

ROSARIO TEXTILE MILLS, INC., CORPORATE OFFICERS AND BOARD OF DIRECTORS OF ROSARIO TEXTILE MILLS, INC., AND EDILBERTO YUJUICO, PETITIONERS, VS. COURT OF APPEALS, HONORABLE LUIS R...

G.R. No. 137326. August 25, 2003

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

Before us is a petition for review on certiorari[1] assailing the Decision[2] of the Court of Appeals dated 31 July 1998, as well as the Resolution dated 22 January 1999 denying the motion for reconsideration in CA-G.R. SP No. 46825. The Court of Appeals dismissed the special civil action for certiorari questioning the Orders[3] dated 23 May 1997 and 4 December 1997 of the Regional Trial Court of Pasig City, Branch 155 ("trial court") in Civil Case No. 54163.

The Antecedents

On 1 August 1984, RMC Garments, Inc. ("RMC") leased from Peter Pan Corporation ("Peter Pan") its properties ("Leased Premises") located on Ortigas Avenue Extension, Pasig, Metro Manila. The Leased Premises were covered by Transfer Certificates of Title Nos. 144376 (7060), 144377 (7061), and 144460 (7062) issued in the name of Peter Pan by the Rizal Register of Deeds. RMC, a garments manufacturing company, installed machinery on the Leased Premises and brought in furniture, office equipment and supplies.

On 20 December 1986, Rosario Textile Mills Corp. ("Rosario Textile") advised RMC in a letter that it had acquired the Leased Premises, including the chattels found inside, from GBC Corporation ("GBC") through a Deed of Assignment of Rights and Interests. GBC in turn, bought the Leased Premises at a foreclosure sale by the Development Bank of the Philippines ("DBP") on 15 August 1983. Rosario Textile demanded that RMC vacate the Leased Premises within 10 days and warned that it would avail of its "rights of ownership either judicially or extra-judicially" if RMC failed to do so. RMC replied that it neither mortgaged to DBP nor sold to Rosario Textile the Leased Premises. RMC explained that Rosario Textile may have mistaken it for Riverside Mills Corporation, another garments corporation whose properties DBP had foreclosed.

Despite this letter, Rosario Textile proceeded to exercise its "right of self-help." Representatives of Rosario Textile entered the Leased Premises in the evening of 2 January 1987 and cut off RMC's power supply and communication lines. They barricaded the road leading to the Leased Premises, padlocked the entrances and posted guards to prevent entry. Subsequently, Rosario Textile removed the machinery, equipment, garments and other chattels found inside the Leased Premises.

RMC and Peter Pan filed an injunction suit in the trial court to remove all the obstructions and the grant of a right of way to the Leased Premises. Rosario Textile, DBP and the Philippine National Bank ("PNB") opposed the

injunction on the ground that RMC had not shown a clear right in esse that the court should protect.

On 20 January 1987, the trial court issued an Order[4] granting RMC access to the Leased Premises upon posting a P50,000 bond. Upon entry, RMC representatives discovered the removal of its chattels from the Leased Premises. Consequently, RMC filed a motion for the issuance of a writ of preliminary mandatory injunction for the return of the missing chattels. Rosario Textile opposed the motion claiming ownership over the building and its contents.

The trial court granted RMC's motion in the Order dated 23 February 1987, the dispositive portion of which reads:

Wherefore, plaintiffs' said "Very Urgent Motion to Return Plaintiffs' Garment/Sewing Machines", dated February 3, 1987 is hereby granted, and defendant Rosario Textile Mills Corporation, its agents and all persons acting on its behalf are hereby directed to return forthwith all the sewing machines taken and removed by it from plaintiffs' premises, particularly those enumerated in Annex "A" of plaintiffs' said very urgent motion. (Emphasis supplied)

x x x.[5]

Rosario Textile assailed the Order in a special civil action for certiorari with the Court of Appeals. The Court of Appeals upheld the validity of the Order in a Decision dated 30 June 1987. The Supreme Court affirmed the Decision, which attained finality with the entry of judgment on 17 August 1988.

On 2 February 1989, the trial court issued an Order[6] requiring Rosario Textile to comply with the 20 January 1987 and 23 February 1987 Orders. The trial court reiterated its orders directing "defendants" to allow entry to the Leased Premises and to return the various machineries they took. The Sheriff's Report stated that copy of the Order was served on Rosario Textile's counsel in the presence of its Vice-President for Operations/Personnel, Mr. Antonio Angco. However, Rosario Textile did not comply. In 1993 and 1994, RMC filed two motions to cite Rosario Textile's board of directors and officers in contempt of court for refusing to comply with the trial court's final order. Rosario Textile's board of directors and officers opposed the motion claiming they had no knowledge of the order requiring them to return the sewing machines since their counsel did not inform them of the order. On 8 April 1996, the trial court issued another Order[7] requiring the responsible officers[8] of Rosario Textile ("petitioners' officers") to return the sewing machines within 5 days from notice under pain of contempt. Petitioners' officers moved for reconsideration, which the trial court denied on 30 August 1996.

Petitioners filed a Manifestation and Compliance on 7 January 1997 stating that they could no longer return the sewing machines since these were gutted by the fire that razed Rosario Textile's warehouse 6 years before on 22 August 1991. Petitioners attached the fire marshal's report stating that the fire was accidental.

On 23 May 1997, the trial court issued the Order ruling that the alleged destruction of the sewing machines did not extinguish petitioners' obligation to return these machines. The trial court held that petitioners were already in default at the time the fire allegedly destroyed the machines. The dispositive portion of the Order reads:

WHEREFORE, in view of the foregoing, and pursuant to Administrative Circular No. 22-95, Re: Amendment of Sections 1 and 6, Rule 71 of the Rules of Court, the responsible officers of defendant namely, Edilberto V. Yujuico, Chairman of the Board, Antonio E. Angco, VP-Administration, Romualdo Dizon, Director, Ricardo S.D. Ledesma, Director, and Elpidio C. Ocampo, Director, are hereby ordered to make complete restitution to the plaintiff of the value of the sewing machines they failed to return, within ten (10) days from receipt of a copy of this Order.[9] (Emphasis supplied)

The trial court denied petitioners' motion for reconsideration in the Order dated 4 December 1997.[10]

Petitioners assailed the Orders dated 23 May and 4 December 1997 in a petition for certiorari with the Court of

Appeals. Petitioners contended that the trial court gravely abused its discretion when it ordered petitioners to make a complete restitution of the value of the sewing machines pursuant to Supreme Court Administrative Circular No. 22-95. They also claimed that the trial court gravely abused its discretion in denying the motion for reconsideration based on the doctrine of piercing the veil of corporate fiction and on the theory of special capacities.

The Court of Appeals dismissed the petition for lack of merit in the assailed Decision dated 31 July 1998. The appellate court denied the motion to reconsider the same in the Resolution dated 22 January 1999.

Hence, the instant petition.

The Ruling of the Court of Appeals

The Court of Appeals held that a violation of a writ of injunction subjects a party to a citation for civil or criminal contempt, punishable by a fine or imprisonment. Courts may punish for contempt officers and agents of corporations for breach of an injunction regardless of whether the injunction is directed against them or the corporation only. The trial court did not deny petitioners' officers due process even though they were not impleaded as parties in the main case. The trial court gave petitioners sufficient opportunity to be heard and to present their side in the contempt proceedings. The Court of Appeals explained that since petitioners violated the writ of injunction issued for the benefit of a private party, a civil contempt arose, which only requires a quantum of evidence higher than a mere preponderance. Simply put, the law does not require proof beyond reasonable doubt in civil contempt.

The Court of Appeals also held that the trial court's order of complete restitution of the value of the sewing machines was not a prejudgment of the case on the issue of ownership. The Court of Appeals explained that the trial court did not order restitution of the value of the sewing machines as a declaration of ownership in RMC's favor. Rather, the trial court used the value only as a measure of the amount of penalty for the violation of the injunction when restitution of the machines became impossible.

The Issues

Petitioners contend that:

- THE COURT OF APPEALS COMMITTED SERIOUS ERRORS IN LAW BY SUBSTITUTING ITS OWN INTERPRETATION OF THE DECISION OF THE LOWER COURT THAT "THE VALUE OF THE SEWING MACHINES WAS USED BY THE TRIAL COURT ONLY AS A MEASURE OF THE AMOUNT OF PENALTY FOR THE VIOLATION OF THE INJUNCTION IN VIEW OF THE ALLEGATION OF PETITIONERS THAT RESTITUTION IS NO LONGER POSSIBLE;"
- THE COURT OF APPEALS COMMITTED SERIOUS ERRORS IN LAW WHEN IT UPHELD AS VALID THE ORDER OF THE LOWER COURT ORDERING THE CORPORATE OFFICERS OF PETITIONER ROSARIO TEXTILE TO MAKE COMPLETE RESTITUTION TO RMC OF THE VALUE OF THE SEWING MACHINES;
- THE COURT OF APPEALS COMMITTED SERIOUS ERRORS IN LAW WHEN IT UPHELD THE DENIAL OF THE MOTION FOR RECONSIDERATION OF ITS ORDER DATED 23 MAY 1997 FILED BY PETITIONERS BASED ON THE DOCTRINE OF PIERCING THE CORPORATE VEIL AND ON THE THEORY OF SPECIAL CAPACITIES;
- THE COURT OF APPEALS COMMITTED SERIOUS ERRORS IN LAW WHEN IT RULED THAT THE CORPORATE OFFICERS OF ROSARIO TEXTILE WERE VALIDLY DECLARED IN CONTEMPT OF COURT.

Two principal issues arise from petitioners' contentions: (1) whether the order finding petitioners in contempt of

court is valid; and (2) whether complete restitution of the value of the sewing machines by petitioners in their personal capacities is proper.

The Court's Ruling

The petition is bereft of merit.

Whether the Order Finding Petitioners Guilty
of Indirect Contempt is Valid
No Denial of Due Process

Petitioners' officers lament their citation for indirect contempt on the ground that the trial court did not give them notice of the injunction order they supposedly violated. Petitioners claim that the trial court merely presumed their knowledge of the injunction order from its receipt by Rosario Textile's former counsel.

Whether petitioners' officers had notice or knowledge of the injunction order is patently a question of fact beyond the pale of Rule 45 of the Rules of Court, which mandates that only questions of law be raised in the petition. In a petition for review on certiorari, the Court's jurisdiction is limited to reviewing errors of law that the lower courts may have committed.^[11] Moreover, prevailing jurisprudence uniformly holds that findings of fact of the trial court, particularly when affirmed by the Court of Appeals, are generally binding on this Court. Hence, the trial court's factual finding affirmed by the Court of Appeals that petitioners had knowledge of the injunction order is binding on us. Indeed, the Court of Appeals had sufficiently disposed of this issue as follows:

We find that the officers of the petitioner corporation cannot credibly disclaim knowledge of the order requiring the corporation to return the sewing machines. They claim that their lawyer never informed them of the said order. The petitioners do not dispute the allegation made by the private respondent that the president of the petitioner corporation and that of the respondent corporation met in the presence of then Department of Trade and Industry Secretary, Jose Concepcion, for the amicable settlement of the controversy and that the president of the private respondent corporation asked for the return of the sewing machines but the president of the petitioner corporation refused. The petitioners knew or should have known that their personnel took possession of the chattels inside the private respondent's factory and transferred them to the petitioners' warehouse and that the private respondent demanded the return of the subject machines. The sheriff's Report dated February 22, 1989 states that the legal counsel for the petitioner corporation and the Vice-President for operations and personnel were present when he tried to enforce the order of the court against the petitioner but he was prevented by its security officers. It is not believable that the officers of the corporation were unaware of the sheriff's attempts to enforce the final order against the corporation ordering it to release, among others, more than 120 units of sewing machines (pp. 172-174, Rollo, CA GR SP No. 11445) from its warehouse. At the very least, the officers of the petitioner corporation had actual notice of the order.

We likewise reject the claim of petitioners' officers that the trial court did not afford them sufficient notice and opportunity to be heard in the contempt proceedings. To comply with the procedural requirements of indirect contempt under Rule 71 of the Rules of Court, there must be (1) a complaint in writing which may either be a motion for contempt filed by a party or an order issued by the court requiring a person to appear and explain his conduct, and (2) an opportunity for the person charged to appear and explain his conduct.^[12]

The trial court complied with these requirements in this case. When RMC filed motions for contempt, the trial court gave petitioners' officers an opportunity to explain their side. Petitioners' officers filed oppositions to the motions for contempt and even filed motions to reconsider the orders of the trial court requiring them to return the sewing machines.

Distinction Between Civil and Criminal Contempt

Equally devoid of merit is petitioners' argument that the Supreme Court treats contempt proceedings regardless of whether these are civil or criminal as partaking of the nature of a criminal proceeding. It is not correct to say that in contempt proceedings a court should observe all the due process requirements attending a criminal proceeding and that proof beyond reasonable doubt should support a finding of contempt of court.

In *Cagayan Valley Enterprises, Inc. v. Court of Appeals*,^[13] the Court held:

xxx True it is that generally, contempt proceedings are characterized as criminal in nature, but the more accurate juridical concept is that contempt proceedings may actually be either civil or criminal, even if the distinction between one and the other may be so thin as to be almost imperceptible. But it does exist in law. It is criminal when the purpose is to vindicate the authority of the court and protect its outraged dignity. It is civil when there is failure to do something ordered by a court to be done for the benefit of a party (3 Moran Rules of Court, pp. 343-344, 1970 ed.; see also *Perkins vs. Director of Prisons*, 58 Phil. 272; *Harden vs. Director of Prisons*, 81 Phil. 741.)

Thus, the Court held in *Remman Enterprises, Inc. v. Court of Appeals*^[14] that:

In general, criminal contempt proceedings should be conducted in accordance with the principles and rules applicable to criminal cases, in so far as such procedure is consistent with the summary nature of contempt proceedings. So it has been held that the strict rules that govern criminal prosecutions apply to a prosecution for criminal contempt, that the accused is to be afforded many of the protections provided in regular criminal cases, and that proceedings under statutes governing them are to be strictly construed. However, criminal proceedings are not required to take any particular form so long as the substantial rights of the accused are preserved.

Civil contempt proceedings, on the other hand, are generally held to be remedial and civil in nature; that is, for the enforcement of some duty, and essentially a remedy resorted to, to preserve and enforce the rights of a private party to an action and to compel obedience to a judgment or decree intended to benefit such a party litigant. The rules of procedure governing criminal contempt proceedings, or criminal prosecutions, ordinarily are inapplicable to civil contempt proceedings. (Emphasis supplied)

The contempt involved in this case is civil since it arose from petitioners' act of defying the trial court's writ of preliminary injunction, which clearly ordered petitioners' officers to return all the sewing machines taken from the Leased Premises.

Whether Restitution of the Value of the Sewing Machines by Petitioners in their Personal Capacities is Proper

Petitioners contend that the Court of Appeals went beyond the issues properly cognizable in a special civil action for certiorari in substituting its own justification for the validity of the trial court's orders. This contention deserves scant consideration. Such a narrow interpretation will deprive appellate courts of the power to sustain orders of trial courts that are correct in the result even though the appellate courts may have different reasons for sustaining the orders. In any event, in the present case the trial court correctly cited Supreme Court Administrative Circular No. 22-95 in requiring restitution, which the appellate court amplified as the basis for determining the amount of the restitution.

Rosario Textile also contends that the Court of Appeals failed to address directly the issue on whether the trial court's reliance on the doctrine of piercing the veil of corporate fiction is proper. Rosario Textile also asserts that the appellate court failed to address the question whether the orders constituted a partial judgment of the case. Petitioners' officers argue that there is no basis in piercing the veil of corporate fiction to make them personally liable for the value of the sewing machines. They point out that no fraudulent scheme exists in this case and the

corporation is fully capable of satisfying the obligation. They further argue that the orders in effect made a finding that RMC is the owner of the sewing machines which issue must still be resolved in the main case.

These arguments do not persuade us.

RMC initiated this action way back in 1986 or more than 17 years ago today. The trial court issued in 1987 the first of several orders to the "agents and persons acting in behalf of Rosario Textile" to return the sewing machines in 1987. The Court of Appeals and the Supreme Court sustained this order more than 15 years ago in 1988. Still, RMC's efforts to recover possession of the sewing machines proved futile. RMC then sought to cite petitioners in contempt of court in 1993 and 1994 since non-compliance with the trial court's orders was in utter disregard of the court's authority.

Petitioners continued to defy the trial court's orders to return the sewing machines until they manifested in 1997 that a fire destroyed the sewing machines in 1991. The trial court then directed the petitioners to reconstitute the monetary value of the destroyed sewing machines in their personal capacities on the ground that petitioners were in delay at the time of the destruction of the machines. The trial court justified its order by correctly invoking Supreme Court Administrative Circular No. 22-95. In denying petitioners' motion for reconsideration, the trial court in addition applied the doctrine of piercing the veil of corporate fiction and the theory on personal capacities.

An injunction duly issued must be obeyed, however erroneous the action of the court may be, until a higher court overrules such decision.[15] As affirmed by the Court of Appeals and this Court, the trial court properly issued the injunction order directing petitioners to return the sewing machines.

Supreme Court Administrative Circular No. 22-95 which took effect on 16 November 1995 amended Sections 1 and 6, Rule 71 of the Rules of Court[16] which provide the penalties for direct and indirect contempt committed against superior and inferior courts. Section 6 of Rule 71 as amended reads:

SECTION 6. - Punishment if found guilty. - If the accused is thereupon adjudged guilty of contempt committed against a superior court or judge, he may be fined not exceeding thirty thousand pesos or imprisoned not more than six (6) months, or both; if adjudged guilty of contempt committed against an inferior court or judge, he may be fined not exceeding five thousand pesos or imprisoned not more than one (1) month, or both, and if the contempt consists in the violation of an injunction, he may also be ordered to make complete restitution to the party injured by such violation. (Emphasis supplied)

Under the amendment, in case of violation of writs of injunction or restraining orders, the rule now provides that the court may order complete restitution through the return of the property or the payment of the amount alleged and proved.[17] As aptly pointed out by RMC, restitution is defined as the "act of making good or giving equivalent for any loss, damage or injury; and indemnification." [18] Petitioners are not excused from complying with the writ of injunction on the ground a fire destroyed the machines, considering that the fire occurred years after the court had ordered petitioners to return the machines.

In *Quinio v. Court of Appeals*, [19] *Toyota Bel Air, Inc.* similarly failed to comply repeatedly with a final order of the trial court to return a vehicle to the adverse party. The trial court then directed the corporation's President and General Manager to comply. For their continued defiance, the Court affirmed the citation for contempt and ordered *Toyota Bel Air, Inc.*'s president, general manager and counsel incarcerated until they return the vehicle.

Unlike in the *Quinio* case, there is nothing more to return in this case because of the destruction of the sewing machines. However, just like in *Quinio*, petitioners' officers must be held personally liable for the restitution of the money equivalent of the lost sewing machines. Petitioners have only themselves to blame for refusing to

return the sewing machines while still able to do so. Verily, the trial court's orders were merely an offshoot of the contempt proceedings and not a judgment on the merits of the case. As correctly pointed out by the Court of Appeals, the trial court ordered the restitution of the value of the sewing machines not as a declaration of ownership in RMC's favor but pursuant to Supreme Court Administrative Circular No. 22-95. Not only did Rosario Textile deprive RMC of the sewing machines. Petitioners blatantly disregarded the trial court's orders to return the same despite their ability to comply with the orders. Petitioners have not shown any justifiable reason why they have repeatedly ignored the trial court's orders.

We affirm the complete restitution of the value of the sewing machines to RMC by petitioners consistent with the remedial and preservative principles of citations for contempt, and as demanded by the respect due the orders, writs and processes of the courts of justice.

WHEREFORE, we DENY the petition for lack of merit.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Vitug, Ynares-Santiago, and Azcuna, JJ., concur.

[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Penned by Associate Justice Minerva P. Gonzaga-Reyes, with Associate Justices Hector L. Hofileña, and Omar U. Amin concurring.

[3] Penned by Judge Luis R. Tongco.

[4] Rollo, pp. 115-116.

[5] Ibid., pp. 117-118.

[6] Ibid., p. 120.

[7] Ibid., pp.123-125.

[8] The Motion named Rosario Textile's board of directors and officers as follows: Chairman of the Board Edilberto V. Yujuico, VP-Administration Antonio E. Angco, Directors Ricardo S.D. Ledesma, and Elpidio C. Ocampo.

[9] Rollo, p. 80.

[10] Ibid., pp. 78-79.

[11] Philippine National Bank v. Court of Appeals, 381 Phil. 720 (2000).

[12] Geronimo v. Ramos, G.R. Nos. L- 60504, 60591, 60732-39, 14 May 1985, 136 SCRA 435.

[13] G.R. No. 78413, 8 November 1989, 179 SCRA 218.

[14] G.R. No. 107671, 26 February 1997, 268 SCRA 688.

[15] Cagayan Valley Enterprises, Inc. v. Court of Appeals, supra, note 13.

[16] These amendments have been incorporated in the 1997 Rules of Civil Procedure.

[17] OSCAR M. HERRERA, REMEDIAL LAW III (1991).

[18] BLACK'S LAW DICTIONARY (Fifth Edition).

[19] G.R. No. 113867, 13 July 2000, 335 SCRA 522.

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