

SECOND DIVISION

[G.R. No. 203023, June 17, 2015]

**PHILIPPINE COMMUNICATIONS SATELLITE CORPORATION AND
PHILCOMSAT HOLDINGS CORPORATION, PETITIONERS, VS.
SANDIGANBAYAN 5TH DIVISION AND PRESIDENTIAL
COMMISSION ON GOOD GOVERNMENT, RESPONDENTS.**

D E C I S I O N

CARPIO, J.:

The Case

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court filed by Philippine Communications Satellite Corporation (PHILCOMSAT) and PHILCOMSAT Holdings Corporation (PHC) [petitioners] against respondents, the Sandiganbayan and the Presidential Commission on Good Government (PCGG). Petitioners are assailing the Sandiganbayan's Resolution^[1] promulgated on 3 May 2012 dismissing their complaint in Civil Case No. SB-12-CVL-0001, and the Resolution^[2] promulgated on 14 August 2012 denying their motion for reconsideration.

The Facts

PHC is a domestic corporation listed in the Philippine Stock Exchange (PSE). It was previously known as Liberty Mines, Inc. (LMI) and had been previously engaged in the discovery, exploitation, development and exploration of oils.^[3]

On 13 September 1995, Oliverio G. Laperal (Laperal), then Chairman of the Board and President of LMI, and Honorio Poblador III, then President of PHILCOMSAT, signed a Memorandum of Agreement^[4] for the latter to gain controlling interest in LMI through an increase in its authorized capital stock.^[5]

On 24 June 1996, Laperal and PHILCOMSAT executed a Supplemental Memorandum of Agreement^[6] reiterating the increase in capital stock of LMI from six billion shares to 100 billion shares with par value of P0.01 per share equivalent to P1 billion. As part of its implementation of the Supplemental MOA, PHILCOMSAT subscribed to 79,050,000,000 shares of LMI.^[7]

Sometime in 1997, LMI changed its name to PHC. It declassified its shares and amended its primary purpose to become a holding company. PHC then filed its application with the PSE for listing the shares representing the increase in its capital stock. Included in this application were the PHC shares owned by PHILCOMSAT.^[8]

Pending the PSE's final approval of PHC's application for listing of the shares, the PCGG on 1 March 2005, through its then Chairman Camilo L. Sabio (Chairman Sabio), made a written request to suspend the listing of the increase in PHC's capital stock citing as reason the need to settle the conflicting claims of the two sets of board of directors of the Philippine Overseas Telecommunication Corporation (POTC) and PHILCOMSAT.^[9]

In a letter^[10] dated 22 March 2005, the PSE informed the PCGG that the PSE Listing Committee deferred action on the company's listing application and instead referred the matter to the PSE General Counsel to ascertain the applicability of the provisions on disqualifications for listing as provided under the PSE Revised Listing Rules.

On 7 June 2005, the PCGG sent another letter^[11] to the PSE reiterating its request to defer the listing of PHC shares.

In November 2007, then President Gloria Macapagal-Arroyo appointed new government nominees to the POTC and PHILCOMSAT boards to replace Enrique Locsin, Manuel Andal, Julio Jalandoni and Guy de Leon. POTC owns 100% of PHILCOMSAT.

On 19 November 2007, in a special stockholders' meeting attended by POTC's private stockholders and Presidential Management Staff Undersecretary Enrique D. Perez, as representative and proxy of the Republic of the Philippines, and observed by Securities and Exchange Commission (SEC) representatives, the following were elected directors:

- Daniel C. Gutierrez (government)
- Santiago J. Ranada (government)
- Erlinda I. Bildner (private)
- Katrina C. Ponce-Enrile (private)
- Marietta K. Ilusorio (private)
- Pablo L. Lobregat (private)
- Honorio A. Poblador III (private)
- Allan S. Montano (government)
- Francisca Benedicto-Paulino (private)

Immediately thereafter, the new directors elected POTC's new set of officers:

- Daniel C. Gutierrez - Chairman
- Erlinda I. Bildner - Vice-Chairman
- Katrina C. Ponce-Enrile - President
- Marietta K. Ilusorio - Treasurer
- Rafael A. Poblador - Asst. Treasurer
- Victoria C. delos Reyes - Secretary

On the same day, PHILCOMSAT held a special stockholders' meeting attended by Erlinda I. Bildner as proxy for POTC. At the request of the Republic of the Philippines, the three government representatives were nominated to the PHILCOMSAT Board of Directors. The following were elected:

- Abraham R. Abesamis (government)
- Ramon P. Jacinto (government)
- Rodolfo G. Serrano, Jr. (government)

Erlinda I. Bildner (private)
Katrina C. Ponce-Enrile (private)
Pablo L. Lobregat (private)
Honorio A. Poblador III (private)
Marietta K. Ilusorio (private)
Lorna P. Kapunan (private)

Immediately after, at the meeting of the new and unified Board of Directors of PHILCOMSAT, the following were elected officers:

Abraham R. Abesamis - Chairman
Pablo L. Lobregat - Vice-Chairman
Erlinda I. Bildner - President
Marietta K. Ilusorio - Vice-President
Katrina C. Ponce-Enrile - Treasurer
Rafael A. Poblador - Asst. Treasurer
John Benedict B. Sioson - Secretary

On 7 May 2008, the PCGG issued *En Banc* Resolution No. 2008-009^[12] recognizing the validity of the POTC's and PHILCOMSAT's respective stockholders' meetings and elections, both held on 19 November 2007:

NOW, THEREFORE, be it RESOLVED, as it is hereby RESOLVED, that:

1. The PCGG recognize[s] the validity of the 19 November 2007, POTC/PHILCOMSAT stockholders' meeting and confirm[s] as valid the election of the following government nominees: Atty. Daniel C. Gutierrez, Justice Santiago J. Ranada and Atty. Allan S. Montano to the Board of Directors of POTC and Radm. Abraham R. Abesamis, Mr. Ramon P. Jacinto and Mr. Rodolfo G. Serrano, Jr. to the Board of Directors of PHILCOMSAT;

x x x x^[13]

In a letter^[14] dated 25 July 2011, Katrina C. Ponce-Enrile (Ponce-Enrile), then President of POTC, wrote to then PCGG Chairman Andres D. Bautista (Chairman Bautista) demanding that the PCGG rescind its objection to the listing of the increase in PHC's capital stock.

When PCGG failed to reply, PHILCOMSAT sent a final demand letter^[15] reiterating its demand for PCGG to withdraw its objection to the listing of the increase in PHC's capital stock.

On 11 January 2012, Ponce-Enrile received a letter^[16] from Chairman Bautista, informing her that, among others, the agency was discussing the matter with the Department of Finance and that the two would give a joint recommendation thereafter. However, the PCGG never communicated said recommendation to PHILCOMSAT.

On 1 February 2012, PHILCOMSAT filed a complaint^[17] before the Sandiganbayan against PCGG to compel the latter to withdraw its opposition to the listing of the increase in PHC's capital stock. PHILCOMSAT argued that PCGG had already recognized the validity of the stockholders' meetings in the two corporations, which

"practically erased" the alleged conflict between the two sets of directors.^[18]

The PCGG filed a motion to dismiss the complaint, which PHILCOMSAT subsequently opposed.

The Sandiganbayan's Ruling

On 3 May 2012, the Sandiganbayan issued the assailed Resolution, the dispositive portion of which reads:

WHEREFORE, premises considered, defendant Presidential Commission on Good Government (PCGG)'s Motion to Dismiss dated 8 March 2012 is hereby GRANTED for lack of jurisdiction over the subject matter.

SO ORDERED.^[19]

The Sandiganbayan held that, based on the allegations in the complaint, the action was one for specific performance since it sought to have PCGG withdraw its objection to the listing of the increase in PHC's capital stock at the PSE. Following Section 19^[20] of Batas Pambansa Big. 129 (B.P. 129), as amended by Republic Act No. 7691 (R.A. 7691), the Regional Trial Court (RTC) has exclusive jurisdiction over the case. It said:

In our considered view, the allegations in the complaint show that it is primarily one for specific performance as it prays that the PCGG be directed to withdraw its objection to the listing of PHILCOMSAT's shares in PHC, hence, incapable of pecuniary estimation and within the RTC's jurisdiction.^[21]

The Sandiganbayan also ruled that the case was a "dispute among its directors," and thus, was an intra-corporate dispute, viz:^[22]

The determination of whether or not the PCGG should withdraw its request to defer the listing of the PHILCOMSAT shares **until the conflicting claims between the two sets of board of directors of POTC and PHILCOMSAT is settled**, is an intra-corporate controversy. (Emphasis in the original)

On 14 August 2012, the Sandiganbayan denied petitioners' motion for reconsideration. It reiterated its earlier ruling that it did not have jurisdiction over the controversy since it was an intra-corporate dispute.

In plaintiffs' complaint, it was stated that: "The Republic of the Philippines is the 34.9% owner of POTC, which wholly owns PHILCOMSAT, which in turn, owns 81% of PHC. As such, the Republic of the Philippines, with 28.7% indirect ownership in PHC, also its largest single beneficial owner, continues to sustain the incalculable loss of holding illiquid or unmarketable shares in a publicly listed company." Evidently, while the PCGG may not be a stockholder, director, officer, member or even associate of the plaintiff corporations, it bears emphasis that the Commission has an interest in the PHC shares prompting the PCGG to request the PSE to suspend the listing of the SEC approved increase in capital stock of PHC. The Commission's interest in the aforesaid shares

determines the "nature of the question under controversy" in the instant case and consequently, the reiteration of this Court's pronouncement in the assailed Resolution of having no jurisdiction over the subject matter of the instant case.^[23]

The Issue

Petitioners are now before the Court on a petition for review on *certiorari* under Rule 45 raising this sole assignment of error:

The Sandiganbayan erred in dismissing the case *a quo* for lack of jurisdiction on [the] ground that the action allegedly involves an intra-corporate controversy.^[24]

Petitioners' arguments

Petitioners argue that the allegations in the complaint do not qualify as an intra-corporate controversy because "not a single element of an intra-corporate controversy exists in this case."^[25]

Petitioners claim that, *first*, the cause of action in this case - to compel PCGG to withdraw its objection to the listing of PHILCOMSAT's shares in PHC - is not an intra-corporate dispute,^[26] since PCGG is not a stockholder, director, officer, member or even associate of the plaintiff corporation.^[27]

Second, petitioners insist that the "subject matter of the case *a quo*, that is, to have respondent PCGG withdraw its objections to the listing of [PHILCOMSAT's] shares in PHC, does not fall in any of the cases that may be considered intra-corporate controversy, as enumerated in Section 5 of PD 902-A."^[28] It argues that "the issue in this case does not even involve POTC and/or the shares that the Republic owns therein to the extent of thirty five percent (35%). The issue specifically pertains to petitioner [PHILCOMSAT's] shares in petitioner PHC where the respondent PCGG, through abuse of authority, objected to the listing in the Philippine Stock Exchange. While the government (Republic of the Philippines) owns 35% of POTC, the latter has a separate and distinct legal personality with petitioner PHILCOMSAT and PHC. x x x. Respondent PCGG, which is not even the registered owner of a single PHILCOMSAT share has no personality to meddle in PHC's affairs and block the listing of PHILCOMSAT's share in the stock exchange. The twin element of corporate relationship and intra-corporate issues were never met in the complaint."^[29]

Third, petitioners state that PCGG has ceased to have a valid and justifiable reason for blocking the listing of the increase in PHC's capital stock because "the appointment of new government nominees and the stockholders' meetings of POTC, PHILCOMSAT and PHC in 2007 paved the way for unified boards and erased whatever alleged uncertainty that existed previously on who has control over these corporations."^[30]

More importantly, with its 7 May 2008 En Banc Resolution No. 2008-009, the PCGG itself has recognized the valid election of the POTC, PHILCOMSAT and PHC boards and, therefore, the basis for its objection is no longer obtaining.^[31]