

Republic of the Philippines Supreme Court Manila

SECOND DIVISION

MARY ANN CARMEN FERRER,* in her capacity as attorney-in-fact of M.Y. INTERCONTINENTAL TRADING CORPORATION and/or TEDWIN T. UY,

G.R. No. 258486

Petitioners.

Present:

LEONEN, SAJ., Chairperson, LAZARO-JAVIER, LOPEZ, M., LOPEZ, J., and KHO, JR., JJ.:

-versus-

Promulgated:

AUG 0 2 2023

By-

ST. MARY'S PUBLISHING and/or JERRY VICENTE S. CATABIJAN,

Respondents.

DECISION

LOPEZ, J., J.:

This Court resolves the Petition for Review on Certiorari¹ filed by petitioner Tedwin T. Uy (Uy) assailing the Decision² and the Resolution³ of the Court of Appeals (CA), which reversed and set aside the Decision⁴ and the Resolution ⁵ of the Regional Trial Court (RTC), Branch 213 of

¹ Rollo, pp. 12–30.

Id. at 100. The November 12, 2012 Order in Civil Case No. MC-10-5078 was penned by Judge Carlos

^{*} Also referred to as "Marie Ann Carmen F. Ferrer" in some parts of the rollo.

Id. at 32-46. The January 6, 2021 Decision in CA-G.R. CV No. 110189 was penned by Associate Justice Geraldine C. Fiel-Macaraig and concurred in by Associate Justices Danton Q. Bueser and Carlito B. Calpatura of the Special Twelfth Division, Court of Appeals, Manila.

Id. at 48-49. The December 3, 2021 Resolution in CA-G.R. CV No. 110189 was penned by Associate Justice Geraldine C. Fiel-Macaraig and concurred in by Associate Justices Germano Francisco D. Legaspi and Carlito B. Calpatura of the Special Former Special Twelfth Division, Court of Appeals, Manila

⁴ Id. at 70-99. The Decision dated July 20, 2012 in Civil Case No. MC-10-5078 was penned by Judge Carlos A. Valenzuela, Regional Trial Court, Branch 213, Mandaluyong City.

Mandaluyong City and consequently dismissed the Petition for Declaratory Relief which Uy filed against respondents St. Mary's Publishing and its President Jerry Vicente S. Catabijan (*Catabijan*).⁶

Facts

Fujian New Technology Color Marking and Printing Company (Fujian New Technology) is a printing company based in China. ⁷ It is represented by its local agent, M.Y. Intercontinental Trading Corporation (M.Y. Intercontinental), ⁸ with Uy as its Senior Executive Vice-President. ⁹

In 2008, St. Mary's Publishing and Fujian New Technology, represented by M.Y. Intercontinental, executed a Contract ¹⁰ where the former engaged the services of the latter for the exclusive printing and distribution of various local textbooks.¹¹

Pursuant to their Contract, St. Mary's Publishing issued the following documents in favor of Fujian New Technology: a) Authorities to Print Textbooks, ¹² b) December 7, 2009 Purchase Order, and c) Sub-Purchase Orders. ¹³

In compliance with the December 7, 2009 Purchase Order, Fujian New Technology printed 91,000 copies of *Pagpapaunlad ng Kasanayan sa Pagbasa* and 210,000 copies of Developing Reading Power textbooks. The printing of the textbooks cost PHP 11,347,781.08.¹⁴

Unfortunately, St. Mary's Publishing defaulted in paying for the printed textbooks. Consequently, M.Y. Intercontinental issued a notice to rescind the December 7, 2009 Purchase Order.¹⁵

To protect its interest, M.Y. Intercontinental and Uy, through their representative, Marie Ann Carmen F. Ferrer (*Ferrer*), filed a Petition for Declaratory Relief¹⁶ against St. Mary's Publishing and its Senior Executive Vice President, Catabijan.¹⁷

A. Valenzuela, Regional Trial Court, Branch 213, Mandaluyong City.

⁶ Id. at 45.

⁷ Id. at 32.

[§] Id. at 32–33.

⁹ *Id.* at 124.

¹⁰ Id. at 124-136.

¹¹ Id. at 124.

¹² Id. at 131–136.

¹³ Id. at 33.

¹⁴ *Id*.

¹⁵ Id.

¹⁶ *Id.* at 101–123.

⁷ Id

Decision 3 G.R. No. 258486

In the Petition for Declaratory Relief, Ferrer sought the determination and clarification of M.Y. Intercontinental's rights under the Contract and the December 7, 2009 Purchase Order. 18 Ferrer contended that the transaction between St. Mary's Publishing and Fujian New Technology, represented by M.Y. Intercontinental, is a contract of sale. When St. Mary's Publishing failed to pay, Fujian New Technology and its local agent M.Y. Intercontinental supposedly became unpaid sellers. Consequently, they have the right to exercise the special remedies of an unpaid seller under the Civil Code, 19 such as: (i) the right of possessory lien over the printed textbooks; (ii) the right to resell them; and (iii) the right to rescind the Contract. 20

St. Mary's Publishing and Catabijan filed an Answer where they admitted that they failed to pay for the printed textbooks. Nevertheless, they contended that the contract between them is not one of sale but merely a contract for the printing of textbooks. In other words, they avert that there was no vendor-vendee relationship between Fujian New Technology represented by its local agent M.Y. Intercontinental and St. Mary's Publishing. ²¹ Moreover, they pointed out that there was an ongoing negotiation for the settlement of the unpaid contract price. ²²

After due proceedings, the RTC rendered a Decision²³ which granted the Petition for Declaratory Relief. The RTC declared that the agreement between St. Mary's Publishing and M.Y. Intercontinental, representing Fujian New Technology, is a contract of sale. The RTC held that Fujian New Technology is an unpaid seller because St. Mary's Publishing defaulted in paying for the printed textbooks. Thus, M.Y. Intercontinental, as the representative of Fujian New Technology, may pursue its legal remedies as an unpaid seller. The RTC further held that the Contract and the December 7, 2009 Purchase Order are valid and binding between the parties. ²⁴ The dispositive portion of the RTC Decision is quoted hereunder:

WHEREFORE, foregoing premises considered, this court declares that:

1. with respect to the subject Contract to Print, petitioner is

¹⁸ Id

Art. 1526. Subject to the provisions of this Title, notwithstanding that the ownership in the goods may have passed to the buyer, the unpaid seller of goods, as such, has:

⁽¹⁾ A lien on the goods or right to retain them for the price while he is in possession of them;

⁽²⁾ In case of the insolvency of the buyer, a right of stopping the goods in transitu after he has parted with the possession of them;

⁽³⁾ A right of resale as limited by this Title;

⁽⁴⁾ A right to rescind the sale as likewise limited by this Title.

Where the ownership in the goods has not passed to the buyer, the unpaid seller has, in addition to his other remedies a right of withholding delivery similar to and coextensive with his rights of lien and stoppage in transitu where the ownership has passed to the buyer.

²⁰ *Id.* at 33–34.

²¹ Id. at 34.

²² Id. at 35.

²³ *Id.* at 70–99.

²⁴ *Id.* at 35.

deemed to be an unpaid seller within the definition of Article 1525 of the New Civil Code;

- 2. anent to the 210,000 copies of Developing Reading Power (DRP) series and 91,000 copies of Pagpapaunlad ng Kasanayan sa Pagbabasa (PKP) series, petitioner by virtue of Article 1526:
 - has a lien on the textbooks or right to retain them for the cost of printing and other costs while it is in the possession of said textbooks;
 - b. has a right to resale of these textbooks;
 - c. has a right to rescind the contract to print.
- 3. by virtue of Article 1533, and considering that respondent has defaulted for an unreasonable time, petitioner, as unpaid seller having the right of lien and to resell the goods, petitioner shall not thereafter be liable to respondent, upon the contract of sale for any profit made for such resale, but may recover from the respondent damages for any loss occasioned by the breach of the contract of sale;
- 4. by virtue of the first sale doctrine, respondent, upon default of payment has parted with all right to control the sale of it, including and more especially copyright over the subject textbooks. Petitioner upon obtaining the copies by operation of law, may now sell them again without authority from respondent. And considering that the textbooks have been stored in China, and these textbooks were written for Philippine consumption, the right of resale of these textbooks shall carry with it the necessary right to import the same; and
- 5. finding the documents to be in order, the court declares the following documents as legally binding:
 - a. Cover Note from China Council for the Promotion of International Trade/China Chamber of International Commerce xxx;
 - the Authority to Enter into Contracts to Market and Sell the textbooks subject of this case issued by Fujian to MITC xxx;
 - c. the authentication issued by the China Council for the Promotion of International Trade/China Chamber of International Commerce certifying that the seal of Fujian on the Authority to Enter into Contracts to Market and Sell the textbook is genuine xxx;
 - d. the authentication issued by the Consulate General of the Philippines in Xiamen, China, certifying that the signature and seal of Wang Yahong appearing on the authentication issued by the China Council for the Promotion of International Trade / China Chamber of International Commerce are genuine xxx.

No pronouncement as to costs.

SO ORDERED.²⁵

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²⁵ Id. at 35–37.

The RTC also issued an Order ²⁶ which denied the Motion for Reconsideration filed by St. Mary's Publishing and Catabijan.

Unfazed, St. Mary's Publishing and Catabijan appealed to the CA.²⁷

On January 6, 2021, the CA rendered a Decision²⁸ which reversed and set aside the ruling of the RTC. The CA underscored that an action for declaratory relief is no longer available because the Contract had already been violated when St. Mary's Publishing failed to pay the cost of the printed textbooks. ²⁹ Moreover, there are available remedies in favor of Fujian New Technology and M.Y. Intercontinental because they may file an action for breach of contract against St. Mary's Publishing. ³⁰ The dispositive portion of the CA Decision states:

PREMISES CONSIDERED, the appeal is **GRANTED**. The July 20, 2012 Decision and the November 12, 2012 Order of the Regional Trial Court of Mandaluyong, Branch 213, are **REVERSED** and **SET ASIDE**. Accordingly, the Petition for Declaratory Relief is **DISMISSED**.

SO ORDERED.³¹ (Emphasis in the original)

The CA also issued a Resolution³² which denied the Motion for Reconsideration filed by M.Y. Intercontinental and Uy, through their representative, Ferrer.

Undaunted, Uy, on behalf of M.Y. Intercontinental, elevated the case before this Court *via* a Petition for Review on *Certiorari*.³³

In the present Petition, Uy contends that they seek for the declaration of their rights under the Contract and the purchase orders, which is a proper subject of a petition for declaratory relief.³⁴ Assuming otherwise, the better recourse would be to convert the petition for declaratory relief into an ordinary action.³⁵

St. Mary's Publishing and Catabijan filed a Comment³⁶ where they assert that a petition for declaratory relief is not proper because there was

²⁶ *Id.* at 100.

²⁷ *Id.* at 32.

²⁸ Id. at 32–46.

²⁹ *Id.* at 44–45.

³⁰ Id. at 44.

³¹ Id. at 45.

³² *Id.* at 48–49.

³³ *Id.* at 12–30.

³⁴ *Id.* at 22.

³⁵ *Id*. at 25.

³⁶ *Id.* at 187–195.

already a breach or violation of the Contract.³⁷ Moreover, the breach or violation occurred even before the filing of the Petition, thus, it cannot be converted into an ordinary civil action under Rule 63, Section 6 of the Revised Rules of Court.³⁸

Issue

Whether a petition for declaratory relief is the proper recourse of the parties in this case

This Court's Ruling

The Petition is bereft of merit.

An action for declaratory relief is governed by Rule 63, Section 1 of the Rules of Court, which states:

Section 1. Who may file petition. — Any person interested under a deed, will, contract or other written instrument, whose rights are affected by a statute, executive order or regulation, ordinance, or any other governmental regulation may, before breach or violation thereof, bring an action in the appropriate Regional Trial Court to determine any question of construction or validity arising, and for a declaration of his rights or duties, thereunder. (Emphasis supplied)

In Association of International Shipping Lines, Inc. v. Secretary of Finance,³⁹ this Court explained the nature of a petition for declaratory relief in this manner:

An action for declaratory relief should be filed by a person interested under a deed, will, contract or other written instrument, and whose rights are statute, executive order, regulation ordinance before breach or violation thereof. The purpose of the action is to secure an authoritative statement of the rights and obligations of the parties under a statute, deed, contract, etc. for their guidance in its enforcement or compliance and not to settle issues arising from its alleged breach. It may be entertained only before the breach or violation of the statute, deed, contract, etc. to which it refers. Where the law or contract has already been contravened prior to the filing of an action for declaratory relief, the court can no longer assume jurisdiction over the action. In other words, a court has no more jurisdiction over an action for declaratory relief if its subject, i.e., the deed, contract, etc., has already been infringed transgressed before the institution of the action. Under such circumstances, inasmuch as a cause of action has already accrued in favor of one or the

³⁷ *Id.* at 190.

³⁸ Id. at 192

³⁹ G.R. No. 222239, January 15, 2020 [Per J. Lazaro-Javier, First Division].

other party, there is nothing more for the court to explain or clarify short of a judgment or final order. ⁴⁰ (Emphasis supplied)

For an action for declaratory relief to prosper, the following requisites should be present:

- (1) the subject matter of the controversy must be a deed, will, contract or other written instrument, statute, executive order or regulation, or ordinance;
- (2) the terms of said documents and the validity thereof are doubtful and require judicial construction;
- (3) there must have been no breach of the documents in question;
- (4) there must be an actual justiciable controversy or the "ripening seeds" of one between persons whose interests are adverse;
- (5) the issue must be ripe for judicial determination; and
- (6) adequate relief is not available through other means or other forms of action or proceeding.⁴¹

It is well to note that M.Y. Intercontinental and Uy, through their representative, Ferrer, filed a Petition for Declaratory Relief to determine the rights of its principal Fujian New Technology under the following written instruments: a) Contract and b) December 7, 2009 Purchase Order.⁴²

Article 1318 of the Civil Code states that a contract is a meeting of minds between two persons, whereby one party binds himself or herself, with respect to the other, to give something or to render some service. By this definition, the existence of a contract rests on the presence of three essential requisites: 1) the consent of the contracting parties; 2) the object; and 3) the consideration.⁴³

There is consent when there is acceptance of the offer, the thing, and the cause, which are to constitute the contract. ⁴⁴ Indeed, a contract is consensual in nature which is perfected upon the concurrence of the offer and the acceptance. ⁴⁵ Once perfected, a contract is binding and obligatory between the contracting parties. ⁴⁶

Here, St. Mary's Publishing hired Fujian New Technology, represented by M.Y. Intercontinental, to print various textbooks in consideration of PHP 76,748,494.68. ⁴⁷ The Contract stipulates, among

⁴⁰ Id.

Commissioner of Internal Revenue v. Standard Insurance Co., Inc., G.R. No. 219340, April 28, 2021 [Per J. Hernando, Third Division].

⁴² Rollo, p. 40.

Oberes v. Oberes, 865 Phil. 836, 846 (2019) [Per J. Reyes Jr., Second Division]. (Citation omitted)

Kabisig Real Wealth Dev. Inc. v. Young Builders Corporation, 804 Phil. 389, 394 (2017) [Per J. Peralta, Second Division].

⁴⁵ Catapang v. Lipa Bank, G.R. No. 240645, January 27, 2020 [Per J. Caguioa, First Division].

Kabisig Real Wealth Dec., Inc. v. Young Builders Corp., supra note 44, at 395.

¹⁷ *Rollo*, p. 124.

others, that St. Mary's Publishing shall issue purchase orders in favor of M.Y. Intercontinental for the printing of its textbook requirements. In turn, M.Y. Intercontinental shall deliver these printed textbooks in batches. Thereafter, St. Mary's Publishing shall pay the cost of the printed textbooks to M.Y. Intercontinental's designated bank account until it is paid in full.⁴⁸

In this case, St. Mary's Publishing offered Fujian New Technology, represented by M.Y. Intercontinental, to print its textbook requirements by issuing several purchase orders. M.Y. Intercontinental accepted these offers when it delivered 91,000 copies of Pagpapaunlad ng Kasanayan sa Pagbasa and 210,000 copies of Developing Reading Power textbooks. The total consideration for the printing of these textbooks is PHP 11,347,781.08.49 Thus, all the essential requisites of a valid contract of sale are present.

Clearly, the subject matter of the Petition is a contract that requires interpretation of its provisions. Nevertheless, St. Mary's Publishing admitted that it failed to pay for the printed textbooks.⁵⁰ It even disclosed that there was an ongoing negotiation for the settlement of the unpaid contract price.⁵¹ Hence, St. Mary's Publishing had already breached the Contract and the December 7, 2009 Purchase Order prior to the filing of the Petition for Declaratory Relief.⁵²

The rule is that a court can no longer assume jurisdiction over the action when the subject, i.e., the statute, deed, contract, etc., has already been breached prior to the filing of an action for declaratory relief.53 A petition for declaratory relief can only be entertained before the breach or violation of a statute, deed, contract, etc. to which it pertains since the aim of the action is to secure an authoritative statement regarding the rights and obligations of the parties thereunder to guide them in its enforcement or compliance.54 When the subject has already been breached, there is nothing more for the court to explain or clarify. Therefore, "a court has no more jurisdiction over an action for declaratory relief if its subject, i.e., the statute, deed, contract, etc., has already been infringed or transgressed before the institution of the action."55

Along this line, in Commission on Audit v. Pampilo, Jr.,56 this Court explained that if the court were to allow an action for declaratory relief after a breach of the subject, i.e., statute, deed, contract, etc., the decision of the court in the action for declaratory relief would prejudge the action for

Id. at 125.

⁴⁹ Id. at 33.

⁵⁰ Id. at 34.

⁵¹ Id. at 35.

⁵² Id. at 42.

Association of International Shipping Lines, Inc. v. Secretary of Finance, supra note 39. 53

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Id., citing Tambunting, Jr. v. Sps. Sumabat, 507 Phil. 94, 99 (2005) [Per J. Corona, Third Division]. 55

GR. Nos. 188760, 189060 & 189333, June 30, 2020 [Per J. Hernando, En Banc].

Decision 9 G.R. No. 258486

violation of the subject. Citing the case of *Sarmiento v. Hon. Capapas*,⁵⁷ this Court expounded on its legal ramifications in this wise:

The institution of an action for declaratory relief after a breach of contract or statute, is objectionable on various grounds, among which is that it violates the rule on multiplicity of suite. If the case at bar were allowed for a declaratory relief, the judgment therein notwithstanding, another action would still lie against the importer respondent for violation of the barter law. So, instead of one case only before the courts in which all issues would be decided, two cases will be allowed, one being the present action for declaratory relief and a subsequent one for the confiscation of the importations as a consequence of the breach of the barter law.

The impropriety of allowing an action for declaratory relief, after a breach of the law, can be seen in the very decision of the court itself, which is now subject of the appeal. Whereas the case at bar was purported to bring about a simple declaration of the rights of the parties to the action, the judgment goes further than said declaration and decrees that the importation by the respondent corporation violates the law, and further directs that the legal importation be confiscated under the provisions of the law (Section 1 (e), R.A. No. 1194). This confiscation directed by the court lies clearly beyond the scope and nature of an action for declaratory relief, as the judgment of confiscation goes beyond the issues expressly raised, and to that extent it is null and void. (Emphasis supplied)

Similarly, should the court entertain an action for declaratory relief when St. Mary's Publishing had already violated the terms of their Contract, the judgment for the simple declaration of the rights of the parties to the action will preclude the judgment in the action which M.Y. Intercontinental may pursue to hold them accountable for its breach. In such a scenario, there will be two cases: *one*, the present action for declaratory relief, and *another*, an action to hold St. Mary's Publishing liable for its noncompliance, instead of only one case to be filed before a court which has jurisdiction to decide all the issues between the parties for breach of contract. Clearly, allowing the present Petition after breach or violation of the subject contract will result in multiplicity of suits. Perforce, the dismissal of the Petition for Declaratory Relief is proper to avoid multiplicity of suits.

Given these circumstances, may this Court allow the conversion of the Petition for Declaratory Relief into an ordinary action?

This Court answers in the negative.

Rule 63, Section 6 of the Rules of Court states:

⁵⁸ *Id.* at 762.

⁵⁷ 114 Phil. 756 (1962) [Per J. Labrador, *En Banc*].

Section. 6. Conversion into ordinary action. — If before the final termination of the case, a breach or violation of an instrument or a statute, executive order or regulation, ordinance, or any other governmental regulation should take place, the action may thereupon be converted into an ordinary action, and the parties shall be allowed to file such pleadings as may be necessary or proper. (Emphasis in the original)

Evidently, Rule 63, Section 6 of the Rules of Court allows the conversion of a petition for declaratory relief into an ordinary action should a breach or violation of the subject written instrument occur before the final termination of the case. Corollary to this rule, Rule 63, Section 1 of the Rules of Court provides that an action for declaratory relief should be filed by a person interested under a statute, contract or deed before breach or violation thereof. When these two provisions are read in conjunction, this refers to a situation wherein an interested party filed a petition for declaratory relief before breach of the statute, contract, or deed, and during the pendency thereof, a violation or transgression thereof occurred before the final termination of the case.

In Martelino v. National Home Mortgage Finance Corporation,⁵⁹ this Court did not allow the conversion of the petition for declaratory relief into an ordinary action because the parties failed to specify the ordinary action they desired, among others.

Guided by these principles, this Court underscores that a petition for declaratory relief may be converted into an ordinary action under Rule 63, Section 6 of the Rules of Court upon compliance with the following conditions:

- 1. The interested party files a petition for declaratory relief before breach of the statute, contract, deed or subject written instrument;
- 2. There is a breach or violation of the statute, contract, deed or subject written instrument which occurred before the final termination of the case; and
- 3. The interested party should indicate the ordinary action he or she has chosen.

Conformably with the foregoing rules, this Court cannot allow the conversion of the Petition for Declaratory Relief into an ordinary action because the breach or violation occurred even before the filing of the said Petition. Moreover, M.Y. Intercontinental is silent on the ordinary action it has chosen to pursue should the Petition for Declaratory Relief be converted into an ordinary action. This fact is evident from its Petition, which reads in part:

⁵⁹ 579 Phil. 145 (2008) [Per J. Quisumbing, Second Division].

Clearly, assuming without conceding that the petition for declaratory relief a quo was improper, the better recourse would be to treat the same as an action to enforce petitioner's / M.Y. Intercontinental Trading Corporation's rights as an unpaid seller and order Civil Case No. MC[-]10-5078 a quo to be converted into an ordinary action, rather than let respondents go scot-free on their obligations to M.Y. Intercontinental Trading Corporation and herein petitioner. (Emphasis supplied)

For lack of compliance with the abovementioned conditions, the conversion of the Petition into an ordinary civil action is not warranted.

Likewise, as aptly pointed out by the CA, there are adequate remedies available in favor of Fujian New Technology and M.Y. Intercontinental against St. Mary's Publishing.

All told, the requisites for an action for declaratory relief to prosper are wanting because: 1) There was already a breach of the Contract and the December 7, 2009 Purchase Order prior to M.Y. Intercontinental's filing of the Petition for Declaratory Relief; and 2) Fujian New Technology and M.Y. Intercontinental have adequate legal remedies other than an action for declaratory relief. Therefore, the Petition for Declaratory Relief had no legal basis and should have been dismissed by the RTC.

FOR THESE REASONS, the Petition is **DENIED**. The Decision dated January 6, 2021 and the Resolution dated December 3, 2021 of the Court of Appeals in CA-G.R. CV No. 110189 are hereby **AFFIRMED**. The Petition for Declaratory Relief filed by M.Y Intercontinental Trading Corporation and/or Tedwin T. Uy through their attorney-in-fact, Marie Ann Carmen F. Ferrer against St. Mary's Publishing and/or Vicente S. Catabijan in Civil Case No. MC-10-5078 is ordered **DISMISSED**.

SO ORDERED.

HOSEP LOPEZ
Associate Justice

WE CONCUR:

Senior Associate Justice

⁶⁰ Rollo, p. 25.

AMY C./LAZARO-JAVIER

Associate Justice

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.

MARVICM.V.F. LEONEN

Senior Associate Justice Chairperson, Second Division

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