stay execution pending appeal, distinct from the trial court's jurisdiction. It clarified that

immediate execution of a judgment before finality requires “good reasons”, mainly centered around “exceptional circumstances of such urgency.” The SC found that DCCI’s financial distress did not qualify as such an exceptional circumstance. Consequently, it set aside the CA resolutions, emphasizing the principle of finality in judgments and the absence of compelling reasons for extraordinary execution in this case.

Doctrine:

The SC clarified that an interlocutory order (such as one staying execution pending appeal) might not typically be contested via a petition for review under Rule 45. Moreover, financial distress of a corporate entity does not constitute a “good reason” for immediate execution of a judgment pending appeal. The case solidified the concept that appellate courts possess discretionary jurisdiction to grant or stay execution pending appeal independent of the trial court’s determinations.

Class Notes:

- Rule 45 is appropriate for final judgments or resolutions, not interlocutory orders.
- Execution pending appeal requires “good reasons”, which must surpass potential harm to the opposition should the judgment be overturned.
- Financial distress alone is insufficient for the extraordinary execution of a judgment pending appeal.
- Appellate courts hold discretionary power to stay or grant execution pending appeal, even after trial court’s initial decision on the matter.

Historical Background:

This case illustrates the legal procedures and considerations involved in the execution of judgments pending appeal within the Philippine judicial system. It underscores the stringent requirements for deviating from the principle that only final judgments should be executed, especially highlighting the judiciary’s discretion in balancing the interests of justice against potential harm to litigants.