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THIRD DIVISION

[G.R. No. 177066. September 11, 2009]

JOSELITO MUSNI PUNO (as heir of the late Carlos Puno), *petitioner, vs.* **PUNO ENTERPRISES, INC., represented by JESUSA PUNO,** *respondent.*

SYLLABUS

1. REMEDIAL LAW; APPEALS; FACTUAL FINDINGS OF THE COURT OF APPEALS, SUPPORTED BY SUBSTANTIAL EVIDENCE, ARE CONCLUSIVE AND BINDING. — Incessantly, we have declared that factual findings of the CA supported by substantial evidence, are conclusive and binding. In an appeal via *certiorari*, the Court may not review the factual findings of the CA. It is not the Court's function under Rule 45 of the Rules of Court to review, examine, and evaluate or weigh the probative value of the evidence presented.

2. CIVIL LAW; PATERNITY AND FILIATION; CIVIL REGISTRAR HAS NO AUTHORITY TO RECORD THE PATERNITY OF AN ILLEGITIMATE CHILD ON THE INFORMATION OF A THIRD PERSON. — A certificate of live birth purportedly identifying the putative father is not competent evidence of paternity when there is no showing that the putative father had a hand in the preparation of the certificate. The local civil registrar has no authority to record the paternity of an illegitimate child on the information of a third person.

3. COMMERCIAL LAW; CORPORATION LAW; CORPORATIONS; PERSONS ENTITLED TO INSPECT THE BOOKS AND RECEIVE THE DIVIDENDS OF THE CORPORATION. — In any case, Sections 74 and 75 of the Corporation Code enumerate the persons who are entitled to the inspection of corporate books, thus — Sec. 74. *Books to be kept; stock transfer agent.* — x x x. The records of all business transactions of the corporation and the minutes of any meeting shall be open to the inspection of any **director, trustee, stockholder** or member of the corporation at reasonable hours on business days and he may demand, in writing, for a copy of excerpts from said records or minutes, at his expense. x x x. The

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stockholder's right of inspection of the corporation's books and records is based upon his ownership of shares in the corporation and the necessity for self-protection. After all, a shareholder has the right to be intelligently informed about corporate affairs. Such right rests upon the stockholder's underlying ownership of the corporation's assets and property. Similarly, only stockholders of record are entitled to receive dividends declared by the corporation, a right inherent in the ownership of the shares.

4. ID.; ID.; ID.; HEIRS OF THE DECEASED STOCKHOLDER DO NOT AUTOMATICALLY BECOME STOCKHOLDERS OF THE CORPORATION AND ACQUIRE THE RIGHT AND PRIVILEGE THEREOF. — Upon the death of a shareholder, the heirs do not automatically become stockholders of the corporation and acquire the rights and privileges of the deceased as shareholder of the corporation. The stocks must be distributed first to the heirs in estate proceedings, and the transfer of the stocks must be recorded in the books of the corporation. Section 63 of the Corporation Code provides that no transfer shall be valid, except as between the parties, until the transfer is recorded in the books of the corporation. During such interim period, the heirs stand as the equitable owners of the stocks, the executor or administrator duly appointed by the court being vested with the legal title to the stock. Until a settlement and division of the estate is effected, the stocks of the decedent are held by the administrator or executor. Consequently, during such time, it is the administrator or executor who is entitled to exercise the rights of the deceased as stockholder.

5. CIVIL LAW; PATERNITY AND FILIATION; THE STATUS OF AN ILLEGITIMATE CHILD WHO CLAIMS TO BE AN HEIR TO A DECEDENT'S ESTATE CANNOT BE ADJUDICATED IN AN ORDINARY CIVIL ACTION. — [A] determination of whether a person, claiming proprietary rights over the estate of a deceased person, is an heir of the deceased must be ventilated in a special proceeding instituted precisely for the purpose of settling the estate of the latter. The status of an illegitimate child who claims to be an heir to a decedent's estate cannot be adjudicated in an ordinary civil action, as in a case for the recovery of property. The doctrine applies to the instant case, which is one for specific performance — to

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direct respondent corporation to allow petitioner to exercise rights that pertain only to the deceased and his representatives.

APPEARANCES OF COUNSEL

Enrico G. Barin for petitioner.
Joey D. Morales for respondent.

D E C I S I O N

NACHURA, *J.*:

Upon the death of a stockholder, the heirs do not automatically become stockholders of the corporation; neither are they mandatorily entitled to the rights and privileges of a stockholder. This, we declare in this petition for review on *certiorari* of the Court of Appeals (CA) Decision[1] dated October 11, 2006 and Resolution dated March 6, 2007 in CA-G.R. CV No. 86137.

The facts of the case follow:

Carlos L. Puno, who died on June 25, 1963, was an incorporator of respondent Puno Enterprises, Inc. On March 14, 2003, petitioner Joselito Musni Puno, claiming to be an heir of Carlos L. Puno, initiated a complaint for specific performance against respondent. Petitioner averred that he is the son of the deceased with the latter's common-law wife, Amelia Puno. As surviving heir, he claimed entitlement to the rights and privileges of his late father as stockholder of respondent. The complaint thus prayed that respondent allow petitioner to inspect its corporate book, render an accounting of all the transactions it entered into from 1962, and give petitioner all the profits, earnings, dividends, or income pertaining to the shares of Carlos L. Puno.[2]

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[1] Penned by Associate Justice Conrado M. Vasquez, Jr. (now Presiding Justice of the Court of Appeals) with Associate Justices Mariano C. del Castillo (now Associate Justice of the Supreme Court) and Santiago Javier Ranada, concurring; *rollo*, pp. 28-36.

[2] Records, pp. 1-4.

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Respondent filed a motion to dismiss on the ground that petitioner did not have the legal personality to sue because his birth certificate names him as "Joselito Musni Muno." Apropos, there was yet a need for a judicial declaration that "Joselito Musni Puno" and "Joselito Musni Muno" were one and the same.

The court ordered that the proceedings be held in abeyance, ratiocinating that petitioner's certificate of live birth was no proof of his paternity and relation to Carlos L. Puno.

Petitioner submitted the corrected birth certificate with the name "Joselito M. Puno," certified by the Civil Registrar of the City of Manila, and the Certificate of Finality thereof. To hasten the disposition of the case, the court conditionally admitted the corrected birth certificate as genuine and authentic and ordered respondent to file its answer within fifteen days from the order and set the case for pretrial.[3]

On October 11, 2005, the court rendered a Decision, the dispositive portion of which reads:

> WHEREFORE, judgment is hereby rendered ordering Jesusa Puno and/or Felicidad Fermin to allow the plaintiff to inspect the corporate books and records of the company from 1962 up to the present including the financial statements of the corporation.
>
> The costs of copying shall be shouldered by the plaintiff. Any expenses to be incurred by the defendant to be able to comply with this order shall be the subject of a bill of costs.
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> SO ORDERED.[4]

On appeal, the CA ordered the dismissal of the complaint in its Decision dated October 11, 2006. According to the CA, petitioner was not able to establish the paternity of and his filiation to Carlos L. Puno since his birth certificate was prepared without the intervention of and the participatory acknowledgment of paternity by Carlos L. Puno. Accordingly, the CA said that petitioner had no right to demand that he be allowed to examine

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[3] *Id.* at 96.

[4] *Rollo,* p. 30.

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respondent's books. Moreover, petitioner was not a stockholder of the corporation but was merely claiming rights as an heir of Carlos L. Puno, an incorporator of the corporation. His action for specific performance therefore appeared to be premature; the proper action to be taken was to prove the paternity of and his filiation to Carlos L. Puno in a petition for the settlement of the estate of the latter.[5]

Petitioner's motion for reconsideration was denied by the CA in its Resolution[6] dated March 6, 2007.

In this petition, petitioner raises the following issues:

I. THE HONORABLE COURT OF APPEALS ERRED IN NOT RULING THAT THE JOSELITO PUNO IS ENTITLED TO THE RELIEFS DEMANDED HE BEING THE HEIR OF THE LATE CARLOS PUNO, ONE OF THE INCORPORATORS [OF] RESPONDENT CORPORATION.

II. HONORABLE COURT OF APPEALS ERRED IN RULING THAT FILIATION OF JOSELITO PUNO, THE PETITIONER[,] IS NOT DULY PROVEN OR ESTABLISHED.

III. THE HONORABLE COURT ERRED IN NOT RULING THAT JOSELITO MUNO AND JOSELITO PUNO REFERS TO THE ONE AND THE SAME PERSON.

IV. THE HONORABLE COURT OF APPEALS ERRED IN NOT RULING THAT WHAT RESPONDENT MERELY DISPUTES IS THE SURNAME OF THE PETITIONER WHICH WAS MISSPELLED AND THE FACTUAL ALLEGATION *E.G.* RIGHTS OF PETITIONER AS HEIR OF CARLOS PUNO ARE DEEMED ADMITTED HYPOTHETICALLY IN THE RESPONDENT['S] MOTION TO DISMISS.

V. THE HONORABLE COURT OF APPEALS THEREFORE ERRED I[N] DECREEING THAT PETITIONER IS NOT ENTITLED TO INSPECT THE CORPORATE BOOKS OF DEFENDANT CORPORATION.[7]

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[5] *Id.* at 31-35.

[6] CA *rollo,* pp. 90-91.

[7] *Rollo,* pp. 21-22.

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The petition is without merit. Petitioner failed to establish the right to inspect respondent corporation's books and receive dividends on the stocks owned by Carlos L. Puno.

Petitioner anchors his claim on his being an heir of the deceased stockholder. However, we agree with the appellate court that petitioner was not able to prove satisfactorily his filiation to the deceased stockholder; thus, the former cannot claim to be an heir of the latter.

Incessantly, we have declared that factual findings of the CA supported by substantial evidence, are conclusive and binding.[8] In an appeal via *certiorari*, the Court may not review the factual findings of the CA. It is not the Court's function under Rule 45 of the Rules of Court to review, examine, and evaluate or weigh the probative value of the evidence presented.[9]

A certificate of live birth purportedly identifying the putative father is not competent evidence of paternity when there is no showing that the putative father had a hand in the preparation of the certificate. The local civil registrar has no authority to record the paternity of an illegitimate child on the information of a third person.[10] As correctly observed by the CA, only petitioner's mother supplied the data in the birth certificate and signed the same. There was no evidence that Carlos L. Puno acknowledged petitioner as his son.

As for the baptismal certificate, we have already decreed that it can only serve as evidence of the administration of the sacrament on the date specified but not of the veracity of the entries with respect to the child's paternity.[11]

In any case, Sections 74 and 75 of the Corporation Code enumerate the persons who are entitled to the inspection of corporate books, thus —

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[8] *Fernandez v. Tarun,* 440 Phil. 334, 349 (2002).

[9] *Social Security System v. Aguas*, G.R. No. 165546, February 27, 2006, 483 SCRA 383, 395-396.

[10] *Cabatania v. Court of Appeals,* 484 Phil. 42, 51 (2004).

[11] *Id.*

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Sec. 74. *Books to be kept; stock transfer agent.* — x x x.

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

x x x x x x x x x

Sec. 75. *Right to financial statements*. — Within ten (10) days from receipt of a written request of any stockholder or member, the corporation shall furnish to him its most recent financial statement, which shall include a balance sheet as of the end of the last taxable year and a profit or loss of statement for said taxable year, showing in reasonable detail its assets and liabilities and the result of its operations.[12]

The stockholder's right of inspection of the corporation's books and records is based upon his ownership of shares in the corporation and the necessity for self-protection. After all, a shareholder has the right to be intelligently informed about corporate affairs.[13] Such right rests upon the stockholder's underlying ownership of the corporation's assets and property.[14]

Similarly, only stockholders of record are entitled to receive dividends declared by the corporation, a right inherent in the ownership of the shares.[15]

Upon the death of a shareholder, the heirs do not automatically become stockholders of the corporation and acquire the rights and privileges of the deceased as shareholder of the corporation. The stocks must be distributed first to the heirs in estate

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[12] Emphasis supplied.

[13] 5A Fletcher Cyclopedia of the Law of Private Corporations, §2213.

[14] *Gokongwei, Jr. v. Securities and Exchange Commission*, 178 Phil. 266, 314 (1979).

[15] Cesar Villanueva, *PHILIPPINE CORPORATE LAW*, p. 259, citing *Nielson & Co., Inc. v. Lepanto Consolidated Mining Co.*, 26 SCRA 540 (1968); Lopez, Rosario, *THE CORPORATION CODE OF THE PHILIPPINES*, p. 617, citing *Knight v. Schultz,* 141 Ohio St. 267, 47 NE (2d) 286.

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proceedings, and the transfer of the stocks must be recorded in the books of the corporation. Section 63 of the Corporation Code provides that no transfer shall be valid, except as between the parties, until the transfer is recorded in the books of the corporation.[16] During such interim period, the heirs stand as the equitable owners of the stocks, the executor or administrator duly appointed by the court being vested with the legal title to the stock.[17] Until a settlement and division of the estate is effected, the stocks of the decedent are held by the administrator or executor.[18] Consequently, during such time, it is the administrator or executor who is entitled to exercise the rights of the deceased as stockholder.

Thus, even if petitioner presents sufficient evidence in this case to establish that he is the son of Carlos L. Puno, he would still not be allowed to inspect respondent's books and be entitled to receive dividends from respondent, absent any showing in its transfer book that some of the shares owned by Carlos L. Puno were transferred to him. This would only be possible if petitioner has been recognized as an heir and has participated in the settlement of the estate of the deceased.

Corollary to this is the doctrine that a determination of whether a person, claiming proprietary rights over the estate of a deceased person, is an heir of the deceased must be ventilated in a special proceeding instituted precisely for the purpose of settling the estate of the latter. The status of an illegitimate child who claims to be an heir to a decedent's estate cannot be adjudicated in an ordinary civil action, as in a case for the recovery of property.[19] The doctrine applies to the instant case, which is one for specific performance — to direct respondent corporation to allow petitioner to exercise rights that pertain only to the deceased and his representatives.

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[16] Rosario Lopez, *The Corporation Code of the Philippines*, Vol. 2, p. 718, citing *Miguel A.B. Sison, et al. v. Hon. Agellon, et al.*, SEC-EB No. 293, November 23, 1992.

[17] 5A Fletcher Cyclopedia of the Law of Private Corporations., §2213.

[18] *Tan v. Sycip*, G.R. No. 153468, August 17, 2006, 499 SCRA 216, 231.

[19] *Joaquino v. Reyes*, G.R. No. 154645, July 13, 2004, 434 SCRA 260, 274.

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WHEREFORE, premises considered, the petition is *DENIED*. The Court of Appeals Decision dated October 11, 2006 and Resolution dated March 6, 2007 are *AFFIRMED*.

SO ORDERED.

Ynares-Santiago (Chairperson), Chico-Nazario, Velasco, Jr., and *Peralta, JJ.,* concur.

THIRD DIVISION

[G.R. No. 179799. September 11, 2009]

ZENAIDA R. GREGORIO, *petitioner, vs.* **COURT OF APPEALS, SANSIO PHILIPPINES, INC., and EMMA J. DATUIN,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; ACTIONS; THE NATURE OF AN ACTION IS DETERMINED BY THE MATERIAL AVERMENTS IN THE COMPLAINT AND THE CHARACTER OF THE RELIEF SOUGHT. — A perusal of the allegations of Gregorio's complaint for damages readily shows that she filed a civil suit against Sansio and Datuin for filing against her criminal charges for violation of B.P. Blg. 22; that respondents did not exercise diligent efforts to ascertain the true identity of the person who delivered to them insufficiently funded checks as payment for the various appliances purchased; and that respondents never gave her the opportunity to controvert the charges against her, because they stated an incorrect address in the criminal complaint. Gregorio claimed damages for the embarrassment and humiliation she suffered when she was suddenly arrested at her city residence in Quezon City while visiting her family. She was, at the time of her arrest, a respected *Kagawad* in Oas, Albay. Gregorio anchored her civil complaint