

PHILIPPINE AIRLINES, INC., PETITIONER, VS. COURT OF APPEALS AND SABINE KOSCHINGER, RESPONDENTS.

G.R. No. 150592. January 20, 2009

Ponente: PUNO, C.J.

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PUNO, C.J.:

Before this Court is a Petition for Certiorari[1] under Rule 65 of the Revised Rules on Civil Procedure assailing the Resolution[2] of the Court of Appeals (CA) dated September 4, 2001 in CA-G.R. CV No. 65778.

Respondent Sabine Koschinger (Koschinger) filed a complaint[3] for design infringement and damages against petitioner Philippine Airlines, Inc. (PAL) before the Regional Trial Court (RTC) of Makati City. Koschinger claimed PAL used table linens and placemats bearing designs substantially identical to her patented designs in its commercial flights without her consent or authority.

The trial court rendered its Decision[4] on July 15, 1998 in favor of Koschinger. PAL appealed the same to the CA.

Meanwhile, on June 23, 1998, the Securities and Exchange Commission (SEC) gave due course to PAL's petition for the appointment of a rehabilitation receiver due to its being a distressed company, pursuant to Presidential Decree No. 902-A. On July 1, 1998, the SEC directed that "[i]n light of the Order of the Commission appointing an Interim Receiver all claims for payment against PAL are deemed suspended." [5]

On August 3, 1998, PAL filed before the RTC a Motion for Suspension of Proceedings.[6] However, when the RTC failed to act upon the motion, PAL filed before the CA a Reiteration of Motion to Suspend Proceedings[7] on May 29, 2000.

On September 4, 2001, the CA issued its assailed Resolution, which reads in part:

[R]ecords show that as early as July 15, 1998, Regional Trial Court, Branch 137, Makati City, rendered its decision in said Civil Case No. 92-186, which is the subject of the instant appeal before this Court, and is now on the completion stage. As a matter of fact, appellant itself has filed its brief. This Court is awaiting for (sic) the appellee's brief. Hence, proceedings below could no longer be stopped because it had terminated.

If it is the proceedings before this Court that appellant wanted to be suspended, the same could not be given due course, as the issue in the instant appeal is:

"WHETHER OR NOT APPELLANT VIOLATED THE PROVISIONS OF THE PATENT LAW."

X X X X

The appeal before this Court is not as yet a claim against PAL, it shall determine the issue whether or not there was violation of the Patent Law and the determination of the possible awards, thus, the motion is DENIED.

Appellee is given a new period of thirty (30) days from receipt hereof within which to file her brief, otherwise, this case shall be submitted for decision without appellee's brief.

SO ORDERED.[8]

Aggrieved, PAL filed the instant Petition to nullify and set aside the said Resolution. PAL alleges that the CA acted with grave abuse of discretion amounting to lack or excess of jurisdiction in issuing the disputed resolution, holding that the "proceedings below could no longer be stopped because it had been terminated" and ordering Koschinger to file her appellee's brief.

The Petition is impressed with merit.

Initially, we resolve the procedural issues raised by respondent.

Respondent, in her Comment, argues that a Petition for Certiorari under Rule 65 is not the proper remedy because petitioner had already filed an appeal before the CA. Further, even assuming that the petition was proper, the same should not be granted because the CA did not commit grave abuse of discretion amounting to lack or excess of jurisdiction in issuing the assailed Resolution.

Respondent's arguments are incorrect. While it is true that petitioner's appeal before the CA questions the RTC's July 15, 1998 Decision, the present Petition for Certiorari only challenges the CA's September 4, 2001 Resolution. Said Resolution is not a final disposition of the case and, therefore, not appealable. Petitioner, therefore, had no "plain, speedy and adequate remedy in the ordinary course of law." [9] Petitioner filed the present petition to stop the CA from hearing the appeal in violation of the SEC's stay order.

Furthermore, we find that the CA indeed committed grave abuse of discretion for the reasons cited below.

Of paramount importance to the resolution of this case is the effect of the order for suspension of payments on the proceedings before the trial court and on PAL's appeal before the CA.

The CA ruled that, first, the proceedings before the trial court could no longer be suspended because these had been terminated and, second, that the appeal before it could not likewise be suspended because the issue before it was not yet a claim.

The CA was partially correct in stating that the issue to be resolved before it was whether or not PAL violated the provisions of the Patent Law. [10] However, it failed to consider the fact that the same also carried a prayer for damages. It also incorrectly ruled that the same is not a claim such that the proceedings shall be suspended in accordance with the SEC's directive.

Under the Interim Rules of Procedure on Corporate Rehabilitation, [11] a claim shall include all claims or demands of whatever nature or character against a debtor or its property, whether for money or otherwise. [12]

The definition is all-encompassing as it refers to all actions whether for money or otherwise. There are no distinctions or exemptions. [13]

Prior to the promulgation of the Interim Rules of Procedure on Corporate Rehabilitation, this Court construed claim as referring only to debts or demands pecuniary in nature:

[T]he word "claim" as used in Sec. 6(c) of P.D. 902-A refers to debts or demands of a pecuniary nature. It means "the assertion of a right to have money paid. It is used in special proceedings like those before administrative court, on insolvency."

The word "claim" is also defined as:

Right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to

an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured.

In conflicts of law, a receiver may be appointed in any state which has jurisdiction over the defendant who owes a claim.

As used in statutes requiring the presentation of claims against a decedent's estate, "claim" is generally construed to mean debts or demands of a pecuniary nature which could have been enforced against the deceased in his lifetime and could have been reduced to simple money judgments; and among these are those founded upon contract. [14]

In subsequent cases, the Court pronounced that "[it] is `not prepared to depart from the well-established doctrines' essentially maintaining that all actions for claims against a corporation pending before any court, tribunal or board shall ipso jure be suspended in whatever stage such actions may be found upon the appointment by the SEC of a management committee or a rehabilitation receiver." [15]

Further, this was taken to embrace all phases of the suit, be it before the trial court or any tribunal or before this Court [16] such that "no other action may be taken in, including the rendition of judgment during the state of suspension - what are automatically stayed or suspended are the proceedings of an action or suit and not just the payment of claims during the execution stage after the case had become final and executory." [17]

Moreover, a perusal of the Complaint filed before the RTC reveals that the same was for "Design Infringement and Damages with a Prayer for a Temporary Restraining Order and Writ of Preliminary Injunction" [18] and prayed for actual damages amounting to P2 million, exemplary damages amounting to P250,000.00 and attorney's fees amounting to P250,000.00. Thus, whether under the Interim Rules of Procedure on Corporate Rehabilitation or under the Court's rulings prior to the promulgation of the Rules, the subject of the case would fall under the term claim, considering that it involves monetary consideration.

The reason for the suspension of claims while the corporation undergoes rehabilitation proceedings has been explained by the Court, thus:

In light of these powers, the reason for suspending actions for claims against the corporation should not be difficult to discover. It is not really to enable the management committee or the rehabilitation receiver to substitute the defendant in any pending action against it before any court, tribunal, board or body. Obviously, the real justification is to enable the management committee or rehabilitation receiver to effectively exercise its/his powers free from any judicial or extra-judicial interference that might unduly hinder or prevent the "rescue" of the debtor company. To allow such other action to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation. [19]

This underlying reason applies with equal force to the appeal before the CA. The continuation of the appeal proceedings would have unduly hindered the management committee's task of rehabilitating the ailing corporation, giving rise precisely to the situation that the stay order sought to avoid.

It was likewise error for the CA to have ruled that the proceedings before the RTC could not be stopped because they had been terminated.

This Court has repeatedly held that execution is the final stage of litigation, [20] the fruit and end of the suit. [21] Thus, the proceedings before the RTC were not terminated by the filing of the appeal to the CA. The same could not be executed - hence, not yet terminated - until the appeal is decided with finality. Consequently, the

proceedings before the RTC could be suspended in accordance with the SEC's stay order.

Under the Interim Rules of Procedure on Corporate Rehabilitation, a stay order defers all actions or claims against the corporation seeking rehabilitation from the date of its issuance until the dismissal of the petition or termination of the rehabilitation proceedings.[22]

Accordingly, the CA committed grave abuse of discretion in denying petitioner's Motion to Suspend Proceedings and ordering respondent to file her appellee's brief. Upon petitioner's motion informing it of the SEC's stay order, the CA should have immediately suspended the appeal therein.

Be that as it may, this Court notes that petitioner filed a Manifestation[23] on October 17, 2007 informing this Court that the SEC has approved petitioner's exit from corporate rehabilitation through an Order[24] dated September 28, 2007. Thus, there is now no bar to the continuation of the appeal proceedings before the CA.

WHEREFORE, the foregoing premises considered, the petition is GRANTED. The Court of Appeals is ORDERED to forthwith resolve CA-G.R. CV No. 65778 with dispatch.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Chico-Nazario, and Leonardo-De Castro[*][*], JJ., concur.

[*] Spelled as "Koshinger" in some parts of the records.

[**] Additional member in lieu of Associate Justice Diosdado M. Peralta per Special Order No. 560 dated January 19, 2009.

[1] Rollo, pp. 3-17.

[2] Penned by Associate Justice Eugenio S. Labitoria, with Associate Justices Eloy R. Bello, Jr. and Perlita J. Tria Tirona, concurring, id. at 18-19.

[3] Civil Case No. 92-186, Sabine Koschinger v. Philippine Airlines, Inc., rollo, pp. 20-28.

[4] Penned by Judge Santiago Javier Ranada (now a retired Associate Justice of the Court of Appeals), rollo, pp. 66-70.

[5] Id. at 91.

[6] Id. at 54-56.

[7] CA rollo, pp. 26-29.

[8] Rollo, pp. 18-19.

[9] Rule 65, Sec. 1.

[10] Rollo, p. 18.

[11] A.M. No. 00-8-10-SC, December 15, 2000.

[12] Id., Rule 2, Sec. 1.

[13] *Spouses Sobrejuanite v. ASB Development Corporation*, G.R. No. 165675, September 30, 2005, 471 SCRA 763, 772; see also *Philippine Airlines, Inc. v. Zamora*, G.R. No. 166996, February 6, 2007, 514 SCRA 584.

[14] Id. at 771-772, citing *Finasia Investments and Finance Corporation v. Court of Appeals*, G.R. No. 107002, October 7, 1994, 237 SCRA 446, 450; see also *Arranza v. B.F. Homes, Inc.*, 389 Phil. 318 (2000).

[15] *Philippine Airlines, Inc. v. Zamora*, supra note 13, at 604-605, citing *Philippine Airlines, Inc. v. Court of Appeals*, Second Division Resolution, G.R. No. 123238, July 11, 2005. (Emphasis theirs.)

[16] Id. at 605.

[17] Id.

[18] Records, p. 1.

[19] *Philippine Airlines, Inc. v. Philippine Airlines Employees Association*, G.R. No. 142399, June 19, 2007, 525 SCRA 28, 38, citing *BF Homes, Incorporated v. Court of Appeals*, 190 SCRA 262, 269 (1990).

[20] *Mt. Carmel College v. Resuela*, G.R. No. 173076, October 10, 2007, 535 SCRA 518, 542.

[21] *Florentino v. Rivera*, G.R. No. 167968, January 23, 2006, 479 SCRA 522, 532; *Ramnani, v. Court of Appeals*, 413 Phil. 194, 199 (2001); *Republic v. National Labor Relations Commission*, 331 Phil. 608, 610 (1996).

[22] *Banco de Oro v. JAPRL Development Corporation*, G.R. No. 179901, April 14, 2008, citing *Philippine Airlines v. Kurangking*, 438 Phil. 375, 381 (2002).

[23] Rollo, pp. 148-149.

[24] Id. at 150-155.

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