Republic of the Philippines
Supreme Court
Baguio City

FIRST DIVISION

PRISCILO B. PAZ,* Petitioner,	**G.R. No. 203993**
- versus -	Present:
NEW INTERNATIONAL ENVIRONMENTAL UNIVERSALITY, INC., Respondent.	SERENO, *C.J.*, Chairperson, LEONARDO-DE CASTRO, BERSAMIN, PEREZ, and PERLAS-BERNABE, *JJ.*
	Promulgated: APR 2 0 2015

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D E C I S I O N

PERLAS-BERNABE, *J.*:

Assailed in this petition for review on *certiorari*[1] are the Decision[2] dated January 31, 2012 and the Resolution[3] dated October 2, 2012 of the Court of Appeals (CA) in CA-G.R. CV No. 00903-MIN, which affirmed the Decision[4] dated May 19, 2006 of the Regional Trial Court of Davao City, Branch 33 (RTC) in Civil Case No. 29,292-2002, declaring petitioner Captain Priscilo B. Paz (petitioner) liable for breach of contract.

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* "Prisicilo B. Paz" or "Priscillo M. Paz" in some parts of the record.

1 Erroneously titled as "petition for *certiorari.*" *Rollo* (G.R. No. 203993), pp. 32-112. Petitioner also filed an amended petition for *certiorari* (should be petition for review on *certiorari*; id. at 217-300), which was noted by the Court in a Resolution dated July 24, 2013 (see id. at 536-537).

2 Id. at 121-137. Penned by Associate Justice Romulo V. Borja with Associate Justices Pamela Ann Abella Maxino and Zenaida Galapate-Laguilles concurring.

3 Id. at 118-120. Penned by Associate Justice Romulo V. Borja with Associate Justices Pedro B. Corales and Ma. Luisa C. Quijano-Padilla concurring.

4 Id. at 175-185. Penned by Judge Wenceslao E. Ibabao.

The Facts

On March 1, 2000, petitioner, as the officer-in-charge of the Aircraft Hangar at the Davao International Airport, Davao City, entered into a Memorandum of Agreement[5] (MOA) with Captain Allan J. Clarke (Capt. Clarke), President of International Environmental University, whereby for a period of four (4) years, unless pre-terminated by both parties with six (6) months advance notice, the former shall allow the latter to use the aircraft hangar space at the said Airport "exclusively for company aircraft/helicopter."[6] Said hangar space was previously leased to Liberty Aviation Corporation, which assigned the same to petitioner.[7]

On August 19, 2000, petitioner complained in a letter[8] addressed to "MR. ALLAN J. CLARKE, International Environmental Universality, Inc. x x x" that the hangar space was being used "for trucks and equipment, vehicles maintenance and fabrication," instead of for "company helicopter/aircraft" only, and thereby threatened to cancel the MOA if the "welding, grinding, and fabrication jobs" were not stopped immediately.[9]

On January 16, 2001, petitioner sent another letter[10] to "MR. ALLAN J. CLARKE, International Environmental Universality, Inc. x x x," reiterating that the hangar space "must be for aircraft use only," and that he will terminate the MOA due to the safety of the aircrafts parked nearby. He further offered a vacant space along the airport road that was available and suitable for Capt. Clarke's operations.[11]

On July 19, 2002, petitioner sent a third letter,[12] this time, addressed to "MR. ALLAN JOSEPH CLARKE, CEO, New International Environmental University, Inc. x x x," demanding that the latter vacate the premises due to the damage caused by an Isuzu van driven by its employee to the left wing of an aircraft parked inside the hangar space, which Capt. Clarke had supposedly promised to buy, but did not.[13]

On July 23, 2002, petitioner sent a final letter[14] addressed to "MR. ALLAN J. CLARKE, Chairman, CEO, New International Environmental University, Inc. x x x," strongly demanding the latter to **immediately vacate**

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5 Id. at 328.
6 Id.
7 See id. at 123.
8 Id. at 143.
9 See id.
10 Id. at 144.
11 See id.
12 Id. at 145.
13 See id.
14 Id. at 146.

the hangar space. He further informed Capt. Clarke that the company will "apply for immediate electrical disconnection with the Davao Light and Power Company (DLPC)[,] so as to compel [the latter] to desist from continuing with [the] works" thereon.[15]

On September 4, 2002, respondent New International Environmental Universality, Inc.[16] (respondent) filed a complaint[17] against petitioner for breach of contract before the RTC, docketed as Civil Case No. 29,292-2002,[18] claiming that: (*a*) petitioner had disconnected its electric and telephone lines; (*b*) upon petitioner's instruction, security guards prevented its employees from entering the leased premises by blocking the hangar space with barbed wire; and (*c*) petitioner violated the terms of the MOA when he took over the hangar space without giving respondent the requisite six (6)-month advance notice of termination.[19]

In his defense, petitioner alleged, among others, that: (*a*) respondent had no cause of action against him as the MOA was executed between him and Capt. Clarke in the latter's personal capacity; (*b*) there was no need to wait for the expiration of the MOA because Capt. Clarke performed highly risky works in the leased premises that endangered other aircrafts within the vicinity; and (*c*) the six (6)-month advance notice of termination was already given in the letters he sent to Capt. Clarke.[20]

On March 25, 2003, the RTC issued a Writ of Preliminary Injunction[21] ordering petitioner to: (*a*) immediately remove all his aircrafts parked within the leased premises; (*b*) allow entry of respondent by removing the steel gate installed thereat; and (*c*) desist and refrain from committing further acts of dispossession and/or interference in respondent's occupation of the hangar space.

For failure of petitioner to comply with the foregoing writ, respondent filed on October 24, 2003 a petition for indirect contempt[22] before the RTC, docketed as Civil Case No. 30,030-2003, which was tried jointly with Civil Case No. 29,292-2002.[23]

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15 See id.

16 In the MOA, respondent was identified simply as "International Environmental University." Pursuant to the Order of the Securities and Exchange Commission (SEC) dated April 11, 2005 (see id. at 411), respondent was ordered to enjoin from using the afore-mentioned name and to revert to its correct name of "New International Universality, Inc." as shown in the issued Certificate of Incorporation on September 3, 2001; see id. at 177-178.

17 Not attached to the records of the case.

18 *Rollo* (G.R. No. 203993), pp. 125 and 175-176. Respondent also filed an Amended Complaint impleading E.V.D. Security Agency as additional defendant.

19 See id. at 125-126.

20 See id. at 126-127.

21 Id. at 160-161. Issued by Judge Renato A. Fuentes.

22 Not attached to the records of the case.

23 See *rollo* (G.R. No. 203993), pp. 129 and 175-176.

The RTC Ruling

After due trial, the RTC rendered a Decision[24] dated May 19, 2006 finding petitioner: (*a*) **guilty of indirect contempt** for contumaciously disregarding its Order[25] dated March 6, 2003, by not allowing respondent to possess and occupy the leased premises pending final decision in the main case; and (*b*) **liable for breach of contract** for illegally terminating the MOA even before the expiration of the term thereof.[26] He was, thus, ordered to pay a fine of □5,000.00, and to pay respondent nominal damages of □100,000.00 and attorney's fees of □50,000.00 with legal interest, and costs of suit.[27]

On the challenge to respondent's juridical personality, the RTC quoted the Order[28] dated April 11, 2005 of the SEC explaining that respondent was issued a Certificate of Incorporation on September 3, 2001 as *New International Environmental Universality, Inc.* but that, subsequently, when it amended its Articles of Incorporation on November 14, 2001 and July 11, 2002, the SEC Extension Office in Davao City erroneously used the name *New International Environmental University, Inc*.[29] The latter name was used by respondent when it filed its amended complaint on September 11, 2002 and the petition for indirect contempt against petitioner on October 24, 2003 believing that it was allowed to do so, as it was only on April 11, 2005 when the SEC directed it to revert to its correct name.[30]

The RTC further declared that the MOA, which was "made and executed by and between CAPT. [PRISCILO] B. PAZ, Officer-In-Charge of Aircraft Hangar at Davao International Airport, Davao City, Philippines, hereinafter called as FIRST PARTY [a]nd CAPT. ALLAN J. CLARKE[,] President of INTERNATIONAL ENVIRONMENTAL UNIVERSITY with office address at LIBERTY AVIATION HANGAR, Davao International Airport, Davao City, Philippines, hereinafter called as SECOND PARTY,"[31] was executed by the parties not only in their personal capacities but also in representation of their respective corporations or entities.[32]

On the issue of the violation of the terms of the MOA, the RTC found respondent to have been **effectively evicted** from the leased premises between July and August of 2002, or long before the expiration of the term thereof in 2004, when petitioner: (*a*) placed a gate/fence that prevented

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24 Id. at 175-185.
25 Id. at 155-159.
26 Id. at 184.
27 Id. at 184-185.
28 Id. at 411.
29 Id. See also id. at 177-178.
30 See id. at 179.
31 Id. at 328.
32 See id. at 179-180.

ingress to and egress from the leased premises; (*b*) parked a plane inside and outside the leased premises; (*c*) disconnected the electrical and telephone connections of respondent; and (*d*) locked respondent's employees out.[33] Despite the service of the injunctive writ upon petitioner, respondent was not allowed to possess and occupy the leased premises, as in fact, the trial court even had to order on March 8, 2004 the inventory of the items locked inside the *bodega* of said premises that was kept off-limits to respondent. Hence, petitioner was declared guilty of indirect contempt.[34]

Aggrieved, petitioner elevated his case on appeal before the CA, arguing that the trial court should have dismissed outright the cases against him for failure of respondent to satisfy the essential requisites of being a party to an action, *i.e.*, legal personality, legal capacity to sue or be sued, and real interest in the subject matter of the action.[35]

The CA Ruling

Finding that the errors ascribed by petitioner to the trial court only touched the civil action for breach of contract, the appellate court resolved the appeal against him in a Decision[36] dated January 31, 2012, and **affirmed** the RTC's finding of petitioner's liability for breach of contract.[37]

The CA ruled that, while there was no corporate entity at the time of the execution of the MOA on March 1, 2000 when Capt. Clarke signed as "President of International Environmental University," petitioner is nonetheless **estopped** from denying that he had contracted with respondent as a corporation, having recognized the latter as the "Second Party" in the MOA that "will use the hangar space exclusively for **company** aircraft/helicopter."[38] Petitioner was likewise found to have issued checks to respondent from May 3, 2000 to October 13, 2000, which belied his claim of contracting with Capt. Clarke in the latter's personal capacity.[39]

Petitioner moved for the reconsideration[40] of the foregoing Decision, raising as an additional issue the death[41] of Capt. Clarke which allegedly warranted the dismissal of the case.[42] However, the motion was denied in a Resolution[43] dated October 2, 2012 where the CA held that Capt. Clarke was

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33 See id. at 181-182.
34 See id. at 182-183.
35 See id. at 130.
36 Id. at 121-137.
37 Id. at 136.
38 See id. at 135.
39 Id. at 135-136.
40 Not attached to the records of case.
41 See Certificate of Death of Capt. Clarke; *rollo* (G.R. No. 203993), p. 173, including dorsal portion.
42 Id. at 119.
43 Id. at 118-120.

merely an agent of respondent, who is the real party in the case. Thus, Capt. Clarke's death extinguished only the agency between him and respondent, not the appeal against petitioner.[44]

Undaunted, petitioner is now before the Court *via* the instant petition,[45] claiming that: (*a*) the CA erred in not settling his appeal for both the breach of contract and indirect contempt cases in a single proceeding and, consequently, the review of said cases before the Court should be consolidated,[46] and (*b*) the CA should have dismissed the cases against him for (*1*) lack of jurisdiction of the trial court in view of the failure to implead Capt. Clarke as an indispensable party;[47] (*2*) lack of legal capacity and personality on the part of respondent;[48] and (*3*) lack of factual and legal bases for the assailed RTC Decision.[49]

The Court's Ruling

The petition lacks merit.

First, on the matter of the consolidation[50] of the instant case with G.R. No. 202826 entitled "*Priscilo B. Paz v. New International Environmental University*," the petition for review of the portion of the RTC Decision finding petitioner guilty of indirect contempt,[51] the Court had earlier denied said motion in a Resolution[52] dated July 24, 2013 on the ground that G.R. No. 202826 had already been denied[53] with finality.[54] Thus, any further elucidation on the issue would be a mere superfluity.

Second, whether or not Capt. Clarke should have been impleaded as an indispensable party was correctly resolved by the CA which held that the former was merely an agent of respondent.[55] While Capt. Clarke's name and signature appeared on the MOA, his participation was, nonetheless, limited to being a representative of respondent. As a mere representative, Capt. Clarke acquired no rights whatsoever, nor did he incur any liabilities, arising from the contract between petitioner and respondent. Therefore, he was not an indispensable party to the case at bar.[56]

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44 Id. at 119.
45 Id. at 217-300.
46 Id. at 69-72. See also id. at 256-260.
47 Id. at 72-78. See also id. at 260-266.
48 Id. at 79-80. See also id. at 267-268.
49 Id. at 78 and 266.
50 See Motion to Consolidate Cases dated June 27, 2013; id. at 514-519.
51 Id. at 514.
52 Id. at 536.
53 In a Resolution dated October 22, 2012. See id. at 422.
54 On May 8, 2013, an Entry of Judgment had already been issued in G.R. 202826. See *rollo* (G.R. No. 202826), pp. 437-438.
55 See *rollo* (G.R. No. 203993), p.119.
56 *Cf. Chua v. Total Office Products and Services, Inc.*, 508 Phil. 490, 499-500 (2005).

It should be emphasized, as it has been time and again, that this Court is not a trier of facts, and is thus not duty-bound to analyze again and weigh the evidence introduced in and considered by the tribunals.[57] When supported by substantial evidence, the findings of fact by the CA are conclusive and binding on the parties and are not reviewable by this Court, unless the case falls under any of the exceptions,[58] none of which was established herein.

The CA had correctly pointed out that, from the very language itself of the MOA entered into by petitioner whereby he obligated himself to allow the use of the hangar space "for **company** aircraft/helicopter," petitioner cannot deny that he contracted with respondent.[59] Petitioner further acknowledged this fact in his final letter dated July 23, 2002, where he reiterated and strongly demanded the former to immediately vacate the hangar space his "**company** is occupying/utilizing."[60]

Section 21[61] of the Corporation Code[62] explicitly provides that one who assumes an obligation to an ostensible corporation, as such, cannot resist performance thereof on the ground that there was in fact no corporation. Clearly, petitioner is bound by his obligation under the MOA not only on *estoppel* but by express provision of law. As aptly raised by respondent in its Comment[63] to the instant petition, it is futile to insist that petitioner issued the receipts for rental payments in respondent's name and not with Capt. Clarke's, whom petitioner allegedly contracted in the latter's personal capacity, only because it was upon the instruction of an employee.[64] Indeed, it is disputably presumed that a person takes ordinary care of his concerns,[65] and that all private transactions have been fair and regular.[66] Hence, it is assumed that petitioner, who is a pilot, knew what he was doing with respect to his business with respondent.

Petitioner's pleadings, however, abound with clear indications of a business relationship gone sour. In his third letter dated July 19, 2002, petitioner lamented the fact that Capt. Clarke's alleged promise to buy an

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57 See *Sps. Saraza v. Francisco*, G.R. No. 198718, November 27, 2013.
58 See *Sps. Binua v. Ong*, G.R. No. 207176, June 18, 2014.
59 *Rollo* (G.R. No. 203993), p. 135.
60 Id. at 146.
61 SEC. 21. *Corporation by estoppel.* – All persons who assume to act as a corporation knowing it to be without authority to do so shall be liable as general partners for all debts, liabilities and damages incurred or arising as a result thereof: *Provided, however*, That when any such ostensible corporation is sued on any transaction entered by it as a corporation or on any tort committed by it as such, it shall not be allowed to use as a defense its lack of corporate personality.

One who assumes an obligation to an ostensible corporation as such, cannot resist performance thereof on the ground that there was in fact no corporation.
62 Batas Pambansa Blg. 68 (May 1, 1980).
63 Dated April 18, 2013. *Rollo* (G.R. No. 203993), pp. 372-408.
64 See id. at 388-389.
65 See Rule 131, Section 3 (d) of the Rules of Court.
66 See Rule 131, Section 3 (p) of the Rules of Court.

aircraft had not materialized.[67] He likewise insinuated that Capt. Clarke's real motive in staying in the leased premises was the acquisition of petitioner's right to possess and use the hangar space.[68] Be that as it may, it is settled that courts have no power to relieve parties from obligations they voluntarily assumed, simply because their contracts turn out to be disastrous deals or unwise investments.[69]

The lower courts, therefore, did not err in finding petitioner liable for breach of contract for effectively evicting respondent from the leased premises even before the expiration of the term of the lease. The Court reiterates with approval the ratiocination of the RTC that, if it were true that respondent was violating the terms and conditions of the lease, "[petitioner] should have gone to court to make the [former] refrain from its 'illegal' activities or seek rescission of the [MOA], rather than taking the law into his own hands."[70]

WHEREFORE, the petition is **DENIED**. The Decision dated January 31, 2012 and the Resolution dated October 2, 2012 of the Court of Appeals in CA-G.R. CV No. 00903-MIN are hereby **AFFIRMED**.

SO ORDERED.

ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

LUCAS P. BERSAMIN
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

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67 *Rollo* (G.R. No. 203993), p. 145.
68 Id. at 128.
69 *Fernandez v. Sps. Tarun*, 440 Phil. 334, 347 (2002).
70 *Rollo* (G.R. No. 203993), p. 182.

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.

MARIA LOURDES P. A. SERENO
Chief Justice