

THIRD DIVISION

[G.R. No. 178842, January 30, 2017]

RENE H. IMPERIAL AND NIDSLAND RESOURCES AND DEVELOPMENT CORPORATION, PETITIONERS, VS. HON. EDGAR L. ARMES, PRESIDING JUDGE OF BRANCH 4, REGIONAL TRIAL COURT, 5TH JUDICIAL REGION, LEGAZPI CITY AND ALFONSO B. CRUZ, JR., RESPONDENTS.

[G.R. No. 195509]

ALFONSO B. CRUZ, PETITIONER, VS. RENE IMPERIAL AND NIDSLAND RESOURCES AND DEVELOPMENT CORPORATION, RESPONDENTS.

D E C I S I O N

JARDELEZA, J.:

An action for the annulment of a void judgment, like the remedy of appeal, is a statutory right. No party may invoke it unless a law expressly grants the right and identifies the tribunal which has jurisdiction over this action. While a void judgment is no judgment at all in legal contemplation, any action to challenge it must be done through the correct remedy and filed before the appropriate tribunal. Procedural remedies and rules of jurisdiction are in place in order to ensure that litigants are able to employ the proper legal tools to obtain complete relief from the tribunal fully equipped to grant it.

The Case

Before us are two (2) consolidated petitions for review on *certiorari* under Rule 45 of the Rules of Court. The first petition, docketed as G.R. No. 178842, is filed by Rene H. Imperial (Imperial) and NIDSLAND Resources and Development Corporation (NIDSLAND) against Alfonso B. Cruz, Jr. (Cruz). It seeks the reversal of the resolutions of the Court of Appeals (CA) dated March 6, 2007 and July 3, 2007, respectively. The second petition, G.R. No. 195509, filed by Cruz against Imperial and NIDSLAND, seeks the reversal of the Decision of the CA dated September 13, 2010.

The Facts

On September 24, 1993, Julian C. Napal (Napal) and Imperial entered into a Memorandum of Agreement^[1] to organize a domestic corporation to be named NIDSLAND. Under the Memorandum of Agreement, Napal and Imperial agreed to engage in the real estate business. For his capital contribution to the corporation, Napal undertook to convey to NIDSLAND a tract of land consisting of four lots (the Property) covered by Transfer Certificate of Title (TCT) Nos. 37737, 37738, 37739

and 21026, and to Imperial a two hectare portion of the Property situated in Taysan, Legazpi City.^[2] Napal and Imperial intended to develop this land into a subdivision. Imperial, on the other hand, as his contribution to NIDSLAND, committed to perform the following obligations: to settle Napal's obligation to the Rural Bank of Ligao, Inc., which was about to foreclose its mortgage on the Property; pay Napal's tax liabilities to the Bureau of Internal Revenue (BIR) which encumbered with a tax lien the largest portion of the Property; fund NIDSLAND's initial operating capital; and provide for Napal's personal drawings in an amount not exceeding P1,200,000.^[3]

While Imperial faithfully complied with his obligations under the Memorandum of Agreement, Napal failed to convey to NIDSLAND a certain portion of the Property, in particular Lot 15-C covered by TCT No. 21026 (the Subject Property).^[4] On July 24, 1996, Napal sold the Subject Property to Cruz as evidenced by a Deed of Absolute Sale.^[5] While the Deed of Absolute Sale between Napal and Cruz bore the date July 24, 1996, the sale was registered in the Registry of Deeds of Legazpi City only on August 27, 1996.^[6]

As Napal continued to refuse to convey the Subject Property to NIDSLAND under the Memorandum of Agreement, Imperial filed on July 30, 1996, for himself and in representation of NIDSLAND, a derivative suit (SEC Petition) before the Securities and Exchange Commission (SEC).^[7] This was filed after the sale to Cruz but before its registration. The case was docketed as SEC LEO Case No. 96-0004 (SEC Case).^[8] On the same day, Imperial also filed a notice of *lis pendens* for the SEC Case with the Registry of Deeds of Legazpi City. This was annotated on TCT No. 21026^[9] as Entry No. 99956/99957.^[10]

Since the annotation of the *lis pendens* occurred after the sale of the Subject Property to Cruz but before its registration with the Registry of Deeds, the notice of *lis pendens* was carried over to the new TCT No. 43936^[11] issued in Cruz's name.^[12] Meanwhile, the SEC Case proceeded without the participation of Cruz who had possession of the new TCT covering the Subject Property during the continuation of the hearings.

On August 8, 1997 and during the pendency of the SEC Case, Imperial and NIDSLAND filed an action for annulment of sale against Cruz (Annulment of Sale Action) before the Regional Trial Court, Legazpi City (RTC Legazpi City). This was docketed as Civil Case No. 9419.^[13] On August 14, 1997, the RTC Legazpi City dismissed the action and held that it should have been filed in the original case where the decree of registration was entered.^[14] Imperial and NIDSLAND elevated the case to the CA through an appeal.^[15] The CA affirmed the RTC Legazpi City's ruling.^[16]

On November 10, 1998, SEC Hearing Officer Santer G. Gonzales (SEC Hearing Officer Gonzales) rendered a Decision^[17] in favor of Imperial and NIDSLAND (SEC Decision). The Decision declared the Deed of Absolute Sale between Napal and Cruz void *ab initio* as the SEC found that the sale was simulated and was intentionally made to appear to have been perfected prior to the filing of the notice of *lis pendens*. Thus, the SEC ordered the cancellation of the TCT in the name of Cruz. Further, the SEC directed Napal to execute the proper deed of conveyance of the

Subject Property in favor of NIDSLAND. The SEC also mandated Napal to deliver the possession of the Subject Property to NIDSLAND.^[18]

Since Napal did not appeal the SEC Decision, it became final and executory and was enforced on January 13, 1999. As ordered in the SEC Decision, a Deed of Conveyance^[19] was issued on the same date, transferring the Subject Property to NIDSLAND. TCT No. 43936 in the name of Cruz was cancelled and a new TCT No. 49730 was issued in the name of NIDSLAND on January 19, 1999.^[20]

On February 18, 1999, Napal filed with the CA a Petition for Annulment of Judgment under Rule 47 of the Rules of Court (Annulment of Judgment Action). This was docketed as CA-G.R. SP No. 51258.^[21] Napal sought the nullification of the SEC Decision as well as the orders and writs issued pursuant to it. Napal argued that the SEC has no jurisdiction over the SEC Case as it did not involve any intra-corporate controversy. On April 15, 1999, Cruz filed in the Annulment of Judgment Action a Motion to Join as Party-Petitioner.^[22] In his motion, Cruz claimed that he is a transferee *pendente lite* of the Subject Property.^[23]

The CA promulgated a Decision^[24] on August 31, 1999 dismissing the Petition for Annulment of Judgment. The CA explained that Rule 47 of the Rules of Court is not available to annul the judgment of the SEC. According to the CA, the proper remedy in this case is a special civil action for *certiorari* and prohibition. None of the parties appealed the CA Decision. Thus, entry of judgment was made on November 16, 2000.^[25]

On January 22, 2001,^[26] Cruz filed a pleading denominated as a "Petition" before RTC Legazpi City (RTC Petition),^[27] which sought to nullify the SEC Decision. This was docketed as Civil Case No. SR-09 and raffled to Branch 4 of RTC Legazpi City.^[28] In the RTC Petition, Cruz prayed for the following reliefs:

WHEREFORE, it is respectfully prayed that after hearing, judgment be rendered as follows:

- a) Declaring the Decision dated 10 November 1998 of respondent Gonzales to be null and void insofar as it affects the property rights of petitioner to the Subject Property
- b) Declaring the Deed of Conveyance dated January 13, 1999 as null and void for having been issued pursuant to an invalid and void judgment
- c) Declaring the cancellation of the TCT No. 43936 of petitioner, as well as the issuance of TCT No. 49730 (and its derivatives TCT Nos. 50398, 50399, 50400 and 50401) of respondent Nidslan, by respondent Register of Deeds of Legazpi City, to be invalid and illegal.
- d) Directing the respondent Register of Deeds of Legazpi City to duly cancel the TCT Nos. 50398, 50399, 50400 and 50401, and restore the status of TCT No. 43936 of plaintiff prior to its cancellation, or otherwise reconvey and/or issue a new title to the Subject Property in the name of plaintiff,
- e) Ordering respondents to solidarily pay to petitioner the amount of P500,000.00, as and for moral damages.

- f) Ordering respondents to solidarily pay attorney's fees in the amount of P100,000.00, appearance fees and costs of suit.^[29]

Presiding Judge Gregorio A. Consulta, without issuing summons, dismissed the Petition *motu proprio*.^[30] He justified his dismissal on the ground that regional trial courts have no jurisdiction over the SEC and as such, an action assailing the decision of the SEC should be brought before the CA. As his motion for reconsideration of the decision was denied,^[31] Cruz elevated the case to the CA by way of a special civil action for *certiorari*. This was docketed as CA G.R. SP No. 65720.^[32] In a Decision^[33] dated October 28, 2002, the CA held that RTC Legazpi City acted with grave abuse of discretion in dismissing the Petition, and therefore ordered that the case be remanded to RTC Legazpi City to be given due course.^[34]

In accordance with the Decision of the CA, the RTC Petition was redocketed as Civil Case No. 10325 and was reraffled to Branch 3 of the RTC Legazpi City.^[35] However, even before summons could be issued, Presiding Judge Henry B. Basilia issued an Order^[36] dated April 15, 2004 dismissing the Petition. The Order stated that the RTC Petition failed to comply with the reglementary period and other procedural requirements under Rule 65 for the proper filing of a special civil action for *certiorari*.

However, upon Cruz's motion for reconsideration, Judge Basilia reversed his ruling in an Order^[37] dated May 7, 2004. Thus, RTC Legazpi City summoned Imperial and NIDSLAND on July 1, 2004.^[38] On July 30, 2004, Imperial and NIDSLAND filed a motion to dismiss^[39] which was denied by Judge Basilla.^[40]

Imperial and NIDSLAND then failed to file their answer and were declared in default.^[41] Thus, Cruz was allowed to present evidence *ex-parte*. Judge Basilia eventually set aside the order of default upon motion of Imperial and NIDSLAND.^[42] Judge Basilia subsequently voluntarily inhibited himself, and the RTC Petition was reraffled to Branch 4 presided by Respondent Judge Edgar L. Armes (Respondent Judge Armes).^[43]

After trial, the parties to the RTC Petition submitted their respective memoranda. In Imperial and NIDSLAND's memorandum and supplemental memorandum, they again sought the dismissal of the RTC Petition on the ground of lack of jurisdiction. Judge Armes refused the dismissal.^[44]

On August 22, 2006, Imperial and NIDSLAND filed an Omnibus Motion. This was followed by a Supplemental Motion filed on September 7, 2006.^[45] In the two motions, Imperial and NIDSLAND once again prayed for the dismissal of the RTC Petition and raised, for the first time, the following grounds:

1. The failure of herein private respondent CRUZ, as petitioner in Civil Case No. 10325, to state the required material dates in his initiatory Petition necessary in order to determine compliance with the 60-days reglementary period;

2. The failure of herein private respondent CRUZ, as petitioner in Civil Case No. 10325, to show by any allegation in his initiatory Petition that there is no appeal or any other plain, speedy and adequate remedy under the ordinary course of law against the assailed decision in SEC LEO Case No. 96-0004 to warrant recourse to the extra-ordinary writ of *certiorari*;
3. The indisputable fact that the Petition in Civil Case No. 10325 was filed by herein private respondent CRUZ far beyond the 60-days reglementary period allowed under Section 4 of Rule 65 of the Rules of Court in view of the admission by said respondent CRUZ in the Motion to Join as Party-Petitioner that he filed in CA-G.R. SP No. 51258 wherein he expressly admitted having received a copy of the assailed decision in SEC LEO Case No. 96-0004 in February, 1999; and
4. The decision in SEC LEO Case No. 96-0006, which has become final and had been fully executed, is binding against herein private respondent CRUZ, he being a successor-in-interest *pendente lite* to the title over the Subject Property, of therein respondent Napal, pursuant to Section 19 of Rule 3 of the Rules of Court.^[46]

Respondent Judge Armes denied the Omnibus Motion and Supplemental Motion in an Order dated September 21, 2006.^[47] According to the Order, the issues raised by Imperial and NIDSLAND have already been settled by the CA in the *certiorari* case filed by Cruz. The Order held that the CA ruled that the RTC Legazpi City has jurisdiction over the case and even directed the latter to give due course to the RTC Petition.

Imperial and NIDSLAND filed a motion for reconsideration of this RTC Order on October 6, 2006.^[48] In this motion, Imperial and NIDSLAND argued that the ruling of the CA pertained to an entirely different jurisdictional issue from that raised in their Omnibus Motion and Supplemental Omnibus Motion.^[49] Respondent Judge Armes denied the motion for reconsideration in an Order^[50] dated November 23, 2006. This Order reiterated that the CA's directive that the RTC Legazpi City give due course to the RTC Petition was unqualified and unconditional. Further, the Order explained that Imperial and NIDSLAND's arguments had no merit for the following reasons:

1. This action is geared to declare the nullity of a void judgment. In the case of *Paluwagan ng Bayan Savings Bank vs. King*, 172 SCRA 60, it was held that an action to declare the nullity of a void judgment does not prescribe, citing also *Ang Lam vs. Rosillosa and Santiago*, 86 Phil. 447-452. This imprescriptibility of the action places it beyond the ambit of the 60-day reglementary period under Sec. 4, Rule 65 of the Revised Rules of Court.
2. The petitioner in this case, not being a party in SEC LEO Case No. 96-0004, was never officially notified of the assailed Decision, dated November 10, 1998 by the deciding authority simply because there was no basis therefor. The notice of the judgment, order or