

GONZALO CHUA GUAN, PLAINTIFF-APPELLANT, VS. SAMAHANG MAGSASAKA INC., ET AL., DEFENDANTS-APPELLEES.

G. R. No. L-7914. August 31, 1955

Ponente: MONTEMAYOR, J.

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MONTEMAYOR, J.:

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This is an appeal taken by Gonzalo Chua Guan (referred to later as GUAN) to the Court of Appeals from the order of the Court of First instance of Nueva Ecija of June 6, 1951 in Civil Case No. 646 of that court. Defendants-appellees failed to file their briefs and the appeal was given due course by that Court without said appellees' brief. By its resolution dated April 22, 1954, the appeal was certified to us because it was said to involve only questions of law as well as the jurisdiction of the trial court. It is docketed here under G. R. No. L-7914.

This case involves two other cases which may be regarded as of ancient origin, one of them decided by this Court far back in 1935, and the other decided by this Tribunal only this year, but initiated in 1934. The transaction involved are long and not without complications and we shall relate them in chronological order as far as possible in order to have a better understanding of the parties and the issue, involved.

In the year 1931, Gonzalo H. Cotoco (later referred to as COTOCO) was a heavy stockholder in the Samahang Magsasaka Inc. (later referred to as MAGSASAKA), a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office at Cabanatuan, Nueva Ecija, 5,894 of its shares of stock being in his name. On and before that year he was engaged in the business of buying and selling palay particularly in the province of Nueva Ecija, and in connection with his business he owned and maintained two rice mills and warehouses located in Cabanatuan, Nueva Ecija where as many as 100,000 cavans of palay belonging to different owners and vendors, were usually deposited. We have no exact information as to the conditions under which he made the purchase but there is reason to believe that the palay were deposited in the warehouse by vendors who later and from time to time made the sale of their deposits when the current price of the palay suited them. In or about the month of August of that year 1931 it would appear that much if not all of 100,000 cavans of palay deposited in Cotoco's warehouses had not yet been paid for by him. On August 13, 1931, Cotoco absconded, leaving only about 4,000 cavans of palay in said warehouses. One of the depositors Lucia Y. Matias (later referred to as MATIAS) who was not able to recover her deposit of palay or its price, filed an action in court (Civil Case No. 6043) against Cotoco to collect the amount of P11,023.80. This was on August 26, 1931. On the same date she secured a writ of attachment of the aforementioned 5,894 shares of stock of Magsasaka, which attachment was duly noted on the same date on the books of the corporation. But before that date, on June 18, 1931,

Cotoco had mortgaged the 5,894 shares of stock to one Chua Chiu to guarantee the payment of a debt amounting to P20,000.00. The deed of mortgage was registered in the office of the Register of Deeds of Manila on July 23, 1931, and was noted on the books of the corporation on September 30, 1931. Matias eventually obtained judgment against Cotoco and the 5,894 shares of stock previously attached by her were, on October 3, 1932, sold by the Provincial Sheriff to her as highest bidder for P2,947.00. However, the corresponding certificate of sale was not issued to her until March 28, 1944.

There were about eight other creditors of Cotoco, some of them presumably depositors of palay in his warehouses, and these creditors filed actions against him in the Court of First Instance of Nueva Ecija, each one securing a writ of attachment against the same 5,894 shares of stock which attachments were also noted on the books of the corporation.

On November 28, 1931, Chua Chui sold all his mortgage right and interest in the said 5,894 shares of stock to Guan, the deed of mortgage having been registered in the office of the Register of Deeds of Manila on December 28, 1931 and noted on the books of the corporation on January 4, 1932. Upon maturity of the mortgage debt and Cotoco having failed to pay the same, Guan foreclosed the mortgage and at the auction sale held on December 22, 1932, he, as highest bidder, bought the 5,894 shares of stock for the sum of P14,390.00. The Sheriff executed the corresponding certificate of sale in his favor. Thereafter, Guan took the certificate of sale to Magsasaka, and demanded that the shares of stock be transferred in his name on the books of the corporation but the latter refused to make the transfer giving as a reason the fact that prior to the sale of the shares in his favor the corporation had received many writs of attachment issued over the same shares.

Because of this refusal of Magsasaka, Guan filed an action against it for mandamus to compel it to make the transfer, claiming that he was a bona fide purchaser of the shares. Said case for mandamus reached the Supreme Court and was docketed here under G.R. No. 42091 and the Tribunal rendered a decision promulgated on November 2, 1933, and published in 62 Phil, 47. The question therein involved was whether or not the registration of the chattel mortgage executed by Cotoco in favor of Chua Chiu in the office of the Register of Deeds of Manila on July 23, 1931 gave constructive notice to the attaching creditors. In that decision this Court held that "the attaching creditors are entitled to priority over the defectively registered mortgage of the appellant" (Chua Guan). The decision, however, did not end the litigation over the aforementioned shares of stock.

On May 17, 1934 Magsasaka filed interpleader case No. 6870 in the Court of First Instance of Nueva Ecija to secure a judicial ruling as to who among the several attaching creditors and the mortgage-creditor had a better right to the 5,894 shares of stock listed in its books in the name of Cotoco. All the attaching creditors as well as the mortgage creditor filed pleadings in intervention. Attaching creditor Matias filed her pleading on October 23, 1936 quoting the dispositive part of the decision of this Court in case G.R. No. 42091 published in 62 Phil, 472, and invoking the principle of res judicata. She further claimed that she was the first attaching creditor. The parties on April 26, 1938 submitted a stipulation of facts containing the dates on which the different creditors attached the shares in question. They also agreed that the Supreme Court decision rendered in case G.R. No. 42091 be made an integral part of said stipulation so that it may be considered in deciding the case No. 6870. After hearing, however, the lower court although it took notice of the decision of the Supreme Court, particularly the dispositive portion thereof, and disregarding the same, rendered judgment dated December 27, 1940, contrary to it and ruled that Guan was "the legal owner of the 5,894 shares of stock" and had "a better right to said shares than each and everyone of the attaching creditors." Two of the attaching creditors-intervenors Matias and Philippine Guaranty Co. appealed to the Court of Appeals under prewar case CA-G.R. No. 9186. Before the said Court of Appeals could decide the appeal, however, all the records of the same were lost or destroyed when the building of the appellate court was burned as a result of the bombing by the American Liberation forces sometime in 1944. Due

to said loss the appeal was left pending for a long time.

After Liberation the members of the Board of Directors of Magsasaka in meeting held in the year 1945, and upon suggestion of Atty. Mariano Sta. Romana, president of said corporation, passed resolutions ordering the transfer to Matias of the aforementioned 5,894 shares of stock, pursuant to these resolutions new shares of stock for the same number were issued to her by the Corporation on October 20, 1950, and par valued at P29,470.00. Thereafter, Magsasaka caused to be withdrawn and paid to Matias dividends declared corresponding to the years 1947 and 1949 in the total sum of P4,135.80.

Because of the aforementioned acts of the corporation, Guan filed against Magsasaka, Mariano Sta. Romana and Benigno Puno as President and Vice-President thereof and four others as members of the Board of directors, the present action Civil Case No. 646 of the Court of First Instance of Nueva Ecija, seeking to restore the shares of stock in question to their original status pending final determination of the appeal in case CA-G.R. No. 9186 in the Court of Appeals involving the Interpleader Case No. 6870. The complaint was amended on October 29, 1950 in order to include Matias as party defendant. In said complaint Gonzalo Chua Guan prayed:

"That judgment be rendered ordering the defendants, jointly and severally, (1) to make good and available the 5,894 shares of stock that are being litigated or in lieu thereof to pay an amount equivalent to its market value as of this date and deposit same with this Court to await for the final termination of the case covering said 5,894 shares of stock originally registered in the books of the corporation in the name of Gonzalo H. Cotoco; (2) to pay the dividends withdrawn by Lucia Y. Matias and paid by the defendant corporation for the years 1947 and 1949 amounting to exactly FOUR THOUSAND ONE HUNDRED THIRTY FIVE PESOS AND EIGHTY CENTAVOS (P4,135.80), the latter to be deposited with this court or with the Philippine National Bank to await for the final determination by the competent court as to who shall be entitled thereto; (3) to pay to the plaintiff the amount of TWO THOUSAND PESOS (P2,000.00) representing his attorney's fees in the instant proceeding as well as all other expenses incurred and to be incurred in connection with this case until its termination." (Record on Appeal, pp. 3-9.)

On August 28, 1950, Sta. Romana filed a motion to dismiss the complaint against him and the other members of the Board of directors on the ground that there was another action pending between the same parties for the same cause (Civil Case No. 6870) pending appeal and because the complaint stated no cause of action against them, for the reason that the inclusion of Magsasaka as party defendant was sufficient since they were only past members of its Board of Directors. The lower court, denied the motion to dismiss by its order of September 20, 1950, because the court knew of "no move on the part of any of the parties to reconstitute the old expediente" (CA-G.R. No. 9186).

On May 4, 1951, Atty. Mariano Sta. Romana filed another motion to dismiss on behalf of Matias on the ground that the court had no jurisdiction over the subject matter of the action; that there was another action pending between the same parties for the same cause and that the record of Civil Case No. 6870 had been found intact in the Court of First Instance of Nueva Ecija and that furthermore the cause of action was barred by a prior judgment.

On May 23, 1951, the trial court finding that only the plaintiff's attorney had been notified of this motion to dismiss, ordered that the rest of the parties be notified and it set the motion for hearing on May 30, 1951, stating that the court wanted to be satisfied that the record of Civil Case No. 6870 was complete with all the evidence as well as the transcript of the stenographic notes taken during the trial.

On June 6, 1951, the lower court entered the following order:

"The petition filed by Atty. Mariano Sta. Romana for the dismissal of this case dated May 4, 1951, under the ground alleged in the same is hereby granted. Parties are directed to reconstruct Civil Case No. 6870 whose

record, as per reliable information, exists in this court as in fact we saw the same. This dismissal shall be understood as under the condition that no action shall be taken regarding the share of Lucia Y. Matias until said case is finally decided or terminated." (p. 107, Record on Appeal.)

Plaintiff Guan filed two motions for reconsideration of the order of dismissal but both were denied on the ground that , the appealed case No. 6870 pending in the Court of Appeals may be reconstituted from the original record existing in writhe Court of First Instance of Nueva Ecija. Plaintiff appealed from this order to the Court of Appeals which as already stated certified the appeal to us.

On September 21, 1951, appellant Gonzalo Chua Guan petitioned the Court of Appeals for the re constitution of the appeal in Civil Case 6870. This petition was denied on the ground that the time for filing said petition had already expired, but on November 17, 1951 the same Court' by resolution ordered the reconstitution of the records of said appeal which was done. Upon certification of the appeal as reconstituted, to this Court the appeal was docketed here as G.R. No 7252. On February 25, 1955, this Tribunal rendered a decision in said case, the dispositive part of which reads as follows:

"Wherefore, the decision appealed from is reversed. Judgment is hereby rendered declaring: (1) that the rights of appellants Lucia Y. Matias and the Philippine Guaranty Co., Inc. over the 5,894 shares of stock in the Samahang Magsasaka Inc., enjoy priority over the right of appellee Gonzalo Chua Guan; (2) that as between the two appellants, the right of the first enjoys priority over the second, it having been registered ahead on the books of the corporation; and, (3) it appearing that said shares of stock have already been sold to Gonzalo Chua Guan by the sheriff on December 22, 1932, the sale should be, as it is hereby, declared subject to the liens in favor of herein appellants, in the order of their priority, to be dealt with in accordance with law. This decision is only effective with regard to appellants and appellee and is not extensive to other parties who have no appealed. Costs against the appellee." (G.R. No. L-7252, Feb. 25, 1955.)

Final entry of judgment was entered in G.R. No. L-7252 on April 4, 1955.

Now, as regards the appeal of Guan from the order of dismissal of his complaint in Civil Case No. 646 taken first to the Court of Appeals and later certified to us and docketed here as case G.R. No. L-7914, defendants-appellees Matias and Mariano Sta. Romana filed a petition to dismiss the appeal dated March 31, 1955 on the ground that the issue involved in the appeal had already been decided between the same parties in two cases, namely, G. R. No. 42091 (62 Phil. 472) and G.R. No. 7252, the dispositive part of the decision in the last case being quoted above, or at least decide this case after considering the two aforementioned cases. Appellant has answered the petition, objecting to the same.

Considering our decision in G.R. No. L-7252 particularly the dispositive part thereof, we see no good reason to continue the present appeal, have the parties file their respective pleadings and later decide the case on its merits, for the reason that the execution of the judgment now final in G.R. No. L-7252 would satisfactorily and completely solve the problem, involved in the present appeal. We are inclined to agree with appellant that at the time he filed his original complaint in Civil Case No. 646 he might have had a good cause of action for the reason that although he obtained a favorable judgment in Civil Case No. 6870 wherein Judge Pecson declared him the legal owner of the 5,894 shares of stock and that he had a better right to said shares than each and everyone of the attaching creditors, nevertheless MAGSASAKA through its Board of Directors transferred said shares in the name of Matias, and furthermore, gave to her dividends declared on said shares for two years. However, our decision in G.R. No. L-7252 changed that situation by declaring Guan to be the legal owner of the shares in question, but subject to the liens of Matias and the Philippine Guaranty Co. We venture to say that in executing said judgment, the shares may now be transferred in the name of GUAN provided that he pay off the liens of Matias and the Philippine Guaranty Co., the amount payable to Matias to be reduced by the dividends she had

received amounting to P4,135.80; or else, the said shares may be transferred in the name of GUAN subject to the liens aforementioned, and that to enforce said liens, if necessary said shares may have to be sold and from the proceeds of the sale the amounts of the two liens may be paid in the order of their priority, but as already stated, the dividends received by Matias to be deducted from the amount of her lien.

In view of the foregoing considerations and with the indications therein contained, the motion to dismiss the appeal is granted, and the appeal is hereby dismissed, without costs.

Bengzon, Padilla, Reyes, Jugo, Bautista Angelo, Labrador, Concepcion, and Reyes, J.B.L., JJ., concur.

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