

FIRST DIVISION

[G.R. NO. 168639, January 29, 2007]

ALDERITO Z. YUJUICO, BONIFACIO C. SUMBILLA, AND DOLNEY S. SUMBILLA, PETITIONERS, VS. CEZAR T. QUIAMBAO, JOSE M. MAGNO III, MA. CHRISTINA F. FERREROS, ANTHONY K. QUIAMBAO, SIMPLICIO T. QUIAMBAO, JR., ERIC C. PILAPIL, ALBERT M. RASALAN, AND REGIONAL TRIAL COURT, BRANCH 48, URDANETA CITY, RESPONDENTS.

DECISION

SANDOVAL-GUTIERREZ, J.:

Before us for resolution is the Petition for Review on Certiorari^[1] challenging the Decision dated March 31, 2005 rendered by the Court of Appeals in CA-G.R. SP No. 87785, as well as its Resolution dated June 29, 2006.

The facts are:

Strategic Alliance Development Corporation (STRADEC) is a domestic corporation engaged in the business of providing financial and investment advisory services and investing in projects through consortium or joint venture information.^[2] From its inception, STRADEC's principal place of business was located at the 24th Floor, One Magnificent Mile-Citra Building, San Miguel Avenue, Ortigas Center, Pasig City. On July 27, 1998, the Securities and Exchange Commission (SEC) approved the amendment of STRADEC's Articles of Incorporation authorizing the change of its principal office from Pasig City to Bayambang, Pangasinan.^[3]

On March 1, 2004, STRADEC held its annual stockholders' meeting in its Pasig City office as indicated in the notices sent to the stockholders.^[4] At the said meeting, the following were elected members of the Board of Directors: Alderito Z. Yujuico, Bonifacio C. Sumbilla, Dolney S. Sumbilla (**petitioners herein**), Cesar T. Quiambao, Jose M. Magno III and Ma. Christina Ferreros (**respondents herein**). Petitioners Alderito Yujuico was elected Chairman and President, while Bonifacio Sumbilla was elected Treasurer. All of them then discharged the duties of their office.

After five (5) months, or on August 16, 2004, respondents filed with the Regional Trial Court (RTC), San Carlos City, Pangasinan a Complaint against STRADEC (represented by herein petitioners as members of its Board of Directors), docketed as Civil Case No. SCC-2874 and raffled off to Branch 56. The complaint prays that: (1) the March 1, 2004 election be nullified on the ground of **improper venue**, pursuant to Section 51 of the Corporation Code; (2) all ensuing transactions conducted by the elected directors be likewise nullified; and (3) a special stockholders' meeting be held anew.

Subsequently, respondents filed an Amended Complaint dated September 2, 2004

further praying for the issuance of a temporary restraining order (TRO) and/or writ of preliminary injunction to enjoin petitioners from discharging their functions as directors and officers of STRADEC. On September 22, 2004, they filed a Supplemental Complaint praying that the court (1) direct Export Industry Bank, Cezar T. Quiambao and Bonifacio G. Sumbilla to surrender to them the original and reconstituted Stock and Transfer Book and other corporate documents of STRADEC; and (2) nullify the reconstituted Stock and Transfer Book and all transactions of the corporation. Both pleadings were admitted by the trial court.

As the controversy involves an intra-corporate dispute, the trial court, on October 4, 2004, issued an Order transferring Civil Case No. SCC-2874 to RTC, Branch 48, Urdaneta City, being a designated Special Commercial Court.^[5] The case was then re-docketed as Civil (SEC) Case No. U-14.

Since Branch 48 of RTC, Urdaneta City had no presiding judge then, Judge Meliton G. Emuslan acted as pairing judge of that branch to take cognizance of the cases therein until the appointment and assumption to duty of a regular judge.^[6]

On November 2, 2004, petitioners filed their Answer with Counterclaim^[7] in Civil (SEC) Case No. U-14. They prayed for the dismissal of the complaint on the following grounds, among others: (a) the complaint **does not state a cause of action**; (b) the action **is barred by prescription** for it was filed beyond the 15-day prescriptive period provided by Section 2, Rule 6 of the Interim Rules and Procedure Governing Intra-Corporate Controversies under Republic Act (R.A.) No. 8799; (c) respondents' prayer that a special stockholders' meeting be held in Bayambang, Pangasinan "**is premature** pending the establishment of a principal office of STRADEC in said municipality;" and (d) respondents **waived their right to object to the venue** as they attended and participated in the said March 1, 2004 meeting and election **without any protest.**"^[8] Petitioners likewise opposed the application for a writ of preliminary injunction as respondents have no right that was violated, hence, are not entitled to be protected by law. They further prayed for damages by way of counterclaim.

Meanwhile, Judge Aurelio R. Ralar, Jr. was appointed presiding judge of RTC, Branch 48, Urdaneta City. **Significantly, on November 9, 2004, he took his oath of office** before Associate Justice Diosdado M. Peralta of the Sandiganbayan, and **on November 12, 2004, he assumed his duties.**^[9] Subsequently, or on **November 25, 2004**, pairing Judge Meliton Emuslan still issued an Order^[10] **granting respondents' application for preliminary injunction ordering (1) the holding of a special stockholders' meeting of STRADEC on December 10, 2004 "in the principal office of the corporation in Bayambang, Pangasinan;" and (2) the turn-over by petitioner Bonifacio Sumbilla to the court of the duplicate key of the safety deposit box in Export Industry Bank, Shaw Boulevard, Pasig City where the original Stock and Transfer Book of STRADEC was deposited.** The pertinent portions of the Order read:

O R D E R

This resolves the application of plaintiffs for the issuance of writ of preliminary prohibitory injunction.

During the hearing on the application for Temporary Restraining Order/Injunction on October 20, 2004, plaintiffs presented as witnesses: Cezar T. Quiambao, Jose M. Magno III and Eric Gene Pilapil who testified in support of the material averments of the plaintiffs in their Amended Complaint and Supplemental Complaint. Specifically, plaintiff Quiambao testified, among other things, on the fact of the unlawful denial by defendant Yujuico of his request for the holding of a special stockholders' meeting, the location of the principal place of office of the corporation, the deposit by him and defendant Sumbilla of the Stock and Transfer Book of the corporation in the Export Industry Bank in Pasig City, the illegal and unjustified reconstitution of said stock and transfer book, and the damages which he and the corporation sustained as a result of defendants' unlawful acts including the unauthorized sale of corporate shares of stock.

Plaintiff Magno III testified that he did not attend the Annual Stockholders' meeting held last March 1, 2004 and that he did not authorize anybody to appear for and in his behalf.

Lastly, witness Pilapil testified on the principal place of business of defendant corporation, the holding of the Annual Stockholders' Meeting in a place outside the principal place of business of the corporation, and the fact that two (2) other stockholders, namely, Jose Magno III and Angel Umali were neither present nor represented in said meeting, contrary to what was alleged in defendants' Answer with Counterclaim (see par. 50, Answer with Counterclaim).

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After a careful evaluation of the records and all the pleadings extant in this case as well as the testimonies of the witnesses for the plaintiffs, this court is inclined to grant the plaintiffs' application for the writs of preliminary prohibitory injunction in order to restrain the defendants from acting as officers of the corporation and committing further acts inimical to the corporation and to the rest of the stockholders thereof. It is also evident from the pleadings that defendants would not yield to the demand of plaintiffs for the maintenance of the status quo until after the resolution of the merits of the instant controversy.

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The effect of the issuance of this Order would create a hiatus in the action of the board of directors of STRADEC, pending the determination of the merits of the case and after trial on the merits.

It would thus be for the best interest of the corporation as well as its stockholders that an election be undertaken of the members of the board and officers pursuant to STRADEC'S Articles of the corporation (sic) and the Corporation Code of the Philippines, under the supervision of the court.

This is to avoid discontinuity of the operations of the corporation, which

may result to its damage and prejudice.

WHEREFORE, premises considered, let the Writ of Preliminary Injunction issue, upon posting of the requisite bond in the amount of Five Hundred Thousand Pesos (P500,000.00) to answer for whatever damages that the defendants would suffer on account of the issuance of the injunction writ, restraining defendants from acting as officers of the Corporation and committing further acts inimical to the corporation.

It is likewise ordered that a special stockholders' meeting in the **principal place of office of the corporation in Bayambang, Pangasinan** on December 10, 2004 be held. The Branch Clerk of this court shall attend the said meeting to observe the proceedings and report his observations to this court. For this purpose, the defendant Bonifacio Sumbilla is ordered to surrender to the court, not later than December 3, 2004, the duplicate key given to him by Export Industry Bank, Shaw Blvd., Pasig City, of the safety deposit box where he and plaintiff Cezar T. Quiambao deposited the Original Stock and Transfer Book of STRADEC which shall be the basis in the determination of the corporate stockholding during the meeting scheduled on the above-mentioned date.

SO ORDERED.

In compliance with the above Order, the court sheriff (and respondent Cezar Quiambao, as claimed by petitioners) caused the opening of the safety deposit box of STRADEC in the Export Industry Bank, Shaw Boulevard Branch, Pasig City and took custody of its contents.

On December 10, 2004, petitioners, claiming that a motion for reconsideration is a prohibited pleading under Section 8(3), Rule 1 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799, filed with the Court of Appeals a Petition for Certiorari with Prayer for the Issuance of a TRO and/or Preliminary Injunction,^[11] assailing Judge Emuslan's November 25, 2004 Order. The petition was docketed as CA-G.R. SP No. 87785. In the proceedings before the appellate court, petitioners raised the following issues:

- A. Only the SEC, not the RTC, has jurisdiction to order the holding of a special stockholders' meeting involving an intra-corporate controversy;
- B. Judge Meliton Emuslan had no authority to issue the assailed Order dated November 25, 2004 as Judge Aurelio Ralar, Jr. was already the presiding judge of RTC, Branch 48, Urdaneta City;^[12] and
- C. Assuming Judge Emuslan had authority to issue the assailed Order, he nonetheless acted with grave abuse of discretion amounting to lack or excess of jurisdiction.

Meanwhile, on the same day (December 10), as directed in the November 25, 2004 Order of Judge Emuslan, a special stockholders' meeting of STRADEC was held in Bayambang, Pangasinan wherein a new set of directors were elected for the term 2004-2005, namely: Cezar T. Quiambao, Anthony K. Quiambao, and Simplicio T. Quiambao, Jr. Immediately thereafter, the new directors elected the following

officers: Cezar T. Quiambao as Chairman and President; Eric C. Pilapil as Corporate Secretary; Anthony K. Quiambao as Corporate Treasurer; and Albert M. Rasalan as Assistant Corporate Secretary.

On March 31, 2005, the Court of Appeals rendered a Decision^[13] in CA-G.R. SP No. 87785, dismissing the Petition for Certiorari. It upheld the jurisdiction of the RTC over the controversy and sustained the validity of Judge Emuslan's Order of November 25, 2004. Petitioners' motion for reconsideration was denied in a Resolution dated June 29, 2005.^[14]

Hence, the instant Petition for Review on Certiorari.

FIRST, petitioners contend that the Court of Appeals erred in ruling that the RTC has the power to **call a special stockholders' meeting** involving an intra-corporate controversy. They maintain that it is only the SEC that may do so to be held under its supervision.

The respondents, in their comment, counter that the appellate court correctly ruled that the power to hear and decide controversies involving intra-corporate disputes, as well as **to act on matters incidental and necessary thereto**, have been transferred from the SEC to the RTCs designated as Special Commercial Courts. It would be the height of absurdity, they argue, to require the filing of a separate case with the SEC for the sole purpose of asking the said agency to order the holding of a special stockholders' meeting where there is already a pending case involving the same matter before the proper court.

We agree with respondents.

An intra-corporate controversy is one which "pertains to any of the following relationships: (1) between the corporation, partnership or association and the public; (2) between the corporation, partnership or association and the State in so far as its franchise, permit or license to operate is concerned; (3) between the corporation, partnership or association and its stockholders, partners, members or officers; and (4) **among the stockholders, partners or associates themselves.**"^[15] There is thus no dispute that respondents' complaint in Civil (SEC) Case No. U-14 before the RTC, Branch 48, Urdaneta City involves an intra-corporate controversy, the contending parties being stockholders and officers of a corporation.

Originally, Section 5 of Presidential Decree (P.D.) No. 902-A bestowed the SEC original and exclusive jurisdiction over cases involving the following:

(a) Devices or schemes employed by, or any act of, the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, or members of associations registered with the Commission;

(b) **Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members or associates; between any or all of them and the corporation,**