

MERCANTILE INSURANCE CO., INC. PETITIONER, V. SARA YI, ALSO KNOWN AS SARAH YI, RESPONDENT.

G.R. No. 234501. March 18, 2019

Ponente: J. REYES, JR., J.

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J. REYES, JR., J.:

Before us is a Petition for Review on Certiorari under Rule 45 of the Rules of Court, assailing the Decision[1] dated May 19, 2017 and the Resolution[2] dated August 25, 2017 of the Court of Appeals (CA) in CA-G.R. CV No. 102408, reversing the ruling of the Regional Trial Court (RTC) of Manila, Branch 36 which dismissed the case of revival of judgment filed by respondent Sara Yi (Yi).

Relevant Antecedents

FAM MART Co., Inc. (FAM MART), owned and operated by Young C. Chun and Young H. Chun, (the Chuns) was secured by an insurance policy issued by petitioner Mercantile Insurance Company, Inc. (MIC), through its California surplus lines broker, Great Republic Insurance Agency (GRI), under policy number MIC 001007.[3]

On February 14, 1991,[4] Yi was involved in an accident while within the premises of FAM MART, a business establishment located at El Cajon, California, United States of America.[5] As a result of which, her right little finger was severed.[6]

FAM MART notified MIC of the accident in November 1991. A memorandum from the latter, acknowledging that there is a valid policy in favor of FAM MART and that a contract existed between FAM MART and MIC, was issued.[7]

On March 16, 1992, Yi filed a personal injury action (Civil Case No. 649705)[8] against the Chuns. Upon service of summons, FAM MART tendered the claim to its insurer, MIC.[9]

Initially, MIC, through counsel, defended FAM MART in said personal injury action without any reservation of rights.[10] However, sometime in August 1992, it withdrew its representation.[11]

On October 14, 1993, the Superior Court of the State of California for the County of San Diego (Superior Court of California) issued a judgment in favor of Yi. The dispositive portion of which reads:

WHEREFORE, IT IS ORDERED, ADJUDGED AND DECREED that judgment be entered for Plaintiff against Defendants, Fam Mart Co., Inc., Young C. Chun and Young H. Chun, in the amount of \$350,000.00.[12]

On November 2, 1993, Yi, together with the Chuns, filed a complaint for breach of insurance contract, breach of covenant of good faith and fair dealing, fraud and negligent misrepresentation and negligence (Civil Case No. 670417) against MIC. However, despite service of summons, MIC did not file any pleading. Hence, a Judgment by Default[13] was issued by the Superior Court of California on September 22, 1995, thus:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

That Plaintiffs shall have judgment in their favor and against Defendants MIC and GRI, and each of them, jointly and severally, for compensatory damages in the sum of THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000.00), with interest thereon at the rate of 10 percent per annum from October 14, 1993 to September 8, 1995 in the amount of SIXTY[-]SIX THOUSAND FIVE HUNDRED FORTY[-]SEVEN DOLLARS and SIXTY[-]SIX CENTS (\$66,547.66).

That, in addition, Plaintiff YOUNG C. CHUN shall have judgment in his favor and against Defendants MIC and GRI, and each of them, jointly and severally, for general damages for emotional distress arising out of Defendant MIC and GRI's breach of the covenant of good faith and fair dealing for failure to defend and indemnify Plaintiff YOUNG C. CHUN in the underlying action in the amount of ONE HUNDRED THOUSAND DOLLARS (\$100,000[.00]).

That, in addition, Plaintiff YOUNG H. CHUN shall have judgment in his favor and against Defendants MIC and GRI, and each of them, jointly and severally, for general damages for emotional distress arising out of Defendants] MIC and GRI's breach of the covenant of good faith and fair dealing for failure to defend and indemnify Plaintiff YOUNG H. CHUN in the underlying action in the amount of ONE HUNDRED THOUSAND DOLLARS (\$100,000[.00]).

That, in addition, Plaintiffs shall recover from Defendant, MIC the sum of ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000[.00]) as punitive damages.

That, in addition, Plaintiffs shall recover from Defendants, MIC and GRI, and each of them, jointly and severally, reasonable attorney's fees as damages in the amount of EIGHT THOUSAND DOLLARS (\$8,000[.00]).

That, in addition, Plaintiffs shall recover from Defendants, MIC and GRI, and each of them, jointly and severally, premiums paid in the amount of TWO THOUSAND ONE DOLLARS and THIRTY[-]FIVE CENTS (\$2,001.35).[14]

Said Judgment became final and executory as no appeal was filed by any of the parties. On September 21, 2005, a Notice of Renewal of Judgment[15] was issued by the Superior Court of California allowing Yi to enforce the Judgment for an additional period of 10 years from the date of Application for Renewal of Judgment was filed.[16] Per Attachment to the Renewal of Judgment,[17] the adjusted amount inclusive of interest owed by MIC to Yi and the Chuns amounted to \$1,552,664.67.

As Yi was not able to enforce the Judgment in California, she filed an action for enforcement of judgment before the RTC.

MIC filed an Answer, denying the claims of Yi and its alleged liability. It averred that it has no privity of contract with Yi and FAM MART as it was not aware of any case of such nature considering that its operations are within the Philippines.[18]

The RTC, in a Decision[19] dated September 30, 2013, dismissed the case for lack of merit. In sum, the RTC maintained that Yi was not able to prove her claim because the insurance policy was not presented in evidence and that it has no jurisdiction over MIC as the latter was not properly served with summons. The dispositive portion reads:

Based on the foregoing, the Court in:

- Case No. 649705, the execution with respect to said judgment is denied because Sara Yi had compromised with the defendant the award in said judgment, thus[,] making it appear that there was satisfaction of judgment

with respect to foreign judgment in Case No. 649705. Likewise, the defendant is not within the jurisdiction of the Philippines and was not served with Summons as the court has no jurisdiction over foreign entity with no resident agent in the Philippines.

- With respect to Civil Case No. 670417, the plaintiff was not able to prove with sufficient evidence that she is entitled to her claim. She was not able to show even the existence of the insurer policy which can be the basis of the liability/ies of the defendant and how defendant had been related to its sub-agent or insurance companies abroad in relation to the company and officers involved in such transaction. Failure to show such chain of transaction among the parties alleged [sic] insurance companies; its relationship with defendant company and her entitlement to the claims allegedly covered by a policy emanating from the defendant and/or its officers agents is fatal to her claims. (Failure of the plaintiff to show her insurable interest and how is the defendant liable to her). She was not even able to identify the policy that covers her insurable interests.

Judgment by default in foreign country was rendered because allegedly defendant Mercantile Insurance Company did not appear in the United States. The defendant appeared before this Court and denies any participation with respect to the claim of Ms. Sara Yi. Moreover, the defendant denied doing business in foreign land. The plaintiff was not able to controvert such negative assertion of the defendant with evidence. The plaintiff was not able to prove with sufficient evidence that can be said to sustain preponderance of evidence where she claims to be entitled to the relief prayed for or that she is entitled to what she is claiming for in Civil Case No. 670417 because the policy that covers the liability was not [shown,] hence the case is dismissed for lack of merit.

Furnish parties and counsel copies of this decision at their last known addresses.

SO ORDERED.[20]

Yi filed an appeal via Rule 44 of the Rules of Court before the CA.

In a Decision[21] dated May 19, 2017, the CA reversed and set aside the ruling of the RTC and ordered MIC to pay the amount adjudged in the judgment rendered by the Superior Court of California. The CA maintained that in an action to enforce a foreign judgment, the matter left for proof is the foreign judgment itself. Thus, it is not imperative on the part of Yi to provide proof of the insurance policy and her insurable interest. The fallo thereof reads:

WHEREFORE, the instant petition for review is GRANTED. The Decision of the Regional Trial Court of Manila, Branch 36 ("RTC") dismissing the case for lack of merit in Civil Case No. 06-116386 is hereby REVERSED and SET ASIDE. MERCANTILE INSURANCE COMPANY, INC. is ORDERED to pay SARA YI, also known as SARAH YI, the amounts adjudged in the judgment rendered by the Superior Court of the State of California in Case No. 670417.

SO ORDERED.[22]

A Motion for Reconsideration filed by MCI was denied in a Resolution[23] dated August 25, 2017, viz.:

IN VIEW WHEREOF, the instant motion for reconsideration is hereby DENIED for lack of merit.

SO ORDERED.[24]

The Issue

Summarily, the issue in this case is whether or not the judgment issued by the Superior Court of California may be enforced in our jurisdiction.

The Court's Ruling

Generally, in the absence of a special compact, no sovereign is bound to give effect within its dominion to a judgment rendered by a tribunal of another country; however, the rules of comity, utility and convenience of nations have established a usage among civilized states by which final judgments of foreign courts of competent jurisdiction are reciprocally respected and rendered efficacious under certain conditions that may vary in different countries.[25]

Certainly, the Philippine legal system has long ago accepted into its jurisprudence and procedural rules the viability of an action for enforcement of foreign judgment, as well as the requisites for such valid enforcement, as derived from internationally accepted doctrines.[26]

In our jurisdiction, a judgment or final order of a foreign tribunal creates a right of action, and its non-satisfaction is the cause of action by which a suit can be brought upon for its enforcement.[27]

Section 48, Rule 39 of the Rules of Court explicitly provides for the conditions for the recognition and enforcement of a foreign judgment, to wit:

SEC. 48. Effect of foreign judgments or final orders. — The effect of a judgment or final order of a tribunal of a foreign country, having jurisdiction to render the judgment or final order is as follows:

(a) In case of a judgment or final order upon a specific thing, the judgment or final order is conclusive upon the title to the thing; and

(b) In case of a judgment or final order against a person, the judgment or final order is presumptive evidence of a right as between the parties and their successors in interest by a subsequent title.

In either case, the judgment or final order may be repelled by evidence of a want of jurisdiction, want of notice to the party, collusion, fraud, or clear mistake of law or fact.

The causes of action arising from the enforcement of foreign judgment and that arising from the allegations that gave rise to said foreign judgment differs, such that the former stems from the foreign judgment itself, whereas the latter stems from the right in favor of the plaintiff and its violation by the defendant's act or omission. The evidence to be presented likewise differs. The case of *Mijares v. Rañada*[28] illustrates in this wise:

There are distinctions, nuanced but discernible, between the cause of action arising from the enforcement of a foreign judgment, and that arising from the facts or allegations that occasioned the foreign judgment. They may pertain to the same set of facts, but there is an essential difference in the right-duty correlatives that are sought to be vindicated. For example, in a complaint for damages against a tortfeasor, the cause of action emanates from the violation of the right of the complainant through the act or omission of the respondent. On the other hand, in a complaint for the enforcement of a foreign judgment awarding damages from the same tortfeasor, for the violation of the same right through the same manner of action, the cause of action derives not from the tortious act but from the foreign judgment itself.

More importantly, the matters for proof are different. Using the above example, the complainant will have to establish before the court the tortious act or omission committed by the tortfeasor, who in turn is allowed to rebut these factual allegations or prove extenuating circumstances. Extensive litigation is thus conducted on the facts, and from there the right to and amount of damages are assessed. On the other hand, in an action to enforce a foreign judgment, the matter left for proof is the foreign judgment itself, and not the facts from which it prescinds.

Guided by the foregoing, what is indispensable in an action for the enforcement of a foreign judgment is the presentation of the foreign judgment itself as it comprises both the evidence and the derivation of the cause of action. Further, the above-cited rule provides that a foreign judgment against a person, i.e., an action in personam, as in this case, is merely a presumptive evidence of rights between the parties. Such judgment may be attacked by

proving lack of jurisdiction, lack of notice to the party, collusion, fraud, or clear mistake of fact or law.[29] Thus, contrary to MIC's position, the burden is upon MIC to prove its allegations against the validity of the foreign judgment sought to be enforced.

In disputing the foreign judgment, MIC argues that there was want of notice to it as there was no proper service of summons in the trial before the California court.

On this note, we highlight that matters of remedy and procedure such as those relating to the service of process upon a defendant are governed by the *lex fori* or the internal law of the forum,[30] which is the State of California in this case. This Court is well aware that foreign laws are not a matter of judicial notice. Like any other fact, they must be alleged and proven.[31]

Section 24, Rule 132 of the Rules of Court provides that the records of the official acts of a sovereign authority may be evidenced by an official publication thereof or by a copy attested by its legal custodian, his deputy, and accompanied with a certificate that such officer has a custody, in case the record is not kept in the Philippines. If the office in which the record is kept is in a foreign country, the certificate may be made by a secretary of the embassy or legation, consul general, consul, vice-consul, or consular agent or by any officer in the foreign service of the Philippines stationed in the foreign country in which the record is kept, and authenticated by the seal of his office.

An exception to this rule, however, is recognized in the cases of *Willamette Iron & Steel Works v. Muzzal*,[32] and *Manufacturers Hanover Trust Co. v. Guerrero*,[33] wherein we emphatically ruled that the testimony under oath of an attorney-at-law of a foreign state, who quoted verbatim the applicable law and who stated that the same was in force at the time the obligations were contracted, was sufficient evidence to establish the existence of said law. In *Manufacturers Hanover Trust*, we stated that it is necessary to state the specific law on which the claim was based.

In this case, Atty. Robert G. Dyer (Atty. Dyer), member of the bar of the State of California for more than 30 years, testified as to the applicable law related to summons. In detail, he stated the exact pertinent provision under the California Code of Civil Procedure, to wit:

Section 415.40 A summons may be served on a person outside this state in any manner provided by this article or by sending a copy of the summons and of the complaint to the person to be served by first-class mail, postage prepaid, requiring a return receipt. Service of a summons by this form of mail is deemed complete on the 10th day after such mailing.

Indeed, pursuant to the above-proven law in the State of California, the service of summons by mail to MIC, an entity outside its state, was valid. As such law was sufficiently alleged and proven, it is beyond the province of this Court's authority to pass upon the issue as to the factual circumstances relating to the proper service of summons upon MIC in the case before the State of California.

It is also significant to note that MIC impeaches the credibility of Atty. Dyer as an expert witness for the first time on appeal. Before the RTC and the CA, MIC merely raised the argument that Atty. Dyer failed to specifically cite the law of the State of California with respect to service of summons.

MIC also contends that failure of Yi to implead the Chuns, who are indispensable parties, renders all actions of the court null and void.

We find that Yi need not implead her co-plaintiffs so as to be afforded the relief prayed for.

As aforementioned, the main consideration in an action for enforcement of a foreign judgment is to put such

judgment into force. Verily, direct involvement or being the subject of the foreign judgment is sufficient to clothe a party with the requisite interest to institute an action before our courts for the recognition of the foreign judgment.[34]

Our rules provide that an indispensable party is a party-in-interest without whom no final determination can be had of an action.[35] The party's interest in the subject matter of the suit and in the relief sought are so inextricably intertwined with the other parties' that his legal presence as a party to the proceeding is an absolute necessity. In his absence, there cannot be a resolution of the dispute of the parties before the court which is effective, complete, or equitable.[36] Alternatively put, it is necessary that an indispensable party must be impleaded so that a full resolution of the case can be obtained.

Here, it is apparent that the Chuns are not indispensable parties, whose inclusion is determinative of the final outcome of the case. Their legal presence will not render the resolution of the action incomplete and ineffective for there was a final judgment already rendered by the foreign court. As previously mentioned, what our courts will do is to recognize the foreign judgment as a fact[37] and enforce the same as such foreign judgment creates a right of action in favor of Yi. Relevantly, MIC's failure to satisfy the terms of the foreign judgment engenders a cause of action as to Yi, who becomes clothed with requisite interest to institute an action for enforcement.

WHEREFORE, premises considered, the instant petition is hereby DENIED. Accordingly, the Decision dated May 19, 2017 and the Resolution dated August 25, 2017 of the Court of Appeals in CA-G.R. CV No. 102408 are AFFIRMED.

SO ORDERED.

Carpio, Acting C.J., (Chairperson), Perlas-Bernabe, Caguioa, and Lazaro-Javier, JJ., concur.

[1] Penned by Associate Justice Leoncia R. Dimagiba, with Associate Justices Ramon R. Garcia and Renato C. Francisco, concurring; rollo, pp. 51-59.

[2] Id. at 61-62.

[3] Id. at 97.

[4] Also referred to as "February 14, 1992" in some parts of the rollo.

[5] Rollo, pp. 157-158.

[6] Supra note 3.

[7] Id.

[8] Id. at 84.

[9] Id. at 52.

[10] Id. at 98.

[11] Id. at 158.

[12] Id. at 90.

[13] Id. at 104-106.

[14] Id. at 105-106.

[15] Id. at 107-108.

[16] Id. at 54.

[17] Id. at 110-112.

[18] Id. at 159.

[19] Id. at 157-161.

[20] Id. at 160-161.

[21] Supra note 1.

[22] Id. at 58-59.

[23] Supra note 2.

[24] Id.

[25] Philippine Alumni Wheels, Inc. v. Fasgi Enterprises, Inc., 396 Phil. 893, 908-909 (2000).

[26] St. Aviation Services Co., Pte., Ltd. v. Grand International Airways, Inc., 535 Phil. 757, 762 (2006).

[27] Bank of the Philippine Islands Securities Corporation v. Guevara, 755 Phil. 434, 456 (2015).

[28] 495 Phil. 372, 385-386 (2005).

[29] RULES OF COURT, Rule 39, Section 48.

[30] Id.

[31] Manufacturers Hanover Trust Co. v. Guerrero, 445 Phil. 770, 777 (2003).

[32] 61 Phil. 471 (1935).

[33] Supra note 31.

[34] Corpuz v. Sto. Tomas, 642 Phil. 420, 432 (2010).

[35] RULES OF COURT, Rule 3, Section 7.

[36] Divinagracia v. Parilla, 755 Phil. 783, 789 (2015).

[37] Supra note 34, at 433-434.

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