

LAPERAL DEVELOPMENT CORPORATION AND SUNBEAMS CONVENIENCE FOOD CORPORATION, PETITIONERS, VS. HON. COURT OF APPEALS AND THE HEIRS OF FILOTEO T. BANZON, RESPONDENTS.

G.R. No. 96354. June 08, 1993

Ponente: CRUZ, J.

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CRUZ, J.:

In Civil Case No. Q-34907 in the Court of First Instance of Rizal, Quezon City, Atty. Filoteo T. Banzon sought recovery of attorney's fees from Oliverio Laperal, Laperal Development Corporation, and Imperial Development Corporation for professional services rendered by him in the following cases:

1. Land Registration Case No. 20, Court of First Instance of Bataan, Branch 1.
2. Land Registration Case, Court of First Instance of Bataan, Branch 2.
3. G.R. No. L-47074, Laperal Development Corp., et al. vs. Hon. Abraham P. Vera, Ascario Tuazon, et al..
4. Petition for Land Registration, Court of First Instance of Bataan, Branch 1.
5. Land Registration Case No. N-398, Court of First Instance of Baguio.
6. Civil Case No. 3922, Court of First Instance of Bataan, Branch 2, Oliverio Laperal vs. Mario Francisco.
7. Civil Case No. 4062, Court of First Instance of Bataan, Republic vs. Sunbeams Convenience Foods, Inc., et al.
8. Civil Case No. 4437, Court of First Instance of Bataan, Laperal Development Corporation et al. vs. Spouses Ascario Tuazon and Purificacion Ampil, et al..
9. Administrative action filed by the Solicitor General against Laperal Development Corporation for annulment of title to 400 hectares of land.
10. Civil Case No. Q-22933, Court of First Instance of Quezon City, Imperial Development Corp. vs. P & B Taxicab Inc..

On April 8, 1983, the case was decided on the basis of a Compromise Agreement reading in part as follows:

Atty. Filoteo Banzon by this agreement, does hereby voluntarily and freely waive, forfeit, or consider as fully paid any and all other claims of money or otherwise that he may have against the defendants, in all cases in the Philippines that he may have handled for the defendants in the past, including whatever money claims he may have in the above-entitled case outside of this agreement, inclusive of representation fees, representation expenses, appearance fees, or retainers fees, or other forms of attorneys fees, and he hereby re-affirm that he will undertake upon his professional oath and standing, to protect the interest of the defendants in all unfinished appealed cases that the herein plaintiff had appeared in the past in representation of the defendants,

without any further remuneration or attorneys fees, representation fees, appearance fees and expenses in connection therewith.

On May 19, 1987, Banzon filed a complaint against Oliverio Laperal, Laperal Development Corporation, Imperial Development Corporation, Sunbeams Convenience Foods, Inc. and Vicente Acsay for: 1) the annulment of the aforementioned portion of the Compromise Agreement; 2) the collection of attorney's fees for his services in the cases of: a) Imperial Development Corporation vs. Añoover, b) Republic vs. Sunbeams Convenience Foods, Inc., et al., and c) Laperal Development vs. Ascario Tuazon and Ascario Tuazon v. Judge Maglalang, et al.; 3) the recovery of the amount of P10,000.00 that was adjudged payable to him as attorney's fees by Ascario Tuazon in Civil Case No. 3918; and 4) the payment to him of nominal damages and attorney's fees.

Docketed as Civil Case 50823 in Branch 92 of the Regional Trial Court of Quezon City, this case was dismissed on the ground that the trial court had no jurisdiction to annul the Compromise Agreement as approved by an equal and coordinate court. It was held that the issue was cognizable by the Court of Appeals. An additional ground was that the Compromise Agreement already covered the plaintiff's professional services in the aforementioned cases.[1]

On appeal, the decision was affirmed on the issue of jurisdiction. The Court of Appeals held, however, that attorney's fees were due the private respondent in the cases of Laperal Development Corporation v. Ascario Tuazon and Ascario Tuazon v. Judge Maglalang and Republic v. Sunbeams Convenience Foods, Inc..[2]

The petitioners are now before us to challenge the decision insofar as it orders them to pay Banzon attorney's fees for his legal services in the aforementioned cases.

An examination of the list of cases for which Banzon was suing for attorney's fees in Civil Case No. Q-34907 shows that the case of Laperal Development Corporation v. Ascario Tuazon was included therein although it was erroneously referred to as Civil Case No. 4437. Even if it was not mentioned in the complaint, it was nevertheless covered by the Compromise Agreement, where Atty. Banzon waived all other claims against the defendants* "in all cases in the Philippines that he may have handled for the defendants in the past, including whatever money claims he may have in the above-entitled case outside of this agreement." He also undertook therein to protect the interest of the defendants in all unfinished appealed cases where he appeared in the past in representation of the latter, without any further remuneration or attorney's fees, representation fees, appearance fees and expenses in connection therewith.

The undertaking clearly covered the case of Laperal Development Corporation v. Ascario Tuazon, (AC-G.R. CV No. 70186), which was still pending in the Court of Appeals at the time of the Compromise Agreement, and the subsequent case of Ascario Tuazon v. Judge Maglalang (CA-GR SP No. 07370). The respondent court erred in supposing that the said agreement covered only past services, disregarding the clear stipulation for the continuation of the private respondent's services in all pending appealed cases in which he had earlier appeared.

Concerning the case of Republic vs. Sunbeams Convenience Foods, Inc. (GR No. 50464), the Court of Appeals said:

At the time of the execution of the compromise agreement and rendition of the judgment based thereon on April 8, 1983, the aforementioned case bearing G.R. No. 50464 was still pending in the Supreme Court. It was not, however, the subject of the compromise agreement (Exhibits C and 2; Annex 2, answer, pp. 47-55, 65-66, rec.). It could not have been so because Sunbeams Convenience Foods, Inc. was not a party defendant in the second amended complaint, although reference was made to it in the appellant's seventh cause of action for which he has rendered professional services but for which attorney's fees were being claimed from the herein appellee Oliverio Laperal (Exhibits A and 1). But nothing is mentioned in the second amended complaint and

in the compromise agreement (Exhibits A and 1; C and 2) which would indicate that Sunbeams Convenience Foods, Inc. itself was a party plaintiff therein or privy to the case. Appellee Oliverio Laperal and Sunbeams Convenience Foods, Inc. do not appear to be one and the same.

It appearing that it was the herein appellant who filed the brief for Sunbeams Convenience Foods, Inc. in the Supreme Court on March 14, 1980 (Exhibit D), he should be compensated for his services.

Banzon's claim for attorney's fees in the said case was also among those enumerated in his complaint in Civil Case No. Q-34907 against Oliverio Laperal, Laperal Development Corporation, and Imperial Development Corporation. Notably, Sunbeams Convenience Foods, Inc. (Sunbeams, for brevity), referred to in the complaint as "Mr. Laperal's Corporation," was not joined by name as a party-defendant. Apparently, the private respondent believed that Oliverio Laperal, being the president of the said company, was directly obligated to him for the attorney's fees due him for his handling of the case for Sunbeams.

It is settled that a corporation is clothed with a personality separate and distinct from that of the persons composing it.[3] It may not generally be held liable for the personal indebtedness of its stockholders or those of the entities connected with it.[4] Conversely, a stockholder cannot be made to answer for any of its financial obligations even if he should be its president.[5]

There is no evidence that Sunbeams and Laperal are one and the same person. While it is true that Laperal is a stockholder, director and officer of Sunbeams, that status alone does not make him answerable for the liabilities of the said corporation. Such liabilities include Banzon's attorney's fees for representing it in the case of Republic v. Sunbeams Convenience Foods, Inc.

Sunbeams should have been joined as a party-defendant in order that the judgment of the lower court could legally affect it. But even if it was not impleaded, the court could still validly proceed with the case because Sunbeams was not an indispensable party but only a proper party. A proper party is one which ought to be a party if complete relief is to be accorded as between those already parties.[6] A party is indispensable if no final determination can be had of an action unless it is joined either as plaintiff or defendant.[7]

The Compromise Agreement upon which the decision of the court was based was between plaintiff Atty. Banzon and the defendants represented by Oliverio Laperal. To repeat, Sunbeams was not a party to this agreement and so could not be affected by it.

It is noted, however, that in his complaint in Civil Case No. 50823 against Sunbeams et al., Banzon stated:

1. On the 1st cause of action, to declare the portions of the compromise agreement (annex A) alleged in par. 4 of the 1st cause of action where plaintiff waives his attorney's fees and other fees in all other cases he handled in the past for the defendants Oliverio Laperal and his corporations not included in the complaint for attorney's fee x x x (emphasis supplied)

This declaration amounted to an admission that he had also waived his attorney's fees in the cases he had handled for Laperal's corporations which were not impleaded in Civil Case Q-34907, including Sunbeams.

Moreover, in the hearing Civil Case 50823, Banzon testified as follows:

Atty. Banzon : I am not claiming my attorney's fees from 1974 to 1981. What I was claiming was the attorney's fees for the services I have rendered after the compromise agreement in 1983 to 1987 by virtue of the new agreement x x x. (TSN, Sept. 15, 1988, p. 7 Records, Vol. II, p. 129).

x x x

Court : So you are not claiming anymore your attorney's fees in those ten cases?

Atty. Banzon : I am claiming only for the services I have rendered from 1983 to 1987 by virtue of a new agreement.

Court : These services of yours exclude the ten?

Atty. Banzon : Exclude the ten, Your Honor. (Ibid, p. 16)

x x x

Atty. Banzon : I admit, Your Honor that those 10 services are those services I rendered in the past wherein I waived my attorney's fees; my services covered from 1974 to 1981 but not my services after the compromise agreement. (ibid, p. 22)

The Sunbeams case was one of the ten cases listed in the complaint in Civil Case No. 34907. It was pending before this Court when Civil Case No. Q-34907 and Civil Case No. 50823 were instituted. To prove his claim for attorney's fees for his services in the Sunbeams case, Banzon submitted to the Regional Trial Court of Quezon City, Branch 92, "Petitioner's Brief" (Exh. "D") and "Petitioner's Reply to Respondents' Brief" (Exh. "D-1") dated March 14, 1980 and August 12, 1980, respectively, which had earlier been filed with this Court in connection with the said case. Significantly, the preparation and filing of those pleadings were done sometime in 1980, which means that they were among those ten cases referred to by Atty. Banzon for which he had waived his attorney's fees. There is no other proof of his services in the said case after 1983 to 1987.

The private respondent's claim for attorney's fees in the Sunbeams case was waived by him not by virtue of the Compromise Agreement to which Sunbeams, not being a defendant in Civil Case No. Q-34907, could not have been a party. What militates against his claim is his own judicial admission that he had waived his attorney's fees for the cases he had handled from 1974 to 1981 for Oliverio Laperal and his corporations, including those not impleaded in his complaint in Civil Case No. Q-34907.

ACCORDINGLY, the petition is GRANTED. The decision of the respondent court dated November 21, 1990 is MODIFIED. Petitioners Laperal Development Corporation and Sunbeams Convenience Foods, Inc. are declared no longer liable to the private respondent for attorney's fees in AC-GR CV No. 70186, CA-GR SP No. 07370 and GR No. 50464. Costs against the private respondent.

SO ORDERED.

Griño-Aquino, Bellosillo, and Quiason, JJ., concur.

[1] Decided by Judge Tomas V. Tadeo, Jr.; Court of appeals Rollo, p. 13.

[2] Penned by Ramirez, J., with Nocon and Santiago, JJ., concurring; Rollo, p. 25.

* in Civil Case No. Q-34907.

[3] Philippine Bank of Communications v. Court of Appeals, 195 SCRA 567; Western Agro Industrial Corporation v. Court of Appeals, 188 SCRA 709; Traders Royal Bank vs. Court of Appeals, 177 SCRA 788.

[4] Cease vs. Court of Appeals, 93 SCRA 483.

[5] Palay, Inc. v. Clave, 124 SCRA 638.

[6] Section 8, Rule 3, Revised Rules of Court.

[7] Section 7, Rule 3, Revised Rules of Court.

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