

SECOND DIVISION

[G.R. No. 213197, October 21, 2015]

**REMEGIO A. CHING, PETITIONER, VS. SAN PEDRO COLLEGE OF
BUSINESS ADMINISTRATION, RESPONDENT.**

DECISION

MENDOZA, J.:

This petition for review on *certiorari*^[1] under Rule 45 of the Rules of Court seeks the review of the January 27, 2014 Decision^[2] and the June 27, 2014 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. SP No. 128243 which reversed the December 11, 2012 Omnibus Order^[4] of the Regional Trial Court, Branch 34, Calamba City, Laguna (RTC), in RTC SEC Case No. 92-2012-C, dismissing the complaint for Prohibition Against Nuisance and Harassment Suits filed by San Pedro College of Business Administration (SPCBA) on the ground of *res judicata*.

Factual Antecedents

Respondent SPCBA is a domestic non-stock and non-profit corporation, formerly known as the Laguna College of Business Administration. Its original incorporators and members were petitioner Remegio A. Ching (*Remegio*), Edgardo A. Ching, Elmer A. Ching, Leoncia A. Ching, and Jolanda A. Apostol. In a letter, dated September 19, 2001, Remegio tendered his irrevocable resignation stating as follows:

This [is] to tender my irrevocable resignation from San Pedro College of Business Administration effective immediately.

As can be verified since the Board of Trustees has taken over the functions of undersigned, as well as my duties as Treasurer of SPCBA since February, 2002, there is no existing property or money accountability that may be attributable to me.

Very truly yours,

REMEGIO A. CHING
National Highway
San Pedro, Laguna^[5]

To SPCBA, the tenor of Remegio's resignation was not only as a trustee and treasurer, but also as its member. For said reason, he was paid the amount of P20,000,000.00 representing the buy-out price of his interest in SPCBA.

The First Case

On June 10, 2010, Remegio filed an intra-corporate case^[6] docketed as SEC Case No. 86-2010-C before the RTC for the inspection of corporate books under Rule I, Section 1(a)(5) of A.M. No. 01-2-04-SC, otherwise known as the Interim Rules of Procedure for Intra-Corporate Controversies.^[7] He sought the recognition of his right to inspect the corporate books of SPCBA as its member, alleging that his resignation letter covered his trusteeship and treasurership positions only and not his membership in SPCBA.

After the trial, the RTC agreed with Remegio. In the February 14, 2011 Decision,^[8] the RTC explained and thus disposed:

After a judicious examination of the grounds relied upon and the answer thereto, as well as the supporting documents, this Court finds that plaintiff (Remegio) is **entitled to the right of inspection as a member of SPCBA**. It was not shown that plaintiff is motivated by ill motives in exercising the said right nor the demand is for an illegitimate purpose, he merely seeks to know the present financial condition of SPCBA.

As to defendant's contention that plaintiff ceased to be a member of SPCBA, this Court finds otherwise, xxx

xxx

Defendant failed to present sufficient documents to show that plaintiff ceased to be a member of SPCBA in the manner and for causes provided in the articles of incorporation or the by-laws.

Anent the allegation that plaintiff was paid in the amount of Twenty Million pesos (P20,000,000.00) in settlement of his proprietary interest in SPCBA, the defendant failed to support such contention. No documentary evidence was presented to prove such fact. Neither was there any evidence presented to show that such alleged receipt was for plaintiff to relinquish his membership in SPCBA.

ACCORDINGLY, defendant San Pedro College of Business Administration, Inc. is ordered to make the following books and documents available for inspection and copying by plaintiff:

- a. All books of account;
- b. Latest financial statements;
- c. Minutes of stockholders' and directors' meeting;
- d. All board resolutions from 2008 up to present;
- e. All deeds of sale of land by or to the corporation from 2008 to present.

during office hours, from 8:00 o'clock in the morning to 5:00 o'clock in the afternoon, on business days from Monday to Friday at its principal place of business in San Pedro, Laguna.

The costs for copying shall be at the expense of the plaintiff.

No costs.

SO ORDERED.^[9]

SPCBA then went to the CA seeking the reversal of the aforecited disposition. On March 1, 2011, SPCBA filed a "notice of appeal,"^[10] which was docketed as CA-GR CV No. 96608. Pursuant to A.M. No. 04-9-07-SC (Re: Mode of Appeal in Cases Formerly Cognizable by the Securities and Exchange Commission), however, the correct mode of appeal was through a petition for review under Rule 43 of the Rules of Court. For taking the wrong mode, the CA dismissed the appeal and directed the RTC to issue a writ of execution in its September 29, 2011 Resolution.^[11]

Aggrieved, SPCBA came to this Court in a case docketed as G.R. No. 198807. In Its November 16, 2011 Resolution, the Court denied the petition for its failure to show any reversible error on the part of the CA. The Court likewise denied with finality its motion for reconsideration in the February 29, 2012 minute resolution.

Earlier, on February 16, 2012, SPCBA's Board of Trustees held a joint meeting. Through its Board Resolution,^[12] issued on the same date, it resolved to "affirm and/or confirm the previous removal of Mr. Remigio A. Ching, not only as Trustee and Treasurer, but also as a Member of the Corporation, primarily due to the payment unto said Mr. Remigio A. Ching, the buy out of sum of Twenty Million Pesos, for all his rights as Trustee, Treasurer and Member of the Corporation."^[13]

On April 4, 2012, the judgment of the Court, which effectively affirmed the conclusions of the RTC in SEC Case No. 86-2010-C, became final and executory per the Entry of Judgment^[14] issued by the Deputy Clerk of the Court.

The Present Case

On April 26, 2012, SPCBA filed a complaint,^[15] docketed as RTC-SEC Case No. 92-2012-C, against Remegio. It asked that he be declared legally and/or validly removed as trustee, treasurer and member pursuant to the February 16, 2012 Joint Resolution of its Board of Trustees, with no more right to demand an inspection or get copies of the books of accounts, financial statements, minutes of meetings, and resolutions of the board; and that he be ordered to refrain from filing a nuisance and/or harassment suit against SPCBA.

In essence, through its complaint, SPCBA sought to prevent Remegio from filing a nuisance and/or harassment suits against it and for the RTC to affirm/confirm his removal as a member on the basis of the February 16, 2012 Board Resolution.

On the matter of his membership in SPCBA, Remegio countered that *res judicata* had already set in following the decision rendered by the RTC in Case No. 86-2010-C. Accordingly, he espoused the theory that the issue on his membership could not be made an issue again in SEC Case No. 92-2012-C.

The RTC agreed with Remegio on this point. Thus, in its December 11, 2012

Omnibus Order,^[16] the RTC ruled that the principle of *res judicata* already barred SPCBA from claiming that he was not a member of SPCBA, to wit:

WHEREFORE, foregoing premises considered, the Court hereby RESOLVES that:

(1) The defendant Remigio A. Ching's affirmative defense of *res judicata* is GRANTED as regards the subject matter of the purported buy-out and his membership in plaintiff San Pedro Colleges of Business Administration. Accordingly, only the action for its protection against harassment and/or nuisance suits under Section 1 (b) of the Interim Rules of Procedure of Intra-Corporate Controversies shall remain in the Complaint and the prayer for relief in the prayer of the Complaint of "(a) declaring that defendant Remigio A. Ching a.k.a. Remigio A. Ching has been legally and/or validly removed not only as Trustee, Treasurer but also as member of plaintiff SPCBA and, therefore, said defendant Remigio Ching has no more right to demand an inspection nor get copies of the books of accounts, financial statements, minutes of meetings and resolutions of the board and members of SPCBA" is DENIED and ORDERED stricken off the Complaint.

(2) The Opposition (Re: Notice to Take Deposition) dated September 3, 2012 filed by the defendant Remigio A. Ching is OVERRULED but the proposed questions marked numbers 8 to 14 are DISALLOWED as they pertain to matters already barred by *res judicata*. Accordingly, the deposition pending action upon oral examination of the defendant can proceed. The taking of the deposition upon oral examination of the defendant on the remaining questions (marked numbers 1 to 7 and 15 to 14) shall be conducted in Court on February 12, 2013. Let a subpoena *ad testificandum* be issued to require defendant to be present for his deposition upon oral examination at 8:30 in the morning on said date.

SO ORDERED.^[17]

In a petition for *certiorari* filed by SPCBA under Rule 65 of the Rules of Court, the CA reversed the RTC order. In ruling for SPCBA, the CA reasoned out that there was a marked difference in the causes of action between SEC Case No. 92-2012-C and SEC Case No. 86-2010-C, which rendered the principle of *res judicata* inapplicable. It stated that SPCBA introduced in SEC Case No. 92-2012-C a fact which did not exist at the time the prior case was filed and terminated; that the issuance of the February 16, 2012 Board Resolution declaring the expulsion of Remegio from SPCBA arose only after the filing of Case No. 86-2010-C; and that the said fact did not occur and could not have occurred in the first case. This gave SPCBA a new cause of action under Section 91 of the Corporation Code pertaining to termination of membership or expulsion of a member from a non-stock corporation. Following the rule that *res judicata* only applied to facts and conditions as they existed at the time judgment was rendered and to the legal rights and relations of the parties fixed by the facts so determined, the CA granted SPCBA's prayer to deny Remegio his affirmative defense of *res judicata*. Thus, in its January 27, 2014 Decision,^[18] the CA disposed:

Wherefore, the petition is Granted. The first paragraph of the Omnibus Order dated December 11, 2012, insofar as the statement therein that *res judicata* applies and a bar to the complaint in SEC Case No. 92-2012-C is Annulled and Set Aside. The Regional Trial Court of Calamba City, Branch 34 is directed to reinstate the whole complaint in SEC Case No. 92-2012-C in its docket and conduct further proceedings thereon with dispatch.

SO ORDERED.^[19]

Aggrieved, Remegio moved for reconsideration, but was denied by the CA.

Hence, this petition.

ISSUE:

The question before this Court is whether or not the CA erred in not affirming the application by the RTC in SEC Case No. 92-2012-C of the principle of *res judicata*.

Petitioner Remegio rejects the reasoning of the CA and invokes the applicability of *res judicata* principle considering that in both cases, the same parties were involved and the issue on his membership in SPCBA, as presented in SEC Case No. 92-2012-C, had already been litigated and fully disposed of in SEC Case No. 86-2010-C.^[20] Further, Remegio assigned as error the opinion of the CA that the execution of the Board Resolution on February 16, 2012 constituted a supervening event which barred the application of the *res judicata* rule, and argued that the board merely affirmed or confirmed an event which had already happened before the finality of SEC Case No. 86-2010-C.^[21] Lastly, the petitioner charged that SPCBA was guilty of forum shopping.^[22]

In response, SPCBA averred that the CA carefully and cautiously evaluated SEC Case No. 92-2012-C *vis-a-vis* SEC Case No. 86-2010-C and correctly ruled that *res judicata* did not lie. In addition, it submitted that the petition failed to raise any issue which involved a pure question of law; that following the business judgment rule and the doctrine of centralized management, SPCBA's Board Resolution, dated February 16, 2012, could not be proscribed by the Court; that under Section 91 of the Corporation Code of the Philippines, it was within the powers of SPCBA to remove any member even if they were members of the Board of Trustees; that SPCBA's Board Resolution could not be collaterally attacked for it remained valid until annulled by the proper court; and that the same resolution materially changed the relations between the parties as it effectively cut all juridical ties between SPCBA and Remegio.^[23]

In his Reply,^[24] Remegio reiterated his arguments.

The Court's Ruling

At the onset, it must be stressed that, contrary to the claim of SPCBA, the question essentially raised by Remegio was clearly one of law. The issue does not refer to factual matters. Rather, it concerns the interpretation and application of the legal