

WESTERN AGRO INDUSTRIAL CORPORATION AND ANTONIO RODRIGUEZ, PETITIONERS, VS. HON. COURT OF APPEALS AND SIA'S AUTOMOTIVE AND DIESEL PARTS, INC., RESPONDENTS.

G.R. No. 82558. August 20, 1990

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

The petitioners question the binding effect of the pre-trial order in this case and the liability imposed upon an officer solidarily with the corporation he represented. The petitioners were ordered by both the trial court and the Court of Appeals to pay, jointly and severally, the sum of P84,626.70, the interests thereon from June 6, 1983 until paid, twenty-five percent (25%) of the amounts awarded as attorney's fees, and costs.

On June 6, 1983 respondent SIA Automotive and Diesel Parts, Inc. (SIA) filed with the Regional Trial Court of Caloocan City a complaint for "sum of money and damages" against petitioners Western Agro Industrial Corporation (WESGRO) and/or Antonio Rodriguez. The complaint alleged that WESGRO is doing business through Antonio Rodriguez and on different occasions in 1980, 1981 and 1982, Rodriguez, representing WESGRO bought on credit different automotive spare parts from the private respondent amounting to P100,753.80; that the said amount has long become over due and yet the petitioners refused to pay despite repeated demands. The complaint prayed among others that the defendants jointly and severally pay the plaintiff: (a) the principal sum of P100,753.80 plus legal interest and the sum equivalent to 25% in the form of attorney's fees as stipulated in the invoices covering the accounts.

In its answer with counterclaim, WESGRO admitted that it bought on credit various automotive spare parts from the respondent corporation on different occasions in 1980, 1981 and 1982, represented by Antonio Rodriguez but denied that its total obligation was P100,753.80. WESGRO alleged that this amount is bloated because it had already made various payments on different dates.

For his part, Antonio Rodriguez filed a motion to dismiss on the ground that the complaint states no cause of action against him. He alleged that he is a director and officer of WESGRO and that he entered into the purchase contract with the respondent corporation in his capacity as officer or agent of WESGRO and therefore such contract was with WESGRO as a distinct legal entity and did not confer rights much less liabilities on him.

The trial court denied the motion to dismiss in its order dated November 23, 1983. The trial court ruled:

"xxx xxx xxx

While it is true that contracts entered into by authorized officers or agents of a Corporation are contracts of the Corporation as a distinct entity, yet under the circumstances above-mentioned, the Court finds it necessary to include defendant, Antonio Rodriguez, as party defendant, for the Court to arrive at a judicious adjudication on the matter." (Rollo, p. 43)

Rodriguez filed with the then Intermediate Appellate Court a petition for certiorari, prohibition and mandamus for

the review of the aforestated order. The petition (docketed as Case No. AC-62562) was, however, denied.

In his answer with counterclaim, Rodriguez denied that “x x x WESGRO is doing business through answering defendant such allegation, being misleading as he is only one of the officers representing WESGRO in various business transactions x x x” (Rollo p. 45) and that “x x x his dealings with the plaintiff were always in the name of WESGRO, a fact which is recognized by the plaintiff.” (Rollo, p. 46). He, however, admitted that he had represented WESGRO in purchasing certain spare parts on credit.

After several postponements, the pre-trial was held on April 9, 1984. On this same date, the trial court issued a Pre-Trial Order, to wit:

“Parties agreed that the defendant, Western Agro Industrial Corporation ordered from the plaintiff, automotive spare parts which have not been paid. Payment was agreed by Western Agro Industrial Corporation and Sia’s Automotive and Diesel Parts, Inc. that the defendant agreed to pay the plaintiff the sum of P85,000.00, more or less. The only question now remaining in litigation is the remaining sum of P15,000.00, more or less.” (Original Records, p. 68)

The initial hearing of the case was held on May 24, 1984. Upon agreement of the parties, the pre-trial order was amended to change the sum of P85,000.00 to P84,626.70. Upon the initiative of the petitioners’ counsel, the order was further amended to show that x x x it is only defendant Western Agro Industrial Corporation that is admitting the liability not the defendant Antonio Rodriguez. (TSN page 15, May 24, 1984). During the same hearing, the respondent corporation rested its case after presenting the corporation’s manager Juanito V. Lim, as its sole witness together with several documents.

On the other hand, the petitioners manifested that after a review of the nature of the plaintiff’s evidence they decided not to present any evidence. Instead, they would simply file a memorandum. The motion was granted by the trial court in its order dated July 5, 1984.

On October 5, 1984, the trial court rendered a decision, the dispositive portion of which reads:

“WHEREFORE, judgment is rendered in favor of the plaintiff and against the defendants, ordering defendants to pay jointly and severally to the plaintiff the sum of P84,626.70 with legal rate of interest from the filing of the complaint on June 6, 1983 until fully paid; to pay, jointly and severally 25% of the amount awarded to plaintiff as attorney’s fees; and to pay the costs.

The Counterclaim is DISMISSED.” (Original Records, pp. 101-102)

As stated earlier, the trial court’s decision was affirmed by the Court of Appeals. A motion for reconsideration was denied. Hence, this petition.

The issues raised can be categorized into the following: first, whether or not the petitioners are bound by the PRE-TRIAL ORDER of the trial court; and second, whether or not petitioner Antonio Rodriguez can be made solidarily liable with the petitioner corporation for debts incurred by the latter.

Anent the first issue, the petitioners capitalize on the fact that a copy of the pre-trial order was not served on them. They theorize that since the Pre-trial Order was promulgated by the trial court without the direct participation of the parties, the latter are not bound by the order until such time that the same is served upon them, otherwise, admissions may be stated in the pre-trial order which were not made at all during the Pre-Trial Conference. The petitioners contend that the trial court erroneously stated that the petitioner corporation admitted its liability.

The petitioners are correct in stating that notice to the parties of a Pre-Trial Order is indispensable to afford them an opportunity to check the accuracy of what transpired during a pre-trial conference. Procedural due process

demands that such notice be served upon the parties in the same manner as other orders, resolutions and decisions of the court in order that they may become binding upon the parties.

We, however, take exception to the literal application of the rule in the instant case. The record shows that the petitioners knew all along the existence of the Pre-trial Order and that the petitioners' counsel actively participated in the amendment of the order to change the amount of the corporation's liability which was P85,000.00 in the Pre-Trial Order to P84,626.70 as agreed upon by the parties. The petitioners asked that the admitted amount be amended to make the obligation reflect the truth. This can be gleaned from the tenor of the proceedings during the trial of the case on May 24, 1984 where Atty. Benjamin C. Santos the petitioners' counsel was present and where the following transpired:

“Atty. Bonifacio:

I will connect the materiality of this, Your Honor, because that is included in our complaint in the claim of one hundred thousand something like that more or less. This amount is deemed included because Western Agro Industrial Corporation only admitted more or less eighty-five thousand which is now the ...

Court:

What is involved here according to you is fifteen thousand.

Atty. Bonifacio:

Yes, Your Honor.

Court:

Only fifteen thousand pesos (P15,000.00).

Atty. Bonifacio:

Because of your agreement stating to remand this to the lower court for hearing because that is the only amount involved now.

Court:

As a matter of fact, I have issued an order to the effect.

Atty. Bonifacio:

Yes, Your Honor. We have read it. But we are just marking more or less the admitted amount of P85,000.00.

Atty. Santos:

To be exact, it would appear to be eighty-four thousand

Court:

I have issued an order. Let me see the records. Pre-trial Order - Parties agreed that the defendant Western Agro Industrial Corporation ordered from the plaintiff, automotive spare parts which have not been paid. Payment was agreed by Western Agro Industrial Corporation and Sia's Automotive and Diesel Parts, Incorporated that the defendant agreed to pay the plaintiff the sum of P85,000.00 more or less. The only question now remaining in litigation is the remaining sum of P15,000.00 more or less. Why do you have to prove the P85,000.00?

Atty. Bonifacio:

We are just marking those exhibits, Your Honor.

Court:

This is the pre-trial order. Just mark those exhibits.

Atty. Bonifacio:

The admitted amount is actually P84,626.70, Your Honor. We are not proving the controverted portion of P15,000.00.

Court:

What is the use when the defendant had admitted?

Atty. Bonifacio:

This is the controverted portion, Your Honor.

Court:

Precisely, I am asking you to show evidence on the P15,000.00 which is the controversy.

Atty. Bonifacio:

We are now going to that, Your Honor.

Court:

What about this Worthy Trucking?

Atty. Bonifacio:

The Worthy Trucking is the sister company of the defendant, Your Honor.

Court:

But that is already admitted by them. They will pay you already. They agreed to pay you, is it not?

You read your pre-trial order and that has not been questioned by any of the parties.

Atty. Santos:

Except for the exact amount. The order says P85,000.00 more or less. The order is still correct.

Court:

You now correct the amount.

Atty. Santos:

Based on the document of plaintiff it is P84,626.70, Your Honor. This is the amount admitted by defendant Western Agro Industrial only.

Court:

Is that correct?

Atty. Bonifacio:

Is that correct? Yes, Your Honor. It is because in the pre-trial order it is P85,000.00 more or less. But the exact amount is P84,626.70.

Court:

Order - At the hearing today, the parties agreed that the defendants Western Agro Industrial Corporation and Antonio Rodriguez are indebted to the plaintiff in the amount of P84,626.70.

Atty. Santos:

May we interrupt at this juncture, Your Honor, it is only defendant Western Agro Industrial Corporation that is admitting the liability, not the defendant Antonio Rodriguez.

Court:

Remove that Antonio Rodriguez.

WHEREFORE, the pre-trial order dated April 9, 1984 is hereby amended so as to correct the sum of P85,000.00 to P84,626.70.

Atty. Bonifacio:

Yes, Your Honor.” (TSN, May 24, 1984, pp. 10-15)

The petitioners are bound by their own admissions during the trial. Section 2, Rule 129 of the Rules of Court provides that “Admissions made by the parties in the pleadings, or in the course of the trial or other proceedings do not require proof and cannot be contradicted unless previously shown to have been made through palpable mistake.” The petitioners have not shown that their admissions were tainted by palpable mistake. They cannot claim that they had no notice of the pre-trial order.

It should be noted, however, that the admission regarding the amount of liability stated in the Pre-Trial Order pertained only to the petitioner corporation. This was clarified during the trial. Hence, the parties agreed during the pre-trial order’s amendment that it was only the petitioner corporation which admitted its indebtedness to the respondent corporation in the amount of P84,626.70.

This brings us to the issue as to whether or not Antonio Rodriguez was correctly made solidarily liable with the petitioner corporation for the P84,626.70 debt incurred by the latter.

In deciding this issue the appellate court ruled:

“xxx xxx xxx

While it is true that contracts entered into by authorized officers or agents of a corporation are contracts of the corporation as a distinct entity, yet the admission of appellant Rodriguez that he represented the corporation on different occasions in 1980, 1981, and 1982 and by reason of this representation defendant WESGRO bought on credit automotive spare parts amounting to P100,000.00, more or less, laid the basis for impleading him. The Court a quo was correct to include him as a proper party to arrive at a ‘judicious adjudication on the matter.’

“It should also be mentioned here that in defendant’s (Rodriguez) Answer (par. 3), he admitted having represented WESGRO in various business transactions. However, defendant WESGRO admitted they are only liable for P47,727.60. Since there is the problem of who should shoulder the total obligation, the court was right in impleading defendant Rodriguez.

“Moreover, defendant’s (Rodriguez) motion to dismiss was denied by the court a quo and its petition for certiorari based on such denial was likewise dismissed by this Court in AC-GR Sp No. 02562. This Court in its decision dated April 30, 1984 ruled as follows:

‘Considered in that light, we fail to see how respondent Judge could have acted with grave abuse of discretion in

denying petitioner's motion to dismiss. It was clearly alleged in the complaint in Case No. C-10798 that petitioner acting for and in behalf of defendant corporation, incurred the obligation involved. He directly dealt and transacted with plaintiff corporation, which, trusting in his representations, agreed to deliver and in fact, delivered the goods on credit. Petitioner is therefore a proper party whose inclusion as defendant in this case is necessary if complete relief is to be accorded to party plaintiff.'

In the foregoing instances, it is likewise pertinent to cite Section 13, Rule 3 of the Rules of Court, which provides:

'Section 13. Alternative defendants - where the plaintiff is uncertain against which of several persons he is entitled to relief, he may join any or all of them as defendants in the alternative although a right to relief against one may be inconsistent with a right to relief against the other.''' (Rollo, p. 28-29)

It appears, therefore, that the appellate court's ruling that Antonio Rodriguez is solidarily liable with WESGRO for the latter's P84,626.70 obligation to SIA is based principally on the ground that Rodriguez represented WESGRO in its dealings with SIA.

It is significant to note that SIA never questioned the legal personality of WESGRO. Hence, we can assume that WESGRO is a bona fide corporation. Therefore, as a bona fide corporation, WESGRO should alone be liable for its corporate acts as duly authorized by its officers and directors. (Caram, Jr. v. Court of Appeals, 151 SCRA 372 [1987]). This is so, because a corporation "is invested by law with a separate personality, separate and distinct from that of the persons composing it as well as from any other legal entity to which it may be related." (Tan Boon Bee & Co, Inc. v. Jarencio 163 SCRA 205 [1988] citing Yutivo and Sons Hardware Company v. Court of Tax Appeals, 1 SCRA 160 [1961]; Emilio Cano Enterprises, Inc. v. Court of Industrial Relations, 13 SCRA 290 [1965]). A corporation is an artificial person and can transact its business only through its officers or agents. Necessarily, somebody has to act for it. The separate personality of the corporation may be disregarded, or the veil of corporate fiction pierced and the individual stockholders may be personally liable to obligations of the corporation only when the corporation is used "as a cloak or cover for fraud or illegality, or to work an injustice, or where necessary to achieve equity or when necessary for the protection of creditors." (Sulo ng Bayan, Inc. v. Araneta, Inc., 72 SCRA 347 [1976] cited in Tan Boon Bee & Co., Inc. v. Jarencio, supra).

In the case at bar, there is no showing that Antonio Rodriguez, a director and officer of WESGRO was not authorized by the corporation to enter into purchase contracts with SIA. Moreover, the respondent corporation has not shown any circumstances which would necessitate the piercing of the corporate veil so as to make Rodriguez personally liable for the obligations incurred by the petitioner. Hence, the inevitable conclusion is that he was acting in behalf of the corporation when he executed the purchase contracts with the respondent corporation. In other words, Rodriguez' acts in representing the petitioner corporation in its dealings with the respondent corporation are corporate acts for which only the corporation should be made liable for any obligations arising from them.

WHEREFORE, the instant petition is hereby PARTLY GRANTED. The questioned decision of the Court of Appeals is modified in that petitioner Antonio Rodriguez is declared not liable jointly and severally or otherwise with petitioner WESTERN AGRO INDUSTRIAL CORPORATION for the money awards in favor of respondent Sia's Automotive and Diesel Parts, Inc. The decision is affirmed in other respects.

SO ORDERED.

Fernan, C.J., (Chairman), Feliciano, Bidin, and Cortes, JJ., concur.

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