



Republic of the Philippines
 Supreme Court
 Manila

THIRD DIVISION

JAV CORPORATION,

Petitioner,

G.R. No. 210284

Present:

LEONEN, J., *Chairperson,*
 HERNANDO,
 INTING,
 ROSARIO*, and
 LOPEZ, J., *JJ.*

- versus -

Promulgated:

PAULA FOODS CORPORATION,

Respondent.

July 7, 2021

MICROBETH

X ----- X

DECISION

INTING, J.:

Before the Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court filed by JAV Corporation (JAV) seeking to set aside the Decision² dated January 31, 2013 and the Resolution³ dated November 21, 2013 of the Court of Appeals (CA) in CA-G.R. SP No. 102675. The CA Decision granted the Petition for Annulment of Judgment⁴ of Paula Foods Corporation (PFC) and declared void the Decision⁵ dated April 23, 2001 of Branch 255, Regional Trial Court (RTC), Las Piñas City in Civil Case No. 95-039. The Resolution, on the other hand, denied JAV's Motion for Reconsideration⁶ dated February

* Designated additional member per Special Order No. 2833 dated June 29, 2021.

¹ *Rollo*, pp. 7-38.

² *Id.* at 39-68; penned by Associate Justice Elihu A. Ybañez with Associates Justice Celia C. Librea-Leagogo and Ramon M. Dato, Jr., concurring.

³ *Id.* at 69-70.

⁴ CA *rollo*, Vol. I, pp. 2-72.

⁵ *Id.* at 74-84; penned by Judge Florentino M. Alumbres of Branch 255, Regional Trial Court (RTC), Las Piñas City.

⁶ CA *rollo*, Vol. III, pp. 1316-1320.

21, 2013.

The Antecedents

PFC is a corporation engaged in the business of manufacturing, importing, exporting, buying, selling, and dealing with processed meat and other food products, with Steve F. Serranilla (Serranilla) as its President and one of its incorporators.⁷

JAV, on the other hand, owned several furniture, equipment, and machinery for the processing and manufacturing of sausages, hotdogs, corned beef, and other meat products located in a building leased from the spouses Rudillo and Bernita Dejero (Spouses Dejero) at No. 5, Impex Compound, Las Piñas City.⁸

Prior to the incorporation of PFC, Serranilla was already engaged in the business of supplying raw meat to JAV. Sometime in July 1995, while PFC was in the process of incorporation, Serranilla met with the President of JAV, Augusto Cruz (Cruz), and proposed to rent JAV's factory.⁹ The proposal resulted in the execution of an Agreement¹⁰ dated August 2, 1995, paragraph 10 of which provides that Serranilla shall be the representative of PFC as the second party while awaiting the corporation's completion and registration, *viz.*:

"It is understood by the First Party [JAV] that Mr. Steve F. Serranilla represents the Second Party pending completion and registration of the corporation being organized. The First Party hereby agrees to substitute Mr. Steve F. Serranilla with the new corporation as soon as the same is duly registered."¹¹

On August 5, 1995, the parties likewise executed a Memorandum of Agreement¹² (MOA) stipulating that Serranilla would provide and formulate the raw meat materials for JAV, and that he would only charge JAV for the manufacturing cost of the raw materials.¹³

⁷ *Rollo*, p. 40.

⁸ *Id.* at 41.

⁹ *Id.*

¹⁰ *CA rollo*, Vol. I, pp. 153-155.

¹¹ *Id.* at 154.

¹² *CA rollo*, Vol. II, pp. 659-661.

¹³ *Id.* at 659

On September 19, 1995, Serranilla billed JAV the amount of ₱400,537.50 representing the alleged raw meat materials delivered from August 25, 1995 to September 15, 1995, without any supporting documents or breakdown of the amount.¹⁴

In a Letter dated September 21, 1995, JAV questioned the billing statement sent by Serranilla for the following reasons: (1) there was no documentary proof that it actually received the 448 kilos of raw meat materials worth ₱24,442.60; and (2) the yield of the previously delivered raw meat materials was 17% less of the normal production. JAV undertook to immediately pay Serranilla once corrections were made in the billing.¹⁵

Instead of addressing the concerns raised by JAV, Serranilla stopped the production and delivery of raw meat materials to JAV and sent another billing for ₱357,257.91,¹⁶ inclusive of 50% margin profit. Again, the invoice was made without any supporting document to show the breakdown of the amount. JAV requested for another clarification. Again, instead of settling JAV's questions, Serranilla billed JAV the amount of ₱982,749.50.¹⁷

Despite demands, Serranilla stopped supplying meat products to JAV, thereby depriving JAV of its business and income.¹⁸ As it was unable to pay its rent to Spouses Dejero, JAV was ordered ejected from the leased premises by virtue of a Decision¹⁹ dated December 6, 1996 of Branch 79, Las Piñas Metropolitan Trial Court. Eventually, JAV's machinery, furniture, and equipment were sold on execution to Spouses Dejero. Unknown to JAV, as early as 1996, Serranilla already bought from Spouses Dejero the property where the factory was situated.²⁰

On November 13, 1995, JAV filed a Complaint²¹ for Resolution [rescission] of Contract With Mandatory Preliminary Injunction and

¹⁴ CA *rollo*, Vol. I, p. 208.

¹⁵ CA *rollo*, Vol. II, p. 648.

¹⁶ CA *rollo*, Vol. I, p. 243.

¹⁷ *Rollo*, pp. 45-46.

¹⁸ *Id.* at 45.

¹⁹ CA *rollo*, Vol. I, pp. 346-359; penned by Judge Ester Tuazon Villarín.

²⁰ *Rollo*, p. 49.

²¹ CA *rollo*, Vol. II, pp. 645-655.

Restraining Order against Serranilla, without impleading PFC, in Civil Case No. 95-039 entitled "*JAV Corporation vs. Steve F. Serranilla.*"²² JAV alleged that Serranilla used the Agreement and the MOA in his deceitful machinations to take possession of the factory and in the manufacture of meat products all for himself to the exclusion of JAV.²³

On December 6, 1995, Serranilla filed a Motion for Substitution²⁴ praying that he be substituted by PFC as defendant in Civil Case No. 95-039. There being no opposition to the Motion for Substitution, the RTC, in its Order²⁵ dated February 26, 1996, granted Serranilla's motion and declared PFC as defendant in the case.

JAV filed a Motion for Reconsideration²⁶ dated February 29, 1996 assailing the RTC Order dated February 26, 1996 pointing out that the substitution was part of Serranilla's grand design to escape personal responsibility for his wrongful and illegal acts. It argued that Serranilla, after enriching himself at the expense of JAV and causing millions of pesos in damages to it, "would now want to shift responsibility therefor to PFC whose paid-up capital stock is a measly ₱625,000.00 and hence, does not have the capability to answer for such huge damages."²⁷

In the Order²⁸ dated April 19, 2000, the RTC granted JAV's Motion for Reconsideration and set aside its Order dated February 26, 1996. The RTC explained:

The plaintiff strongly opposed the substitution on the ground that even before the registration of the defendant's corporation, the defendant already violated important features of their lease contract by defrauding the plaintiff of its supposed income, to the damage and prejudice of the plaintiff. It alleged that "the substitution of the alleged corporation for the defendant at this time, after he has personally, thru fraud, deceit and trickeries enriched himself at the expense of the plaintiff and in the process causing millions of pesos of damages to the latter, is a fraudulent maneuver to free himself of liability for his said wrongful acts and shift the same to a corporation which clearly does not have the financial capability to answer for such

²² *Rollo*, p. 47.

²³ *CA rollo*, Vol. II, p. 651.

²⁴ *CA rollo*, Vol. I, pp. 278-279.

²⁵ *Id.* at 334.

²⁶ *Id.* at 335-336-A.

²⁷ *Id.*

²⁸ *Id.* at. 405-406.

damages". It further alleged that "it has now become clear that even the incorporation in the lease agreement of this provision on substitution (par. 10) was part of this grand plot."

This accusation of the plaintiff is so serious and although the same has not yet been substantiated by concrete proof, the Court entertains doubts on the sincerity of the defendant in incorporating par. 10 in their lease agreement. Thus, pending final determination by the Court of the issues raised in the principal action for rescission of the contract, it is inclined to deny the motion for substitution.

WHEREFORE, and in the light of the foregoing, the motion for substitution filed by the defendant Steve F. Serranilla is hereby denied for lack of merit.

SO ORDERED.²⁹

Serranilla filed a Motion for Reconsideration (Re Order Dated April 19, 2000) dated May 12, 2000.³⁰ However, pending the resolution of his motion, Serranilla filed an Urgent Motion to Inhibit³¹ praying that Judge Florentino M. Alumbres (Judge Alumbres) of the RTC inhibit himself from the case due to his alleged bias and prejudice, gross ignorance of the law, and grave abuse of authority and discretion.

On September 18, 2000, the RTC issued an Order³² denying Serranilla's Motion for Reconsideration of its Order dated April 19, 2000. Subsequently, it denied Serranilla's Urgent Motion to Inhibit in its Order³³ dated October 23, 2000.

Serranilla and PFC filed a petition for *certiorari* and prohibition with the CA docketed as CA-G.R. SP No. 61784 contesting the validity of the RTC Orders dated September 18, 2000 and October 23, 2000.³⁴ Serranilla and PFC alleged that Judge Alumbres was guilty of bias, prejudice, and ignorance of the law in not allowing the substitution of PFC in the place of Serranilla.

In the Decision³⁵ dated January 25, 2001, the CA dismissed

²⁹ *Id.*

³⁰ *Id.* at 407-432.

³¹ *Id.* at 434-444.

³² *Id.* at 449.

³³ *Id.* at 451.

³⁴ *Rollo*, p. 51.

³⁵ *CA rollo*, Vol. 1, pp. 548-555; penned by Associate Justice Eliezer R. De Los Santos with

Serranilla and PFC's petition for *certiorari* and prohibition for "utter lack of merit."³⁷ It rejected the contention that Judge Alumbres was guilty of bias and prejudice in issuing the Order dated April 19, 2000. The CA ratiocinated:

The issue at hand is whether or not the April 19, 2000 order of the public respondent denying petitioner's motion for substitution showed bias and prejudice of the said judge against him.

x x x There is absolutely nothing wrong, much less can it be a ground for disqualification, when the judge expresses his opinion or doubts on the credibility of the evidence or the trustworthiness of witnesses because it is precisely his job to evaluate and weigh them. "To be a ground for disqualification, bias and prejudice must be shown to have stemmed from an extrajudicial source, and result in an opinion on the merits on the same basis other than what the judge learned from his participation in the case" x x x. Such is not the case here. There is no showing at all, that the public respondent has any interest whatsoever in Civil Case No. LP-95-039. Everything is premised on Serranilla's suspicion and "perceived bias" which is a product of his imagination.³⁸

Serranilla and PFC moved to reconsider the CA Decision dated January 25, 2001, but the CA denied the motion in the Resolution dated February 21, 2001 in CA G.R. SP No. 61784.

Undaunted, Serranilla and PFC filed with the Court a Petition for Review on *Certiorari* docketed as G.R. No. 147291 assailing the CA Decision dated January 25, 2001 and the Resolution dated February 21, 2001.³⁹

In the Resolution⁴⁰ dated April 4, 2001, the Court denied Serranilla and PFC's petition for review on *certiorari* for failure to show that the CA committed reversible error in denying the petition for *certiorari* and motion for reconsideration. Consequently, the Court issued an Entry of Judgment.

Meanwhile, in the Decision⁴¹ dated April 23, 2001, the RTC ruled

Associate Justices Godofredo A. Jacinto and Bernardo P. Abesamis concurring.

³⁷ *Id.* at 555.

³⁸ *Id.* at 553.

³⁹ *Id.* at 556.

⁴⁰ *Id.*

⁴¹ *Id.* at 74-84.

on the main case in favor of JAV, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant as follows:

1. Declaring the Agreement dated August 2, 1995 (Exhibit "A") and the Memorandum of Agreement dated August 5, 1995 (Exhibit "B") rescinded and null and void;

2. Ordering the defendant to pay to the plaintiff the sum of ₱13,827,629.79, representing the latter's lost income from August 5, 1995 to April 23, 2001, with interest thereon at the rate of 12% per annum from the date of this decision until fully paid;

3. Ordering the defendant to pay to the plaintiff the sum of ₱5,302,235.82, the value of the lost machineries, furnitures [*sic*] and office equipment, with interest thereon at the rate of 12% per annum from the date of this decision until fully paid;

4. Ordering the defendant to pay to the plaintiff the sum of ₱100,000.00 as and for attorney's fees, and the cost of this suit;

5. Defendant's counterclaim is hereby dismissed for being unmeritorious.

SO ORDERED.⁴¹

Aggrieved, Serranilla appealed to the CA. The appeal was docketed as CA-G.R. CV No. 73056.⁴²

In the Decision⁴³ dated August 28, 2006, the CA affirmed the ruling of the RTC in favor of JAV but deleted the award of ₱5,302,235.82 that purportedly represented the value of JAV's lost machinery, furniture, and office equipment. In affirming the RTC ruling, the CA ratiocinated:

The owners of the building that JAV was using as a factory may be the ones who evicted the latter therefrom for non-payment of rentals but the latter's predicament stemmed from his sub-lessee's ([Serranilla) non-compliance with their lease agreement and MOA with JAV. Serranilla impresses that his non-payment of rentals to JAV is justified, by the latter's non-payment of the meat products that the

⁴¹ *Id.* at 83-84.

⁴² *Rollo*, p. 53.

⁴³ *CA rollo*, Vol. I, pp. 476-492; penned by Associate Justice Normandie B. Pizzaro with Associate Justices Eliezer R. De Los Santos and Aurora Santiago-Lagman, concurring.

former delivered. Evidence, however, shows that JAV's refusal was justified in that the billings sent to him by the former were erroneous. Consequently, Serranilla should be held liable not only for his unpaid rentals on the property but also for the income lost by JAV.

x x x Serranilla did not pay his monthly obligation to JAV; stopped supplying meat products to the latter; and, to make matters worse, took over the business of JAV. For which reason, We find JAV's claim, that the totality of Serranilla's acts shows [*sic*] that he, right from the start, entered into business with the same for the sole purpose of usurping the former's business[.]⁴⁴

Serranilla moved for reconsideration of the CA Decision dated August 28, 2006 and prayed that he again be substituted by PFC in the case. However, the CA denied Serranilla's motion for reconsideration in its Resolution⁴⁵ dated December 22, 2006, stating as follows:

On the Defendant-Appellant's prayer that Paula Foods Corporation be made the defendant in herein case in his stead, suffice it to say that nothing was presented by the former to convince Us to order that he be substituted by a stranger to herein suit. In fact, there is even no showing that the corporation sought by the Defendant-Appellant to be made his substitute is aware of the latter's prayer.⁴⁶

Serranilla and JAV both appealed to the Court *via* a petition for review on *certiorari* under Rule 45. JAV's petition in G.R. No. 176045 prayed that it be entitled to the amount of ₱5,302,235.82, representing the value of its lost machinery, furniture, and office equipment, which the CA deleted in its Decision dated August 28, 2006. On the other hand, Serranilla's petition in G.R. No. 175899, assailed among others, the CA's failure to allow him to be substituted by PFC, the alleged real party in interest in Civil Case No. 95-039.

In the Resolution⁴⁷ dated June 18, 2007, the Court denied JAV's petition due to its technical infirmities. Likewise, the Court denied Serranilla's petition for raising factual issues.

The parties moved for reconsideration, but the Court denied with

⁴⁴ *Id.* at 486-487.

⁴⁵ *Id.* at 494-496.

⁴⁶ *Id.* at 496.

⁴⁷ *Id.* at 497-498.

finality their motions in the Resolution⁵⁰ dated October 15, 2007. Consequently, the Court issued an Entry of Judgment⁵¹ on December 3, 2007.

Undaunted, Serranilla filed a motion for leave to file attached second motion for reconsideration raising the issue that the RTC Decision dated April 23, 2001 is void for lack of jurisdiction over PFC, an indispensable party.⁵²

In the Resolution⁵³ dated January 21, 2008, the Court denied Serranilla's Motion for Leave to File Attached Second Motion for Reconsideration on the ground that a second motion for reconsideration "*is a prohibited pleading under Sec. 2, Rule 52 in relation to Sec. 4, Rule 56 of the 1997 Rules of Civil Procedure, as amended.*" As such, the Court merely noted without action Serranilla's second motion for reconsideration.

Serranilla then filed before the CA a Petition for Annulment of Judgment⁵⁴ of the RTC Decision dated April 23, 2001 docketed as CA-G.R. SP No. 102675.

In the assailed Decision⁵⁵ dated January 31, 2013, the CA granted Serranilla's Petition for Annulment of Judgment and declared as void the RTC Decision dated April 23, 2001 in Civil Case No. 95-039.

The CA held that PFC is an indispensable party in the complaint filed by JAV in Civil Case No. 95-039. The CA explained in this wise:

[A]s the only party to the agreements other than respondent [JAV], there is indeed basis in petitioner's claim that it was an indispensable party to the action for rescission because there would be no final determination that could be had without it as it was precisely PFC's obligations that were sought to be rescinded.⁵⁶

⁵⁰ *Id.* at 499-500.

⁵¹ *Id.* at 557-558.

⁵² *Rollo*, p. 54.

⁵³ *CA rollo*, Vol. I, p. 501

⁵⁴ *Id.* at 2-72.

⁵⁵ *Rollo*, pp. 39-68.

⁵⁶ *Id.* at 59.

The CA further held that because PFC was not made a party defendant to the case, the RTC Decision dated April 23, 2001 may be annulled on the ground of lack of jurisdiction over an indispensable party. It brushed aside JAV's contentions: (1) that the Petition for Annulment of Judgment is barred by *res judicata*, holding that an action for annulment of judgment precludes the defense of *res judicata*; and (2) that the issue of the proper party defendant in the action for rescission of contract was already resolved in CA-G.R. SP No. 61784. The CA held that CA-G.R. SP No. 61784 dealt with the issue of whether Judge Alumbres of the RTC gravely abused his discretion in refusing to inhibit himself on the ground of bias and partiality and not the issue of whether PFC was the real party defendant in the case.⁵⁷

Lastly, the CA ruled that PFC was not barred by *laches* or *estoppel* in not filing a motion to intervene in the case. It ratiocinated; thus:

x x x intervention is not the proper remedy because the same presupposes that the indispensable parties to the action have already been duly impleaded and a third person has a legal interest in the matter in litigation or the success of either of the parties or both. In the action before the trial court, PFC is the indispensable party. Thus, the remedy of intervention would not have squarely resolved the predicament of PFC. Neither could PFC intervene on appeal before this Court in CA-G.R. SP No. 73056, as a motion for intervention must be filed before rendition of judgment. Under the circumstances, the instant petition is the more appropriate remedy available to PFC.⁵⁸

Thus, the petition before the Court.

The issue in the case is whether the CA erred in annulling the RTC Decision dated April 23, 2001 in Civil Case No. 95-039.

The Court's Ruling

The Court finds for petitioner JAV.

⁵⁷ *Id.* at 64-65.

⁵⁸ *Id.* at 66.

PFC is already precluded to file the Petition for Annulment of Judgment.

The rule is that once a decision becomes final and executory, it is immutable and unalterable.⁵⁷ This doctrine of finality of judgments is the bedrock of every stable judicial system.⁵⁸ Hence, in the case of *Ngo Bun Tiong v. Judge Sayo*,⁵⁹ the Court held that:

It is an important fundamental principle in Our judicial system that every litigation must come to an end. Access to the courts is guaranteed. But there must be a limit thereto. Once a litigant's rights have been adjudicated in a valid final judgment of a competent court, he should not be granted an unbridled license to come back for another try. The prevailing party should not be harassed by subsequent suits. For, if endless litigations were to be encouraged, unscrupulous litigants will multiply in number to the detriment of the administration of justice.⁶⁰

By way of exception, annulment of judgment is a remedy in law independent of the case where the judgment sought to be annulled was rendered, where the purpose of such action is to have the final and executory judgment set aside so that there will be a renewal of litigation.⁶¹ It is an exception to the final judgment rule, an extraordinary remedy, and it will not so easily and readily lend itself to abuse by parties aggrieved by final judgments.⁶² By virtue of its exceptional character, the action is restricted exclusively to the grounds specified in the rules, namely, (1) extrinsic fraud and (2) lack of jurisdiction.⁶³ Further, *the remedy may not be invoked (1) where the party has availed himself of the remedy of new trial, appeal, petition for relief or other appropriate remedy and lost therefrom, or (2) where he has failed to avail himself of those remedies through his own fault or negligence.*⁶⁴

The Court in G.R. No. 147291 affirmed the CA Decision in CA-G.R. SP No. 61784 affirming the

⁵⁷ *Delfino v. Millan*, G.R. No. 235707 (Notice), October 16, 2019.

⁵⁸ *Id.*, citing *Bañares II v. Erlising*, 384 Phil. 567, 582 (2000).

⁵⁹ 246 Phil. 245 (1988).

⁶⁰ *Id.* at 253, citing *Pacquing v. The Court of Appeals, et al.*, 200 Phil. 516, 521 (1982)

⁶¹ *Delfino v. Millan*, *supra* note 57.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

*RTC's denial of Serranilla's motion
to be substituted by PFC.*

In the Order dated April 19, 2000 in Civil Case No. 95-039, the RTC granted JAV's Motion for Reconsideration and set aside its Order dated February 26, 1996 substituting PFC in place of Serranilla. Serranilla moved to reconsider the RTC Order dated April 19, 2000, but the RTC denied his motion in the Order dated September 18, 2000. Undaunted, Serranilla and PFC filed a Petition for *Certiorari* and Prohibition with the CA in CA-G.R. SP No. 61784 contending that Judge Alumbres was guilty of bias and prejudice in denying the Motion for Substitution. However, the CA dismissed the petition in its Decision dated January 25, 2001 for "*utter lack of merit.*" As regards the issue of substitution, the CA ruled as follows:

The issue at hand is whether or not the April 19, 2000 order of the public respondent denying petitioner's motion for substitution showed bias and prejudice of the said judge against him.

x x x x

x x x Such is not the case here. There is no showing at all, that the public respondent has any interest whatsoever in Civil Case No. LP-95-039. Everything is premised on Serranilla's suspicion and "perceived bias" which is a product of his imagination.⁶⁷

x x x x

Wherefore, premises considered, the instant petition is hereby DENIED for utter lack of merit.

SO ORDERED.⁶⁸

After the CA denied Serranilla and PFC's Motion for Reconsideration, Serranilla and PFC elevated the case to the Court via a Petition for Review on *Certiorari* in G.R. No. 147291. However, in a Resolution dated April 4, 2001, "*the Court Resolved to DENY the petition for failure of petitioners to show that a reversible error had been committed by the appellate court.*"⁶⁹

⁶⁷ CA rollo, Vol. I, p. 553.

⁶⁸ *Id.* at 555.

⁶⁹ *Id.* at 556.

Consequently, the Court issued an Entry of Judgment⁶⁸ dated June 11, 2001.

The RTC Decision in Civil Case No. 95-039 in favor of JAV and as against Serranilla was affirmed by the CA and subsequently by the Court.

The RTC Decision dated April 23, 2001 in Civil Case No. 95-039 ruled in favor of JAV and against Serranilla. On this score, Serranilla availed himself of every remedy available to him under the rules to challenge the RTC Decision. *First*, Serranilla filed a Motion for Reconsideration of the RTC Decision dated April 23, 2001, but the RTC denied it. *Second*, with the denial of his Motion for Reconsideration, Serranilla appealed to the CA *via* a petition for *certiorari* docketed as CA-G.R. CV No. 73056. The CA dismissed it in the Decision dated August 28, 2006. The CA likewise dismissed his Motion for Reconsideration in a Resolution dated December 22, 2006. *Third*, subsequent to the dismissal of his petition for *certiorari* before the CA, Serranilla filed a petition for review on *certiorari* docketed as G.R. No. 175899 with the Court. In a Resolution dated June 18, 2007, the Court dismissed his petition for review on *certiorari*. The Court likewise denied his motion for reconsideration in a Resolution dated October 15, 2007. Later on, Serranilla filed a motion for leave to file attached second motion for reconsideration raising the issue that the Decision of the RTC dated April 23, 2001 is void for lack of jurisdiction over PFC, an indispensable party. To reiterate, in the Resolution dated January 21, 2008, the Court denied Serranilla's motion for leave to file attached second motion for reconsideration on the ground that a second motion for reconsideration "is a prohibited pleading under *Sec. 2, Rule 52 in relation to Sec. 4, Rule 56 of the 1997 Rules of Civil Procedure, as amended.*"⁶⁹ As such, the Court merely noted without action Serranilla's second motion for reconsideration.

In challenging the RTC Decision dated April 23, 2001 through his motion for reconsideration before the RTC and his petition for *certiorari* before the CA, and up until the case reached the Court through a petition for review on *certiorari*, Serranilla did not fail to include in his arguments the RTC's alleged improper denial of his motion to be

⁶⁸ CA rollo, Vol. III, p. 1235.

⁶⁹ CA rollo, Vol. I, p. 501.

substituted by PFC, a stranger to the case.

To be clear, despite the finality of the denial of his Motion for Substitution in G.R. No. 147291, Serranilla again raised the issue of PFC's non-substitution in his Motion for Reconsideration before the CA in CA-G.R. CV No. 73056, questioning the RTC Decision dated April 23, 2001 in the main case, and in his Petition for Review on *Certiorari* before the Court in G.R. No. 175899. Still, his contentions were similarly brushed aside, respectively, by the CA and the Court. Ultimately, the Court in G.R. No. 175899 issued an Entry of Judgment decreeing the finality of the RTC Decision dated April 23, 2001.

Indubitably, Serranilla and PFC had already exhausted every remedy to assail the denial of the Motion for Substitution and had taken every step to challenge the RTC Decision dated April 23, 2001 in the main case. Certainly, considering that the remedy of petition for annulment of judgment may no longer be resorted to where the party has availed himself of the remedy of appeal or other appropriate remedy, Serranilla is already precluded to file the Petition for Annulment of Judgment.

On this score alone, Serranilla's Petition for Annulment of Judgment should have been denied by the CA in CA-G.R. SP No. 102675.

PFC failed to prove the existence of any of the grounds of a Petition for Annulment of Judgment.

The grounds for annulment of judgment under Section 2, Rule 47 of the Rules of Court are as follows:

SEC. 2. Grounds for annulment. — The annulment may be based only on the grounds of extrinsic fraud and lack of jurisdiction.

Extrinsic fraud shall not be a valid ground if it was availed of, or could have been availed of, in a motion for new trial or petition for relief.

There is extrinsic fraud when the unsuccessful party had been prevented from exhibiting fully his case, by means of fraud or deception practiced on him by his opponent, as by keeping him away from court, or where the defendant never had knowledge of the suit, being kept in ignorance by the acts of the plaintiff.⁷⁰

On the other hand, lack of jurisdiction on the part of the trial court in rendering the judgment or final order is either lack of jurisdiction over the subject matter or nature of the action, or lack of jurisdiction over the person of the petitioner.⁷¹ The former is a matter of substantive law because statutory law defines the jurisdiction of the courts over the subject matter or nature of the action; the latter is a matter of procedural law, for it involves the service of summons or other processes on the petitioner.⁷²

There is no question that the RTC had jurisdiction over JAV's complaint for rescission of contract, it being an action incapable of pecuniary estimation.

There is likewise no issue as regards the RTC's jurisdiction over the person of Serranilla.

The Court has consistently held that jurisdiction over a defendant is acquired upon a valid service of summons or through the defendant's voluntary appearance in court.⁷³ In the present case, Serranilla did not raise any issue on the validity of the service of summons made upon his person. There is no reason for the Court to belabor the point considering that Serranilla made no allegation that the legal processes exerted upon him were defective.

Besides, there was voluntary appearance on the part of Serranilla which consequently placed him under the jurisdiction of the RTC.

There is voluntary appearance when a party, without directly

⁷⁰ *Heirs of the Late Sps. Palaganas v. Registry of Deeds-Tarlac City*, 561 Phil 579, 586 (2007), citing *Republic of the Phils. v. Heirs of Sancho Magdato*, 394 Phil. 423, 429 (2000).

⁷¹ *Duremdes v. Jorilla*, G.R. No. 234491, February 26, 2020.

⁷² *Id.*, citing *Yuk Ling Ong v. Co.*, 755 Phil. 158, 165 (2015), further citing *Pinausukan Seafood House, Roxas Blvd., Inc. v. Far East Bank & Trust Co., et al.*, 725 Phil. 19 (2014).

⁷³ *People's General Insurance Corp. v. Guansing*, G.R. No. 204759, November 14, 2018.

assailing the court's lack of jurisdiction, seeks affirmative relief from the court.⁷⁴ In *Sps. Anunciacion et al. v. Bocanegra, et al.*,⁷⁵ the respondents therein filed a motion to dismiss with only one ground, *i.e.*, that the pleading asserting the claim "states no cause of action." The Court ratiocinated:

The filing of the above-mentioned Motion to Dismiss, without invoking the lack of jurisdiction over the person of the respondents, is deemed a voluntary appearance on the part of the respondents under the aforementioned provision of the Rules. The same conclusion can be drawn from the filing of the Supplemental Motion to Dismiss and Reply to the Comment on the Motion to Dismiss dated November 13, 2000 which alleged, as an additional ground for the dismissal of petitioners' complaint, the failure of plaintiffs to pay the required filing fee again but failed to raise the alleged lack of jurisdiction of the court over the person of the respondents.⁷⁶

Here, Serranilla did not file a motion to dismiss invoking the RTC's lack of jurisdiction over his person. Instead, he filed a motion praying that PFC substitute him as party defendant in the case. Through his filing of the Motion for Substitution, Serranilla voluntarily appeared in court and sought affirmative relief. As a consequence, the RTC had acquired jurisdiction over his person.

Moreover, Serranilla's argument in his Motion for Substitution that it is PFC who is the real party defendant, and not him, does not equate to his invocation of the RTC's lack of jurisdiction over his person. Even if the Court concedes that JAV's failure to implead PFC as the real party defendant amounted to JAV's *failure to state cause of action*⁷⁷ against Serranilla, such a case does not fall within the ambit of a petition for annulment of judgment as discussed below.

In fact, Serranilla availed himself of the wrong remedy in filing a Motion for Substitution. Under the express terms of Section 17,⁷⁸ Rule 3

⁷⁴ *G.V. Florida Transport, Inc. v. Tiara Commercial Corp.*, 820 Phil. 235, 252 (2017), citing *National Petroleum Gas, Inc., et al. v. RCBC*, 766 Phil. 696, 723 (2015).

⁷⁵ 611 Phil. 705 (2009).

⁷⁶ *Id.* at 715.

⁷⁷ See *Travel Wide Association of Sales (Phils.), Inc. v. CA*, 276 Phil. 219, 224 (1991).

⁷⁸ Section 17 of Rule 3 of the 1997 Revised Rules of Civil Procedure:

SECTION 17. *Death of Party*. — After a party dies and the claim is not thereby extinguished, the court shall order, upon proper notice, the legal representative of the deceased to appear and to be substituted for the deceased, within a period of thirty (30) days, or within such time as may be granted. If the legal representative fails to appear

of the 1997 Revised Rules of Civil Procedure, the procedure applicable upon the filing of the Motion for Substitution, substitution of parties is only made after a party dies and the claim is not thereby extinguished. It is not filed by a party seeking to be replaced by the alleged real party defendant, as what Serranilla did. The proper remedy on the part of Serranilla was to file a timely motion to dismiss on the ground of failure to state a cause of action, not a Motion for Substitution.

Non-Joinder of PFC as an indispensable party in Civil Case No. 95-039 is not a ground to annul the RTC Decision Dated April 23, 2001.

Non-joinder means the failure to bring a person who is a necessary party or an indispensable party into a lawsuit. An indispensable party, on the other hand, is a party-in-interest without whom no final determination can be had of the action, and who shall be joined either as plaintiff or defendant.⁷⁹

In the case, the CA in CA-G.R. SP No. 102675 annulled the RTC Decision dated April 23, 2001 on the ground of lack of jurisdiction over PFC, whom the CA found to be an indispensable party. To the Court, this is a case of non-joinder of a purported indispensable party, not a case of lack of jurisdiction over the person of the defendant, as earlier discussed. For in the first place, PFC is a stranger to the case.

Perforce, the CA indubitably erred when it ruled that because PFC was not made a party defendant to the case, the RTC Decision dated April 23, 2001 may be annulled on the ground of lack of jurisdiction over an indispensable party.

within said time, the court may order the opposing party to procure the appointment of a legal representative of the deceased within a time, to be specified by the court, and the representative shall immediately appear for and on behalf of the interest of the deceased. The court charges involved in procuring such appointment, if defrayed by the opposing party, may be recovered as costs. The heirs of the deceased may be allowed to be substituted for the deceased, without requiring the appointment of an executor or administrator and the court may appoint guardian *ad litem* for the minor heirs.

⁷⁹ *Heirs of Faustino Mesina et al. v. Heirs of Domingo Fian, Sr. et al.*, 708 Phil 327, 334 (2013), citing *In the Matter of the Heirship (Intestate Estates) of the Late Hermogenes Rodriguez, et al. v. Robles*, 653 Phil. 396, 404 (2010), further citing *Lotte Phil. Co., Inc. v. Dela Cruz*, 502 Phil. 816, 820-821 (2005)

PFC has no personality to institute the annulment of judgment proceedings to nullify the RTC Decision Dated April 23, 2001 in Civil Case No. 95-039.

It is a cardinal rule that every action must be prosecuted or defended in the name of the real party in interest.⁸⁰ A real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. Interest pertains to material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest.⁸¹ In sum, a real party in interest is the person who will suffer, or has suffered, the wrong.⁸²

In the instant case, the RTC Decision dated April 23, 2001 in Civil Case No. 95-039 was rendered solely against Serranilla, the lone defendant in the case, after it declared the Agreement dated August 2, 1995 and the Memorandum of Agreement dated August 5, 1995 rescinded and null and void. Notably, the RTC Decision ordered Serranilla to pay JAV the following: (a) ₱13,827,679.79, representing the latter's lost income; (b) ₱5,302,235.82, representing the value of JAV's lost machinery, furniture, and office equipment; and (c) ₱100,000.00 for attorney's fees. Indubitably, it is Serranilla, not PFC, who stood to be adversely affected by the RTC judgment in Civil Case No. 95-039. Not being the one who stands to be injured by the RTC Decision dated April 23, 2001, PFC apparently has no personality to institute the annulment of judgment proceedings to nullify the subject RTC judgment.

WHEREFORE, the petition is **GRANTED**. The Decision dated January 31, 2013 and the Resolution dated November 21, 2013 of the Court of Appeals in CA-G.R. SP No. 102675 are **REVERSED** and **SET ASIDE**. The Decision dated April 23, 2001 of Branch 255, Regional Trial Court, Las Piñas City in Civil Case No. 95-039 is **REINSTATED**.

⁸⁰ *American President Lines, Ltd. v. Malayan Insurance Co., Inc.*, G.R. No. 198258 (Notice), June 6, 2019, citing Section 2, Rule 3 of the 1997 Revised Rules of Civil Procedure.

⁸¹ *Id.*

⁸² *Id.*

SO ORDERED.



HENRI JEAN PAUL B. INTING
Associate Justice

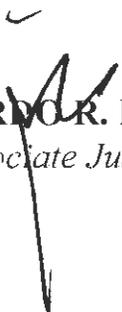
WE CONCUR:



MARVIC M.V.F. LEONEN
Associate Justice
Chairperson



RAMON PAUL L. HERNANDO
Associate Justice



RICARDO R. ROSARIO
Associate Justice



JHOSEP Y. LOPEZ
Associate Justice

ATTESTATION

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



MARVIC M.V.F. LEONEN
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII 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 case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice

