

THIRD DIVISION

[G.R. No. 194226, February 15, 2017]

POWER SECTOR ASSETS AND LIABILITIES MANAGEMENT CORPORATION (PSALM), PETITIONER, VS. COURT OF APPEALS (21ST DIVISION), AND FRANCISCO LABAO, AS GENERAL MANAGER OF SAN MIGUEL PROTECTIVE SECURITY AGENCY (SMPSA), RESPONDENTS.

DECISION

BERSAMIN, J.:

At issue is whether a non-party to a suit may be subjected to the injunctive writ issued against one of the parties.

The Case

By petition for *certiorari*, Power Sector Assets and Liabilities Management Corporation (PSALM) seeks that judgment be rendered: (a) issuing a writ of preliminary mandatory injunction to allow it to post security guards to secure the premises and property of the National Power Corporation Mindanao-Generation Headquarters (NPC MinGen); (b) annulling the resolutions promulgated by the Court of Appeals (CA) on June 9, 2010^[1] and August 18, 2010^[2] and in CA-G.R. SP No. 03219-MIN; (c) dissolving the writ of preliminary injunction issued by the CA insofar as the writ affected its (PSALM) rights and interest; and (d) issuing a permanent injunction to prevent respondent Francisco Labao (Labao) from proceeding against it (PSALM).^[3]

Antecedents

National Power Corporation (NPC) set a public bidding for the security package in NPC MinGen. Among the participating bidders was San Miguel Protective Security Agency (SMPSA), represented by Labao. However, NPC's Bids and Awards Committee (BAC) disqualified SMPSA for its alleged failure to meet the equipage requirements. The disqualification prompted Labao, as the general manager of SMPSA, to bring a petition for *certiorari* against NPC and its officials in the Regional Trial Court (RTC) in Lanao del Norte.

On January 30, 2009, the RTC issued a temporary restraining order (TRO) directing NPC and its officials to desist from awarding the security package, as well as from declaring a failure of bidding. On February 17, 2009, the RTC issued the writ of preliminary injunction enjoining NPC and its officials from committing said acts.

On August 17, 2009, the RTC, ruling in favor of SMPSA, made the injunction

permanent, and granted other reliefs to SMPSA, to wit:

WHEREFORE, in the light of the foregoing, judgment is hereby rendered in favor of the petitioner and against the respondent as follows:

1. Declaring the injunction permanent against the respondent by:
 - a) Setting aside the ruling disqualifying petitioner and to issue an amended ruling that petitioner had passed in the technical proposal;
 - b) Ordering the respondent to stop the direct payment scheme it imposed;
2. Ordering the BAC to open the BID of petitioner in order to determine the lowest bidder;
3. Ordering the member of the BAC to pay the petitioner;
 - a) the sum of P250,000.00 as moral damages;
 - b) the sum of P100,000.00 as attorney's fees and to pay the cost of suit.

SO ORDERED.^[4]

In due course, NPC appealed to the CA.

In the meantime, on March 9, 2009, NPC and PSALM entered into an operation and maintenance agreement (OMA) whereby the latter, as the owner of all assets of NPC by virtue of Republic Act No. 9136, otherwise known as the *Electric Power Industry Reform Act of 2001* (EPIRA), had the obligation to provide for the security of all the plants, assets and other facilities. Accordingly, on March 29, 2009, PSALM conducted a public bidding of its own for the security package of various power plants and facilities in Mindanao, including those of NPC MinGen. During the public bidding, Tiger Investigation, Detective & Security Agency (TISDA) was declared the winning bidder for the package corresponding to NPC MinGen.

On April 7, 2010, PSALM received the TRO issued by the CA on April 5, 2010. It is noted, however, that Labao did not furnish PSALM a copy of SMPSA's *Urgent Motion for the Issuance of a TRO and/or Preliminary Prohibitory Injunction*.

Notwithstanding the fact that PSALM was not a party in the case brought by Labao against NPC, and the fact that PSALM was not furnished a copy of Labao's *Urgent Motion for the Issuance of a TRO and/or Preliminary Prohibitory Injunction*, the CA issued the assailed resolution granting the TRO in order to maintain the *status quo*, and expressly included PSALM as subject of the writ.

Hence, PSALM has come to the Court by petition for *certiorari*, insisting that the CA thereby acted without or in excess of jurisdiction, or gravely abused its discretion

amounting to lack or excess of jurisdiction.

Issues

PSALM submits the following as issues, namely:

- 1.) Whether or not the CA acted without or in excess of jurisdiction or with grave abuse of discretion in issuing a writ of preliminary injunction enjoining the petitioner from offering or bidding out or accepting bid proposals for the procurement of security services for the MinGen Headquarters despite the fact that private respondent Labao is not entitled to the injunctive relief; and
- 2.) Whether or not the CA acted without or in excess of jurisdiction or with grave abuse of discretion amounting to lack or excess of jurisdiction in holding petitioner bound by the decision of the lower court although petitioner was not a party to the case between private respondents NPC and Labao.^[5]

Ruling of the Court

The petition for *certiorari* is granted.

Considering that PSALM had not been impleaded as a party in the proceedings in the RTC, Labao tried to include PSALM by praying that "National Power Corporation, its agents, successors or assigns such as Power Sector Assets and Liabilities Management Corp. (PSALM)" be enjoined as well. In the assailed resolution promulgated on June 9, 2010 granting Labao's application for the writ of preliminary injunction, the CA, without elucidating how it found merit in the application of Labao,^[6] tersely stated:

After a judicious evaluation of their respective memoranda, this Court finds merit in the prayer for a Writ of Preliminary Injunction. In order to Maintain the *status quo*, the prayer for the issuance of a Writ of Preliminary Injunction is hereby GRANTED.^[7]

The rationale of the ruling can be gleaned from the CA's resolution promulgated on April 5, 2010 granting the TRO,^[8] as well as the resolution promulgated on May 18, 2010 denying the motion for reconsideration filed by PSALM.^[9] Therein, the CA observed that the judgment of the RTC granting the prayer for injunction was enforceable against NPC as well as against its agents, representatives and whoever acted in its behalf, including PSALM which had clearly acted on behalf of NPC;^[10] that PSALM was not merely an agent but an assignee of the NPC;^[11] that PSALM, in

its capacity as owner, was already a real party in interest when the case was instituted in the RTC;^[12] and that it was erroneous for PSALM to claim that it was not a party in the proceedings below because the continuance of the action against PSALM's predecessor-in-interest was sanctioned by the *Rules of Court*.^[13]

In its resolution promulgated on May 18, 2010 denying PSALM's motion for reconsideration,^[14] the CA opined that PSALM was a real party in interest as defined under Section 2, Rule 3 of *the Rules of Court* because PSALM stood to benefit from or be injured by the judgment in the case.^[15]

We cannot uphold the resolutions of the CA.

First of all, Section 49 of Republic Act No. 9136,^[16] or EPIRA, *expressly created* PSALM as a corporate entity separate and distinct from NPC, to wit:

Section 49. Creation of Power Sector Assets and Liabilities Management Corporation. – There is hereby created a government owned and controlled corporation to be known as the "Power Sector Assets and Liabilities Management Corporation", hereinafter referred to as the "PSALM Corp.", which shall take ownership of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets. All outstanding obligations of the National Power Corporation arising from loans, issuances of bonds, securities and other instruments of indebtedness shall be transferred to and assumed by the PSALM Corp. within ninety (90) days from the approval of this Act.

Accordingly, the CA blatantly erred in holding that PSALM, without being made a party itself, was subject of the writ of injunction issued against NPC. PSALM and NPC, despite being unquestionably invested by law with *distinct* and *separate* personalities, were intolerably confused with each other.

Secondly, Labao was quite aware that under EPIRA, PSALM became the owner as early as in mid-2001 of *all* of NPC's existing generation assets, liabilities, IPP contracts, real estate and all other disposable assets, as well as all facilities of NPC. NPC-MinGen was among the assets or properties coming under the ownership of PSALM. As such owner, PSALM was an indispensable party without whom no final determination could be had if it was not joined.^[17] An indispensable party is one who has such an interest in the controversy or subject matter that a final adjudication cannot be made in its absence without injuring or affecting that interest.^[18] As such, Labao should have impleaded PSALM in the proceedings in the RTC, or the RTC should have itself seen to PSALM's inclusion as an indispensable party.

Thirdly, the CA, in issuing the TRO, relevantly declared in the resolution promulgated on April 5, 2010,^[19] viz.: