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Accordingly, the criminal case against petitioner Alberta de Joya Iglesias shall proceed on the basis of the anomalies found in her 2000 to 2002 Statements of Assets, Liabilities, and Net Worth.

This is without prejudice to other administrative and criminal charges that may be filed against her.

SO ORDERED.

Velasco, Jr. (*Chairperson*), *Bersamin, Martires*, and *Gesmundo, JJ.*, concur.

THIRD DIVISION

[G.R. No. 185894. August 30, 2017]

BELO MEDICAL GROUP, INC., *petitioner, vs.* **JOSE L. SANTOS and VICTORIA G. BELO,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; FORUM SHOPPING; DEFINED; WILLFUL AND DELIBERATE VIOLATION OF THE RULE THEREON CAN BE A GROUND FOR ALL PENDING CASES' SUMMARY DISMISSAL WITH PREJUDICE AND DIRECT CONTEMPT.—Forum shopping exists when parties seek multiple judicial remedies simultaneously or successively, involving the same causes of action, facts, circumstances, and transactions, in the hopes of obtaining a favorable decision. It may be accomplished by a party defeated in one forum, in an attempt to obtain a favorable outcome in another, "other than by appeal or a special civil action for *certiorari*." Forum shopping trivializes rulings of courts, abuses their processes, cheapens the administration of justice, and clogs court dockets. x x x When willful and deliberate violation is clearly shown, it can be a ground for all pending cases' summary dismissal with prejudice and direct contempt.

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2. ID.; A.M. NO. 01-2-04-SC (INTERIM RULES OF PROCEDURE GOVERNING INTRA-CORPORATE CONTROVERSIES); INTRA-CORPORATE CONTROVERSY; TYPES OF INTRA-CORPORATE RELATIONSHIP.—To determine whether an intra-corporate dispute exists and whether this case requires the application of these rules of procedure, this Court evaluated the relationship of the parties. The types of intra-corporate relationships were reviewed in *Union Glass & Container Corporation v. Securities and Exchange Commission*:[a] between the corporation, partnership or association and the public; [b] between the corporation, partnership or association and its stockholders, partners, members, or officers; [c] between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; and [d] among the stockholders, partners or associates themselves.

3. ID.; ID.; ID.; RELATIONSHIP TEST AND NATURE OF THE CONTROVERSY TEST; APPLICATION IN CASE AT BAR.— For as long as any of [the] intra-corporate relationships exist between the parties, the controversy would be characterized as intra-corporate. This is known as the "relationship test." *DMRC Enterprises v. Este del Sol Mountain Reserve, Inc.* employed what would later be called as the "nature of controversy test." It became another means to determine if the dispute should be considered as intra-corporate. x x x This Court now uses both the relationship test and the nature of the controversy test to determine if an intra-corporate controversy is present.Applying the relationship test, this Court notes that both Belo and Santos are named shareholders in Belo Medical Group's Articles of Incorporation and General Information Sheet for 2007. The conflict is clearly intra-corporate as it involves two (2) shareholders although the ownership of stocks of one stockholder is questioned. Unless Santos is adjudged as a stranger to the corporation because he holds his shares only in trust for Belo, then both he and Belo, based on official records, are stockholders of the corporation. Belo Medical Group argues that the case should not have been characterized as intra-corporate because it is not between two shareholders as only Santos or Belo can be the rightful stockholder of the 25 shares of stock. This may be true. But this finding can only be made after trial where ownership of the shares of stock is decided. The trial court cannot classify the case based on potentialities. The two

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defendants in that case are both stockholders on record. They continue to be stockholders until a decision is rendered on the true ownership of the 25 shares of stock in Santos' name. If Santos' subscription is declared fictitious and he still insists on inspecting corporate books and exercising rights incidental to being a stockholder, then, and only then, shall the case cease to be intra-corporate. Applying the nature of the controversy test, this is still an intra-corporate dispute. The Complaint for interpleader seeks a determination of the true owner of the shares of stock registered in Santos' name. Ultimately, however, the goal is to stop Santos from inspecting corporate books. This goal is so apparent that, even if Santos is declared the true owner of the shares of stock upon completion of the interpleader case, Belo Medical Group still seeks his disqualification from inspecting the corporate books based on bad faith. Therefore, the controversy shifts from a mere question of ownership over movable property to the exercise of a registered stockholder's proprietary right to inspect corporate books.

4. ID.; RULES OF PROCEDURE GOVERNING INTRA-CORPORATE CONTROVERSIES; APPEALS; PROPER MODE OF APPEAL FROM THE TRIAL COURT, ACTING AS A SPECIAL COMMERCIAL COURT, PURELY ON QUESTIONS OF LAW, IS THROUGH A PETITION FOR REVIEW UNDER RULE 43 BEFORE THE COURT OF APPEALS; CASE AT BAR.—Rule 45 is the wrong mode of appeal. A.M. No. 04-9-07-SC promulgated by this Court En Banc on September 14, 2004 laid down the rules on modes of appeal m cases formerly cognizable by the Securities and Exchange Commission:1. All decisions and final orders in cases falling under the Interim Rules of Corporate Rehabilitation and the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 shall be appealable to the Court of Appeals through a petition for review under Rule 43 of the Rules of Court. x xxOn the other hand, Rule 43 of the Rules of Court allows for appeals to the Court of Appeals to raise questions of fact, of law, or a mix of both. Hence, a party assailing a decision or a final order of the trial court acting as a special commercial court, purely on questions of law, must raise these issues before the Court of Appeals through a petition for review A.M. No. 04-9-07-SC mandates it. Rule 43 allows it. Belo Medical Group argues that since it raises only questions of law, the proper mode of appeal is Rule 45 filed directly to this Court. This is correct assuming there were no rules specific

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to intra-corporate disputes. Considering that the controversy was still classified as intra-corporate upon filing of appeal, special rules, over general ones, must apply.

5. ID.; CIVIL PROCEDURE; CAUSE OF ACTIONS; JOINDER OF CAUSES OF ACTION; SHALL NOT INCLUDE SPECIAL CIVIL ACTIONS OR ACTIONS GOVERNED BY SPECIAL RULES; CASE AT BAR.—At the outset, this Court notes that two cases were filed by Belo Medical Group: the Complaint for interpleader and the Supplemental Complaint for Declaratory Relief. Under Rule 2, Section 5 of the Rules of Court, a joinder of cause of action is allowed, provided that it follows the conditions enumerated [therein] x x x. Assuming this case continues on as an interpleader, it cannot be joined with the Supplemental Complaint for declaratory relief as both are special civil actions. However, as the case was classified and will continue as an intra-corporate dispute, the simultaneous complaint for declaratory relief becomes superfluous. The right of Santos to inspect the books of Belo Medical Group and the appreciation for his motives to do so will necessarily be determined by the trial court together with determining the ownership of the shares of stock under Santos' name.

APPEARANCES OF COUNSEL

Chavez Miranda Aseoche Law Office for petitioner.

Siguion Reyna Montecillo & Ongsiako for respondent Jose L. Santos.

Sycip Salazar Hernandez & Gatmaitan for respondent Victoria G. Belo.

D E C I S I O N

LEONEN, *J.*:

A conflict between two (2) stockholders of a corporation does not automatically render their dispute as intra-corporate. The nature of the controversy must also be examined.[1]

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[1] *Reyes v. Hon. Regional Trial Court of Makati, etc., et al.*, 583 Phil. 591 (1984) [Per *J.* Brion, Second Division].

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In this Petition for Review on Certiorari[2] under Rule 45 of the Rules of Court, Belo Medical Group, Inc. (Belo Medical Group) assails the Regional Trial Court December 8, 2008 Joint Resolution in Civil Case No. 08-397.[3] This Joint Resolution granted respondent Jose L. Santos' (Santos) Motion to Dismiss and Belo Medical Group's Complaint for interpleader and Supplemental Complaint for Declaratory Relief against Santos and Victoria G. Belo (Belo), and declared all other pending incidents as moot.[4]

The controversy began on May 5, 2008[5] when Belo Medical Group received a request from Santos for the inspection of corporate records.[6] Santos claimed that he was a registered shareholder and a co-owner of Belo's shares, as these were acquired while they cohabited as husband and wife.[7] Santos sought advice on his probable removal as director of the corporation considering that he was not notified of meetings where he could have been removed. He also inquired on the election of Alfredo Henares (Henares) as Corporate Secretary in 2007 when Santos had not been notified of a meeting for Henares' possible election. Finally, he sought explanation on the corporation's failure to inform him of the 2007 annual meeting and the holding of an annual meeting in 2008.[8] Santos' concern over the corporate operations arose from the alleged death of a patient in one (1) of its clinics.[9]

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[2] *Rollo*, pp. 3-32.

[3] *Id*. at 33-35. The Joint Resolution was penned by Presiding Judge Cesar O. Untalan of Branch 149, Regional Trial Court, Makati City.

[4] *Id*. at 35.

[5] *Id*. at 7.

[6] *Id*. at 43-44.

[7] *Id*. at 43.

[8] *Id*. at 43-44.

[9] *Id*. at 70-74, as culled from the April 25, 2008 letters of Santos' counsel to Belo Medical Group and Belo Medical Group's May 14, 2008 reply.

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Santos was unsuccessful in inspecting the corporate books as Henares, the officer-in-charge of corporate records, was travelling. Belo Medical Group asked for time in order for Henares to accommodate Santos' request.[10]

After the first attempt to inspect, Belo wrote Belo Medical Group on May 14, 2007 to repudiate Santos' co-ownership of her shares and his interest in the corporation. She claimed that Santos held the 25 shares in his name merely in trust for her, as she, and not Santos, paid for these shares. She informed Belo Medical Group that Santos already had a pending petition with the Regional Trial Court to be declared as co-owner of her properties. She asserted that unless a decision was rendered in Santos' favor, he could not exercise ownership rights over her properties.[11]

Belo also informed Belo Medical Group that Santos had a business in direct competition with it. She suspected that Santos' request to inspect the records of Belo Medical Group was a means to obtain a competitor's business information, and was, therefore, in bad faith.[12]

A second inspection was attempted through a written demand by Santos on May 15, 2008.[13] Again, he was unsuccessful.

Belo wrote to Belo Medical Group on May 20, 2008 to reiterate her objections to Santos' attempts at inspecting corporate books and his inquiry regarding a patient. Belo further manifested that she was exercising her right as a shareholder to inspect the books herself to establish that the 25 shares were not owned by Santos, and that he did not pay for these shares.[14]

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[10] *Id*. at 45, Belo Medical Group's letter to Santos' counsel dated May 14, 2008.

[11] *Id*. at 46-47.

[12] *Id*. at 47.

[13] *Id*. at 48-49.

[14] *Id*. at 50-51.

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Thus, Belo Medical Group filed a Complaint for Interpleader[15] with Branch 149, Regional Trial Court, Makati City on May 21, 2008. Belo Medical Group alleged that while Santos appeared to be a registered stockholder, there was nothing on the record to show that he had paid for the shares under his name. The Complaint was filed "to protect its interest and compel [Belo and Santos] to interplead and litigate their conflicting claims of ownership of, as well as the corresponding right of inspection arising from, the twenty-five (25) [Belo Medical Group] shares between themselves pursuant to **Rule 62** of the 1997 Rules of Civil Procedure . . ."[16] The following reliefs were prayed for:

> (i) issue an Order summoning and requiring defendants Santos and Belo to interplead with each other to resolve their conflicting claims of ownership of the 25 shares of stock of [Belo Medical Group], including their opposing claims of exclusive entitlement to inspect [Belo Medical Group] corporate records;
>
> (ii) after due proceedings render judgment in favor of the proper defendant; and
>
> (iii) allow plaintiff [Belo Medical Group] to recover attorney's fees and litigation expenses in the amount of at least Php1,000,000.00 jointly and solidarity against both defendants and for them to pay the costs of suit.[17]

On the same day, Henares wrote Belo's and Santos' respective counsels to inform them of the Complaint.[18] Despite receipt, Santos' counsel still proceeded to Belo Medical Group's Makati office on May 22, 2008, where, again, they were unsuccessful in inspecting the corporate books.[19]

Santos, for the third time, sent a letter on May 22, 2008 to schedule an inspection of the corporate books and warned that

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[15] *Id*. at 52-59.

[16] *Id*. at 56.

[17] *Id*.

[18] *Id*. at 75.

[19] *Id*. at 76.

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continued rejection of his request exposed the corporation to criminal liability.[20] Nothing came out of this last attempt as well.

Belo and Belo Medical Group wrote to Santos on May 27, 2008 to inform him that he was barred from accessing corporate records because doing so would be inimical to Belo Medical Group's interests.[21] Through another letter on May 28, 2008, Santos was reminded of his majority share in The Obagi Skin Health, Inc. the owner and operator of the House of Obagi (House of Obagi) clinics. He was likewise reminded of the service of a notice of the 2007 special meeting of stockholders to his address at Valero Street, Makati City, contrary to his claim.[22]

On May 29, 2008, Belo Medical Group filed a Supplemental Complaint[23] for declaratory relief under Rule 63 of the Rules of Court. In its Supplemental Complaint, Belo Medical Group relied on Section 74[24] of the Corporation Code to deny Santos' request for inspection. It prayed that Santos be perpetually barred from inspecting its books due to his business interest in a

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[20] *Id*. at 76-77

[21] *Id*. at 78-79.

[22] *Id*. at 80-81.

[23] *Id*. at 82-92.

[24] CORP. CODE, Sec. 74 provides:

Section 74. *Books to be kept; stock transfer agent*. – Every corporation shall keep and carefully preserve at its principal office a record of all business transactions and minutes of all meetings of stockholders or members, or of the board of directors or trustees, in which shall be set forth in detail the time and place of holding the meeting, how authorized, the notice given, whether the meeting was regular or special, if special its object, those present and absent, and every act done or ordered done at the meeting. Upon the demand of any director, trustee, stockholder or member, the time when any director, trustee, stockholder or member entered or left the meeting must be noted in the minutes; and on a similar demand, the yeas and nays must be taken on any motion or proposition, and a record thereof carefully made. The protest of any director, trustee, stockholder or member on any action or proposed action must be recorded in full on his demand.

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competitor.[25] Should the ruling for interpleader be in favor of Santos, Belo Medical Group prayed that the trial court:

a. exercise its power under Rule 63 of the Revised Rules of Civil Procedure and give a proper construction of Sections 74 and 75 of the Corporation Code in relation to the facts presented above, and declare that plaintiff can rightfully decline defendant Santos's request for inspection under those sections and related provisions and jurisprudence; and

b. allow plaintiff to recover attorney's fees and litigation expenses from defendant Santos in the amount of at least PHP1,000,000.00 and the costs of suit.[26]

Belo Medical Group's Complaint and Supplemental Complaint were raffled to Branch 149 of the Regional Trial Court of Makati, a special commercial court,[27] thus classifying them as intra-corporate.[28]

The records of all business transactions of the corporation and the minutes of any meetings shall be open to inspection by any director, trustee, stockholder or member of the corporation at reasonable hours on business days and he may demand, in writing, for a copy of excerpts from said records or minutes, at his expense.

Any officer or agent of the corporation who shall refuse to allow any director, trustee, stockholder or member of the corporation to examine and copy excerpts from its records or minutes, in accordance with the provisions of this Code, shall be liable to such director trustee, stockholder or member for damages, and in addition, shall be guilty of an offense which shall be punishable under Section 144 of this Code: Provided, That if such refusal is made pursuant to a resolution or order of the board of directors or trustees, the liability under this section for such action shall be imposed upon the directors or trustees who voted for such refusal: and Provided, further, That it shall be a defense to any action under this section that the person demanding to examine and copy excerpts from the corporation's records and minutes has improperly used any information secured through any prior examination of the records or minutes of such corporation or of any other corporation, or was not acting in good faith or for a legitimate purpose in making his demand.

[25] *Rollo*, pp. 88-89.

[26] *Id*. at 90.

[27] Pursuant to A.M. No. 03-03-03-SC (2003).

[28] *Rollo*, p. 13.

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Belo filed her Answer *Ad Cautelam* with Cross-Claim to put on record her defenses that Santos had no right to inspect the books as he was not the owner of the 25 shares of stock in his name and that he was acting in bad faith because he was a majority owner of House of Obagi.[29]

Belo further argued that the proceedings should not have been classified as intra-corporate because while their right of inspection as shareholders may be considered intra-corporate, "it ceases to be that and becomes a full-blown civil law question if competing rights of ownership are asserted as the basis for the right of inspection."[30]

Meanwhile, on several dates, the trial court sheriff attempted to personally serve Santos with summons.[31] After unsuccessful attempts,[32] the sheriff resorted to substituted service in Santos' Makati office condominium unit.[33]

On July 4, 2008, Belo Medical Group filed an Omnibus Motion for Clarificatory Hearing and for Leave to File Consolidated Reply,[34] praying that the case be tried as a civil case and not as an intra-corporate controversy. It argued that the Interim Rules of Procedure Governing Intra-Corporate Controversies[35] did not include special civil actions for interpleader and declaratory relief found under the Rules of Court. Belo Medical Group clarified that the issue on ownership of the shares of stock must first be resolved before the issue on inspection could even be considered ripe for determination.[36]

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[29] *Id*. at 114-122.

[30] *Id*. at 118.

[31] *Id*. at 155-156, as indicated in Sheriff Robert V. Alejo's Sheriffs Returns.

[32] *Id*. at 155.

[33] *Id*. at 156.

[34] *Id*. at 128-135.

[35] A.M. No. 01-2-04-SC (2001).

[36] *Id*. at 131.

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Belo Medical Group later on moved that Santos be declared in default.[37] Instead of filing an answer, Santos filed a Motion to Dismiss.[38]

Apart from procedural infirmities, Santos argued that Belo Medical Group's Complaint and Supplemental Complaint must be dismissed "for its failure to state, and ultimately, lack of, a cause of action."[39] No ultimate facts were given to establish the act or omission of Santos and Belo that violated Belo Medical Group's rights. There was simply no conflict on the ownership of the 25 shares of stock under Santos' name. Based on the corporation's 2007 Articles of Incorporation and General Information Sheet, Santos was reflected as a stockholder and owner of the 25 shares of stock. No documentary evidence was submitted to prove that Belo owned these shares and merely transferred them to Santos as nominal shares.[40]

Santos further argued that the filing of the complaints was an afterthought to take attention away from Belo Medical Group's criminal liability when it refused Santos' demand to inspect the records of the corporation. For years, neither Belo Medica1 Group nor Belo questioned Santos' standing in the corporation. No change in ownership from Santos to another person was reflected in the company's General Information Sheet.[41]

Santos also invoked the doctrine of piercing the corporate veil as Belo owned 90% of Belo Medical Group. Her claim over the 25 shares was a ploy to defeat Santos' right to inspect corporate records. He asserts that the Complaint for interpleader was an anticipatory move by the company to evade criminal liability upon its denial of Santos' requests.[42]

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[37] *Id*. at 150-158.

[38] *Id*. at 165-189.

[39] *Id*. at 174.

[40] *Id*. at 179.

[41] *Id*. at 180-181.

[42] *Id*. at 182-183.

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In addition, Santos argued that a prerequisite to filing these cases is that the plaintiff has not yet incurred liability to any of the parties. Since Belo Medical Group had already incurred criminal liability, it could no longer file a complaint for interpleader or declaratory relief.[43]

Santos denied any conflict of interest because Belo Medical Group's products and services differed from House of Obagi's.[44] Belo Medical Group's primary purpose was the management and operation of skin clinics[45] while the House of Obagi's main purpose was the sale and distribution of high-end facial products.[46]

On October 29, 2008, Belo Medical Group filed its Opposition[47] and argued that the Motion to Dismiss was a prohibited pleading under Section 8 of the Interim Rules of Procedure Governing Intra-Corporate Controversies.

Belo Medical Group reiterated that Belo and Santos must litigate against each other to determine who rightfully owned the 25 shares. An accommodation of one of them, absent a resolution to this issue, would make Belo Medical Group liable to the other.[48]

On its supposed criminal liability when it refused Santos access to corporate records, Belo Medical Group explained that the independent liability necessary to defeat complaints for interpleader arose from a final judgment and not merely a cause of action that has accrued.[49]

Finally, Belo Medical Group averred that substantiation must be done during trial. The dismissal of the case would be premature.[50]

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[43] *Id*. at 183-184, 189.

[44] *Id*. at 185.

[45] *Id*. at 192, Articles of Incorporation of Belo Medical Group, Inc.

[46] *Id*. at 36, Articles of Incorporation of the Obago Skin Health, Inc.

[47] *Id*. at 207-221.

[48] *Id*. at 216.

[49] *Id*. at 218 citing *Wack Wack Golf & Country Club, Inc. v. Won*, 162 Phil. 233 (1976) [Per *J*. Castro, *En Banc*].

[50] *Id*. at 219.

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Belo's Opposition dated October 29, 2008 raised the same arguments of Belo Medical Group.[51]

Santos filed his Reply to the Oppositions on November 18, 2008.[52] He agreed that the controversy was not intra-corporate but civil in nature, as it involved ownership.[53] However, he stood firm on his arguments that the case should be dismissed due to the Complaints' failure to state a cause of action[54] and the trial court's failure to acquire jurisdiction over his person.[55]

On December 8, 2008, the assailed Joint Resolution[56] was issued by the trial court resolving the following incidents: Belo Medical Group's Omnibus Motion for Clarificatory Hearing and for Leave to File Consolidated Reply and Motion to Declare Santos in Default, and Santos' Motion to Dismiss. The trial court declared the case as an intra-corporate controversy but dismissed the Complaints.[57]

The trial court characterized the dispute as "intrinsically connected with the regulation of the corporation as it involves the right of inspection of corporate records."[58] Included in Santos and Belo's conflict was a shareholder's exclusive right to inspect corporate records. In addition, the issue on the ownership of shares requires the application of laws and principles regarding corporations.[59]

However, the Complaint could not flourish as Belo Medical Group "failed to sufficiently allege conflicting claims of

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[51] *Id*. at 222-254.

[52] *Id*. at 265-290.

[53] *Id*. at 266-272.

[54] *Id*. at 284-288.

[55] *Id*. at 274-284.

[56] *Id*. at 33-35.

[57] *Id*. at 35.

[58] *Id*. at 33.

[59] *Id*.

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ownership over the subject shares."[60] In justifying failure to state a cause of action, the trial court reasoned:

> Plaintiff clearly admits in the complaint that defendant Santos is the registered stockholder of the subject shares albeit no records show that he made any payments thereof. Also, notwithstanding defendant Belo's claim that she is the true owner thereof, there was no allegation that defendant Santos is no longer the holder on record of the same or that it is now defendant Belo who is the registered stockholder thereof. In fact, the complaint even alleges that defendant Santos holds the 25 BMGI shares merely as nominal qualifying shares in trust for defendant Belo. Thus, the complaint failed to state a cause of action that would warrant the resort to an action for interpleader.[61]

Though a motion to dismiss is a prohibited pleading under the Interim Rules of Procedure Governing Intra-Corporate Controversies, the trial court ruled that Section 2, Rule 1 of these rules allowed for the Rules of Court to apply suppletorily. According to the Rules of Court, motions to dismiss are allowed in interpleader cases.[62]

Finally, the Complaint for Declaratory Relief was struck down as improper because it sought an initial determination on whether Santos was in bad faith and if he should be barred from inspecting the books of the corporation. Only after resolving these issues can the trial court determine his rights under Sections 74 and 75 of the Corporation Code. The act of resolving these issues is not within the province of the special civil action as declaratory relief is limited to the construction and declaration of actual rights and does not include the determination of issues.[63]

From the Joint Resolution, Belo and Belo Medical Group pursued different remedies.

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[60] *Id*. at 34.

[61] *Id*.

[62] *Id*.

[63] *Id*. at 35 *citing Kawasaki Port Service Corp. v. Amores*, 276 Phil. 249 (1991) [Per *J*. Bidin, Third Division].

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Belo filed her Petition for Review before the Court of Appeals docketed as CA G.R. No. 08-397.[64]

Belo Medical Group, on the other hand, directly filed its Petition for Review with this Court, alleging that purely questions of law are at issue.

Belo Medical Group argues that it is enough that there are two (2) people who have adverse claims against each other and who are in positions to make effective claims for interpleader to be given due course.[65] Belo Medical Group cites *Lim v. Continental Development Corporation*,[66] which allowed a complaint for interpleader to continue because two (2) parties claimed ownership over the same shares of stock.[67]

On January 30, 2009, Belo Medical Group filed a Manifestation/Disclosure[68] informing this Court that on January 28, 2009, it received Belo's Petition for Review filed before the Court of Appeals. On February 4, 2009, this Court also received Belo's Manifestation[69] that she filed a Petition for Review before the Court of Appeals, assailing the Joint Resolution primarily because it dismissed her counterclaims. She also furnished this Court a copy of her Manifestation filed with the Court of Appeals to inform it of Belo Medical Group's Petition for Review before this Court.[70]

On April 15, 2009, Belo filed her Comment[71] and manifested that she agrees with the arguments raised by Belo Medical Group.

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[64] *Id*. at 334-388.

[65] *Id*. at 21.

[66] 161 Phil. 453 (1976) [Per *J*. Makasiar, First Division].

[67] *Rollo*, p. 20.

[68] *Id*. at 329-332.

[69] *Id*. at 390-395.

[70] *Id*. at 683-686.

[71] *Id*. at 701-706.

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On April 28, 2009, Santos filed his Comment.[72] He argues that the Petition filed by Belo Medical Group should be dismissed as the wrong mode of appeal. It should have filed an appeal under Rule 43, pursuant to the Interim Rules on Intra-Corporate Disputes.[73] He alleges that Belo Medical Group committed forum shopping. It filed the present Petition for Review after Belo had already filed an appeal under Rule 43 before the Court of Appeals. He asserts that Belo and Belo Medical Group have the same interest. Belo, owner of 90% of the shares of stock of the corporation, dictates Belo Medical Group's actions, which were ultimately for Belo's benefit and interests.[74]

Meanwhile, on July 31, 2009, the Court of Appeals dismissed Belo's Petition for Review and ruled that the pending case before this Court was the more appropriate vehicle to determine the issues.[75]

The issues for this Court's resolution are as follows:

First, whether or not Belo Medical Group, Inc. committed forum shopping;

Second, whether or not the present controversy is intra-corporate;

Third, whether or not Belo Medical Group, Inc. came to this Court using the correct mode of appeal; and

Finally, whether or not the trial court had basis in dismissing Belo Medical Group, Inc.'s Complaint for Declaratory Relief.

I

Neither Belo nor the Belo Medical Group is guilty of forum shopping.

Forum shopping exists when parties seek multiple judicial remedies simultaneously or successively, involving the same

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[72] *Id*. at 707-729.

[73] *Id*. at 707.

[74] *Id*. at 718.

[75] *Id*. at 820-831.

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causes of action, facts, circumstances, and transactions, in the hopes of obtaining a favorable decision.[76] It may be accomplished by a party defeated in one forum, in an attempt to obtain a favorable outcome in another, "other than by appeal or a special civil action for *certiorari*."[77]

Forum shopping trivializes rulings of courts, abuses their processes, cheapens the administration of justice, and clogs court dockets.[78] In *Top Rate Construction & General Services, Inc. v. Paxton Development Corporation*:[79]

> What is critical is the vexation brought upon the courts and the litigants by a party who asks different courts to rule on the same or related causes and grant the same or substantially the same reliefs and in the process creates the possibility of conflicting decisions being rendered by the different fora upon the same issues.[80]

Rule 7, Section 5 of the Rules of Court contains the rule against forum shopping:

> Section 5. *Certification against forum shopping*. — The plaintiff or principal party shall certify under oath in the complaint or other initiatory pleading asserting a claim for relief, or in a sworn certification annexed thereto and simultaneously filed therewith: (a) that he has not theretofore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of his knowledge, no such other action or claim is pending therein; (b) if there is such other per ding action or claim, a complete statement of the present status thereof; and (c) if he should thereafter learn that the same or similar action or claim has been filed or is pending, he shall report that fact within five (5) days therefrom to the court wherein his aforesaid complaint or initiatory pleading has been filed.

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[76] See *Asia United Bank v. Goodland Company*, 660 Phil. 504 (2011) [Per *J*. Del Castillo, First Division].

[77] *Yap v. Chua*, 687 Phil. 392, 399 (2012) [Per *J*. Reyes, Second Divison].

[78] *Catayas v. Court of Appeals*, 693 Phil. 451, 456 (2012) [Per *J*. Mendoza, Second Division].

[79] 457 Phil. 740 (2003) [Per *J*. Bellosillo, Second Division].

[80] *Id*. at 748.

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Failure to comply with the foregoing requirements shall not be curable by mere amendment of the complaint or other initiatory pleading but shall be cause for the dismissal of the case without prejudice; unless otherwise provided, upon motion and after hearing. The submission of a false certification or non-compliance with any of the undertakings therein shall constitute indirect contempt of court, without prejudice to the corresponding administrative and criminal actions. If the acts of the party or his counsel clearly constitute willful and deliberate forum shopping, the same shall be ground for summary dismissal with prejudice and shall constitute direct contempt, as well as a cause for administrative sanctions.

When willful and deliberate violation is clearly shown, it can be a ground for all pending cases' summary dismissal with prejudice[81] and direct contempt.[82]

Belo Medical Group filed its Petition for Review on Certiorari under Rule 45 before this Court to appeal against the Joint Resolution of the trial court. It did not file any other petition related to the case, as indicated in its verification and certification against forum shopping. It was Belo, a defendant in Belo Medical Groups Complaint, who filed a separate appeal under Rule 43 with the Court of Appeals primarily to protect her counterclaims. Belo and Belo Medical Group both filed their respective Petitions for Review on January 28, 2009, the lat day within the period allowed to do so.[83] The Court of Appeals already ruled that *litis pendencia* was present when Belo and Belo Medical Group filed their respective petitions on the same date before different fora. The two petitions involved the same parties, rights and reliefs sought, and causes of action.[84] This is a decision this Court can no longer disturb.

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[81] See *Ao-as v. Court of Appeals*, 524 Phil. 645 (2006) [Per *J*. Chico-Nazario, First Division).

[82] RULES OF COURT, Rule 7, Sec. 5; *Municipality of Taguig v. Court of Appeals*, 506 Phil. 567, 581 (2005) [Per *J*. Austria-Martinez, Second Division] citing *Biñan Steel Corporation v. Court of Appeals*, 439 Phil. 688 (2002) [Per *J*. Corona, Third Division] and Supreme Court Circular No. 28-91.

[83] *Rollo*, pp. 3 and 390.

[84] *Id*. at 826-829.

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Neither Belo Medical Group nor Belo can be faulted for willful and deliberate violation of the rule against forum shopping. Their prompt compliance of the certification against forum shopping appended to their Petitions negates willful and deliberate intent.

Belo Medical Group was not remiss in its duty to inform this Court of a similar action or proceeding related to its Petition. It promptly manifested before this Court its receipt of Belo's Petition before the Court of Appeals. Belo Medical Group and Belo manifested before this Court that Belo filed a Rule 43 petition to protect her counterclaims and to question the same Joint Resolution issued by the trial court. Both did so within five (5) days from discovery, as they undertook in their respective certificates against forum-shopping.

The issue of forum shopping has become moot. The appeal under Rule 43 filed by Belo has been dismissed by the Court of Appeals on the ground of *litis pendencia*.[85] The purpose of proscribing forum shopping is the proliferation of contradictory decisions on the same controversy.[86] This possibility no longer exists in this case.

II

Belo Medical Group filed a case for interpleader, the proceedings of which are covered by the Rules of Court. At its core, however, it is an intra--corporate controversy.

A.M. No. 01-2-04-SC, or the Interim Rules of Procedure Governing Intra-Corporate Controversies, enumerates the cases where the rules will apply:

Section 1. (a) *Cases Covered* — These Rules shall govern the procedure to be observed in civil cases involving the following:

1. Devices or schemes employed by, or any act of, the board of directors, business associates, officers or partners,

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[85] *Id.* at 821-831.

[86] *Philippine Postal Corporation v. Court of Appeals and Guzman*, 722 Phil. 860 (2013) [Per *J.* Perlas-Bernabe, Second Division].

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amounting to fraud or misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, or members of any corporation, partnership, or association;

2. Controversies arising out of intra-corporate, partnership, or association relations, between and among stockholders, members, or associates; and between, any or all of them and the corporation, partnership, or association of which they are stockholders, members, or associates, respectively;
3. Controversies in the election or appointment of directors, trustees, officers, or managers of corporations, partnerships, or associations;
4. Derivative suits; and
5. Inspection of corporate books.[87]

The same rules prohibit the filing of a motion to dismiss:

Section 8. Prohibited Pleadings. — The following pleadings are prohibited:

(1) Motion to dismiss;

(2) Motion for a bill of particulars;

(3) Motion for new trial or for reconsideration of judgment or order, or for re-opening of trial;

(4) Motion for extension of time to file pleadings, affidavits or any other paper, except those filed due to clearly compelling reasons. Such motion must be verified and under oath; and

(5) Motion for postponement and other motions of similar intent, except those filed due to clearly compelling reasons. Such motion must be verified and under oath.

To determine whether an intra-corporate dispute exists and whether this case requires the application of these rules of procedure, this Court evaluated the relationship of the parties. The types of intra-corporate relationships were reviewed in *Union Glass & Container Corporation v. Securities and Exchange Commission*:[88]

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[87] *Id*.

[88] 211 Phil. 222 (1983) [Per *J*. Escolin, *En Banc*].

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[a] between the corporation, partnership or association and the public; [b] between the corporation, partnership or association and its stockholders, partners, members, or officers; [c] between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; and [d] among the stockholders, partners or associates themselves.[89]

For as long as any of these intra-corporate relationships exist between the parties, the controversy would be characterized as intra-corporate.[90] This is known as the "relationship test."

DMRC Enterprises v. Este del Sol Mountain Reserve, Inc.[91] employed what would later be called as the "nature of controversy test." It became another means to determine if the dispute should be considered as intra-corporate.

In *DMRC Enterprises*, Este del Sol leased equipment from DMRC Enterprises. Part of Este del Sol's payment was shares of stock in the company. When Este del Sol defaulted, DMRC Enterprises filed a collection case before the Regional Trial Court. Este del Sol argued that it should have been filed before the Securities and Exchange Commission as it involved an intra-corporate dispute where a corporation was being compelled to issue its shares of stock to subscribers. This Court held that it was not just the relationship of the parties that mattered but also the conflict between them:

The purpose and the wording of the law escapes the respondent. Nowhere in said decree do we find even so much as an intimidation that absolute jurisdiction and control is vested in the Securities and Exchange Commission in all matters affecting corporations. To uphold the respondent's argument would remove without legal imprimatur from the regular courts all conflicts over matters involving or affecting corporations, regardless of the nature of the transactions which give rise to such disputes. The courts would then be divested of jurisdiction not by reason of the nature of the dispute submitted to them for

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[89] *Id*. at 231.

[90] See *Philex Mining Corporation v. Hon. Reyes*, 204 Phil. 241 (1982) [Per *J*. Melencio-Herrera, First Division].

[91] 217 Phil. 280 (1984) [Per *J*. Gutierrez, Jr., First Division].

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adjudication, but solely for the reason that the dispute involves a corporation. This cannot be done. To do so would not only be to encroach on the legislative prerogative to grant and revoke jurisdiction of the courts but such a sweeping interpretation may suffer constitutional infirmity. Neither can we reduce jurisdiction of the courts by judicial fiat (Article X, Section 1, The Constitution).[92]

This Court now uses both the relationship test and the nature of the controversy test to determine if an intra-corporate controversy is present.[93]

Applying the relationship test, this Court notes that both Belo and Santos are named shareholders in Belo Medical Group's Articles of Incorporation[94] and General Information Sheet for 2007.[95] The conflict is clearly intra-corporate as it involves two (2) shareholders although the ownership of stocks of one stockholder is questioned. Unless Santos is adjudged as a stranger to the corporation because he holds his shares only in trust for Belo, then both he and Belo, based on official records, are stockholders of the corporation. Belo Medical Group argues that the case should not have been characterized as intra-corporate because it is not between two shareholders as only Santos or Belo can be the rightful stockholder of the 25 shares of stock. This may be true. But this finding can only be made after trial where ownership of the shares of stock is decided.

The trial court cannot classify the case based on potentialities. The two defendants in that case are both stockholders on record. They continue to be stockholders until a decision is rendered on the true ownership of the 25 shares of stock in Santos' name. If Santos' subscription is declared fictitious and he still insists

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[92] *Id*. at 287.

[93] See *Aguirres II v. FQB+7, Inc.*, 701 Phil. 216 (2013) [Per *J*. Del Castillo, Second Division]; *Reyes v. Hon. Regional Trial Court of Makati, etc., et al.*, 583 Phil. 591 (2008) [Per *J*. Brion, Second Division]; *Speed Distributing Corp. et al. v. Court of Appeals and Rufina Lim*, 469 Phil. 739 (2004) [Per *J*. Callejo, Sr., Second Division].

[94] *Rollo*, pp. 190-199.

[95] *Id*. at 200-206.

on inspecting corporate books and exercising rights incidental to being a stockholder, then, and only then, shall the case cease to be intra-corporate.

Applying the nature of the controversy test, this is still an intra-corporate dispute. The Complaint for interpleader seeks a determination of the true owner of the shares of stock registered in Santos' name. Ultimately, however, the goal is to stop Santos from inspecting corporate books. This goal is so apparent that, even if Santos is declared the true owner of the shares of stock upon completion of the interpleader case, Belo Medical Group still seeks his disqualification from inspecting the corporate books based on bad faith. Therefore, the controversy shifts from a mere question of ownership over movable property to the exercise of a registered stockholder's proprietary right to inspect corporate books.

Belo Medical Group argues that to include inspection of corporate books to the controversy is premature considering that there is still no determination as to who, between Belo and Santos, is the rightful owner of the 25 shares of stock. Its actions belie its arguments. Belo Medical Group wants the trial court not to prematurely characterize the dispute as intra-corporate when, in the same breath, it prospectively seeks Santos' perpetual disqualification from inspecting its books. This case was never about putting into light the ownership of the shares of stock in Santos' name. If that was a concern at all, it was merely secondary. The primary aim of Belo and Belo Medical Group was to defeat his right to inspect the corporate books, as can be seen by the filing of a Supplemental Complaint for declaratory relief.

The circumstances of the case and the aims of the parties must not be taken in isolation from one another. The totality of the controversy must be taken into account to improve upon the existing tests. This Court notes that Belo Medical Group used its Complaint for interpleader as a subterfuge in order to stop Santos, a registered stockholder, from exercising his right to inspect corporate books.

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Belo made no claims to Santos' shares before he attempted to inspect corporate books, and inquired about the Henares' election as corporate secretary and the conduct of stockholders' meetings. Even as she claimed Santos' shares as hers, Belo proffered no initial proof that she had paid for these shares. She failed to produce any document except her bare allegation that she had done so. Even her Answer *Ad Cautelam* with Cross-Claim[96] contained bare allegations of ownership.

According to its Complaint, although Belo Medical Group's records reflect Santos as the registered stockholder of the 25 shares, they did not show that Santos had made payments to Belo Medical Group for these shares, "consistent with Belo's claim of ownership over them."[97] The absence of any document to establish that Santos had paid for his shares does not bolster Belo's claim of ownership of the same shares. Santos remains a stockholder on record until the contrary is shown.

Belo Medical Group cites *Lim v. Continental Development Corporation*[98] as its basis for filing its Complaint for interpleader. In *Lim*, Benito Gervasio Tan (Tan) appeared as a stockholder of Continental Development Corporation. He repeatedly requested the corporation to issue certificates of shares of stock in his name but Continental Development Corporation could not do this due to the claims of Zoila Co Lim (Lim). Lim alleged that her mother, So Bi, was the actual owner of the shares that were already registered in the corporate books as Lim's, and she delivered these in trust to Lim before she died. Lim wanted to have the certificates of shares cancelled and new ones re-issued in his name. This Court ruled that Continental Development Corporation was correct in filing a case for interpleader:

> Since there is an active conflict of interests between the two defendants, now herein respondent Benito Gervasio Tan and petitioner

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[96] *Id*. at 114-122.

[97] *Id*. at 56.

[98] 161 Phil. 453 (1976) [Per *J*. Makasiar, First Division].

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Zoila Co Lim, over the disputed shares of stock, the trial court gravely abused its discretion in dismissing the complaint for interpleader, which practically decided ownership of the shares of stock in favor of defendant Benito Gervasio Tan. The two defendants, now respondents in G.R. No. L-41831, should be given full opportunity to litigate their respective claims.

Rule 63, Section 1 of the New Rules of Court tells us when a cause of action exists to support a complaint in interpleader:

> Whenever conflicting claims upon the same subject matter are or may be made against a person, who claims no interest whatever in the subject matter, or an interest which in whole or in part is not disputed by the claimants, he may bring an action against the conflicting claimants to compel them to interplead and litigate their several claims among themselves . . .

This provision only requires as an indispensable requisite:

> that conflicting claims upon the same subject matter are or may be made against the plaintiff-in-interpleader who claims no interest whatever in the subject matter or an interest which in whole or in part is not disputed by the claimants (Beltran vs. People's Homesite and Housing Corporation, No. L-25138, 29 SCRA 145).

This ruling, penned by Mr. Justice Teehankee, reiterated the principle in Alvarez vs. Commonwealth (65 Phil. 302), that

> The action of interpleader, under Section 120, is a remedy whereby a person who has personal property in his possession. or an obligation to render wholly or partially, without claiming any right in both comes to court and asks that the persons who claim the said personal property or who consider themselves entitled to demand compliance with the obligation, be required to litigate among themselves, in order to determine finally who is entitled to one or the other thing. The remedy is afforded not to protect a person against a double liability but to protect him against a double vexation in respect of one liability.

An interpleader merely demands as a sine qua non element

> . . . that there be two or more claimants to the fund or thing in dispute through separate and different interests. The claims must be adverse before relief can be granted and the parties sought to be interpleaded must be in a position to make effective claims (33 C.J. 430).

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Additionally, the fund thing, or duty over which the parties assert adverse claims must be one and the same and derived from the same source (33 C.J., 328; Martin, Rules of Court, 1969 ed., Vol. 3, 133-134; Moran, Rules of Court, 1970 ed., Vol. 3, 134-136).

Indeed, petitioner corporation is placed in the same situation as a lessee who does not know the person to whom he will pay the rentals due to the conflicting claims over t[h]e property leased, or a sheriff who finds himself puzzled by conflicting claims to a property seized by him. In these examples, the lessee (Pangkalinawan vs. Rodas, 80 Phil. 28) and the sheriff (Sy-Quia vs. Sheriff, 46 Phil. 400) were each allowed to file a complaint in interpleader to determine the respective rights of the claimants.[99]

In *Lim*, the corporation was presented certificates of shares of stock in So Bi's name. This proof was sufficient for Continental Development Corporation to reasonably conclude that controversy on ownership of the shares of stock existed.

Furthermore, the controversy in *Lim* was between a registered stockholder in the books of the corporation and a stranger who claimed to be the rightful transferee of the shares of stock of her mother. The relationship of the parties and the circumstances of the case establish the civil nature of the controversy, which was plainly, ownership of shares of stock. Interpleader was not filed to evade or defeat a registered stockholder's right to inspect corporate books. It was borne by the sincere desire of a corporation, not interested in the certificates of stock to be issued to either claimant, to eliminate its liability should it favor one over the other.

On the other hand, based on the facts of this case and applying the relationship and nature of the controversy tests, it was understandable how the trial court could classify the interpleader case as intra-corporate and dismiss it. There was no ostensible debate on the ownership of the shares that called for an interpleader case. The issues and remedies sought have been muddled when, ultimately, at the front and center of the controversy is a registered stockholder's right to inspect corporate books.

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[99] *Id.* at 460-462.

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As an intra-corporate dispute, Santos should not have been allowed to file a Motion to Dismiss.[100] The trial court should have continued on with the case as an intra-corporate dispute considering that it called for the judgments on the relationship between a corporation and its two warring stockholders and the relationship of these two stockholders with each other.

III

Rule 45 is the wrong mode of appeal.

A.M. No. 04-9-07-SC promulgated by this Court En Banc on September 14, 2004 laid down the rules on modes of appeal in cases formerly cognizable by the Securities and Exchange Commission:

> 1. All decisions and final orders in cases falling under the Interim Rules of Corporate Rehabilitation and the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 shall be appealable to the Court of Appeals through a petition for review under Rule 43 of the Rules of Court.
>
> 2. The petition for review shall be taken within fifteen (15) days from notice of the decision or final order of the Regional Trial Court. Upon proper motion and the payment of the full amount of the legal fee prescribed in Rule 141 as amended before the expiration of the reglementary period, the Court of Appeals may grant an additional period of fifteen (15) days within which to file the petition for review. No further extension shall be granted except for the most compelling reasons and in no case to exceed fifteen (15) days.

On the other hand, Rule 43 of the Rules of Court allows for appeals to the Court of Appeals to raise questions of fact, of law, or a mix of both. Hence, a party assailing a decision or a final order of the trial court acting as a special commercial court, purely on questions of law, must raise these issues before the Court of Appeals through a petition for review.[101] A.M. No. 04-9-07-SC mandates it. Rule 43 allows it.

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[100] See *Aldersgate College, Inc. v. Gauuan, et al.*, 698 Phil. 821 (2012) [Per *J.* Perlas-Bernabe, Second Division].

[101] *San Jose v. Ozamis*, G.R. No. 190590, July 12, 2017, <http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2017/july2017/I90590.pdf> 7 [Per *J.* Carpio, Second Division].

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Belo Medical Group argues that since it raises only questions of law, the proper mode of appeal is Rule 45 filed directly to this Court. This is correct assuming there were no rules specific to intra-corporate disputes. Considering that the controversy was still classified as intra-corporate upon filing of appeal, special rules, over general ones, must apply.

Based on the policy of judicial economy and for practical considerations,[102] this Court will not dismiss the case despite the wrong mode of appeal utilized. For one, it would be taxing in time and resources not just for Belo Medical Group but also for Santos and Belo to dismiss this case and have them refile their petitions for review before the Court of Appeals. There would be no benefit to any of the parties to dismiss the case especially since the issues can already be resolved based on the records before this Court. Also, the Court of Appeals already referred the matter to this Court when it dismissed Belo's Petition for Review. Remanding this case to the Court of Appeals would not only be unprecedented, it would further delay its resolution.

IV

At the outset, this Court notes that two cases were filed by Belo Medical Group: the Complaint for interpleader and the Supplemental Complaint for Declaratory Relief. Under Rule 2, Section 5 of the Rules of Court, a joinder of cause of action is allowed, provided that it follows the conditions enumerated below:

> Section 5. Joinder of Causes of Action.— A party may in one pleading assert, in the alternative or otherwise, as many causes of action as he may have against an opposing party, subject to the following conditions:
>
> (a) The party joining the causes of action shall comply with the rules on joinder of parties;
>
> **(b) The joinder shall not include special civil actions or actions governed by special rules;**

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[102] *Cathay Metal Corp. v. Laguna West Multi Purpose Cooperative, Inc.*, 738 Phil. 37, 63 (2014) [Per *J.* Leonen, Third Division].

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(c) Where the causes of action are between the same parties but pertain to different venues or jurisdictions, the joinder may be allowed in the Regional Trial Court provided one of the causes of action falls within the jurisdiction of said court and the venue lies therein; and

(d) Where the claims in all the causes of action are principally for recovery of money, the aggregate amount claimed shall be the test of jurisdiction. (Emphasis supplied)

Assuming this case continues on as an interpleader, it cannot be joined with the Supplemental Complaint for declaratory relief as both are special civil actions. However, as the case was classified and will continue as an intra-corporate dispute, the simultaneous complaint for declaratory relief becomes superfluous. The right of Santos to inspect the books of Belo Medical Group and the appreciation for his motives to do so will necessarily be determined by the trial court together with determining the ownership of the shares of stock under Santos' name.

The trial court may make a declaration first on who owns the shares of stock and suspend its ruling on whether Santos should be allowed to inspect corporate records. Or, it may rule on whether Santos has the right to inspect corporate books in the meantime while there has yet to be a resolution on the ownership of shares. Remedies are available to Belo Medical Group and Belo at any stage of the proceeding, should they carry on in prohibiting Santos from inspecting the corporate books.

WHEREFORE, the Petition for Review of Belo Medical Group, Inc. is **PARTIALLY GRANTED**. The December 8, 2008 Joint Resolution of Branch 149, Regional Trial Court, Makati City in Civil Case No. 08-397 is **REVERSED** regarding its dismissal of the intra-corporate case. Let this case be **REMANDED** to the commercial court of origin for further proceedings.

SO ORDERED.

Velasco, Jr. (*Chairperson*), *Bersamin, Martires*, and *Gesmundo, JJ.*, concur.