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WHEREFORE, the instant petition is hereby denied for lack of merit.

SO ORDERED.

Bellosillo (chairman), Mendoza, Quisumbing, and *Buena,* concur.

THIRD DIVISION

[G.R. No. 138343. February 19, 2001]

GILDA C. LIM, WILHELMINA V. JOVEN and DITAS A. LERIOS, *petitioners, vs.* **PATRICIA LIM-YU, in her capacity as a minority stockholder of LIMPAN INVESTMENT CORPORATION,** *respondent.*

SYNOPSIS

The Board of Directors of Limpan Investment Corporation (LIMPAN) approved a resolution that the corporation make a partial payment [for] the legal services of Gilda C. Lim in the handling of various cases on behalf of, or involving the corporation in the amount of ₱1,551,500.00 to be paid in equivalent value in shares of stock of the corporation totaling 15,515 shares, the same being found to be reasonable, and there being no available funds to pay the same. Due to the issuance of the unsubscribed shares to the petitioner Gilda C. Lim (LIM), all of LIMPAN's authorized capital stock became fully subscribed, with LIM ending up controlling 62.5% of the shares. The private respondent Patricia Lim Yu (YU), a sister of the petitioner, LIM, filed a complaint against the members of the Board of Directors of LIMPAN who approved the aforesaid resolution. Three members of the board filed an Answer, asserting as affirmative defenses that the complaint failed to state a cause of action against them; that YU had no legal

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capacity to sue; and that the issuance of the shares in LIM's favor was *bona fide* and valid pursuant to law and LIMPAN's By-Laws. In turn, the herein petitioners Lim, Jove and Lerios filed a Motion to Dismiss on the following grounds: that YU had no legal capacity to sue; that the complaint failed to state a cause of action against Joven and Lerios, and that no earnest efforts were exerted towards a compromise, YU and LIM being siblings. The SEC Hearing Officer, Atty. Manuel Perea, issued an Order dated 05 January 1996, holding in abeyance the resolution of the motion to dismiss until the parties shall have secured the desired interpretation/opinion of the Supreme Court on the matter. Yu filed a petition for certiorari before the SEC *En Banc* seeking to set aside the Order of 05 January 1994. The CA agreed with the SEC that, pending clarification thereof, there was no need for the hearing officer to defer ruling on the Motion to Dismiss. The appellate court stated that the TRO issued by the Supreme Court in G.R. No. 116926 did not prohibit herein Respondent Patricia Lim-Yu from acting or entering into contracts on her own behalf or from protecting her rights. The appellate court sustained Yu's capacity to file the suit because the root of the present controversy the Complaint she filed before the SEC relates to a denial of her preemptive right as a shareholder. Hence, the present petition. The main issue is whether respondent had the legal capacity to file her Complaint before the SEC.

The Supreme Court denied the petition and affirmed the ruling of the Court of Appeals. The Court ruled that the suit of respondent cannot be characterized as derivative, because she was complaining only of the violation of her preemptive right under Section 39 of the Corporation Code. She was merely praying that she be allowed to subscribe to the additional issuances of stocks in proportion to her shareholdings to enable her to preserve her percentage of ownership in the corporation. She was therefore not acting for the benefit of the corporation. She was suing on her own behalf, out of a desire to protect and preserve her preemptive rights. The Court stressed that the TRO it issued did not prohibit respondent from filing, on and in her own behalf, a suit for the alleged violation of her preemptive rights to purchase additional stock subscriptions. In other words, it did not restrain respondent from acting and enforcing her own rights. It merely barred her from acting in representation of the corporation.

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SYLLABUS

1. **MERCANTILE LAW; CORPORATION CODE; A SUIT TO ENFORCE PREEMPTIVE RIGHTS IN A CORPORATION IS NOT A DERIVATIVE SUIT.** — There appears to be a confusion on the nature of the suit initiated before the SEC. Petitioners describe it as a derivative suit, which has been defined as "an action brought by minority shareholders in the name of the corporation to redress wrongs committed against it, for which the directors refuse to sue. It is a remedy designed by equity and has been the principal defense of the minority shareholders against abuses by the majority. In a derivative action, the real party in interest is the corporation itself, not the shareholder(s) who actually instituted it. If the suit filed by respondent was indeed derivative in character, then respondent may not have the capacity to sue. The reason is that she would be acting in representation of the corporation, an act which the TRO enjoins her from doing. We hold, however, that the suit of respondent cannot be characterized as derivative, because she was complaining only of the violation of her preemptive right under Section 39 of the Corporation Code. She was merely praying that she be allowed to subscribe to the additional issuances of stocks in proportion to her shareholdings to enable her to preserve her percentage of ownership in the corporation. She was therefore not acting for the benefit of the corporation. Quite the contrary, she was suing on her own behalf, out of a desire to protect and preserve her preemptive rights. Unquestionably, the TRO did not prevent her from pursuing that action.

2 **ID.; ID.; SECURITIES AND EXCHANGE COMMISSION; THE POWER OF THE SUPREME COURT TO CLARIFY ITS OWN ORDERS DOES NOT DIVEST THE COMMISSION OF ITS FUNCTION TO APPLY THOSE ORDERS TO CASES BEFORE IT.**— The power of this Court to clarify its own orders does not divest the SEC of its function to apply those orders to cases before it. If parties disagree with the SEC, they can file the proper suit in a regular court in accordance with law. In any event, the seeming obscurity or *ambiguity* of a TRO is not an excuse for a quasi-judicial body, or any regular court or judge, to shirk from the responsibility of applying and interpreting it.

3. **REMEDIAL LAW; LACHES; INAPPLICABLE WHEN IT RESULTS IN A MANIFEST WRONG OR INJUSTICE.** — Petitioners

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further contend that the CA failed to appreciate that respondent had been "repeatedly and notoriously guilty of laches." They point out that she filed a Motion for Reconsideration of the SEC hearing officer's Order almost four months late. They further allege that it took her another two and a half months to file a Motion for Leave to Admit Second Motion for Reconsideration. We reject this argument. It has been held that it is the better rule that courts, under the principle of equity, shall not be bound strictly by the doctrine of laches, when a manifest wrong or injustice would result.To rule that respondent can no longer question the hearing officer would deprive her of the opportunity to sue in order to enforce her preemptive rights, an act that is not proscribed by this Court's TRO.

APPEARANCES OF COUNSEL

Catindig Tiongco & Nibungco for petitioners.
Romero Arreza & Magtanong Law Offices for respondent.

D E C I S I O N

PANGANIBAN, *J.*:

A suit to enforce preemptive rights in a corporation is not a derivative suit. Thus, a temporary restraining order enjoining a person from representing the corporation will not bar such action, because it is instituted on behalf and for the benefit of the shareholder, not the corporation.

Statement of the Case

Petitioners seek the reversal,[1] under Rule 45 of the Rules of Court, of the July 31, 1998 Decision[2] of the Court of Appeals[3] (CA) in CA-GR SP No. 46292 and of its March 25, 1999

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[1] *Rollo*, pp. 29-49.

[2] *Rollo*, pp. 8-16.

[3] Fourth Division. Written by Justice Hector L. Hofileña, with the concurrence of Justices Minerva P. Gonzaga-Reyes (then Division chairman and currently a member of this Court) and Omar U. Amin.

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Resolution[4] denying reconsideration. The decretal portion of the appealed Decision, which affirmed the Securities and Exchange Commission (SEC), reads as follows:

"WHEREFORE, judgment is hereby rendered DISMISSING the Petition for lack of merit. The preliminary injunction previously issued is hereby LIFTED."[5]

The Facts

The undisputed facts are summarized by the Court of Appeals as follows:

"At a special meeting on 07 October 1994, the Board of Directors of Limpan Investment Corporation (LIMPAN) approved a resolution of the following tenor:

> 'RESOLVED that the corporation make a partial payment [for] the legal services of Gilda C. Lim in the handling of various cases on behalf of, or involving the corporation in the amount of ₱1,551,500.00 to be paid in equivalent value in shares of stock of the corporation totaling 15,515 shares, the same being found to be reasonable, and there being no available funds to pay the same.
>
> 'RESOLVED FURTHER, that the Corporate Secretary be authorized, as he is hereby authorized, to secure and comply with necessary requirements of the law for the issuance of said shares.'

"On 18 October 1994, the Corporate Secretary Jaime G. Manzano filed a request before the Corporate and Legal Affairs Department of the SEC asking for the exemption of the 15,515 shares from the registration requirements of the Revised Securities Act; the request was granted in a Resolution dated 14 November 1994. Due to the issuance of the unsubscribed shares to the petitioner GILDA C. LIM (LIM), all of LIMPAN's authorized capital stock became fully subscribed, with LIM ending up controlling 62.5% of the shares.

"In July 1996, the private respondent PATRICIA LIM YU (YU), a sister of the petitioner, LIM, filed a complaint against the members

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[4] *Rollo*, pp. 19-20

[5] CA Decision, p. 9; *rollo*, p. 16.

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of the Board of Directors of LIMPAN who approved the aforesaid resolution (GILDA C. LIM, WILHELMINA V. JOVEN, DITAS A. LERIOS, AUGUSTO R. BUNDANG, TERESITA C. VELEZ and JAIME MANZANO). The action was docketed as SEC Case No. 07-95-5114.

"BUNDANG, VELEZ, and MANZANO filed an Answer, asserting as affirmative defenses that the complaint failed to state a cause of action against them; that YU had no legal capacity to sue; and that the issuance of the shares in LIM's favor was *bona fide* and valid pursuant to law and LIMPAN's By-Laws. In turn, the herein petitioners LIM, JOVEN and LERIOS filed a Motion to Dismiss on the following grounds: that YU had no legal capacity to sue; that the complaint failed to state a cause of action against JOVEN and LERIOS, and that no earnest efforts were exerted towards a compromise, YU and LIM being siblings.

"In support of their ground that YU ha[d] no legal capacity to sue, the petitioners pointed out that LIM had previously filed a petition for guardianship before the Regional Trial Court of Manila, docketed as Special proceeding No. 94-71010, praying for the issuance of letters of guardianship over YU. On 14 July 1994, the Presiding Judge of Branch 48, the Hon. Demetrio M. Batario, Jr., issued an Order, the relevant portion of which enjoined YU 'from entering into, or signing, contracts or documents on her behalf or on behalf of others x x x.' On 16 August 1994, LIM was appointed [as] YU's general guardian, and the former took her oath as such on the same day. YU appealed LIM's appointment to the Supreme Court ("*Patricia C. Lim-Yu, et al. v. Hon. Judge Demetrio M. Batario, Jr., et al.*,' G.R. No. 116926). On 27 February 1994, the High Court issued a Resolution giving due course to YU's petition. It likewise issued a temporary restraining order, the pertinent portion of which is quoted hereunder:

> '(b) to ISSUE the TEMPORARY RESTRAINING ORDER prayed for, limited however, to the 'Writ of Preliminary Injunction' dated 22 August 1994 and the order dated 14 July 1994 both issued in SP Proceeding No. 94-71010 which in the opinion of the Court are all too encompassing and should be limited in scope and subject to the conditions set forth in the resolution of September 28, 1994 that, '(D)uring the effectivity of the temporary restraining order, petitioner Patricia C. Lim, her attorneys, representatives, agents and any other persons assisting petitioner Patricia C. Lim will be able to act, enter into

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or sign contracts or documents solely for and on behalf of Patricia C. Lim; *said actions, contracts or documents should not in any way bind or affect the interests of her parents, Isabelo P. Lim and Purificacion C. Lim, her brothers and sisters and any family owned or controlled corporation in particular, the Limpan Investment Corporation.*'

'NOW THEREFORE, You (Respondent Hon. Judge Demetrio M. Batario, Jr.), your agents, representatives, and/or any person or persons, acting upon your orders or in your place or stead, are hereby RESTRAINED and ENJOINED from enforcing and carrying out the Writ of Preliminary Injunction dated 22 August 1994 and the Order dated 14 July 1994 both issued by respondent Judge In SP Proceeding No. 94-71010.' (italics supplied)

"The petitioners argued that, under the aforesaid order, YU [was] incapacitated from filing a derivative suit. YU naturally espoused the opposite view.

"Acting on the petitioners' Motion to Dismiss, the Hearing Officer, Atty. Manuel Perea, issued an Order dated 05 January 1996, holding in abeyance the resolution of the motion to dismiss, which reads as follows:

'Before this Commission is the motion to dismiss filed by respondents Gilda C. Lim, *et al.*, as well as the opposition thereto.

'In view of the conflicting interpretation of the order issued by the Supreme Court in Sp. Proc. No. 94-70010 regarding the legal capacity of the plaintiff [—] x x x who is allegedly under guardianship [— to file the instant action] either or both parties are directed to file a motion for clarification of the orders invoked by respondent Gilda C. Lim, *et al.* The desired clarification is perceived to settle the issue of plaintiff's capacity to file the instant action.

'Meanwhile, resolution of the pending incident shall be held in abeyance until the parties shall have secured the desired interpretation/opinion of the Supreme Court on the matter.'

"Yu filed a Motion for Reconsideration dated 08 April 1996, which was denied in an Order dated 25 April 1996, on the ground that it was filed beyond the ten-day period allowed for seeking reconsideration. Yu filed a Motion for Leave to Admit Second Motion

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for Reconsideration dated 02 July 1996 which the Hearing Officer also denied.

"From the denial of her second motion for reconsideration, Yu filed a petition for *certiorari* before the SEC *En Banc* seeking to set aside the Order of 05 January 1994. On 04 February 1994, the SEC *En Banc* issued the first assailed order granting the petition for *certiorari*, and ordering the Securities Investigation & Clearing Department (SICD) to hear the other grounds of the Motion to Dismiss and to continue the case until its final determination. A motion for reconsideration filed by L[im] having been denied, the instant petition for review was instituted before this Court. x x x."[6]

Ruling of the Court of Appeals

Ruling that the Supreme Court's TRO was clear, the CA agreed with the SEC that, pending clarification thereof, there was no need for the hearing officer to defer ruling on the Motion to Dismiss. The appellate court stated that the TRO did not prohibit herein Respondent Patricia Lim-Yu from acting or entering into contracts on her own behalf or from protecting her rights. The root of the present controversy — the Complaint she filed before the SEC — relates to a denial of her preemptive right as a shareholder. Thus, her capacity to file the suit must be sustained. Finally, on the question of the timeliness of respondent's Petition for *Certiorari* before the SEC, the CA ruled that adherence to strict technical rules should be relaxed to prevent palpable injustice.

Hence, this recourse.[7]

Issues

In their Memorandum,[8] petitioners raise the following issues:

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[6] CA Decision, pp. 1-4; *rollo*, pp. 8-11.

[7] This case was deemed submitted for resolution on February 14, 2000, upon receipt by this Court of petitioners' Memorandum signed by Attys. Virgelio T. Nibungco and Carmela D. Medina. Respondent's Memorandum, signed by Atty. Ferdinand R. Silerio, was received earlier on January 10, 2000.

[8] *Rollo*, pp. 411-419.

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"I

The Honorable Court of Appeals erred in sustaining the respondent's legal capacity to sue the petitioners by relying solely on the first half of this Honorable Court's TRO and without considering the second half of said TRO.

"II

The Honorable Court of Appeals erred in disregarding the sole power/authority of the Supreme Court to enforce/clarify its own resolutions/orders under the Rules of Court.

"III

The Honorable Court of Appeals in effect allowed the Securities and Exchange Commission (SEC) to maintain two conflicting positions on similar matters before it (SEC) when it upheld the SEC's position that clarification of this Honorable Court's TRO was not needed in SEC Case No. 07-95-5114.

"IV

The Honorable Court of Appeals failed to consider that herein respondent had been repeatedly and notoriously guilty of laches.

Simply put, the main issue is whether respondent had the legal capacity to file her Complaint before the SEC. The others are merely incidental to this main point.

The Court's Ruling

The Petition has no merit.

First Issue: Legal Capacity to Sue

Petitioners point out that both the SEC and the Court of Appeals considered only the first part of the Supreme Court TRO and completely ignored the second part. Supposedly, the latter part barred respondent from entering into agreements that would affect her family and the corporation. Hence, they claim that the TRO, taken as a whole, proscribed respondent's "derivative suit," which sought to "enjoin herein [P]etitioner Gilda C. Lim from further voting or exercising any and all rights

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arising from the issuance to her of 15,515 shares of stock of the corporation."[9]

We do not agree. The pertinent portion of the TRO issued by this Court reads as follows:

"(b) to ISSUE the TEMPORARY RESTRAINING ORDER prayed for, limited however, to the 'Writ of Preliminary Injunction' dated 22 August 1994 and the Order dated 14 July 1994 both issued in SP Proceeding No. 94-71010 which in the opinion of the Court are all too encompassing and should be limited in scope and subject to the conditions set forth in the Resolution of September 28, 1994 that, '(D)uring the effectivity of the Temporary Restraining Order, petitioner Patricia C. Lim, her attorneys, representatives, agents and any other persons assisting petitioner Patricia C. Lim will be able to act, enter into or sign contracts or documents solely for and on behalf of Patricia C. Lim; said actions, contracts or documents should not in any way bind or affect the interests of her parents, Isabelo P. Lim and Purificacion C. Lim, her brothers and sisters and any family owned or controlled corporation in particular, the Limpan Investment Corporation."

Simply put, the TRO allows Respondent Patricia Lim-Yu to act for herself and to enter into any contract on her own behalf. However, she cannot transact in representation of or for the benefit of her parents, brothers or sisters, or the Limpan Investment Corporation. Contrary to what petitioners suggest, all that is prohibited is any action that will bind them. In short, she can act only on and in her own behalf, not that of petitioners or the Corporation.

There appears to be a confusion on the nature of the suit initiated before the SEC. Petitioners describe it as a derivative suit, which has been defined as "an action brought by minority shareholders in the name of the corporation to redress wrongs committed against it, for which the directors refuse to sue. It is a remedy designed by equity and has been the principal defense of the minority shareholders against abuses by the majority."[10]

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[9] Petitioners' Memorandum, p. 3; *rollo* p. 413.

[10] *Western Institute of Technology, Inc. v. Salas,* 278 SCRA 216, 225, August 21, 1997, per Hermosisima Jr., *J.*

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In a derivative action, the real party in interest is the corporation itself, not the shareholder(s) who actually instituted it.

If the suit filed by respondent was indeed derivative in character, then respondent may not have the capacity to sue. The reason is that she would be acting in representation of the corporation, an act which the TRO enjoins her from doing.

We hold, however, that the suit of respondent cannot be characterized as derivative, because she was complaining only of the violation of her preemptive right under Section 39 of the Corporation Code.[11] She was merely praying that she be allowed to subscribe to the additional issuances of stocks in proportion to her shareholdings to enable her to preserve her percentage of ownership in the corporation. She was therefore not acting for the benefit of the corporation. Quite the contrary, she was suing on her own behalf, out of a desire to protect and preserve her preemptive rights. Unquestionably, the TRO did not prevent her from pursuing that action.

To repeat, the TRO issued by this Court had two components: (1) it allowed respondent to enter into agreements on her own behalf; and (2) it clarified that respondent's acts could not bind or affect the interests of her parents, brothers or sisters, or Limpan. In other words, respondent was, as a rule, allowed to act; but, as an exception, was prohibited from doing anything that would bind the corporation or any of the above-named persons.

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[11] "SEC. 39. *Power to deny pre-emptive right.* – All stockholders of a stock corporation shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto: *Provided*, That such pre-emptive right shall not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt."

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In this light, the TRO did not prohibit respondent from filing, on and in her own behalf, a suit for the alleged violation of her preemptive rights to purchase additional stock subscriptions. In other words, it did not restrain respondent from acting and enforcing her own rights. It merely barred her from acting in representation of the corporation.

Petitioners fail to appreciate the distinction between the act itself and its net result. The act of filing the suit did not in any way bind the corporation. The result of such act affected it, however. Similarly, respondent can sell her shares to the corporation or make a will and designate her parents, for example, as beneficiaries. It would be quite far-fetched to say that these acts are prohibited by the TRO, even if they will definitely affect the corporation and her parents.

Section 2 of Rule 3 of the Rules of Court[12] defines a real party in interest as one who is entitled to the avails of any judgment rendered in a suit, or who stands to be benefited or injured by it. In the present case, it is clear that respondent was suing on her own behalf in order to enforce her preemptive rights. Nothing, not the TRO, barred her from filing that suit.

Incidental Issues

Power to Clarify Own Resolutions

Petitioners also assail the ruling of the Court of Appeals that the SEC hearing officer "was bound to interpret the Supreme Court's order instead of burdening [it] with the responsibility of 'clarifying' what already appears to be a clear order." Citing

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[12] It provides as follows: "SEC. 2. *Parties in interest.* — A real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. Unless otherwise authorized by law or these Rules, every action must be prosecuted or defended in the name of the real party in interest." See also *Board of Optometry v. Colet*, 260 SCRA 88, July 30, 1996; *Fortich v. Corona*, 289 SCRA 624, April 24, 1998.

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Section 5 (5) of Article VIII[13] of the Constitution and Section 5 of Rule 135,[14] petitioners contend that the ruling disregarded the Supreme Court's power to control and to clarify its own orders, as granted by the Constitution.

The argument must be rejected outright. *First,* as stated earlier, the TRO was very clear. In such instances, it was axiomatic that there was no need for interpretation, only for application.[15] Hence, there was no reason for the SEC hearing officer to rely on the rules of statutory construction or for this Court to clarify its Order. *Second*, even assuming that there was a need to interpret the TRO, the hearing officer was duty-bound to do so. Indeed, the mandate to apply and interpret pertinent laws and rulings is necessarily included in the "adjudicative functions"[16] of the SEC or of any other quasi-judicial body for that matter.[17]

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[13] "Section 5. The Supreme Court shall have the following powers:

x x x x x x x x x

(5) Promulgate rules concerning the protection and enforcement of constitutional rights, pleading, practice, and procedure in all courts, the admission to the practice of law, the Integrated Bar, and legal assistance to the underprivileged. Such rules shall provide a simplified and inexpensive procedure for the speedy disposition of cases, shall be uniform for all courts of the same grade, and shall not diminish, increase, or modify substantive rights. Rules of procedure of special courts and quasi-judicial bodies shall remain effective unless disapproved by the Supreme Court.

[14] "Sec. 5. *Inherent powers of courts.* – Every court shall have the power:

x x x x x x x x x

(b) To enforce order in proceedings before it, or before a person or persons empowered to conduct a judicial investigation under its authority;

(c) To compel obedience to its judgments, orders, and processes, and to the lawful orders of a judge out of court, in a case pending therein; x x x."

[15] *Ayala Corporation v. Ray Burton Development Corp.,* 294 SCRA 48, August 7, 1998.

[16] Section 5, PD 902-A.

[17] See *Siapian v. CA,* GR No. 111928, March 1, 2000; *Philippine International Trading Corporation v. Angeles,* 263 SCRA 421, October 21, 1996; *Philippines Today v. NLRC,* 267 SCRA 202, January 30, 1997.

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Verily, the power of this Court to clarify its own orders does not divest the SEC of its function to apply those orders to cases before it. If parties disagree with the SEC, they can file the proper suit in a regular court in accordance with law. In any event, the seeming obscurity or ambiguity of a TRO is not an excuse for a quasi-judicial body, or any regular court or judge, to shirk from the responsibility of applying and interpreting it.[18]

Alleged Conflicting Positions of the SEC

Petitioners further contend that the CA effectively allowed the SEC to maintain contradictory positions on similar matters. They cite *Philippine Commercial International Bank v. Aquaventures Corporation,* docketed as SEC *En Banc* Case No. 455, in which the SEC referred a TRO to this Court for clarification.[19]

This argument is untenable. The alleged contradictory SEC ruling in the said case is irrelevant and unnecessary to the resolution of the present one. Petitioners do not claim that the factual milieu of the former is similar to that of the latter. Moreover, the actions of the SEC in the above-mentioned case have not been put at issue by the proper parties in these proceedings. In any event, they are neither binding nor conclusive on appeal. They may be the subject of the Court's review in accordance with the applicable provisions of the Rules of Court.

Laches

Petitioners further contend that the CA failed to appreciate that respondent had been "repeatedly and notoriously guilty of laches." They point out that she filed a Motion for Reconsideration of the SEC hearing officer's Order almost four months late. They further allege that it took her another two and a half months to file a Motion for Leave to Admit Second Motion for Reconsideration.[20]

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[18] See Article 9, Civil Code.

[19] Petitioners' Memorandum, p. 13; *rollo*, p. 423.

[20] Petitioners' Memorandum, pp. 17-18; *rollo*, pp. 427-428.

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We reject this argument. It has been held that it is the better rule that courts, under the principle of equity, shall not be bound strictly by the doctrine of laches, when a manifest wrong or injustice would result.[21] To rule that respondent can no longer question the hearing officer would deprive her of the opportunity to sue in order to enforce her preemptive rights, an act that is not proscribed by this Court's TRO.

WHEREFORE, the Petition is hereby *DENIED* and the assailed Decision *AFFIRMED*. Costs against petitioners.

SO ORDERED.

Melo, (Chairman), Vitug, Gonzaga-Reyes, and *Sandoval-Gutierrez, JJ.*, concur.

SECOND DIVISION

[G.R. No. 139834. February 19, 2001]

PEOPLE OF THE PHILIPPINES, *plaintiff-appellee, vs.* **REYNALDO TOLENTINO *y* SANTOS,** *accused-appellant.*

SYNOPSIS

At midnight on that fateful night, complainant Elena, then 15 years old, was awakened and found appellant, her uncle, beside her. Armed with a knife, he pointed it at her and told her not to shout, otherwise he would kill her. Appellant then punched her in the stomach and legs, rendering her unconscious.

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[21] See *Ang Ping v. CA*, 310 SCRA 343, July 15, 1999; *Santiago v. CA*, 278 SCRA 98, August 21, 1997.