

FIRST DIVISION

[G.R. NO. 165849, December 10, 2007]

GILBERT G. GUY, PETITIONER, VS. THE COURT OF APPEALS (8TH DIVISION), NORTHERN ISLANDS CO., INCORPORATED, SIMNY G. GUY, GERALDINE G. GUY, GLADYS G. YAO, AND EMILIA TABUGADIR, RESPONDENTS.

[G.R. NO. 170185]

IGNACIO AND IGNACIO LAW OFFICES, PETITIONER, VS. THE COURT OF APPEALS (7TH DIVISION), NORTHERN ISLANDS CO., INCORPORATED, SIMNY G. GUY, GERALDINE G. GUY, GLADYS G. YAO, AND EMILIA A. TABUGADIR, RESPONDENTS.

[G.R. NO. 170186]

SMARTNET PHILIPPINES, PETITIONER, VS. THE COURT OF APPEALS (7TH DIVISION), NORTHERN ISLANDS CO., INCORPORATED, SIMNY G. GUY, GERALDINE G. GUY, GLADYS G. YAO, AND EMILIA A. TABUGADIR, RESPONDENTS.

[G.R. NO. 171066]

LINCOLN CONTINENTAL DEVELOPMENT CO., INC., PETITIONER, VS. NORTHERN ISLANDS CO., INCORPORATED, SIMNY G. GUY, GERALDINE G. GUY, GRACE G. CHEU, GLADYS G. YAO, AND EMILIA A. TABUGADIR, RESPONDENTS.

[G.R. NO. 176650]

LINCOLN CONTINENTAL DEVELOPMENT COMPANY, INC., PETITIONER, VS. NORTHERN ISLANDS CO., INCORPORATED, SIMNY G. GUY, GERALDINE G. GUY, GRACE G. CHEU, GLADYS G. YAO, AND EMILIA A. TABUGADIR, RESPONDENTS.

D E C I S I O N

SANDOVAL-GUTIERREZ, J.:

Before us are five (5) consolidated cases which stemmed from Civil Case No. 04-109444 filed with the Regional Trial Court (RTC), Branch 24, Manila, subsequently re-raffled to Branch 46^[1] and eventually to Branch 25.^[2]

The instant controversies arose from a family dispute. Gilbert Guy is the son of Francisco and Simny Guy. Geraldine, Gladys and Grace are his sisters. The family

feud involves the ownership and control of 20,160 shares of stock of Northern Islands Co., Inc. (Northern Islands) engaged in the manufacture, distribution, and sales of various home appliances bearing the "3-D" trademark.

Simny and her daughters Geraldine, Gladys and Grace, as well as Northern Islands and Emilia Tabugadir, have been impleaded as respondents in the above-entitled cases. Northern Islands is a family-owned corporation organized in 1957 by spouses Francisco and respondent Simny Guy. In November 1986, they incorporated Lincoln Continental Development Corporation, Inc. (Lincoln Continental) as a holding company of the 50% shares of stock of Northern Islands in trust for their three (3) daughters, respondents Geraldine, Gladys and Grace. Sometime in December 1986, upon instruction of spouses Guy, Atty. Andres Gatmaitan, president of Lincoln Continental, indorsed in blank Stock Certificate No. 132 (covering 8,400 shares) and Stock Certificate No. 133 (covering 11,760 shares) and delivered them to Simny.

In 1984, spouses Guy found that their son Gilbert has been disposing of the assets of their corporations without authority. In order to protect the assets of Northern Islands, Simny surrendered Stock Certificate Nos. 132 and 133 to Emilia Tabugadir, an officer of Northern Islands. The 20,160 shares covered by the two Stock Certificates were then registered in the names of respondent sisters, thus enabling them to assume an active role in the management of Northern Islands.

On January 27, 2004, during a special meeting of the stockholders of Northern Islands, Simny was elected President; Grace as Vice-President for Finance; Geraldine as Corporate Treasurer; and Gladys as Corporate Secretary. Gilbert retained his position as Executive Vice President. This development started the warfare between Gilbert and his sisters.

On March 18, 2004, Lincoln Continental filed with the RTC, Branch 24, Manila a Complaint for Annulment of the Transfer of Shares of Stock against respondents, docketed as Civil Case No. 04-109444. The complaint basically alleges that Lincoln Continental owns 20,160 shares of stock of Northern Islands; and that respondents, in order to oust Gilbert from the management of Northern Islands, falsely transferred the said shares of stock in respondent sisters' names. Lincoln Continental then prayed for an award of damages and that the management of Northern Islands be restored to Gilbert. Lincoln also prayed for the issuance of a temporary restraining order (TRO) and a writ of preliminary mandatory injunction to prohibit respondents from exercising any right of ownership over the shares.

On June 16, 2004, Lincoln Continental filed a Motion to Inhibit the Presiding Judge of Branch 24, RTC, Manila on the ground of partiality. In an Order dated June 22, 2004, the presiding judge granted the motion and inhibited himself from further hearing Civil Case No. 04-109444. It was then re-raffled to Branch 46 of the same court.

On July 12, 2004, Branch 46 set the continuation of the hearing on Lincoln Continental's application for a TRO.

On July 13, 2004, respondents filed with the Court of Appeals a Petition for *Certiorari* and *Mandamus*, docketed as CA-G.R. SP No. 85069, raffled off to the Tenth Division. Respondents alleged that the presiding judge of Branch 24, in

issuing the Order dated June 22, 2004 inhibiting himself from further hearing Civil Case No. 04-109444, and the presiding judge of Branch 46, in issuing the Order dated July 12, 2004 setting the continuation of hearing on Lincoln Continental's application for a TRO, acted with grave abuse of discretion tantamount to lack or excess of jurisdiction.

Meanwhile, on July 15, 2004, the trial court issued the TRO prayed for by Lincoln Continental directing respondents to restore to Gilbert the shares of stock under controversy. In the same Order, the trial court set the hearing of Lincoln Continental's application for a writ of preliminary injunction on July 19, 20, and 22, 2004.

On July 16, 2004, the Court of Appeals (Tenth Division) issued a TRO enjoining Branch 46, RTC, Manila from enforcing, maintaining, or giving effect to its Order of July 12, 2004 setting the hearing of Lincoln Continental's application for a TRO.

Despite the TRO, the trial court proceeded to hear Lincoln Continental's application for a writ of preliminary injunction. This prompted respondents to file in the same CA-G.R. SP No. 85069 a Supplemental Petition for *Certiorari*, Prohibition, and *Mandamus* seeking to set aside the Orders of the trial court setting the hearing and actually hearing Lincoln Continental's application for a writ of preliminary injunction.

They prayed for a TRO and a writ of preliminary injunction to enjoin the trial court (Branch 46) from further hearing Civil Case No. 04-109444.

On September 17, 2004, the TRO issued by the Court of Appeals (Tenth Division) in CA-G.R. SP No. 85069 expired.

On September 20, 2004, Gilbert filed a Motion for Leave to Intervene and Motion to Admit Complaint-in- Intervention in Civil Case No. 04-109444. In its Order dated October 4, 2004, the trial court granted the motions.

Meantime, on October 13, 2004, the trial court issued the writ of preliminary mandatory injunction prayed for by Lincoln Continental in Civil Case No. 04-109444.

On October 20, 2004, the Court of Appeals (Tenth Division) denied respondents' application for injunctive relief since the trial court had already issued a writ of preliminary injunction in favor of Lincoln Continental. Consequently, on October 22, 2004, respondents filed with the Tenth Division a Motion to Withdraw Petition and Supplemental Petition in CA-G.R. SP No. 85069.

On October 26, 2004, respondents filed a new Petition for *Certiorari* with the Court of Appeals, docketed as CA- G.R. SP No. 87104, raffled off to the Eighth Division. They prayed that the TRO and writ of preliminary injunction issued by the RTC, Branch 46, Manila be nullified and that an injunctive relief be issued restoring to them the management of Northern Islands. They alleged that Gilbert has been dissipating the assets of the corporation for his personal gain.

On October 28, 2004, the Court of Appeals Eighth Division issued a TRO enjoining the implementation of the writ of preliminary injunction dated October 13, 2004 issued by the trial court in Civil Case No. 04-109444; and directing Lincoln Continental to turn over the assets and records of Northern Islands to respondents.

On November 2, 2004, respondents filed with the appellate court (Eighth Division) an Urgent *Omnibus* Motion praying for the issuance of a break-open Order to implement its TRO.

On November 4, 2004, the Eighth Division issued a Resolution granting respondents' motion. Pursuant to this Resolution, respondents entered the Northern Islands premises at No. 3 Mercury Avenue, Libis, Quezon City.

On November 18, 2004, Gilbert filed with this Court a petition for *certiorari*, docketed as G.R. No. 165849, alleging that the Court of Appeals (Eighth Division), in granting an injunctive relief in favor of respondents, committed grave abuse of discretion tantamount to lack or in excess of jurisdiction. The petition also alleges that respondents resorted to forum shopping.

Meanwhile, on December 16, 2004, Smartnet Philippines, Inc. (Smartnet) filed with the Metropolitan Trial Court (MeTC), Branch 35, Quezon City a complaint for forcible entry against respondents, docketed as Civil Case No. 35-33937. The complaint alleges that in entering the Northern Islands premises, respondents took possession of the area being occupied by Smartnet and barred its officers and employees from occupying the same.

Likewise on December 16, 2004, Ignacio and Ignacio Law Offices also filed with Branch 37, same court, a complaint for forcible entry against respondents, docketed as Civil Case No. 34106. It alleges that respondents forcibly occupied its office space when they took over the premises of Northern Islands.

On December 22, 2004, the Eighth Division issued the writ of preliminary injunction prayed for by respondents in CA-G.R. SP No. 87104.

Subsequently, the presiding judge of the RTC, Branch 46, Manila retired. Civil Case No. 04-109444 was then re-raffled to Branch 25.

On January 20, 2005, respondents filed with the Eighth Division of the appellate court a Supplemental Petition for *Certiorari* with Urgent Motion for a Writ of Preliminary Injunction to Include Supervening Events. Named as additional respondents were 3-D Industries, Judge Celso D. Laviña, Presiding Judge, RTC, Branch 71, Pasig City and Sheriff Cresencio Rabello, Jr. This supplemental petition alleges that Gilbert, in an attempt to circumvent the injunctive writ issued by the Eighth Division of the appellate court, filed with the RTC, Branch 71, Pasig City a complaint for replevin on behalf of 3-D Industries, to enable it to take possession of the assets and records of Northern Islands. The complaint was docketed as Civil Case No. 70220. On January 18, 2005, the RTC issued the writ of replevin in favor of 3-D Industries.

On April 15, 2005, respondents filed with the Eighth Division a Second Supplemental Petition for *Certiorari* and Prohibition with Urgent Motion for the Issuance of an Expanded Writ of Preliminary Injunction. Impleaded therein as additional respondents were Ignacio and Ignacio Law Offices, Smartnet, Judge Maria Theresa De Guzman, Presiding Judge, MeTC, Branch 35, Quezon City, Judge Augustus C. Diaz, Presiding Judge, MeTC, Branch 37, Quezon City, Sun Fire Trading Incorporated, Zolt Corporation, Cellprime Distribution Corporation, Goodgold Realty and Development Corporation, John Does and John Doe Corporations. Respondents

alleged in the main that the new corporations impleaded are *alter egos* of Gilbert; and that the filing of the forcible entry cases with the MeTC was intended to thwart the execution of the writ of preliminary injunction dated December 22, 2004 issued by the Court of Appeals (Eighth Division) in CA-G.R. SP No. 87104.

On April 26, 2005, the Eighth Division issued a Resolution admitting respondents' new pleading. On August 19, 2005, the Eighth Division (now Seventh Division) rendered its Decision in CA-G.R. SP No. 87104, the dispositive portion of which reads:

WHEREFORE, premises considered, the petition is hereby GRANTED and the October 13, 2004 Order and the October 13, 2004 Writ of Preliminary Mandatory Injunction issued by Branch 46 of the Regional Trial Court of Manila are hereby REVERSED and SET ASIDE. The December 17, 2004 Order and Writ of Preliminary Injunction issued by this Court of Appeals are hereby MADE PERMANENT against all respondents herein.

SO ORDERED.

Meanwhile, in a Decision^[3] dated September 19, 2005, the RTC, Branch 25, Manila dismissed the complaint filed by Lincoln Continental and the complaint-in-intervention of Gilbert in Civil Case No. 04-109444, thus:

WHEREFORE, in view of the foregoing, the Complaint and the Complaint-in-Intervention are hereby DISMISSED. Plaintiff and plaintiff-intervenor are hereby ordered to jointly and severally pay defendants the following:

- (a) Moral damages in the amount of Php2,000,000.00 each for defendants Simny Guy, Geraldine Guy, Grace Guy-Cheu and Gladys Yao;
- (b) Moral damages in the amount of Php200,000.00 for defendant Emilia Tabugadir;
- (c) Exemplary damages in the amount of Php2,000,000.00 each for defendants Simny Guy, Geraldine Guy, Grace Guy-Cheu, and Gladys Yao;
- (d) Exemplary damages in the amount of Php200,000.00 for defendant Emilia Tabugadir;
- (e) Attorney's fees in the amount of Php2,000,000.00; and
- (f) Costs of suit.

SO ORDERED.

The trial court held that Civil Case No. 04-109444 is a baseless and an unwarranted suit among family members; that based on the evidence, Gilbert was only entrusted to hold the disputed shares of stock in his name for the benefit of the other family members; and that it was only when Gilbert started to dispose of the assets of the family's corporations without their knowledge that respondent sisters caused the registration of the shares in their respective names.

Both Lincoln Continental and Gilbert timely appealed the RTC Decision to the Court of Appeals, docketed therein as CA-G.R. CV No. 85937.

On September 15, 2005, 3-D Industries, Inc. filed a petition for *certiorari*,