

****Title:** Centennial Guarantee Assurance Corporation v. Universal Motors Corporation,
G.R. No. 190539**

****Facts:****

1. ****Initial Complaint:**** Nissan Specialist Sales Corporation (NSSC) and its President and General Manager, Reynaldo A. Orimaco, filed a Complaint for Breach of Contract with Damages and for Preliminary Injunction with Temporary Restraining Order (TRO) against respondents Universal Motors Corporation (UMC), Rodrigo T. Janeo, Jr., Gerardo Gelle, Nissan Cagayan de Oro Distributors, Inc. (NCOD), Jefferson U. Rolida, and Peter Yap, docketed as Civil Case No. 2002-058 at the Regional Trial Court (RTC) of Cagayan de Oro City, Branch 39.
2. ****Issuance of TRO:**** The RTC issued a TRO, enjoining respondents from various business activities related to Nissan vehicles and parts, contingent upon NSSC and Orimaco posting a P1,000,000.00 injunction bond issued by their surety, Centennial Guarantee Assurance Corporation (CGAC).
3. ****Writ of Preliminary Injunction:**** The TRO was converted into a writ of preliminary injunction on April 2, 2002.
4. ****Respondents' Certiorari Petition:**** Respondents filed a petition for certiorari and prohibition with the Court of Appeals (CA), docketed as CA-G.R. SP No. 70236. The CA ruled on July 24, 2002, that the RTC committed a grave abuse of discretion in issuing the writ, leading to the dissolution of the injunction.
5. ****Application for Damages:**** On May 27, 2004, respondents filed an application for damages against the injunction bond.
6. ****RTC Decision:**** On October 31, 2007, the RTC dismissed the complaint for lack of merit, ordered NSSC, Orimaco, and CGAC to pay respondents actual and exemplary damages totaling over P15 million, attorney's fees, and other costs.
7. ****Execution Pending Appeal:**** Respondents moved for execution pending appeal, which the RTC granted on January 16, 2008, citing imminent insolvency of NSSC, cessation of business operations, Orimaco's migration abroad, and NSSC's failure to file the requisite supersedeas bond.
8. ****CGAC's Petition:**** CGAC challenged the RTC's order before the CA, arguing against

the existence of good reasons for execution pending appeal and the imposition of liability on a surety beyond the bond amount.

9. **CA Ruling:** The CA upheld the RTC's order for execution pending appeal but limited CGAC's liability to P1,000,000.00. CGAC's motion for reconsideration was denied, prompting the petition for review before the Supreme Court.

Issues:

1. Whether good reasons exist to justify execution pending appeal against CGAC, a mere surety.
2. Whether CGAC's liability should be limited to P500,000.00 or P1,000,000.00.

Court's Decision:

1. **Good Reasons for Execution Pending Appeal:** The Supreme Court affirmed that there were sufficient reasons to justify execution pending appeal. NSSC's imminent insolvency and cessation of operations, coupled with Orimaco's migration abroad, posed significant risks that could render the judgment ineffective if not executed immediately. Such circumstances constituted "good reasons" under Section 2, Rule 39 of the Rules of Court.
2. **Surety's Liability:** The Court held that CGAC, as a surety, could be subject to execution pending appeal. By issuing the bond, CGAC assumed a direct and primary liability akin to that of NSSC and Orimaco, making it liable for damages caused by the wrongful issuance of the injunctive writ.
3. **Amount of Liability:** The Court upheld the CA's ruling that CGAC's liability was limited to the P1,000,000.00 bond. Section 4(b), Rule 58 of the Rules stipulates that a bond covers all damages from the improper issuance of an injunction. Given the total adjudicated damages exceeded the bond amount, CGAC's liability was confined to the bond's full value of P1,000,000.00.

Doctrine:

The doctrines highlighted in this case include:

1. **Execution Pending Appeal:** Execution pending appeal is an exception to the rule requiring a final judgment. "Good reasons" such as debtor's insolvency and risk of judgment becoming unsatisfiable warrant such execution.
2. **Surety's Liability:** A surety is treated as the same party as the principal debtor for

liability purposes, extending to execution of judgments pending appeal.

3. **Bond Limits:** An injunction bond is answerable up to its full amount for damages caused by the improper issuance of an injunctive writ.

Class Notes:

- **Execution Pending Appeal (Sec. 2, Rule 39, Rules of Court):** Requires “good reasons” to execute pending appeal which addresses urgency and risk that judgment could become unsatisfiable.
- **Surety:** Directly and primarily responsible for the principal debtor’s obligation without regard to the principal’s solvency.
- **Injunction Bond (Sec. 4(b), Rule 58, Rules of Court):** Answerable for damages from wrongful issuance of an injunction, ensuring the defendant against loss.
- **Case Law Reference:** *Paramount Insurance Corp. v. CA*, affirming surety’s full liability for improperly issued injunctive writs.

Historical Background:

This case provides insight into business disputes involving dealership agreements and the use of injunctions to prevent breaches. It showcases the procedural remedies available to protect parties from unjust pre-judgment actions, and how the courts balance immediate execution needs with the risks to the opposing party’s rights. The case also highlights the Philippine judicial system’s attention to insuring just compensations for wrongful injunctions via surety bonds, promoting judicial prudence and accountability.