

## FIRST DIVISION

[ G.R. No. 147793, December 11, 2003 ]

**BOAZ INTERNATIONAL TRADING CORPORATION AND F. R. CEMENT CORPORATION, PETITIONERS, VS. WOODWARD JAPAN, INC. AND NORTH FRONT SHIPPING SERVICES, INC., RESPONDENTS.**

### DECISION

**PANGANIBAN, J.:**

The liberal construction of the Rules of Court is resorted to only to promote substantial justice, not to delay or undermine legal processes. The Rules are designed to assure the orderly and predictable course of justice. Unduly relaxing them would be an injustice to the innocent parties who honor and obey them, and unfairly reward those who neglect or fail to follow them.

### The Case

Before us is a Petition for Review<sup>[1]</sup> under Rule 45 of the Rules of Court, assailing the January 18, 2001 Decision<sup>[2]</sup> and the April 2, 2001 Resolution<sup>[3]</sup> of the Court of Appeals (CA) in CA-GR SP No. 56848. We quote the decretal portion of the Decision:

"**WHEREFORE**, premises considered, the Order dated 09 August 1999 is **MODIFIED** in the sense that the third-party complaint of Boaz International Trading Corp. and F. R. Cement Corp. against North Front Shipping Services, Inc. must be as it is hereby **reinstated**. In all other respects, the Order is **AFFIRMED**. Finally, the writ of preliminary injunction issued by this Court on 29 June 2000 is perforce dissolved."<sup>[4]</sup>

The assailed Resolution denied petitioners' Motion for Reconsideration.

On the other hand, the dispositive portion of the August 9, 1999 Order of the Regional Trial Court (RTC) of Makati City (Branch 135), which the CA later modified, reads as follows:

"WHEREFORE, premises considered, Order is hereby issued:

- ` 1. Reinstating plaintiff's complaint and allowing plaintiff to present its evidence on its complaint;
- ` 2. Allowing plaintiff to refute and/or present evidence against the ex-parte evidence presented by defendants on their counterclaim."<sup>[5]</sup>

### The Facts

The facts of the case are summarized by the CA as follows:

"Respondent Woodward Japan, Inc. (Woodward, for brevity) filed a complaint for a 'Sum of Money and Damages' against petitioners Boaz International Trading Corp. (Boaz, for brevity) and F. R. Cement Corp. (F. R. Cement, for brevity). The complaint, docketed as Civil Case No. 96-1440, was raffled to the RTC of Makati, Branch 135, presided over by public respondent Judge Francisco B. Ibay.

"Petitioners Boaz and F. R. Cement filed their [A]nswer to the complaint as well as a third party complaint against North Front Shipping Services, Inc. (North Front[, ] for brevity).

"Respondent North Front filed its answer to the third-party complaint with a counterclaim against the third-party plaintiffs.

"The court *a quo* scheduled a pre-trial conference for 04 November 1997. This initial pre-trial conference was however postponed to give the parties time to settle their respective claims amicably. Succeeding schedules of pre-trial conference were likewise cancelled for the same reason. Finally, when it became apparent that the parties would not be able to arrive at an amicable settlement, the trial court scheduled a pre-trial conference anew for 20 October 1998.

"On the scheduled day of the pre-trial conference, both Woodward and its counsel failed to appear. Consequently, counsel for Boaz and F. R. Cement moved that Woodward be declared non-suited, that the complaint against them be dismissed and that they be allowed to present evidence on their counterclaim.

"Third-party defendant North Front likewise filed a motion to dismiss the third-party complaint which was not objected to by third-party plaintiffs Boaz and F. R. Cement.

"In an Order dated 20 October 1998, the court *a quo* granted the motion of Boaz and F. R. Cement to dismiss the complaint of Woodward and the motion of North Front to dismiss the third-party complaint of Boaz and F. R. Cement.

"Counsel for Woodward thereafter filed an urgent ex-parte motion 1) to reconsider the Order of 20 October 1998, 2) to set aside the same Order allowing Boaz and F. R. Cement to present their evidence ex parte and 3) to allow Woodward to present its evidence. Petitioners Boaz and F. R. Cement filed their opposition thereto.

"In an Order dated 16 February 1999, Woodward's urgent ex[-]parte motion was denied for being filed out of time.

"On 28 April 1998, Boaz and F. R. Cement presented their evidence consisting of the testimony of one Jose Ernesto Rodriguez and reserved the right to present the original of certain documents. No formal offer of

evidence has yet been made by Boaz and F. R. Cement.

"On 25 June 1999, Woodward filed a 'Motion to Reinstate Plaintiff's (Woodward's) Complaint and Allow Them to Present Evidence Ex-Parte.' In support of its motion, Woodward attached the affidavit of Atty. Pierre M. Alcantara, as associate lawyer of the law firm of Belo, Gozon, Parel, Asuncion and Lucila Law Office which handled Woodward's case in the court *a quo*. The affidavit of Atty. Alcantara explained the circumstances why Woodward was not represented in the pre-trial conference on 20 October 1998. The affidavit likewise contains Atty. Alcantara's tacit admission of his neglect to fully protect the interests of Woodward.

"Boaz and F. R. Cement filed their opposition to Woodward's motion to which Woodward filed a reply.

"In an Order dated 9 August 1999, the trial court granted Woodward's 'Motion to Reinstate Plaintiff's (Woodward's) Complaint and Allow Them to Present Evidence Ex-Parte, x x x

x x x

x x x

x x x

"Boaz and F. R. Cement moved for reconsideration but the trial court in its Order of 12 November 1999 denied the same."<sup>[6]</sup>

Imputing grave abuse of discretion on the part of the trial court, petitioners elevated the case to the CA under Rule 65.

### **Ruling of the Court of Appeals**

In prosecuting the claim of Woodward against petitioners, its lawyers acted negligently, according to the CA's ruling, which we quote:

"As admitted by Atty. Pierre M. Alcantara in his affidavit which was appended to Woodward's motion to reinstate complaint, a high fever prevented him from attending the pre-trial conference scheduled on 20 October 1998. This fact was made known to the handling lawyer, Atty. Jonel S. Mercado. However, no action was taken by Atty. Mercado to assign a substitute counsel for the pre-trial conference. Consequently, Woodward was declared non-suited and its complaint against Boaz and F. R. Cement was dismissed. To compound the initial neglect of the two lawyers, neither of them had seen fit to take appropriate action to protect their client's interest. While Atty. Alcantara filed a motion for reconsideration, the same was filed out of time, hence, denied by the trial court. Worse, both Attys. Alcantara and Mercado failed to inform the handling partner, Atty. Enrique Belo, and most of all, the client Woodward of the status of the case *a quo*. Consequently, the order of dismissal attained finality leaving Woodward no option but to file the motion to reinstate its complaint."<sup>[7]</sup>

However, the appellate court further ruled that "[c]ounsel's gross negligence should not be allowed to deprive Woodward of a chance to prove its claim as this would amount to injustice and outright deprivation of property." It further held that "when

the court *a quo* granted Woodward's motion to reinstate the complaint, it in effect amended, in the interest of justice, its previous order declaring Woodward non-suited." All considered, the CA found that the trial court did not act without or in excess of jurisdiction or with grave abuse of discretion when it reinstated Woodward's Complaint.

Hence, this Petition.<sup>[8]</sup>

## The Issues

Petitioners raise the following issues for our consideration:

"Whether or not the Court of Appeals erred in ruling that Judge Ibay acted within the ambit of his jurisdiction and without grave abuse of discretion when he granted Woodward's `Motion To Reinstate Complaint.'

"Whether or not Judge Ibay acted without or in excess of his jurisdiction or with grave abuse of discretion amounting to lack or excess of jurisdiction in ordering the reinstatement of the complaint in Civil Case No. 96-1440.

- Whether or not Woodward was bound by the negligence of its counsel
- Whether or not the appearance of the parties at the pre-trial conference is mandatory.
- Whether or not Woodward's consistent failure to observe the provisions of the Rules of Court should be considered fatal to its cause.
- Whether or not the reinstatement of Woodward's Complaint had any legal basis.
- Whether or not Judge Ibay already lost jurisdiction to amend, modify, reverse or set aside his dismissal order dated 20 October 1998 on 10 November 1998."<sup>[9]</sup>

The main issue to be resolved is whether the CA erred in sustaining the RTC's Order reinstating the Complaint of Woodward.

### **The Court's Ruling**

The Petition has merit.

### **Main Issue:** **Reinstatement of the Complaint**

On October 20, 1998, Woodward and its counsel failed to appear for a pretrial conference in Civil Case No. 96-1440. Hence, on motion of petitioners, its Complaint was dismissed in an Order issued on the same day. Respondent Woodward filed a Motion for Reconsideration of the Order on November 12, 1998, 17 days after it received a copy thereof. The trial court denied the Motion for being