

Title:

****Ouano Arrastre Service, Inc. vs. Hon. Peary G. Aleonar, International Pharmaceuticals, Inc., and the Court of Appeals****

Facts:

International Pharmaceuticals, Inc. (IPI) imported equipment insured by Mercantile Insurance Company, Inc. (Mercantile). Upon arrival in Cebu City, the equipment was mishandled, allegedly by Ouano Arrastre Service, Inc. (OASI), resulting in a loss. IPI filed a complaint before the Regional Trial Court (RTC) of Cebu City against Mercantile and OASI for the replacement cost of the equipment and damages, totaling P435,000. Atty. Manuel Trinidad of Ledesma, Saludo and Associates (LSA) initially represented OASI but later resigned, and Atty. Fidel Manalo took over.

On January 12, 1990, the RTC found both Mercantile and OASI jointly and severally liable. Only Mercantile appealed the RTC's decision. IPI moved for execution against OASI, which the judge granted on June 25, 1990. OASI, through Atty. Catipay, filed a notice of appeal and a motion for reconsideration, claiming excusable neglect and the misinterpretation of who would file the appeal. The RTC denied the motion for reconsideration.

OASI appealed to the Court of Appeals (CA), which dismissed the appeal on grounds that service of the decision was valid, the decision had become final and executory as to OASI, and Mercantile's appeal did not benefit OASI because their defenses were not common. OASI then petitioned the Supreme Court.

Issues:

1. Was there a valid service of the decision upon OASI's counsel?
2. Should the timely appeal filed by Mercantile stay the execution as against OASI?

Court's Decision:

The Supreme Court held that the RTC's decision was validly served on OASI's counsel, Atty. Catipay, who refused to accept it and instead instructed that it be sent to LSA's Makati office. This refusal and subsequent acknowledgment of the decision's receipt by LSA's Makati office rendered the service valid. Consequently, the appellate period commenced, making OASI's notice of appeal filed on June 26, 1990, late and the decision final and executory.

****Issue 1: Valid Service of the Decision****

- ****Resolution****: The Supreme Court found that there was a valid service on Atty. Catipay

on February 7, 1990, by the RTC's legal aide, who witnessed Catipay's refusal to accept the decision. Additionally, the copy received by the LSA's Makati office on February 21, 1990, bound the entire firm, including its Cebu branch.

- **Rationale**: As a single law firm entity, LSA's representation was unified; hence, the receipt by any branch bound all. The Court dismissed OASI's claim of miscommunication between the Cebu and Makati branches as insufficient to annul the service.

Issue 2: Timely Appeal by Co-Defendant Mercantile

- **Resolution**: The timely appeal by Mercantile did not benefit OASI because OASI failed to file its own appeal within the prescribed period.

- **Rationale**: Article 1216 of the Civil Code permits a creditor to proceed against any solidary debtor. OASI's defenses and Mercantile's were distinct, meaning Mercantile's appeal did not automatically extend to OASI. Thus, IPI was within its rights to seek execution against OASI alone.

In conclusion, the Supreme Court denied the Petition for Review, affirming the CA's dismissal of OASI's appeal.

Doctrine:

1. **Service of Decision**: Receipt of a decision by any branch of a unified law firm is binding on the entirety of the firm. Refusal to accept such service by a branch office does not invalidate the service.
2. **Solidary Liability**: Under Article 1216, a creditor may proceed against any solidary debtor. Timely appeals by one solidary debtor do not benefit another unless they share inseparable defenses.
3. **Final and Executory Judgments**: Execution of a judgment is a matter of right upon expiration of the appeal period, reinforcing the principle that procedural rules cannot be bent to favor substantive justice claims absent timely compliance.

Class Notes:

1. **Elements of Solidary Liability (Article 1216 Civil Code)**
 - Debtor(s) bound by solidary obligation.
 - Creditor's right to proceed against any debtor.
 - Judicial decisions executed against non-appealing solidary debtors.
2. **Rules on Service**:
 - Rule 13, Section 6, Rules of Court: When service is sufficiently made on counsel.

3. **Appeals Process**:

- Rule 41, Section 1, Rules of Court: Timing for filing an appeal and effects of non-compliance.
- Article 1222, Civil Code: Personal defenses non-transferability in timely but separate appeals.

Application: These rules were firmly applied in the given case, illustrating the judiciary's commitment to uphold finality in litigation and adherence to prescribed procedural timelines.

Historical Background:

This case is set against the backdrop of Philippine civil jurisprudence during the late 1980s and early 1990s, emphasizing strict procedural adherence and unitary principles in legal practice within law firms. It reflects the judiciary's eagerness to maintain order, predictability, and finality in legal processes while balancing substantial and procedural justice principles.