



Republic of the Philippines
Supreme Court
Baguio City

THIRD DIVISION

**PORO POINT MANAGEMENT
CORPORATION,**

G.R. No. 188034

Petitioner,

-versus-

BULK HANDLER'S INC.,

Respondent.

**BASES CONVERSION AND
DEVELOPMENT AUTHORITY,***

G.R. No. 188077

Petitioner,

-versus-

BULK HANDLER'S INC.,

Respondent.

**BASES CONVERSION AND
DEVELOPMENT AUTHORITY,**

G.R. No. 216537 and 217060

Petitioner,

-versus-

**BULK HANDLER'S INC.,
EMMANUEL P. MORAN, JR.,**
JUANITA U. TAN, RENATO P.
VENTURINA, and PORO POINT
INDUSTRIAL CORPORATION,**

Respondents.

**PORO POINT MANAGEMENT
CORPORATION and BASES**

G.R. No. 216589 to 216590

* Also referred to as Bases Conversion Development Authority in some parts of the *rollo*.

** Also referred to as Emmanuel B. Moran, Jr. in some parts of the *rollo*.

**CONVERSION AND
DEVELOPMENT AUTHORITY,**

Petitioners,

-versus-

**BULK HANDLER'S INC.,
EMMANUEL P. MORAN, JR.,
JUANITA U. TAN, RENATO P.
VENTURINA, and PORO POINT
INDUSTRIAL CORPORATION,**

Respondents.

Present:

CAGUIOA, J., *Chairperson*,
INTING, ***
GAERLAN,
DIMAAMPAO, and
SINGH, JJ.

Promulgated:

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DECISION

SINGH, J.:

Before the Court are four consolidated Petitions for Review on *Certiorari* under Rule 45 of the Rules of Court.

In G.R. Nos. 216537 and 217060, and 216589 to 216590, the Bases Conversion and Development Authority (BCDA) and Poro Point Management Corporation (PPMC) assail the Decision,¹ dated July 11, 2014, and the Resolution,² dated January 21, 2015, of the Court of Appeals (CA) in C.A.-G.R. SP Nos. 119381 and 119482.³ The CA dismissed the consolidated Petitions for Review filed by PPMC and BCDA questioning the Judgment,⁴ dated December 17, 2009, of Branch 29, Regional Trial Court, San Fernando City, La Union (RTC), in Civil Case No. 7188 after the pre-trial conference and submission of memoranda.⁵

In G.R. Nos. 188034 and 188077, the BCDA and PPMC assail the Decision,⁶ dated November 13, 2008, and the Resolution,⁷ dated May 20, 2009, of the CA in CA-G.R. SP No. 100816. The CA granted the Petition for *Certiorari* filed by Bulk Handler's Inc. (BHI) and annulled the Orders, dated

*** On official business.

¹ *Rollo* (G.R. Nos. 216589-90), pp. 38-55. Penned by Associate Justice Pedro B. Corales and concurred in by Associate Justices Sesinando E. Villon and Florito S. Macalino of the Fifteenth Division, Court of Appeals, Manila.

² *Rollo* (G.R. Nos. 216537 and 217060), pp. 100-101.

³ *Id.* at 18.

⁴ *Rollo* (G.R. No. 188077), pp. 291-314. Penned by Judge Robert T. Cawed.

⁵ *Rollo* (G.R. Nos. 216537 and 217060), p. 83.

⁶ *Rollo* (G.R. No. 188034), pp. 7-14. Penned by Associate Justice Marlene Gonzales-Sison and concurred in by Associate Justices Juan Q. Enriquez, Jr. and Isaias P. Dicdican of the Eleventh Division, Court of Appeals, Manila.

⁷ *Rollo* (G.R. No. 188077), pp. 158-159.



April 23, 2007 and September 7, 2007, of the RTC. The CA directed BHI to deposit the guaranteed annual revenues to BCDA and PPMC pursuant to their Pre-Incorporation Agreement pending the resolution of Civil Case No. 7188.⁸

The Facts

To enable the Court to address the issues raised, it is necessary to provide a timeline of events that prompted the filing of the consolidated Petitions.

The Pre-Incorporation Agreement

The BCDA is a government corporation created pursuant to Republic Act No. 7227, otherwise known as the Bases Conversion and Development Act of 1992.⁹ Said Act set out the policy of the government to accelerate the sound and balanced conversion into alternative productive use of the former military bases under the 1947 Philippine-United States of America Military Bases Agreement, namely: the Clark and Subic military reservations, as well as their extensions including the John Hay Station in the City of Baguio and the Wallace Air Station in San Fernando, La Union.¹⁰

On July 27, 1993, President Fidel V. Ramos issued Proclamation No. 216, Series of 1993, consolidating the former Wallace Air Station and the surrounding areas in San Fernando, La Union into Poro Point Special Economic and Freeport Zone (**PPSEFZ**).¹¹ BCDA was established as the governing body of PPSEFZ and given the authority to determine the utilization and disposition of the lands within this zone or enter into joint venture for its economic development and optimum utilization.¹² Meanwhile, John Hay Poro Point Development Corporation (**JPDC**) was designated as BCDA's implementing and operating arm for PPSEFZ.¹³

In 1998, BCDA and JPDC invited proposals for the development of PPSEFZ. BHI was one of the bidders who responded to this invitation. After evaluating the proposal of BHI and a series of negotiations, BCDA, JPDC and BHI executed a Pre-Incorporation Agreement (**Agreement**) on September 21, 1999.¹⁴ Said Agreement provided for the activities and understanding of the parties and the formation of a joint venture corporation known as the Poro Point Industrial Corporation (**PPIC**).¹⁵

⁸ *Rollo* (G.R. No. 188034), p. 13.

⁹ Republic Act No. 7227 (1992), Bases Conversion and Development Act of 1992.

¹⁰ *Id.* secs. 2–3. *See Rollo* (G.R. Nos. 216537 and 217060), p. 83.

¹¹ *Rollo* (G.R. No. 188077), p. 372. *See* First Whereas clause of the Pre-Incorporation Agreement dated September 21, 1999.

¹² *Rollo* (G.R. Nos. 216537 and 217060), p. 84. *See* Proclamation No. 216 (1993).

¹³ *Rollo* (G.R. Nos. 216537 and 217060), p. 84.

¹⁴ *Rollo* (G.R. No. 188034), pp. 66–79; *rollo* (G.R. No. 188077), pp. 66, 372–385.

¹⁵ *Rollo* (G.R. Nos. 216537 and 217060), p. 84.



Pursuant to the Agreement, BHI bound itself to guarantee a minimum annual revenue of USD 50,000,000.00 to BCDA and JPDC throughout the duration of the Agreement, which shall be subject to 10% increase on the 10th year of the Agreement and by another 10% increase every five years thereafter until the end of the term, including the 25-year renewal period.¹⁶ Moreover, BHI agreed that BCDA and JPDC shall be entitled to an annual guaranteed revenue even if PPIC incurs net loss after tax, in which case, BHI shall pay BCDA and JPDC for the same.¹⁷ These terms are found in Section 2.01 of the Agreement:

BHI shall guarantee for the duration of the agreement a minimum annual revenue to BCDA/JPDC of [50,000,000.00]. This amount shall be adjusted upward by [10%] on the [10th] year and by [10%] every five years thereafter until the end of the term, including the [25]-year renewal period.

It is understood that upon payment of the guaranteed minimum annual revenue, all income which comprise that annual revenue will now be credited to PPIC.

BCDA/JPDC shall be entitled to an annual guaranteed revenue even if PPIC incurs net loss after tax. In this case, BHI shall pay ECDA/JPDC for the same.¹⁸

On the other hand, BCDA and JPDC obliged themselves to lease to PPIC for a minimum period of 25 years, renewable for the same period of time, the following areas, pursuant to Section 2.02 of the Agreement:

- a) Seaport which includes the government ramp, piers 1 & 2, PNOC pier and other private, piers at the expiration of their contracts and adjoining areas covering more or less [30] hectares;
- b) Industrial area covering a minimum of [50] hectares;
- c) Possible reclamation area beside the industrial area.

BCDA/JPDC shall turn-over to PPIC within a 30-day period from effective date, the port area, its facilities, structures and such other areas and facilities which are free from any lien and encumbrances or claims, in order to immediately optimize utilization and development of said areas. Upon its transfer or turn-over, PPIC shall assume the control, operation, management and administration of said areas and facilities. Upon turn-over as aforesated, the lease period shall start to run for those areas.¹⁹

The parties agreed to turn-over to PPIC within a 30-day period from effective date, the port area, its facilities, structures and such other areas and facilities which are free from any lien and encumbrances or claims in order to immediately optimize utilization and development of said areas. Afterwards,

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Rollo* (G.R. No. 188034), p. 69.

¹⁹ *Id.* at 70.



PPIC will assume the control, operation, management and administration of said areas and facilities.²⁰

On October 1999, PPIC was registered with the Securities and Exchange Commission (SEC). BHI together with Emmanuel B. Moran, Jr. (**Moran, Jr.**), Juanita U. Tan (**Tan**), and Renato P. Venturina (**Venturina**) own almost 70% of the outstanding shares of stock in PPIC, while the remaining stocks belong to BCDA and JPDC. In 2002, the authority of JPDC, as the operating and implementing arm of BCDA in managing PPSEFZ, was transferred to Poro Point Management Corporation (**PPMC**) through Executive Order No. 132.²¹

On October 26, 2000, the Agreement was reviewed and found to be in order by the Office of the Government Corporate Counsel (**OGCC**) in Contract Review No. 424, Series of 2000.²²

Six years later, or on January 6, 2006, BHI wrote BCDA to demand the turnover of the undelivered portions of the project area, particularly, the remaining 12 hectares of the seaport area and 50 hectares of the industrial area with threat of court action in case BCDA fails to comply with the same. In the same letter, BHI informed BCDA that it will be constrained to withhold the minimum guaranteed annual revenue pending the complete turnover of the entire project area in favor of PPIC.²³

Alleging defects in the bidding process during the procurement of participants in the joint venture of PPSEFZ, PPMC then issued Board Resolution No. 2006-01-10 recommending to BCDA the nullification of the Agreement (**PPMC Resolution**) on January 23, 2006.²⁴

PPMC Resolution No. 2006-01-10

Resolve, as it is hereby resolved, to ADOPT PPMC Pres. and CEO Felix S. Racadio's recommendation to declare the Pre-Incorporation Agreement by and among BCDA, JPDC and BHI as null and void *ab initio*, as contained in the "Initial Legal View/Comment on the Pre-Incorporation Agreement Entered into by and between the Bases Conversion Development Authority (BCDA)/ John Hay Poro Point Development Corporation (JPDC) and Bulk Handlers, Inc. (BHI) executed on September 21, 1999, and Related Matters", hereto attached and made an integral part hereof as Annex "A";

Resolved further to ENDORSE the above recommendation to BCDA for appropriate action and approval.

²⁰ *Rollo* (G.R. Nos. 216537 and 217060), p. 85.

²¹ *Id.*

²² *Rollo* (G.R. No. 188077), p. 67.

²³ *Id.* at 69.

²⁴ *Id.* at 70.



PPMC did not also renew PPIC's registration as a PPSEFZ-registered enterprise.²⁵

BHI, PPIC, together with individual stockholders, Moran Jr., Tan, and Venturina, filed a Complaint²⁶ for Declaratory Relief under the Interim Rules of Procedure on Intra-Corporate Disputes (**Interim Rules**) with an application for a temporary restraining order and writ of preliminary injunction against BCDA and PPMC on May 22, 2006 (**Complaint**). The case was docketed as Civil Case No. 7188.²⁷

The Complaint averred that BCDA and PPMC failed to turn over the entirety of the seaport area, pursuant to the Agreement, despite repeated demands. Out of the 30 hectares that must be turned over, only 18 hectares have been transferred to the possession and operation of PPIC. Worse, regarding the industrial area and possible reclamation area, BCDA and PPMC have not delivered any portion to PPIC.²⁸ BCDA and PPMC's failure to abide by its obligations led to losses on the part of BHI and PPIC. As such, PPIC deliberately withheld payment of the minimum guaranteed annual revenue.²⁹

BHI prayed that the RTC issue orders to restrain BCDA and PPMC from implementing the PPMC Resolution, and ultimately declare the Agreement legal and valid. BHI also prayed that BCDA and PPMC faithfully comply with their undertakings under the Agreement and turnover the entire project area.³⁰

On their part, PPMC argued that it was BHI and PPIC which had breached the Agreement by not paying the minimum guaranteed annual revenue.³¹ Further, they argued that the PPMC Resolution was merely recommendatory and cannot be implemented without the imprimatur of BCDA. Considering BCDA's unfavorable action on the PPMC Resolution, BHI and PPIC had no cause to file the Complaint.³²

On June 8, 2006, BCDA wrote to PPMC informing the latter that the BCDA Board resolved to abide by the position of the OGCC that the Agreement is valid and binding among the parties:³³

In this regard, please be advised that the BCDA Board at its meeting last [June 7, 2006] resolved to abide by the position of the OGCC contained

²⁵ *Id.* at 19–20; 70–71.

²⁶ *Rollo* (G.R. No. 188077), pp. 62–78.

²⁷ *Rollo* (G.R. Nos. 216537 and 217060), p. 86.

²⁸ *Rollo* (G.R. No. 188077), pp. 68–69.

²⁹ *Id.* at 72.

³⁰ *Rollo* (G.R. Nos. 216537 and 217060), p. 86.

³¹ *Id.* at 87.

³² *Rollo* (G.R. No. 188077), p. 299.

³³ *Rollo* (G.R. Nos. 216537 and 217060), p. 119; *rollo* (G.R. No. 188077), pp. 20–21.



in the Opinion/Reviews previously issued that said Pre-Incorporation Agreement is valid and binding among the parties.

In the absence of any subsequent OGCC or DOJ Opinion stating otherwise, we regret that we [cannot] support your position that the said Agreement is null and void.³⁴

Through an Order, dated June 16, 2006, the RTC granted the Complaint's prayer for the issuance of a writ of preliminary injunction to enjoin the implementation of the PPMC Resolution.³⁵

*The events leading up to G.R. Nos.
188034 and 188077*

On July 31, 2006, more or less two months after the Complaint was filed, PPIC paid the minimum guaranteed annual revenue for March to July 2006 in the total amount of PHP 19,791,666.70.³⁶

Then, on October 26, 2006, BHI, PPIC, and the individual stockholders of PPIC, filed a Motion to Deposit Lease Rentals³⁷ (**Motion to Deposit**) with the RTC claiming that since PPMC has resolved to declare the Agreement void, it is proper to deposit the guaranteed annual revenue with the RTC in conformity with Rule 135, Section 6 of the Rules of Court.³⁸

Section 6. *Means to carry jurisdiction into effect.* — When by law jurisdiction is conferred on a court or judicial officer, all auxiliary writs, processes and other means necessary to carry it into effect may be employed by such court or officer; and if the procedure to be followed in the exercise of such jurisdiction is not specifically pointed out by law or by these rules, any suitable process or mode of proceeding may be adopted which appears comfortable to the spirit of the said law or rules.³⁹

On April 23, 2007, the RTC issued an Order denying the Motion to Deposit for lack of merit. BHI moved for reconsideration, but the same was denied by the RTC through an Order, dated September 7, 2007 (collectively, the **Assailed Orders**).⁴⁰ These Assailed Orders would be the subject of a Petition for *Certiorari* filed by the BHI before the CA, docketed as CA-G.R. SP No. 100816. Said Petition contended that the RTC acted with grave abuse of discretion in denying the Motion to Deposit.⁴¹

³⁴ *Id.*

³⁵ *Id.* at 39; 642.

³⁶ *Id.* at 21; 299.

³⁷ *Rollo* (G.R. No. 188077), pp. 81–85.

³⁸ *Id.*

³⁹ RULES OF COURT, Rule 135, sec. 6.

⁴⁰ *Rollo* (G.R. No. 188077), p. 22.

⁴¹ *Id.* at 37.

*The events preceding G.R. Nos.
216537 and 217060, and 216589 to
216590*

During the pre-trial conference on November 16, 2007 before the RTC, the counsels of the parties admitted that there is no issue as to the validity of the Agreement.⁴² The RTC then directed the parties to submit their memoranda on the propriety of the prayers of BHI and PPIC in the Complaint considering that they were asking for specific performance of certain provisions of the Agreement in addition to the declaratory relief principally sought.⁴³

In the interim, BCDA moved for the dismissal of the Complaint due to the alleged impropriety of the action for declaratory relief, but this was denied by the RTC through an Order, dated May 12, 2008, which was upheld by the CA through a Decision, dated January 30, 2009. BCDA initially elevated the case before the Court, but the Petition was later on withdrawn and considered closed and terminated.⁴⁴

Upon the continuation of pre-trial, BHI and PPIC submitted the case for judgment, pursuant to the Interim Rules, in view of the admissions on record.⁴⁵

BCDA and PPMC opposed BHI and PPIC's Motion for Summary Judgment asserting that there are controverted factual issues which should be addressed during trial. The claim for the turnover of the entire project area and BHI's supposed failure to abide by the terms of the Agreement are factual issues which require the presentation of evidence.⁴⁶

The Ruling of the RTC in Civil Case No. 7188

On December 17, 2009, the RTC rendered the Judgment,⁴⁷ upholding the validity of the Agreement, among others:

WHEREFORE, judgment is hereby rendered as follows:

1. *Declaring the Pre-Incorporation Agreement among the parties valid and effective;*

⁴² *Id.* at 299.

⁴³ *Rollo* (G.R. Nos. 216537 and 217060), p. 87.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.* at 88.

⁴⁷ *Rollo* (G.R. No. 188077), pp. 291-314.



2. *Declaring plaintiff PPIC's right under the Pre-Incorporation Agreement to utilize, develop, operate, manage and administer the 15.3 hectare area of the Poro Point Seaport which it currently occupies. Conversely, the defendants shall be relieved from complying with the stipulated undertakings to deliver the remainder of about 64.7 of the seaport and industrial areas of PPSEFZ to the plaintiffs.*
3. *Declaring the amount of [PHP 9,562,500.00] as the guaranteed minimum annual revenue corresponding to the 15.3 hectare seaport area actually delivered to PPIC to retroact to November 1999 subject to the escalation clause as stated in the Pre-Incorporation Agreement; the overpayments previously made by BHI/PPIC shall be applied to the succeeding revenues beginning 2006 until the same has been fully consumed; and*
4. *Declaring PPIC's right to the renewal of its registration as a PPSEFZ enterprise.*

No pronouncement as to costs.

SO ORDERED.⁴⁸ (Emphasis supplied)

The RTC ruled that the BCDA and PPMC are estopped from questioning the validity of the Agreement after admitting receipt of PHP 327,658,329.96 as guaranteed minimum revenue from October 1999 to July 2006.⁴⁹

Further, the RTC decreed that BHI, BCDA, and PPMC are no longer in a position to fully comply with their stipulated undertaking in Section 2.01 to 2.03 of the Agreement and such incapability entitles BHI and PPIC to rescind the Agreement with respect to the portion of the area covered by the obligation which had not been delivered. Nonetheless, based on the principle of unjust enrichment and equity jurisdiction, the RTC limited BCDA and PPMC's obligation to the delivery of the 15.3 hectares of project area which had already been turned over to PPIC and proportionately reduced the amount of minimum annual revenue guaranteed by BHI, as well as the amount of capital infusion stipulated under the Agreement.⁵⁰

Aggrieved, BCDA filed a Notice of Appeal, while PPMC moved for reconsideration.⁵¹

On April 11, 2011, the RTC issued an Order dismissing BCDA's Notice of Appeal for being an incorrect remedy under Administrative Matter No. 04-9-07-SC Re: Mode of Appeal in Cases Formerly Cognizable by the SEC

⁴⁸ *Id.* at 314.

⁴⁹ *Id.* at 305-306.

⁵⁰ *Rollo* (G.R. No. 188077), pp. 309-312; *rollo* (G.R. Nos. 216537 and 217060), pp. 88-89.

⁵¹ *Rollo* (G.R. Nos. 216537 and 217060), p. 90.



(**Administrative Matter No. 04-9-07-SC**), and denied PPMC's motion for being a prohibited pleading under the Interim Rules.⁵²

Thus, PPMC and BCDA elevated the case before the CA, docketed as CA-G.R. SP Nos. 119381 and 119482, respectively. PPMC and BCDA questioned the propriety of the summary judgment considering the existence of factual issues requiring the presentation of evidence. They also claim that the RTC erroneously rendered summary judgment in the absence of a written motion from either party and for awarding affirmative reliefs which are improper in an action for declaratory relief. Moreover, PPMC and BCDA argue that they did not violate the Agreement considering that the same did not provide a period within which to discharge its obligations and that they were only obliged to turnover areas which were not subject to liens and encumbrances. Lastly, they contend that the parties to the Agreement should have opted to arbitrate instead of file a case in court following Section 4.03 of the Agreement.⁵³

4.03 ARBITRATION / ADJUDICATION

In case of disagreement between the Parties arising out of the implementation and/or enforcement of this Agreement, the parties shall first exert all efforts in good faith to amicably settle the dispute within [180] days from formal written notice thereof.

In the event of failure of the Parties to arrive at an amicable settlement at the end of such term, either Party shall have the right to have the dispute settled by binding arbitration, which shall be conducted by a single Arbitrator according to the law on arbitration[.]⁵⁴

In opposition, BHI and PPIC allege that the Judgment of the RTC has already attained finality considering that the remedies filed by PPMC and BCDA were prohibited or deemed improper. They also invoke BCDA's admissions of the material allegations in the Complaint for Declaratory Relief, including the validity of the Agreement, as well as PPMC's supposed admission that the PPMC Resolution was merely recommendatory and yet to be implemented. Further, they defend the RTC's Judgment as an "exercise of equity jurisdiction"⁵⁵ in a case that could be converted into an ordinary action under the Rules of Court. As to BCDA's argument that the case should have been brought under the arbitration clause of the Agreement, BHI and PPIC assert that the same is merely permissive, rather than mandatory or exclusive. They also point out that BCDA's allegation as to the period for the fulfilment of its obligations was raised for the first time on appeal.⁵⁶

⁵² *Id.*

⁵³ *Id.* at 90-93.

⁵⁴ *Rollo* (G.R. No. 188077), p. 381.

⁵⁵ *Rollo* (G.R. Nos. 216537 and 217060). p. 93.

⁵⁶ *Id.*



In its reply, BCDA invoked liberality in the application of procedural rules considering the existence of special and compelling reasons to relax the rigid application of technical rules such as the supposedly brazen insistence of the RTC to assume jurisdiction over the Complaint despite the arbitration clause and subsequently award reliefs beyond those which were prayed for by BHI and PPIC.⁵⁷

The Ruling of the CA in CA-G.R. SP No. 100816

On November 13, 2008, the CA promulgated the Decision⁵⁸ on the Petition for *Certiorari* filed by BHI, which challenged the Assailed Orders issued by the RTC denying BHI's Motion to Deposit.

The Decision granted said Petition and set aside the Assailed Orders:

WHEREFORE, in view of the foregoing, the instant petition is **GRANTED** and the assailed orders of [Branch 29 of] the Regional Trial Court of San Fernando City, La Union dated [April 23, 2007] and [September 7, 2007] are **ANNULLED and SET ASIDE**. **BHI is directed to deposit the guaranteed annual revenues due to BCDA and PMPC under the Pre-Incorporation Agreement to the trial court or to an institution chosen by the trial court as depositary of said revenues, pending the final resolution of Civil Case No. 7188. Said amount will be released to either BHI, on one hand, or BCDA and PPMC, on the other hand, depending on the outcome of Civil Case No. 7188.**

SO ORDERED.⁵⁹ (Emphasis in the original)

In granting the Petition, the CA ruled that the Motion to Deposit must not be interpreted as one for consignment considering that BHI does not seek the extinguishment of its obligation to pay BCDA and PPMC the guaranteed revenues due to them. Instead, the Motion to Deposit was filed to maintain parity between the parties in line with the writ of preliminary injunction issued by the RTC, and to protect BHI's interest pending the resolution of Civil Case No. 7188.⁶⁰

Citing *Bataan v. Villafuerte Jr., et al.*,⁶¹ the CA went on to elaborate on the power of courts to issue escrow orders pursuant to their intrinsic power to issue orders and other ancillary writs and processes incidental or reasonably necessary to the exercise of its main jurisdiction.⁶²

⁵⁷ *Id.* at 93–94.

⁵⁸ *Rollo* (G.R. No. 188034), pp. 7–14.

⁵⁹ *Id.* at 13.

⁶⁰ *Rollo* (G.R. No. 188077), p. 39.

⁶¹ 419 Phil. 907 (2001) [Per. J. Buena, Second Division].

⁶² *Rollo* (G.R. No. 188077), pp. 39–40.

In the case of Province of *Bataan v. Villafuerte Jr., et. al.*, cited by BHI, the Supreme Court explained that courts may issue an escrow order based on its intrinsic power to issue orders and other ancillary writs and processes incidental or reasonably necessary to the exercise of its main jurisdiction. The Supreme Court also explained the nature of an escrow order, thus:

An escrow fills a definite niche in the body of the law; it has a distinct legal character. The usual definition is that *an escrow is a written instrument which by its terms imports a legal obligation and which is deposited by the grantor, promisor, or obligor, or his agent with a stranger or third party, to be kept by the depositary until the performance of a condition or the happening of a certain event, and then to be delivered over to the grantee, promisee, or obligee.*

While originally, the doctrine of escrow applied only to deeds by way of grant, or as otherwise stated, instruments for the conveyance of land. under modern theories of law, the term escrow is not limited in its application to deeds, but is applied to the deposit of any written instrument with a third person. Particular instruments which have been held to be the subject of an escrow include bonds or covenants, deeds, mortgages, oil and gas leases, contracts for the sale of land or for the purchase of personal property; corporate stocks and stock subscriptions, promissory notes or other commercial paper, insurance applications and policies, contracts for the settlement of will-contest cases, indentures of apprenticeship, receipts assigning concessions and discontinuances and releases of causes of action. Moreover, *it is no longer open to question that money may be delivered in escrow.*⁶³ (Emphasis in the original)

Considering that BHI's obligation consists of paying BCDA and PPMC guaranteed annual revenues, the CA explained that the RTC, or any institution which it chooses, may serve as the depositary of the guaranteed revenues until the RTC resolves the issue on the validity of the Agreement.⁶⁴ Such an order would not prejudice BCDA and PPMC since the guaranteed annual revenues will merely be placed in the hands of a depositary for safekeeping. If the validity of the Agreement is upheld, said amount will be released to them.⁶⁵

BCDA and PPMC moved for reconsideration, but these were denied by the CA through a Resolution,⁶⁶ dated May 20, 2009.

⁶³ *Id.*

⁶⁴ *Id.* at 40.

⁶⁵ *Id.* at 41.

⁶⁶ *Rollo* (G.R. No. 188077), pp. 158–159.

Hence, BCDA and PPMC filed separate Petitions for Review on *Certiorari* under Rule 45, dated July 14, 2009⁶⁷ and July 15, 2009,⁶⁸ before the Court. These were docketed as G.R. Nos. 188077 and 188043, respectively.

The Ruling of the CA in CA-G.R. SP Nos. 119381 and 119482

After ordering the consolidation of the separate Petitions for Review filed by BCDA and PPMC to assail the RTC Judgment, the CA, through the Decision,⁶⁹ dated July 11, 2014, affirmed the same and ordered the dismissal of the consolidated Petitions:

WHEREFORE, the instant consolidated petitions for review are hereby **DISMISSED**.

SO ORDERED.⁷⁰ (Emphasis in the original)

The CA deemed it proper to dismiss the consolidated Petitions on procedural grounds. In particular, the CA explained that said Petitions were time-barred as both BCDA and PPMC failed to file the same within 15 days from receipt of the RTC Judgment. In upholding the RTC Judgment, the CA ruled that BCDA utilized an incorrect mode of review by filing a notice of appeal. Additionally, the CA determined that the PPMC also made an error in seeking reconsideration, which is a prohibited motion under the Interim Rules. Therefore, the CA concluded that these improper remedies did not toll the running of the 15-day reglementary period for appeal under Rule 43 of the Rules of Court, in relation to Administrative Matter No. 04-9-07-SC.⁷¹

BCDA and PPMC moved for reconsideration, but these were denied through the Resolution,⁷² dated January 21, 2015.

Thus, BCDA and PPMC filed separate Petitions for Review on *Certiorari*, dated March 12, 2015⁷³ and March 3, 2015,⁷⁴ before the Court. These were docketed as G.R. Nos. 216537 and 217060, and 216589 to 216590, respectively.

The Court consolidated G.R. Nos. 188034, 188077, 216537 and 217060, and 216589 to 216590.

⁶⁷ *Id.* at 15–34.

⁶⁸ *Rollo* (G.R. No. 188034), pp. 39–52.

⁶⁹ *Rollo* (G.R. Nos. 216537 and 217060), pp. 82–99.

⁷⁰ *Id.* at 99.

⁷¹ *Id.* at 94.

⁷² *Rollo* (G.R. Nos. 216537 and 217060), pp. 100–101.

⁷³ *Id.* at 31–76.

⁷⁴ *Rollo* (G.R. Nos. 216589–90), pp. 11–36.



The Consolidated Cases

G.R. Nos. 188034 and 188077

BCDA and PPMC argue that the CA erred when it reversed the Assailed Orders and directed BHI to deposit the guaranteed annual revenues to a depositary pending the resolution of Civil Case No. 7188. Specifically, they argue:

First, BCDA and PPMC's interests would be prejudiced if the guaranteed annual revenues would be deposited considering that both BCDA and PPMC would not be paid despite PPIC's continued operation in the PPESFZ and use of government facilities.⁷⁵

Second, Rule 135, Section 6 of the Rules of Court applies only if the procedure to be followed is not specifically governed by law or the Rules of Court. Since Articles 1256 and 1261 of the Civil Code govern the consignment of a thing or sum due, the same must be followed, not the Rules.⁷⁶

Third, *Bataan* is not applicable in this case. In *Bataan*, the lease rentals ordered by the trial court to be deposited under a special time deposit with the Land Bank were claimed by both parties. Thus, creation of the escrow account was proper to preserve the rental payments which would be delivered to the rightful owner upon the final determination of the case. Here, the accrued guaranteed annual revenue is not claimed by BHI.⁷⁷

Fourth, BHI filed the Motion to Deposit because BCDA and PPMC were supposedly threatening the existence of PPIC. However, this is inaccurate. BCDA has not approved PPMC's Board Resolution. On the contrary, BCDA passed a Resolution confirming the validity of the Agreement.⁷⁸

Finally, PPIC is the corporation created pursuant to the Agreement. It is the party obligated to pay the annual revenue. While PPIC is one of the parties who filed the Motion to Deposit, PPIC did not interpose any further action relative to the Assailed Orders. BHI is merely a party which guarantees to pay the minimum annual revenue to BCDA and the PPMC in the event that the PPIC incurs losses or its income is insufficient. BHI's obligation is merely

⁷⁵ *Rollo* (G.R. No. 188034) pp. 46–48.

⁷⁶ *Rollo* (G.R. No. 188077) pp. 27–28.

⁷⁷ *Id.* at 28–30.

⁷⁸ *Rollo* (G.R. No. 188034), pp. 48–49.

subsidiary. Thus, it had no legal personality to institute the Petition before the CA questioning the Assailed Orders.⁷⁹

On January 13, 2010, BHI filed an Opposition,⁸⁰ which raised the following counter-arguments:

First, the present controversy has been rendered moot by the RTC Judgment.⁸¹

Second, even on the merits, the Petitions fail to show any reversible error committed by the CA. The judicial deposit sought by BHI is not the same as consignment. The Motion to Deposit was not a means to extinguish BHI's or PPIC's obligations under the Agreement, but rather to preserve the rights of the parties pending the resolution of Civil Case No. 7188. BHI points out that no obligation could yet be declared to have definitively arisen much less extinguished by reason of the Agreement when its very validity is still to be determined.⁸²

Third, contrary to BCDA and PPMC's assertions, *Bataan* is applicable in this case. BHI asserts that the pronouncement of the Court on the propriety of an escrow order was broad enough to include other applications which are not necessarily on all fours with the factual circumstances in *Bataan*.⁸³

Finally, BCDA and PPMC cannot claim that they have not done anything to cast doubt as to the validity of the Agreement. PPMC has continuously refused to renew the registration of PPIC to operate in the PPSEFZ despite repeated demands. Aside from this, BCDA and its subsidiary company, PPMC, failed to comply with their undertakings under the Agreement by merely turning over to PPIC in November 1999, the possession and operation of the seaport area consisting of around 15.3 hectares only (*vis-a-vis* the 18 hectares alleged in the Complaint).⁸⁴ This is short of the 30 hectares of seaport area and 50 hectares of industrial area as stated in Section 2.02 of the Agreement. These have resulted in serious business losses on the part of BHI and PPIC.⁸⁵

In response, BCDA filed a Comment,⁸⁶ dated May 18, 2010, which reiterated much of the substance raised in BCDA and PPMC's Petitions for Review on *Certiorari* under Rule 45. On the issue on mootness, however,

⁷⁹ *Rollo* (G.R. No. 188077), pp. 30–31.

⁸⁰ *Id.* at 278A–292.

⁸¹ *Id.* at 285–286.

⁸² *Id.* at 286–288.

⁸³ *Id.* at 288–289.

⁸⁴ *Id.* at 68–69.

⁸⁵ *Id.* at 290–291.

⁸⁶ *Id.* at 324–332.



BCDA submits that the Petitions were not rendered moot by the RTC Judgment since the said Judgment is void and produces no effect whatsoever.⁸⁷

*G.R. Nos. 216537 and 217060, and
216589 to 216590*

In these Petitions, BCDA and PPMC contend that the CA erred in declaring their Petitions for Review time-barred considering the merits of the case constitute a compelling reason to relax the rigid application of procedural rules. They allege that the RTC Judgment is void, hence, it did not attain finality.⁸⁸ In particular, they allege that:

First, the RTC went beyond its jurisdiction by resolving a dispute on the implementation or enforcement of the Agreement which falls within the mechanism for dispute resolution under the Agreement's arbitration clause.⁸⁹

Second, the RTC awarded reliefs beyond the prayer of the Complaint.⁹⁰

Finally, BCDA and PPMC's right to due process and to confront the evidence against them was denied. BHI & PPIC's oral motion for summary judgment or judgment on the pleadings which resulted in the RTC Judgment was improper since there were triable factual issues requiring full blown trial.⁹¹

To address the points raised in the Petitions, BHI and PPIC filed a Comment,⁹² dated July 25, 2016, alleging the following:

First, the RTC Judgment in Civil Case No. 7188 is already final and executory considering the improper remedies availed of by BCDA and PPMC.⁹³

Second, the right to due process was afforded to all the parties in the proceedings before the RTC.⁹⁴

⁸⁷ *Id.* at 325.

⁸⁸ *Rollo* (G.R. Nos. 216537 and 217060), p. 45.

⁸⁹ *Id.* at 48–51.

⁹⁰ *Id.* at 48–51; 53.

⁹¹ *Id.* at 54–55; 61–67.

⁹² *Id.* at 612–639.

⁹³ *Id.* at 617–623.

⁹⁴ *Id.* at 626–635.

Thus, BHI and PPIC posit that BCDA and PPMC failed to establish any compelling reason to warrant the reversal of the CA Decision and Resolution in CA-G.R. SP Nos. 119381 and 119482.⁹⁵

On May 11, 2017, PPMC filed a Reply⁹⁶ raising the following points:

First, the RTC Judgment cannot be considered final because of several pragmatic considerations which render it incapable of execution:⁹⁷

10. The elementary approach applied by the RTC in reducing the guaranteed minimum annual revenue (GMAR) relative to the size of the land held by respondents, provides more questions than answers. If the RTC Decision were to be executed according to its letter, the following questions arise:

- a) After PPIC's overpayments have been fully consumed, how much GMAR will PPMC/BCDA be entitled to?
- b) After PPIC's overpayments have been fully consumed, will the GMAR revert to [PHP 50 million] as provided in the PIA, or will the [PHP 9 million] GMAR under the RTC Decision continue to be paid?
- c) To what amount will the 10% and 5% escalation clause apply, to the [PHP] 9 Million GMAR in the RTC Decision or to the corresponding amount being paid by PPIC in the applicable year?
- d) What if, in the interim, PPMC/BCDA will be able to deliver the remaining land in the PIA, will it be entitled to the [PHP 50 million] GMAR anew?

11. The foregoing are but some of the questions that will inevitably arise even if the RTC Decision will be strictly and literally implemented. Undoubtedly, the RTC Decision allows respondents to unilaterally compute the GMAR and, worse, declare what it only wants to pay.⁹⁸

Second, the RTC Judgment failed to determine the rights and obligations of the parties with finality. For one, the RTC erroneously assumed that PPMC cannot comply with its undertaking under the Agreement. PPMC and BCDA were not expected to make immediate delivery of the entire agreed property since some portions thereof may be delivered "at the expiration of their contracts."⁹⁹ In fact, the metes and bounds of the subject property was merely approximated as the Agreement expressly uses the term "more or less."¹⁰⁰

⁹⁵ *Id.* at 635–638.

⁹⁶ *Id.* at 666–677.

⁹⁷ *Id.* at 670.

⁹⁸ *Id.*

⁹⁹ *Id.* at 671.

¹⁰⁰ *Id.*



Ultimately, PPMC contended that there are issues that the RTC failed to consider in its Judgment which should have required the presentation of evidence.¹⁰¹

The Issues

In G.R. Nos. 188034 and 188077:

1. Did the RTC Judgment render the issue on the propriety of the Motion to Deposit moot?
2. If not, did the CA commit reversible error when it annulled the Assailed Orders and directed BHI to deposit the guaranteed annual revenues to a depositary pending the resolution of Civil Case No. 7188?

*In G.R. Nos. 216537 and 217060, and
216589 to 216590:*

1. Did the CA err in declaring the Petitions for Review time-barred?
2. Is the RTC Judgment void?


The Ruling of the Court

At the outset, the Court takes note of the expiration of the renewal period in the Agreement, along with the expiration of PPIC's lease over the project area on September 21, 2024. The Court's ruling in this case is focused on determining their rights, obligations, and entitlements during the relevant period of the Agreement.

G.R. Nos. 216537 and 217060, and 216589 to 216590

To ensure an organized resolution of the matters at hand, the Court deems it appropriate to first address the status of the RTC Judgment and the propriety of the CA's determination that the Petitions for Review were time-barred. In this regard, the Court finds no reason to overturn the findings made by the CA.

¹⁰¹ *Id.* at 672.



Prior resort to improper judicial remedies did not toll the period for appeal

To recall, the CA denied the Petitions for Review on procedural grounds. The CA determined that BCDA improperly filed a notice of appeal to assail the RTC Judgment, while PPMC erred in filing for reconsideration, which is prohibited under the Interim Rules. As a result, the CA concluded that these improper remedies did not toll the running of the 15-day reglementary period for appeal under Rule 43 of the Rules of Court, in relation to Administrative Matter No. 04-9-07-SC.¹⁰² BCDA and PPMC come to this Court arguing that the CA erred in doing so.

The Court agrees with the CA. BCDA and PPMC failed to timely question the RTC Judgment before the CA.

In *East West v. Cruz*,¹⁰³ the Court affirmed the longstanding rule that a wrong mode of appeal does not toll the period to file the correct judicial remedy:

To stress, *since the Bank availed of the wrong mode of appeal, its case was correctly dismissed by the CA. As a consequence, the RTC's November 25, 2013 Order became final and executory, given that the filing of a notice of appeal did not toll the reglementary period to file a petition for review on certiorari, the proper remedy to assail the dismissal order of the trial court.* Although unfortunate for the Bank, it should be reminded that "[r]ules of procedure are essential to the proper, efficient and orderly dispensation of justice. Such rules are to be applied in a manner that will help secure and not defeat justice."

It is important to mention as well that "the right to appeal is not a natural right or a part of due process; it is merely a statutory privilege, and may be exercised only in the manner and in accordance with the provisions of law. A party who seeks to avail of the right must, therefore, comply with the requirements of the rules, failing which the right to appeal is invariably lost." Compliance with procedural rules is mandatory, since they are designed to facilitate the adjudication of cases to remedy the worsening problem of delay in the resolution of rival claims and in the administration of justice.¹⁰⁴ (Emphasis supplied; citations omitted)

Similarly, in *Sanford Marketing v. Philippine Primark*,¹⁰⁵ the Court explained that a prohibited pleading does not toll the running of the period to appeal:

¹⁰² *Id.* at 94.

¹⁰³ 907 Phil. 562, 581–582 (2021) [Per J. Hernando, Third Division].

¹⁰⁴ *Id.*

¹⁰⁵ G.R. No. 259961, January 30, 2023 [Notice of Resolution, Third Division].



It bears emphasis that *a prohibited pleading cannot toll the running of the period to appeal since such pleading cannot be given any legal effect precisely because of its being prohibited*. Thus, being a prohibited pleading, the Motion for Reconsideration filed on October 15, 2020, did not toll the running of the period to appeal the September 22, 2020 Resolution.

Consequently, the September 22, 2020 Resolution became final and executory on October 16, 2020. Notably, Sanford's filing of the Notice of Appeal on December 10, 2020 is inconsequential, because by that time, the September 22, 2020 Resolution had already attained finality. In other words, the failure of Sanford to perfect an appeal within the 15-day period, rendered the September 22, 2020 Resolution final and unappealable.¹⁰⁶ (Emphasis supplied; citations omitted)

Here, BCDA filed a notice of appeal to question the RTC Judgment, while PPMC filed a motion for reconsideration. Both are improper under Administrative Matter No. 04-9-07-SC and the Interim Rules, respectively.

Administrative Matter No. 04-9-07-SC provides for the proper mode of appeal in cases formerly cognizable by the SEC, including those filed under the Interim Rules. Administrative Matter No. 04-9-07-SC states that all decisions and final orders falling under the Interim Rules shall be appealable to the CA *via* a petition for review under Rule 43 of the Rules of Court:

1. *All decisions and final orders in cases falling under the Interim Rules of Corporate Rehabilitation and the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 shall be appealable to the Court of Appeals through a petition for review under Rule 43 of the Rules of Court.*
2. The petition for review shall be taken within [15] days from notice of the decision or final order of the Regional Trial Court. Upon proper motion and the payment of the full amount of the legal fee prescribed in Rule 141 as amended before the expiration of the reglementary period, the Court of Appeals may grant an additional period of [15] days within which to file the petition for review. No further extension shall be granted except for the most compelling reasons and in no case to exceed [15] days. (Emphasis supplied)

Thus, BCDA should have filed a petition for review, instead of a notice of appeal, to question the RTC Judgment.

Verily, PPMC likewise erred in moving for reconsideration. Section 8 of the Interim Rules prohibits a motion for reconsideration of a judgment or order in cases involving intra-corporate disputes:

Section 8. *Prohibited Pleadings*. — The following pleadings are prohibited:

¹⁰⁶ *Id.*



- (1) Motion to dismiss;
- (2) Motion for a bill of particulars;
- (3) *Motion for new trial, or for reconsideration of judgment or order, or for re-opening of trial;*
- (4) Motion for extension of time to file pleadings, affidavits or any other paper, except those filed due to clearly compelling reasons. Such motion must be verified and under oath; and
- (5) Motion for postponement and other motions of similar intent, except those filed due to clearly compelling reasons. Such motion must be verified and under oath. (Emphasis supplied)

As such, both BCDA and PPMC availed of improper remedies to assail the RTC Judgment.

Considering that BCDA and PPMC received the RTC Judgment on January 5 and 6, 2010, respectively,¹⁰⁷ they should have filed their Petition for Review within 15 days from receipt of the same or on before January 20 and 21, 2010.¹⁰⁸ Failing to do so, the RTC Judgment naturally became final and executory, as far as BCDA and PPMC are concerned, on January 21 and 22, 2010.¹⁰⁹

It is well-settled that a judgment that has acquired finality becomes immutable and unalterable, and may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law, and whether it be made by the court that rendered it or by the Highest Court of the land. The rationale of this doctrine is to avoid delay in the administration of justice and in order to put an end to judicial controversies. Otherwise, there will be no end to litigation and this will set to naught the main role of courts of justice to assist in the enforcement of the rule of law and the maintenance of peace and order by settling justiciable controversies with finality.¹¹⁰

However, BCDA and PPMC contend that the RTC Judgment did not attain finality since it was void for being issued in violation of their right to due process specifically, their right to confront the evidence against them and their right present their own evidence. Moreover, they submit that said Judgment is void for awarding reliefs beyond the prayer of the Complaint, and

¹⁰⁷ *Rollo* (G.R. Nos. 216589–90), p. 50.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Sanford Marketing v. Philippine Primark*, G.R. No. 259961, January 30, 2023 [Notice of Resolution, Third Division] citing *Spouses Navarra v. Liongson*, 784 Phil. 942, 953 (2016) [Per J. Mendoza, Second Division], *FGU Insurance Corporation (now BP/IMS Insurance Corp.) v. RTC of Makati*, 659 Phil. 117, 122–123 (2011) [Per J. Mendoza, Second Division], *National Power Corporation v. Spouses Laohoo*, 611 Phil. 194, 208–209 (2009) [Per J. Peralta, Third Division], and *Estinozo v. Court of Appeals*, 568 Phil. 390, 400 (2008) [Per J. Nachura, Third Division].



for resolving a dispute which falls squarely within the Agreement's arbitration clause.¹¹¹

On the other hand, BHI and PPIC allege that the right to due process was afforded to all the parties. Considering BCDA and PPMC's admission of the validity of the Agreement, there was no longer any genuine issue that would require full blown trial. Further, before rendering its Judgment, the parties were able to file their memoranda to serve as basis for the summary judgment.¹¹²

The Court agrees with BHI and PPIC. BCDA and PPMC appear to conflate the expeditiousness of the RTC in issuing its Judgment with a breach of their due process rights. This overlooks the inherently summary nature of proceedings governed by the Interim Rules on intra-corporate disputes.

*The Interim Rules and the summary
nature of proceedings involving intra-
corporate controversies*

Following its publication in two newspapers of general circulation, the Interim Rules came into effect on April 1, 2001. These rules were the result of extensive proposals put forth by the Court's Committee on SEC Cases, which recognized the pressing need for specialized procedural rules in light of numerous incidents involving fraud and misrepresentation by corporate officers. The backdrop for these rules included disputes among stockholders, issues surrounding the election or appointment of directors, and the need to provide procedural rules on derivative lawsuits and cases regarding the inspection of corporate books.¹¹³

These Interim Rules endeavored to secure a just, summary, speedy, and inexpensive determination of every action involving intra-corporate disputes, recognizing their unique character and the need for speedy resolution.¹¹⁴

This construction is supported by the fact that the Interim Rules direct the court to actively ensure that parties, during pre-trial, consider "[s]uch other matters as may aid in the speedy and summary disposition of the case."¹¹⁵ Verily, the Interim Rules even recognize the possibility of imposing disciplinary sanctions on judges for failing to observe the special summary procedures prescribed in the Interim Rules.¹¹⁶

¹¹¹ *Rollo* (G.R. Nos. 216537 and 217060), pp. 48–51; 53; 54–55; 61–67.

¹¹² *Id.* at 627–628.

¹¹³ Administrative Matter No. 01-2-04-SC, Re: Proposed Interim Rules of Procedure Governing Intra-corporate Controversies under Republic Act No. 8799, Rule 1, sec. 1.

¹¹⁴ *Id.*, Rule 1, sec. 3.

¹¹⁵ *Id.*, Rule 4, sec. 2(11).

¹¹⁶ *Id.*, Rule 11, sec. 2(1).



To address possible gaps, the Court made the Rules of Court suppletorily applicable to all matters governed by the Interim Rules.¹¹⁷ Specially relevant are the rules governing summary proceedings and judgments.

Following Rule 18, Section 10 of the Rules of Court, the trial court can include in the pre-trial order that a case be submitted for summary judgment or judgment on the pleadings when there are no controverted facts, or no more genuine issue as to any material fact, or an absence of any issue, or should the answer fail to tender an issue.¹¹⁸ This is without prejudice to a party moving for a summary judgment at any time after the answer has been served.¹¹⁹

Similar provisions are found in Sections 4 and 5 of the Interim Rules on judgments before or after pre-trial:

Section 4. Judgment Before Pre-trial. — If, after submission of the pre-trial briefs, the court determines that, upon consideration of the pleadings, the affidavits and other evidence submitted by the parties, a judgment may be rendered, the court may order the parties to file simultaneously their respective memoranda within a non-extendible period of [20] days from receipt of the order. Thereafter, the court shall render judgment, either full or otherwise, not later than [90] days from the expiration of the period to file the memoranda.

Section 5. Pre-trial Order; Judgment After Pre-trial. — The proceedings in the pre-trial shall be recorded. Within [10] days after the termination of the pre-trial, the court shall issue an order which shall recite in detail the matters taken up in the conference, the actions taken thereon, the amendments allowed in the pleadings, and the agreements or admissions made by the parties as to any of the matters considered. The court shall rule on all objections to or comments on the admissibility of any documentary or other evidence, including any affidavit or any part thereof. Should the action proceed to trial, the order shall explicitly define and limit the issues to be tried and shall strictly follow the form set forth in Annex "A" of these Rules.

The contents of the order shall control the subsequent course of the action, unless modified before trial to prevent manifest injustice.

After the pre-trial, the court may render judgment, either full or partial, as the evidence presented during the pre-trial may warrant.
(Emphasis supplied)

Given the unique character of intra-corporate disputes, the Interim Rules and Rules of Court require their speedy resolution. Judgments rendered by the trial court on these cases, pursuant to these Rules, are designed to be

¹¹⁷ *Id.*, Rule 1, sec. 2.

¹¹⁸ RULES OF COURT, Rule 18, sec. 10.

¹¹⁹ RULES OF COURT, Rule 35, sec. 1.



expeditious and definitive, ensuring that disputes are resolved without unnecessary delays.

No violation of the right to due process

In *People v. Maquiling*,¹²⁰ the Court declared that a denial of due process results in a loss or lack of jurisdiction.¹²¹ Consequently, any decision made that contravenes one's right to due process, or their entitlement to fair treatment under the law, is considered void. This has been reiterated, and perhaps even expanded, in *Orlina v. Ventura*¹²² to effectively void judgments that violate basic constitutional rights:

Time and again, the Court has held that where there is an apparent denial of the fundamental right to due process, a decision that is issued in disregard of that right is void for lack of jurisdiction, in view of the cardinal precept that in cases of a violation of basic constitutional rights, courts are ousted from their jurisdiction. This violation raises a serious jurisdictional issue which cannot be glossed over or disregarded at will.¹²³

To determine whether the denial of one's right to due process would void a judgment rendered by a court or tribunal, the Court has held that the denial of one's right to due process must amount to a deprivation of the opportunity to be heard.¹²⁴

In *Office of the Ombudsman v. Conti*,¹²⁵ the Court reversed the findings of the lower tribunals holding respondent liable considering that he was not furnished a copy of the Ombudsman's order requiring him to file a counter-affidavit. This amounted to a deprivation of one's right to due process considering that respondent was deprived of the opportunity to air their defenses before the Ombudsman:

The essence of due process, therefore, as applied to administrative proceedings, is an opportunity to explain one's side, or an opportunity to seek a reconsideration of the action or ruling complained of. Thus, *a violation of that right occurs when a court or tribunal rules against a party without giving the person the opportunity to be heard.*

In this case, Conti was never given an opportunity to air his side. He was not furnished with a copy of the Ombudsman order requiring him to file a counter-affidavit. This was admitted by the Ombudsman as the records bore that the notices were sent to the PCGG when he was no longer a

¹²⁰ 368 Phil. 169 (1999) [Per J. Panganiban, Third Division].

¹²¹ *Id.*

¹²² 844 Phil. 334 (2018) [Per J. Peralta, Third Division].

¹²³ *Id.* at 346–347.

¹²⁴ *Office of the Ombudsman v. Conti*, 806 Phil. 384 (2017) [Per J. Mendoza, Second Division] citing *Uy v. CA*, 398 Phil. 1064 (2000) [Per J. Kapunan, First Division].

¹²⁵ *Id.*



Commissioner and to Conti's previous address in Araneta Avenue, Quezon City, which were returned unserved with a notation that the addressee moved and left with no forwarding address. This suffices as proof that Conti was not properly apprised of the cases against him.¹²⁶ (Emphasis supplied; citations omitted)

The Court ruled in a similar manner in *Orlina*, affirming the CA in declaring the trial court's order of general default void for violating the right to due process considering that a party to said case was not properly notified of the proceedings:

*[W]hile Orlina persistently argues that notices were sent to Ventura, the validity and due execution of the same remain doubtful. The Court is curious as to why, in attempting to prove proper notification, Orlina makes reference to different addresses. To illustrate, in his petition before the Court alone, he refers to [three] different addresses where notices were allegedly sent. In page 13 thereof, he categorically states that "it cannot be denied and, in fact, admitted by the petitioner-appellee (Ventura) that its address is in No. 201 Quirino Highway, Baesa, Quezon City."17 But in page 18, Orlina provides that "it is very clear in the Tax Declaration of Real Property that the address of the [sic] Cynthia Ventura is 201 Baesa, Caloocan City."18 In page 19, moreover, he again makes mention of yet another address in saying that "the certificate of posting of the court interpreter dated October 4, 2011 shows that the Order of the Honorable Court dated September 28, 2011 was posted at No. 201 Baesa, Balintawak, Quezon City." Furthermore, as Ventura points out, Orlina sent out notices and other court documents to different addresses. For one, he sent his Demand to Vacate to 201 Quirino Highway, Baesa, Quezon City, which is actually the true address of Ventura and her heirs. But on other occasions, however, Orlina's *Ex-Parte* Motion for the Issuance of a Writ of Possession, as well as his Petition for the Approval of Bill of Sale, were both addressed to 201 EDSA, Baesa, Caloocan City.*

*To the Court, these circumstances belie Orlina's claims of good faith. But even if We assume that he sent notices to the different addresses by mere honest mistake and in good faith, believing said addresses to be true, the fact remains that Ventura was, indeed, not properly notified of the instant proceedings. Verily, this fact alone is a denial of her right to due process which the Court deems necessary to correct. Time and again, the Court has held that where there is an apparent denial of the fundamental right to due process, a decision that is issued in disregard of that right is void for lack of jurisdiction, in view of the cardinal precept that in cases of a violation of basic constitutional rights, courts are ousted from their jurisdiction. This violation raises a serious jurisdictional issue which cannot be glossed over or disregarded at will. Thus, it is well settled that a judgment or decision rendered without due process is void *ab initio* and may be attacked at any time directly or collaterally by means of a separate action, or by resisting such decision in any action or proceeding where it is invoked for such judgment or decision is regarded as a "lawless thing which can be*

¹²⁶ *Office of the Ombudsman v. Conti*, 806 Phil. 384, 395 (2017) [Per J. Mendoza, Second Division].



treated as an outlaw and slain at sight, or ignored wherever it exhibits its head."¹²⁷ (Emphasis supplied; citations omitted)

Verily, in *Diona v. Balangue*,¹²⁸ the Court affirmed the annulment of the trial court's decision for granting relief that was not prayed for in the pleadings and is not supported by the evidence on record:

It is settled that courts cannot grant a relief not prayed for in the pleadings or in excess of what is being sought by the party. They cannot also grant a relief without first ascertaining the evidence presented in support thereof. Due process considerations require that judgments must conform to and be supported by the pleadings and evidence presented in court.

[...]

In the case at bench, the award of 5% monthly interest rate is not supported both by the allegations in the pleadings and the evidence on record. The Real Estate Mortgage executed by the parties does not include any provision on interest. When petitioner filed her Complaint before the RTC, she alleged that respondents borrowed from her "the sum of [PHP 45,000.00], with interest thereon at the rate of 12% per annum" and sought payment thereof. She did not allege or pray for the disputed 5% monthly interest. Neither did she present evidence nor testified thereon. Clearly, the RTC's award of 5% monthly interest or 60% per annum lacks basis and disregards due process. It violated the due process requirement because respondents were not informed of the possibility that the RTC may award 5% monthly interest. They were deprived of reasonable opportunity to refute and present controverting evidence as they were made to believe that the complainant [petitioner] was seeking for what she merely stated in her Complaint.

*Neither can the grant of the 5% monthly interest be considered subsumed by petitioner's general prayer for "[o]ther reliefs and remedies just and equitable under the premises" To repeat, the court's grant of relief is limited only to what has been prayed for in the Complaint or related thereto, supported by evidence, and covered by the party's cause of action.*¹²⁹ (Emphasis supplied; citations omitted)

It is clear that overarching due process considerations embolden the Court to safeguard parties against arbitrarily issued judgments.

The principle underlying the avoidance of a judgment rendered in violation of one's right to due process is fundamentally rooted in the integrity of the judicial system. When a court issues a ruling without adhering to due process, it effectively acts beyond its jurisdiction. This is akin to trying a

¹²⁷ 844 Phil. 334, 345–347 (2018) [Per J. Peralta, Third Division].

¹²⁸ 701 Phil. 19 (2013) [Per J. Del Castillo, Second Division].

¹²⁹ *Id.* at 31–33.



matter despite lack of jurisdiction or by exercising jurisdiction in a manner that constitutes grave abuse of discretion.¹³⁰

To determine if a judgment is void for violating due process, however, the threshold set by the Court is a party's deprivation of the opportunity to be heard.¹³¹ This is rooted in the notion that everyone deserves a fair chance to present their case in legal proceedings. Thus, so long as parties have a right to participate and take part in proceedings, the subsequent judgment rendered cannot be voided for merely finding no merit in the claims set forth by the parties. After all, the principle of due process only ensures fair procedure, not a favorable outcome.

In *Diona*, the Court determined that the judgment therein was void for granting a relief not prayed for in the pleadings and is not supported by the evidence on record. This amounts to a deprivation of one's right to due process since the trial court arbitrarily rendered judgment in complete disregard of the prayer in the complaint and the evidence presented.

In contrast, the RTC did not deprive BCDA and PPMC of their due process rights.

For one, the RTC required the submission of memoranda before proceeding to render its Judgment. This is in consonance with Rule 4 of the Interim Rules governing judgments before or after pre-trial, as well as the relevant provisions of the Rules of Court.¹³²

In turn, all of the parties were able to submit their memoranda and present their arguments on various issues including but not limited to the propriety of the action filed by BHI and PPIC, the validity of the Agreement, and the merit of the reliefs sought.

It is crucial to highlight that all parties have acknowledged the validity of the Agreement, thereby eliminating any substantial disputes regarding its enforceability. With the exception of PPMC, every party has recognized the binding nature of the Agreement. Notably, PPMC, as a subsidiary of BCDA,

¹³⁰ *Imperial v. Hon. Arme*, 804 Phil. 439 (2017) [Per J. Jardeleza, Third Division].

¹³¹ *Office of the Ombudsman v. Conti*, 806 Phil. 384 (2017) [Per J. Mendoza, Second Division] citing *Uy v. CA*, 398 Phil. 1064 (2000) [Per J. Kapunan, First Division].

¹³² Administrative Matter No. 01-2-04-SC, Re: Proposed Interim Rules of Procedure Governing Intra-corporate Controversies under Republic Act No. 8799, Rule 4, sec. 4 states:

Section 4. *Judgment Before Pre-trial*. — If, after submission of the pre-trial briefs, the court determines that, upon consideration of the pleadings, the affidavits and other evidence submitted by the parties, a judgment may be rendered, the court may order the parties to file simultaneously their respective memoranda within a non-extendible period of [20] days from receipt of the order. Thereafter, the court shall render judgment, either full or otherwise, not later than [90] days from the expiration of the period to file the memoranda.



does not possess final authority on this matter; its stance is merely advisory. This is in accordance with Section 3.1.1 of Executive Order No. 62, Series of 1993, which outlines the governance framework for subsidiaries under the BCDA's oversight:¹³³

SECTION 3. Subsidiaries and attached Authorities.

[...]

3.1 The subsidiaries and attached authorities shall be governed by their respective policy making Board of Directors which shall perform the following, subject to existing laws and regulations:

3.1.1 Approve corporate plans and programs consistent with the policy directions of BCDA;¹³⁴

This is bolstered by the fact that PPMC submitted the PPMC Resolution for approval before the BCDA. In turn, the latter issued a Resolution rejecting the PPMC Resolution and affirming the validity of the Agreement.¹³⁵

Aside from this, the Court echoes the findings of the RTC which determined that PPMC cannot unilaterally rescind or avoid the Agreement, especially since it has reaped benefits from the same:

As provided by law, the power to rescind obligations is implied in reciprocal ones in case one of the obligors should not comply with what is incumbent upon [them]; however, it is settled that, in the absence of stipulation to the contrary, this power must be invoked judicially; it cannot be exercised solely on a party's own judgment that the other has committed a breach of the obligation. Where there is nothing in the contract empowering (a party) to rescind it without resort to the courts, (such party's) action in unilaterally terminating the contract is unjustified.

In the instant case, a reading of the Pre-Incorporation Agreement shows nothing that empowers any of the parties to rescind it without resort to the courts; so that PPMC cannot unilaterally terminate the said agreement without a court action. Neither PPMC nor BCDA can revoke the Pre-Incorporation Agreement being a valid and perfected contract. The validity of a contract cannot be left to the will of one of the contracting parties more so in this case after years had lapsed from the execution of the subject agreement. BHI and PPIC have performed their undertakings and BCDA and PPVC benefited under the contract.

[...]

Suffice to say, defendants should not be allowed to assume inconsistent positions: defendants BCDA and PPMC admit to having enjoyed the benefits of the Pre-Incorporation Agreement by accepting the guaranteed minimum annual revenue paid by PPIC for the past several

¹³³ Rollo (G.R. Nos. 216537 and 217060), p. 140.

¹³⁴ Executive Order No. 62 series of 1993, secs. 3.1 and 3.1.1.

¹³⁵ Rollo (G.R. No. 188077), pp. 19–20; 70–71.



*years. Defendant's acceptance of PPIC's guaranteed annual revenue payments constitute ratification of the Pre-Incorporation Agreement, and consequently, they are estopped from assailing or repudiating said agreement.*¹³⁶ (Emphasis supplied)

Given the admission of the parties on the validity of the Agreement, the main prayer found in the Complaint, and the primary cause for the filing of the action for declaratory relief, no longer required judicial determination. In essence, the parties disposed of the crux of the Complaint thereby empowering the RTC to then proceed to determine the rights and obligations of each party in the Agreement.

The Court is aware of the allegations hurled by both parties on the supposed violations of the Agreement committed by either of them. This, in the mind of BCDA and PPMC, make the Complaint, being one for declaratory relief, improper.

However, it must be emphasized that this issue has already been litigated by the parties and has been threshed out to its conclusion. To recall, BCDA moved for the dismissal of the Complaint due to the alleged impropriety of the action for declaratory relief, but this was denied by the RTC through an Order, dated May 12, 2008, which was upheld by the CA through a Decision, dated January 30, 2009. BCDA initially elevated the case before the Court, but the Petition was later on withdrawn and considered closed and terminated.¹³⁷ Thus, the RTC Order and the CA Decision on the propriety of the action for declaratory relief has already attained finality and may no longer be assailed collaterally.

Considering that the issue on the propriety of the action for declaratory relief has been finally determined between the parties through their exhaustion of judicial processes, the Court no longer needs to disturb the previous disposition of the lower tribunals on this matter.

More importantly, considering that the propriety of the action for declaratory relief has been determined with finality, the Court affirms the RTC Judgment insofar as it granted affirmative reliefs and consequently determined the rights and obligations of the parties to the Agreement.

In *Adlawan v. IAC*,¹³⁸ the Court explained that affirmative reliefs can be granted in an action for declaratory relief when the defendants do not raise

¹³⁶ *Id.* at 304–306.

¹³⁷ *Id.*

¹³⁸ 252 Phil. 165 (1989) [Per J. Regalado, Second Division].



an issue in the trial court to challenge the remedy or form of the action availed of as may be warranted by the evidence:

This action was initiated on a petition for declaratory relief, ostensibly for a declaration of the rights and obligations of the parties under the laws and ordinances involved therein or invoked by them. Consequently, in such special civil action the judgment does not essentially entail an executory process since generally, other than a declaration of such rights and duties, other affirmative reliefs, as these are understood in ordinary civil actions, are not sought by the proponent.

However, *the Court has held that although the action is for a declaratory judgment but the allegations in the complaints are sufficient to make out a case for specific performance or recovery of property with claims for damages, and the defendants did not raise an issue in the trial court to challenge the remedy or form of the action availed of, the court can grant such affirmative relief as may be warranted by the evidence.* This decisional rule applies to the case at bar.¹³⁹ (Emphasis supplied)

The Court's ruling in *Adlawan* is consistent with the principle of estoppel and the courts' power to grant reliefs which are well-within its jurisdiction.

Although BCDA and PPMC challenged the remedy and relief sought in the Complaint, both the RTC and the CA determined that these were appropriate. By withdrawing their Petition from the Court, BCDA and PPMC effectively abandoned their position, allowing the RTC and CA's decision to stand as final. Consequently, the RTC was empowered to rule on the reliefs stated in the Complaint, even if some of the prayers made out a case for specific performance.

To further their case, BCDA and PPMC contend that the RTC Judgment is void for granting reliefs beyond the prayer of the Complaint.¹⁴⁰ The Court, however, finds this argument specious.

To contextualize, the Complaint filed by BHI, PPIC, and the individual stockholders sought to enjoin the implementation of the PPMC Resolution, declare the Agreement valid, order BCDA and PPMC to comply with their obligations under said Agreement—specifically regarding the turnover of the entire project area—and require BCDA and PPMC to pay the costs of the suit, along with other just and equitable reliefs:

WHEREFORE, plaintiffs respectfully pray that:

1. Upon filing of this Complaint, a temporary restraining order be immediately issued to temporarily restrain the defendants, their deputies,

¹³⁹ *Id.*

¹⁴⁰ *Rollo* (G.R. Nos. 216537 and 217060), pp. 48–51; 53; 54–55; 61–67.

representatives and agents, from implementing PPMC's Resolution No. 2006-01-10 unilaterally declaring the Pre-Incorporation Agreement as "null and void ab initio" and from taking over the project area presently under the control and possession of PPIC;

2. After due notice and hearing, making the temporary restraining order into a Writ of Preliminary Injunction;

3. Ultimately, declaring the Pre-Incorporation Agreement to be legal/valid and binding between the parties;

4. Ordering defendants to faithfully comply with its undertakings under the Pre-Incorporation Agreement and to turn over to plaintiffs the entire project area consisting of [30] hectares of seaport area and [30] hectares of industrial area as stated in paragraph 2.02 of the said agreement;

5. Ordering defendants to pay the cost of suit.

Other measures of relief just and equitable under the premises are likewise prayed for.¹⁴¹

After the submission of the parties' respective memoranda, the RTC rendered judgment as follows:

WHEREFORE, judgment is hereby rendered as follows:

1. Declaring the Pre-Incorporation Agreement among the parties valid and effective;

2. Declaring plaintiff PPIC's right under the Pre-Incorporation Agreement to utilize, develop, operate, manage and administer the 15.3 hectare area of the Poro Point Seaport which it currently occupies. Conversely, the defendants shall be relieved from complying with the stipulated undertakings to deliver the remainder of about 64.7 of the seaport and industrial areas of PPSEFZ to the plaintiffs.

3. Declaring the amount of [PHP] 9,562,500.00 as the guaranteed minimum annual revenue corresponding to the 15.3 hectare seaport area actually delivered to PPIC to retroact to November 1999 subject to the escalation clause as stated in the Pre-Incorporation Agreement; the overpayments previously made by BHI/PPIC shall be applied to the succeeding revenues beginning 2006 until the same has been fully consumed; and

4. Declaring PPIC's right to the renewal of its registration as a PPSEFZ enterprise.

No pronouncement as to costs.

SO ORDERED.¹⁴²

¹⁴¹ *Rollo* (G.R. No. 188077), pp. 75–76.

¹⁴² *Id.* at 314.



Evidently, the main relief sought is a declaration that the Agreement is valid. The RTC granted this based on the admissions made by the parties involved. The remaining reliefs are incidental to the main relief, flowing from the court's exercise of its jurisdiction as recognized in *Adlawan*.

On this point, BCDA and PPMC allege that the RTC Judgment "remade" the terms of the Agreement.¹⁴³ Contrary to their assertions, however, the RTC merely applied existing jurisprudence on partial rescission based on equitable considerations, in view of the impossibility of performance of the Agreement. The RTC discussed as follows:

It is evident from the aforecited admissions that both BCDA and PPIC are no longer in a position to fully comply with their stipulated undertaking provided for by the subject Pre-incorporation Agreement. This incapability entitles the plaintiffs to rescind said agreement to the extent applicable under the prevailing circumstances; in view thereof equitable considerations (would) justify rescission of the portion of the obligation which had not been delivered. (Spouses Lino Francisco and Guia Francisco vs. DEAC Construction, inc., G.R. No. 171312, [February 4, 2008]). Likewise cited in (sic) Francisco case is [*Tan Guat v. Pamintuan*], C.A. 37 O.G. 2494, the Court of Appeals, through then Associate Justice Sabino Padilla ordered partial rescission insofar as the undelivered portion of the contract was concerned, and specific performance of the portion of the obligation which had been delivered. A similar ruling was made by the Supreme Court in [*Central Bank of the Philippines v. Court of Appeals*] (G.R. No. L-45710 October 3, 1985).¹⁴⁴

As cited in the RTC Judgment, the Court, in *Spouses Francisco v. DEAC Construction*,¹⁴⁵ recognized the power of the trial court to order partial rescission in cases involving partial performance:

Finally, given the fact that the construction in this case is already 75% complete, the trial court was correct in ordering partial rescission only of the undelivered or unfinished portion of the construction. Equitable considerations justify rescission of the portion of the obligation which had not been delivered.¹⁴⁶

Similarly, the RTC, in this case, ordered the partial rescission of the Agreement considering the partial performance of the obligations by the parties. Partial rescission was determined to be proper considering *Spouses Francisco* and the fact that BCDA itself conceded to the impossibility of faithfully performing the terms of the Agreement:

¹⁴³ *Rollo* (G.R. Nos. 216537 and 217060), pp. 48–51; 53; 54–55; 61–67.

¹⁴⁴ *Rollo* (G.R. No. 188077), pp. 310–311.

¹⁴⁵ 567 Phil. 610 (2008) [Per J. Tinga, Second Division].

¹⁴⁶ *Id.* at 611.



After conducting a relocation and subdivision survey (Annex "K" of plaintiff's Memorandum dated [November 6, 2009]), defendant BCDA admitted that at present, or more than [10] years after the stipulated turn-over date, it was only able to deliver 15.3 hectares of the Poro Point Seaport out of the entire 80-hectare project area to plaintiffs. This 15.3-hectare area constitutes a mere 19.125% of the agreed total project area of 80 hectares. PPMC admitted that it could not deliver the entire [30] hectares of the Poro Point seaport area to BHI/PPIC since there are approximately 10.97 hectares of private property within the seaport area. It is thus uncontroverted and undisputed that the 50-hectare industrial area has not yet been turned-over to PPIC despite the lapse of more than [10] years.

Notably, the failure of BODA and PPMC to comply with their undertaking to deliver the entire stipulated area under the subject Pre-incorporation Agreement has resulted into a legal and physical impossibility for PPIC and BHI to effect the intended master development plan for PPSEFZ from which it was based.

[...]

Considering the period of time that had lapsed and in view of the privately titled properties inside the project area, it is evident that defendants (BCDA and PPMC) are no longer capable of fulfilling their primary obligation to deliver the remaining 64.7 hectares which is 80.875% of the total project area under the Pre-Incorporation (sic), as previously agreed upon. This constitutes a substantial and fundamental breach (less than 20% of the project area was delivered because the incomplete fulfillment of this primary obligation on the part of defendants, not to mention the considerable length of time (i.e. more than 10 years that had passed), defeats the object of the parties in entering into subject Pre-Incorporation Agreement.

Since plaintiffs have admittedly occupied and utilized the 15.3 hectare seaport area since November 1, 1999, the situation warrants a partial rescission of the agreement. Rescission of the contract will pertain only to the undelivered 64.7 hectare portion of the project area in view of the failure of defendants to comply with what was incumbent upon them under the Pre-Incorporation Agreement and the consequent prejudice caused to PPIC by reason thereof.

The Pre-Incorporation Agreement provides that, as consideration for the 80-hectare Project Area, "BHI shall guarantee for the duration of the agreement minimum annual revenue to BCDA/IPDC of [PHP 50 million]." With the reduction of area subject of the agreement of the parties, a corresponding reduction of the guaranteed minimum annual revenue is further warranted. In this regard, evidence on hand establish that guaranteed revenue payments totaling [PHP 327,658,329.96] (Annexes "1" to "1-20" of plaintiffs' Memorandum) have been already made by PPIC beginning [October 27, 1999] until [July 31, 2006] in favor of BCDA for the entire project area 80 hectares of the seaport and industrial area despite occupancy of a mere 15.3 hectares. The aforesaid regular payments are admitted by BCDA and PPMC; this regular payment however was only interrupted due to the filing of a Motion to Deposit Lease Rentals by the plaintiffs.

As expressly provided in the Pre-incorporation Agreement, the amount of [PHP 50 million] represents the guaranteed annual revenue for the entire project covering 80 hectares of the seaport and industrial area.



Equitable considerations and fair play was also advanced by BCDA when it argued that PPIC should pay the guaranteed annual revenue corresponding to the period PPIC actually operates and uses the seaport facilities and properties inside PPSEFZ (Page 12 of BCDA's Petition for Review dated [July 14, 2009], G.R. No. 188077).

Similar to the position of BCDA, the operative word material in resolving the subject controversy is the "actual area delivered" to PPIC. *A simple mathematical computation shows that the original 80 hectares project area would have a corresponding guaranteed minimum annual revenue of [PHP 625,000.00] per hectare. Considering that the area actually turned over and delivered by defendants to plaintiffs is only 15.3 hectares, the guaranteed minimum annual revenue should be proportionately reduced to [PHP 9,562,500.00], an amount arrived at after multiplying [PHP 625,000.00] by 15.3 or vice versa. A proportionate and equitable reduction of the guaranteed minimum annual revenue retroactive to November 1, 1999, will be justified, applying the Civil Code principle that "no person shall be enriched at the expense of another."*

[...]

With the prevailing circumstances, BCDA and PPMC shall be relieved from complying with the stipulated undertakings to deliver the remainder of about 64.7 of the seaport and industrial areas of PPSEFZ to the plaintiffs. With the reduced project area, BHI and PPIC are hereby ordered to modify their master development plan and infuse the amount of [PHP 160,650,000.00] within the term of the Pre incorporation Agreement, which is equivalent to 19.125% of the stipulated [PHP 840 million] capital requirement consistent with the area actually delivered.¹⁴⁷ (Emphasis supplied)

All of the factual issues raised by BCDA and PPMC, which supposedly merit full-blown trial—namely, the basis for the RTC's determination of how many hectares of the project area have been delivered, among others—present questions of fact that are not within the purview of a petition for review on *certiorari* filed under Rule 45 of the Rules of Court. BCDA and PPMC failed to invoke any of the exceptions to this rule. Likewise, they have not substantiated why the Court should entertain factual questions at this stage of the proceedings.

*The language of the arbitration clause
in the Agreement does not foreclose
judicial remedies*

As regards the arbitration clause, the Court agrees with BHI and PPIC insofar as they argue that the language of the same is permissive and not exclusive.¹⁴⁸

¹⁴⁷ Rollo (G.R. No. 188077), pp. 308–313.

¹⁴⁸ Rollo (G.R. Nos. 216537 & 217060), p. 186.

To reiterate, Section 4.03 of the Agreement provides:

In the event of failure of the Parties to arrive at an amicable settlement at the end of such term, *either Party shall have the right to have the dispute settled by binding arbitration*, which shall be conducted by a simple Arbitrator according to the law on arbitration.¹⁴⁹ (Emphasis supplied)

The word "shall" emphasizes the party's right to have disputes settled through arbitration. It does not mandate that all disputes regarding the enforcement or implementation of the Agreement must be submitted to arbitration to the exclusion of all other recourses including judicial remedies.

Like all rights, the right of each party to submit disputes through binding arbitration may be exercised, and even waived depending on the express or implied actions of each party.

Thus, BHI, PPIC, and the individual stockholders can resort to judicial action to enforce the terms of the Agreement.

The Court, however, takes exception to BHI and PPIC's argument that resort to arbitration is not proper considering PPMC's repudiation of the Agreement.¹⁵⁰ BHI and PPIC relied on the old doctrine found in *Gonzales v. Climax Mining Ltd.* decided in 2005.¹⁵¹

The current state of jurisprudence recognizes the applicability and enforceability of an arbitration clause despite the repudiation of one party of the contract's validity. In *Cargill v. San Fernando Regala Trading*,¹⁵² citing *Gonzales v. Climax Mining Ltd.* (2007),¹⁵³ the Court explained as follows:

The adjudication of the petition in G.R. No. 167994 effectively modifies part of the Decision dated [February 28, 2005] in G.R. No. 161957. Hence, *we now hold that the validity of the contract containing the agreement to submit to arbitration does not affect the applicability of the arbitration clause itself. A contrary ruling would suggest that a party's mere repudiation of the main contract is sufficient to avoid arbitration. That is exactly the situation that the separability doctrine, as well as jurisprudence applying it, seeks to avoid.* We add that when it was declared in G.R. No. 161957 that the case should not be brought for arbitration, it should be clarified that the case referred to is the case actually filed by Gonzales before the DENR Panel of Arbitrators, which was for the nullification of the main contract on the ground of fraud, as it had already been determined that

¹⁴⁹ *Rollo* (G.R. No. 188077), p. 381.

¹⁵⁰ *Rollo* (G.R. Nos. 216537 & 217060), p. 186.

¹⁵¹ 492 Phil. 682 (2005) [Per J. Tinga, Second Division].

¹⁵² 656 Phil. 29 (2011) [Per J. Peralta, Second Division].

¹⁵³ 541 Phil. 143 (2007) [Per J. Tinga, Special Second Division].

the case should have been brought before the regular courts involving as it did judicial issues.¹⁵⁴ (Emphasis supplied)

Hence, even if PPMC assails the validity of the Agreement, BHI and PPIC may still opt to resort to arbitration to enforce the terms of the Agreement.

Nonetheless, BHI and PPIC did not err when they filed the Complaint before the RTC considering the permissive language of the Agreement's arbitration clause.

G.R. Nos. 188034 and 188077

Considering the validity of the RTC Judgment, all questions regarding the propriety of the Motion to Deposit are rendered moot. The deposited amounts are due to BCDA and PPMC subject to the reduction of the guaranteed minimum annual revenues pursuant to the RTC Judgment.

However, for the guidance of the bench, bar, and the public, the Court deems it proper to nonetheless dispose of the issues raised in these Petitions.

BHI has legal personality to file a petition for certiorari before the CA

BCDA and PPMC question BHI's legal personality to challenge the Assailed Orders through a petition for *certiorari* before the CA, considering that BHI merely guarantees the payment of the guaranteed minimum annual revenues. If there is anyone who can question the Assailed Orders, BCDA and PPMC argue that it must be PPIC, not BHI.¹⁵⁵

BCDA and PPMC's claim is unmeritorious.

Rule 65, Section 1 of the Rules of Court states that an "aggrieved person" may file a verified petition for *certiorari* when a tribunal, board or officer exercising judicial or quasi-judicial functions acts without or in excess of its jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction, and there is no appeal, or any plain, speedy, and adequate remedy in the ordinary course of law.¹⁵⁶

¹⁵⁴ *Id.* at 168–169.

¹⁵⁵ *Rollo* (G.R. No. 188077), pp. 30–31.

¹⁵⁶ RULES OF COURT, Rule 65, sec. 1.

In this context, an “aggrieved person” refers to a party who feels they have been treated wrongly in a judicial or quasi-judicial proceeding, with their legal rights damaged.¹⁵⁷ As such, any party who feels injured by the outcome of the proceeding may file a petition for certiorari under Rule 65, provided that the other requisites for filing are met.

As conceded by BCDA and PPMC, PPIC and BHI filed the Motion to Deposit which was denied by the RTC through the Assailed Orders. These Assailed Orders would be set aside by the CA upon a Petition for *Certiorari* filed by BHI. As a party whose interests have been injured by the Assailed Orders, BHI can undoubtedly assail said Orders through a petition for *certiorari* under Rule 65. In an attempt to question the character of BHI’s interest, BCDA and PPMC argue that BHI’s liability under the Agreement is merely subsidiary to that of PPIC. This assertion, however, is unfounded.

Although BHI merely guarantees the minimum annual revenue to BCDA and PPMC, this does not mean that its interest in the case is any less than PPIC. After all, BHI is a party to the Agreement, has several rights and obligations under the same, and has an interest in the Agreement’s enforcement and implementation. If PPIC defaults or incurs a net loss after taxes, BHI is liable for the guaranteed minimum annual revenue to BCDA and PPMC.¹⁵⁸ Aside from being a party to the Agreement, BHI is likewise a majority stockholder of PPIC.¹⁵⁹

Issues regarding one’s legal personality boil down to whether the party has rights or duties under the law. BHI’s status as a party to the case, a party to the Agreement, and a majority stockholder clothes it with sufficient personality and interest in the propriety of the Motion to Deposit.

*Consignation vis-a-vis judicial
deposit, sequestration, or escrow
order*

The parties provide contending characterizations on the nature and purpose of the Motion to Deposit filed by BHI and PPIC. BCDA and PPMC posit that the CA was incorrect in setting aside the Assailed Orders of the RTC, given that the requisites of consignation were not present,¹⁶⁰ while BHI submit that those requisites need not be met, given that the purpose of the Motion to Deposit is not the same as consignation.¹⁶¹

¹⁵⁷ See BLACK’S LAW DICTIONARY, “party aggrieved” available at <https://thelawdictionary.org/party-aggrieved/> (last accessed on October 15, 2024).

¹⁵⁸ *Rollo* (G.R. No. 188034), p. 69. See Section 2.01 of the Pre-Incorporation Agreement.

¹⁵⁹ *Rollo* (G.R. Nos. 216537 and 217060), p. 84; *rollo* (G.R. No. 188034), p. 68. See Section 1.03 of the Pre-Incorporation Agreement.

¹⁶⁰ *Rollo* (G.R. No. 188077), pp. 27–28.

¹⁶¹ *Id.* at 588–590.



The Court agrees with BHI.

Consignation is the act of depositing the thing due with the court or judicial authorities whenever the creditor cannot accept or refuses to accept payment and generally requires a prior tender of payment.¹⁶² The purpose of consignation is to release the debtor or obligor from their obligation. Articles 1256 to 1261 and 1989 of the Civil Code govern the requisites of a valid consignation.

On the other hand, a judicial deposit or sequestration takes place when the court orders for the attachment, seizure, or safekeeping of a property in litigation to maintain *status quo* during the pendency of litigation, or to insure the rights of the parties to the property in case of favorable judgment.¹⁶³ Articles 2005 to 2009 of the Civil Code and the Rules of Court provide the foundation for a court's authority to order judicial deposit or sequestration.

Here, the purpose of the Motion to Deposit was to deposit the guaranteed annual revenues with the RTC or to an institution chosen by the RTC as depositary of said revenues pending the final resolution of Civil Case No. 7188. As repeatedly stated by BHI, the deposit of the guaranteed annual revenues did not amount to consignation since BHI would still be bound by its obligations in the Agreement.¹⁶⁴ Hence, BHI cannot be expected to fulfill the requirements for a valid consignation, considering that the Motion to Deposit aims to sequester rather than consign the guaranteed annual revenues.

Applicability of Bataan

Notably, the escrow order contemplated in *Bataan* is conceptually similar to a judicial deposit. Like an order of judicial deposit, an escrow order contemplates a directive by a court to deposit property with a depositary who has the obligation to keep the same until the happening of an event that would trigger delivery of the property to the grantee.¹⁶⁵ As ruled in *Bataan*, the authority of courts to issue orders like these emanate from its exercise of jurisdiction over the main case.¹⁶⁶

Notably, the Court recently cited *Bataan* in *Guerrero Estate Development Co. v. Leviste & Guerrero Realty Co.*¹⁶⁷ to affirm the trial court's deposit order directing the escrow of rental income during the pendency of a suit.

¹⁶² *Dalton v. Peralta*, 655 Phil. 93 (2011) [Per J. Carpio, Second Division].

¹⁶³ HECTOR S. DE LEON & HECTOR M. DE LEON JR., COMMENTS AND CASES ON CREDIT TRANSACTIONS 153 – 155 (2021).

¹⁶⁴ *Rollo* (G.R. No. 188077), pp. 588–589.

¹⁶⁵ *Bataan v. Villafuerte Jr.*, 419 Phil. 907 (2001) [Per J. Buena, Second Division].

¹⁶⁶ *Id.*

¹⁶⁷ G.R. No. 253428, February 16, 2022 [Per J. Inting, Second Division].



Perceived prejudice

BCDA and PPMC contend that they would be prejudiced by the deposit of the guaranteed minimum annual revenues considering that they would not reap the benefits of PPIC's use of government facilities.¹⁶⁸

Aside from being moot, the supposed prejudice in this case is more imagined than real.

The fact that BCDA or PPMC did not receive revenues due to the Assailed Orders is but a natural consequence of litigation concerning the rights and obligations of the parties to the Agreement. However, if the RTC deemed it proper to deposit the revenues with a third-party financial institution, such as a bank, the deposited amount may even earn interest until it is given to BCDA and PPMC.

By being in *custodia legis*, the guaranteed minimum annual revenues were effectively in the trial court's safekeeping pending proceedings. The trial court, or its designated depository, acted as the protector of the interests of all parties by ensuring that the subject of controversy is not wasted until the party to whom they are entitled is determined.

A final note

All told, the Court finds no reason to disturb the findings of the CA. Aside from finding no merit in the consolidated Petitions, the Court is cognizant of the fact that the parties have been embroiled in protracted litigation, with this case being ongoing for almost two decades now.

In *Camp John Hay Development Co. v. Charter Chemical and Coating Corporation*,¹⁶⁹ the Court cited practical considerations to uphold the validity of the proceedings conducted by the lower tribunals:

It is worth noting that this dispute has been ongoing for over a decade now. Despite numerous meetings and negotiations prior to respondent's filing of a Complaint before the arbitral tribunal, no amicable settlement had been reached. Disregarding the proceedings that took place before the lower tribunals and requiring the parties to submit the dispute before the trial court would be merely dilatory at this point. It would only entail additional expenses and unnecessary delays for both parties.¹⁷⁰

¹⁶⁸ *Rollo* (G.R. No. 188034), pp. 46–48.

¹⁶⁹ 585 Phil. 970 (2019) [Per. J. Leonen, Third Division].

¹⁷⁰ *Id.* at 992.



The Court finds the same circumstances present here. Voiding the RTC Judgment would merely entail costs and result in unnecessary delays. Worse, doing so would be an abandonment of the Court's role to finally settle disputes and determine the rights, obligations, and entitlements of the parties under the Agreement. With the expiration of the renewal period found in the Agreement, the Court finds no compelling reason to expose the parties to needless litigation. Affirming the RTC Judgment would best serve the interests of justice, ensuring that all parties can move forward without further hindrance.

ACCORDINGLY, the Court **DENIES** the consolidated Petitions for lack of merit:

1. For G.R. Nos. 188034 and 188077, the Court **AFFIRMS** the Court of Appeals' Decision, dated November 13, 2008, and Resolution, dated May 20, 2009, in CA-G.R. SP No. 100816. The Orders, dated April 23, 2007 and September 7, 2007, of the RTC denying the Motion to Deposit of Lease Rentals, dated October 26, 2006, are **SET ASIDE**.
2. For G.R. Nos. 216537 and 217060, and 216589 to 216590, the Court **AFFIRMS** the Court of Appeals' Decision, dated July 11, 2014 and Resolution, dated January 21, 2015, in CA-G.R. SP Nos. 119381 and 119482, which affirmed the Judgment, dated December 17, 2009, rendered by Branch 29, Regional Trial Court, San Fernando City, La Union in Civil Case No. 7188.

SO ORDERED.



MARIA FILOMENA D. SINGH
Associate Justice

WE CONCUR:


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

On official business


HENRI JEAN PAUL B. INTING
Associate Justice


SAMUEL H. GAERLAN
Associate Justice


JAPAR B. DIMAAMPAO
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice



