Supreme Court E-Library

determination of his cause, free from the constraints of technicalities. This is in line with the time-honored principle that cases should be decided only after giving all the parties the chance to argue their causes and defenses. For, it is far better to dispose of a case on the merits which is a primordial end rather than on a technicality, if it be the case that may result in injustice.[29] (Underscoring ours)

IN VIEW OF THE FOREGOING, the instant petition is **GRANTED**. The Resolutions dated February 24, 2014 and June 3, 2014 of the Court of Appeals in CA-G.R. SP No. 133922 are hereby **REVERSED** and **SET ASIDE**. The Court of Appeals is ordered to **REINSTATE** and **ADMIT** the petition for *certiorari* filed by petitioner Fluor Daniel, Inc. - Philippines in CA-G.R. SP No. 133922 and to proceed with the case with dispatch.

SO ORDERED.

Perlas-Bernabe, S.A.J. (*Chairperson*), *Hernando, Inting*, and *Zalameda, JJ.*, concur.

SPECIAL THIRD DIVISION

[G.R. No. 215280. November 27, 2019]

FRANCISCO C. EIZMENDI, JR., JOSE S. TAYAG, JR., JOAQUIN L. SAN AGUSTIN, EDUARDO V. FRANCISCO, EDMIDIO V. RAMOS, JR., ALBERT G. BLANCAFLOR, REY NATHANIEL C. IFURUNG, MANUEL H. ACOSTA, JR., and VALLE VERDE COUNTRY CLUB, INC., *petitioners, vs.* **TEODORICO P. FERNANDEZ,** *respondent.*

---

[29] *Id*. at 361.

Supreme Court E-Library

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; JUDGMENTS; DECISION AND MINUTE RESOLUTION, DISTINGUISHED; A MINUTE RESOLUTION CONSTITUTES *RES JUDICATA* ONLY INSOFAR AS IT INVOLVES THE SAME SUBJECT MATTER AND THE SAME ISSUES CONCERNING THE SAME PARTIES; HOWEVER, IF OTHER PARTIES AND ANOTHER SUBJECT MATTER – EVEN IF THERE ARE THE SAME PARTIES AND ISSUES – ARE INVOLVED, THE MINUTE RESOLUTION IS NOT A BINDING PRECEDENT.— The mere fact that *Valle Verde* is an unsigned resolution does not prevent it from having a binding precedent in this case. Fernandez is confused with the concept of an unsigned resolution or minute resolution that has no binding precedent. In *Phil. Health Care Providers, Inc. v. Commissioner of Internal Revenue*, the Court clarified why a minute resolution has no binding precedent, thus: x x x. x x x. Besides, there are substantial, not simply formal, distinctions between a minute resolution and a decision. The constitutional requirement under the first paragraph of Section 14, Article VIII of the Constitution that the facts and the law on which the judgment is based must be expressed clearly and distinctly applies only to decisions, not to minute resolutions. A minute resolution is signed only by the clerk of court by authority of the justices, unlike a decision. It does not require the certification of the Chief Justice. Moreover, unlike decisions, minute resolutions are not published in the Philippine Reports. Finally, the proviso of Section 4(3) of Article VIII speaks of a decision. Indeed, as a rule, this Court lays down doctrines or principles of law which constitute binding precedent in a decision duly signed by the members of the Court and certified by the Chief Justice. The binding nature of a minute resolution and its ability to establish a lasting judicial precedent have already been settled in *Deutsche Bank AG Manila Branch v. Commissioner of Internal Revenue* where the Court explained that a minute resolution constitutes *res judicata* only insofar as it involves the "same subject matter and the same issues concerning the same parties[.]" However, if other parties and another subject matter (even if there are the same parties and issues) are involved, the minute resolution is not a binding precedent.

Supreme Court E-Library

2. ID.; ID.; ID.; AN UNSIGNED RESOLUTION CREATES A BINDING PRECEDENT WHERE THE SAME STATED CLEARLY AND DISTINCTLY THE FACTS AND THE LAW ON WHICH IT IS BASED, AND IS NOT JUST A MERE DISMISSAL OF A PETITION FOR FAILURE TO COMPLY WITH FORMAL AND SUBSTANTIVE REQUIREMENTS.— Even if *Valle Verde* is an unsigned resolution, it still creates a binding precedent to the extent that the Court pointed out in the assailed Decision, *i.e.*, if the allegations and prayers in the complaint raise issues of validation of proxies, and the manner and validity of elections, such as the nullification of the election was unlawfully conducted due to lack of quorum, then such complaint falls under the definition of "election contest" under the Interim Rules. This is because *Valle Verde* stated clearly and distinctly the facts and the law on which it is based, and it is not just a mere dismissal of a petition for failure to comply with formal and substantive requirements.

3. ID.; ID.; ID.; CONCEPT AND EFFECT OF AN *OBITER DICTUM,* EXPLAINED; RULING IN *VALLE VERDE* CASE (G.R. NO. 209120, OCTOBER 14, 2013) ON WHAT CONSTITUTES ELECTION CASES IS NOT AN *OBITER DICTUM*.— The ruling in *Valle Verde* on what constitutes election cases is not an *obiter dictum*. *Land Bank of the Phils. v. Suntay* explains the concept and effect of an *obiter dictum*, as follows: An *obiter dictum* has been defined as an opinion expressed by a court upon some question of law that is not necessary in the determination of the case before the court. It is a remark made, or opinion expressed, by a judge, in his decision upon a cause by the way, that is, incidentally or collaterally, and not directly upon the question before him, or upon a point not necessarily involved in the determination of the cause, or introduced by way of illustration, or analogy or argument. It does not embody the resolution or determination of the court, and is made without argument, or full consideration of the point. It lacks the force of an adjudication, being a mere expression of an opinion with no binding force for purposes of *res judicata.*

4. ID.; ID.; ID.; EVEN IF THE *VALLE VERDE* CASE (G.R. NO. 209120) WAS MERELY SIGNED BY THE DIVISION CLERK OF COURT, SUCH UNSIGNED RESOLUTION WAS ISSUED BY THE AUTHORITY OF THE JUSTICES

Supreme Court E-Library

WHO WERE MEMBERS OF THE DIVISION WHO TOOK PART IN THE DELIBERATION OF THE CASE AND THE SAME IS A DEFINITIVE DETERMINATION OF A QUESTION OF LAW RAISED BEFORE IT.— *Valle Verde* directly resolved the substantive issue raised by VVCCI as to whether its complaint is an election contest. x x x. x x x. We find the petition unmeritorious. x x x. x x x. The present complaint falls under the definition of election contest because it raises the issues of the validation of proxies, and the manner and validity of elections. Furthermore, a reading of Valle Verde's allegations, as well as its prayers in the complaint, shows that the complaint is essentially for the nullification of the election on the ground that the election was unlawfully conducted due to the adjournment of the meeting for lack of quorum. x x x. Even if *Valle Verde* was merely signed by the Division Clerk of Court, such unsigned resolution was issued by authority of the Justices who were members of the Division who took part in the deliberation of the case, and it is still a definitive determination of a question of law raised before it. Applying Section 2, Rule 6 of the Interim Rules, the Court declared that the complaint falls under the definition of election contest because it raises the issues of the validation of proxies, and the manner and validity of elections.

5. STATUTORY CONSTRUCTION; THE PRINCIPLES OF STATUTORY CONSTRUCTION ARE APPLICABLE TO THE INTERPRETATION OF THE INTERIM RULES OF PROCEDURE FOR INTRA-CORPORATE CONTROVERSIES (INTERIM RULES), AS THE SAME WAS PROMULGATED BY AUTHORITY OF LAW AND HAS THE FORCE AND EFFECT OF LAW.— There is also no merit to Fernandez's claim that the statutory construction principle to the effect that what cannot be done directly, cannot be done indirectly, is inapplicable to the construction of the rules of procedure. To disallow the application of such principle would defeat the purpose of the Interim Rules which is meant to expedite the resolution of intra-corporate cases, and would sanction the circumvention of said rules. As stressed in the Court's Decision, the 15-day reglementary period to file an election contest under the Interim Rules aims to hasten the submission and resolution of corporate election controversies, so that the state of uncertainty in the corporate leadership is settled. If the Court were to entertain one of the causes of action in Fernandez's

Supreme Court E-Library

complaint, which is partly an election contest, the salutary purposes of that reglementary period would be defeated. Besides, "[r]ules of court, promulgated by authority of law, have the force and effect of law, if not in conflict with positive law." In *Alex Raul B. Blay v. Cynthia B. Baña*, the Court applied a statutory construction doctrine in construing a provision of the Rules of Court x x x. x x x. Since the *Interim Rules* was also promulgated by authority of law—Section 5(5), Article VIII of the Constitution no less—and has the force and effect of law, the Court sees no compelling reason why the principles of statutory construction should not be applied to the interpretation of such procedural rules.

6. REMEDIAL LAW; INTERIM RULES OF PROCEDURE FOR INTRA-CORPORATE CONTROVERSIES; ELECTION CONTEST; A PARTY, WHETHER A CANDIDATE IN THE ELECTION OR NOT, HAS FIFTEEN (15) DAYS FROM THE DATE OF THE ELECTION, TO FILE AN ELECTION CONTEST; AN ELECTION CONTEST IS DETERMINED BY THE NATURE OF THE CONTROVERSY OR DISPUTE INVOLVED, NAMELY: (1) THE TITLE OR CLAIM TO ANY ELECTIVE OFFICE IN A CORPORATION; (2) THE VALIDATION OF PROXIES; (3) THE MANNER AND VALIDITY OF ELECTIONS; AND (4) THE QUALIFICATIONS OF CANDIDATES, INCLUDING THE PROCLAMATION OF WINNERS, TO THE OFFICE OF DIRECTOR, TRUSTEE OR OTHER OFFICER IN A CORPORATION.— That Fernandez was not a candidate in the election that he seeks to nullify and that he had no cause of action yet during the said period will not excuse him from Section 3, Rule 6 of the *Interim Rules* which requires that election contests must be filed within fifteen (15) days from the date of the election. The definition of an election contest is clear; it hardly distinguishes whether the complainant is a participant in the election or not, and it is determined only by the nature of the controversy or dispute involved, namely: (1) the title or claim to any elective office in a corporation; (2) the validation of proxies; (3) the manner and validity of elections; and (4) the qualifications of candidates, including the proclamation of winners, to the office of director, trustee or other officer in a corporation. As aptly pointed out by petitioners, Fernandez is a member of VVCCI, and the time

Supreme Court E-Library

to question their election is within 15 days from the election; to allow him to belatedly question their authority as members of the board would open the floodgate to any member who will be disciplined by petitioners or to question their act by questioning the validity of their election anytime.

7. ID.; ID.; ID.; THE RELIEF PRAYED FOR IN THE COMPLAINT IS PART OF THE BODY OF THE PLEADING WHICH CANNOT BE DISREGARDED IN ADJUDICATING THE CASE; A COURT'S JURISDICTION OVER THE SUBJECT MATTER IS DETERMINED BY THE RELEVANT ALLEGATIONS IN THE COMPLAINT, THE LAW IN EFFECT WHEN THE ACTION WAS FILED, AND THE CHARACTER OF THE RELIEF SOUGHT, IRRESPECTIVE OF WHETHER THE PLAINTIFF IS ENTITLED TO ALL OR SOME OF THE CLAIMS ASSERTED.— Equally bereft of merit is Fernandez's contention that the prayer of his complaint cannot be considered as part of the allegations on the nature of the cause of action, and it may even be disregarded in adjudicating the case. The rule is settled that a court's jurisdiction over the subject matter is determined by the relevant allegations in the complaint, the law in effect when the action was filed, and the character of the relief sought, irrespective of whether the plaintiff is entitled to all or some of the claims asserted. Section 2, Rule 7 of the 1997 Rules of Civil Procedure provides that the body of the pleading sets forth its designation, the allegations of the party's claims or defenses, the relief prayed for, and the date of the pleading. Considering that the prayer in a complaint is a "relief," which is part of the body of such pleading, the prayer in Fernandez's complaint cannot be simply ignored in deciding his case. In fact, in *Yujuico v. Quiambao*, the Court relied on the relief prayed for in the complaint, in order to rule that the subject complaint is an election contest.

8. ID.; ID.; ID.; AN ELECTION CONTEST FILED BEYOND THE 15-DAY REGLEMENTARY PERIOD SHALL BE DISMISSED OUTRIGHT.— [I]t bears repeating that no grave abuse of discretion can be ascribed against the Regional Trial Court of Pasig City, Branch 158, insofar as it did not allow any evidence to be presented in Commercial Case No. 13-202, relating to the February 23, 2013 elections of the Board of Directors of VVCCI. The Regional Trial Court's action of virtually dismissing

Supreme Court E-Library

the first cause of action in Fernandez's complaint, for being an election contest filed beyond the 15-day reglementary period, is indeed consistent with the following provisions of the *Interim Rules*: (a) Section 3, Rule 1, because such act promotes the objective of securing a just, summary, speedy and inexpensive determination of every action or proceeding; and (b) Section 4, Rule 6, which authorizes the court to dismiss outright the complaint if the allegations thereof are not sufficient in form and substance.

REYES, JR., A., *J.*, *dissenting opinion:*

1. REMEDIAL LAW; INTERIM RULES OF PROCEDURE GOVERNING INTRA-CORPORATE CONTROVERSIES (INTERIM RULES); THE TRUE NATURE OF THE ACTION CAN BE ASCERTAINED FROM THE ULTIMATE FACTS AVERRED IN THE COMPLAINT AND THE RELIEF SOUGHT; RESPONDENT'S ACTION ASSAILS THE LEGITIMACY OF THE SUBJECT ANNUAL MEMBERSHIP MEETING FOR LACK OF QUORUM, NOT AN ELECTION CONTEST.—While the complaint touches on the issue of private petitioners' authority as VVCCI's BoD, a closer scrutiny will show that the primordial focus of respondent's complaint deals with the very legitimacy of the meeting itself. Section 4, Rule 2 of the *Interim Rules* provides that a complaint involving intra-corporate controversies must state or contain all the facts and materials relevant to a plaintiff's cause of action. Moreover, it must contain the law relied upon and the relief sought. Furthermore, well-settled is the principle that material averments in the complaint and the character of the relief prayed for determine its cause of action. Otherwise stated, the true nature of the action can be ascertained from the ultimate facts averred in the complaint and the relief sought. The majority believe that the relevant allegations in respondent's complaint and the character of the relief sought by him qualify the action as an election contest. It believes that since respondent seeks to nullify the claim of the individual petitioners as members of the BoD of VVCCI, then the same falls under the definition of an election contest. Contrary to the majority opinion however, x x x a more holistic reading of respondent's complaint readily reveals it as an action which is primarily aimed at questioning the very legitimacy of the

Supreme Court E-Library

February 23, 2013 VVCCI annual membership meeting. In fact, the manner in which respondent assails the subject meeting clearly propounds that there was a failure to achieve quorum.

2. ID.; ID.; ELECTION CONTEST DISTINGUISHED FROM AN ACTION FOR NULLIFICATION OF STOCKHOLDERS' OR MEMBERS' MEETING CALLED PURSUANT TO THE CORPORATION CODE AND THE COMPANY'S BY-LAWS.— The mere fact that the complaint contains a prayer relating to the issue of the validity of the individual petitioners' title as BoD of VVCCI should not be treated as a conclusive indication of the complaint's primary purpose. The prayer to invalidate the claims of the individual petitioners will merely be a consequence or having the February 23, 2013 annual membership meeting annulled. Now, a distinction must be made between a suit whose primary purpose is the challenge of an individual's claim to an elective office within a corporation and one which seeks the nullification of any regular or special meeting called pursuant to Title VI of Batas Pambansa Bilang 68, otherwise known as the *Corporation Code of the Philippines*. x x x Thus, an election contest is any controversy whose primary issue deals with: (a) title or claim to any elective office within the corporation; (b) the validation of proxies; (c) the manner or how elections are conducted and its ensuing validity; (d) the qualifications of candidates; or (e) the proclamation of winners as officers. In contrast, an action assailing the inherent validity of a meeting involves an entirely distinct issue: the determination of whether it was called pursuant to the company's by-laws and in accordance with the Corporation Code. The relevant provision of law is Section 50 in relation to Section 52, under Title VI of the Corporation Code. These provisions provide for when such meetings shall be held and under what circumstances a quorum shall be achieved in order for them to be valid. x x x. In *Bernas* and *Lim*, despite the presence of issues which touch upon the validity of a group's election as part of a company's BoD, the Court did not hesitate to declare a special stockholders' and a regular members' meeting inherently invalid for being improperly called. In doing so, the Court acknowledged that the mere presence of such issues does not automatically qualify a case as an election contest. It effectively held that if the primary issue of the intra-corporate controversy is the annulment of a stockholders' or members' meeting on the basis of lack of quorum, then the same should

Supreme Court E-Library

be treated as an entirely distinct action from that of an election contest.

3. ID.; ID.; THE ANNULMENT OF THE SUBJECT ANNUAL MEMBERS' MEETING DUE TO LACK OF QUORUM RENDERED VOID THE SUBSEQUENT RESOLUTION SUSPENDING THE RESPONDENT FROM THE CLUB FOR VIOLATION OF THE COMPANY BY-LAWS; ANY RESOLUTION OR DISPOSITION OF OTHER LEGAL ISSUES STEMMING FROM THE VOID MEETING WOULD HAVE NO BINDING EFFECT ON THE CORPORATION OR ANY OF ITS MEMBERS.— Having determined the true nature of respondent's Complaint as one which assails the very validity of a members' meeting and delineating from an election contest under the *Interim Rules*, the question which must be answered now is how the annulment of the February 23, 2013 VVCCI annual membership meeting would affect respondent's suspension from the club. x x x. [T]he Court in *Lim* made a similar pronouncement when it declared the July 21, 2012 general membership meeting of Condocor as invalid for being called despite the lack of quorum. The Court ruled that any resolution or disposition of other legal issues stemming from the void meeting would have no binding effect on the corporation or any of its members. x x x [T]he annulment of the February 23, 2013 VVCCI annual members' meeting would likewise void the subsequent resolution which suspended respondent for six (6) months from the club for violation of the company's by-laws.

4. ID.; ID.; THE MERE PRESENCE OF AN ISSUE RELATING TO THE AUTHORITY OF THE GROUP AS MEMBERS OF THE BOARD OF DIRECTORS AS A RESULT OF THE COMPANY'S ANNUAL MEMBERSHIP MEETING DOES NOT *IPSO FACTO* MAKE THE CASE AN ELECTION CONTEST; COMPLAINT MUST BE READ IN ITS ENTIRETY AND NOT HASTILY PIGEONHOLED INTO A PARTICULAR TYPE OF ACTION; DISMISSAL OF THE RESPONDENT'S COMPLAINT, UNWARRANTED.— The mere presence of an issue regarding private petitioners' authority as VVCCI's BoD as a result of the company's February 23, 2013 annual membership meeting does not *ipso facto* make it an election contest as defined under the Interim Rules. Respondent's complaint must be read in its entirety and not

hastily pigeonholed into a particular type of action. Respondent's Complaint was filed for the very purpose of questioning the inherent validity of the February 23, 2013 VVCCI annual membership meeting, an action completely distinct from an election protest. To automatically qualify an action seeking to annul a stockholders' or members' meeting as an election contest for the mere reason of the presence of an issue relating to a group's title as members of the BoD of a company would set a troublesome precedent. To do so would effectively ignore the innate differences of the two actions and subject one to the procedural requirements of the other, much like in this case. Thus, x x x it was a mistake for the trial court to have dismissed respondent's first cause of action on the basis of it being filed beyond the fifteen (15)-day reglementary period as provided for under the *Interim Rules* on the erroneous premise that the same is an election contest. The trial court should have allowed reception of evidence regarding the circumstances surrounding the February 23, 2013 VVCCI annual membership meeting in order to fully resolve the issue regarding the inherent validity of said meeting and the succeeding legality of respondent's suspension as a member of the club.

APPEARANCES OF COUNSEL

Ifurung Law Offices for petitioners.
A.D. Corvera & Associates for respondent.
Fernandez & Associates Law Firm for respondent.

R E S O L U T I O N

PERALTA, *C.J.*:

This resolves the Motion for Reconsideration[1] dated October 29, 2018 of respondent Teodorico P. Fernandez, seeking to reconsider and set aside the Court's Decision[2] dated

---

[1] *Rollo*, pp. 295-307.

[2] *Id.* at 278-294. Penned by Associate Justice Diosdado M. Peralta, and concurred in by Associate Justices Marvic Mario Victor F. Leonen, Andres B. Reyes, Jr., Alexander G. Gesmundo and Jose C. Reyes, Jr.

Supreme Court E-Library

September 5, 2018 which: (1) granted the petition for review on *certiorari*; (2) reversed and set aside the Court of Appeals' Decision dated June 30, 2014 and Resolution dated October 24, 2014 in CA-G.R. SP No. 134704; and (3) reinstated the Order issued by the Regional Trial Court of Pasig City, Branch 158, on January 28, 2014 in Commercial Case No. 13-202, insofar as it did not allow any evidence to be presented relating to the February 23, 2013 elections of the Board of Directors of Valle Verde Country Club, Incorporated (*VVCCI*).

Fernandez argues that the Court erred in applying the *stare decisis* principle to his case, and that there is absolutely no binding precedent which supports the ruling that his complaint, questioning the suspension of his membership in VVCCI for lack of authority of petitioners Francisco C. Eizmendi, Jr., Jose S. Tayag, Jr., Joaquin L. San Agustin, Eduardo V. Francisco, Edmidio V. Ramos, Jr., Albert G. Blancaflor, Rey Nathaniel C. Ifurung, and Manuel H. Acosta, Jr., as alleged directors of VVCCI, apart from the ground of denial of due process, is partly an election contest within the purview set by the Interim Rules of Procedure for Intra-Corporate Controversies (*Interim Rules*).

Fernandez contends that the Resolution[3] in *Valle Verde Country Club, Inc., represented by its hold-over Board of Directors, etc. v. Francisco C. Eizmendi, Jr., et al. (Valle Verde)*, G.R. No. 209120, dated October 14, 2013, is a mere unsigned or minute resolution which neither constitutes a binding precedent nor obligates non-parties, like himself. In support of his contention, Fernandez cites Section 6 (c), Rule 13 of the *Internal Rules of the Supreme Court* which states that "[b]y *unsigned resolution*[,] the Court disposes of the case on the merits, but its ruling is essentially meaningful only to the parties; has no significant doctrinal value; or is [of] minimal interest to the law profession, the academe, or the public."

Fernandez insists that the Court erred in giving *stare decisis* effect an *obiter dictum* in *Valle Verde* by proscribing or

[3] *Id.* at 142-145.

disallowing his cause of action on the premise that the same is "partly an election contest" filed beyond the 15-day reglementary period. He claims that the disquisitions in *Valle Verde* on "election contest" are mere *obiter dicta*, which are not binding under the doctrine of *stare decisis*. He also assails the Court's ruling that he cannot question the validity of the February 23, 2013 election for that would be violative of the 15-day reglementary period, based on the maxim that "what cannot be done directly cannot be done indirectly." He submits that the application of the said maxim presupposes the existence of a prohibition in the Constitution or in a law, and that such period is a mere limitation of an action or a specie of a statute of limitation found in a rule of procedure. He asserts that the reglementary period cannot apply to him because he was not a candidate, and he had no cause of action yet during the period.

Fernandez also faults the Court for making capital of the prayer in his complaint to justify the finding that the same presents an election contest. He explains that the prayer for relief, although part of the complaint, cannot create a cause of action; hence, it cannot be considered as part of the allegations on the nature of the cause of action, and it may be disregarded in adjudicating the case.

The Court finds the arguments devoid of merit.

The mere fact that *Valle Verde* is an unsigned resolution does not prevent it from having a binding precedent in this case. Fernandez is confused with the concept of an unsigned resolution or minute resolution that has no binding precedent. In *Phil. Health Care Providers, Inc. v. Commissioner of Internal Revenue*,[4] the Court clarified why a minute resolution has no binding precedent, thus:

> It is true that, although contained in a minute resolution, our dismissal of the petition was a disposition of the merits of the case. When we dismissed the petition, we effectively affirmed the CA ruling being questioned. As a result, our ruling in that case has already become

[4] 616 Phil. 387 (2009).

Supreme Court E-Library

final. When a minute resolution denies or dismisses a petition for failure to comply with formal and substantive requirements, the challenged decision, together with its findings of fact and legal conclusions, are deemed sustained. But what is its effect on other cases?

With respect to the same subject matter and the same issues concerning the same parties, it constitutes *res judicata*. However, if other parties or another subject matter (even with the same parties and issues) is involved, the minute resolution is not binding precedent. Thus, in *CIR v. Baier-Nickel*, the Court noted that a previous case, *CIR v. Baier-Nickel* involving the same parties and the same issues, was previously disposed of by the Court thru a minute resolution dated February 17, 2003 sustaining the ruling of the CA. Nonetheless, the Court ruled that the previous case "ha(d) no bearing" on the latter case because the two cases involved different subject matters as they were concerned with the taxable income of different taxable years.

Besides, there are substantial, not simply formal, distinctions between a minute resolution and a decision. The constitutional requirement under the first paragraph of Section 14, Article VIII of the Constitution that the facts and the law on which the judgment is based must be expressed clearly and distinctly applies only to decisions, not to minute resolutions. A minute resolution is signed only by the clerk of court by authority of the justices, unlike a decision. It does not require the certification of the Chief Justice. Moreover, unlike decisions, minute resolutions are not published in the Philippine Reports. Finally, the proviso of Section 4(3) of Article VIII speaks of a decision. Indeed, as a rule, this Court lays down doctrines or principles of law which constitute binding precedent in a decision duly signed by the members of the Court and certified by the Chief Justice.[5] (Citations omitted)

The binding nature of a minute resolution and its ability to establish a lasting judicial precedent have already been settled in *Deutsche Bank AG Manila Branch v. Commissioner of Internal Revenue*[6] where the Court explained that a minute resolution constitutes *res judicata* only insofar as it involves the "same subject matter and the same issues concerning the same parties[.]"

---

[5] *Id.* at 420-422.

[6] 716 Phil. 676, 687 (2013).

Supreme Court E-Library

However, if other parties and another subject matter (even if there are the same parties and issues) are involved, the minute resolution is not a binding precedent.

Even if *Valle Verde* is an unsigned resolution, it still creates a binding precedent to the extent that the Court pointed out in the assailed Decision, *i.e.*, if the allegations and prayers in the complaint raise issues of validation of proxies, and the manner and validity of elections, such as the nullification of the election was unlawfully conducted due to lack of quorum, then such complaint falls under the definition of "election contest" under the Interim Rules. This is because *Valle Verde* stated clearly and distinctly the facts and the law on which it is based, and it is not just a mere dismissal of a petition for failure to comply with formal and substantive requirements.

The ruling in *Valle Verde* on what constitutes election cases is not an *obiter dictum*. *Land Bank of the Phils. v. Suntay*[7] explains the concept and effect of an obiter dictum, as follows:

> An obiter dictum has been defined as an opinion expressed by a court upon some question of law that is not necessary in the determination of the case before the court. It is a remark made, or opinion expressed, by a judge, in his decision upon a cause by the way, that is, incidentally or collaterally, and not directly upon the question before him, or upon a point not necessarily involved in the determination of the cause, or introduced by way of illustration, or analogy or argument. It does not embody the resolution or determination of the court, and is made without argument, or full consideration of the point. It lacks the force of an adjudication, being a mere expression of an opinion with no binding force for purposes of res judicata.[8] (Citations omitted)

Valle Verde directly resolved the substantive issue raised by VVCCI as to whether its complaint is an election contest, in this wise:

---

[7] 678 Phil. 879 (2011).

[8] *Id.* at 913-914.

Supreme Court E-Library

The Petition

In a petition before this Court, Valle Verde points out that it is not challenging the validity of proxies, but merely the respondents' unlawful misrepresentation of corporate office. It stresses that the election did not take place since the annual meeting was already adjourned prior to the respondents' declaration as winners in the "election." Consequently, its complaint is not an election contest as there were actually no winning candidates on February 23, 2013. It also argues that it is a real party-in-interest in this case because the respondents' misrepresentation causes confusion among its members and employees, and disrupts its operations.

Our Ruling

We find the petition unmeritorious.

Section 2, Rule 6 of the Interim Rules on Intra-Corporate Controversies defines an election contest as "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 article of incorporation or by-laws so provide."

The present complaint falls under the definition of election contest because it raises the issues of the validation of proxies, and the manner and validity of elections. Furthermore, a reading of Valle Verde's allegations, as well as its prayers in the complaint, shows that the complaint is essentially for the nullification of the election on the ground that the election was unlawfully conducted due to the adjournment of the meeting for lack of quorum.

The determination of the validity of the proxies and of the manner and validity of elections is necessary in adjudicating whether the respondents are the lawful directors and officers of Valle Verde. Consequently, Valle Verde cannot claim that it did not raise these factual issues because no election was conducted last February 23, 2013 due to the adjournment of the meeting for lack of quorum. Valle Verde's assertion that there was no election is merely an effect of the declaration of the nullity of the election if the current petition would be found meritorious.

Supreme Court E-Library

Even if *Valle Verde* was merely signed by the Division Clerk of Court, such unsigned resolution was issued by authority of the Justices who were members of the Division who took part in the deliberation of the case, and it is still a definitive determination of a question of law raised before it. Applying Section 2, Rule 6 of the Interim Rules, the Court declared that the complaint falls under the definition of election contest because it raises the issues of the validation of proxies, and the manner and validity of elections.

There is also no merit to Fernandez's claim that the statutory construction principle to the effect that what cannot be done directly, cannot be done indirectly, is inapplicable to the construction of the rules of procedure. To disallow the application of such principle would defeat the purpose of the Interim Rules which is meant to expedite the resolution of intra-corporate cases, and would sanction the circumvention of said rules. As stressed in the Court's Decision, the 15-day reglementary period to file an election contest under the Interim Rules aims to hasten the submission and resolution of corporate election controversies, so that the state of uncertainty in the corporate leadership is settled. If the Court were to entertain one of the causes of action in Fernandez's complaint, which is partly an election contest, the salutary purposes of that reglementary period would be defeated.

Besides, "[r]ules of court, promulgated by authority of law, have the force and effect of law, if not in conflict with positive law."[9] In *Alex Raul B. Blay v. Cynthia B. Baña*,[10] the Court applied a statutory construction doctrine in construing a provision of the Rules of Court, thus:

> It is hornbook doctrine in statutory construction that "[t]he whole and every part of the statute must be considered in fixing the meaning of any of its parts and in order to produce a harmonious whole. A statute must be so construed as to harmonize and give effect to all its

---

[9] *Shioji v. Harvey*, 43 Phil. 333, 342 (1922), citing *Inchausti & Co. v. De Leon*, 24 Phil. 224 (1913).

[10] G.R. No. 232189, March 7, 2018 (citation omitted).

Supreme Court E-Library

provisions whenever possible. In short, every meaning to be given to each word or phrase must be ascertained from the context of the body of the statute since a word or phrase in a statute is always used in association with other words or phrases and its meaning may be modified or restricted by the latter.

By narrowly reading Section 2, Rule 17 of the Rules of Court, the CA clearly violated the foregoing principle and in so doing, erroneously sustained the assailed RTC Orders declaring respondent's counterclaim "as remaining for independent adjudication" despite the latter's failure to file the required manifestation within the prescribed fifteen (15)-day period.

Since the *Interim Rules* was also promulgated by authority of law—Section 5(5), Article VIII of the Constitution no less—and has the force and effect of law, the Court sees no compelling reason why the principles of statutory construction should not be applied to the interpretation of such procedural rules.

That Fernandez was not a candidate in the election that he seeks to nullify and that he had no cause of action yet during the said period will not excuse him from Section 3, Rule 6 of the *Interim Rules* which requires that election contests must be filed within fifteen (15) days from the date of the election. The definition of an election contest is clear; it hardly distinguishes whether the complainant is a participant in the election or not, and it is determined only by the nature of the controversy or dispute involved, namely: (1) the title or claim to any elective office in a corporation; (2) the validation of proxies; (3) the manner and validity of elections; and (4) the qualifications of candidates, including the proclamation of winners, to the office of director, trustee or other officer in a corporation. As aptly pointed out by petitioners, Fernandez is a member of VVCCI, and the time to question their election is within 15 days from the election; to allow him to belatedly question their authority as members of the board would open the floodgate to any member who will be disciplined by petitioners or to question their act by questioning the validity of their election anytime.[11]

---

[11] *Rollo*, p. 355.

Supreme Court E-Library

Equally bereft of merit is Fernandez's contention that the prayer of his complaint cannot be considered as part of the allegations on the nature of the cause of action, and it may even be disregarded in adjudicating the case. The rule is settled that a court's jurisdiction over the subject matter is determined by the relevant allegations in the complaint, the law in effect when the action was filed, and the character of the relief sought, irrespective of whether the plaintiff is entitled to all or some of the claims asserted.[12] Section 2, Rule 7 of the 1997 Rules of Civil Procedure provides that the body of the pleading sets forth its designation, the allegations of the party's claims or defenses, the relief prayed for, and the date of the pleading. Considering that the prayer in a complaint is a "relief," which is part of the body of such pleading, the prayer in Fernandez's complaint cannot be simply ignored in deciding his case.

In fact, in *Yujuico v. Quiambao*,[13] the Court relied on the relief prayed for in the complaint, in order to rule that the subject complaint is an election contest, thus:

> 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.[14]

Finally, it bears repeating that no grave abuse of discretion can be ascribed against the Regional Trial Court of Pasig City, Branch 158, insofar as it did not allow any evidence to be presented in Commercial Case No. 13-202, relating to the February 23, 2013 elections of the Board of Directors of VVCCI. The Regional Trial Court's action of virtually dismissing the

---

[12] *Sps. Trayvilla v. Sejas, et al.*, 780 Phil. 85, 90 (2016).

[13] 542 Phil. 236 (2007).

[14] *Id.* at 257.

Supreme Court E-Library

first cause of action in Fernandez's complaint, for being an election contest filed beyond the 15-day reglementary period, is indeed consistent with the following provisions of the *Interim Rules*: (a) Section 3, Rule 1, because such act promotes the objective of securing a just, summary, speedy and inexpensive determination of every action or proceeding; and (b) Section 4, Rule 6, which authorizes the court to dismiss outright the complaint if the allegations thereof are not sufficient in form and substance.

WHEREFORE, the Motion for Reconsideration dated October 29, 2018 is **DENIED** for lack of merit.

SO ORDERED.

Leonen and *Reyes, J. Jr., JJ.*, concur.

Reyes, A. Jr., J., dissents, see dissenting opinion.

Gesmundo, J., on wellness leave.

DISSENTING OPINION

A. REYES, JR., *J.*:

After a thorough review of the records and all previous dispositions, I am convinced that Teodorico P. Fernandez's (respondent) Motion for Reconsideration[1] (MR) of the Court's September 5, 2018 Decision,[2] with respect to the contention that his Complaint[3] filed before the Regional Trial Court (RTC) of Pasig City, Branch 158, in Commercial Case No. 13-202 does not constitute an election contest, is meritorious.

To recall, the instant controversy stems from a Complaint[4] filed by respondent on November 28, 2013 for Invalidation of

---

[1] *Rollo*, pp. 322-347.

[2] *Id.* at 278-294.

[3] *Id.* at 85-95.

[4] *Id.*

Corporate Acts and Resolutions with Application for Writ of Preliminary Injunction against the individual petitioners in herein case, namely: Francisco C. Eizmendi, Jr., Jose S. Tayag, Jr., Joaquin San Agustin, Eduardo Francisco, Edmidio Ramos, Jr., Albert Blancaflor, Rey Nathaniel Ifurung, and Manuel Acosta, Jr.[5]

The complaint was filed as a response to the incidents surrounding the February 23, 2013 annual membership meeting of Valle Verde Country Club, Inc. (VVCCI) and respondent's ensuing six (6)-month suspension as a member of it. Respondent alleges that on February 23, 2013, VVCCI held its scheduled annual membership meeting through its hold-over Board of Directors (BoD), but the same had to be adjourned for lack of quorum. Immediately thereafter, the individual petitioners took over the proceedings, declared a quorum, and elected themselves as the new BoD of VVCCI.[6]

Afterwards, on October 18, 2013, the individual petitioners, acting for and in behalf of VVCCI as members of its BoD, passed a resolution finding respondent guilty of violating its by-laws. As punishment, respondent was suspended from the sports club for six (6) months.[7]

Respondent argues that the corporate acts done by private petitioners, insofar as the office of the BoD of VVCCI is concerned, are without any authority. He argues that since the annual membership meeting, wherein private petitioners were "constituted" as the BoD of VVCCI, was held despite lack of quorum, then the same is void. As such, any subsequent meetings of the BoD that were held thereafter, including all the resolutions and measures that were approved thereat, are likewise void and could produce no legal effect.[8]

---

[5] *Id.*

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

[7] *Id.* at 45.

[8] *Id.* at 44.

Supreme Court E-Library

In fact, during the hearing[9] for the application of the writ of preliminary injunction, respondent was adamant that the Complaint he filed before the trial court assailed the very legitimacy of the February 23, 2013 annual membership meeting, *to wit*:

COURT:

> Before you testify, we are in agreement that the remaining issue ... we will not touch on the election aspect because that is not proper for the instant case. I have already said it's too late in the day to file an election contest. So, the only issue before the Court is the suspension.

ATTY. FERNANDEZ:

> Yes, your Honor, but with due respect, if your Honor please, **our case is not an election contest because this is a suit precisely questioning the legal authority of the board who suspended me**[.]

COURT:

> **Yes, even if you do not say that it is an election contest, that will especially, the issue will still be whether or not the board of directors' composition is legitimate because, in essence, it was still an election contest.** I will not touch on that, as I had continuously said. The only reason I'm still entertaining this complaint is with respect to your suspension. So, your suspension, it cannot be based ... whether or not your suspension is legitimate will not be anchored on the composition of the board of directors but on issues like due process, if you were duly notified, if the grounds for your suspension were valid, etcetera.

x x x x x x x x x

ATTY. FERNANDEZ:

> But, Your Honor, may we be allowed to present evidence in relation to the fact that... **I have two allegations, if your Honor please. No. 1, is the fact that they have no legal authority to suspend me because when they convened as a board, when they elected themselves as board of directors after the declaration of no**

---

[9] *Id.* at 96-105.

quorum, your Honor, they used 1,500 as basis and therefore …[10] (Emphasis supplied)

For their part, private petitioners dispute the allegation that no quorum was achieved during the February 23, 2013 meeting. They insist that a meeting was validly called and that their election as the new BoD was legal and binding. Being valid, they claim that they properly managed the affairs of VVCCI and all acts done in connection with their duties as officers of VVCCI, including the suspension of respondent for violation of its by-laws, were valid.[11]

The *ponencia* resolves the case by considering respondent's complaint as an election contest within the purview of the *Interim Rules of Procedure Governing Intra-Corporate Controversies (Interim Rules)*, to wit:

Fernandez's complaint disputes the election of petitioners as members of the BOD of VVCCI on the ground of lack of *quorum* during the February 23, 2013 annual meeting. **Verily, his complaint is partly an "election contest" as defined under Section 2, Rule 6 of the *Interim Rules***, which 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 proclamation of winners, to the office of director, trustees 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 so provide."[12] (Emphasis supplied)

The present *ponencia* exists on the premise that the complaint falls under the definition of an election contest because it clearly raises an issue on the manner and validity of the individual petitioners' election. As such, the dismissal of respondent's complaint was justified because it was filed well beyond the

---

[10] *Id.* at 98-100.

[11] *Id.* at 45.

[12] *Id.* at 287.

Supreme Court E-Library

fifteen (15)-day reglementary period pursuant to Section 3, Rule 6 of the *Interim Rules*.[13]

I cannot agree with this premise.

While the complaint touches on the issue of private petitioners' authority as VVCCI's BoD, a closer scrutiny will show that the primordial focus of respondent's complaint deals with the very legitimacy of the meeting itself.

Section 4, Rule 2 of the *Interim Rules* provides that a complaint involving intra-corporate controversies must state or contain all the facts and materials relevant to a plaintiff's cause of action. Moreover, it must contain the law relied upon and the relief sought.[14] Furthermore, well-settled is the principle that

---

[13] SEC. 3. *Complaint*. – In addition to the requirements in Section 4, Rule 2 of these Rules, the complaint in an election contest must state the following:

1. The case was filed within fifteen (15) days from the date of the election if the by-laws of the corporation do not provide for a procedure for resolution or the controversy, or within fifteen (15) days from the resolution of the controversy by the corporation as provided in its by-laws[.]

[14] SEC. 4. *Complaint*. – The complaint shall state or contain:

1. the names, addresses, and other relevant personal or juridical circumstances of the parties;
2. all facts material and relevant to the plaintiff's cause or causes of action, which shall be supported by affidavits of the plaintiff or his witnesses and copies of documentary and other evidence supportive of such cause or causes of action;
3. the law, rule, or regulation relied upon, violated, or sought to be enforced;
4. a certification that (a) the plaintiff 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 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; and
5. the relief sought.

Supreme Court E-Library

material averments in the complaint and the character of the relief prayed for determine its cause of action.[15] Otherwise stated, the true nature of the action can be ascertained from the ultimate facts averred in the complaint and the relief sought.[16]

The majority believe that the relevant allegations in respondent's complaint and the character of the relief sought by him qualify the action as an election contest. It believes that since respondent seeks to nullify the claim of the individual petitioners as members of the BoD of VVCCI, then the same falls under the definition of an election contest.[17]

Contrary to the majority opinion however, it is my view that a more holistic reading of respondent's complaint readily reveals it as an action which is primarily aimed at questioning the very legitimacy of the February 23, 2013 VVCCI annual membership meeting. In fact, the manner in which respondent assails the subject meeting clearly propounds that there was a failure to achieve quorum. The pertinent portions of respondent's complaint read:

> 2.12. At the annual members' meeting set on February 23, 2013, VVCCI through the hold-over BOD **adjourned the same for lack of quorum**.
>
> 2.13. **Despite the adjournment of the annual members' meeting set on February 23, 2013 for lack of quorum, the individual defendants, conspiring and confederating with each other, held a supposed annual members' meeting by illicitly using the original 1,500 membership certificates as the base for purposes of quorum and declaring the presence of a quorum based on the attendance at the most of only 790 or 793 members in person or by proxy.**

---

[15] *First Sarmiento Property Holdings, Inc. v. Philippine Bank of Communications*, G.R. No. 202836, June 19, 2018, 886 SCRA 438, 458; *Bulao v. CA*, 291-A Phil. 349, 355-356 (1993); and *Sps. Abrin v. Campos*, 280 Phil. 454, 459 (1991).

[16] *Jimenez, Jr. v. Jordana*, 486 Phil. 452, 465 (2004).

[17] *Rollo*, pp. 286-287.

Supreme Court E-Library

2.14. **Despite the fatal lack of quorum at the supposed election meeting**, the individual defendants proceeded with it to have themselves constituted as the new members of the BOD of VVCCI.

2.15. Claiming themselves to be the newly constituted BOD of VVCCI, on October 18, 2013, the individual defendants held a meeting, at which they, purportedly acting for and in behalf of VVCCI, found plaintiff, among others, "guilty of less serious violations of the Bylaws" and imposed on him the penalty of suspension (of membership in VVCCI) for six (6) months from September 21, 2013 or until March 21, 2014, as shown in the Memorandum dated October 21, 2013 of defendant Ifurung to the General Manager of VVCCI. A photocopy of the Memorandum is hereto attached as *Annex "H"*.[18] (Emphasis supplied; citations omitted)

RELIEF

x x x x x x x x x

2. After hearing on the merits, to render judgment in favor of plaintiff and against the defendants.

x x x x x x x x x

c) **Nullifying the so-called annual members' meeting of February 23, 2013, as well as subsequent so-called board meetings similarly held and conducted by the individual defendants**, such as but not limited to the so-called board meeting of October 18, 2013, including all resolutions and measures approved thereat, particularly those which relate to the suspension of plaintiff from VVCCI[.][19] (Emphasis supplied)

Admittedly, while the complaint does delve into the authority of private petitioners as the newly elected BoD of VVCCI, it is apparent that the same is not its primary purpose. A review of the ultimate facts averred and the nature of the relief show that its primary purpose is the annulment of the February 23, 2013 annual membership meeting for lack of quorum. The

---

[18] *Id.* at 89.

[19] *Id.* at 92-93.

Supreme Court E-Library

complaint detailed how the meeting was initially adjourned because no quorum was achieved and how private petitioners ignored the announcement. It went on to recount how private petitioners proceeded to hold another meeting, this time using a different basis to compute quorum.[20]

The mere fact that the complaint contains a prayer relating to the issue of the validity of the individual petitioners' title as BoD of VVCCI should not be treated as a conclusive indication of the complaint's primary purpose.[21] The prayer to invalidate the claims of the individual petitioners will merely be a consequence of having the February 23, 2013 annual membership meeting annulled.

Now, a distinction must be made between a suit whose primary purpose is the challenge of an individual's claim to an elective office within a corporation and one which seeks the nullification of any regular or special meeting called pursuant to Title VI of Batas Pambansa Bilang 68, otherwise known as the *Corporation Code of the Philippines*.[22] Accordingly, an election contest is defined under the *Interim Rules* as:

> 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.

Thus, an election contest is any controversy whose primary issue deals with: (a) title or claim to any elective office within the corporation; (b) the validation of proxies; (c) the manner or how elections are conducted and its ensuing validity; (d) the

---

[20] *Id.* at 88-90.

[21] *Id.* at 92.

[22] The Corporation Code of the Philippines.

Supreme Court E-Library

qualifications of candidates; or (e) the proclamation of winners as officers.[23]

In contrast, an action assailing the inherent validity of a meeting involves an entirely distinct issue: the determination of whether it was called pursuant to the company's by-laws and in accordance with the Corporation Code. The relevant provision of law is Section 50 in relation to Section 52, under Title VI of the Corporation Code. These provisions provide for when such meetings shall be held and under what circumstances a quorum shall be achieved in order for them to be valid. They provide:

> SEC. 50. *Regular and special meetings of stockholders or members*. – Regular meetings of stockholders or members shall be held annually on a date fixed in the by-laws, or if not so fixed, on any date in April of every year as determined by the board of directors or trustees: Provided, That written notice of regular meetings shall be sent to all stockholders or members of record at least two (2) weeks prior to the meeting, unless a different period is required by the by-laws.
>
> Special meetings of stockholders or members shall be held at any time deemed necessary or as provided in the by-laws: Provided, however, [t]hat at least one (1) week written notice shall be sent to all stockholders or members, unless otherwise provided in the by-laws.
>
> x x x x x x x x x
>
> SEC. 52. *Quorum in meetings*. – Unless otherwise provided for in this Code or in the by-laws, a quorum shall consist of the stockholders representing a majority of the outstanding capital stock or a majority of the members in the case of non-stock corporations. (n)

The difference between the two actions can be seen in *Bernas v. Cinco*[24] (Bernas) wherein the Court, in resolving an action which sought the nullification of a special stockholders' meeting, declared said meeting null and void for being improperly called.[25]

---

[23] Section 2, Rule 6 of the *Interim Rules*.

[24] 762 Phil. 387 (2015).

[25] *Id.* at 395.

Supreme Court E-Library

The dispute therein involved two separate groups of members which comprised the BoD of the Makati Sports Club (MSC): the Bernas group, and the Cinco group. The former formed part of the incumbent members of MSC's BoD whose terms were set to expire either in 1998 or 1999. The latter were stockholders of MSC who were elected to replace the Bernas group during a special stockholders' meeting held in 1997.[26]

The special meeting was called by MSC's oversight committee in order to address rumored anomalies in the handling of corporate funds. During the meeting, the Bernas group was removed from office and, in their place, the Cinco group was elected. Aggrieved, the Bernas group initiated an action before the Securities and Exchange Commission seeking the nullification of the special stockholders meeting on the ground that it was improperly called.[27]

Finding that the 1997 special stockholder's meeting was improperly called, the Court declared the same null and void. Consequently, the subsequent acts and issued resolutions of the Cinco group were likewise declared void from the very beginning.[28]

Similarly, in *Lim v. Moldex Land*,[29] (Lim) the Court was presented with the issue regarding the validity of a non-stock corporation's annual general membership meeting. In this particular case, Condocor, a non-stock, non-profit corporation, was the registered condominium corporation for the Golden Empire Tower, a condominium project of Moldex Land. During Condocor's 2012 annual general membership meeting, its corporate secretary and chairman declared the existence of a quorum even though only twenty nine (29) of the one hundred eight (108) unit owners were present. Petitioner therein Lim

---

[26] *Id.* at 395-396.

[27] *Id.* at 396.

[28] *Id.* at 414.

[29] 804 Phil. 341 (2017).

Supreme Court E-Library

objected to the validity of the meeting and she, along with most of the unit owners present, walked out and left.[30]

Despite the walkout, the individual respondents therein proceeded with the meeting and elected new members of Condocor's BoD. Consequently, Lim filed a case with the RTC assailing the validity of Condocor's 2012 annual general membership meeting on the basis of lack of quorum.[31]

In resolving the case, the Court discussed the requisites for a stockholders' or members' meeting to be valid and the importance of the presence of quorum, *to wit*:

> In corporate parlance, the term "meeting" applies to every **duly convened assembly either of stockholders, members, directors, trustees, or managers for any legal purpose**, or the transaction of business of a common interest. Under Philippine corporate laws, meetings may either be regular or special. **A stockholders' or members' meeting must comply with the following requisites to be valid:**
>
> 1. The meeting must be held on the date fixed in the By-Laws or in accordance with law;
>
> 2. Prior written notice of such meeting must be sent to all stockholders/members of record:
>
> 3. It must be called by the proper party;
>
> 4. It must be held at the proper place; and
>
> **5. Quorum and voting requirements must be met.**
>
> **Of these five (5) requirements, the existence of a quorum is crucial. Any act or transaction made during a meeting without quorum is rendered of no force and effect**, thus, not binding on the corporation or parties concerned.[32] (Citations omitted and emphasis supplied)

---

[30] *Id.* at 347.

[31] *Id.* at 347-348.

[32] *Id.* at 354.

Ultimately, the Court found that the 2012 annual general membership meeting was convened despite the lack of quorum. As a result, the subject meeting was declared null and void and the subsequent election of Condocor's new BoD was nullified. It further declared that the succeeding meetings of the new BoD, as well as any resolutions it issued, were of no force and could produce no legal effect.[33]

In *Bernas* and *Lim*, despite the presence of issues which touch upon the validity of a group's election as part of a company's BoD, the Court did not hesitate to declare a special stockholders' and a regular members' meeting inherently invalid for being improperly called. In doing so, the Court acknowledged that the mere presence of such issues does not automatically qualify a case as an election contest. It effectively held that if the primary issue of the intra-corporate controversy is the annulment of a stockholders' or members' meeting on the basis of lack of quorum, then the same should be treated as an entirely distinct action from that of an election contest.

Having determined the true nature of respondent's Complaint[34] as one which assails the very validity of a members' meeting and delineating its difference from an election contest under the *Interim Rules*, the question which must be answered now is how the annulment of the February 23, 2013 VVCCI annual membership meeting would affect respondent's suspension from the club.

In *Bernas*, when the Court declared the December 17, 1997 special stockholders' meeting therein as void, it likewise declared the election of the Cinco group as having no binding force and effect. Consequently, all other actions of the Cinco group before the expiration of the term of office of the Bernas group were also declared void. As succinctly put by the Court, "the expulsion of the Bernas Group and the subsequent auction of Bernas' shares are void from the very beginning and therefore the

---

[33] *Id.* at 364.

[34] *Rollo*, pp. 85-89.

Supreme Court E-Library

ratifications effected during the subsequent meetings cannot be sustained. A void act cannot be the subject of ratification."[35]

Likewise, the Court in *Lim* made a similar pronouncement when it declared the July 21, 2012 general membership meeting of Condocor as invalid for being called despite the lack of quorum. The Court ruled that any resolution or disposition of other legal issues stemming from the void meeting would have no binding effect on the corporation or any of its members, *to wit*:

> **As there was no quorum**, any resolution passed during the July 21, 2012 annual membership meeting was null and void and, therefore, not binding upon the corporation or its members. **The meeting being null and void, the resolution and disposition of other legal issues emanating from the null and void July 21, 2012 membership meeting has been rendered unnecessary.**[36] (Emphasis supplied)

Given the foregoing, I submit that the annulment of the February 23, 2013 VVCCI annual members' meeting would likewise void the subsequent resolution which suspended respondent for six (6) months from the club for violation of the company's by-laws.

In fine, I must disagree with the majority opinion which treats respondent's complaint as "partly an election contest."[37] The mere presence of an issue regarding private petitioners' authority as VVCCI's BoD as a result of the company's February 23, 2013 annual membership meeting does not *ipso facto* make it an election contest as defined under the *Interim Rules*. Respondent's complaint must be read in its entirety and not hastily pigeonholed into a particular type of action.

Respondent's Complaint[38] was filed for the very purpose of questioning the inherent validity of the February 23, 2013 VVCCI

---

[35] *Supra* note 24, at 414.

[36] *Supra* note 29, at 356-357.

[37] *Id.* at 292.

[38] *Id.* at 85-89.

Supreme Court E-Library

annual membership meeting, an action completely distinct from an election protest. To automatically qualify an action seeking to annul a stockholders' or members' meeting as an election contest for the mere reason of the presence of an issue relating to a group's title as members of the BoD of a company would set a troublesome precedent. To do so would effectively ignore the innate differences of the two actions and subject one to the procedural requirements of the other, much like in this case.

Thus, it is my opinion that it was a mistake for the trial court to have dismissed respondent's first cause of action on the basis of it being filed beyond the fifteen (15)-day reglementary period as provided for under the *Interim Rules* on the erroneous premise that the same is an election contest. The trial court should have allowed reception of evidence regarding the circumstances surrounding the February 23, 2013 VVCCI annual membership meeting in order to fully resolve the issue regarding the inherent validity of said meeting and the succeeding legality of respondent's suspension as a member of the club.

For these reasons, I dissent.

ACCORDINGLY, I vote to:

(a) **GRANT** the Motion for Reconsideration dated October 29, 2018 filed by respondent Teodorico P. Fernandez;

(b) **SET ASIDE** the Court's Decision dated September 5, 2018; and

(c) **REINSTATE** the Court of Appeals Decision dated June 30, 2014 in CA-G.R. SP No. 134704.