Supreme Court E-Library

THIRD DIVISION

[G.R. No. 181416. November 11, 2013]

MEDICAL PLAZA MAKATI CONDOMINIUM CORPORATION, *petitioner, vs.* **ROBERT H. CULLEN,** *respondent.*

SYLLABUS

1. **REMEDIAL LAW; COURTS; JURISDICTION; JURISDICTION OVER THE SUBJECT MATTER IS NOT AFFECTED BY THE PLEAS OR THE THEORIES SET UP BY THE DEFENDANT IN AN ANSWER OR A MOTION TO DISMISS; OTHERWISE, JURISDICTION WOULD BECOME DEPENDENT ALMOST ENTIRELY UPON THE WHIMS OF THE DEFENDANT.—** It is a settled rule that jurisdiction over the subject matter is determined by the allegations in the complaint. It is not affected by the pleas or the theories set up by the defendant in an answer or a motion to dismiss. Otherwise, jurisdiction would become dependent almost entirely upon the whims of the defendant. Also illuminating is the Court's pronouncement in *Go v. Distinction Properties Development and Construction, Inc.*: Basic as a hornbook principle is that jurisdiction over the subject matter of a case is conferred by law and determined by the allegations in the complaint which comprise a concise statement of the ultimate facts constituting the plaintiff's cause of action. The nature of an action, as well as which court or body has jurisdiction over it, is determined based on the allegations contained in the complaint of the plaintiff, irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein. **The averments in the complaint** and **the character of the relief sought** are the ones to be consulted. Once vested by the allegations in the complaint, jurisdiction also remains vested irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein.

2. **COMMERCIAL LAW; CORPORATIONS; INTRACORPORATE CONTROVERSY; RELATIONSHIP TEST AND NATURE OF THE CONTROVERSY TEST, DISTINGUISHED.—** In determining whether a dispute constitutes an intra-corporate

Supreme Court E-Library

controversy, the Court uses two tests, namely, the *relationship test* and the *nature of the controversy test*. An intra-corporate controversy is one which pertains to any of the following relationships: (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. Thus, under the *relationship test*, the existence of any of the above intra-corporate relations makes the case intra-corporate. Under the *nature of the controversy test*, "the controversy must not only be rooted in the existence of an intra-corporate relationship, but must as well pertain to the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation." In other words, jurisdiction should be determined by considering both the relationship of the parties as well as the nature of the question involved. Applying the two tests, we find and so hold that the case involves intra-corporate controversy. It obviously arose from the intra-corporate relations between the parties, and the questions involved pertain to their rights and obligations under the Corporation Code and matters relating to the regulation of the corporation.

3. ID.; ID.; ID.; DISPUTE AS TO THE VALIDITY OF THE ASSESSMENT IS PURELY AN INTRACORPORATE MATTER WHICH IS WITHIN THE EXCLUSIVE JURISDICTION OF THE REGIONAL TRIAL COURT SITTING AS A SPECIAL COMMERCIAL COURT.— Petitioner is a condominium corporation duly organized and existing under Philippine laws, charged with the management of the Medical Plaza Makati. Respondent, on the other hand, is the registered owner of Unit No. 1201 and is thus a stockholder/member of the condominium corporation. Clearly, there is an intra-corporate relationship between the corporation and a stockholder/member. The nature of the action is determined by the body rather than the title of the complaint. Though denominated as an action for damages, an examination of the allegations made by respondent in his complaint shows that the case principally dwells on the propriety of the assessment made by petitioner against respondent as well as the validity of petitioner's act in preventing respondent

Supreme Court E-Library

from participating in the election of the corporation's Board of Directors. Respondent contested the alleged unpaid dues and assessments demanded by petitioner. The nature of an action involving any dispute as to the validity of the assessment of association dues has been settled by the Court in *Chateau de Baie Condominium Corporation v. Moreno*. In that case, respondents therein filed a complaint for intra-corporate dispute against the petitioner therein to question how it calculated the dues assessed against them, and to ask an accounting of association dues. x x x [T]he Court held that the dispute as to the validity of the assessments is purely an intra-corporate matter between petitioner and respondent and is thus within the exclusive jurisdiction of the RTC sitting as a special commercial court. More so in this case as respondent repeatedly questioned his characterization as a delinquent member and, consequently, petitioner's decision to bar him from exercising his rights to vote and be voted for. These issues are clearly corporate and the demand for damages is just incidental. Being corporate in nature, the issues should be threshed out before the RTC sitting as a special commercial court. The issues on damages can still be resolved in the same special commercial court just like a regular RTC which is still competent to tackle civil law issues incidental to intra-corporate disputes filed before it.

4. ID.; SECURITIES REGULATION CODE (RA NO. 8799); CASES ENUMERATED UNDER SECTION 5 OF PRESIDENTIAL DECREE NO. 902-1, WHICH WERE PREVIOUSLY COGNIZABLE BY THE SECURITIES AND EXCHANGE COMMISSION, SHOULD NOW BE FILED WITH THE REGIONAL TRIAL COURT DESIGNATED BY THE SUPREME COURT AS SPECIAL COMMERCIAL COURT, NOT WITH THE REGULAR COURT.— Presidential Decree No. 902-A enumerates the cases over which the Securities and Exchange Commission (SEC) exercises exclusive jurisdiction: x x x 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; and c) Controversies in the election or appointment of directors, trustees, officers, or managers of such corporations,

Supreme Court E-Library

partnerships, or associations. To be sure, this action partakes of the nature of an intra-corporate controversy, the jurisdiction over which pertains to the SEC. Pursuant to Section 5.2 of Republic Act No. 8799, otherwise known as the *Securities Regulation Code*, the jurisdiction of the SEC over all cases enumerated under Section 5 of Presidential Decree No. 902-A has been transferred to RTCs designated by this Court as Special Commercial Courts. While the CA may be correct that the RTC has jurisdiction, the case should have been filed not with the regular court but with the branch of the RTC designated as a special commercial court. Considering that the RTC of Makati City, Branch 58 was not designated as a special commercial court, it was not vested with jurisdiction over cases previously cognizable by the SEC. The CA, therefore, gravely erred in remanding the case to the RTC for further proceedings.

5. **ID.; CORPORATIONS; INTRACORPORATE CONTROVERSY; THE POWER OF THE HOUSING AND LAND USE REGULATORY BOARD (HLURB) TO HEAR AND DECIDE INTER-ASSOCIATIONS AND/OR INTRA-ASSOCIATION CONTROVERSIES OR CONFLICTS CONCERNING HOMEOWNERS' ASSOCIATIONS DOES NOT COVER CONTROVERSY BETWEEN A CONDOMINIUM UNIT OWNER AND A CONDOMINIUM CORPORATION.—**Indeed, Republic Act (RA) No. 9904, or the *Magna Carta for Homeowners and Homeowners' Associations,* approved on January 7, 2010 and became effective on July 10, 2010, empowers the HLURB to hear and decide inter-association and/or intra-association controversies or conflicts concerning homeowners' associations. However, we cannot apply the same in the present case as it involves a controversy between a condominium unit owner and a condominium corporation. While the term association as defined in the law covers homeowners' associations of other residential real property which is broad enough to cover a condominium corporation, it does not seem to be the legislative intent. A thorough review of the deliberations of the bicameral conference committee would show that the lawmakers did not intend to extend the coverage of the law to such kind of association.

6. **ID.; ID.; ID.; CONDOMINIUM ACT (RA 4726) GOVERNS THE RIGHTS AND OBLIGATIONS OF THE CONDOMINIUM UNIT OWNERS AND THE CONDOMINIUM CORPORATION, NOT**

Supreme Court E-Library

THE HLURB; INTRA-CORPORATE DISPUTE BETWEEN PETITIONER AND RESPONDENT IS WITHIN THE JURISDICTION OF THE REGIONAL TRIAL COURT SITTING AS A SPECIAL COMMERCIAL COURT.— To be sure, RA 4726 or the Condominium Act was enacted to specifically govern a condominium. Said law sanctions the creation of the condominium corporation which is especially formed for the purpose of holding title to the common area, in which the holders of separate interests shall automatically be members or shareholders, to the exclusion of others, in proportion to the appurtenant interest of their respective units. The rights and obligations of the condominium unit owners and the condominium corporation are set forth in the above Act. Clearly, condominium corporations are not covered by the amendment. Thus, the intra-corporate dispute between petitioner and respondent is still within the jurisdiction of the RTC sitting as a special commercial court and not the HLURB. The doctrine laid down by the Court in *Chateau de Baie Condominium Corporation v. Moreno* which in turn cited *Wack Wack Condominium Corporation, et al. v. CA* is still a good law.

APPEARANCES OF COUNSEL

Mendoza Navarro-Mendoza & Partners Law Offices for petitioner.

M.M. Lazaro & Associates for respondent.

D E C I S I O N

PERALTA, *J.*:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the Court of Appeals (CA) Decision[1] dated July 10, 2007 and Resolution[2] dated January 25, 2008 in CA-G.R. CV No. 86614. The assailed decision reversed and

---

[1] Penned by Associate Justice Juan Q. Enriquez, Jr., with Associate Justices Vicente S. E. Veloso and Marlene Gonzales-Sison, concurring; *rollo*, pp. 79-85.

[2] *Id*. at 76-78.

Supreme Court E-Library

set aside the September 9, 2005 Order[3] of the Regional Trial Court (RTC) of Makati, Branch 58 in Civil Case No. 03-1018; while the assailed resolution denied the separate motions for reconsideration filed by petitioner Medical Plaza Makati Condominium Corporation (MPMCC) and Meridien Land Holding, Inc. (MLHI).

The factual and procedural antecedents are as follows:

Respondent Robert H. Cullen purchased from MLHI condominium Unit No. 1201 of the Medical Plaza Makati covered by Condominium Certificate of Title No. 45808 of the Register of Deeds of Makati. Said title was later cancelled and Condominium Certificate of Title No. 64218 was issued in the name of respondent.

On September 19, 2002, petitioner, through its corporate secretary, Dr. Jose Giovanni E. Dimayuga, demanded from respondent payment for alleged unpaid association dues and assessments amounting to ₱145,567.42. Respondent disputed this demand claiming that he had been religiously paying his dues shown by the fact that he was previously elected president and director of petitioner.[4] Petitioner, on the other hand, claimed that respondent's obligation was a carry-over of that of MLHI.[5] Consequently, respondent was prevented from exercising his right to vote and be voted for during the 2002 election of petitioner's Board of Directors.[6] Respondent thus clarified from MLHI the veracity of petitioner's claim, but MLHI allegedly claimed that the same had already been settled.[7] This prompted respondent to demand from petitioner an explanation why he was considered a delinquent payer despite the settlement of the obligation. Petitioner failed to make such explanation. Hence,

---

[3] Penned by Presiding Judge Eugene C. Paras; *id*. at 86-88.

[4] *Rollo*, p. 80.

[5] *Id*.

[6] *Id*.

[7] *Id*. at 81.

Supreme Court E-Library

the Complaint for Damages[8] filed by respondent against petitioner and MLHI, the pertinent portions of which read:

x x x x x x x x x

6. Thereafter, plaintiff occupied the said condominium unit no. 1201 and religiously paid all the corresponding monthly contributions/ association dues and other assessments imposed on the same. For the years 2000 and 2001, plaintiff served as President and Director of the Medical Plaza Makati Condominium Corporation;

7. Nonetheless, on September 19, 2002, plaintiff was shocked/ surprised to [receive] a letter from the incumbent Corporate Secretary of the defendant Medical Plaza Makati, demanding payment of alleged unpaid association dues and assessments arising from plaintiff's condominium unit no. 1201. The said letter further stressed that plaintiff is considered a delinquent member of the defendant Medical Plaza Makati. x x x;

8. As a consequence, plaintiff was not allowed to file his certificate of candidacy as director. Being considered a delinquent, plaintiff was also barred from exercising his right to vote in the election of new members of the Board of Directors x x x;

9. x x x Again, prior to the said election date, x x x counsel for the defendant [MPMCC] sent a demand letter to plaintiff, anent the said delinquency, explaining that the said unpaid amount is a carry-over from the obligation of defendant Meridien. x x x;

10. Verification with the defendant [MPMCC] resulted to the issuance of a certification stating that Condominium Unit 1201 has an outstanding unpaid obligation in the total amount of ₱145,567.42 as of November 30, 2002, which again, was attributed by defendant [MPMCC] to defendant Meridien. x x x;

11. Due to the seriousness of the matter, and the feeling that defendant Meridien made false representations considering that it fully warranted to plaintiff that condominium unit 1201 is free and clear from all liens and encumbrances, the matter was referred to counsel, who accordingly sent a letter to defendant Meridien, to demand for the payment of said unpaid association dues and other assessments imposed on the condominium unit and being claimed by defendant [MPMCC]. x x x;

---

[8] *Id.* at 89-96.

Supreme Court E-Library

12. x x x defendant Meridien claimed however, that the obligation does not exist considering that the matter was already settled and paid by defendant Meridien to defendant [MPMCC]. x x x;

13. Plaintiff thus caused to be sent a letter to defendant [MPMCC] x x x. The said letter x x x sought an explanation on the fact that, as per the letter of defendant Meridien, the delinquency of unit 1201 was already fully paid and settled, contrary to the claim of defendant [MPMCC]. x x x;

14. Despite receipt of said letter on April 24, 2003, and to date however, no explanation was given by defendant [MPMCC], to the damage and prejudice of plaintiff who is again obviously being barred from voting/participating in the election of members of the board of directors for the year 2003;

15. Clearly, defendant [MPMCC] acted maliciously by insisting that plaintiff is a delinquent member when in fact, defendant Meridien had already paid the said delinquency, if any. The branding of plaintiff as delinquent member was willfully and deceitfully employed so as to prevent plaintiff from exercising his right to vote or be voted as director of the condominium corporation;

16. Defendant [MPMCC]'s ominous silence when confronted with claim of payment made by defendant Meridien is tantamount to admission that indeed, plaintiff is not really a delinquent member;

17. Accordingly, as a direct and proximate result of the said acts of defendant [MPMCC], plaintiff experienced/suffered from mental anguish, moral shock, and serious anxiety. Plaintiff, being a doctor of medicine and respected in the community further suffered from social humiliation and besmirched reputation thereby warranting the grant of moral damages in the amount of ₱500,000.00 and for which defendant [MPMCC] should be held liable;

18. By way of example or correction for the public good, and as a stern warning to all similarly situated, defendant [MPMCC] should be ordered to pay plaintiff exemplary damages in the amount of ₱200,000.00;

[19]. As a consequence, and so as to protect his rights and interests, plaintiff was constrained to hire the services of counsel, for an acceptance fee of ₱100,000.00 plus ₱2,500.00 per every court hearing attended by counsel;

Supreme Court E-Library

[20]. In the event that the claim of defendant [MPMCC] turned out to be true, however, the herein defendant Meridien should be held liable instead, by ordering the same to pay the said delinquency of condominium unit 1201 in the amount of ₱145,567.42 as of November 30, 2002 as well as the above damages, considering that the non-payment thereof would be the proximate cause of the damages suffered by plaintiff;[9]

Petitioner and MLHI filed their separate motions to dismiss the complaint on the ground of lack of jurisdiction.[10] MLHI claims that it is the Housing and Land Use Regulatory Board (HLURB) which is vested with the exclusive jurisdiction to hear and decide the case. Petitioner, on the other hand, raises the following specific grounds for the dismissal of the complaint: (1) estoppel as respondent himself approved the assessment when he was the president; (2) lack of jurisdiction as the case involves an intra-corporate controversy; (3) prematurity for failure of respondent to exhaust all intra-corporate remedies; and (4) the case is already moot and academic, the obligation having been settled between petitioner and MLHI.[11]

On September 9, 2005, the RTC rendered a Decision granting petitioner's and MLHI's motions to dismiss and, consequently, dismissing respondent's complaint.

The trial court agreed with MLHI that the action for specific performance filed by respondent clearly falls within the exclusive jurisdiction of the HLURB.[12] As to petitioner, the court held that the complaint states no cause of action, considering that respondent's obligation had already been settled by MLHI. It, likewise, ruled that the issues raised are intra-corporate between the corporation and member.[13]

On appeal, the CA reversed and set aside the trial court's decision and remanded the case to the RTC for further

[9] *Id*. at 91-94.

[10] *Id*. at 86.

[11] *Id*. at 97.

[12] *Id*. at 87.

[13] *Id*.

Supreme Court E-Library

proceedings. Contrary to the RTC conclusion, the CA held that the controversy is an ordinary civil action for damages which falls within the jurisdiction of regular courts.[14] It explained that the case hinged on petitioner's refusal to confirm MLHI's claim that the subject obligation had already been settled as early as 1998 causing damage to respondent.[15] Petitioner's and MLHI's motions for reconsideration had also been denied.[16]

Aggrieved, petitioner comes before the Court based on the following grounds:

I.

THE COURT *A QUO* HAS DECIDED A QUESTION OF SUBSTANCE, NOT THERETOFORE DETERMINED BY THE SUPREME COURT, OR HAS DECIDED IT IN A WAY NOT IN ACCORD WITH LAW OR WITH THE APPLICABLE DECISIONS OF THE SUPREME COURT WHEN IT DECLARED THE INSTANT CASE AN ORDINARY ACTION FOR DAMAGES INSTEAD OF AN INTRA-CORPORATE CONTROVERSY COGNIZABLE BY A SPECIAL COMMERCIAL COURT.

II

THE COURT *A QUO* HAS DECIDED THE INSTANT CASE IN A WAY NOT IN ACCORD WITH LAW OR WITH THE APPLICABLE DECISIONS OF THE SUPREME COURT WHEN IT TOOK COGNIZANCE OF THE APPEAL WHILE RAISING ONLY PURE QUESTIONS OF LAW.[17]

The petition is meritorious.

It is a settled rule that jurisdiction over the subject matter is determined by the allegations in the complaint. It is not affected by the pleas or the theories set up by the defendant in an answer or a motion to dismiss. Otherwise, jurisdiction would become dependent almost entirely upon the whims of the defendant.[18]

---

[14] *Id*. at 83.

[15] *Id*. at 84.

[16] *Id*. at 76-78.

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

[18] *Eristingcol v. Court of Appeals*, G.R. No. 167702, March 20,

Supreme Court E-Library

Also illuminating is the Court's pronouncement in *Go v. Distinction Properties Development and Construction, Inc.*:[19]

> Basic as a hornbook principle is that jurisdiction over the subject matter of a case is conferred by law and determined by the allegations in the complaint which comprise a concise statement of the ultimate facts constituting the plaintiff's cause of action. The nature of an action, as well as which court or body has jurisdiction over it, is determined based on the allegations contained in the complaint of the plaintiff, irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein. **The averments in the complaint** and **the character of the relief sought** are the ones to be consulted. Once vested by the allegations in the complaint, jurisdiction also remains vested irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein. x x x[20]

Based on the allegations made by respondent in his complaint, does the controversy involve intra-corporate issues as would fall within the jurisdiction of the RTC sitting as a special commercial court or an ordinary action for damages within the jurisdiction of regular courts?

In determining whether a dispute constitutes an intra-corporate controversy, the Court uses two tests, namely, the *relationship test* and the *nature of the controversy test*.[21]

An intra-corporate controversy is one which pertains to any of the following relationships: (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

---

2009,582 SCRA 139, 156, citing *Sta. Clara Homeowners' Association v. Sps. Gaston*, 425 Phil. 221 (2002).

[19] G.R. No. 194024, April 25, 2012, 671 SCRA 461.

[20] *Go v. Distinction Properties Development and Construction, Inc.*, *supra*, at 471-472. (Emphasis and underscoring in the original.)

[21] *Reyes v. Regional Trial Court of Makati, Br. 142*, G.R. No. 165744, August 11, 2008, 561 SCRA 593, 609-610.

Supreme Court E-Library

the stockholders, partners or associates themselves.[22] Thus, under the *relationship test*, the existence of any of the above intra-corporate relations makes the case intra-corporate.[23]

Under the *nature of the controversy test*, "the controversy must not only be rooted in the existence of an intra-corporate relationship, but must as well pertain to the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation."[24] In other words, jurisdiction should be determined by considering both the relationship of the parties as well as the nature of the question involved.[25]

Applying the two tests, we find and so hold that the case involves intra-corporate controversy. It obviously arose from the intra-corporate relations between the parties, and the questions involved pertain to their rights and obligations under the Corporation Code and matters relating to the regulation of the corporation.[26]

Admittedly, petitioner is a condominium corporation duly organized and existing under Philippine laws, charged with the management of the Medical Plaza Makati. Respondent, on the other hand, is the registered owner of Unit No. 1201 and is thus a stockholder/member of the condominium corporation. Clearly, there is an intra-corporate relationship between the corporation and a stockholder/member.

---

[22] *Go v. Distinction Properties Development and Construction, Inc.*, *supra* note 19, at 479-480; *Strategic Alliance Development Corporation v. Star Infrastructure Development Corporation*, G.R. No. 187872, November 17, 2010, 635 SCRA 380, 391.

[23] *Reyes v. Regional Trial Court of Makati, Br. 142, supra* note 21, at 610.

[24] *Strategic Alliance Development Corporation v. Star Infrastructure Development Corporation*, *supra* note 22, at 391; *Reyes v. Regional Trial Court of Makati, Br. 142, supra* note 21, at 611.

[25] *Reyes v. Regional Trial Court of Makati, Br. 142, supra* note 21, at 611.

[26] *Aguirre II v. FQB+7, Inc.*, G.R. No. 170770, January 9, 2013, 688 SCRA 242, 261.

Supreme Court E-Library

The nature of the action is determined by the body rather than the title of the complaint. Though denominated as an action for damages, an examination of the allegations made by respondent in his complaint shows that the case principally dwells on the propriety of the assessment made by petitioner against respondent as well as the validity of petitioner's act in preventing respondent from participating in the election of the corporation's Board of Directors. Respondent contested the alleged unpaid dues and assessments demanded by petitioner.

The issue is not novel. The nature of an action involving any dispute as to the validity of the assessment of association dues has been settled by the Court in *Chateau de Baie Condominium Corporation v. Moreno.*[27] In that case, respondents therein filed a complaint for intra-corporate dispute against the petitioner therein to question how it calculated the dues assessed against them, and to ask an accounting of association dues. Petitioner, however, moved for the dismissal of the case on the ground of lack of jurisdiction alleging that since the complaint was against the owner/developer of a condominium whose condominium project was registered with and licensed by the HLURB, the latter has the exclusive jurisdiction. In sustaining the denial of the motion to dismiss, the Court held that the dispute as to the validity of the assessments is purely an intra-corporate matter between petitioner and respondent and is thus within the exclusive jurisdiction of the RTC sitting as a special commercial court. More so in this case as respondent repeatedly questioned his characterization as a delinquent member and, consequently, petitioner's decision to bar him from exercising his rights to vote and be voted for. These issues are clearly corporate and the demand for damages is just incidental. Being corporate in nature, the issues should be threshed out before the RTC sitting as a special commercial court. The issues on damages can still be resolved in the same special commercial court just like a regular RTC which is still competent to tackle civil law issues incidental to intra-corporate disputes filed before it.[28]

---

[27] G.R. No. 186271, February 23, 2011, 644 SCRA 288, 297.

[28] *Strategic Alliance Development Corporation v. Star Infrastructure Development Corporation, supra* note 22, at 398.

Supreme Court E-Library

Moreover, Presidential Decree No. 902-A enumerates the cases over which the Securities and Exchange Commission (SEC) exercises exclusive jurisdiction:

xxx x x x xxx

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; and

c) Controversies in the election or appointment of directors, trustees, officers, or managers of such corporations, partnerships, or associations.[29]

To be sure, this action partakes of the nature of an intra-corporate controversy, the jurisdiction over which pertains to the SEC. Pursuant to Section 5.2 of Republic Act No. 8799, otherwise known as the *Securities Regulation Code*, the jurisdiction of the SEC over all cases enumerated under Section 5 of Presidential Decree No. 902-A has been transferred to RTCs designated by this Court as Special Commercial Courts.[30] While the CA may be correct that the RTC has jurisdiction, the case should have been filed not with the regular court but with the branch of the RTC designated as a special commercial court. Considering that the RTC of Makati City, Branch 58 was not designated as a special commercial court, it was not vested with jurisdiction over cases previously cognizable by the SEC.[31] The CA, therefore, gravely erred in remanding the case to the RTC for further proceedings.

Indeed, Republic Act (RA) No. 9904, or the *Magna Carta for Homeowners and Homeowners' Associations*, approved on January 7, 2010 and became effective on July 10, 2010,

---

[29] *Reyes v. Regional Trial Court of Makati, Br. 142, supra* note 21, at 604-605.

[30] *Strategic Alliance Development Corporation v. Star Infrastructure Development Corporation, supra* note 22, at 396.

[31] *Calleja v. Panday*, 518 Phil. 801, 813 (2006).

Supreme Court E-Library

empowers the HLURB to hear and decide inter-association and/or intra-association controversies or conflicts concerning homeowners' associations. However, we cannot apply the same in the present case as it involves a controversy between a condominium unit owner and a condominium corporation. While the term association as defined in the law covers homeowners' associations of other residential real property which is broad enough to cover a condominium corporation, it does not seem to be the legislative intent. A thorough review of the deliberations of the bicameral conference committee would show that the lawmakers did not intend to extend the coverage of the law to such kind of association. We quote hereunder the pertinent portion of the Bicameral Conference Committee's deliberation, to wit:

THE CHAIRMAN (SEN. ZUBIRI). Let's go back, Mr. Chair, very quickly on homeowners.

THE ACTING CHAIRMAN (REP. ZIALCITA). *Ang sa akin lang*, I think our views are similar, Your Honor, Senator Zubiri, the entry of the condominium units might just complicate the whole matters. So we'd like to put it on record that we're very much concerned about the plight of the Condominium Unit Homeowners' Association. But this could very well be addressed on a separate bill that I'm willing to co-sponsor with the distinguished Senator Zubiri, to address in the Condominium Act of the Philippines, rather than address it here because it might just create a red herring into the entire thing and it will just complicate matters, *hindi ba*?

THE CHAIRMAN (SEN. ZUBIRI). I also agree with you although I sympathize with them—although we sympathize with them and we feel that many times their rights have been also violated by abusive condominium corporations. However, there are certain things that we have to reconcile. There are certain issues that we have to reconcile with this version.

In the Condominium Code, for example, they just raised a very peculiar situation under the Condominium Code — Condominium Corporation Act. It's five years the proxy, whereas here, it's three years. So there would already be violation or there will be already a problem with their version and our version. *Sino ang matutupad doon*? Will it be our version or their version?

Supreme Court E-Library

So I agree that has to be studied further. And because they have a law pertaining to the condominium housing units, I personally feel that it would complicate matters if we include them. Although I agree that they should be looked after and their problems be looked into.

Probably we can ask our staff, Your Honor, to come up already with the bill although we have no more time. Hopefully we can tackle this again on the 15th Congress. But I agree with the sentiments and the inputs of the Honorable Chair of the House panel.

May we ask our resource persons to also probably give comments?

Atty. Dayrit.

MR. DAYRIT. Yes I agree with you. There are many, I think, practices in their provisions in the Condominium Law that may be conflicting with this version of ours.

For instance, in the case of, let's say, the condominium, the so-called common areas and/or maybe so called open spaces that they may have, especially common areas, they are usually owned by the condominium corporation. Unlike a subdivision where the open spaces and/or the common areas are not necessarily owned by the association. Because sometimes — generally these are donated to the municipality or to the city. And it is only when the city or municipality gives the approval or the conformity that this is donated to the homeowners' association. But generally, under PD [Presidential Decree] 957, it's donated. In the Condominium Corporation, *hindi. Lahat ng mga* open spaces and common areas like corridors, the function rooms and everything, are owned by the corporation. So that's one main issue that can be conflicting.

THE CHAIRMAN (SEN. ZUBIRI). I'll just ask for a one-minute suspension so we can talk.

THE ACTING CHAIRMAN (REP. ZIALCITA). Unless you want to put a catchall phrase like what we did in the Senior Citizen's Act. Something like, to the extent — *paano ba iyon*? To the extent that it is practicable and applicable, the rights and benefits of the homeowners, are hereby extended to the — *mayroon kaming ginamit na phrase eh*...to the extent that it be practicable and applicable to the unit homeoweners (sic), is hereby extended, something like that. It's a catchall phrase. But then again, it might create a...

MR. JALANDONI. It will become complicated. There will be a lot of conflict of laws between the two laws.

Supreme Court E-Library

THE ACTING CHAIRMAN (REP. ZIALCITA). *Kaya nga eh. At saka*, I don't know. I think the — *mayroon naman silang* protection *sa ano eh, di ba*? Buyers decree *doon sa* Condominium Act. I'm sure there are provisions there *eh. Huwag na lang, huwag na lang.*

MR. JALANDONI. Mr. Chairman, I think it would be best if your previous comments that you'd be supporting an amendment. I think that would be — Well, that would be the best course of action with all due respect.

THE ACTING CHAIRMAN (REP. ZIALCITA). Yeah. Okay. Thank you. *So iyon na lang final proposal naming 'yung* catchall phrase, "With respect to the..."[32]

x x x x x x x x x

THE CHAIRMAN (SEN. ZUBIRI). xxx And so, what is their final decision on the definition of homeowners?

THE ACTING CHAIRMAN (REP. ZIALCITA). We stick to the original, Mr. Chairman. We'll just open up a whole can of worms and a whole new ball game will come into play. Besides, I am not authorized, neither are you, by our counterparts to include the condominium owners.

THE CHAIRMAN (SEN. ZUBIRI). Basically that is correct. We are not authorized by the Senate nor – because we have discussed this lengthily on the floor, actually, several months on the floor. And we don't have the authority as well for other Bicam members to add a provision to include a separate entity that has already their legal or their established Republic Act tackling on that particular issue. But we just like to put on record, we sympathize with the plight of our friends in the condominium associations and we will just guarantee them that we will work on an amendment to the Condominium Corporation Code. So with that – we skipped, that is correct, we have to go back to homeowners' association definition, Your Honor, because we had skipped it altogether. So just quickly going back to Page 7 because there are amendments to the definition of homeowners. If it is alright with the House Panel, adopt the opening phrase of Subsection 7 of the Senate version as opening phrase of Subsection 10 of the reconciled version.

---

[32] Bicameral Conference Committee on the Disagreeing Provisions of SBN 3106 and HBN 50, September 30, 2009, pp. 90-94.

Supreme Court E-Library

x x x x x x x x x[33]

To be sure, RA 4726 or the Condominium Act was enacted to specifically govern a condominium. Said law sanctions the creation of the condominium corporation which is especially formed for the purpose of holding title to the common area, in which the holders of separate interests shall automatically be members or shareholders, to the exclusion of others, in proportion to the appurtenant interest of their respective units.[34] The rights and obligations of the condominium unit owners and the condominium corporation are set forth in the above Act.

Clearly, condominium corporations are not covered by the amendment. Thus, the intra-corporate dispute between petitioner and respondent is still within the jurisdiction of the RTC sitting as a special commercial court and not the HLURB. The doctrine laid down by the Court in *Chateau de Baie Condominium Corporation v. Moreno*[35] which in turn cited *Wack Wack Condominium Corporation, et al. v. CA* [36] is still a good law.

WHEREFORE, we hereby **GRANT** the petition and **REVERSE** the Court of Appeals Decision dated July 10, 2007 and Resolution dated January 25, 2008 in CA-G.R. CV No. 86614. The Complaint before the Regional Trial Court of Makati City, Branch 58, which is not a special commercial court, docketed as Civil Case No. 03-1018 is ordered **DISMISSED** for lack of jurisdiction. Let the case be **REMANDED** to the Executive Judge of the Regional Trial Court of Makati City for re-raffle purposes among the designated special commercial courts.

SO ORDERED.

Velasco, Jr. (Chairperson), Abad, Mendoza, and *Leonen, JJ.*, concur.

---

[33] *Id.* at 101-102.

[34] *Yamane v. BA Lepanto Condominium Corporation*, 510 Phil. 750, 772 (2005).

[35] G.R. No. 186271, February 23, 2011, 644 SCRA 288.

[36] G.R. No. 78490, November 23, 1992, 215 SCRA 850.