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Skiva despite the finding of the lower court that petitioner had no obligation to account to Skiva.

WHEREFORE, the instant petition is *DENIED* and the appealed judgment of the court *a quo* finding petitioner guilty beyond reasonable doubt of the crime of Estafa under Article 315 paragraph 1 (b) of the Revised Penal Code is *AFFIRMED*. Costs against appellant.

SO ORDERED.

Panganiban, Sandoval-Gutierrez, Corona, and *Carpio-Morales, JJ.,* concur.

THIRD DIVISION

[G.R. No. 136821. October 17, 2002]

ROVELS ENTERPRISES, INC., *petitioner, vs.* **EMMANUEL B. OCAMPO, JOSE M. SILVA, SR., THE HEIRS OF EXPEDITO LEVISTE, SR.,* CONRADO CALALANG, and FRANCISCO CARREON, SR.,** *respondents.*

SYNOPSIS

The Board of Directors of Tagaytay Taal Tourist Development Corporation (TTTDC) issued a resolution authorizing the payment of professional fees and services rendered by Rovels Enterprises with the unissued shares of the corporation. Consequently, some TTTDC shares of stock were transferred to the Rovels. Subsequently, the TTTDC Board

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* Respondent Expedito Leviste, Sr. died on September 6, 1999 pending of this case and was substituted by his heirs, namely, Maria Cristina borbon-Leviste, Enrique B. Leviste, Victoriano B. Leviste, Feliciano b. Leviste and Edgar John b. Leviste (see Supreme Court Resolution dated June 28, 2000; *Rollo*, p. 761).

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of Directors passed another resolution repealing the former resolution. The Securities and Exchange Commission (SEC) in one case ruled that the corresponding issuance of shares to Rovels was null and void considering that the resolution authorizing TTTDC to pay Rovels with its unissued shares of stock has been expressly revoked. In another case, the SEC declared the respondents as the lawful stockholders of TTTDC. Rovels then filed a petition with the SEC praying that it be declared the majority stockholder. The SEC dismissed Rovel's petition. This order was affirmed by the SEC *en banc*. On appeal, the Court of Appeals affirmed the SEC *en banc* decision. Hence, this petition.

In denying the petition, the Supreme Court ruled that petitioner cannot be declared the majority stockholder of TTTDC because the resolution transferring TTTDC's shares of stock to Rovels has been repealed by a subsequent resolution. The Court of Appeals was correct in affirming the dismissal of Rovels' petition for lack of cause of action. The Court further ruled that Rovels was bound by the previous SEC decisions. Thus, the rule on *res judicata* was correctly applied in the case at bar.

SYLLABUS

1. **REMEDIAL LAW; ACTIONS; CAUSE OF ACTION, DEFINED; ELEMENTS.**— A cause of action is defined as the delict or wrongful act or omission committed by a person in violation of the right of another. A cause of action exists if the following elements are present: (1) a right in favor of the plaintiff, (2) the correlative obligation of the defendant to respect such right, and (3) the act or omission of the defendant in violation of plaintiff's right. The test is whether the material allegations of the complaint, assuming them to be true, state ultimate facts which constitute plaintiff's cause of action, such that plaintiff is entitled to a favorable judgment as a matter of law.

2. **ID.; ID.; JUDGMENT; *RES JUDICATA*; ELEMENTS.**— The requisites of *res judicata,* also known as the rule on bar by prior judgment, are: 1) the former judgment must be final; 2) the court which rendered it had jurisdiction over the subject matter and the parties; 3) the judgment must be on the merits; and 4) there must be between the first and the second actions, identity of parties, subject matter and causes of action.

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3. ID.; ID.; ID.; ID.; ID.; ABSOLUTE IDENTITY OF PARTIES, NOT REQUIRED FOR PRINCIPLE TO APPLY.— It bears stressing that *absolute* identity of parties is not required for the principle of *res judicata,* or the rule on bar by prior judgment, to apply. Mere *substantial* identity of parties, or a community of interests between a party in the first case and a party in the subsequent case even if the latter was not impleaded in the first case, is sufficient.

4. COMMERCIAL LAW; PRIVATE CORPORATIONS; LEGAL FICTION OF SEPARATE CORPORATE EXISTENCE; WHEN NOT APPLIED.— The legal fiction of separate corporate existence is not at all times invincible and the same may be pierced when employed as a means to perpetrate a fraud, confuse legitimate issues, or used as a vehicle to promote unfair objectives or *to shield an otherwise blatant violation of the prohibition against forum-shopping.* While it is settled that the piercing of the corporate veil has to be done with caution, this corporate fiction may be disregarded when necessary in the interest of justice.

5. REMEDIAL LAW; JUDGMENT; *RES JUDICATA*; BASIS.— The doctrine of *res judicata* states that a final judgment on the merits rendered by a court of competent jurisdiction is conclusive as to the rights of the parties and their privies, and constitutes an absolute bar to subsequent actions involving the same claim, demand or cause of action. This is founded on public policy and necessity, which makes it to the interest of the State that there should be an end to litigations, and on the principle that an individual should not be vexed twice for the same cause. Just recently, we emphatically declared in *In Re: Petition Seeking for Clarification as to the Validity and Forceful Effect of Two (2) Final and Executory but Conflicting Decisions of the Honorable Supreme Court:* "Every litigation must come to an end once a judgment becomes final, executory and unappealable. This is a fundamental and immutable legal principle. For '(j)ust as a losing party has the right to file an appeal within the prescribed period, the winning party also has the correlative right to enjoy the finality of the resolution of his case by the execution and satisfaction of the judgment, which is the 'life of the law.' Any attempt to thwart this rigid rule and deny the prevailing litigant his right to savour the fruit of his victory, must immediately be struck down."

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APPEARANCES OF COUNSEL

Benjamin L. Bargas for petitioner.
Estelito P. Mendoza for respondents E. Ocampo, *etc.*

D E C I S I O N

SANDOVAL-GUTIERREZ, *J.*:

Assailed in this petition for review on *certiorari*[1] is the Decision of the Court of Appeals dated June 5, 1998[2] in CA-G.R. SP No. 43260, affirming the Decision of the Securities and Exchange Commission (SEC) in SEC Case No. 09-95-5135 dismissing the petition to be declared the majority stockholder of Tagaytay Taal Tourist Development Corporation (TTTDC). The petition was filed by Rovels Enterprises, Inc. (Rovels), herein petitioner. Rovels is a domestic corporation engaged in construction work. Its President is Eduardo Santos. TTTDC was among Rovels' clients.

In payment for the services rendered by Rovels, the Board of Directors of TTTDC passed a Resolution on December 29, 1975 providing as follows:

"RESOLVED, as it is hereby resolved that payment for professional fees and services rendered by x x x Rovels' Enterprises x x x be made in cash if funds are available, or *its equivalent number of shares of stock of the corporation at par value,* and *should said creditors elect the latter mode of payment, it is further resolved that the President and/or his Secretary be authorized as they are hereby authorized, to issue the corresponding unissued shares of stock of the corporation.*"[3] (Italics added)

The Resolution was signed by three of TTTDC's directors, namely, Victoriano Leviste, Bienvenido Cruz, Jr., and Roberto

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[1] Pursuant to Rule 45 of the 1997 Rules of Civil Procedure, as amended.

[2] Penned by then Court of Appeals Justice Consuelo Ynares-Santiago, now Justice of this Court, and concurred in by Justices Bernardo Ll. Salas, retired, and Candido v. Rivera; *Rollo*, pp. 9-18.

[3] *Rollo*, at 170.

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Roxas. Roberto Roxas is the President of TTTDC and stockholder of Rovels at the same time. Noticeably, the signatures of the other two (2) TTTDC directors — Jose Silva, Jr. and Emmanuel Ocampo — do not appear in the subject Resolution despite their presence in the December 29, 1975 Board meeting.[4]

On February 23, 1976, Eduardo Santos, President of Rovels, on behalf of TTTDC, filed with the SEC an application for exemption from registration of TTTDC's unissued shares of stock transferred to it (Rovels) as payment for its services worth One Hundred Eight Thousand Pesos (₱108,000.00). This was done because under Section 4 (a) of the Revised Securities Act, no shares of stocks shall be transferred unless first registered with the SEC or permitted to be sold.[5]

On May 7, 1976, the SEC, in its Resolution No. 260,[6] granted Eduardo Santos' application.

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[4] Minutes of the December 29, 1975 Board of Directors' meeting, *id.*, at 170-171.

[5] Under Section 4 (a) of *Batas Pambansa Blg.* 178 (The Revised Securities Act), "(n)o securities, except of a class exempt under any of the provisions of Section 5 (t)hereof or unless sold in any transaction exempt under any of the provisions of Section 6 (t)hereof, shall be sold or offered for sale or distributed to the public within the Philippines unless such securities shall have been registered or permitted to be sold x x x." As defined in Section 2 (a) of B.P. Blg. 178, the term "securities" includes shares of stocks (De Leon, *The Corporation Code*, Annotated, 1993 Ed., p. 750).

[6] This SEC Resolution No. 260 resolved the petition filed by Eduardo Santos on behalf of the TAGAYTAY-TAAL TOURIST DEVELOPMENT CORPORATION, requesting that ₱108,000.00 worth of shares of its unissued capital stock which it proposes to sell to the persons mentioned in its letter of February 23, 1976 by way of offset of liabilities, be exempted from the registration requirements of the Securities Act. The said Resolution states:

"x x x In view of the limited character of the offering to be made on the securities and it appearing that liabilities owing to them which is being applied to offset the payment of ₱108,000.00, the Commission is of the opinion, and so resolves, that the registration and/or licensing of the securities herein sought to be exempted is not necessary in the public interest or for the protection of the purchasers thereof. Petition is, therefore, granted. x x x" (*Rollo*, pp. 122-123)

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On March 1, 1976, the TTTDC Board of Directors passed another Resolution[7] repealing its Resolution of December 29, 1975, thus:

"RESOLVED, as it is hereby resolved, that the Resolution of *December 29, 1975 authorizing the payment of creditors with unissued shares of the corporation be as it is hereby repealed*: Resolved further that the matter as well as the amount of the creditors' claims be given adequate study and consideration by the Board." (Italics added)

In view of the December 29, 1975 TTTDC Board Resolution transferring to Rovels the said shares of stock as construction fee, TTTDC Directors Jose Silva, Jr. and Emmanuel Ocampo filed a complaint with the SEC against Roberto Roxas, TTTDC President, and Eduardo Santos, Rovels' President, docketed as SEC Case No. 1322. In their complaint, Silva and Ocampo alleged that there was no meeting of the TTTDC's Board of Directors on December 29, 1975; that they did not authorize the transfer of TTTDC's shares of stock to Rovels; that they never signed the alleged minutes of the meeting; and that the signatures of the other two (2) Directors, Victoriano Leviste and Bienvenido Cruz, Jr., as well as that of TTTDC's Secretary Francisco Carreon, Jr., were obtained through fraud and misrepresentation. They also alleged that the TTTDC Board Resolution dated December 29, 1975 was repealed by the March 1, 1976 Resolution. They thus prayed that the transfer of TTTDC's shares of stock to Rovels pursuant to Resolution dated December 29, 1975 be annulled.

On March 17, 1979, SEC Hearing Officer Eugenio E. Reyes issued a Decision[8] in favor of Silva and Ocampo, the dispositive portion of which reads:

"Considering that the (December 29, 1975) board resolution which authorizes the corporation to pay its creditors with its unissued shares of stock x x x *had been expressly revoked or repealed on March 1, 1976* as earlier pointed out, Commission Resolution No. 260

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[7] *Id.*, at 172-174.

[8] *Id.*, at 175, 184-185.

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(granting Santos' application for exemption from registration of the unissued shares), when issued on May 7, 1976 x x x had lost its legal basis. *Consequently, the corresponding issuance of shares was without authority of the board of directors.*"

x x x x x x x x x

"WHEREFORE, premises considered, this Commission finds and so holds that *the purported board resolution of December 29, 1975, not having been properly passed upon at a duly constituted board meeting, cannot be recognized as valid and hence, without legal force and effect. Consequently, the issuance of shares of stock to corporate creditors of the Tagaytay Taal Tourist Development Corporation is null and void.* In view thereof, the shares in question are still considered unissued and remain part of the authorized capital stocks of the Tagaytay Taal Tourist Development Corporation. This is without prejudice to the rights of said corporate creditors as against Tagaytay Taal Tourist Development Corporation for the latter's contractual obligations." (Italics added)

On appeal by Roberto Roxas and Eduardo Santos, the SEC *en banc*, in its Decision dated September 2, 1982 in SEC-AC No. 049,[9] affirmed the Decision of the SEC Hearing Officer. This Court, in its Decision of June 20, 1983 in G.R. No. 61863,[10] likewise affirmed the Decision of the SEC *en banc*. The Decision of this Court became final and executory on September 2, 1983.[11]

Subsequently, TTTDC, Jose Silva, Emmanuel Ocampo, Victoriano Leviste, Francisco Carreon, Jr., and Expedito Leviste, Sr., another stockholder of TTTDC, (the SILVA GROUP, now respondents), filed with the SEC a petition against Eduardo Santos, Sylvia S. Veloso, Josefina Carballo, Augusto del Rosario, Reynaldo Alcantara and Lauro Sandoval (the SANTOS GROUP), docketed as SEC Case No. 3806. (The SANTOS GROUP were nominees of Rovels who, by virtue of the shares of stock issued pursuant to the December 29, 1975 Resolution, proceeded to act as directors and officers of TTTDC). In their petition,

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[9] *Id.*, at 186-195.

[10] *Id.*, at 196.

[11] Entry of Judgment dated September 2, 1983, *id.*, at 197.

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the SILVA GROUP prayed that *they be declared the true and lawful stockholders and incumbent directors and officers of TTTDC.*

On July 6, 1993, SEC Hearing Officer Alberto P. Atas rendered a Decision[12] in favor of the SILVA GROUP, thus:

"WHEREFORE, judgment is hereby rendered in favor of the petitioners *(SILVA GROUP)* and against the respondents (*SANTOS GROUP*), as follows:

a. Declaring petitioners as the lawful stockholders, directors and officers of Tagaytay Taal Tourist Development Corporation;

b. Declaring respondents, to be ***not*** stockholders of Tagaytay Taal Tourist Development Corporation;

c. Declaring respondents to be ***not*** directors or officers of Tagaytay Taal Tourist Development Corporation;

d. The writ of preliminary injunction issued on November 6, 1990 is hereby made permanent; and

e. Ordering the Records Division of this Commission to purge the records of Tagaytay Taal Tourist Development Corporation of all papers and documents filed by respondents purportedly in behalf of Tagaytay Taal Tourist Development Corporation." (Italics and words in parentheses added)

The above Decision became final and executory on September 1, 1994[13] as no appeal was interposed by either the SILVA GROUP or the SANTOS GROUP.

However, Rovels, to whom the TTTDC shares of stock (worth ₱108,000.00) were transferred, claimed that it became aware of the July 6, 1993 SEC Decision only in June of 1995. So on September 6, 1995, it filed a petition with the SEC,[14] docketed as SEC Case No. 09-95-5135, praying that ***it be declared the majority stockholder of*** TTTDC as against respondents Ocampo, Silva, Leviste, Sr., Calalang and Carreon (belonging to the SILVA

[12] *Id.*, at 216-228.

[13] Entry of Judgment dated September 1, 1994, *id.*, at 230.

[14] *Id.*, at 98-106.

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GROUP). The material allegations of the petition state that: (1) TTTDC passed a Resolution dated December 29, 1975 authorizing the transfer of its unissued shares to Rovels as the latter's construction fee;[15] (2) Pursuant to that Resolution, TTTDC shares of stock worth ₱692,000.00 were transferred to Rovels;[16] (3) While TTTDC, in its March 1, 1976 Resolution, repealed the December 29, 1975 Resolution, such repeal does not bind Rovels for lack of notice;[17] (4) Several "interrelated cases" (SEC Case Nos. 1322 and 3806) were filed with the SEC involving the SILVA and SANTOS GROUPS;[18] (5) Rovels is not bound by the SEC Decisions since it was not impleaded as a party in said cases.[19]

Forthwith, the SILVA GROUP filed a motion to dismiss[20] the petition on the following grounds: (1) Rovels has no cause of action since TTTDC's December 29, 1975 Board Resolution was repealed by its March 1, 1976 Resolution;[21] (2) the petition is barred by the prior SEC Decisions in SEC Case No. 1322 declaring that the issuance of TTTDC's shares of stock to Rovels is valid, and the SEC Decision in 3806 declaring the SILVA GROUP as the lawful stockholders of TTTDC;[22] and (3) the petition is barred by estoppel, prescription and laches since it was filed long after Rovels was notified of the repeal of the December 29, 1975 TTTDC Resolution.[23]

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[31] *Sta. Clara Homeowners' Association vs. Spouses Victor Ma. Gaston and Lydia Gaston*, G.R. No. 141961, January 23, 2002, citing *San Lorenzo*

[15] Petition, par. 5, *Rollo*, at 99.

[16] *Id.*, par. 6, at 100.

[17] *Id.*, pars. 9-10, at 100-101.

[18] *Id.*, par. 12, at 101.

[19] *Id.*

[20] *Rollo*, at 144-167.

[21] Motion to Dismiss, pars. 5-5.05, *Rollo*, at 151-155.

[22] *Id.*, pars. 6-6.17, at 155-161.

[23] *Id.*, pars. 7-8.06, at 161-165.

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In an Order dated April 22, 1996[24] in SEC Case No. 09-95-5135, SEC Hearing Officer Manuel P. Perea dismissed Rovel's petition on the grounds of lack of cause of action, *res judicata*, estoppel, laches and prescription. This Order was affirmed by the SEC *en banc* in its Decision dated January 20, 1997[25] in SEC AC No. 560.

Upon a petition for review, docketed as CA-G.R. SP. No. 43260, the Court of Appeals, in its Decision dated June 5, 1998,[26] affirmed the January 20, 1997 SEC *en banc* Decision. Rovels' motion for reconsideration was likewise denied.[27]

Hence, the instant petition for review on *certiorari*,[28] alleging that the Court of Appeals erred:

I

IN HOLDING THAT PETITIONER ROVELS HAS NO CAUSE OF ACTION AGAINST PRIVATE RESPONDENTS; and

II

IN HOLDING THAT THE PETITION IN SEC CASE NO. 09-95-5135 IS BARRED BY PRIOR JUDGMENT (*RES JUDICATA*), LACHES, PRESCRIPTION AND ESTOPPEL.[29]

The petition is unmeritorious.

On the first assigned error, we find that the Court of Appeals is correct in affirming the dismissal of Rovels' petition in SEC Case No. 09-955135 for lack of cause of action.

A cause of action is defined as the delict or wrongful act or omission committed by a person in violation of the right of another.[30] A cause of action exists if the following elements are

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[24] *Id.*, at 85, 89-96.

[25] *Id.*, at 73-84.

[26] *Id.*, at 9-18.

[27] December 21, 1998 Resolution of the Court of Appeals, *id.*, at 58-59.

[28] Pursuant to Rule 45 of the 1997 Rules of Civil Procedure, as amended.

[29] Petition, *Rollo*, at 31.

[30] *Camara vs. Court of Appeals*, 310 SCRA 608, 618-619 (1999), citing *Nabus vs. Court of Appeals*, 193 SCRA 732, 747 (1991).

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present: (1) a right in favor of the plaintiff, (2) the correlative obligation of the defendant to respect such right, and (3) the act or omission of the defendant in violation of plaintiff's right.[31] The test is whether the material allegations of the complaint, assuming them to be true, state ultimate facts which constitute plaintiff's cause of action, such that plaintiff is entitled to a favorable judgment as a matter of law.[32]

The pertinent portions of Rovels petition filed with the SEC read:

x x x x x x x x x

"5. x x x. On December 29, 1975, TTTDC in a Resolution signed by majority members of the Board of Directors resolved that TTTDC pay its creditors through a 'debt-to-equity swap';

x x x x x x x x x

"9. x x x the relation between the *Silva faction* and the *Santos faction* became adversarial. The Silva faction attempted to form an alleged new board of directors and *repealed the Board Resolution dated December 29, 1975* Resolution regarding the 'debt' to equity swap. Thus, it resolved:

> 'RESOLVED, as it is hereby resolved, that *the Resolution of December 29, 1975 authorizing the payment of creditors with unissued shares of the corporation be as it is hereby repealed:* Resolved further that the matter as well as the amount of the creditor's claims be given adequate study and consideration by the Board. x x x'

"10. That what is clear from the *above Resolution of March 1, 1976* is the admission that indeed TTTDC owes certain amount of money from its creditors. The creditors became stockholders of

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[30] *Camara vs. Court of Appeals,* 310 SCRA 608, 618-619 (1999), citing *Nabus vs. Court of Appeals,* 193 SCRA 732, 747 (1991).

Village Association, Inc. vs. Court of Appeals, 288 SCRA 115, 125 (1998); *Far East Bank and Trust Co. vs. Court of Appeals,* 341 SCRA 486, 490 (2000).

[32] *Dabuco vs. Court of Appeals,* 322 SCRA 853, 863 (2000), citing *Suyom vs.Collantes, et al.,* 69 SCRA 514, 520 (1976).

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record as a result of shares of stock issued in implementation of the 'debt to equity' conversion. Corresponding shares of stock were issued and signed by then president of the corporation Roberto Roxas and then corporate secretary Francisco N. Carreon, Jr.

"Copy of said Certificate of Stocks are hereto attached and marked as Annexes 'D' to 'P' and made an integral part hereof.

x x x x x x x x x

"12. That *several interrelated cases were filed by Eduardo L. Santos (SEC Case No. 1322), on one hand, and Expedito M. Leviste, Francisco Carreon, Felicisimo Ocampo and Jose M. Silva (SEC Case No. 3806) and vice versa on the other.* Petitioner, Rovels Enterprises, Inc. was *never made a party in any of these cases* and its nominees in the Board of Directors of TTTDC continued to exercise its function from 1976.

x x x x x x x x x

"19. That to implement the *decision in SEC CASE 3806, which declared the Silva Group as the duly authorized directors and officers*, without looking deeply into the records of the case, *i.e.* the sub-poened authentic 'Stock and Transfer Book' of TTTDC and the earlier decision in PED Case No. 89-0644, will constitute irreparable damage to the petitioner. Specially so, Silva executed an affidavit showing 5 Directors of TTTDC but the stock certificates were not signed by the corporate secretary who died in 1982.

x x x x x x x x x

"21. That petitioner which became duly registered majority stockholder thru 'debt to equity swap' had been an innocent party to such controversy between the aforesaid 2 ruling thereof, hence, petitioner remains as is on a status quo basis as majority stockholder of TTTDC.

x x x x x x x x x

"PRAYER

"WHEREFORE, premises considered, petitioner prays that this Honorable Commission render judgment in favor of petitioner and against respondents (SILVA GROUP):

x x x x x x x x x

"2. After due notice and hearing, re-declaring petitioner lawful registered majority stockholder of TTTDC x x x;

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"3. Ordering respondents to desist from sitting in the Board of Directors of TTTDC as they are not lawful registered stockholders in the books of the said corporation.

x x x x x x x x x"[33]

A reading of the above petition (paragraph 5) shows that Rovels' prayer to be declared the majority stockholder of TTTDC is anchored on the December 29, 1975 TTTDC Board Resolution transferring its shares of stock to Rovels as construction fee. This Resolution could have vested in Rovels a right to be declared a stockholder of TTTDC. However, the same petition (paragraphs 9 and 10) concedes that the December 29, 1975 Resolution was repealed by the March 1, 1976 Resolution. The petition likewise alleges (paragraphs 12 and 19) that there were prior "interrelated cases" filed with the SEC between the SILVA and SANTOS GROUPS, namely: (1) *SEC Case No. 1322* (wherein the SEC *en banc* in its Decision dated September 2, 1982 nullified the TTTDC Board Resolution dated December 29, 1975, which Decision was affirmed with finality by this Court in G.R. No. 61863) and (2) *SEC Case No. 3806* (wherein the SEC declared the SILVA GROUP as the legitimate stockholders of TTTDC, not Rovels' nominees [the SANTOS GROUP]). Clearly, on the face of its petition, Rovels cannot claim to be the majority stockholder of TTTDC.

Relative to the second assigned error, Rovels contends that it is not bound by the SEC Decision in SEC Case Nos. 1322 and 3806 and in G.R. No. 61863 as it was "never a party in any of these cases." This contention brings us to the issue of *res judicata*.

The requisites of *res judicata*,[34] also known as the rule on bar by prior judgment, are:

1) the former judgment must be final;

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[33] Annex "D" of the Petition, *Rollo* at 98-106.

[34] *Republic vs. Court of Appeals*, 324 SCRA 560, 565 (2000); *Siapian vs. Court of Appeals*, 327 SCRA 11, 20 (2000); *Almendra vs. Asis*, 330 SCRA 69, 75-76 (2000).

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2) the court which rendered it had jurisdiction over the subject matter and the parties;

3) the judgment must be on the merits; and

4) there must be between the first and the second actions, identity of parties, subject matter and causes of action.

The first three (3) requisites of *res judicata* are present in this case. This is not disputed by the parties and is, in fact, established by the record. The controversy arises as to whether there is identity of the parties in the present SEC Case No. 09-95-5135, on the one hand, and in prior SEC Case Nos. 1322 and 3806, on the other.

Contrary to its claim, Rovels is bound by the previous SEC Decisions. It must be noted that Eduardo Santos, President of Rovels, was one of the respondents in both SEC Case Nos. 1322 and 3806. Clearly, Rovels and Eduardo Santos, being its President, share an *identity of interests* sufficient to make them *privies-in-law*, as correctly found by the Court of Appeals in its assailed Decision, thus:

"In the case at bench, there can be no question that the rights claimed by petitioner and its stockholders/directors/officers who were parties in SEC Case Nos. 1322 and 3806 are identical in that they are both based on the December 29, 1975 Resolution. Stated differently, *they shared an identity of interest from which flowed an identity of relief sought*, namely, to be declared owners of the stocks of TTTDC, premised on the same December 29, 1975 Resolution. x x x. *This 'identity of interest is sufficient to make them privies-in-law, one to the other, and meets the requisite of substantial identity of parties.*'"[35]

It bears stressing that *absolute* identity of parties is not required for the principle of *res judicata*, or the rule on bar by prior judgment, to apply. Mere *substantial* identity of parties, or a community of interests between a party in the first case and a

[35] June 5, 1998 Decision of the Court of Appeals, *Rollo*, p. 15.

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party in the subsequent case even if the latter was not impleaded in the first case, is sufficient.[36]

Rovels cannot take refuge in the argument that, as a corporation, it is imbued with personality separate and distinct from that of the respondents in SEC Case Nos. 1322 and 3806. The legal fiction of separate corporate existence is not at all times invincible and the same may be pierced when employed as a means to perpetrate a fraud, confuse legitimate issues, or used as a vehicle to promote unfair objectives or *to shield an otherwise blatant violation of the prohibition against forum-shopping.* While it is settled that the piercing of the corporate veil has to be done with caution, this corporate fiction may be disregarded when necessary in the interest of justice.[37]

The doctrine of *res judicata* states that a final judgment on the merits rendered by a court of competent jurisdiction is conclusive as to the rights of the parties and their privies, and constitutes an absolute bar to subsequent actions involving the same claim, demand or cause of action.[38] This is founded on public policy and necessity, which makes it to the interest of the State that there should be an end to litigations, and on the principle that an individual should not be vexed twice for the same cause.[39]

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[36] *Nery vs. Leyson*, 339 SCRA 232, 241 (2000); *Concepcion vs. Agana*, 268 SCRA 307, 318-319 (1997); *Municipality of San Juan, Metro Manila vs. Court of Appeals*, 279 SCRA 711, 717 (1997).

[37] *Reynoso IV vs. Court of Appeals*, G.R. Nos. 116124-25, November 22, 2000, citing among others, *First Philippine International Bank vs. Court of Appeals*, 252 SCRA 259, 287-288 (1996); *Jacinto vs. Court of Appeals*, 198 SCRA 211, 216 (1991); and *Villanueva vs. Adre*, 172 SCRA 876, 885 (1989).

[38] *Republic vs. Court of Appeals*, 324 SCRA 560, 567-568 (2000); *Barreto vs. Court of Appeals*, 324 SCRA 581, 588-589 (2000).

[39] *Madarieta vs. RTC*, Br. 28, Mambajao, Camiguin, 326 SCRA 479, 483 (2000). The doctrine also applies to decisions rendered by quasi-judicial bodies (*Fortich vs. Corona*, 312 SCRA 751, 760-761[1999]; *Bataan Shipyard and Engineering Corporation vs. National Labor Relations Commission*, 269 SCRA 199, 207 [1997]; *Mendiola vs. Civil Service Commission*, 221 SCRA 295, 305 [1993]).

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Just recently, we emphatically declared in *In Re: Petition Seeking for Clarification as to the Validity and Forceful Effect of Two (2) Final and Executory but Conflicting Decisions of the Honorable Supreme Court*:[40] "Every litigation must come to an end once a judgment becomes final, executory and unappealable. This is a fundamental and immutable legal principle. For '(j)ust as a losing party has the right to file an appeal within the prescribed period, the winning party also has the correlative right to enjoy the finality of the resolution of his case' by the execution and satisfaction of the judgment, which is the 'life of the law.' Any attempt to thwart this rigid rule and deny the prevailing litigant his right to savour the fruit of his victory, must immediately be struck down."

Finally, this Court sustains the Appellate Court's finding that the filing of Rovels petition in the instant SEC Case No. 09-95-5135 is barred by estoppel, prescription and laches. There is no merit to Rovels' claim that it was only in June of 1995[41] when it became aware of the repeal of the December 29, 1975 TTTDC Resolution and of the consequent nullification of the transfer of its shares of stock.

It is undisputed that Eduardo Santos was present in the March 1, 1976 TTTDC Board meeting wherein the December 29, 1975 Resolution was repealed. We hold that Eduardo Santos, being the President of Rovels, is considered as its (Rovels') agent. As such, his knowledge of the repeal of the December 29, 1975 Resolution, under the theory of imputed knowledge, is ascribed to his principal (Rovels).

It was only on September 6, 1995, or almost twenty (20) years from the time Eduardo Santos learned of the March 1, 1976 Resolution, that Rovels filed its petition in SEC Case No. 09-95-5135. Within that long period of time, Rovels did nothing to contest the March 1, 1976 TTTDC Resolution to protect its rights, if any. Obviously, such inaction constitutes estoppel, prescription and laches. As stated by Rovels itself, Article 1149

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[40] G.R. No. 123780, September 24, 2002 (*En Banc*).

[41] No. 12 of the Petition, *Rollo*, p. 41.

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of the New Civil Code limits the filing of actions, whose periods are not fixed therein or in any other laws, to *only five (5) years*. In addition, the principle of laches or "stale demands" provides that the failure or neglect, for an unreasonable and unexplained length of time, to do that which by exercising due diligence could or should have been done earlier, or the negligence or omission to assert a right within a reasonable time, warrants a presumption that the party entitled to assert it either has abandoned it or declined to assert it.[42]

In sum, this Court finds that the Court of Appeals did not commit any reversible error in its challenged Decision.

WHEREFORE, the petition is *DENIED*. The assailed Decision of the Court of Appeals dated June 5, 1998 and its Resolution dated December 21, 1998 in CA-G.R. SP. No. 43260, are *AFFIRMED*.

SO ORDERED.

Puno, (Chairman), Panganiban, Corona, and *Carpio Morales, JJ.*, concur.

THIRD DIVISION

[G.R. No. 142689. October 17, 2002]

POLICARPIO T. CUEVAS, *petitioner, vs.* **BAIS STEEL CORPORATION and STEVEN CHAN,** *respondents.*

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[42] *Vda. de Cabrera vs. Court of Appeals*, 267 SCRA 339, 355 (1997); *Españo, Sr. vs. Court of Appeals*, 268 SCRA 511, 514 (1997); *Philgreen Trading Construction Corporation vs. Court of Appeals*, 271 SCRA 719, 725 (1997).