

## THIRD DIVISION

[ G.R. No. 215280, September 05, 2018 ]

**FRANCISCO C. EIZMENDI JR., JOSE S. TAYAG JR., JOAQUIN L. SAN AGUSTIN, EDUARDO D. FRANCISCO, EDMIDIO V. RAMOS, JR., ALBERT G. BLANCAFLOR, REY NATHANIEL C. IFURUNG, MANUEL H. ACOSTA JR., AND VALLE VERDE COUNTRY CLUB, INC., PETITIONERS, VS. TEODORICO P. FERNANDEZ,**

### D E C I S I O N

**PERALTA, J.:**

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court, seeking to nullify and set aside the Court of Appeals (CA) Decision<sup>[1]</sup> dated June 30, 2014 in CA-G.R. SP No. 134704, the dispositive portion of which reads:

**WHEREFORE**, in view of the foregoing premises, judgment is hereby rendered by us **GRANTING** the petition filed in this case. The Order that was issued by Branch 158 of the Regional Trial Court of the National Capital Judicial Region in Pasig City on January 28, 2014 in Commercial Case No. 13-202, insofar as it did not allow any evidence to be presented relating to the 23 February 2013 elections of the board of director of VVCCI, and the subsequent resolution of the said court dated February 3, 2014, are hereby **ANNULLED** and **SET ASIDE**. Consequently, the public respondent judge is **DIRECTED** to allow the presentation of evidence by the petition in connection with the election of the members of the board of directors of VVCCI that was conducted during its annual members' meeting on February 23, 2013.

**SO ORDERED.**<sup>[2]</sup>

The facts are as follows:

On November 28, 2013, respondent Teodorico P. Fernandez filed a Complaint<sup>[3]</sup> for Invalidation of Corporate Acts and Resolutions with Application for Writ of Preliminary Injunction against the individual petitioners, namely: Francisco C. Eizmendi Jr., Jose S. Tayag Jr., Joaquin San Agustin, Eduardo Francisco, Edmidio Ramos, Jr., Albert Blancaflor, Rey Nathaniel Ifurung, Manuel Acosta Jr., who allegedly constituted themselves as new members of the Board of Directors (*BOD*) of Valle Verde Country Club, Inc. (*VVCCI*), despite lack of quorum during the annual members' meeting on February 23, 2013. *VVCCI* is a duly organized non-stock corporation engaged in promoting sports, recreational and social activities, and the operation and maintenance of a sports and clubhouse, among other matters.

Fernandez averred that he is a proprietary member in good standing of *VVCCI*, and that the individual petitioners held a meeting on October 18, 2013 during which they

supposedly acted for and in behalf of VVCCI, and found him guilty of less serious violations of the by-laws and imposed on him the penalty of suspension of membership for six (6) months from September 21, 2013, or until March 21, 2014.

Fernandez asserted that since petitioners were not validly constituted as the new BOD in the place of the hold-over BOD of VVCCI, they had no legal authority to act as such BOD, to find him guilty and to suspend him. Fernandez added that he was not accorded due process, as petitioners failed to give him opportunity to defend himself by notifying him of the charge and the verdict against him. Not having been notified of his suspension, Fernandez claimed that he had no premonition of what would happen to him when he went to the VVCCI Complex on October 26, 2013 to avail of its facilities, and that he suffered deep pain and severe embarrassment because a security guard directed a waiter not to serve the food he had ordered in the presence of several members on the ground that his name is in the list of members suspended at the instance of the individual petitioners.

Fernandez prayed that after hearing on the merits, judgment be rendered: (a) making the injunction permanent; (b) invalidating the claims of the individual petitioners to the office of director of the VVCCI; (c) nullifying the annual members' meeting on February 23, 2013, as well as subsequent board meetings similarly held and conducted by the individual petitioners, including resolutions and measures approved thereat, particularly those which are related to his suspension from the VVCCI; (d) ordering the individual petitioners, jointly and severally, to pay him P500,000.00 as attorney's fees and not less than P500,000.00 as exemplary damages, and P500,000.00 as moral damages.

In an Urgent Motion or Request for Production/Copying of Documents<sup>[4]</sup> dated January 10, 2014, Fernandez cited Rule 27 of the Rules of Court and requested the VVCCI, as owner and custodian of corporate documents, to produce them and allow him to copy the following matters in connection with the hearing of his application for issuance of a writ of preliminary injunction:

1. The original of the Stock and Transfer Book and all cancelled Membership Fee Certificates of the VVCCI.
2. The original of the Certificate of Incorporation of VVCCI issued by the Securities and Exchange Commission (SEC) on May 30, 1975.
3. The original of the Directors' Certificate To By-laws dated August 24, 1975 of VVCCI, as filed with the SEC.
4. The original of the By-Laws of VVCCI dated June 30, 1975 as filed with the SEC.
5. The original of the Certificate of Filing of By-Laws of VVCCI issued by the SEC on October 20, 1976, as received by VVCCI from the SEC.
6. The original of the duly-signed "Resolution Increasing the Corporation's Membership Certificates To Two Thousand (2000)", adopted and approved by the Board of Directors of VVCCI on June 22, 1979, consisting of two (2) pages including the signature page, together with any covering minutes, under pain of sanctions under Rule 29 of the Rules of Court.

Petitioners opposed the Urgent Motion or Request for Production/Copying of Documents, and prayed that it be denied for lack of merit, for being unreasonable

and for not being in their possession.

On January 14, 2014, the hearing of Fernandez's application for issuance of a writ of preliminary injunction was held before the Hon. Maria Rowena Modesto San Pedro, Presiding Judge of the Regional Trial Court of Pasig City, Branch 158. During the hearing, Judge San Pedro stressed that she will not touch on the election contest aspect of the Complaint, but only on the issue of his suspension from the WVCCI, thus:

COURT:

Before you testify, we are in agreement that the remaining issue ... we will not touch on the election aspect because that is not proper for the instant case. I have already said it's too late in the day to file an election contest. So, the only Issue before the Court is the suspension.

ATTY. FERNANDEZ:

Yes, your Honor, but with due respect, if your Honor please, our case is not an election contest because this is a suit precisely questioning the legal authority of the board who suspended me.

COURT:

Yes, even if you do not say that it is an election contest, that will, especially the issue, will still be whether or not the board of directors' composition is legitimate because, in essence, it was still an election contest. I will not touch on that, as I had continuously said. The only reason I'm still entertaining this complaint is with respect to your suspension. So, your suspension, it cannot be based ... whether or not your suspension is legitimate will not be anchored on the composition of the board of directors but on issues like due process, if you were duly notified, if the grounds for your suspension were valid, etcetera.

ATTY. FERNANDEZ

We wish to inform the Honorable Court, your Honor, that the dismissal of the case before Judge Bonifacio was not based on trial on the merits. That's the reason we cannot ...

COURT:

At any rate, that will not affect me at all, that case. What I am saying is that the election contest could not have been filed... any disagreement with the composition of that election cannot be raised as an issue in any other facts fifteen days from election.

ATTY. FERNANDEZ:

But, Your Honor, may we be allowed to present evidence in relation to the fact that... I have two allegations, if your Honor please. No. I, is the fact that they have no legal authority to suspend me because when they convened as a

board, when they elected themselves as board of directors after the declaration of no quorum, your Honor, they used 1,500 as basis and therefore ...

COURT:

Okay, I will not entertain that. That's still an election contest. That still goes into the validity of the election. No matter how you phrase it, it will still go into the validity of the election.

ATTY. FERNANDEZ

But that will also deal on the authority... aside from the other ground, if your Honor please, the authority of the Board to suspend me because ...

COURT:

Exactly, you cannot question their authority because no election contest was timely filed.

ATTY . FERNANDEZ:

Well, we will just address that in a ...

COURT:

You can very well file a petition for certiorari against my refusal to entertain that issue.<sup>[5]</sup>

On January 20, 2014, petitioners filed their Answer with Counterclaim and Grounds for Dismissal.<sup>[6]</sup> Petitioners specifically denied the material allegations of Fernandez's Complaint, and sought the dismissal thereof on the following grounds (1) he has no cause of action against the individual petitioners who acted as members of the BOD of VVCCI which is a collegial body; (2) the case is an election contest filed more than 15 days from the date of election, in violation of Section 3, Rule 6 of the Rules Governing Intra-Corporate Controversies; (3) non-exhaustion of intra-corporate remedies and non-compliance with condition precedent under the By-Laws of VVCCI; and (4) violation of rules on notarial practice.

In an Order<sup>[7]</sup> dated January 28, 2014, the RTC pointed out that the application of a Writ of Preliminary Injunction has been rendered moot, upon discussion with counsel and parties present that, in order to expedite proceedings and to proceed with the trial proper, petitioners have graciously agreed to provide the relief sought in the Injunction application which is to immediately reinstate Fernandez. The RTC also reminded the parties that it shall not entertain any issue respecting the February 23, 2013 elections; otherwise, the mandatory period within which to file an Election Contest would be rendered nugatory. The trial court stressed that it cannot allow indirectly what is barred directly by the Rules and, accordingly, the only issue remaining is whether due process was observed in suspending Fernandez.

In a Resolution<sup>[8]</sup> dated February 3, 2014, the RTC denied the Urgent Motion or Request for Production/Copying of Documents. The trial court reiterated its position that the case is not an election contest since it was filed way beyond the reglementary period under the *Interim Rules of Procedure Governing Intra-Corporate Controversies* for election contests to be brought to court, considering that the only issue that remains to be resolved is with respect to whether due

process was observed in suspending Fernandez. It also found no meritorious reason to compel VVCCI to produce the original Stock and Transfer Book and all cancelled Membership Fee Certificates since they do not appear to be material in the resolution of the remaining issue. It further found no necessity to compel VVCCI to produce the original items 2 to 6 of the motion, since VVCCI already admitted their existence and the machine copies thereof were already admitted by the court as documentary exhibits of Fernandez during the application for the issuance of a writ of preliminary injunction.

Aggrieved by the RTC Order dated January 28, 2014 and Resolution dated February 3, 2014, Fernandez filed a petition for *certiorari* before the CA.

The CA summed up the twin issues to be resolved in the petition: *first*, whether or not the RTC gravely abused its discretion when it treated the case as an election contest and disregarded the fact that the real cause of action was Fernandez's purported illegal suspension as member of VVCCI, and *second*, whether the RTC gravely abused its discretion when it merely noted and passed upon the contention of Fernandez's that *res judicata* does not apply in the case.

In a Decision<sup>[9]</sup> dated June 30, 2014, the CA granted Fernandez's petition for *certiorari*, nullified and set aside the assailed Order and Resolution of the RTC insofar as it did not allow any evidence to be presented relating to the February 23, 2013 elections of the board of directors of VVCCI. The CA directed the judge to allow presentation of evidence in connection with the election of the members of the BOD of VVCCI that was conducted during its annual members' meeting on February 23, 2013. Anent the other matter raised by Fernandez, the CA stated that said issues would be best threshed out in a full-blown trial of the case, because the other allegations in the petition involved evidentiary matters which could be passed upon only during trial on the merits of the case.

The CA ruled that in order to fully resolve the issue regarding the legality of the suspension of Fernandez from VVCCI, it was also necessary for the trial court to admit pieces of evidence which relate to the composition of the BOD of VVCCI during the time when the penalty of suspension from club membership was imposed upon petitioner. As explained by the CA, this is especially true because Fernandez was suspended as member of VVCCI precisely for committing acts that were purportedly inimical to the interest of the club. The aforesaid acts, in turn, related to the allegation that Fernandez, along with other members of VVCCI, caused the expulsion of petitioners as members of VVCCI on the ground that they were "critical of the abuses of the 17-year hold-over board" of directors of VVCCI. In other words, Fernandez was suspended as member of VVCCI on the ground that he and other club members had previously caused the expulsion of some of the members of VVCCI who, according to Fernandez, were illegally constituted as members of the BOD of VVCCI. Consequently, the issues in the case below, while its primary aim is to declare the suspension of Fernandez from club membership as illegal, likewise necessarily related to the legality or illegality of the election of the members of the BOD of VVCCI during the annual members' meeting that was conducted on February 23, 2013. This especially finds relevance in that it had been the position of Fernandez from the very beginning that petitioners were illegally constituted as members of the BOD of VVCCI, thereby refusing to recognize the authority of the acts of the latter.