

ELLICE AGRO-INDUSTRIAL CORPORATION, REPRESENTED BY ITS CHAIRMAN OF THE BOARD OF DIRECTORS AND PRESIDENT, RAUL E. GALA, PETITIONER, VS. RODEL T. YOUNG, DELFIN CHAN, JIM WEE AND G...*G.R. No. 174077. November 21, 2012*

Ponente: MENDOZA, J.

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Assailed in this Petition for Review on Certiorari under Rule 45 of the Rules of Court are the July 1, 2003 Decision[1] and the August 8, 2006 Resolution[2] of the Court of Appeals (CA), in CA-G.R. SP No. 64421, dismissing the petition and upholding the November 11, 1999 Decision of the Regional Trial Court of Lucena City, Branch 60 (RTC), in Civil Case No. 96-177, entitled “Rodel T. Young, Delfin Chan and Jim Wee v. Ellice Agro Industrial Corporation, represented by Guia G. Domingo.”

The Facts

On July 24, 1995, Rodel T. Young, Delfin Chan and Jim Wee (respondents) and Ellice Agro-Industrial Corporation (EAIC), represented by its alleged corporate secretary and attorney-in-fact, Guia G. Domingo (Domingo), entered into a Contract to Sell, under certain terms and conditions, wherein EAIC agreed to sell to the respondents a 30,000 square-meter portion of a parcel of land located in Lutucan, Sariaya, Quezon and registered under EAIC’s name and covered by Transfer Certificate of Title (TCT) No. T-157038 in consideration of One Million and Fifty Thousand (P1,050,000.00) Pesos.

Pursuant to the Contract to Sell,[3] respondents paid EAIC, through Domingo, the aggregate amount of Five Hundred Forty Five Thousand (P545,000.00) Pesos as partial payment for the acquisition of the subject property. Despite such payment, EAIC failed to deliver to respondents the owner’s duplicate certificate of title of the subject property and the corresponding deed of sale as required under the Contract to Sell.

On November 8, 1996, prompted by the failure of EAIC to comply with its obligation, respondents had their Affidavit of Adverse Claim annotated in TCT No. T-157038.[4]

On November 14, 1996, respondents filed a Complaint[5] for specific performance, docketed as Civil Case No. 96-177, against EAIC and Domingo before the RTC.

Consequently, on November 18, 1996, respondents caused the annotation of a Notice of Lis Pendens involving Civil Case No. 96-177 in TCT No. T-157038.[6]

The initial attempt to serve the summons and a copy of the complaint and its annexes on EAIC, through Domingo, on Rizal Street, Sariaya, Quezon, was unsuccessful as EAIC could not be located in the said address.

Another attempt was made to serve the alias summons on EAIC at 996 Maligaya Street, Singalong, Manila, the residence of Domingo. The second attempt to serve the alias summons to Domingo was, this time, successful.

On March 21, 1997, EAIC, represented by Domingo, filed its Answer with Counterclaim.[7]

Meanwhile, respondent Jim Wee (Wee) sent Raul E. Gala (Gala), EAIC's Chairman and President, a letter,[8] dated July 9, 1997, seeking a conference with the latter relating to the execution of an absolute deed of sale pursuant to the Contract to Sell entered into between EAIC and respondents.

In response, the Robles Ricafrente Aguirre Sanvicente & Cacho Law Firm, introducing itself to be the counsel of EAIC, sent Wee a letter,[9] dated July 18, 1997, informing him of Domingo's lack of authority to represent EAIC.

On the scheduled pre-trial conference on January 27, 1998, neither Domingo nor her counsel appeared. As a result of EAIC's failure to appear in the pre-trial conference, respondents were allowed to present their evidence ex parte, pursuant to Section 5, Rule 18[10] of the Rules of Court.

Following the presentation of evidence ex parte, the RTC rendered its November 11, 1999 Decision ordering EAIC to deliver the owner's duplicate copy of TCT No. T-157038 and to execute a final deed of sale in favor of respondents.

No motion for reconsideration or notice of appeal was filed by EAIC, hence, the said RTC decision became final and executory on December 8, 1999.[11]

On July 10, 2000 (roughly seven months after the finality of the RTC Decision), EAIC, represented by Gala, filed its Petition for Relief from Judgment[12] under Rule 38 of the Rules of Court of the November 11, 1999 RTC Decision before the same court. The petition for relief from judgment was premised on the alleged fraud committed by Domingo in concealing the existence of both the Contract to Sell and Civil Case No. 96-177 from EAIC.

In its July 12, 2000 Order,[13] the RTC denied the petition for relief from judgment for being clearly filed out of time under Section 3, Rule 38 of the Rules of Court.[14]

On April 24, 2001, EAIC, represented by Gala, initiated the Petition for Annulment of Judgment[15] under Rule 47 of the Rules of Court of the November 11, 1999 RTC Decision before the CA. The petition was grounded on the RTC's lack of jurisdiction over EAIC and the extrinsic fraud committed by Domingo. EAIC discarded any knowledge of the said sale and the suit filed by respondents against it. According to EAIC, it could not be bound by the assailed RTC Decision pursuant to Section 13, Rule 14[16] of the 1964 Rules of Court which was, the applicable rule then. Domingo was not its President, Manager, Secretary, Cashier, Agent or Director, as evidenced by the General Information Sheets[17] (GIS) it filed with the Securities and Exchange Commission (SEC), at the time the summons was served upon her and she did not possess the requisite authorization to represent EAIC in the subject transaction. Furthermore, her misrepresentation that she was EAIC's corporate secretary who was properly authorized to sell and receive payment for the subject property, defrauded EAIC of the potential gains it should have realized from the proceeds of the sale.

In their Answer with Counterclaim[18] filed before the CA, respondents countered that considering EAIC's petition for relief from judgment under Rule 38 grounded on extrinsic fraud, had already been rejected with finality, EAIC could not be permitted to invoke the same ground in a petition for annulment of judgment under Rule 47. Further, EAIC could not feign ignorance of Civil Case No. 96-177 because of the November 8, 1996 Adverse Claim and the November 18, 1996 Notice of Lis Pendens annotated at the back of TCT No. T-157038. Respondents insisted that the mentioned annotations in TCT No. T-157038 should be deemed constructive notices to the world of the pending litigation referred to therein and, therefore, bound EAIC to Civil Case No. 96-177. Moreover, with the exchange of letters, dated July 9, 1997[19] and July 18, 1997,[20] between Wee and EAIC,

through Gala, EAIC was informed of the pending civil case against it.

In its Reply[21] filed before the CA, EAIC explained that the RTC did not touch upon the issue of fraud in the petition for relief from judgment as it was dismissed for being filed out of time. In addition, EAIC claimed that the exchange of letters between Wee and EAIC never stated anything whatsoever of any pending suit between them.

In its July 1, 2003 Decision, the CA dismissed the petition for annulment of judgment. In its decision, the CA ratiocinated:

x x x x.

The corporation, at the inception of Civil Case No. 96-177 on November 14, 1996, already had constructive notice of the three (3) businessmen's [herein respondents] adverse claim to a 30,000 square-meter portion of the land covered by TCT No. T-157038 because this claim was duly registered and annotated on the said title even before this date. Moreover, four (4) days after the inception of the civil case, room was provided for on the same title for the annotation of a notice of lis pendens.

These constructive notices ought to have spurred the corporation into action by filing an answer in Civil Case No. 96-177 through proper or legitimate representations, for instance. But the corporation chose to keep quiet, thus, making the trial court and everyone else concerned with said civil case believe that Guia G. Domingo is its proper or legitimate representative. It even appears that she was, after all, a proper or legitimate representative of the corporation because in the decision, dated November 3, 1998, rendered in SEC Cases Nos. 3747 and 4027, the corporation's board headed by Raul [E]. Gala since August 24, 1990 was held to be illegitimate.

Even without the constructive notices, the businessmen [herein respondents], through a letter signed by one of them, apprised the corporation, through Raul E. Gala, of their contract to sell. This was in July, 1997. The letter was duly acknowledged and the parties thereafter even tried to settle among themselves the consideration and conveyance of the 30,000 square-meter portion. When this failed, there was no reason why the corporation could not have proceeded with the pre-trial in Civil Case No. 96-177. It did not.

The corporation's reticence in view of the constructive notices and its then incumbent board's personal knowledge of the case had, in effect, amounted to a waiver of its right to actively participate in the proper disposition of Civil Case No. 96-177, to move for a new trial therein and to appeal from the decision rendered therein. Certainly, these remedies no longer are available, but only the corporation should be faulted for this.

Be that as it may, the corporation had availed of the remedy of relief from the judgment in Civil Case No. 96-177. The fact that it was not able to prove that it was entitled thereto does not mean that it can now avail of the instant remedy.

It would serve no useful purpose then to delve into the issues of jurisdiction and fraud raised in the petition as the petition itself is unavailing under the circumstances.

x x x x.

EAIC's motion for reconsideration was denied by the CA in its Resolution, dated August 8, 2006.

Hence, this petition for review.

The Issues

Not in conformity with the ruling of the CA, EAIC seeks relief from this Court raising the following errors:

THE COURT OF APPEALS ERRED IN RULING THAT THERE WAS VALID SERVICE OF SUMMONS

UPON PETITIONER CORPORATION.

THE COURT OF APPEALS ERRED IN RULING THAT GUIA G. DOMINGO WAS A DIRECTOR OF PETITIONER CORPORATION AT THE TIME SUMMONS WAS SERVED UPON HER AND IN DENYING PETITIONER'S MOTION FOR RECONSIDERATION.

THE COURT OF APPEALS ERRED IN RULING THAT PETITIONER CAN NO LONGER AVAIL OF THE PRESENT PETITION HAVING EARLIER FILED A PETITION FOR RELIEF FROM JUDGMENT.[22]

The main issue for the Court's consideration is whether the RTC validly acquired jurisdiction over the person of EAIC, defendant in Civil Case No. 96-177.

In their Memorandum,[23] respondents argue that at the time the summons was served upon Domingo, she was acting for and in behalf of EAIC. They further point out that, at any rate, EAIC's filing of its Answer with Counterclaim and the petition for relief from judgment before the trial court constitutes voluntary appearance thereby submitting itself to the jurisdiction of the RTC. Respondents stress that the extrinsic fraud claimed by EAIC is not a valid ground for a petition for annulment of judgment because the latter had already availed of the said ground in a petition from relief from judgment in contravention to Section 2, Rule 47.[24]

In her Memorandum,[25] Domingo argues that EAIC, in filing its Answer with Counterclaim and Petition for Relief from Judgment, had invoked the jurisdiction of the same trial court that it now denies. Further, she claims that she acted in utmost good faith in receiving the summons and filing the Answer in Civil Case No. 96-177 for EAIC since she truly believed that she was authorized to do so.

On the other hand, EAIC, in its Memorandum,[26] contends that there was no valid service of summons because Domingo, at the time summons was served, was not its president, manager, secretary, cashier, agent, or director. The GIS filed with the SEC consistently showed that she never held any position with EAIC which could have authorized her to receive summons in behalf of EAIC. The CA erred in considering the Adverse Claim and Notice of Lis Pendens annotated in TCT No. T-157038 as constructive notice to EAIC of the pendency of Civil Case No. 96-177 and, therefore, clothed the RTC with jurisdiction over the person of EAIC. Those annotations in the TCT merely serve to apprise third persons of the controversy or pending litigation relating to the subject property but do not place a party under the jurisdiction of the court. Moreover, respondents' duty to prosecute their case diligently includes ensuring that the proper parties are impleaded and properly served with summonses.

The Court's Ruling

The Court finds merit in the petition.

It is a settled rule that jurisdiction over the defendant is acquired either upon a valid service of summons or the defendant's voluntary appearance in court. When the defendant does not voluntarily submit to the court's jurisdiction or when there is no valid service of summons, any judgment of the court which has no jurisdiction over the person of the defendant is null and void.[27] The purpose of summons is not only to acquire jurisdiction over the person of the defendant, but also to give notice to the defendant that an action has been commenced against it and to afford it an opportunity to be heard on the claim made against it. The requirements of the rule on summons must be strictly followed, otherwise, the trial court will not acquire jurisdiction over the defendant.[28]

Section 13, Rule 14 of the 1964 Rules of Civil Procedure, the applicable rule on service of summons upon a private domestic corporation then, provides:

Sec. 13. Service upon private domestic corporation or partnership.— If the defendant is a corporation organized under the laws of the Philippines or a partnership duly registered, service may be made on the president,

manager, secretary, cashier, agent, or any of its directors. [Underscoring supplied]

Based on the above-quoted provision, for service of summons upon a private domestic corporation, to be effective and valid, should be made on the persons enumerated in the rule. Conversely, service of summons on anyone other than the president, manager, secretary, cashier, agent, or director, is not valid. The purpose is to render it reasonably certain that the corporation will receive prompt and proper notice in an action against it or to insure that the summons be served on a representative so integrated with the corporation that such person will know what to do with the legal papers served on him.[29]

In the present case, the 1996 GIS[30] of EAIC, the pertinent document showing EAIC's composition at the time the summons was served upon it, through Domingo, will readily reveal that she was not its president, manager, secretary, cashier, agent or director. Due to this fact, the Court is of the view that her honest belief that she was the authorized corporate secretary was clearly mistaken because she was evidently not the corporate secretary she claimed to be. In view of Domingo's lack of authority to properly represent EAIC, the Court is constrained to rule that there was no valid service of summons binding on it.

Granting arguendo that EAIC had actual knowledge of the existence of Civil Case No. 96-177 lodged against it, the RTC still failed to validly acquire jurisdiction over EAIC. In *Cesar v. Ricafort-Bautista*,[31] it was held that "x x x jurisdiction of the court over the person of the defendant or respondent cannot be acquired notwithstanding his knowledge of the pendency of a case against him unless he was validly served with summons. Such is the important role a valid service of summons plays in court actions."

The Court cannot likewise subscribe to respondents argument that by filing its answer with counterclaim, through Domingo, with the RTC, EAIC is deemed to have voluntarily submitted itself to the jurisdiction of the RTC. In *Salenga v. Court of Appeals*,[32] the Court stated:

A corporation can only exercise its powers and transact its business through its board of directors and through its officers and agents when authorized by a board resolution or its bylaws. The power of a corporation to sue and be sued is exercised by the board of directors. The physical acts of the corporation, like the signing of documents, can be performed only by natural persons duly authorized for the purpose by corporate bylaws or by a specific act of the board.

In this case, at the time she filed the Answer with Counterclaim, Domingo was clearly not an officer of EAIC, much less duly authorized by any board resolution or secretary's certificate from EAIC to file the said Answer with Counterclaim in behalf of EAIC. Undoubtedly, Domingo lacked the necessary authority to bind EAIC to Civil Case No. 96-177 before the RTC despite the filing of an Answer with Counterclaim. EAIC cannot be bound or deemed to have voluntarily appeared before the RTC by the act of an unauthorized stranger.

Incidentally, Domingo alleged in her Answer with Counterclaim that "Alicia E. Gala is the real owner and possessor of all the real properties registered in the business name and style Ellice-Agro Industrial Corporation x x x." [33] In the same pleading, Domingo claimed that she was authorized by Alicia E. Gala, the purported beneficial owner of the subject property, to represent her in Civil Case No. 96-177 by virtue of a General Power of Attorney. In advancing the said allegations, among others, Domingo evidently acted in representation of Alicia E. Gala, not EAIC. Hence, her conduct in the filing of the Answer with Counterclaim cannot and should not be binding to EAIC.

In view of the fact that EAIC was not validly served with summons and did not voluntarily appear in Civil Case No. 96-177, the RTC did not validly acquire jurisdiction over the person of EAIC. Consequently, the proceedings had before the RTC and ultimately its November 11, 1999 Decision were null and void.

Pursuant to Section 7, Rule 47[34] of the Rules of Court, a judgment of annulment shall set aside the questioned judgment or final order or resolution and render the same null and void.

WHEREFORE, the petition is GRANTED. The July 1, 2003 Decision and August 8, 2006 Resolution of the Court of Appeals, in CA-G.R. SP No. 64421, are hereby REVERSED. The November 11, 1999 Decision of the Regional Trial Court of Lucena City, Branch 60, in Civil Case No. 96-177, is hereby declared VACATED and SET ASIDE.

The records of the case is hereby ordered remanded to the Regional Trial Court of Lucena City, Branch 60, for the proper service of summons to the petitioner and other parties, if any, and for other appropriate proceedings.

SO ORDERED.

Velasco, Jr., (Chairperson), Del Castillo,[*] Abad, Perez,**] and Mendoza, JJ., concur.

[*] Designated acting member, per Special Order No. 1352, dated November 7, 2012.

[**] Designated acting member , per Special Order No. 1229, dated August 28, 2012.

[***] Pursuant to Section 4 of Rule 45 which states that public respondents need not be impleaded in the petition, “Regional Trial Court of Lucena City, Branch 60” and “Sheriff Roberto R. Ebuna” are deleted from the title of the case.

[1] Rollo, pp. 38-45. Penned by Associate Justice Oswaldo D. Agcaoili with Associate Justice Cancio C. Garcia (former Member of this Court) and Associate Justice Elvi John S. Asuncion, concurring.

[2] Id. at 47-49. Penned by Associate Justice Elvi John S. Asuncion with Associate Justice Roberto A. Barrios and Associate Justice Mario L. Guariña III, concurring.

[3] Id. at 535-536.

[4] Id. at 361.

[5] Id. at 50-53.

[6] Id. at 361.

[7] Id. at 94-99.

[8] Id. at 178.

[9] Id. at 179.

[10] SEC. 5. Effect of failure to appear. — The failure of the plaintiff to appear when so required pursuant to the next preceding section shall be cause for dismissal of the action. The dismissal shall be with prejudice, unless otherwise ordered by the court. A similar failure on the part of the defendant shall be cause to allow the plaintiff to present his evidence ex parte and the court to render judgment on the basis thereof. (Underscoring supplied)

[11] Rollo, p. 130.

[12] Id. at 133-137.

[13] Id. at 138. Penned by Judge Stephen C. Cruz.

[14] Section 3. Time for filing petition; contents and verification. – A petition provided for in either of the

preceding sections of this Rule must be verified, filed within sixty (60) days after the petitioner learns of the judgment, final order, or other proceeding to be set aside, and not more than six (6) months after such judgment or final order was entered, or such proceeding was taken, and must be accompanied with affidavits showing the fraud, accident, mistake, or excusable negligence relied upon, and the facts constituting the petitioner's good and substantial cause of action or defense, as the case may be. (Underscoring supplied.)

[15] Rollo, pp. 146-161.

[16] Sec. 13. Service upon private domestic corporation or partnership.— If the defendant is a corporation organized under the laws of the Philippines or a partnership duly registered, service may be made on the president, manager, secretary, cashier, agent, or any of its directors.

[17] Rollo, pp. 55-92. Compilation of Ellice Agro-Industrial Corporation's General Information Sheet for the year 1991, 1992, 1994, 1995, 1996, 1997, 1998, and 1999.

[18] Id. at 167-171.

[19] Id. at 178.

[20] Id. at 179.

[21] Id. at 184-193.

[22] Id. at 22-23.

[23] Id. at 514-534.

[24] SEC. 2. Grounds for annulment.—The annulment may be based only on the grounds of extrinsic fraud and lack of jurisdiction.

Extrinsic fraud shall not be a valid ground if it was availed of, or could have been availed of, in a motion for new trial or petition for relief. (Underscoring supplied.)

[25] Rollo, pp. 607-621.

[26] Id. at 474-511.

[27] *Manotoc v. CA*, 530 Phil. 454, 467 (2006).

[28] *Pioneer International, Ltd. v. Guadiz, Jr.*, G.R. No. 156848, October 11, 2007, 535 SCRA 584, 600.

[29] *B.D. Long Span Builders v. R.S. Ampeloquio Realty Development Inc.*, G.R. No. 169919, September 11, 2009, 599 SCRA 468, 474.

[30] Rollo, pp. 71-75

[31] 536 Phil. 1037 (2006).

[32] G.R. No. 174941, February 1, 2012, 664 SCRA 635, 656.

[33] Rollo, p. 95.

[34] SEC. 7. Effect of judgment. – A judgment of annulment shall set aside the questioned judgment or final order or resolution and render the same null and void, without prejudice to the original action being refiled in the proper court. However, where the judgment or final order or resolution is set aside on the ground of extrinsic fraud, the court may on motion order the trial court to try the case as if a timely motion for new trial had been granted

therein.

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