

## FIRST DIVISION

[ G.R. No. 170072, September 03, 2009 ]

**JOAQUIN P. OBIETA, PETITIONER, VS. EDWARD CHEOK,  
RESPONDENT.**

### R E S O L U T I O N

**CORONA, J.:**

The present controversy sprung from an intra-corporate dispute<sup>[1]</sup> filed by respondent Edward Cheok against Republic Resources and Development Corporation (REDECO)<sup>[2]</sup> and petitioner Joaquin P. Obieta in his capacity as its corporate secretary seeking the issuance of certificate of stocks at the new par value<sup>[3]</sup> in lieu of his four REDECO street certificates.<sup>[4]</sup>

REDECO and petitioner, on the other hand, claimed that respondent did not present any proof that the street certificates had been endorsed or assigned to him. Furthermore, considering the issuance of those certificates was not reflected in the corporation's stock and transfer book, they validly denied respondent's request.

Because REDECO admitted issuing the street certificates to respondent's stockbrokers, the Regional Trial Court (RTC) of Manila, Branch 46 held that those certificates were genuine. Thus, petitioner acted negligently in refusing respondent's request.

In a decision dated September 6, 2001,<sup>[5]</sup> the RTC held:

WHEREFORE, judgment is hereby rendered ordering [REDECO and petitioner] to pay [respondent] **jointly and severally** the following amounts:

1. P695,873 plus interest at legal rate from the filing of the complaint on June 6, 1997 until fully paid, said amount being the market value of [respondent's] new 85,000 shares at the prevailing average price of [P8.17] per share in March 1997 at the Philippine Stock Exchange;
2. Attorney's fees equivalent to 25% of the amount due as stated in the paragraph immediately preceeding [and]
3. cost of suit.

SO ORDERED. (emphasis supplied)

Inasmuch as the appeal of REDECO and petitioner was not perfected,<sup>[6]</sup> the September 6, 2001 decision became final and executory.<sup>[7]</sup> Thus, on respondent's motion, the RTC issued a writ of execution on January 9, 2002.<sup>[8]</sup> It ordered petitioner to deliver his Valley Golf and Country Club (VGCC) stock certificate no. 1577 to the branch sheriff so that it may be sold in public auction.<sup>[9]</sup> Petitioner refused; hence, he was cited for contempt of court.<sup>[10]</sup>

On July 19, 2004, petitioner assailed the aforementioned orders of the RTC (citing him for contempt) via a petition for certiorari and prohibition<sup>[11]</sup> in the Court of Appeals (CA). He argued that the RTC erred in ordering him to deliver his VGCC stock certificate no. 1577 since a corporate officer should not be held personally liable for a corporate obligation. Furthermore, Section 9(b), Rule 39 of the Rules of Court<sup>[12]</sup> did not require the judgment obligor to surrender levied property to the sheriff. The RTC therefore had no legal basis for ordering him to surrender his stock certificate. Consequently, it committed grave abuse of discretion in citing him for contempt.

In a decision dated February 4, 2005,<sup>[13]</sup> the CA set aside the September 6, 2001 decision and the assailed orders of the RTC. It found that petitioner did not act in bad faith or with gross negligence in performing his duties as corporate secretary. Thus, there was no reason to disregard the separate juridical personality of REDECO and hold petitioner personally liable for the corporation's judgment obligation. Furthermore, the CA noted that, inasmuch as what was being enforced was a money judgment, the RTC had no legal basis for compelling petitioner to deliver his own VGCC stock certificate to the sheriff. In view thereof, the CA held that the RTC committed grave abuse of discretion in issuing patently erroneous orders. Petitioner therefore justifiably refused compliance and could not be held liable for contempt.

On reconsideration, however, the CA noted that the September 6, 2001 decision of the RTC had already become final and executory. It explained:

It can be gleaned from the RTC decision that there was [a] finding of gross negligence on the part of the [petitioner] due to his failure to act on the letter-request of [respondent]. **Such finding of the trial court, albeit may be erroneous, does not *ipso facto* render the judgment void.**

A judgment contrary to the express provision of a statute is of course erroneous, but it is not void; and if it becomes final and executory, it becomes as binding and effective as any valid judgment; and though erroneous, will henceforth be treated as valid, and will be enforced in accordance with its terms and dispositions. (emphasis supplied)

Thus, the CA reversed the February 4, 2005 decision insofar as it held that petitioner was not solidarily liable with REDECO.<sup>[14]</sup>

Petitioner moved for reconsideration but it was denied.<sup>[15]</sup> Hence, this recourse<sup>[16]</sup>