Supreme Court E-Library

FIRST DIVISION

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

ADERITO 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.*

SYLLABUS

1. **COMMERCIAL LAW; CORPORATION LAW; INTRA-CORPORATE CONTROVERSY; PRESENT IN CASE AT BAR AS PARTIES WERE STOCKHOLDERS AND OFFICERS OF A CORPORATION.**— 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."** 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.

2. **REMEDIAL LAW; JURISDICTION; (R.A. NO. 8799) THE SECURITIES REGULATION CODE; TRANSFER TO DESIGNATED REGIONAL TRIAL COURTS (RTC), INTRA-CORPORATE CONTROVERSIES AND OTHER CASES UNDER SEC. 5 OF P.D. NO. 902-A.** — Upon the enactment of R.A. No. 8799, otherwise known as "The Securities Regulation Code" which took effect on August 8, 2000, the jurisdiction of the SEC over intra-corporate controversies and other cases enumerated in Section 5 of P.D. No. 902-A has been **transferred**

Supreme Court E-Library

to the courts of general jurisdiction, or the appropriate RTC. Section 5.2 of R.A. No. 8799 provides: 5.2. The Commission's jurisdiction over all cases enumerated in Section 5 of Presidential Decree No. 902-A is hereby **transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court, Provided,** That the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payments/rehabilitation cases filed as of 30 June 2000 until finally disposed. Pursuant to R.A. No. 8799, the Court issued a Resolution dated November 21, 2000 in A.M. No. 00-11-03-SC designating certain branches of the RTC to try and decide cases enumerated in Section 5 of P.D. No.902-A. Branch 48 of RTC, Urdaneta City, the court *a quo*, is among those designated as a Special Commercial Court.

3. ID.; ID.; ID.; INTERIM RULES OF PROCEDURE GOVERNING INTRA-CORPORATE CONTROVERSIES; ELECTION CONTESTS IN CORPORATIONS; DEFINED. — On March 13, 2001, the Court approved the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799 which took effect on April 1, 2001. Sections 1 and 2, Rule 6 of the said Rules provide: SEC. 1. Cases covered. – The provisions of this rule shall apply to *election contests* in stock and non-stock corporations. SEC. 2. Definition. – An **election contest** refers to **any controversy or dispute involving** title or claim to any elective office in a stock or non-stock corporation, the validation of proxies, **the manner and validity of elections**, and the qualifications of candidates, including the proclamation of winners, to the office of director, trustee or other officer directly elected by the stockholders in a close corporation or by members of a non-stock corporation where the articles of incorporation or by-laws so provide.

4. ID.; ID.; ID.; ID.; ID.; POWERS AND FUNCTIONS OF THE SECURITES AND EXCHANGE COMMISSION (SEC) TRANSFERRED TO THE RTC; CONCOMITANT THERETO IS THE AUTHORITY TO ISSUE INCIDENTAL

Supreme Court E-Library

ORDERS. — In *Morato v. Court of Appeals*, we held that pursuant to R.A. No. 8799 and the Interim Rules of Procedure Governing Intra-Corporate Controversies, "among the powers and functions of the SEC which were transferred to the RTC include the following: (a) jurisdiction and supervision over all corporations, partnerships or associations which are the grantees of primary franchises and/or a license or permit issued by the Government; (b) the approval, rejection, suspension, revocation or requirement for registration statements, and registration and licensing applications; (c) the regulation, investigation, or supervision of the activities of persons to ensure compliance; (d) the supervision, monitoring, suspension or take over the activities of exchanges, clearing agencies, and other SROs; (e) the imposition of sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto; (f) the issuance of cease-and-desist orders to prevent fraud or injury to the investing public; (g) **the compulsion of the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision;** and (h) the exercise of such other powers as may be provided by **law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws." Concomitant to said power is the authority to issue orders necessary or incidental to the carrying out of the powers expressly granted to it.** Thus, the RTC may, in **appropriate cases,** order the holding of a special meeting of stockholders or members of a corporation involving an intra-corporate dispute under its supervision.

5. ID.; CIVIL PROCEDURE; EXERCISE OF JURISDICTION; ANY ACT OR ORDER RENDERED WITHOUT AUTHORITY IS VOID AND CANNOT BE THE SOURCE OF ANY RIGHT NOR BE A CREATOR OF ANY OBLIGATION. — A jurisdictional controversy may be raised at any time. In *Tolentino v. Leviste*, this Court, speaking through Justice (now Chief Justice) Reynato S. Puno, held: x x x. **Jurisdiction is not the same as the exercise of jurisdiction.** As distinguished from the exercise of jurisdiction, jurisdiction is the authority to decide a cause, not the decision rendered therein. Where there is jurisdiction over the person and the subject matter, the decision on all other questions arising in the case is but an **exercise of the**

Supreme Court E-Library

jurisdiction. x x x. There are instances where a judge may commit errors. He may issue an order **without** authority. And if clothed with power, he may exercise it **in excess** of his authority or **with grave abuse of discretion** amounting to lack or excess of jurisdiction. Any of these acts may be struck down as a nullity through a petition for *certiorari,* as what petitioners did before the Court of Appeals. It bears stressing that any act or order rendered by a judge **without authority,** such as the questioned November 25, 2004 Order, is no order at all. It is void. As such, it cannot be the source of any right nor the creator of any obligation. All acts performed pursuant to it and all claims emanating from it have no legal force and effect.

6. ID.; PROVISIONAL REMEDIES; WRIT OF PRELIMINARY INJUNCTION; ISSUANCE THEREOF PROPER IN THE PRESENCE OF REQUISITES THEREOF AND AFTER EXTREME CAUTION OBSERVED.— The duty of the court taking cognizance of an application for a writ of preliminary injunction is to determine whether the requisites necessary for the grant of such writ are present. The requisites for the issuance of a writ of preliminary injunction are: (1) the applicant for such writ must show that he has a **clear and unmistakable right** that must be protected; and (2) there exists an **urgent and paramount necessity** for the writ to prevent serious damage. A writ of preliminary injunction is a **provisional** remedy, an adjunct to a main suit. It is also a **preservative** remedy, issued to preserve the *status quo* of the things subject of the action or the relations between the parties during the pendency of the suit. In *Selegna Management and Development Corporation v. United Coconut Planters Bank*, we held: x x x. **Injunction is not designed to protect contingent or future rights. It is not proper when the complainant's right is doubtful or disputed.** x x x, **courts should avoid issuing this writ which in effect disposes of the main case without trial** x x x. In the same case of *Manila International Airport Authority v. Court of Appeals*, we urged the courts to exercise extreme caution in issuing the writ, thus: x x x The discretion of the court *a quo* to grant an injunctive writ must be exercised based on the grounds and in the manner provided by law. Thus, the Court declared in *Garcia v. Burgos*: **It has been**

Supreme Court E-Library

consistently held that there is no power the exercise of which is more delicate, which requires greater caution, deliberation and sound discretion, or more dangerous in a doubtful case, than the issuance of an injunction. It is the strong arm of equity that should never be extended unless to cases of great injury, where courts of law cannot afford an adequate or commensurate remedy in damages. Every court should remember that an injunction is a limitation upon the freedom of action of the defendant and should not be granted lightly or precipitately. It should be granted only when the court is fully satisfied that the law permits it and the emergency demands it. To repeat, the purpose of the writ of preliminary injunction is to preserve the *status quo* until the court could hear the merits of the case. The *status quo* is the last actual peaceable uncontested status that preceded the controversy.

7. ID.; INTERIM RULES OF PROCEDURE GOVERNING INTRA-CORPORATE CONTROVERSIES; ELECTION CONTESTS MUST BE FILED WITHIN 15 DAYS FROM DATE OF ELECTION; VIOLATED IN CASE AT BAR. — Under Section 3, Rule 6 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799, an election contest must be "filed within 15 days from the date of the election." It was only on August 16, 2004 that respondents instituted an action questioning the validity of the March 1, 2004 stockholders' election, clearly beyond the 15-day prescriptive period.

APPEARANCES OF COUNSEL

Castillo Laman Tan Pantaleon & San Jose for petitioners.
Demetria Demetria Magno-Concepcion for respondents.

D E C I S I O N

SANDOVAL-GUTIERREZ, *J.*:

Before us for resolution is the Petition for Review on *Certiorari*[1] challenging the Decision dated March 31, 2005

[1] Filed under Rule 45 of the 1997 Rules of Civil Procedure, as amended.

Supreme Court E-Library

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

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[2] Petitioners' Memorandum, *Rollo*, p. 532.

[3] *Id.*, p. 533.

[4] Annex "C", Petition, *Id.*, p. 108.

Supreme Court E-Library

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

[5] Pursuant to Supreme Court Resolution dated November 21, 2000 in A.M. No. 00-11-03-SC, "Resolution Designating Certain Branches of Regional Trial Courts to Try and Decide Cases Formerly Cognizable by the Securities and Exchange Commission"; Supreme Court Administrative Circular No. 08-2001, promulgated January 23, 2001, "Transfer to Designated Regional Trial Courts of SEC Cases Enumerated in Section 5, P.D. No. 902-A".

[6] Pursuant to Supreme Court Circular No. 19-98 dated February 18, 1998.

[7] Annex "L", Petition, *Rollo*, pp. 139-163.

Supreme Court E-Library

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:

ORDER

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

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[8] *Id.*, pp. 151-153.

[9] Certification dated January 10, 2005, issued by Bernadette E. Palting, Clerk of Court, Regional Trial Court, Urdaneta City; Records of the Office of the Court Administrator.

[10] *Rollo*, pp. 166-168.

Supreme Court E-Library

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.

Supreme Court E-Library

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 (₱500,000.00) 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

Supreme Court E-Library

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]

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[11] Filed under Rule 65 of the 1997 Rules of Civil Procedure, as amended.

[12] This issue was resolved by the Court of Appeals in its Resolution denying petitioners' motion for reconsideration of its Decision.

[13] Annex "A", Petition, *Rollo*, pp. 81-94.

[14] Annex "B", *id.*, pp. 95-107.

Supreme Court E-Library

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:

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[15] *Embassy Farms, Inc. v. Court of Appeals*, G.R. No. 80682, August 13, 1990, 188 SCRA 492, citing *Union Glass and Container Corp. v. SEC*, 126 SCRA 31 (1983); *DMRC Enterprises v. Este Del Sol Mountain Reserve, Inc.*, 132 SCRA 293 (1984); *Rivera v. Florendo*, 144 SCRA 643 (1986); *Abeijo v. De la Cruz*, 149 SCRA 654 (1987).

Supreme Court E-Library

(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**, partnership or association and the State insofar as it concerns their individual franchise or right as such entity;

(c) **Controversies in the election** or appointment **of directors,** trustees, **officers** or managers **of such corporations**, partnership or associations;

(d) Petitioners of corporations, partnerships or associations to be declared in the state of suspension of payment in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities but is under the management of a rehabilitation receiver or management committee created pursuant to this Decree.[16] (Underscoring supplied)

Upon the enactment of R.A. No. 8799, otherwise known as "The Securities Regulation Code" which took effect on August 8, 2000,[17] the jurisdiction of the SEC over intra-corporate controversies and other cases enumerated in Section 5 of P.D. No. 902-A has been **transferred** to the courts of general jurisdiction, or the appropriate RTC. Section 5.2 of R.A. No. 8799 provides:

5.2. The Commission's jurisdiction over all cases enumerated in Section 5 of Presidential Decree No. 902-A is hereby **transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court**, *Provided*, That the Supreme Court in the exercise of

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[16] Section 5, PD 902-A. See also Section 1, Rule 1 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799.

[17] See *Morato v. Court of Appeals*, G.R. No. 141510, August 13, 2004, 436 SCRA 438, 456.

Supreme Court E-Library

its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payments/rehabilitation cases filed as of 30 June 2000 until finally disposed. (Underscoring supplied)

Pursuant to R.A. No. 8799, the Court issued a Resolution dated November 21, 2000 in A.M. No. 00-11-03-SC designating certain branches of the RTC to try and decide cases enumerated in Section 5 of P.D. No. 902-A. Branch 48 of RTC, Urdaneta City, the court *a quo*, is among those designated as a Special Commercial Court. On March 13, 2001, the Court approved the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799 which took effect on April 1, 2001.[18] Sections 1 and 2, Rule 6 of the said Rules provide:

SEC. 1. Cases covered. – The provisions of this rule shall apply to **election contests** in stock and non-stock corporations.

SEC. 2. Definition. – An **election contest** refers to **any controversy or dispute involving** title or claim to any elective office in a stock or non-stock corporation, the validation of proxies, **the manner and validity of elections**, and the qualifications of candidates, including the proclamation of winners, to the office of director, trustee or other officer directly elected by the stockholders in a close corporation or by members of a non-stock corporation where the articles of incorporation or by-laws so provide. (Underscoring supplied)

In *Morato v. Court of Appeals*,[19] we held that pursuant to R.A. No. 8799 and the Interim Rules of Procedure Governing Intra-Corporate Controversies, "among the powers and functions of the SEC which were transferred to the RTC include the following: (a) jurisdiction and supervision over all corporations,

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[18] *Speed Distributing Corp. v. Court of Appeals*, G.R. No. 149351, March 17, 2004, 425 SCRA 691.

[19] *Supra*, p. 457.

Supreme Court E-Library

partnerships or associations which are the grantees of primary franchises and/or a license or permit issued by the Government; (b) the approval, rejection, suspension, revocation or requirement for registration statements, and registration and licensing applications; (c) the regulation, investigation, or supervision of the activities of persons to ensure compliance; (d) the supervision, monitoring, suspension or take over the activities of exchanges, clearing agencies, and other SROs; (e) the imposition of sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto; (f) the issuance of cease-and-desist orders to prevent fraud or injury to the investing public; (g) **the compulsion of the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision**; and (h) the exercise of such other powers as may be provided by law **as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws**."

Clearly, the RTC has the power to hear and decide the intra-corporate controversy of the parties herein. **Concomitant to said power is the authority to issue orders necessary or incidental to the carrying out of the powers expressly granted to it.** Thus, the RTC may, in **appropriate cases**, order the holding of a special meeting of stockholders or members of a corporation involving an intra-corporate dispute under its supervision.

SECOND, petitioners assert that Judge Emuslan **did not have the authority** to issue the assailed Order of November 25, 2004 upon the appointment and assumption on "November 2, 2004" (should be November **12**) by Judge Aurelio R. Ralar, Jr. as the regular presiding judge of RTC, Branch 48, Urdaneta City.

Significantly, respondents never refuted petitioners' assertion. The Court of Appeals, for its part, dismissed petitioners' allegation by merely ruling that "this is the first time they are raising this issue – which is much too late in the day. In any

Supreme Court E-Library

event, one cannot question the authority of the court when it does not suit him and accepts such authority when it favors him."[20] The ruling suggests that petitioners are barred by laches and/or estoppel from raising that issue. The appellate court likewise denied petitioners' motion to set the case for oral arguments.

The Court of Appeals should have resolved the issue of whether Judge Emuslan had the authority to issue the assailed Order, a jurisdictional question crucial to the resolution of the petition. It is elementary that a jurisdictional controversy may be raised at any time.[21]

Indeed, as early as **November 12, 2004**, Judge Aurelio Ralar, Jr. **assumed his duties** as presiding judge of RTC, Branch 48, Urdaneta City. Evidently, Judge Emuslan's authority, as pairing judge of Branch 48, to act on Civil (SEC) Case No. U-14 **automatically ceased on that date**. Therefore, he no longer had the authority to issue the Order of November 25, 2004, or thirteen (13) days after Judge Ralar, Jr. had assumed office. This is clear from this Court's Circular No. 19-98 dated February 18, 1998 which mandates:

TO : ALL JUDGES OF THE REGIONAL TRIAL COURTS, METROPOLITAN TRIAL COURTS, MUNICIPAL TRIAL COURTS IN CITIES, MUNICIPAL TRIAL COURTS, AND MUNICIPAL CIRCUIT TRIAL COURTS

SUBJECT: **EXPANDED AUTHORITY OF PAIRING COURTS**

In the interest of efficient administration of justice, the authority of the pairing judge under Circular No. 7 dated September 23, 1974 (Pairing System for Multiple Sala Stations) to act on incidental or interlocutory matters and those urgent matters requiring immediate action on cases pertaining to the paired court shall henceforth be expanded to include all other matters. Thus, whenever a vacancy

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[20] Assailed Resolution dated June 29, 2005, *Rollo*, pp. 106-107.

[21] *Manila International Airport Authority v. Court of Appeals*, G.R. No. 118249, February 14, 2003, 397 SCRA 348, 358, citing *Garcia v. Burgos*, 291 SCRA 546 (1998).

Supreme Court E-Library

occurs by reason of resignation, dismissal, suspension, retirement, death, or prolonged absence of the presiding judge in a multi-sala station, **the judge of the paired court shall take cognizance of all cases thereat as acting judge therein UNTIL the APPOINTMENT and ASSUMPTION TO DUTY OF THE REGULAR JUDGE** or the designation of an acting presiding judge or the return of the regular incumbent judge, or until further orders from this Court.

For this purpose, the provisions of Circular No.7, dated September 23, 1974, inconsistent with this Circular are hereby amended.

x x x. (Underscoring supplied)

Thus, although the RTC, Branch 48, Urdaneta City is clothed with power to take cognizance of Civil (SEC) Case No. U-14, the **exercise** of such power is entirely a different matter. Verily, in *Tolentino v. Leviste*,[22] this Court, speaking through Justice (now Chief Justice) Reynato S. Puno, held:

x x x. **Jurisdiction is not the same as the exercise of jurisdiction**. As distinguished from the exercise of jurisdiction, jurisdiction is the authority to decide a cause, not the decision rendered therein. Where there is jurisdiction over the person and the subject matter, the decision on all other questions arising in the case is but an **exercise of the jurisdiction**. x x x. (Underscoring supplied)

There are instances where a judge may commit errors. He may issue an order **without** authority. And if clothed with power, he may exercise it **in excess** of his authority or **with grave abuse of discretion** amounting to lack or excess of jurisdiction. Any of these acts may be struck down as a nullity through a petition for *certiorari*,[23] as what petitioners did before the Court of Appeals. It bears stressing that any act or order rendered by a judge **without authority**, such as the questioned November 25, 2004 Order, is no order at all. It is void. As such, it cannot be the source of any right nor the creator of

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[22] G.R. No. 156118, November 19, 2004, 443 SCRA 274. See also *Ching v. Court of Appeals*, G.R. No. 124642, February 23, 2004, 423 SCRA 356.

[23] Section 1, Rule 65, 1997 Rules of Civil Procedure, as amended.

Supreme Court E-Library

any obligation. All acts performed pursuant to it and all claims emanating from it have no legal force and effect.[24]

THIRD, petitioners further contend that even if Judge Emuslan had the authority to issue the challenged Order, still he issued it with **grave abuse of discretion** amounting to lack or excess of jurisdiction. They lament that the Order **effectively disposed of the merits of the main case** [Civil (SEC) Case No. U-14].

Unfortunately, despite the significance of this issue, the Court of Appeals totally ignored it by failing to render a ruling thereon. Respondents, for their part, merely aver that Judge Emuslan "only had the best interest of STRADEC in mind" when he issued the questioned Order.[25]

We find for petitioners.

The duty of the court taking cognizance of an application for a writ of preliminary injunction is to determine whether the requisites necessary for the grant of such writ are present. The requisites for the issuance of a writ of preliminary injunction are: (1) the applicant for such writ must show that he has a **clear and unmistakable right** that must be protected; and (2) there exists an **urgent and paramount necessity** for the writ to prevent serious damage.[26]

In this case, Judge Emuslan's November 25, 2004 Order, quoted earlier, is hazy and too unsubstantial to justify the issuance of a writ of preliminary injunction. The Order does not contain specific findings of fact and conclusion of law showing that the **requirements** for the grant of the injunctive writ are present. It merely mentions the names of witnesses presented by respondents during the hearing on the application for the issuance of the writ, but **there is no specific and substantial narration of the witnesses' testimonies to establish the existence of a**

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[24] *Arcelona v. Court of Appeals*, G.R. No. 102900, October 2, 1997, 280 SCRA 20, citing *Leonor v. Court of Appeals*, 256 SCRA 69, 82 (1996).

[25] Respondents' Memorandum, *Rollo*, p. 739.

[26] *Manila International Airport Authority v. Court of Appeals*, *supra*, citing *Ong Ching Kian Chuan v. Court of Appeals*, 363 SCRA 145 (2001).

Supreme Court E-Library

clear and unmistakable right on their part that must be protected, as well as the serious damage or irreparable loss that they would suffer if the writ is not granted. It does not also disclose the specific evidence formally offered by the applicants. Obviously, the basis of the judge's conclusion is too uncertain. Thus, in issuing the questioned November 25, 2004 Order granting a writ of preliminary injunction, he committed grave abuse of discretion. In *Manila International Airport Authority v. Court of Appeals*,[27] we held:

> In the instant case, however, the trial court's order of January 20, 1993 was, on its face, bereft of basis for the issuance of a writ of preliminary injunction. There were no findings of fact or law in the assailed order indicating that any of the elements essential for the grant of a preliminary injunction existed. The trial court alluded to hearings during which the parties marked their respective exhibits and the trial court heard the oral arguments of opposing counsels. However, it cannot be ascertained what evidence was formally offered and presented by the parties and given weight and credence by the trial court. The basis for the trial court's conclusion that K Services was entitled to a writ of preliminary injunction is unclear.
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> In its order of August 5, 1993, the trial court stated that it issued the injunction to prevent irreparable loss that might be caused to K Services. Once more, however, the trial court neglected to mention what right *in esse* of K Services, if any, was in danger of being violated and required the protection of a preliminary injunction.
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> x x x x x x x x x
>
> x x x the possibility of irreparable damage without proof of actual existing right is not a ground for an injunction (*Heirs of Asuncion v. Gervacio, Jr.*, 304 SCRA 322 [1999]). Where the complainant's right is doubtful or disputed, injunction is not proper. Absent a clear legal right, the issuance of the injunctive relief constitutes grave abuse of discretion (*Id.*).[28]

Furthermore, Judge Emuslan's November 25, 2004 Order goes against the concept and objective of a writ of preliminary injunction. A writ of preliminary injunction is a **provisional**

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[27] *Id.*

[28] *Supra*, pp. 360, 363.

Supreme Court E-Library

remedy, an adjunct to a main suit. It is also a **preservative** remedy, issued to preserve the *status quo* of the things subject of the action or the relations between the parties during the pendency of the suit. In *Selegna Management and Development Corporation v. United Coconut Planters Bank*,[29] we held:

x x x. **Injunction is not designed to protect contingent or future rights. It is not proper when the complainant's right is doubtful or disputed**.

x x x, **courts should avoid issuing this writ which in effect disposes of the main case without trial** (F. Regalado, *Remedial Law Compendium,* Vol. I, 639 (7th revised ed., 1999). x x x. (Underscoring supplied)

In the same case of *Manila International Airport Authority v. Court of Appeals*,[30] we urged the courts to exercise extreme caution in issuing the writ, thus:

x x x. We remind trial courts that while generally the grant of a writ of preliminary injunction rests on the sound discretion of the court taking cognizance of the case, **extreme caution must be observed in the exercise of such discretion**. The discretion of the court *a quo* to grant an injunctive writ must be exercised based on the grounds and in the manner provided by law. Thus, the Court declared in *Garcia v. Burgos*:

> **It has been consistently held that there is no power the exercise of which is more delicate, which requires greater caution, deliberation and sound discretion, or more dangerous in a doubtful case, than the issuance of an injunction. It is the strong arm of equity that should never be extended unless to cases of great injury, where courts of law cannot afford an adequate or commensurate remedy in damages.**
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> **Every court should remember that an injunction is a limitation upon the freedom of action of the defendant and should not be granted lightly or precipitately**. It should be

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[29] G.R. No. 165662, May 3, 2006, 489 SCRA 125, 144-145.

[30] *Supra*, cited in *Selegna Management and Development Corporation v. United Coconut Planters Bank, id.*, p. 145.

Supreme Court E-Library

> granted only when the court is fully satisfied that the law permits it and the emergency demands it [citations omitted]. (Underscoring supplied)

To repeat, the purpose of the writ of preliminary injunction is to preserve the *status quo* until the court could hear the merits of the case.[31] The *status quo* is the last actual peaceable uncontested status that preceded the controversy[32] which, in the instant case, is the holding of the annual stockholders' meeting on March 1, 2004 and the ensuing election of the directors and officers of STRADEC. But instead of preserving the *status quo*, Judge Emuslan's Order messed it up when, in compliance therewith, a special stockholders' meeting was held anew and a new set of directors and officers of STRADEC was elected. That effectively resolved respondents' principal action without even a full-blown trial on the merits since the Order impliedly ruled that the March 1, 2004 annual stockholders' meeting and election are void. Verily, the issuance of the questioned Order violates the established principle that courts should avoid granting a writ of preliminary injunction that would in effect dispose of the main case without trial.[33]

Equally important is the fact that the Order was issued even though respondents' right to an injunctive relief is doubtful or has been vehemently disputed. We note that petitioners, in their answer with counterclaim, raised serious and valid defenses, among which is that the action is premature since the principal office of STRADEC in Bayambang, Pangasinan **is yet to be**

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[31] *Mirasol v. Department of Public Works and Highways*, G.R. No. 158793, June 8, 2006, 490 SCRA 318.

[32] *Searth Commodities Corp. v. Court of Appeals*, G.R. No. 64220, March 31, 1992, 207 SCRA 622, citing *Rivas v. Securities and Exchange Commission*, 190 SCRA 295 (1990); *Bengzon v. Court of Appeals*, 161 SCRA 745 (1988); *Rodulfa v. Alonso*, 76 Phil. 225 (1946).

[33] *Central Bank of the Philippines v. Court of Appeals*, G.R. Nos. 88353 and 92943, May 8, 1992, 208 SCRA 652, 684; *Searth Commodities Corp. v. Court of Appeals*, *id.*, 629-630, citing *Rivas v. Securities and Exchange Commission*, *id.*; *Government Service Insurance System v. Florendo*, 178 SCRA 76 (1989); *Ortigas & Co. Ltd. Partnership v. Court of Appeals*, 162 SCRA 165 (1988).

Supreme Court E-Library

established, as authorized by the SEC.[34] Obviously, pending the establishment of a principal office in Bayambang, Pangasinan, all the stockholders' meetings of STRADEC have been properly held in their principal office in Pasig City.

Another weighty defense raised by petitioners is that the action has prescribed. One of the reliefs sought by respondents in the complaint is the nullification of the election of the Board of Directors and corporate officers held during the March 1, 2004 annual stockholders' meeting on the ground of improper venue, in violation of the Corporation Code. Hence, the action involves an election contest, falling squarely under the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799. Sections 1 and 2, Rule 6 of the Interim Rules provide:

SEC. 1. *Cases covered.* – The provisions of this rule shall apply to **election contests** in stock and non-stock corporations.

SEC. 2. *Definition.* – An **election contest** refers to **any controversy or dispute involving** title or claim to any elective office in a stock or non-stock corporation, the validation of proxies, the manner and **validity of elections**, and the qualifications of candidates, including the proclamation of winners, to the office of director, trustee or other officer directly elected by the stockholders in a close corporation or by members of a non-stock corporation where the articles of incorporation or by-laws so provide. (Underscoring supplied)

It is important to note that the Court of Appeals itself ruled that respondents' action before the RTC, Branch 48, Urdaneta City is an election contest, thus:

Likewise, as clearly provided in Section 1, Rule 1 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799, among the intra-corporate controversies transferred to the special courts are:

x x x x x x x x x

(3) **Controversies in the election** or appointment of **directors**, trustees, **officers**, or managers of corporation, partnerships or associations;

[34] Petitioners' Answer with Counterclaim, *Rollo*, pp. 151-152.

Supreme Court E-Library

x x x x x x x x x

Undoubtedly, therefore, the instant case is an intra-corporate controversy among the stockholders themselves **relative to the election of directors or officers of STRADEC**, specifically between respondents x x x on one hand and petitioners x x x on the other. x x x. **If there is still any doubt that the Special Corporate Court can call for a stockholders' meeting, Rule 6 (citing Sections 1 and 2) of the Interim Rules completely puts to rest said issue.**

x x x x x x x x x

Clearly, therefore, said Rule empowers the special corporate courts to decide election cases x x x.[35] (Underscoring supplied)

As pointed out by petitioners in their answer with counterclaim, under Section 3, Rule 6 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under R.A. No. 8799, an election contest must be "filed within 15 days from the date of the election."[36] It was only on August 16, 2004 that respondents instituted an action questioning the validity of the March 1, 2004 stockholders' election, clearly beyond the 15-day prescriptive period.

In sum, Judge Emuslan, in granting the writ of preliminary injunction, acted with grave abuse of discretion amounting to lack or excess of jurisdiction.

WHEREFORE, we *GRANT* the instant petition and *REVERSE* the assailed Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 87785.

The Order dated November 25, 2004 of Judge Meliton G. Emuslan, RTC, Branch 48, Urdaneta City in Civil (SEC) Case No. U-14 and the special stockholders' meeting and election held on December 10, 2004 in Bayambang, Pangasinan are *SET ASIDE.*

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[35] Assailed Resolution dated June 29, 2005, *Rollo*, pp. 98-101.

[36] *Rollo*, pp. 150-151.

Supreme Court E-Library

The last actual peaceable uncontested status of the parties prior to the filing by respondents herein of Civil (SEC) Case No. U-14 is *RESTORED.*

This case is *REMANDED* to the RTC, Branch 48, Urdaneta City for further proceedings *with dispatch.*

SO ORDERED.

Puno, C.J. (Chairperson), Corona, Azcuna, and *Garcia, JJ.,* concur.

THIRD DIVISION

[G.R. No. 170603. January 29, 2007]

EDISON SO, *petitioner, vs.* **REPUBLIC OF THE PHILIPPINES,** *respondent.*

SYLLABUS

1. POLITICAL LAW; NATURALIZATION; WAYS BY WHICH AN ALIEN MAY BECOME A CITIZEN. — Naturalization signifies the act of formally adopting a foreigner into the political body of a nation by clothing him or her with the privileges of a citizen. Under current and existing laws, there are three ways by which an alien may become a citizen by naturalization: (a) administrative naturalization pursuant to R.A. No. 9139; (b) judicial naturalization pursuant to C.A. No. 473, as amended; and (c) legislative naturalization in the form of a law enacted by Congress bestowing Philippine citizenship to an alien.

2. ID.; ID.; ID.; NATURALIZATION BY ADMINISTRATIVE ACT DIFFERENT FROM NATURALIZATION BY JUDICIAL ACT. — The qualifications and disqualifications of an applicant for naturalization by *judicial act* are set forth in Sections 2