# SPOUSES EULOGIO MORALES AND ROSALIA ARZADON, PETITIONERS, VS. SUBIC SHIPYARD & ENGINEERING, INC., RESPONDENT.

*G.R. No. 148206. August 24, 2007*

Ponente: SANDOVAL-GUTIERREZ, J.

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**SANDOVAL-GUTIERREZ, J.:**

For our resolution is the instant Petition for Review on Certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, seeking to reverse the Decision[1] of the Court of Appeals (Eleventh Division) dated February 22, 2001 in CA-G.R. SP No. 41214.

The facts of the case as found by the appellate court are:

On August 7, 1979, then President Ferdinand E. Marcos issued a Memorandum to the Solicitor General directing him to "institute expropriation proceedings for the acquisition of any and all lands situated in Cabangan, Subic, Zambales as are needed for the construction of a ship repair facility in Cabangan Point, Subic, Zambales by the Government, thru the Philippine Shipyard & Engineering Corporation (PHILSECO)." This firm was a subsidiary of the National Investment and Development Corporation which, in turn, was an investment subsidiary of the then government-owned Philippine National Bank (PNB).

Acting on the former President's directive, the Republic of the Philippines (Republic), on October 1, 1979, filed with the Court of First Instance (now Regional Trial Court), Branch 1, Olongapo City, for and on behalf of PHILSECO, a complaint for eminent domain, docketed as Civil Case No. 2737-O. Impleaded as defendants, among others, were spouses Eulogio and Rosalia Morales, petitioners, who owned several lots in Cabangan, Subic, Zambales.

On October 25, 1979, spouses Morales filed a Motion to Dismiss the complaint in Civil Case No. 2737-O on the following grounds: (1) the complaint states no cause of action as plaintiff (Republic) is not the real party in interest but PHILSECO, a private corporation; (2) the taking is not for public use; (3) the complaint violates the equal protection clause of the Constitution; and (4) the compensation offered is unjust, oppressive, and confiscatory.

On December 6, 1979, the trial court issued an Order denying spouses Morales' motion to dismiss the complaint. It held that the construction of a ship repair facility in Cabangan, being imbued with a public purpose, would allow the local repair of Philippine vessels and would bring in new investments. Relying upon Presidential Decree (P.D.) No. 1533, the trial court then directed "the plaintiff or any of its authorized instrumentalities, agents or entities, to take immediate possession of the real properties and improvements of the defendants involved x x x and to commence the development and construction of the areas for the purposes stated in the complaint."

Spouses Morales then filed a motion for reconsideration but it was denied by the trial court on February 26, 1980.

After depositing with the PNB the amount of P138,422.87, pursuant to P.D. No. 1533, the Republic entered the

land subject of the expropriation proceeding and placed PHILSECO in its possession.

During the pre-trial conference on November 6, 1980, the parties stipulated that "the sole issue to be resolved would be the determination of just compensation."

Meanwhile, on April 29, 1987, the Supreme Court, in Export Processing Zone Authority v. Dulay,[2] rendered a Decision holding that the determination of just compensation is principally a judicial function.

Following Dulay, the trial court held a series of conferences with the parties to enable them to agree on the just compensation, but to no avail.

On March 19, 1993, spouses Morales filed anew a motion to dismiss the complaint basically based on the ground that PHILSECO has been privatized.

On August 31, 1995, the trial court issued a Resolution granting the motion and dismissing the complaint, holding that PHILSECO was privatized in 1994 and that, therefore, the Republic has no more legal personality to pursue the case; and that its exercise of its right to expropriate would be tantamount to "condemning private property for the benefit of a private enterprise, the primary purpose of which is to gain profit for its stockholders."

On October 5, 1995, the trial court issued an Entry of Judgment stating that its Resolution dated August 31, 1995 dismissing the complaint has become final and executory.

Meanwhile, PHILSECO changed its corporate name to Subic Shipyard & Engineering, Inc. (SSEI).

On July 11, 1996, SSEI filed with the Court of Appeals a petition for annulment of the Resolution dated August 31, 1995 dismissing the complaint. SSEI alleged that since the propriety of expropriation had already been resolved and that the only remaining issue is the the amount of just compensation, the trial court has no jurisdiction to dismiss the complaint.

On February 22, 2001, the Court of Appeals rendered its Decision granting SSEI's petition for annulment of judgment and directing the trial court to determine the just compensation, thus:

> WHEREFORE, the petition for annulment of judgment of the Regional Trial Court of Olongapo City in Civil Case No. 2737-O is hereby GRANTED. The respondent judge is directed to promptly make a determination of the just compensation and order payment thereof to the private respondents concerned.
>
> SO ORDERED.

Spouses Morales promptly filed a motion for reconsideration but it was denied by the Court of Appeals in its Resolution dated May 21, 2001.

Hence, this petition.

The basic issue for our resolution is whether the Court of Appeals erred in annulling the trial court's Resolution dated August 31, 1995 dismissing respondent's complaint for eminent domain on the ground of lack of jurisdiction.

We hold that on August 31, 1995, when the trial court issued its challenged Resolution dismissing the complaint, it still had jurisdiction over the case. Consequently, such Resolution cannot be annulled by the Court of Appeals.

A petition for annulment of judgment is an extraordinary action. By virtue of its exceptional character, the action is restricted exclusively to the grounds specified in the Rules, namely: extrinsic fraud and lack of jurisdiction. The rationale for the restriction is to prevent the extraordinary action from being used by a losing party to make a complete farce of a duly promulgated decision that has long become final and executory.[3]


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Lack of jurisdiction as a ground for annulment of judgment refers to either lack of jurisdiction over the person of the defending party or over the subject matter of the claim.[4] Where the court has jurisdiction over the defendant and over the subject matter of the case, its decision will not be voided on the ground of absence of jurisdiction. Here, there is no dispute that the trial court has jurisdiction over the case for eminent domain.

It is settled that once jurisdiction has been acquired, it is not lost until the court shall have disposed of the case in its entirety. As earlier mentioned, on October 5, 1995, the trial court issued an Entry of Judgment of its Resolution of August 31, 1995 which attained finality. It is clear that from the inception of Civil Case No. 2737-O until October 5, 1995 when the Entry of Judgment was issued, the trial court retained its jurisdiction over the case. Verily, when the questioned Resolution was issued on August 31, 1995, the trial court acted with jurisdiction. Thus, the Court of Appeals erred in granting respondent's petition for annulment of judgment on the ground of lack of jurisdiction.

Litigation must end sometime and somewhere. It is essential to an effective and efficient administration of justice. That once a judgment has become final, as in this case, the winning party should not be deprived of the fruits of the verdict. Courts must therefore guard against any scheme calculated to bring about that undesirable result.[5] Indeed, it is only proper for this Court to write finis to this 28-year old controversy.

WHEREFORE, we GRANT the petition. The assailed Decision of the Court of Appeals in CA-G.R. SP No. 41214 is REVERSED.

**SO ORDERED.**

Puno, C.J., (Chairperson), Corona, Azcuna, and Garcia, JJ., concur.

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[1] Rollo, pp. 23-35. Penned by Associate Justice Josefina Guevara-Salonga and concurred in by Associate Justice Delilah Vidallon-Magtolis and Associate Justice Teodoro P. Regino (both retired).

[2]G.R. No. 59603, April 28, 1987, 149 SCRA 305.

[3] Cerezo v. Tuazon, G.R. No. 141538, March 23, 2004, 426 SCRA 167, citing Section 2, Rule 47 of the 1997 Rules of Civil Procedure, as amended.

[4]Tolentino v. Leviste, G.R. No. 156118, November 19, 2004, 443 SCRA 274.

[5]Republic v. "G" Holdings, Inc., G.R. No. 141241, November 22, 2005, 475 SCRA 508.


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