

JOAQUIN P. OBIETA, PETITIONER, VS. EDWARD CHEOK, RESPONDENT.

G.R. No. 170072. September 03, 2009

Ponente: CORONA, J.

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CORONA, J.:

The present controversy sprung from an intra-corporate dispute[1] filed by respondent Edward Cheok against Republic Resources and Development Corporation (REDECO)[2] and petitioner Joaquin P. Obieta in his capacity as its corporate secretary seeking the issuance of certificate of stocks at the new par value[3] in lieu of his four REDECO street certificates.[4]

REDECO and petitioner, on the other hand, claimed that respondent did not present any proof that the street certificates had been endorsed or assigned to him. Furthermore, considering the issuance of those certificates was not reflected in the corporation's stock and transfer book, they validly denied respondent's request.

Because REDECO admitted issuing the street certificates to respondent's stockbrokers, the Regional Trial Court (RTC) of Manila, Branch 46 held that those certificates were genuine. Thus, petitioner acted negligently in refusing respondent's request.

In a decision dated September 6, 2001,[5] the RTC held:

WHEREFORE, judgment is hereby rendered ordering [REDECO and petitioner] to pay [respondent] jointly and severally the following amounts:

- P695,873 plus interest at legal rate from the filing of the complaint on June 6, 1997 until fully paid, said amount being the market value of [respondent's] new 85,000 shares at the prevailing average price of [P8.17] per share in March 1997 at the Philippine Stock Exchange;
- Attorney's fees equivalent to 25% of the amount due as stated in the paragraph immediately preceeding [and]
- cost of suit.

SO ORDERED. (emphasis supplied)

Inasmuch as the appeal of REDECO and petitioner was not perfected,[6] the September 6, 2001 decision became final and executory.[7] Thus, on respondent's motion, the RTC issued a writ of execution on January 9, 2002.[8] It ordered petitioner to deliver his Valley Golf and Country Club (VGCC) stock certificate no. 1577 to the branch sheriff so that it may be sold in public auction.[9] Petitioner refused; hence, he was cited for contempt of court.[10]

On July 19, 2004, petitioner assailed the aforementioned orders of the RTC (citing him for contempt) via a petition for certiorari and prohibition[11] in the Court of Appeals (CA). He argued that the RTC erred in ordering him to deliver his VGCC stock certificate no. 1577 since a corporate officer should not be held personally liable for a corporate obligation. Furthermore, Section 9(b), Rule 39 of the Rules of Court[12] did not require the

judgment obligor to surrender levied property to the sheriff. The RTC therefore had no legal basis for ordering him to surrender his stock certificate. Consequently, it committed grave abuse of discretion in citing him for contempt.

In a decision dated February 4, 2005,[13] the CA set aside the September 6, 2001 decision and the assailed orders of the RTC. It found that petitioner did not act in bad faith or with gross negligence in performing his duties as corporate secretary. Thus, there was no reason to disregard the separate juridical personality of REDECO and hold petitioner personally liable for the corporation's judgment obligation. Furthermore, the CA noted that, inasmuch as what was being enforced was a money judgment, the RTC had no legal basis for compelling petitioner to deliver his own VGCC stock certificate to the sheriff. In view thereof, the CA held that the RTC committed grave abuse of discretion in issuing patently erroneous orders. Petitioner therefore justifiably refused compliance and could not be held liable for contempt.

On reconsideration, however, the CA noted that the September 6, 2001 decision of the RTC had already become final and executory. It explained:

It can be gleaned from the RTC decision that there was [a] finding of gross negligence on the part of the [petitioner] due to his failure to act on the letter-request of [respondent]. Such finding of the trial court, albeit may be erroneous, does not ipso facto render the judgment void.

A judgment contrary to the express provision of a statute is of course erroneous, but it is not void; and if it becomes final and executory, it becomes as binding and effective as any valid judgment; and though erroneous, will henceforth be treated as valid, and will be enforced in accordance with its terms and dispositions. (emphasis supplied)

Thus, the CA reversed the February 4, 2005 decision insofar as it held that petitioner was not solidarily liable with REDECO.[14]

Petitioner moved for reconsideration but it was denied.[15] Hence, this recourse[16] with petitioner insisting that a corporate officer cannot be held solidarily liable with the corporation for a corporate obligation.

Unfortunately, the petition cannot be granted. It seeks a review of a matter that has been settled with finality by the trial court. Settled is the rule that once a decision acquires finality, it becomes immutable and unalterable. Thus, despite containing erroneous conclusions of fact or law, it can no longer be modified.[17]

The appeal of the September 6, 2001 decision of the RTC (holding petitioner solidarily liable with REDECO for the judgment obligation) was never perfected. Furthermore, neither REDECO nor petitioner assailed the orders dismissing the notice of appeal. Thus, the said decision became final and executory.

WHEREFORE, the petition is hereby DENIED.

Costs against petitioner.

SO ORDERED.

Puno, C.J., (Chairperson), Carpio, Leonardo-De Castro and Bersamin, JJ., concur.

[1] Complaint for issuance of fully-paid certificates of stock resulting from reclassification or conversion.

The complaint was filed in the Securities and Exchange Commission and docketed as SEC-SICD Case No. 06-97-5669. However, in view of the enactment of Republic Act 8799, it was transferred to the Regional Trial Court (RTC) of Manila, Branch 46 and re-docketed as Civil Case No. 01-99668.

[2] Renamed Wellex Industries, Inc.

[3] In 1995, REDECO's board of directors authorized a 5:1 reverse stock split.

[4] The following street certificates were issued to respondent's stockbrokers, R.L. Investments, Inc. and David Go Securities Co.:

Certificate No.

Date of Issuance

No. of Shares

JT5520

April 29, 1974

1,000,000

JT11922

January 8, 1975

500,000

JT29256

January 8, 1993

5,000,000

JT14092

January 28, 1993

2,000,000

TOTAL

8,500,000

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[5] Penned by Judge Artemio S. Tipon. Rollo, pp. 48-52.

[6] REDECO and petitioner filed a notice of appeal but it was dismissed by the RTC in an order dated October 2, 2001.

[7] REDECO and petitioner moved for reconsideration of the October 2, 2001 order but it was denied in an order dated November 19, 2001.

[8] Rollo, pp. 53-54.

[9] Order dated January 23, 2004. Id., p. 57.

[10] Orders dated March 9, 2004 and May 6, 2004. Id., pp. 59-60 and 61-62, respectively.

[11] Under Rule 65 of the Rules of Court. Docketed as CA-G.R. SP No. 85205. With application for the issuance of a temporary restraining order and/or writ of preliminary injunction.

[12] Rules of Court, Rule 39, Sec. 9(b) provides:

Section 9. Execution of judgments for money, how enforced.--

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(b) Satisfaction by levy. -- If the judgment obligor cannot pay all or part of the obligation in cash, certified bank check or other mode of payment acceptable to the judgment obligee, the officer shall levy upon the properties of the judgment obligor of every kind and nature whatsoever which may be disposed of for value and not otherwise exempt from execution giving the latter the option to immediately choose which property or part thereof may be levied upon, sufficient to satisfy the judgment. If the judgment obligor does not exercise the option the officer shall first levy on the personal properties, if any, and then on the real properties if the personal properties are insufficient to answer for the judgment.

The sheriff shall sell only a sufficient portion of the personal or real property of the judgment obligor which has been levied upon.

When there is more property of the judgment obligor than is sufficient to satisfy the judgment and lawful fees, he must sell only so much of the personal or real property as is sufficient to satisfy the judgment and lawful fees.

Real property, stocks, shares, debts, credits, and other personal property, or any interest in either real or personal property, may be levied upon in like manner and with like effects as under a writ of attachment.

x x x x x x x x

[13] Penned by Associate Justice Eugenio S. Labitoria and concurred in by Associate Justices Elizer de los Santos and Arturo D. Brion (now a member of this Court) of the Third Division of the Court of Appeals. Rollo, pp. 100-119.

[14] Resolution dated May 10, 2005. Id., pp. 35-41.

[15] Resolution dated May 10, 2005. Id., pp. 42-43.

[16] Under Rule 45 of the Rules of Court.

[17] *Coloso v. Garilao*, G.R. No. 129165, 30 October 2006, 506 SCRA 25, 50 citing *Sacdalan v. Court of Appeals*, G.R. No. 128967, 20 May 2004, 428 SCRA 586, 599.

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