

SECOND DIVISION

[G.R. No. 161162, September 08, 2010]

**FRUEHAUF ELECTRONICS, PHILS., INC., PETITIONER, VS. COURT
OF APPEALS (SIXTH DIVISION) AND PHILIPS
SEMICONDUCTORS, PHILIPPINES, INC., RESPONDENTS,**

[G.R. NO. 166436]

**FRUEHAUF ELECTRONICS, PHILS., INC., PETITIONER, VS.
PHILIPS SEMICONDUCTORS, PHILIPPINES, INC., RESPONDENT.**

D E C I S I O N

PERALTA, J.:

Before this Court are two consolidated^[1] cases. In G.R. No. 161162, petitioner Fruehauf Electronics, Phils., Inc. is seeking to annul and set aside the Resolution^[2] dated December 19, 2003 issued by the Court of Appeals (CA) in CA-G.R. SP No. 71612. While in G.R. No. 166436, petitioner is assailing the Amended Decision,^[3] dated October 7, 2004, rendered by the CA in the same case in favor of respondent Philips Semiconductors, Philippines, Inc. (PSPI) and against the petitioner.

The procedural and factual antecedents are as follows:

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Signetics Corporation, U.S.A. (SIGCOR), was organized under the laws of the United States of America with Signetics Filipinas Corporation (SIGFIL) as its wholly-owned local subsidiary here in the Philippines. Sometime in 1978, SIGCOR entered into a contract of lease over a piece of land consisting of 12,727 square meters, situated along the corner of Dimasalang and Laong-Laan Streets, Pasig, Metro Manila, with petitioner, through its president, Antonio Litonjua.^[4]

On March 15, 1990, petitioner filed a Complaint^[5] against SIGCOR for damages, accounting or return of certain machineries, equipment and accessories, including the transfer of title and surrender of possession of the buildings, installations and improvements on the leased land, before the Regional Trial Court (RTC) of Pasig, Metro Manila, which was raffled to Branch 156 and docketed as Civil Case No. 59264.

In its Complaint, petitioner alleged, among other things, that SIGCOR transferred all its shares of stocks from SIGFIL to TEAM Holdings Limited (TEAM Holdings), a foreign corporation organized under the laws of the British Virgin Island. The new owner then dropped the name SIGFIL and changed its corporate name to Technology Electronics Assembly and Management Pacific Corporation (TEAM

Pacific). Consequently, service of summons was made on SIGCOR through TEAM Pacific.

On October 31, 1996, the court rendered default judgment against SIGCOR, the decretal portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering the defendant and/or its local subsidiary:

1. To account for and return the machineries, equipment and accessories removed by defendant and/or its local subsidiary from the leased premises;
2. To formally transfer title to and surrender the possession of the lot subject of the lease contract to the plaintiff together with the buildings, machineries, installations and improvements on it;
3. To pay plaintiff the amount of Five Hundred Thousand Pesos (P500,000.00) as moral damages for the injury to plaintiff's business standing and commercial credit; One Million Pesos (P1,000,000.00) as exemplary damages; Two Hundred Thousand Pesos (P200,000.00) as and for attorney's fees and to pay the costs of the suit.

Let a copy of this Decision be furnished the defendant at c/o Sycip, Salazar, Hernandez & Gatmaitan, 4th Floor Sycip Law - All Asia Center, 105 Paseo de Roxas, Makati City; at Philips Electrical Lamps, Inc., Las Piñas, Metro Manila and at Technology Electronics Assembly and Management (TEAM) Pacific Corporation, Electronics Avenue, FTI Complex, Taguig, Metro Manila.

SO ORDERED.^[6]

On motion for partial reconsideration, the trial court amended its decision to include an order for the return of the corresponding value of the machineries, equipments and accessories removed by SIGCOR, and likewise canceling the annotation of the Contract of Lease on petitioner's property covered by TCT Nos. 11548, 11549, 11550, 11551, 11552, 11553, 11554, 11555 and 11937.^[7]

Again, on motion of petitioner, the trial court issued an Order dated April 27, 1997 clarifying its previous decision by ordering the Register of Deeds to cancel the annotation of the lease contracts over the titles above-mentioned.^[8]

Copies of the decision, including the amendments dated January 27 and April 27, 1997, respectively, were both served on TEAM Pacific at its office in Pamplona, Las Piñas City, and on its retained counsel, the Sycip Salazar Hernandez & Gatmaitan Law Office (Sycip Law Office).^[9]

On May 21, 2001, petitioner filed a Motion for Execution^[10] of the RTC decision. In said motion, petitioner sought to enforce the judgment of the RTC against SIGCOR through the respondent. Petitioner alleged that SIGFIL was the alter ego of SIGCOR; that SIGFIL became TEAM Pacific; and that, SIGCOR was, subsequently, renamed as Philips Semiconductors.

On August 9, 2001, petitioner filed an Urgent *Ex-parte* Motion^[11] to serve notice of hearing of its motion for execution to SIGCOR or its predecessor and its counsel through special service. The motion was grounded on the fact that SIGCOR had transferred its principal place of business from Philips Electric Lamps, Inc. in Las Piñas, Metro Manila to Philips Semiconductors Philippines, Inc. at Philips Avenue, SEPZ, LISP, Cabuyao, Laguna.^[12]

On October 17, 2001, respondent PSPI filed a Manifestation^[13] denying that SIGCOR holds office in the said address. It contended further that at no time was respondent ever known as Signetics Corporation, and its original corporate name was Philips Components (Philippines), Inc. before it changed its name to PSPI. Hence, it returned the copy of the court's September 27, 2001 order as well as petitioner's motion for execution.^[14] Respondent also specified that it was engaging the services of its counsel only for the limited purpose of making the said manifestation.

On December 14, 2001, respondent filed another Manifestation reiterating that respondent and SIGCOR or its predecessors are not one and the same entity, and that SIGCOR or its predecessors have assets that are in the possession of respondent.^[15]

On January 21, 2002, the RTC issued an Order^[16] denying the motion for execution quoted as follows:

WHEREFORE, under the circumstances herein obtaining, absent showing that the judgment rendered in this case has become final and executory, the Motion for Execution filed by plaintiff, thru counsel, would have to be, as it is hereby DENIED for having been prematurely filed.

SO ORDERED.^[17]

The court anchored its Order on the lack of proof that SIGCOR or its alleged subsidiary was notified and/or served with a copy of the Decision sought to be executed. Hence, the definite reckoning period for purposes of computing when the judgment became final is yet to be determined. As such, the motion was prematurely filed.^[18]

On February 13, 2002, petitioner filed a Motion for Reconsideration and Clarification.^[19] Petitioner argued that granting that SIGCOR was not properly served with a copy of the Decision, nonetheless, prior to the hearing of the motion for execution, certified copies of the Decision, as well as of the Orders amending it, were duly served on the respondent, the latter being SIGCOR's local subsidiary. It went on to

say that while respondent was not named in the caption of the case, yet, in the body of the Decision, there was a factual finding to the effect that it is the present local subsidiary of SIGCOR. As such, the Decision can be properly enforced against it, considering the clear wording of the dispositive portion of the decision that it may be enforced through SIGCOR's "local subsidiary."^[20]

On May 21, 2002, the RTC issued an Order^[21] denying the motion.

On July 12, 2002, petitioner filed before the CA a Petition for *Certiorari* and Mandamus^[22] assailing the Order of the RTC, denying its motion for reconsideration and clarification. The case was docketed as CA-G.R. SP No. 71612.

On September 10, 2003, the CA rendered a Decision^[23] setting aside the assailed Order of the trial court and directing the execution of the October 31, 1996 Decision of the trial court against respondent as SIGCOR's local subsidiary. The writ was issued on October 17, 2003.^[24]

Corollarilly, also on October 9, 2003, respondent filed a Motion for Reconsideration^[25] of the CA decision. On October 17, 2003, respondent filed a Supplement to Motion for Reconsideration.^[26] Respondent argued that:

I

PSPI IS NOT BOUND BY THE DECISION IN CIVIL CASE NO. 59264 AGAINST SIGNETICS USA AS IT HAS NOTHING TO DO WITH SIGNETICS USA OR THE TRANSACTION UPON WHICH IT WAS SUED BY FRUEHAUF

(a)

PSPI WAS NEVER A PARTY TO CIVIL CASE NO. 59264 IN THE LOWER COURT

(b)

PSPI IS NOT SIGNETICS, USA, PHILIPS USA OR SIGFIL. NEITHER IS IT A SUBSIDIARY OR CONDUIT OF ANY OF THEM

II

THE SEPARATE CORPORATE PERSONALITY OF PSPI WAS NEVER PIERCED DURING THE TRIAL OF THE CASE BEFORE THE LOWER COURT, OR BEFORE THIS COURT

III

PSPI'S PROPERTIES ARE ITS OWN AND CANNOT BE LEVIED TO ANSWER FOR THE LIABILITY OF SIGNETICS USA, WHICH DOES NOT OWN OR HAVE ANY RIGHT OR INTEREST IN PSPI'S PROPERTIES^[27]

On October 20, 2003, respondent filed an Urgent Motion for the Issuance of a Temporary Restraining Order and/or Writ of Injunction^[28] to restrain the execution of the adverse Decision against it pending the resolution of respondent's motion for reconsideration and to set the case for oral arguments.^[29] On October 21, 2003, the CA issued a Resolution^[30] granting respondent's prayer for the issuance of a temporary restraining order.

On December 19, 2003, the CA issued a Resolution^[31] granting, among other things, the motion for the issuance of a writ of preliminary injunction conditioned upon the filing of an injunction bond in the amount of P1,000,000.00 and, at the same time, set the case for oral argument on January 28, 2004.

On October 7, 2004, the CA rendered an Amended Decision^[32] reversing and setting aside its earlier decision, the dispositive portion of which reads:

WHEREFORE, the motion for reconsideration, dated October 9, 2003, of respondent Philips Semiconductors, Philippines, Inc. (PSPI) is hereby **GRANTED**. Our September 10, 2003 decision in CA-G.R. SP No. 71612 is hereby **REVERSED AND SET ASIDE**, and the earlier Orders dated May 21, 2002 and June 7, 2002, respectively of the Regional Trial Court of Pasig City, Branch 156 in Civil Case No. 59264, REINSTATED.

SO ORDERED.^[33]

In ruling in favor of the respondent, the CA opined, among other things, that SIGCOR and TEAM Pacific are not one and the same corporation, reasoning that corporations have a personality separate and distinct from its stockholders and even its subsidiary. Moreover, the mention in its articles of incorporation that TEAM Pacific was formerly SIGFIL is not by itself sufficient reason for disregarding the fiction of separate corporate personality. Consequently, the service of the decision of the RTC upon TEAM pacific could not be treated as binding upon SIGCOR.

More importantly, the CA ratiocinated that respondent PSPI cannot be made liable on the basis of the trial court's decision against SIGCOR in Civil Case No. 52964. The CA pronounced that respondent was not a party to the original case before the trial court, nor was it impleaded at any stage of the proceedings in Civil Case No. 52964. Thus, the decision of the trial court cannot bind the respondent.

Hence, the present petition docketed as **G.R. No. 166436**.

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During the course of the proceedings in CA-G.R. SP No. 71612, respondent's counsel of record, the Sycip Law Office, filed a Notice of Withdrawal of Appearance.^[34] As a result thereof, on October 30, 2003, the law office of Angara Abello Concepcion Regala & Cruz (ACCRA) entered its appearance as the new counsel for the respondent.^[35]