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SECOND DIVISION

[G.R. No. 253428; February 16, 2022]

GUERRERO ESTATE DEVELOPMENT CORPORATION, *Petitioner*, *v.* **LEVISTE & GUERRERO REALTY CORPORATION and the HEIRS OF CONRAD C. LEVISTE, as represented by LAURO S. LEVISTE II,** *Respondents*.

D E C I S I O N

INTING, *J.*:

Before the Court is a Petition for Review on *Certiorari*[1] assailing the Decision[2] dated June 26, 2019 and the Resolution[3] dated August 24, 2020 of the Court of Appeals (CA) in CA-G.R. SP No. 157982. The CA reversed and set aside the Orders dated February 19, 2018[4] and September 6, 2018[5] of Branch 274, Regional Trial Court (RTC), Parañaque City in Civil Case No. 12-003 that granted the Motion to Deposit Rentals in Court[6] (Motion to Deposit) filed by Guerrero Estate Development Corporation (GEDCOR).

The Antecedents

Guillerma Santos (Guillerma) was the registered owner of a parcel of land located in Brgy. San Dionisio, Parañaque City. The lot has an area of 33,895 square meters, more or less, and is covered by Original Certificate of Title No. 96 of the Registry of Deeds for the Province of Rizal. After the death of Guillerma, the

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[1] *Rollo*, Vol. I, pp. 11-42.

[2] *Id.* at 47-61; penned by Associate Justice Ramon A. Cruz with Associate Justices Ramon M. Bato, Jr. and Ronaldo Roberto B. Martin, concurring.

[3] *Id.* at 100-101.

[4] *Rollo*, Vol. III, pp. 925-926; penned by Presiding Judge Fortunito L. Madrona.

[5] *Id.* at 964-965; penned by Acting Presiding Judge Danilo V. Suarez.

[6] *Id.* at 905-910.

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property was inherited by her surviving heirs, namely: Iluminada Guerrero, Fabiola Vda. De Guerrero, Guillermo Guerrero, Cecilia Guerrero Cardeno, Fernando Guerrero, Isidro Guerrero, Perlinda Guerrero Irinco, Salvador Guerrero, Sylvia Guerrero Aguilar, Juanita Guerrero Ferry, Edilberto Guerrero, Josefina Maria T. Guerrero, and Leonila Guerrero Caoili.[7]

Because the property was basically a saltbed site which has been traversed by the Imelda Marcos Avenue, the surviving heirs entered into a Joint Venture Agreement[8] with Allanigue Realty and Development Corporation (ADRC) for the conversion of the 20,379-square-meter portion of the property to commercial and industrial sites on January 13, 1983. The surviving heirs of Guillerma formed GEDCOR, a corporation duly organized and existing by virtue of Philippine laws on October 28, 1985. After the conversion of the portion of the property to commercial and industrial sites, the parties divided the developed lots on a 60%-40% sharing scheme, with 60% going to GEDCOR and 40% going to ADRC pursuant to their Updated Joint Venture Agreement[9] on April 29, 1986.[10]

One of the properties allocated to GEDCOR was a parcel of land in San Dionisio, Parañaque City with an area of 1,506 square meters, more or less, and covered by Transfer Certificate of Title No. (103259) 23998 of the Registry of Deeds of Pasay City (subject property). GEDCOR entered into a Joint Venture Contract[11] with Conrad Leviste (Conrad) on June 2, 1987 for the purpose of constructing a warehouse on the subject property.[12] The contract included the following terms:

WHEREAS, the FIRST PARTY is desirous to develop the land for warehouse purposes;

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[7] *Rollo*, Vol. I, pp. 48 and 103.

[8] *Id.* at 135-139.

[9] *Id.* at 140-145.

[10] *Id.* at 48 and 103.

[11] *Id.* at 148-149.

[12] *Id.* at 48.

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WHEREAS, the SECOND PARTY is a real estate developer who is capable and willing to construct and supply labor and material for the construction of the said warehouse based on the attached building plans and specifications;

WHEREAS the parties herein agree that upon the signing of this agreement, the SECOND PARTY will immediately initiate the construction of the said warehouse within a period of 30 days and to be completed within 6 months;

WHEREAS, after the completion of the warehouse, the parties have agreed to register a corporation that shall be the holding company of said asset and the participation of the FIRST PARTY and the SECOND PARTY to the said corporation will be 45% for the FIRST PARTY and 55% for the SECOND PARTY;

x x x x[13]

Conrad was able to complete the construction of the warehouse at an estimated cost of ₱995,102.20. He then formed Leviste & Guerrero Realty Corporation (LGRC), a corporation duly organized and existing under Philippine laws on August 3, 1988.[14]

LGRC started leasing out the warehouse in 1988. From then on, 45% of the rental income of the warehouse was remitted to GEDCOR and 55% thereof went to Conrad. At present, the lessee of the warehouse is Lambert Williams Logistics, Inc.[15]

On October 23, 2006, GEDCOR sent a Letter[16] to Conrad offering the termination of their Joint Venture Contract for the consideration of ₱1,000,000.00. In the Letter, GEDCOR noted the existence of the warehouse for more than 18 years and that Conrad had been adequately compensated for the cost of the construction thereof. This was not acted upon by Conrad. After two years, GEDCOR sent another Letter[17] to Conrad demanding

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[13] *Id.* at 48-49, 318.

[14] *Id.* at 49.

[15] *Id.*

[16] *Id.* at 162.

[17] See Letter dated September 18, 2009, *id.* at 163-164.

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the turnover of possession and control of the subject property. Claiming that Conrad had already recouped his investments, GEDCOR offered him a settlement in order to reacquire possession of the subject property.[18]

Thereafter, LGRC stopped remitting GEDCOR's 45% share in the monthly rental income of the subject property starting from the month of June 2009. As of September 1, 2011, the total unremitted share amounted to ₱2,596,041.09. This prompted GEDCOR to send a Letter[19] to LGRC demanding the remittance of ₱2,596,041.09, representing its share in the rental income from June 1, 2009 to September 1, 2011 and the subsequent rental income to be collected by LGRC. Despite receipt of the letter, LGRC continued to refuse to heed the demands of GEDCOR.[20]

Thus, GEDCOR filed a Complaint[21] for Fixing of Period under Article 1197 of the Civil Code of the Philippines (Civil Code), Collection of Sum of Money and/or Accounting against Conrad and LGRC before the RTC of Parañaque City. The case was raffled to Branch 274 and was docketed as Civil Case No. 12-003.[22]

GEDCOR claimed that: (1) the Joint Venture Contract failed to state a period for its effectivity; (2) the parties did not intend for the subject property to be held indefinitely by LGRC; (3) GEDCOR did not also intend to relinquish the enjoyment and possession of the subject property to Conrad indefinitely on account of his investment in the amount of ₱995,102.20; (4) the Joint Venture Contract needs to be terminated because Conrad has recouped his investments and already earned reasonable profits from it; (5) because the Joint Venture Contract is akin to a build-operate-transfer scheme which has a customary period of 25 years, the court should fix the term of the agreement to 25 years under Article 1197 of the Civil Code; and (6) because LGRC failed

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[18] *Id.* at 49.

[19] See Letter dated October 27, 2011, *id.* at 165-166.

[20] *Id.*

[21] *Id.* at 102-113.

[22] *Id.* at 49-50.

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to remit GEDCOR's 45% share despite due demand, Conrad and LGRC should be jointly and severally held liable to pay the amount of ₱2,596,041.09, along with the 45% share in the rental income from September 1, 2011 up to the present. GEDCOR also prayed that LGRC be ordered to render an accounting of the rental income.[23]

Conrad and LGRC filed an Answer with Counterclaims[24] dated February 27, 2012. They posited that: (1) the parties to the Joint Venture Contract intended the effectivity of the agreement to coincide with the life of the corporation; (2) the Joint Venture Contract is a contract of partnership and not a build-operate-transfer scheme; (3) the cause of action of GEDCOR is governed by the Corporation Code and not by the Civil Code; (4) LGRC is not required to regularly declare dividends; (5) the decision to temporarily stop issuing dividends is a management prerogative that was made by the Board of Directors of LGRC; and (6) the action is premature because LGRC has not received any demand for accounting from any of the stockholders.[25] LGRC prayed for an award of actual, moral damages, and attorney's fees.[26]

The parties filed their Pre-Trial Briefs. After pre-trial, trial of the case ensued.[27]

After filing a Formal Offer of Documentary Evidence for the Plaintiff,[28] GEDCOR filed its Motion to Deposit. Conrad and LGRC filed their Comment[29] on the motion, and GEDCOR filed its Reply.[30]

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[23] *Id.* at 107-109.

[24] *Id.* at 167-181.

[25] *Id.* at 174-178.

[26] *Id.* at 180.

[27] *Id.* at 50.

[28] *Id.* at 233-284.

[29] *Rollo*, Vol. III, pp. 911-917.

[30] *Id.* at 918-924.

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The RTC Ruling

On February 19, 2018, the RTC issued an Order[31] (Deposit Order) granting the GEDCOR's Motion to Deposit. The dispositive portion provides:

> WHEREFORE, for the foregoing reasons, the Motion to Deposit Rentals in Court is granted. Defendants are directed to deposit in Court within 30 days from receipt of this Order, the following:
>
> (1) the amount of ₱5,936,461.65 representing plaintiff's 45% share in the rental income of the subject warehouse from June 1, 2009 to September 30, 2015;
>
> (2) the amount equivalent to 45% share in the rental income of the subject warehouse from October 1, 2015 and every month thereafter until the case is finally resolved.
>
> SO ORDERED.[32]

Conrad and LGRC filed a Motion for Reconsideration (of the Order dated 19 February 2018),[33] but the RTC denied it in an Order[34] dated September 6, 2018.

Thereafter, Conrad died and was substituted by respondents Heirs of Conrad as represented by Lauro S. Leviste II.[35]

Dissatisfied, LGRC and the heirs of Conrad (collectively, respondents) filed a Petition for *Certiorari* under Rule 65 of the Rules of Court before the CA.[36]

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[31] *Id.* at 925-926.

[32] *Id.* at 926.

[33] *Id.* at 927-937.

[34] *Id.* at 964-965.

[35] *Rollo*, Vol. I, p. 51.

[36] *Id.* at 47.

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The CA Ruling

In the Decision[37] dated June 26, 2019, the CA granted the petition and reversed and set aside the RTC Orders dated February 19, 2018 and September 6, 2018.[38]

The CA ruled that respondents sufficiently established grave abuse of discretion on the part of the RTC when it granted GEDCOR's Motion to Deposit. It gave the following grounds for its finding of grave abuse of discretion on the part of the RTC: (1) the Deposit Order was akin to the provisional remedy of preliminary attachment under Rule 57 of the Rules of Court, and yet, GEDCOR was able to obtain the same without strictly complying with the procedure under the Rules of Court; and (2) it amounted to a prejudgment of the case.[39]

The CA explained that the Rules of Court do not expressly provide for deposit as a provisional relief. Further, the RTC cannot pass off the order as a means of carrying its jurisdiction into effect by invoking Sections 5(g) and 6 of Rule 135 of the Rules of Court because the proper procedure to be followed in the exercise of its jurisdiction is specifically provided under Rule 57 of the Rules of Court.[40]

In finding that the issuance of the Deposit Order amounted to a prejudgment of the case, the CA explained that the RTC already passed upon the issue as to the proper amount of rental income which GEDCOR is entitled to despite the absence of any accounting to support the figure demanded by GEDCOR. Specifically, the RTC had already admitted the table of computation presented by GEDCOR showing that the latter is entitled to ₱5,936,461.65 representing 45% share from June 2009 up to September 2015. The table of computation simply multiplied 45% by the total amount of rent to arrive at the monthly share of GEDCOR. The RTC adopted completely the figure presented by

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[37] *Id.* at 47-61.

[38] *Id.* at 59.

[39] *Id.* at 56.

[40] *Id.* at 58.

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GEDCOR notwithstanding the following: (1) the existence of a cause of action for Accounting in the Complaint; (2) the lack of documents to support the computation of the same; and (3) the fact that the previous official receipts, tables of computation and deposit slips of the 45% share of GEDCOR involved deductions of withholding taxes, registration fees, occasional real estate taxes, and other maintenance expenses.[41]

The CA further ruled that with the issue of the proper computation of GEDCOR's 45% share in the lease income of LGRC not having been resolved yet, it was premature for the RTC to act favorably on the Motion to Deposit filed by GEDCOR. Such relief may only be granted once LGRC has rendered a complete accounting of its income and expenses and the figure representing 45% share of GEDCOR in the lease has already been definitively determined. Further, the issuance of the Deposit Order resulted in an absurd situation where there is a reversal of the rule on the burden of proof. Specifically, GEDCOR is supposed to prove its proposition as to the amount of rentals, *i.e.*, ₱5,936,461.65, but this is already assumed considering the Deposit Order of the RTC.[42]

GEDCOR filed a Motion for Reconsideration,[43] but the CA denied it in its Resolution[44] dated August 24, 2020.

Hence, the instant petition.

The Petition

GEDCOR maintains that the CA erred in ruling that the RTC committed grave abuse of discretion in granting its Motion to Deposit.[45]

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[41] *Id.* at 58-59.

[42] *Id.* at 59.

[43] *Id.* at 62-70.

[44] *Id.* at 100-101.

[45] *Id.* at 27.

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GEDCOR argues the following:

First, the Deposit Order, the provisional relief granted by the RTC, has been sanctioned by the Court pursuant to the general and inherent power of the courts to issue such orders as may be conformable to law and justice, and to employ such means as necessary to carry its jurisdiction into effect, as provided under Sections 5(g) and 6 of Rule 135 of the Rules of Court.[46]

Second, the Deposit Order of the RTC is not akin to the grant of a writ of preliminary attachment that would require GEDCOR to comply with the requirements under Rule 57 of the Rules of Court. This is because GEDCOR did not seek to create a lien or act as security for the payment of an obligation. GEDCOR's 45% share in the rental income is not LGRC's property and is not being levied as security for whatever judgment it may be entitled to. The Deposit Order of the RTC is meant to preserve and protect the rights and interests of the parties while the case is being litigated and is, in fact, preservatory in character.[47]

Third, Section 6, Rule 135 and Rule 57 of the Rules of Court are not mutually exclusive and inconsistent with each other. A perusal of Section 6, Rule 135 shows that when jurisdiction is conferred on the court, the court may employ all such means as may be necessary to carry such jurisdiction into effect, and the court may adopt any suitable process or mode of proceeding if the procedure to be followed is not specifically provided by law or by the Rules of Court. Reading Section 6, Rule 135, there is nothing to support the conclusion that if a similar remedy is available under a different rule, Section 6, Rule 135 cannot apply.[48]

Fourth, the Deposit Order of the RTC directing Conrad and LGRC to deposit 45% of the monthly rental income over the warehouse with the RTC did not amount to a prejudgment of the case because it is merely provisional and preservatory in character and is not intended to be an adjudication on the merits

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[46] *Id.*

[47] *Id.* at 27-28.

[48] *Id.* at 31.

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of the main case. GEDCOR maintains that there is no truth to the claim of respondents that there was no accounting or documents presented to support the computation of the amount of rentals to be deposited with the court. In fact, the computation of the rental income and the 45% share was based on the last known rental rate as of 2006. Said rate is supported by lease contracts which were executed by LGRC and the lessee and which were admitted by the RTC. Further, GEDCOR's claim over its 45% share in the rental income is based on LGRC's longstanding and consistent practice of remitting the 45% share on a monthly basis. Such practice was expressly admitted by respondents during pre-trial proceedings.[49]

In their Comment,[50] respondents maintain that the CA was correct in finding grave abuse of discretion on the part of the RTC when it issued the Orders dated February 19, 2018 and September 6, 2018.

Respondents argue the following:

First, the Deposit Order of the RTC is akin to the provisional remedy of attachment. It sought to attach the amount of deposit as security for satisfaction of judgment that may be had; yet, GEDCOR was able to obtain relief without strictly complying with the procedures required under the Rules of Court. Further, the RTC cannot invoke Sections 5(g) and 6, Rule 135 of the Rules of Court because the rules provide for a specific process or procedure to afford the relief sought in the form of Rule 57 on preliminary attachment.[51]

Second, the CA correctly ruled that the RTC Orders amounted to a prejudgment of the case. Specifically, the RTC departed from the following well-settled principles: (1) that courts cannot grant a relief not prayed for in the pleadings or in excess of what is being sought by the party; and (2) that courts cannot also grant a relief without first ascertaining and requiring the due presentation of supporting evidence. In its original complaint, GEDCOR prayed

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[49] *Id.* at 33-36.

[50] *Rollo*, Vol. III, pp. 1422-1438.

[51] *Id.* at 1423-1430.

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for the RTC to order Conrad and LGRC to render an accounting of the income derived from the lease of the subject warehouse. With the issuance of the RTC Orders, the hypothetical claim of money by GEDCOR was already being set aside for its benefit even before full adjudication of the original case, and even before a resolution of the issue of accounting of expenses and income.[52]

Issue

The issue to be resolved by the Court is whether the CA erred in ruling that the RTC gravely abused its discretion when it granted GEDCOR's Motion to Deposit.

The Court's Ruling

The petition is meritorious.

Branch 274, RTC, Parañaque City, correctly exercised its jurisdiction over GEDCOR's complaint.

At the outset, the Court deems it proper to dispel any doubt as to the jurisdiction of the RTC over the present case. This is considering that "[a] judgment rendered by a court without jurisdiction is null and void and may be attacked anytime. It creates no rights and produces no effect."[53] Here, respondents argued before the RTC and the CA that GEDCOR's claim for advance dividend entitlement is an intra-corporate issue which is within the jurisdiction of Special Commercial Courts and not Branch 274, RTC, Parañaque City in Civil Case No. 12-003.[54]

First, the Court finds that the present case does not involve an intra-corporate controversy.

To determine whether a dispute involves an intra-corporate controversy, the courts apply two tests: the relationship test and the nature of the controversy test, which are characterized as follows:

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[52] *Id.* at 1430-1435.

[53] *Bilag v. Ay-ay*, 809 Phil. 236, 247-248 (2017).

[54] *Rollo*, Vol. I, pp. 53-54; *Rollo*, Vol. III, p. 952.

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Under the relationship test, there is an intra-corporate controversy when the conflict is (1) between the corporation, partnership, or association and the public; (2) between the corporation, partnership, or association and the State insofar as its franchise, permit, or license to operate is concerned; (3) between the corporation, partnership, or association and its stockholders, partners, members, or officers; and (4) among the stockholders, partners, or associates themselves.

On the other hand, in accordance with the nature of controversy test, an intra-corporate controversy arises when the controversy is not only rooted in the existence of an intra-corporate relationship, but also in the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation.[55]

Here, the conflict does not fall under any of the enumerations under the relationship test. More particularly, there is no conflict between a corporation and its stockholders. As admitted by respondents in their Motion for Reconsideration (of the Order dated 19 February 2018),[56] GEDCOR is not a stockholder of LGRC.[57] Further, the Court finds that the case does not pass the controversy test because following the same admission of respondents, there is no claim for advance dividend entitlement by GEDCOR to speak of.

In fact, in its Comment to the Petition for *Certiorari*[58] before the CA, GEDCOR aptly pointed out the following:

66. [Respondents] contradict themselves when they claim that the subject Orders intrude upon their power to declare dividends and deprives them of due process when the Orders require them to purportedly deposit the "dividend entitlements" of [petitioner] GEDCOR, while at the same time claiming that [petitioner] GEDCOR is not a stockholder entitled to a dividend share.

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[55] *San Jose v. Ozamiz*, 813 Phil. 669, 678-679 (2017). Citations omitted.

[56] *Rollo*, Vol. III, pp. 927-938.

[57] *Id.* at 934-935.

[58] *Id.* at 1296-1317.

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69. Thus, [respondents'] arguments concerning the corporation's power to declare dividends, the business judgment rule and it being an intra-corporate dispute are absolutely without basis and are clearly being made just to confuse the issues in this case.[59]

Second, it must be emphasized that "a court's acquisition of jurisdiction over a particular case's subject matter is different from incidents pertaining to the exercise of jurisdiction."[60] The Court in *Gonzales v. GJH Land, Inc.*[61] *(Gonzales)* differentiated these two matters as follows:

> Jurisdiction over the subject matter of a case is conferred by law, whereas a court's exercise of jurisdiction, unless provided by the law itself, is governed by the Rules of Court or by the orders issued from time to time by the Court. In *Lozada v. Bracewell*, it was recently held that the matter of whether the RTC resolves an issue in the exercise of its original jurisdiction or of its limited jurisdiction as a special court is only a matter of procedure and has nothing to do with the question of jurisdiction.[62]

The Court then ruled in *Gonzales* that under Section 5[63] of Republic Act No. (RA) 8799,[64] the jurisdiction over cases

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[59] *Id.* at 1313.

[60] *Concorde Condominium, Inc. v. Baculio*, 781 Phil. 174, 186 (2016).

[61] 772 Phil. 483 (2015).

[62] *Id.* at 505.

[63] Section 5 of Republic Act No. 8799 provides in part:

Section 5. *Powers and Functions of the Commission*.– 5.1. x x x

5.2. The Commission's jurisdiction over all cases enumerated under section 5 of Presidential Decree No. 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: *Provided*, That the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over the cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payment/rehabilitation cases filed as of 30 June 2000 until finally disposed.

[64] The Securities Regulation Code, approved on July 19, 2000.

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enumerated in Section 5[65] of Presidential Decree No. 902-A[66] is transferred from the Securities and Exchange Commission (SEC) to the RTCs in general and not only in favor of particular RTC branches, *i.e.*, the Special Commercial Courts.[67] Notably, among the cases transferred from the SEC to the RTCs are intra-corporate controversies.

The Court further elucidated in *Gonzales* that the Court's orders or issuances designating certain or specialized courts, *i.e.*, particular branches, to try and decide cases formerly cognizable by the SEC, among other cases, is to promote expediency and efficiency in the exercise of the RTC's jurisdiction and has nothing to do with the statutory conferment of jurisdiction to all RTCs under RA 8799.[68]

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[65] Section 5 of Presidential Decree No. 902-A provides:

SECTION 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving.

a) Devices or schemes employed by or any acts, of the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, partners, members of associations or organizations registered with the Commission;
b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity;
c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.

[66] Entitled, "Reorganization of the Securities and Exchange Commission with Additional Powers and Placing the said Agency under the Administrative Supervision of the Office of the President," approved on March 11, 1976.

[67] As discussed in *Concorde Condominium, Inc. v. Baculio*, *supra* note 60.

[68] See the following Court issuances as discussed and cited in *Gonzales v. GJH Land, Inc.*, *supra* note 61: (1) A.M. No. 00-11-03-SC dated November 21, 2000, entitled "Resolution Designating Certain Branches of Regional

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Thus, the Court ruled that "the erroneous raffling to a regular branch [of the RTC of Muntinlupa] instead of to a Special Commercial Court is only a matter of procedure—that is an incident related to the exercise of jurisdiction—and thus, should not negate the jurisdiction which the RTC of Muntinlupa already acquired."[69]

Following the Court's ruling in *Gonzales*, the existence of an intra-corporate dispute in a case pending before a regular RTC will not warrant its dismissal. This, however, is subject to the prospective rule laid down by the Court that to avoid future confusion, all initiatory pleadings shall state the action's nature both in its caption and body, and failure to do so will warrant the dismissal of the complaint but without prejudice to its refiling after due rectification.[70]

The Court laid out the following guidelines to govern the transfer of commercial cases erroneously raffled to a regular branch of the RTC, as well as ordinary cases erroneously raffled to a Special Commercial Court:

1. If a commercial case filed before the proper RTC is wrongly raffled to its regular branch, the proper courses of action are as follows:

1.1 If the RTC has only one branch designated as a Special Commercial Court, then the case shall be referred to the Executive Judge for re-docketing as a commercial case, and thereafter, assigned to the sole special branch;

1.2 If the RTC has multiple branches designated as Special Commercial Courts, then the case shall be referred to the Executive

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Trial Courts to Try and Decide Cases Formerly Cognizable by the Securities and Exchange Commission"; (2) Administrative Circular No. 08-2001 dated January 23, 2001, entitled "Transfer to Designated Regional Trial Courts of SEC Cases enumerated in Section 5, P.D. No. 502-A from the Regular Regional Trial Courts"; (3) A.M. No. 03-03-03 dated June 17, 2003, which consolidated the commercial SEC courts and the intellectual property courts in one RTC branch in a particular locality, *i.e.*, the Special Commercial Court.

[69] *Gonzales v. GJH Land, Inc.*, *supra* note 61 at 512-513.

[70] *Id.* at 519.

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Judge for re-docketing as a commercial case, and thereafter, raffled off among those special branches; and

1.3 If the RTC has no internal branch designated as a Special Commercial Court, then the case shall be referred to the nearest RTC with a designated Special Commercial Court branch within the judicial region. Upon referral, the RTC to which the case was referred to should re-docket the case as a commercial case, and then: *(a)* if the said RTC has only one branch designated as a Special Commercial Court, assign the case to the sole special branch; or *(b)* if the said RTC has multiple branches designated as Special Commercial Courts, raffle off the case among those special branches.

2. If an ordinary civil case filed before the proper RTC is wrongly raffled to its branch designated as a Special Commercial Court, then the case shall be referred to the Executive Judge for re-docketing as an ordinary civil case. Thereafter, it shall be raffled off to all courts of the same RTC (including its designated special branches which, by statute, are equally capable of exercising general jurisdiction same as regular branches), as provided for under existing rules.

3. All transfer/raffle of cases is subject to the payment of the appropriate docket fees in case of any difference. On the other hand, all docket fees already paid shall be duly credited, and any excess, refunded.

4. Finally, to avert any future confusion, the Court requires that all initiatory pleadings state the action's nature both in its caption and body. Otherwise, the initiatory pleading may, upon motion or by order of the court *motu proprio*, be dismissed without prejudice to its re-filing after due rectification. This last procedural rule is prospective in application.

5. All existing rules inconsistent with the foregoing are deemed superseded.[71]

Considering the discussion above, the Court now clarifies that in effect, what respondents were harping on was not the acquisition of jurisdiction by the RTC. Rather, they were assailing the purportedly erroneous exercise of jurisdiction by a particular branch thereof which is a regular court, premised on the belief that the case involves an intra-corporate dispute which should be tried before a Special Commercial Court. As there is no intra-

[71] *Id.* at 518-519.

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corporate dispute in this case, the Court finds that Branch 274, RTC, Parañaque City, correctly exercised its jurisdiction.

The CA erred in finding grave abuse of discretion on the part of the RTC in issuing the Deposit Order.

The issuance by the courts of deposit orders is not novel.

In *Lorenzo Shipping Corporation v. Villarin*[72] *(Lorenzo Shipping Corporation)*, the Court explained that the provisional remedy of deposit exists despite not being included as one of the provisional remedies under Rules 57 to 61 of the Rules of Court. The Court explained:

> Based on jurisprudence, a deposit order is an extraordinary provisional remedy whereby money or other property is placed in custodia legis to ensure restitution to whichever party is declared entitled thereto after court proceedings. It is extraordinary because its basis is not found in Rules 57 to 61 of the Rules of Court on Provisional Remedies but rather, under Sections 5(g) and 6, Rule 135 of the same Rules pertaining to the inherent power of every court "[t]o amend and control its process and orders so as to make them conformable to law and justice"; as well as to issue "all auxiliary writs, processes and other means necessary" to carry its jurisdiction into effect.[73]

In justifying the availability of deposit as a provisional remedy, the Court explained that Rule 135 of the Rules of Court gives the courts wide latitude in employing means to carry their jurisdiction into effect.[74]

Specifically, Sections 5(g) and 6, Rule 135 of the Rules of Court, the provisions relied upon by the RTC in granting GEDCOR's Motion to Deposit, provide:

> Section 5. Inherent power of courts. - Every court shall have the power:

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[72] G.R. Nos. 175727 & 178713, March 6, 2019.

[73] *Id.*

[74] *Id.*

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x x x x

(g) To amend and control its process and orders so as to make them conformable to law and justice;

x x x x

Section 6. Means to carry jurisdiction into effect. - When by law jurisdiction is conferred on a court or judicial officer, all auxiliary writs, processes and other means necessary to carry it into effect may be employed by such court or officer; and if the procedure to be followed in the exercise of such jurisdiction is not specifically pointed out by law or by these rules, any suitable process or mode of proceeding may be adopted which appears conformable to the spirit of said law or rules.

The Court in *Lorenzo Shipping Corporation* identified the two categories of provisional deposit orders as follows:

To elucidate further, provisional deposit orders can be seen as falling under two general categories. In the first category, the demandability of the money or other property to be deposited is not, or cannot—because of the nature of the relief sought—be contested by the party-depositor. In the second category, the party-depositor regularly receives money or other property from a non-party during the pendency of the case, and the court deems it proper to place such money or other property in *custodia legis* pending final determination of the party truly entitled to the same.

The cases of *Eternal Gardens Memorial Parks Corp. v. First Special Cases Division, Intermediate Appellate Court* and *Reyes v. Lim* fall under the first category. *Eternal Gardens* involved an interpleader case where the plaintiff-buyer (Eternal), who was seeking to compel the litigation of the two conflicting claims to the property in question, refused to comply with an order of deposit in *custodia legis* the installment payments for the disputed property. In upholding the provisional deposit order, the Court ruled that Eternal's disavowal of interest in the disputed property, and the deposit of such disputed money or property with the court, are essential elements of an interpleader suit. Thus, Eternal was ordered to deposit the installment payments with the trial court. In *Reyes*, the Court upheld a provisional deposit order covering the down payment for a parcel of land pending the resolution of the case for annulment of contract, *viz.*:

> [S]ince Reyes is demanding to rescind the Contract to Sell, he cannot refuse to deposit the ₱10 million down payment in court. Such deposit will ensure restitution of the ₱10 million to its rightful

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owner. Lim, on the other hand, has nothing to refund, as he has not received anything under the Contract to Sell.

In both *Eternal Gardens* and *Reyes*, the nature of relief sought precluded the depositor-party from contesting the demandability of the amounts sought to be deposited. Stated differently, the depositor-parties effectively resigned their respective interests over the amounts deposited. The most equitable solution to prevent unjust enrichment in such cases, therefore, is a provisional deposit order, so that the amount deposited may easily be turned over to whoever would be adjudged properly entitled thereto.

The second category of cases involve provisional deposit orders covering sums regularly received from non-parties to the case by the depositor-party during the pendency of the proceedings. These are turned over to the custody of the court since the entitlement of the depositor-party thereto remains disputed, and to ensure the timely transfer of such sums to whoever would be adjudged properly entitled thereto. In Go v. Go, Bustamante v. CA, and Province of Bataan, the Court upheld the trial courts order directing the depositor-parties therein, who regularly received rental payments from the lessees of the disputed properties, to deposit such rental payments with the court pending the resolution of the issue of ownership of the disputed properties.

A common thread running through these cases is the existence of an agreement or a juridical tie, which either binds the depositor-party and the party to be benefited by the deposit; or forms the basis for the regular receipt of payments by the depositor-party. In Eternal Gardens, Eternal had a contract of sale with one of the interpleading parties; while in Reyes, Reyes had a contract to sell with Lim; and in Go, Bustamante, and Province of Bataan, the regular payments received by the depositor-parties are based on lease agreements.[75] (Citations omitted; italics in the original and supplied.)

The Court finds that the Deposit Order issued by the RTC falls under the second category, *i.e.*, the party-depositor regularly receives money or other property from a non-party during the pendency of the case, and the court deems it proper to place such money or other property in *custodia legis* pending final determination of the party truly entitled to the same.[76]

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[75] *Id.*

[76] *Id.*

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Here, GEDCOR is the owner of the lot where the warehouse being leased by LGRC is situated. LGRC, the party-depositor in this case, is the recipient of the rental payments for the lease of the warehouse. Further, as indicated in the Pre-Trial Order[77] dated November 8, 2012, respondents admitted that "since the warehouse was first leased out in 1988, [respondent] LGRC remits 45% of the rental income warehouse to [GEDCOR] on a monthly basis, while the remaining 55% went to defendant Leviste"[78] and that "at present, the warehouse is being leased out to Lambert Williams Logistics, Inc."[79] Further, Conrad and LGRC admitted in their Pre-Trial Brief[80] that on July 16, 2009, the Board of Directors of LGRC resolved to stop the distribution of the rental income of the warehouse.[81] For its part, GEDCOR presented receipts which it issued to LGRC on various dates until June 9, 2009 that showed LGRC remittance of GEDCOR's 45% share in the monthly rental income of the warehouse.[82] The last receipt dated June 9, 2009 was for the payment of GEDCOR's 45% share for the month of May 2009.[83]

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[77] *Rollo*, Vol. I, pp. 227-232; penned by Presiding Judge Fortunito L. Madrona.

[78] *Id.* at

[79] *Id.*

[80] *Id.* at 210-226.

[81] Respondents' Pre-trial Brief provides in part:

PROPOSED STIPULATION OF FACTS

Defendants propose the following facts for admission:

x x x x

12. The Board of Directors of Defendant LGRC held a special emergency meeting on 16 July 2009 to address the said ejectment case and come up with other steps to deal with the situation.
13. It was resolved in the said meeting of the Board of Directors of Defendant LGRC that it should stop the distribution of funds/earnings/dividends in order to pay for expenses arising from the filing of the abovementioned ejectment case.

Id. at 219-221.

[82] *Id.* at 338-343.

[83] *Id.* at 343.

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Considering the circumstances, the Court finds that the RTC did not act with grave abuse of discretion amounting to lack or excess of jurisdiction when the RTC deemed as proper the issuance of the Deposit Order. The RTC's issuance of the Deposit Order was for the preservation of the rental income and protection of the interest of its rightful owner pending adjudication of the parties' claims.

The Court finds no merit in respondents' argument that the issuance by the RTC of the Deposit Order is tantamount to a prejudgment of the case. As correctly argued by GEDCOR, the RTC Orders are merely provisional and preservatory in character and not intended to be an adjudication on the merits of the main case.[84]

In *Province of Bataan v. Villafuerte*,[85] respondent Presidential Commission on Good Government filed with the trial court an "Urgent Motion to Deposit Lease Rentals" during the pendency of the action for annulment of sale and reconveyance. The trial court granted the motion and issued an escrow order on the lease rentals being paid by the lessee to the Provincial Government.[86]

In upholding the issuance of the escrow order, which the CA therein also affirmed, the Court ruled that such order was merely incidental to the court's exercise of jurisdiction over the main case. The Court, aside from finding Sections 5(g) and 6 of Rule 135 of the Rules of Court as basis for the escrow order, adopted the position that the court's power to preserve the subject matter of the litigation, to maintain the status, or to issue some extraordinary writs provided by law should not be taken as an advanced determination of the rights of the parties pending final adjudication. Rather, such power should be considered as a means by which the court may ensure that it can effectuate its judgment and protect the interests of the rightful claimants of the property subject of the case.[87] The Court ruled:

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[84] *Go v. Go*, 616 Phil. 740, 749 (2009).

[85] 419 Phil. 907 (2001).

[86] *Id.*

[87] *Id.*

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It is beyond dispute that the lower court exercised jurisdiction over the main action docketed as Civil Case No. 210-ML, which involved the annulment of sale and reconveyance of the subject properties. Under this circumstance, we are of the firm view that the trial court, in issuing the assailed escrow orders, acted well within its province and sphere of power inasmuch as the subject orders were adopted in accordance with the Rules and jurisprudence and were merely incidental to the court's exercise of jurisdiction over the main case, thus:

x x x x

> "In the ordinary case the courts can proceed to the enforcement of the plaintiff's rights only after a trial had in the manner prescribed by the laws of the land, which involves due notice, the right of the trial by jury, etc. *Preliminary to such an adjudication, the power of the court is generally to preserve the subject matter of the litigation to maintain the status, or issue some extraordinary writs provided by law, such as attachments, etc.* None of these powers, however, are exercised on the theory that the court should, in advance of the final adjudication determine the rights of the parties in any summary way and put either of them in the enjoyment thereof; *but such actions taken merely, as means for securing an effective adjudication and enforcement of rights of the parties after such adjudication. Colby c. Osgood Tex. Civ. App.*, 230 S.W. 459;)"[88] (Citations omitted; italics supplied.)

A perusal of the records show that on August 12, 2009, LGRC and Lambert Williams Logistics, Inc. renewed their Contract of Lease dated July 14, 2006.[89] The renewed contract provided for the rental in the amount of ₱173,580.75 per month, albeit subject to escalation clause on the fourth year of the renewal. Based on this rental fee, GEDCOR claimed that from June 1, 2009 to September 30, 2015, it was already entitled to the amount of ₱5,936,461.65, its 45% share in the rental income.[90] It is this amount that the

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[88] *Id.*

[89] *Rollo*, Vol. I, pp. 335-336.

[90] The 45% portion of the rental income from June 1, 2009 to September 30, 2015 was arrived at by multiplying the monthly rental rate of ₱173,580.75 by 76 months and subsequently multiplying the result by 45%, thus:

45% x (₱173,580.75x76 months) = ₱5,936,461.65

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RTC ordered Conrad and LGRC to deposit along with the amount equivalent to GEDCOR's 45% share in the rental income of the warehouse from October 1, 2015 and every month thereafter until the case is finally resolved.

By issuing the Deposit Order, the RTC is merely holding in *custodia legis* the amount corresponding to 45% of the rental income to ensure that it can enforce the rights of the parties after adjudication.[91]

The fact that GEDCOR did not pray for the issuance of a Deposit Order in its Complaint and opted to file a separate motion for the deposit of its claimed 45% share in the rental payments will not negate the RTC's Order. Suffice it to state that the Deposit Order is an extraordinary remedy which the RTC aptly issued considering the allegations and relief sought in the complaint, *i.e.*, that GEDCOR sought to collect its 45% share in the rental income of the warehouse, and the judicial admissions of respondents as regards the rental income of the warehouse.

Lastly, as aptly pointed out by GEDCOR, the RTC correctly addressed respondents' contention that the 45% portion of the rental income cannot be deposited in full and should be subject to deductions for expenses and liabilities. The RTC, in its Order[92] dated September 6, 2018 ruled that "[t]he concern of [respondents] that it will affect the operations of the corporation if the motion is granted has no basis. The Court, upon motion of either party, may order the release of the deposit for operating or maintenance expenses when the need arises."[93]

To emphasize, the Deposit Order of the RTC in this case is merely preliminary. The precise interest of GEDCOR in the rental income of the warehouse situated at GEDCOR's property will have to be determined by the RTC after trial on the merits.[94]

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[91] *Lorenzo Shipping Corporation v. Villarin*, *supra* note 72.

[92] *Rollo*, Vol. III, pp. 964-965.

[93] *Id.* at 964.

[94] See *Go v. Go*, *supra* note 84 at 756-757.

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All told, the Court finds that the RTC did not act with grave abuse of discretion amounting to lack or excess of jurisdiction when it ordered Conrad and LGRC to deposit in court GEDCOR's claimed 45% share in the rental income of the warehouse.

WHEREFORE, the petition is **GRANTED**. The Decision dated June 26, 2019 and the Resolution dated August 24, 2020 of the Court of Appeals in CA-G.R. SP No. 157982 are **REVERSED** and **SET ASIDE**. The Orders dated February 19, 2018 and September 6, 2018 of Branch 274, Regional Trial Court, Parañaque City in Civil Case No. 12-003 are **REINSTATED**.

SO ORDERED.

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

APPEARANCES OF COUNSEL

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