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should not be discriminated against. Hence, any share tenant in sugarlands may, in accordance with law, exercise his option to change his relationship with the landowner into the leasehold system. However, all sugarland tenants who do not avail of said option may still be subject to existing lawful arrangements with the landowner in the absence of the presidential proclamation adverted to in Section 4." (*Wilfredo David v. C.A., supra*)

**PREMISES CONSIDERED**, the decision of the Court of Appeals promulgated on June 26, 1981 is hereby AFFIRMED.

**SO ORDERED.**

*Yap, C. J., Fernan, Narvasa, Melencio-Herrera, Cruz, Feliciano, Gancayco, Padilla, Bidin, Sarmiento, Cortes,* and *Medialdea, JJ.,* concur.

*Gutierrez, Jr., J.,* on leave.

*Griño-Aquino, J.,* No part. She was a signatory of the decision under review.

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**EN BANC**

[G.R. No. 61377. June 30, 1988]

**DANIEL R. AGUINALDO, DOMINADOR R. AYTONA, and ROMEO H. BORSOTO,** *petitioners, vs.* **THE SECURITIES AND EXCHANGE COMMISSION, JOSE G. RICAFORT, CONRADO T. CALALANG, BENJAMIN V. ARITAO, SALVADOR O. RIVERA, EDGARDO DE CASTRO, ARMANDO Q. ONGSIOKO and NATIONWIDE DEVELOPMENT CORPORATION,** *respondents.*

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## SYLLABUS

1. **REMEDIAL LAW; PROVISIONAL REMEDIES; PRELIMINARY INJUNCTION; TEMPORARY RESTRAINING ORDER; HAS A LIFE SPAN OF ONLY TWENTY DAYS IF ISSUED BY A TRIAL COURT.**— Since, as we have ruled in *Philippine Pacific Fishing Co., Inc. v. Luna*, (112 SCRA 604, 613), the SEC is at least a co-equal body of the Regional Trial Court when it adjudicates controversies over which it has jurisdiction, it follows that the temporary restraining order issued by SEC must have the same life-span as that issued by the trial court. It is a well-settled rule that a temporary restraining order issued by a trial court has a life of only twenty (20) days.

2. **ID.; SPCIAL CIVIL ACTIONS; *CERTIORARI*; GRAVE ABUSE OF DISCRETION; COMMITTED IN CASE AT BAR.**— To the extent, therefore, that the enforcement of the temporary restraining order issued by the respondent SEC exceeded twenty (20) days, this Court rules that the said respondent committed grave abuse of discretion. However, although the questioned order no longer has any force and effect, the respondent SEC still has the jurisdiction and obligation to proceed with the hearing of the case on the merits and to issue the appropriate orders pursuant thereto subject to review by the Court of Appeals and eventually this Court.

## APPEARANCES OF COUNSEL

*De Santos, Balgos & Perez Law Office & Dominador R. Aytona* for petitioners.

*Sycip, Salazar, Hernandez & Gatmaitan* for private respondents.

## DECISION

**GUTIERREZ, JR., *J.*:**

Essentially, the only relief prayed for in this petition for *certiorari* is the lifting of the temporary restraining order which was issued by the respondent Securities and Exchange Commission (SEC). The petitioners ask for a rectification of "the manifestly

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oppressive inaction of the respondent Securities and Exchange Commission, which inaction has worked to the undue advantage of private respondents and irreparable damage of the petitioners."

The facts as summarized by the public respondent are as follows:

"Private respondents claim that NADECOR has a total outstanding capital stock of 30,000 shares. Out of these 30,000 shares, 7,000 shares, representing 23% of the outstanding capital stock, are owned by a U.S. Corporation, the Sawyer Adecor International, Inc. (SAICOR), 42% of which is owned by NADECOR which in turn is owned and controlled by private respondents to the extent of at least 93% of the voting stock. Thus, private respondents claim that, together with SAICOR, they constitute an absolute majority of NADECOR (see Annex 'A', *id.*).

"Petitioners Dominador Aytona and Daniel Aguinaldo, together with private respondents Conrado T. Calalang and Jose G. Ricafort, and five others were elected as directors of the NADECOR by the stockholders at a meeting held on August 18, 1980, and during the organization meeting held on the same day, petitioners Aytona and Aguinaldo, and one R.H. Borsoto were elected Chairman of the Board, President, and Corporate Secretary, respectively, of the NADECOR (see Annex 'A', *id.*).

Private respondents claim that petitioners did not comply with their fiduciary duties of loyalty, diligence and care to NADECOR and, worse, committed fraudulent machinations to exclude private respondents from their rightful participation in the management of the NADECOR, which culminated in the unlawful and malicious refusal to perform their ministerial duty to issue notices of the annual stockholders' meeting for the year 1981 in breach of the law as set forth in the Corporation Code and the Amended By-Laws of the NADECOR (see Annex 'A', *id.*).

"Section 1, Article 1 of the Amended By-Laws of the NADECOR directs the calling of annual stockholders' meetings every 3rd Monday of August, to be held in its office in Manila at 12:30 PM, which, in the year 1981, fell on August 17, 1981. Pursuant thereto, private respondents and Miss Carol Garvice, President of the SAICOR who, private respondents claim, was duly authorized to represent SAICOR, went to the principal office of NADECOR for the purpose of electing

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the directors and transacting the general business of the corporation (see Annex 'A', *id.*).

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Petitioners claim that the Superior Court of the State of California, U.S.A., issued on August 14, 1981 in Case No. C-37828, entitled '*Thurston H. Rose, Jr. DDS, plaintiff, versus Sawyer-Adecor International, Inc., et al.,*' a temporary restraining order against private respondents Calalang and Ricafort and their agents 'from exercising or attempting to exercise the purported proxy granted to them to vote the shares of Sawyer-Adecor International, Inc. in the Nationwide Development Corporation,' among others, and that petitioner Aytona sent the respondent SEC a copy of said restraining order on August 17, 1981 (see pp. 12-13, Annex 'C', *id.*).

"Private respondents maintain that the majority stockholders present during the meeting on August 17, 1981, constituting a quorum, voted against postponement of the meeting as requested by petitioner Aytona. They contend further that the restraining order issued by a foreign court could not be enforced outside its territorial jurisdiction. Petitioner Aytona then refused to recognize SAICOR even after the arrival of its president, Miss Carol Garvice, at the said meeting, whose appointment and authority as president of the SAICOR was known to the petitioners as early as May 1981. Because private respondents and the stockholders present indicated that they would proceed with the meeting, petitioners Aytona and Borsoto walked out of the meeting (see Annex 'A', *id.*).

"Pursuant to Section 5, Article 1 of the Amended By-Laws, those present at the stockholders' meeting on August 17, 1981, constituting a quorum, formally convened and elected private respondent Benjamin A. Aritao as acting chairman, and appointed Atty. Eusebio V. Tan as acting secretary, for the continuation of the said stockholders' meeting. In the course of the meeting, the majority stockholders of NADECOR proceeded with the election of directors, and the following were declared duly elected directors for the current year 1981 and until their successors shall have been duly elected and qualified, namely: private respondents Jose G. Ricafort, Conrado T. Calalang, Benjamin V. Aritao, Salvador O. Rivera, Edgardo de Castro, Raul S. Roco and Armando O. Ongsioco. Immediately after the stockholders' meeting, the newly-elected Board of Directors held an organization meeting at which the following were elected as corporate officers, namely: Conrado T. Calalang, chairman and president; Salvador O.

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Rivera, treasurer; and Benjamin V. Aritao, corporate secretary. Thereafter, private respondents submitted to the respondent SEC the secretary's certificate attesting to the election of the above-named directors and officers of the NADECOR (see Annex 'A', *id.*).

"Despite the election of the above-named new set of directors and the appointment of new corporate officers, private respondents claim that petitioners continued to exclude the former from the valid exercise of their rights by refusing to honor and respect the said election, and fraudulently continue to represent themselves as officers of the NADECOR and illegally usurp the functions of the officers of the NADECOR which now rightfully pertain to herein private respondents and the other new corporate officers (see Annex 'A', *id.*).

"Thus, under date of September 24, 1981, private respondents filed a petition for *mandamus* with prayer for preliminary injunction and/or restraining order against herein petitioners with the respondent SEC, docketed as SEC Case No. 2143, praying that petitioners herein be directed to respect and recognize the results of the annual stockholders' meeting and organizational meeting of the newly-elected Board of Directors; to recognize the individual private respondents as the lawful and duly elected directors and officers of the corporation; to remove all barriers or impediments to the individual private respondents' free and untrammelled use, enjoyment and exercise of their respective offices; and to order the surrender and transfer of the corporate books and records of NADECOR to private respondent Aritao (see Annex 'A', *id.*).

"Acting on the prayer for restraining order of the aforesaid petition of private respondents in SEC Case No. 2143, and after considering the allegations thereof in relation to the evidence on record, SEC Director and Hearing Officer Sixto V. Villanueva issued on September 28, 1981 a restraining order against herein petitioners or their agents 'from acting and representing themselves as officers of NADECOR until further orders of this Commission,' ruling that the issuance of the temporary injunctive relief will 'prevent the commission of the acts complained of which may cause grave and irreparable damage to petitioners (herein private respondents) and may render any judgment on this case nugatory and ineffective before the matter can be heard on notice.' In the same Order, the SEC Hearing Officer set the hearing on the petition for the issuance of the writ of preliminary injunction on October 7, 1981 at 10:00 AM (see Annex 'B', *id.*).

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"Thereafter, in support of their application for the issuance of a writ of preliminary injunction in SEC Case No. 2143, herein private respondents (as petitioners therein) presented their testimonial and documentary evidence during the hearings thereof conducted by the SEC Hearing Officer on October 7, 9, 10, 16 and 26, and November 13, and December 3, 1981. Also, on the last day, December 3, 1981, private respondents submitted their formal offer of evidence which was admitted in due course, and thereafter rested their case on the incident of the preliminary injunction (see Private Respondents' Answer).

In the meantime, petitioners (as respondents therein) filed their answer in SEC Case No. 2143 on October 7, 1981, only to amend it on January 22, 1982; and, on the latter date, they also filed their Opposition to the Application for Preliminary Injunction (see Annexes 'C', 'D', also 'A', Petition).

"During the hearings on the incident of the preliminary injunction, while private respondents herein were presented their evidence, petitioners persisted in filing several motions all praying for the lifting of the restraining order issued by SEC Hearing Officer Villanueva on September 28, 1981 (see Annex 'A', *id.*).

"When their turn came to present evidence in support of their opposition to private respondents' petition for the issuance of a writ of preliminary injunction, petitioners instead requested for the issuance of a subpoena against herein private respondents Calalang and Ricafort as hostile witnesses. The subpoena was subsequently quashed, upon motion of herein private respondents, but the parties agreed to submit a stipulation of facts and/or request for admission as to the purpose for which private respondents Calalang and Ricafort were to be presented as hostile witnesses, in order to abbreviate and expedite the auxiliary proceedings on the injunction. Inspite of their agreements in open court, petitioners herein never submitted their proposed stipulation of facts, or their request for admission. Instead, petitioners renewed their attempts to have private respondents Calalang and Ricafort testify in violation of their aforesaid agreement (see Private Respondents' Answer).

"Without awaiting for the resolution of the SEC Hearing Officer on the incident of the preliminary injunction, as in fact, no such resolution could be had as the parties have not as yet finished presenting their evidence thereto, petitioners prematurely rushed to the respondent SEC *en banc* on November 18, 1981 by way of a petition for *certiorari*, *mandamus* and injunction, although mainly

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praying that the restraining order issued by SEC Hearing Officer Villanueva in SEC Case No. 2143 be lifted (see Annex 'F, *id.*).

"On December 9, 1981, SEC Hearing Officer Villanueva issued the Resolution, denying all petitioners' motions filed in SEC Case No. 2143 for the lifting of the restraining order, ruling that "the legal and factual questions now under litigation' require a 'definitive ruling thereon (which is best obtained after a full-blown trial on the merits of the application' (see Annex 'F', *id.*).

"After their receipt of the resolution issued by SEC Hearing Officer Villanueva, petitioners filed on December 29, 1981 with the respondent SEC *en banc* their Supplemental Petition, praying that a writ of preliminary injunction to restrain SEC Hearing Officer Villanueva from enforcing the restraining order he had issued on September 28, 1981 in SEC Case No. 2143 (see Annex 'C', *id.*).

"In addition to the foregoing, petitioners filed on April 23, 1982 with respondent SEC *en banc* a pleading, praying for authority to allow them to exercise their functions and duties of their former positions, by paying the alleged salaries and allowances in arrears of the employees of the said corporation (see Annex 'H', *id.*).

"But before public respondent SEC *en banc* could act on the petitioners' main petition for *certiorari, mandamus* and injunction with its Supplemental Petition (see Annexes 'E' and 'G', *id.*), as well as their Motion for authority to pay the salaries and allowances of the employees (see Annex 'H', *id.*), petitioners again prematurely filed the instant petition with this Honorable Court on August 13, 1982." (*Rollo*, pp. 349-358).

The issues raised in this petition principally hinge on the propriety of the issuance of the temporary restraining order by the SEC. The petitioners contend that—(1) Considering the improvident issuance and unnecessary and oppressive continuance of the restraining order, the respondent Commission gravely abused its discretion and failed to do an act or duty resulting from its office when it failed to lift the restraining order and to act with deliberate dispatch on petitioners' basic and supplemental petitions pending before it; and (2) Private respondents, aided and abetted by the inaction of respondent Commission, are acting contrary to law and in derogation of petitioners' rights as stockholders and officers of Nadecor"; the "private respondents have miserably

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failed to establish any right or title to the corporate offices of Nadecor" and "hence, they are not entitled to the ancillary reliefs of preliminary injunction and restraining order."

The petitioners do not question the jurisdiction of the SEC over the case between them and the private respondents. What they challenge is the continuance of the temporary restraining order issued by the respondent SEC and the apparent delay of the latter's *en banc* division in resolving their main and supplemental petitions which also pray for the lifting of the questioned restraining order.

In the case of *Abejo v. De la Cruz* (149 SCRA 654, 663), we ruled that: "Section 6 (P.D. No. 902-A) further grants the SEC 'in order to effectively exercise such jurisdiction,' the power, *inter alia*, 'to issue preliminary or permanent injunctions, whether prohibitory or mandatory, in all cases in which it has jurisdiction, and in which cases the pertinent provisions of the Rules of Court shall apply."

Since, as we have ruled in *Philippine Pacific Fishing Co., Inc. v. Luna*, (112 SCRA 604, 613), the SEC is at least a co-equal body of the Regional Trial Court when it adjudicates controversies over which it has jurisdiction, it follows that the temporary restraining order issued by SEC must have the same life-span as that issued by the trial court. It is a well-settled rule that a temporary restraining order issued by a trial court has a life of only twenty (20) days. In *Golden Gate Realty Corporation v. Intermediate Appellate Court, et al.* (152 SCRA 684, 689-690) we said:

"In the recent case of *Ortigas & Company, Limited Partnership v. Hon. Vivencio M. Ruiz, et al.* (G.R. No. L-33952, March 9, 1987) we ruled that a temporary restraining order has a limited life of twenty (20) days:

"Finally, under Section 5, Batas Pambansa Blg. 224, a judge may issue a temporary restraining order with a limited life of twenty (20) days from date of issue. If before the expiration of the 20-day period the application for preliminary injunction is denied, the temporary restraining order would thereby be deemed automatically vacated. If no action is taken by the judge on the application for preliminary injunction within the said 20 days, the temporary

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restraining order would automatically expire on the 20th day by the sheer force of law, no judicial declaration to that effect being necessary. A temporary restraining order can no longer exist indefinitely for it has become truly temporary (*Board of Transportation v. Castro*, 125 SCRA 417 (1983) citing *Dionisio, et al. v. Court of First Instance of South Cotabato*, Branch II, G.R. No. 61048 promulgated on August 17, 1983) x x x.'"

To the extent, therefore, that the enforcement of the temporary restraining order issued by the respondent SEC exceeded twenty (20) days, this Court rules that the said respondent committed grave abuse of discretion. However, although the questioned order no longer has any force and effect, the respondent SEC still has the jurisdiction and obligation to proceed with the hearing of the case on the merits and to issue the appropriate orders pursuant thereto subject to review by the Court of Appeals and eventually this Court.

As of the filing of the petition and the memoranda by both parties, the petitioners have not yet finished the presentation of their evidence. The issues raised such as validity of proxy votes, usurpation of corporate powers, claims of majority status, and regularity in issuance of requisite notices call for the presentation and evaluation of evidence. It is, therefore, premature at this time for this Court to pass upon the rights of the petitioners and the private respondents over NADECOR, the determination of the same being primarily lodged with the public respondent.

**WHEREFORE**, the petition is DISMISSED. The case is REMANDED to the respondent Securities and Exchange Commission which is ordered to continue with the hearing of the case and to determine the respective rights of the parties over the corporation in dispute.

**SO ORDERED.**

*Yap, C. J., Fernan, Narvasa, Melencio-Herrera, Cruz, Paras, Gancayco, Padilla, Bidin, Sarmiento, Cortes,* and *Griño-Aquino, JJ.*, concur.

*Feliciano, J.*, did not participate in the deliberations on this case.