Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

TOLEDO CONSTRUCTION CORP. EMPLOYEES' ASSOCIATION-ADLO-KMU, REPRESENTED BY DANILO REYES, Petitioner, -versus- **TOLEDO CONSTRUCTION CORP., DUMAGUETE BUILDERS AND EQUIPMENT CORP., CASTELWEB TRADING AND DEVELOPMENT CORP., KJP RESOURCES, INC., ONE TRADING CORP., AND JANUARIO RODRIGUEZ, THE OWNER-PRESIDENT-CHAIRMAN OF ALL RESPONDENT CORPORATIONS,** Respondents.	**G.R. No. 204868** Present: LEONEN, *J., Chairperson,* LAZARO-JAVIER, LOPEZ, M., LOPEZ, J., and KHO, JR., *JJ.* **Promulgated:** DEC 07 2022

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DECISION

LEONEN, *J.*:

Denial of a party's opportunity to be heard because of extrinsic fraud warrants relief from judgment. Moreover, the separate personalities of corporations cannot be used to escape judgment liabilities especially in labor disputes. The full satisfaction of the judgment award in these cases must be achieved.

This Corp. a Petition for Review on Certiorari[1] filed by TOLEDO CONSTRUCTION CORP. EMPLOYEES' ASSOCIATION-ADLO-KMU, represented by Danilo Reyes, assailing the Court of Appeals Decision[2] and Resolution[3] in CA-G.R. SP. No. 119872. The Court of Appeals dismissed the Petition for Certiorari filed by Toledo Construction Corp. Employees' Association-ADLO-KMU, assailing the February 14, 2011[4] and March 11, 2011[5] Resolutions of the National Labor Relations Commission Second Division.

In September 2003, Toledo Construction Corporation Employees' Association-ADLO-KMU (Union) affiliated with ADLO-KMU. Allegedly due to their union activities, Union members were interrogated by Toledo Construction Corporation (Toledo).[6] Thus, the Union filed a preventive mediation case before the National Conciliation and Mediation Board.[7]

On September 16, 2003, Toledo issued a memorandum to Danilo Reyes, the Union president, offering him the position of "office purchaser," which he declined. Toledo Human Resource Development Officer Virgie Valenzuela then told Danilo Reyes the following day that he was being placed on "floating status" because he refused Toledo's offer. Less than a week after, Toledo issued a memorandum to Danilo Reyes telling him not to report to work anymore beginning October 1, 2003.[8]

From September 24, 2003 to October 28, 2003, Toledo issued several other letters to a total of 16 Union officers and members. They were all dismissed from service based on various grounds.[9] As a result, the Union filed a Notice of Strike on October 28, 2003.[10]

Upon request of Toledo, the secretary of labor issued an Order dated November 13, 2003, assuming jurisdiction over the labor dispute.[11] The labor secretary directed the parties to desist from taking any action that might aggravate the situation.[12]

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1 *Rollo*, pp. 11–58.
2 *Id.* at 62–75. The August 31, 2012 Decision was penned by Associate Justice Marlene Gonzales-Sison, and concurred in by Associate Justices Hakim S. Abdulwahid and Edwin D. Sorongon of the Sixth Division, Court of Appeals, Manila.
3 *Id.* at 60–61. The December 10, 2012 Resolution was penned by Associate Justice Marlene Gonzales-Sison, and concurred in by Associate Justices Hakim S. Abdulwahid and Edwin D. Sorongon of the Sixth Division, Court of Appeals, Manila.
4 *Id.* at 128–145.
5 *Id.* at 126–127.
6 *Id.* at 63.
7 *Id.* at 20.
8 *Id.* at 63.
9 *Id.*
10 *Id.* at 20.
11 *Id.* at 63.
12 *Id.* at 63–64.

On December 6, 2003, Toledo dismissed Union secretary Kenneth Canlom from service which prompted the Union to conduct a picket. Toledo then continued to dismiss 65 more Union officers and members from service.[13]

Thus, from January 26 to 28, 2004,[14] the Union filed seven complaints for illegal dismissal, unfair labor practice, and non-payment of 13th month pay, service incentive leave pay, rest day, and emergency cost of living allowance. The Union named Toledo, Dumaguete Builders and Equipment Corporation (Dumaguete), and Januario Rodriguez (Rodriguez) as respondents.

On February 11, 2004, Toledo filed an illegal strike complaint against the Union, its officers, and members.[15]

Consequently, the seven illegal dismissal complaints, Notice of Strike, and illegal strike complaint were all consolidated into a certified case.

On February 24, 2005, the National Labor Relations Commission (the Commission) rendered a Decision[16] on the certified case, the dispositive portion of which reads:

> WHEREFORE, premises considered, judgment is hereby rendered:
>
> 1. Declaring that the strike held by the Union is illegal;
> 2. Declaring that the Union officers, by reason of such illegal strike, are deemed to have lost their employment status;
> 3. Declaring that the following employees were illegally dismissed, entitled to separation pay in lieu of reinstatement, full backwages from their dismissal until the finality of this Decision, unpaid wages, the 13th month pay, SIL:
>
>   a. All employees who were dismissed by reason of retrenchment and for alleged participation in the illegal strike:
>   1. Danilo Reyes
>   2. Romeo Tadeo
>   3. Rodrigo Bantillan
>   4. Joseph Ronil Botero
>   5. Generoso Pauyon
>   6. Enrico Caina
>   7. Rolando delos Santos
>   8. Jaime Bornasa
>   9. Rolando Alvarez

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13 *Id.* at 64.

14 The Petition mentions January 26, 27, and 28, 2003 as the dates of the complaints. However, based on the records, specifically pages 426–435, the true dates of the complaint are January 26, 27, and 28, 2004.

15 *Rollo*, p. 21.

16 *Id.* at 195–213.

10. Andres Fulg[u]eras[17]
11. Kenneth Canlom

b. Employees who were dismissed for participation in the illegal strike but without proof of notice to them of the Assumption Order, namely:
    1. Edgardo Pepito
    2. Joseph Diaz
    3. Matias Taroja, Jr.
    4. Rodolfo Panaligan
    5. Diego Redobante
    6. Rio C. Torres
    7. Domingo Guttap
    8. Noel Codillon

The Computation division, NLRC is hereby directed to compute the monetary awards as decreed.

All other claims are dismissed for lack of merit.

SO ORDERED.[18]

Upon motion for reconsideration, the Commission rendered a February 22, 2006 Decision modifying its earlier Decision. It found that Generoso Pauyon, Jaime Bornasa, and Andres Fulgueras were not illegally dismissed. This Decision became final and executory on March 16, 2006. An Entry of Judgment was issued on March 22, 2006.[19]

It turns out, however, that both parties filed Petitions for Certiorari before the Court of Appeals. On December 20, 2006, the Court of Appeals reversed the Commission's Decision but only insofar as it declared Andres Fulgueras not illegally dismissed.[20] The Court of Appeals reinstated the February 24, 2005 Decision of the Commission declaring Andres Fulgueras illegally dismissed.[21]

On February 8, 2007, the Computation Division of the Commission pegged the monetary awards for all employees to ₱6,430,538.61.[22]

On August 13, 2007, the Commission issued a Writ of Execution[23] directing its Quezon City sheriff to collect the amount of the monetary award and the execution fee from Toledo.[24] The sheriff was able to garnish funds in the name of Toledo deposited with the Bank of Commerce, but this

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17 Spelled as "Fulgueras" in other parts of the *rollo*.
18 *Id.* at 211–213.
19 *Id.* at 65.
20 *Id.*
21 *Id.* at 65–66.
22 *Id.* at 66.
23 *Id.* at 132–136.
24 *Id.* at 66.

amounted only to ₱12,670.00.[25]

On February 10, 2009, Toledo filed an Urgent Motion to Quash and/or Recall the Writ of Execution.[26]

On March 10, 2009, the Office of the Assistant Secretary of the Land Transportation Office received a copy of a March 3, 2009 Notice of Levy[27] which commanded its annotation on the registration of several vehicles in Toledo's name to satisfy the remaining portion of the judgment award.

However, prior to the transmittal of the Notice of Levy from the Office of the Assistant Secretary of the Land Transportation Office to the Diliman District Office, Toledo was able to register the vehicles in Dumaguete's and Castelweb Trading and Development Corporation's (Castelweb) names.[28]

Dumaguete and Castelweb filed their respective third-party claims on the vehicles in their name which were subjects of the levy.[29]

The Land Transportation Office issued a memorandum to Dumaguete, informing it of the cancellation of the vehicles' transfers of ownership.[30] The vehicles were then reverted to Toledo.

On May 28, 2010, the Commission denied Toledo's Urgent Motion to Quash and/or Recall the Writ of Execution. It ruled that in view of Toledo filing a Petition for Certiorari before the Court of Appeals, the issue had become moot.[31] It also dismissed the third-party claim filed by Dumaguete and Castelweb. The Commission ordered the release of the garnished funds under the name of Toledo, and the sale on execution of the levied motor vehicles covered by the notice of cancellation of registration. The Commission also authorized the Executive Clerk of Court of the Second Division to issue an Alias Writ of Execution to enforce the remaining portion of the judgment award that remains unsatisfied.[32]

Both the Union and Toledo moved for reconsideration. Castelweb filed a notice of third-party claim.

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25 *Id.* at 68.
26 *Id.* at 66.
27 *Id.* at 600.
28 *Id.* at 67.
29 *Id.*
30 *Id.*
31 *Id.*
32 *Id.* at 67–68.

In its Motion for Partial Reconsideration with Manifestation,[33] the Union argued that Dumaguete and Rodriguez should have been included as respondents in the Writ of Execution, as they were impleaded in the original complaint.[34]

On September 30, 2010, the Commission issued a Resolution ordering the release of the garnished funds in Toledo's account with the UCPB – Del Monte Branch. It also dismissed the Motion for Partial Reconsideration with Manifestation filed by the Union, which prayed for the enforcement of the monetary award against Dumaguete and Rodriguez.[35]

On October 20, 2010, the Union filed an Urgent Motion for Clarification.[36] It argued that since Dumaguete and Rodriguez were impleaded as co-respondents in the original complaints for illegal dismissal, they should also be held liable for the judgment award. It pointed out that both Toledo and Dumaguete are owned and controlled by the Rodriguez family, and are engaged in the same line of business. They also shared the same business address, and had the same corporate secretary and human resource personnel.[37]

Furthermore, the Union argued that Toledo fraudulently transferred its properties to Dumaguete and Castelweb to avoid its liability on the judgment award. It argued that Rodriguez incorporated KJP Resources, Incorporated (KJP Resources) and One Trading Corporation (One Trading) after judgment was entered. To the Union, this showed the plan to further transfer Toledo and Dumaguete's assets in case they are included in the Writ of Execution.[38] The Union prayed that the Commission pierce the corporate veil of all five corporations, and hold them jointly and severally liable with Rodriguez.[39]

The Commission treated the Urgent Motion for Clarification as a second Motion for Reconsideration. On November 30, 2010, the Commission denied the Union's Urgent Motion, finding no reason to reconsider its September 30, 2010 Resolution.[40]

On December 20, 2010, the Union filed a Petition for Relief from Judgment,[41] praying that the September 30, 2010 Resolution of the Commission be set aside. It also asked that the veil of corporate fiction of

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33 *Id.* at 318–328.
34 *Id.* at 260–261.
35 *Id.* at 68.
36 *Id.* at 258–266. The motion was titled Very Urgent Motion for Clarification to Prevent the Decision from Becoming a Worthless Piece of Judgment and Prevent an Unjust Situation of Rendering the Illegally Dismissed Employees Empty Handed.
37 *Id.* at 261.
38 *Id.* at 264.
39 *Id.* at 265.
40 *Id.* at 135.
41 *Id.* at 228–252.

Toledo, Dumaguete, Castelweb, KJP Resources, and One Trading be pierced. It prayed that the five corporations be considered as one corporate entity and be held jointly and severally liable on the judgment award, together with their president, Rodriguez.[42] In the Petition for Relief, the Union claimed that extrinsic fraud existed when their counsel was induced by the Commission, particularly Commissioner Raul T. Aquino, to believe that the proper remedy to contest the September 30, 2010 Resolution of the Commission was to file an Urgent Motion for Clarification.[43]

The Commission dismissed the Petition for Relief from Judgment in its February 14, 2011 Resolution. It did not find the existence of extrinsic fraud. The dispositive portion of the Resolution reads:

> WHEREFORE, premises considered, the instant petition for relief from judgment is hereby DISMISSED for lack of merit.[44]

In a March 11, 2011 Resolution, the Commission denied a subsequent motion for reconsideration filed by the Union.[45]

From these Resolutions, the Union filed a Petition for Certiorari before the Court of Appeals. It argued that the Commission gravely abused its discretion in not finding the existence of extrinsic fraud. It also claimed that the Commission should have pierced the corporate veil of the five companies to hold them jointly and severally liable for the judgment award together with their common president, Rodriguez.

The Court of Appeals dismissed the Petition. Citing *AFP Mutual Benefit Association v. Regional Trial Court*,[46] it ruled that the extrinsic fraud required for relief from judgment is that used by the winning party which prevents the losing party from being heard on their action or defense. According to the Court of Appeals, the Union failed to allege or present evidence of fraud committed by Toledo, Dumaguete, Castelweb, KJP Resources, One Trading, and Rodriguez. The Court of Appeals found that a petition for relief was not the proper remedy.

Moreover, the Court of Appeals did not find any reason to pierce the corporate veils of the five corporations.[47] First, it found that Castelweb, KJP Resources, and One Trading were not impleaded in the original complaint. Relying on the case of *Kukan International Corp. v. Reyes*,[48] the Court of Appeals said that piercing the corporate veil is only applied to determine

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42 *Id.* at 252.
43 *Id.* at 230.
44 *Id.* at 69.
45 *Id.*
46 658 Phil. 69 (2011) [Per J. Abad, Second Division].
47 *Rollo*, p. 73.
48 646 Phil. 210 (2010) [Per J. Velasco, Jr., First Division].

liability, and not to confer on the court jurisdiction that was never acquired.

The Court of Appeals also found that the Union failed to show, by clear and convincing evidence, that the corporations were used as cloaks to cover fraud or illegality. It neither showed that the corporations were being used to justify a wrong nor that they were mere alter egos. The Court of Appeals ruled that mere ownership of substantial shares in several corporations by a common stockholder is not sufficient to disregard their separate corporate personalities.[49]

The Court of Appeals emphasized that the February 22, 2006 Decision of the Commission had already become final and executory on March 16, 2006. Thus, the Decision is no longer subject to any changes, except only for correction of clerical errors, the making of *nunc pro tunc*, or where the judgment is void.[50]

Lastly, the Court of Appeals did not find malice, bad faith, or any provision of law that would make Rodriguez personally liable as a corporate officer of the five corporations. As a result, the Court of Appeals dismissed the Petition for Certiorari of the Union.

On February 4, 2013, the Union filed a Petition for Review on Certiorari[51] before this Court, assailing the Decision of the Court of Appeals.

Respondents filed their Comment[52] on May 20, 2013. In response, petitioner filed its Reply.[53] This Court then required the parties to submit their respective Memorandum.[54] Respondents filed theirs on February 21, 2014 while petitioner filed its Memorandum on March 18, 2014.

Petitioner Union faults the Court of Appeals for ruling that it must be the prevailing party who perpetrates the fraud for relief from judgment to be granted. Petitioner argues that nothing in Rule 38, Section 1[55] of the Rules of Court provides that the fraud must be committed by the winning party.[56] All that the rule provides is that a judgment or final order is entered against a party through fraud—without any qualifications. To petitioner, the assailed Decision is therefore against the express provision of the rule.[57]

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49 *Rollo*, p. 73.
50 *Id.* at 74.
51 *Id.* at 11–58.
52 *Id.* at 867–890.
53 *Id.* at 918–937.
54 *Id.* at 940.
55 SECTION 1. *Petition for Relief from Judgment, Order, or Other Proceedings.* — When a judgment or final order is entered, or any other proceeding is thereafter taken against a party in any court through fraud, accident, mistake, or excusable negligence, he may file a petition in such court and in the same case praying that the judgment, order or proceeding be set aside.
56 *Rollo*, p. 33.
57 *Id.* at 34.

Petitioner cites the basic rule in statutory construction that when the law or rule is clear and unambiguous, there is no room for interpretation. The words must be given their literal meaning. According to petitioner, the grounds as enumerated in the Rule are stated in general terms, and so they should not be restricted by specific words.[58] The word "fraud" as it appears in the provision is not followed by any words that describe it, nor is there any reference as to which party should commit it. It is enough that there was fraud committed against the losing party.[59]

Petitioner contends that fraud was committed against it by Commissioner Raul T. Aquino (Commissioner Aquino) during the pre-execution conference. Although not a party to the case, Commissioner Aquino allegedly induced petitioner's counsel to file a Motion for Clarification, instead of a Petition for Certiorari, to hold respondent corporations and Rodriguez liable.[60] Considering that the case has dragged on for years, petitioner's counsel took Commissioner Aquino's advice, hoping it would lead to a speedy resolution of the issue. That Commissioner Aquino was not an ordinary personnel of the Commission and that his Office handled the case were also considered.[61]

Petitioner insists that Commissioner Aquino's advice is the kind of fraud required in a petition for relief from judgment. It argues that Commissioner Aquino led its counsel to believe that filing the Motion for Clarification was the proper recourse which deprived it of the opportunity to file a Petition for Certiorari to assail the Commission's Resolution.

Petitioner maintains that it was not avoiding the judgment of the Commission when it filed the Motion for Clarification. It merely sought the correction of the judgment so that all the original party respondents impleaded in the complaint, as well as the three other corporations, are included in the Writ of Execution. This will ensure that the judgment will be fully executed and will not be mere paper victory for petitioner.[62]

Petitioner emphasizes that it has been vigorously arguing its case for almost a decade. Its actions included filing a criminal case for fraudulent insolvency against Rodriguez; even prosecuting its cause up to the Supreme Court in related cases. It also caused the cancellation of the fraudulent registration of some vehicles with the Land Transportation Office.[63]

Had Commissioner Aquino not led petitioner's counsel to believe that

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58 *Id.*
59 *Id.* at 997.
60 *Id.* at 35.
61 *Id.* at 36.
62 *Id.*
63 *Id.*

filing a Motion for Clarification was an appropriate and expedient recourse to this decade-old case, petitioner claims it was ready to file a Petition for Certiorari within the reglementary period.[64] Petitioner asserts that the Urgent Motion for Clarification was filed within the reglementary period to file the Petition for Certiorari. Therefore, filing the petition for relief from the decision on the Motion was not intended to revive a lost appeal.[65]

Granting there was no fraud in this case, petitioner further argues that its petition for relief from judgment can still prosper. It cites Rule X, Section 10 of the 2011 Rules of Procedure of the National Labor Relations Commission.[66] Moreover, Rule VII, Section 10[67] of the same Rules provides that technical rules in courts are not binding in procedures before the Commission.

As to its claim that the five corporations and Rodriguez should all be held jointly and severally liable, petitioner argues that Rodriguez merely used these corporations as cloaks for fraud or illegality and to avoid existing obligations. Petitioner says it has shown the fraudulent scheme of Toledo to evade its legal obligations. It emphasized how Toledo hastily transferred its properties *en masse* to Dumaguete and Castelweb after it acquired knowledge of the Writ of Execution. Further, Rodriguez caused the registration of KJP Resources and One Trading after judgment has been entered, to serve as transferees of Dumaguete's and Toledo's assets.[68]

Moreover, petitioner highlights that the Land Transportation Office ordered the cancellation of several registrations of vehicles owned by Toledo as these vehicles were found to have been fraudulently transferred to Dumaguete and Castelweb to avoid Toledo's legal obligations.[69]

Petitioner asserts that the doctrine of piercing the veil of corporate fiction does not only require a confluence of the factors laid down in *Kukan*.[70] It claims that the doctrine applies in three basic instances, as enumerated in *General Credit Corporation v. Alsons Development*:[71]

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64 *Id.* at 37.

65 *Id.* at 1000–1001.

66 SECTION 10. *Ordinary Remedy in Law or in Equity.* — Nothing in this Rule shall deprive any party having a claim or cause of action under or upon such undertaking from electing to pursue his/her ordinary remedy by suit at law or in equity.

67 SECTION 10. *Technical Rules Not Binding.* — The rules of procedure and evidence prevailing in courts of law and equity shall not be controlling and the Commission shall use every and all reasonable means to ascertain the facts in each case speedily and objectively, without regard to technicalities of law or procedure, all in the interest of due process.
In any proceeding before the Commission, the parties may be represented by legal counsel but it shall be the duty of the Chairman, any Presiding Commissioner or Commissioner to exercise complete control of the proceedings at all stages.

68 *Rollo*, p. 42.

69 *Id.* at 45.

70 *Id.*

71 542 Phil. 219, 232 (2007) [Per J. Garcia, First Division].

(1) In defeat of public convenience, as when the corporate fiction is used as a vehicle for the evasion of an existing obligation;

(2) In fraud cases, or when the corporate entity is used to justify a wrong, protect a fraud, or defend a crime; or

(3) In alter ego cases, i.e., where a corporation is essentially a farce, since it is a mere alter ego or business conduit of a person, or where the corporation is so organized and controlled and its affairs so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation.[72]

According to petitioner, the first and second instances apply. First, petitioner insists that respondent Toledo is using the separate corporate personality of the other corporations to evade payment of its existing obligation.[73] Second, petitioner claims that respondents Dumaguete and KJP Resources were being used to protect a fraud. This is supported by the fact that they filed a criminal case before the Ombudsman against the sheriff and Danilo Reyes after the service of the Notice of Levy in an attempt to conceal their fraudulent scheme. The two corporations then presented a Contract of Lease as a basis for claiming ownership over the vehicles.[74]

Petitioner also insists that under the doctrine of piercing the corporate veil, when businesses are owned, conducted, and controlled by the same person, both law and equity will disregard their separate corporate personalities and consider them as one to protect the rights of third parties.[75] It claims that only six persons own the corporations, and Rodriguez is the majority stockholder in all of them.[76]

Lastly, petitioner argues that the Court of Appeals erred when it applied the principle of immutability of judgment. Petitioner cites three exceptions to this principle as applicable to its case. First, the non-inclusion of respondents Dumaguete and Rodriguez in the Writ of Execution is only a clerical error. Second, what is involved is merely a *nunc pro tunc* judgment that supplies the record with something that actually occurred. Finally, petitioner maintains that the fraudulent acts of respondents happened after the finality of the decision, rendering its execution unjust and inequitable.[77]

For their part, respondents reiterate the ruling of the Court of Appeals that petitioner does not have basis for its Petition for Relief from Judgment.

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72 *Rollo*, p. 45 *citing General Credit Corporation v. Alsons Development*, 542 Phil. 219, 232 (2007) [Per J. Garcia, First Division].

73 *Id.* at 45.

74 *Id.* at 48–49.

75 *Id.* at 51.

76 *Id.*

77 *Id.* at 55.

They assert that the kind of fraud required for a petition for relief from judgment is extrinsic fraud which the prevailing party caused.[78] By petitioner's own admission, the alleged fraud was committed by Commissioner Aquino and not by respondents.[79] Respondents denied participating in the meeting between petitioner and Commissioner Aquino.[80] Further, they allege that petitioner's resort to the wrong procedure cannot be characterized as fraud, but is actually inexcusable negligence on the part of petitioner's counsel[81] which binds the client.[82] Moreover, respondents claim that petitioner was not prevented from filing the appropriate petition for certiorari with the Court of Appeals.[83]

Respondents allege that petitioner had already lost its right to file a petition for certiorari to assail the Resolution of the Commission. This is why petitioner resorted to filing a Motion for Clarification which is the wrong mode of assailing the Resolution. Respondents also claim that the Petition for Relief from Judgment is an appeal from the Resolution of the Commission, which petitioner had already lost.[84] Citing *Tuason v. Court of Appeals*,[85] respondents claim that relief will not be granted when the party who seeks to avoid a judgment lost their remedy at law due to their own negligence. Thus, a petition for relief cannot be used to revive an appeal lost through inexcusable negligence.[86]

Respondents also argue that impleading Castelweb, KJP Resources, and One Trading would violate their right to due process. They emphasize that the Resolution of the Commission did not declare respondents' joint and solidary liability. Only respondent Toledo was adjudged as liable. In fact, Dumaguete and Rodriguez were neither served with summons by the Commission, nor did they appear before it. Therefore, jurisdiction over them was never acquired.[87]

As to respondents Castelweb, KJP Resources, and One Trading, respondents claim that petitioner only impleaded them during the execution stage of the case. Accordingly, to levy on their properties without their participation in the original case amounts to a deprivation of their right to due process.[88]

Respondents assert that the doctrine of piercing the veil of corporate fiction is inapplicable. They belie petitioner's claim that the corporations

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78 *Id.* at 874.
79 *Id.* at 875.
80 *Id.* at 948.
81 *Id.* at 875.
82 *Id.*
83 *Id.* at 949.
84 *Id.* at 876.
85 326 Phil. 169, 178–179 (1996) [Per J. Puno, Second Division].
86 *Id.*
87 *Rollo*, p. 877–878.
88 *Id.* at 879.

were engaged in the same line of business, stating that respondents Toledo and Dumaguete are engaged in the construction business focusing on different projects, while respondents Castelweb and One Trading are engaged in trading. Respondent KJP Resources, on the other hand, is engaged in property management.[89]

In any case, respondents argue that formation of separate corporations engaged in similar business ventures does not mean that they are created to defraud third persons. They explain that in the case of respondents Toledo and Dumaguete, they were separately created to comply with the Philippine Contractors Accreditation Board rules on licensing categories. Different licenses are also required for undertaking different projects.[90]

Citing the Resolution of the Commission, respondents allege that the lone fact that the corporations have the same stockholders is not a sufficient indicator that a fraudulent act has been committed to the prejudice of petitioner. They point out that having interlocking directors and officers is not sufficient to pierce the veil of corporate fiction.[91]

Respondents also assert that the decision of the Commission has become final and immutable. Once finality is reached, a decision becomes binding on the parties, and it can no longer be modified or altered. Anything that changes the tenor of the decision or exceeds its terms is a nullity.[92] They argue that since the Decision only finds respondent Toledo liable, then respondents Dumaguete, Rodriguez, and the other corporations cannot be subsequently held liable. To do so would be to modify the decision.

While respondents admit that respondents Dumaguete and Rodriguez were impleaded in the original complaint, they claim that this does not mean that they should be automatically liable. Their designation as respondents was merely to identify them as parties to the case. Respondents assert that it did not amount to a pronouncement on their liability. They point to records which show that respondents Dumaguete and Rodriguez were not privy to the contracts with the individual workers, as even petitioner admits that they were employed only by respondent Toledo.[93]

Lastly, respondents claim that petitioner has no personality to file this case, its registration having been denied by the Bureau of Labor Relations in a May 31, 2005 Decision. Therefore, petitioner does not have the right to sue or be sued in its name.[94]

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89 *Id.* at 881.
90 *Id.*
91 *Id.* at 884.
92 *Id.* at 885.
93 *Id.* at 887.
94 *Id.* at 889.

The issues for resolution in this case are as follows:

first, whether the Petition for Relief from Judgment was correctly dismissed on the ground that extrinsic fraud must be committed only by the prevailing party and not by a member of the tribunal;

second, whether the veil of corporate fiction should be pierced to hold the five respondent corporations jointly and severally liable for the judgment award; and

finally, whether the doctrine of immutability of judgment should be applied to prevent respondents not named in the Writ of Execution from being held liable for the judgment award.

The Petition is granted.

I

A petition for relief from judgment is an equitable remedy allowed only in exceptional cases. It is permitted when no other adequate remedy is available, such as motions for reconsideration or new trial, or an appeal.[95] It is not available to a party-litigant as a matter of course.

Relief from judgment is an exception to the doctrine of immutability of judgment. As a rule, judgments that have attained finality are not disturbed so as to finally settle the issues in a case and prevent their relitigation. However, in some instances, a strict application of this doctrine would lead to unjust and unreasonable results. To remedy these situations, the rules allow relief from a judgment that has been entered, but only under strict conditions.[96]

Rule 38, Section 1 of the 1997 Rules of Civil Procedure provides:

> SECTION 1. *Petition for Relief from Judgment, Order, or Other Proceedings.* — When a judgment or final order is entered, or any other proceeding is thereafter taken against a party in any court through fraud, accident, mistake, or excusable negligence, he may file a petition in such court and in the same case praying that the judgment, order or proceeding be set aside.

The provision enumerates four grounds for relief from judgment: fraud, accident, mistake, or excusable negligence. Petitioner relies on the

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[95] *Insular Life Savings and Trust Company v. Spouses Runes*, 479 Phil. 995, 1006 (2004) [Per J. Callejo, Sr., Second Division].

[96] *Madarang v. Spouses Morales*, 735 Phil. 632, 640 (2014) [Per J. Leonen, Third Division].

first ground.

To invoke fraud as a ground for relief from judgment, the fraud must be extrinsic or collateral.[97] This is fraud which invalidates a judgment by "prevent[ing] the unsuccessful party from fully and fairly presenting [their] case or defense and the losing party from having an adversarial trial of the issue."[98]

The Court of Appeals heavily relied on this Court's ruling in *AFP Mutual Benefit Association v. Regional Trial Court*,[99] quoting, "the extrinsic fraud that will justify a petition for relief from judgment is that fraud which the prevailing party caused to prevent the losing party from being heard on [their] action or defense."[100]

In *AFP Mutual Benefit Association*, Investco, Inc. (Investco) and Solid Homes, Inc. (Solid Homes) entered into a contract for Investco to sell to Solid Homes certain properties in Quezon City. When Solid Homes defaulted in its payments, Investco sued it for specific performance and damages. However, during the pendency of the action, Investco sold the properties to AFP Mutual Benefit Association and certificates of title were issued in its name upon its full payment of the purchase price.[101]

Solid Homes then filed an action against AFP Mutual Benefit Association, the Register of Deeds of Quezon City, and Investco, praying for the cancellation of the certificates of title issued in favor of AFP Mutual Benefit Association. The Regional Trial Court dismissed this action.[102]

Solid Homes filed a Petition for Relief from Judgment, alleging that Investco and AFP Mutual Benefit Association committed extrinsic fraud. It argued that there was fraud when AFP Mutual Benefit Association did not disclose its knowledge of the prior contract to sell between Investco and Solid Homes to the Regional Trial Court.[103]

The Regional Trial Court granted the Petition for Relief. To contest this, AFP Mutual Benefit Association filed a petition for prohibition and mandamus with this Court.[104]

In that case, this Court ruled that relief from judgment should not have been granted. This Court found that the fraud alleged by Solid Homes was

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97 *City of Dagupan v. Maramba*, 738 Phil. 71, 90 (2014) [Per J. Leonen, Third Division].
98 *Sy Bang v. Sy*, 604 Phil. 606, 625 (2009) [Per J. Chico-Nazario, Third Divison].
99 658 Phil. 69 (2011) [Per J. Abad, Second Division].
100 *Id.* at 77.
101 *Id.* at 72.
102 *Id.*
103 *Id.*
104 *Id.* at 73.

not extrinsic, but intrinsic fraud. AFP Mutual Benefit Association's alleged failure to disclose its knowledge of the prior contract to sell goes into the merit of the case rather than on Solid Home's right to be heard on the action. Granting the Petition for Relief from Judgment would, in effect, allow the Regional Trial Court to rehear the case as to whether there was fraud when AFP Mutual Benefit Association bought the properties.[105] This is not the kind envisioned in extrinsic fraud.

A closer reading of *AFP Mutual Benefit Association* reveals that it resolved the issue of whether the fraud was extrinsic or intrinsic. It did not resolve the issue of whether the extrinsic fraud should be committed by the prevailing party. This Court's main consideration in arriving at the ruling in that case was the fact that there was no denial of a party's right to be heard on the case because the alleged fraud was intrinsic. The fraud complained of went into how the sale was completed, and not how the case was tried and decided. Thus, the Court of Appeals improperly relied on *AFP Mutual Benefit Association*.

"The extrinsic fraud that will justify a petition for relief from judgment is that fraud which the prevailing party caused to prevent the losing party from being heard on [their] action or defense."[106] In other words, extrinsic fraud refers to fraud committed outside the merits of the case. It pertains to circumstances that surround how the case was tried, heard, and eventually decided. It does not concern the soundness of the judgment, as this defect is corrected by means of an appeal.[107] Instead, the defect must refer to the manner by which the judgment was obtained.[108]

To determine the propriety of granting relief, it is necessary to assess the circumstances of each case as to the presence of any of the grounds for relief of judgment.[109] This is founded on due process considerations, as it seeks to remedy a violation of a person's right to be heard on their cause.

In this case, petitioner claims it was Commissioner Aquino who perpetrated fraud. It contends that it only filed the Urgent Motion for Clarification because its counsel was advised by Commissioner Aquino to do so, supposedly as a more expedient way to include the other respondents in the Writ of Execution. Had it not been induced to file the Urgent Motion, petitioner claims it would not have lost its opportunity to raise its concerns in a petition for certiorari.

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105 *Id.* at 75–78.

106 *Id.* at 77.

107 *See Philadelphia Agan v. Heirs of Spouses Nueva*, 463 Phil. 834, 841 (2003) [Per J. Tinga, Second Division].

108 *AFP Mutual Benefit Association v. Regional Trial Court*, 658 Phil. 69, 77 (2011) [Per J. Abad, Second Division].

109 *City of Dagupan v. Maramba*, 738 Phil. 71, 89 (2014) [Per J. Leonen, Third Division].

This Court agrees.

Ex parte communication with a party-litigant initiated by the hearing officer casts doubt on the integrity of the adjudicatory process, especially when the information willingly and spontaneously given pertains to an issue in the case. This is further aggravated when the advice was unsolicited, without any prompting from the litigant. Other than being an issue of propriety on the part of the hearing officer, these situations also have underlying due process considerations for party-litigants.

Litigants who receive unsolicited advice from those hearing and deciding their cases are left at a quandary; they are forced to choose whether to follow the "advice" given by a person who obviously holds the power to resolve their case.

Thus, a commissioner hearing a case has no business talking to litigants, especially parties to a case pending before them. All the more, a commissioner should not be giving advice to a litigant's counsel as to what remedy to pursue in their case.

Here, Commissioner Aquino was the presiding commissioner handling petitioner's case. He gave the unsolicited advice to petitioner's counsel prompting him to file an Urgent Motion for Clarification instead of a petition for certiorari. Curiously, however, when the Commission eventually ruled on the motion, it was Commissioner Aquino who penned the Resolution denying the Motion for Clarification and treating it as a second motion for reconsideration. Speaking through Commissioner Aquino, the Resolution held:

> On 20 October 2010, the Union filed an Urgent Motion for Clarification of the Resolution dated 30 September 2010. A closer scrutiny of which however reveals that there is no ambiguity being sought for clarification in the said NLRC Resolution of 30 September 2010. Rather, the motion insists anew that Dumaguete Builders & Equipment Corporation and Januario T. Rodriguez be impleaded in the Writ of Execution and the monetary award subject thereof enforced against them. In fine, the motion seeking a clarificatory judgment is none other but a second Motion for Reconsideration which is prohibited under the NLRC Rules of Procedure. On this note alone, a dismissal of the Motion is warranted.[110]

Taking all these together, petitioner was prevented from fully presenting its case. It was persuaded to pursue a remedy it did not even consider filing in the first place were it not for the advice given by the commissioner handling its case. Keen on having the judgment executed and the award finally given to its members after years of protracted litigation,

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[110] *Rollo*, p. 147.

petitioner followed Commissioner Aquino's advice hoping for a speedier resolution of their concerns. However, quite the opposite of what it had expected, petitioner's pleas were denied. Worse, it lost its remedy of filing a petition for certiorari. This constitutes extrinsic fraud committed against petitioner.

In deciding whether to grant relief from judgment, the Court of Appeals should have considered whether petitioner was deprived of its right to be heard when Commissioner Aquino persuaded it into filing a motion for clarification instead of a petition certiorari. Relief from judgment is not centered on who committed the fraud. In *Sy Bang v.* Sy,[111] even action done by counsel was considered extrinsic fraud, as it prevented the client from fully presenting its case.[112] As correctly observed by petitioner, the Rule does not specify who should commit the fraud. The essence of extrinsic fraud and any of the grounds in a petition for relief from judgment is the loss of a party's right to present its case, which leads to a defective judgment.

II

The separate personality of a corporation is a consequence of its creation.[113] The law recognizes a corporation's juridical personality and treats it separately and distinctly from the personality of its stockholders, officers, and other legal entities related to the corporation.[114] A corporation possesses several powers which the law grants, including the power to hold assets and properties as well as incur liabilities under its own name.[115]

As a rule, once a corporation is created, its separate personality is respected. This is the foundation of our laws on corporations, which allows these juridical entities to exist as persons of their own. This rule is true even if several corporations are similarly owned by the same persons, or wholly owned by another corporation. Thus, liabilities incurred by a corporation is, generally, solely for its own account, and cannot be charged against the persons who run the corporation or against other corporations related to it.

However, this is prone to abuse. The separate personality of a corporation might be used as a vehicle to escape legal obligations or to perpetrate fraud. Hence, courts recognize an exception to this rule called the doctrine of piercing the veil of corporate fiction. This is a doctrine rooted in equity which prohibits the use of a corporation's distinct personality to "defeat public convenience, justify wrong, protect fraud, or defend

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[111] 604 Phil. 606 (2009) [Per J. Chico-Nazario, Third Division].
[112] *Id.* at 625.
[113] CIVIL CODE, art. 44.
[114] *Philippine National Bank v. Andrada Electric & Engineering Co.*, 430 Phil. 882, 894 (2002) [Per J. Panganiban, Third Division].
[115] REV. CORP. CODE, sec. 35.

crime[.]"[116]

Courts apply this doctrine when they find that a corporation's separate personality is used for illicit purposes, such as when it becomes "a shield for fraud, illegality, or inequity committed against third persons."[117] The legal fiction of a corporation's separate judicial entity was intended for convenience in corporate dealings and to serve justice; it should not be used as a ploy to commit an injustice and circumvent the law.[118] Certainly, piercing the corporate veil is applicable where a corporation is used to evade obligations towards third parties.

Jurisprudence on this doctrine developed basic tenets that serve as guides in its application. There are three instances which justify a court's piercing of the corporate veil: (1) when the corporation's separate personality is being used to defeat public convenience, such as in evading existing obligations; (2) in fraud cases, when it is used to justify a wrong, protect fraud, or defend a crime; and (3) in alter-ego cases, where the corporation's separate personality is not bona fide, such that it is only a conduit of another person, or its business is controlled or maintained as a mere agency or adjunct of another, that it has no mind or will of its own. In all these cases, malice and bad faith must be shown. [119]

There is no hard and fast rule regarding the conditions that would warrant disregarding the corporate veil. It must be carefully weighed according to the peculiar facts of each case.[120]

Thus, in *Sibagat Timber Corp. v. Garcia*,[121] this Court was liberal in its application of this doctrine. It found the facts that two corporations had their offices in the same building, similar officers and directors, and had their affairs managed and controlled by the same family sufficient to pierce the corporate veil:

> The circumstances that: (1) petitioner and Del Rosario & Sons Logging Enterprises, Inc. hold office in the same building; (2) the officers and directors of both corporations are practically the same; and (3) the Del Rosarios assumed management and control of Sibagat and have been acting for and managing its business, bolster the conclusion that petitioner is an alter ego of the Del Rosario & Sons Logging Enterprises, Inc.

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[116] *Philippine National Bank v. Ritratto Group, Inc.*, 414 Phil. 494, 505 (2001) [Per J. Kapunan, First Division].

[117] *Philippine National Bank v. Andrada Electric & Engineering Co.*, 430 Phil. 882, 894 (2002) [Per J. Panganiban, Third Division].

[118] *Reynoso IV v. Court of Appeals*, 399 Phil. 38, 51 (2000) [Per J. Ynares-Santiago, First Division].

[119] *Pantranco Employees Association v. National Labor Relations Commission*, 600 Phil. 645, 663 (2009) [Per J. Nachura, Third Division]. See *General Credit Corporation v. Alsons Development and Investment Corporation*, 542 Phil. 219 (2007) [Per J. Garcia, First Division].

[120] *Concept Builders v. National Labor Relations Commission*, 326 Phil. 955 (1996) [Per J. Hermosisima, Jr., First Division].

[121] 290-A Phil. 241 (1992) [Per J. Griño-Aquino, First Division].

> The rule is that the veil of corporate fiction may be pierced when made as a shield to perpetrate fraud and/or confuse legitimate issues[.] The theory of corporate entity was not meant to promote unfair objectives or otherwise, to shield them[.] Likewise, where it appears that two business enterprises are owned, conducted, and controlled by the same parties, both law and equity will, when necessary to protect the rights of third persons, disregard the legal fiction that two corporations are distinct entities, and treat them as identical[.][122] (Citations omitted)

This Court ruled similarly in *Philippine Bank of Communications v. Court of Appeals*,[123] where the corporate veil of two corporations controlled by the same family was pierced when it was shown that a fraudulent scheme was used to evade liabilities:

> The well settled principle is that a corporation "is invested by law with a separate personality, separate and distinct from that of the person composing it as well as from any other legal entity to which it may be related." . . . However, the separate personality of the corporation may be disregarded, or the veil of corporate fiction pierced when the corporation is used "as a cloak or cover for fraud or illegality, or to work an injustice, or where necessary to achieve equity or when necessary for the protection of creditors." . . .
>
> In the instant case, the evidence clearly shows that Chua and his immediate family control JALECO. The Deed of Exchange executed by Chua and JALECO had for its subject matter the sale of the only property of Chua at the time when Chua's financial obligations became due and demandable. The records also show that despite the "sale," respondent Chua continued to stay in the property, subject matter of the Deed of Exchange.
>
> These circumstances tend to show that the Deed of Exchange was not what it purports to be. Instead, they tend to show that the Deed of Exchange was executed with the sole intention to defraud Chua's creditor — the petitioner. It was not a bona fide transaction between JALECO and Chua. Chua entered a sham or simulated transaction with JALECO for the sole purpose of transferring the title of the property to JALECO without really divesting himself of the title and control of the said property.
>
> Hence, JALECO's separate personality should be disregarded and the corporation veil pierced. In this regard, the transaction leading to the execution of the Deed of Exchange between Chua and JALECO must be considered a transaction between Chua and himself and not between Chua and JALECO. Indeed, Chua took advantage of his control over JALECO to execute the Deed of Exchange to defraud his creditor, the petitioner herein. JALECO was but a mere alter ego of Chua.[124] (Citations omitted)

However, in subsequent cases, this Court became stricter in applying

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[122] *Id.* at 245–246.
[123] 272-A Phil. 565 (1991) [Per J. Gutierrez, Jr., Third Division].
[124] *Id.* at 578–579.

the rule.[125] In *Philippine National Bank v. Andrada Electric & Engineering Co.*,[126] the following elements of the doctrine were laid down:

> (1) control—not mere stock control, but complete domination—not only of finances, but of policy and business practice in respect to the transaction attacked, must have been such that the corporate entity as to this transaction had at the time no separate mind, will or existence of its own; (2) such control must have been used by the defendant to commit a fraud or a wrong to perpetuate the violation of a statutory or other positive legal duty, or a dishonest and an unjust act in contravention of plaintiff's legal right; and (3) the said control and breach of duty must have proximately caused the injury or unjust loss complained of.[127] (Citation omitted)

The second element requires that control must have been used for improper purposes. Similarities in two corporations in terms of their stockholders, officers and office space are no longer sufficient to pierce the corporate veil. Absent any showing that the separate personalities of the corporations were used to defeat public convenience, justify wrong, protect fraud, or defend crime, the corporate veil shall not be pierced.[128]

In *Development Bank of the Philippines v. Court of Appeals*,[129] this Court found that transfers by the Development Bank of the Philippines of certain foreclosed properties to corporations it created were made in good faith, as the transfers were done in accordance with law and sound business practice. In that case, it was not proven that there was bad faith in the transfers as would warrant the piercing of the corporate veil.[130]

Nevertheless, in instances where corporations use their distinct personalities to escape liability under labor laws, this Court has not hesitated to pierce their veils of corporate fiction.[131] Even when the case is already in the execution stage, courts may step in to pierce the corporate veil in order to prevent the injustice of never having a judgment award satisfactorily executed. In *Guillermo v. Uson*:[132]

> [T]he veil of corporate fiction can be pierced, and responsible corporate directors and officers or even a separate but related corporation, may be impleaded and held answerable solidarily in a labor case, even after final

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[125] *See* J. Leonen, Dissenting Opinion in *Maricalum Mining Corporation v. Florentino*, 836 Phil. 655 (2018) [Per J. Gesmundo, Third Division].

[126] *Philippine National Bank v. Andrada Electric & Engineering Co.*, 430 Phil. 882 (2002) [Per J. Panganiban, Third Division].

[127] *Id.* at 895.

[128] *Padilla v. Court of Appeals*, 421 Phil. 883, 895 (2001) [Per J. Quisumbing, Second Division]; *see Jardine Davies v. JRB Realty*, 502 Phil. 129 (2005) [Per J. Callejo, Sr., Second Division].

[129] 415 Phil. 538 (2001) [Per J. Kapunan, First Division].

[130] *Id.* at 549.

[131] See *Enriquez Security Services, Inc. v. Cabotaje*, 528 Phil. 603 (2006) [Per J. Corona, Second Division]; and *Azcor Manufacturing, Inc. v. National Labor Relations Commission*, 362 Phil. 370 (1999) [Per J. Belosillo, Second Division].

[132] 782 Phil. 215 (2016) [Per J. Peralta, Third Division].

> judgment and on execution, so long as it is established that such persons have deliberately used the corporate vehicle to unjustly evade the judgment obligation, or have resorted to fraud, bad faith or malice in doing so. When the shield of a separate corporate identity is used to commit wrongdoing and opprobriously elude responsibility, the courts and the legal authorities in a labor case have not hesitated to step in and shatter the said shield and deny the usual protections to the offending party, even after final judgment. The key element is the presence of fraud, malice or bad faith. Bad faith, in this instance, does not connote bad judgment or negligence but imports a dishonest purpose or some moral obliquity and conscious doing of wrong; it means breach of a known duty through some motive or interest or ill will; it partakes of the nature of fraud.[133] (Citation omitted)

Guillermo reiterates our ruling in *Claparols v. Court of Industrial Relations*[134] and *A.C. Ransom Labor Union-CCLU v. National Labor Relations Commission*,[135] where persons not originally impleaded in the case were found to be solidarily liable with the corporation for its obligations to its employees.[136]

This Court has not hesitated to pierce the corporate veil in situations where it is used to evade obligations or to perpetrate social injustice, especially to a constitutionally protected group like labor.

In the case at bar, petitioner argues that the corporate veil of the five corporations should be pierced to hold them all liable for the judgment award. It claims that respondent Rodriguez, as the owner of all the corporations, should be held liable for the judgment award as well.

According to petitioner, the separate corporate personalities of the corporations are being used to evade payment of a legal obligation. It points to the scheme supposedly used by respondents, where respondent Toledo transferred its properties to respondents Dumaguete and Castelweb to avoid their being levied.

This Court partly agrees.

The corporate existence of respondents Dumaguete and Castelweb are being used to evade an existing judgment obligation incurred by another corporation, respondent Toledo. It is important to emphasize that the original Writ of Execution was issued by the Commission on August 13, 2007 for the satisfaction of the judgment award against respondent Toledo.

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[133] *Id.* at 225.

[134] 160 Phil. 624 (1975) [Per J. Makasiar, First Division].

[135] 226 Phil. 199 (1987) [Per J. Melencio-Herrera, First Division].

[136] *Guillermo v. Uson*, 782 Phil. 215, 222 (2016) [Per J. Peralta, Third Division] *citing A.C. Ransom Labor Union-CCLU v. National Labor Relations Commission*, 226 Phil. 199 (1986) [Per J. Melencio-Herrera, First Division].

However, up to this day, respondents have evaded payment of their obligation through a ploy that takes advantage of the separate corporate existence of the corporations.

Although "mere ownership by a single stockholder or by another corporation of all or nearly all of the capital stock of a corporation is not of itself sufficient ground for disregarding the separate corporate personality[,]"[137] this can be disregarded if it is shown that a corporation is used in a fraudulent scheme.

The facts show the scheme employed by respondents to escape their financial obligations to petitioner. Petitioner has sufficiently shown that the circumstances warrant the piercing of the corporate veil.

The timing of the deeds of sale and the subsequent registrations of the vehicles are revealing. This table shows the relevant dates of the deeds of sale and the registration of the vehicles subject of the levy:[138]

Plate No.	**Date of Certificate of Registration in the name of Toledo**	**Date of Official Receipt in the name of Toledo**	**Date of Deed of Sale from Toledo to the new corporation (Dumaguete or Castelweb)**	**Date of Certificate of Registration in the name of the new corporation (Dumaguete or Castelweb)**	**Date of Official Receipt in the name of the new corporation (Dumaguete or Castelweb)**
WNG-352	-	February 3, 2009	March 5, 2007 (to Castelweb)	February 24, 2009 (Castelweb)	February 7, 2011 (Castelweb)
UAH-174	-	April 25, 1995		March 6, 2009 (Castelweb)	-
RAG-177	August 19, 2004	August 19, 2004		March 10, 2009 (Castelweb)	March 10, 2009 (Castelweb)
XDX-857	October 16, 2008	October 16, 2008	June 7, 2007 (to Castelweb)	February 23, 2009 (Castelweb)	July 7, 2011 (Castelweb)
XFB-316	-	June 5, 2008		February 24, 2009 (Castelweb)	June 6, 2011 (Castelweb)
UPU-616	-	June 5, 2008		March 16, 2009 (Castelweb)	-
WJS-667	November 13, 2008	November 13, 2008		March 16, 2009	March 16, 2009

[137] *Francisco v. Mejia*, 415 Phil. 153, 170 (2001) [Per J. Gonzaga-Reyes, Third Division] citing *Pabalan v. National Labor Relations Commission*, 263 Phil. 434 (1990) [Per J. Gancayco, First Division].

[138] *Rollo*, pp. 587–588, 590–592, 594, 596–599, 610–615, 623–630, 635–637, 646-A, 684–691.

				(Castelweb)	(Castelweb)
UER-932[139]	-	February 3, 2009	June 13, 2007 (to Dumaguete)	March 16, 2009 (Dumaguete)	February 2, 2011 (Dumaguete)
UPE-847	-	July 31, 2008		March 4, 2009 (Dumaguete)	July 13, 2010; July 4, 2011 (Dumaguete)
UUL-403	-	March 10, 2009		March 16, 2009 (Dumaguete)	-
UJV-823	April 19, 2006	August 5, 2008	August 3, 2007 (to Dumaguete)	March 16, 2009 (Dumaguete)	-
UCU-595	October 19, 1995	-		March 6, 2009 (Dumaguete)	-

From this, some observations:

First, the four successive deeds of sale between respondents Toledo and Dumaguete or Castelweb were all executed in the year 2007, beginning in March until August of the same year. These sales were effected after the Computation Division of the National Labor Relations Commission submitted its report on February 7, 2007, fixing the total monetary award at ₱6,430,538.61, but prior to the issuance of the original Writ of Execution on August 13, 2007. This reveals respondent Toledo's intention to escape its liability as found by the National Labor Relations Commission and affirmed by the Court of Appeals.

Second, the four sales antedate the dates of the official receipts issued in respondent Toledo's name, save for three vehicles. This means that despite the vehicles' sale to respondent Dumaguete or Castelweb, respondent Toledo still paid for the Motor Vehicle User's Charge. Payment of this charge is required by Republic Act No. 8794 from the "owner of the motor vehicle."[140] Respondent Toledo even had the vehicles registered in its name notwithstanding the fact that it had supposedly sold them to another corporation. These show that respondent Toledo retained control and ownership over the vehicles despite their supposed transfer to respondent Dumaguete or Castelweb.

Third, the vehicles were only registered in respondent Dumaguete's or Castelweb's name sometime from February 23 to March 16, 2009. This was years after the original Writ of Execution was issued on August 13, 2007, and only days after respondents filed their Motion to Quash/Recall the said writ on February 10, 2009. During the time between the issuance of the Writ of Execution and the filing of the Motion to Quash/Recall the writ, the

[139] VER-932 in the Notice of Levy but UER-932 in the Official Receipt.
[140] Republic Act No. 8794 (2000), sec. 2.

vehicles were still in respondent Toledo's name as evidenced by the official receipts, but they were subsequently transferred to respondent Dumaguete or Castelweb pursuant to the deeds of sale. The dates of registration in respondents Dumaguete's and Castelweb's names only came after the filing of the Motion to Quash/Recall the writ.

The timing of all these transactions clearly show that respondents were attempting to escape their liability—as they have been successfully doing—to petitioner. The deeds of sale were executed only after respondent Toledo was found liable by the Court of Appeals and after submission of the report from the Commission's Computation Division. Despite the sales, respondent Toledo retained the vehicles as evidenced by its continuous payment of the Motor Vehicle User's Charge. On February 10, 2009, a Motion to Quash/Recall the writ was filed, followed by the registration of the vehicles in respondents Dumaguete's and Castelweb's names within the same month and the month after.

Another important fact that the Court of Appeals failed to seriously consider is the Land Transportation Office's order of cancellation of Toledo's vehicle registrations. These vehicles, originally registered in Toledo's name, were found to be fraudulently transferred to respondents Dumaguete and Castelweb with the intent of avoiding respondent Toledo's legal obligations to petitioner.[141]

Respondent Toledo would have this Court believe that it only learned of the Writ of Execution after its issuance on August 13, 2007, making it seem that its prior dispositions to respondents Dumaguete and Castelweb through the four deeds of sale were not made in bad faith.

This claim is unacceptable. A writ of execution is issued to execute a decision or order that has already become final and executory.[142] The Decision of the Commission which the writ seeks to enforce became final and executory on March 16, 2006, and an Entry of Judgment was issued on March 22, 2006. Since March 2006, respondent Toledo already had knowledge of the adverse decision rendered against it. It is true that the Court of Appeals modified this judgment in its December 20, 2006 Decision, but this was only insofar as declaring Andres Fulgueras illegally dismissed. Respondent Toledo's liability subsisted even after this Court of Appeals Decision.

Hence, the actions by respondent Toledo in 2007 onwards, which include the sale of the vehicles and their registrations in respondents Dumaguete's and Castelweb's names, were all taken with the knowledge of the adverse Decision. As petitioner points out, respondent Toledo quickly

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[141] *Rollo*, p. 45.

[142] National Labor Relations Commission *En Banc* Resolution No. 10-12 (2012), Rule III, sec. 1.

transferred its properties to respondents Dumaguete and Castelweb.[143] These transactions were done a month after the Computation Division had submitted its report on respondent Toledo's liabilities. It cannot therefore be said that respondent Toledo transferred these vehicles in good faith. It was disposing its properties to other corporations for the purpose of evading its liabilities under the judgment award.

This situation falls under the first instance where the corporate veil may be pierced, "as when the corporate fiction is used as a vehicle for the evasion of an existing obligation[.]"[144] Further, Article 1387 of the Civil Code states that "[a]lienations by onerous title are also presumed fraudulent when made by persons against whom some judgment has been rendered in any instance or some writ of attachment has been issued."[145] Thus, respondent corporations Toledo, Dumaguete, and Castelweb should therefore be considered as one in the satisfaction of the judgment liability.

As to respondent Rodriguez, his participation in the scheme to avoid liability is likewise apparent as he was the signatory for respondent Toledo in the four deeds of sale executed between it and respondents Dumaguete or Castelweb. He signed all the documents as respondent Toledo's president.[146] It was through these deeds of sale that respondent Toledo's judgment liability was sought to be evaded.

Piercing the veil of corporate fiction to hold a natural person liable for monetary awards granted to employees has basis. *Tomas Lao Construction v. National Labor Relations Commission*[147] held that the companies' liability "extends to the responsible officers acting in the interest of the corporations."[148]

As to respondents KJP Resources and One Trading, however, we find that petitioner was unable to show evidence that their corporate personalities were used to evade liability. In its pleadings before this Court, petitioner clearly demonstrated how respondents Dumaguete and Castelweb were used as recipients of respondent Toledo's property to evade liability. However, there were no allegations or details as to how respondent corporations KJP Resources and One Trading's separate personalities were used by respondent Toledo. It only mentioned that all corporations shared similar incorporators, board directors, corporate secretary, counsel, and office address.[149] It also alleged that respondents KJP Resources and One Trading were only incorporated as standby transferees in anticipation of an adverse judgment

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143 *Rollo*, p. 1002.
144 *General Credit Corporation v. Alsons Development*, 542 Phil. 219, 232 (2007) [Per J. Garcia, First Division].
145 CIVIL CODE, art. 1387.
146 *Rollo*, pp. 684–691.
147 344 Phil. 268 (1997) [Per J. Bellosillo, First Division].
148 *Id.* at 287.
149 *Rollo*, pp. 1002 and 1006.

against respondent Dumaguete in case the latter is impleaded in the Writ of Execution.[150] However, no specific acts were attributed to respondents KJP Resources and One Trading, unlike the Deeds of Sales between respondents Dumaguete or Castelweb and respondent Toledo. Petitioner was unable to sufficiently substantiate its claims against KJP Resources and One Trading so as to pierce their corporate veils.

III

The rationale behind the doctrine of immutability of judgment has been articulated in this manner:

> When a final judgment is executory, it becomes immutable and unalterable. It may no longer be modified in any respect either by the court which rendered it or even by this Court. The doctrine is founded on considerations of public policy and sound practice that, at the risk of occasional errors, judgments must become final at some definite point in time.[151]

The purpose behind this doctrine is two-fold. These are:

> (1) [T]o avoid delay in the administration of justice and thus, procedurally, to make orderly the discharge of judicial business and (2) to put an end to judicial controversies, at the risk of occasional errors, which is precisely why courts exist. Controversies cannot drag on indefinitely.[152] (Citation omitted)

Immutability of a final judgment is not a matter of technicality, but one of substance and merit. This is a sound public policy that allows parties to rely on judicial pronouncements with the assurance that what has been finally settled is decisive and binding. The underlying consideration behind this doctrine is the protection of substantive rights. The doctrine applies to decisions of administrative agencies exercising quasi-judicial powers, like the National Labor Relations Commission, as much as it does to decisions of courts of law.[153]

However, this Court recognizes exceptions to this doctrine:[154]

(1) Correction of clerical errors;

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150 *Id.* at 42.

151 *Civil Service Commission v. Moralde*, G.R. Nos. 211077 and 211318, August 15, 2018 [Per J. Leonen, Third Division].

152 *Id.*

153 *Id.* citing *Peña v. Government Service Insurance System*, 533 Phil. 670 (2006) [Per J. Chico-Nazario, First Division].

154 *Go v. Echavez*, 765 Phil. 411, 423 (2015) [Per J. Brion, Second Divison].

(2) Nunc pro tunc entries;

(3) Void judgments; and

(4) When supervening events or circumstances transpire after the decisions' finality, making the decisions' execution unjust and inequitable.

Most relevant to this case is the last exception. Supervening events are characterized as "circumstances that transpire after the decision's finality rendering the execution of the judgment unjust and inequitable. It includes matters that the parties were not aware of prior to or during the trial because such matters were not yet in existence at the time."[155]

To be an exception to the doctrine, the supervening event, established by competent evidence, must have altered or modified the parties' situation as to render execution inequitable, impossible, or unfair.[156]

Petitioner has successfully shown these. The National Labor Relations Commission rendered a Decision in petitioner's favor on February 24, 2005. This Decision was amended on February 22, 2006 and became final and executory on March 16, 2006. Entry of judgment was issued on March 22, 2006. Furthermore, the Court of Appeals affirmed this Decision on December 20, 2006.

Petitioner has been successful in litigating its claims and asserting its members' rights before our labor tribunals, yet these victories have been rendered useless by the unscrupulous and deceitful scheme employed by respondents.

The supervening event that prevented the execution of the judgment transpired after the decision of the Commission had already become final and executory on March 16, 2006. The deeds of sale and the subsequent registration in the names of respondents Dumaguete and Castelweb were only done in 2007. From these transfers, respondents Dumaguete and Castelweb filed their notices of third party claim[157] on November 11, 2011. Clearly, these facts only occurred after respondent Toledo was already adjudged liable. The fraudulent transfers were the bases of claims that made it difficult for petitioner to execute the judgment in its favor. These supervening events have modified the situations of the parties to the extent that execution of the judgment has become inequitable, impossible, or unfair.

The constitutional protection accorded to labor acknowledges the

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155 *Id.* at 425. (Citations omitted)

156 *Id.*

157 *Rollo*, pp. 631 and 643.

inherent power imbalance in employment relationships. This is the fundamental consideration in our labor laws. Dishonest schemes intended to take away victories justly won by laborers must be rejected. Those who try to escape responsibility must be held to account.

It has been more than a decade since petitioner obtained the initial award. Petitioner has been steadfast in the prosecution of its claims, but all have thus far resulted to mere paper victories as respondents have yet to fully satisfy the obligations they have under the law. This must end now.

ACCORDINGLY, the Petition for Review on Certiorari is **GRANTED**. The Court of Appeals August 31, 2012 Decision and December 10, 2012 Resolution in CA-G.R. SP. No. 119872 are **REVERSED** and **SET ASIDE**. Respondents Toledo Construction Corporation, Dumaguete Builders and Equipment Corporation, Castelweb Trading and Development Corporation, and Januario Rodriguez are solidarily liable for the judgment award by the National Labor Relations Commission.

SO ORDERED.

MARVIC M.V.F. LEONEN
Senior Associate Justice

WE CONCUR:

AMY C. LAZARO-JAVIER
Associate Justice

MARIO V. LOPEZ
Associate Justice

JHOSEP Y. LOPEZ
Associate Justice

ANTONIO T. KHO, JR.
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
Senior Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 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