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SECOND DIVISION

[G.R. No. 203023. June 17, 2015]

PHILIPPINE COMMUNICATIONS SATELLITE CORPORATION and PHILCOMSAT HOLDINGS CORPORATION, *petitioners, vs*. **SANDIGANBAYAN 5th DIVISION and PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT,** *respondents*.

SYLLABUS

1. **COMMERCIAL LAW; CORPORATIONS; INTRA-CORPORATE CONTROVERSY; TWO TESTS TO DETERMINE EXISTENCE OF INTRA-CORPORATE CONTROVERSY; DISTINGUISHED.—** To determine if a case involves an intra-corporate controversy, the courts have applied two tests: the *relationship test* and the *nature of the controversy test*. Under the *relationship test*, the existence of any of the following relationships makes the conflict intra-corporate: (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, the *nature of the controversy test* dictates that "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." A combined application of the *relationship test* and the *nature of the controversy test* has become the norm in determining whether a case is an intra-corporate controversy, to be "heard and decided by the [b]ranches of the RTC specifically designated by the Court to try and decide such cases."

2. **ID.; ID.; ID.; ID.; APPLYING *RELATIONSHIP TEST*, THE CASE AT BAR INVOLVES AN INTRA-CORPORATE CONTROVERSY SINCE THE REPUBLIC OF THE PHILIPPINES AS REPRESENTED BY THE PRESIDENTIAL**

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COMMISSION ON GOOD GOVERNMENT (PCGG) OWNS SHARES OF STOCK OF PETITIONER CORPORATION.— Under the *relationship test*, an intra-corporate controversy arises when the conflict is "between the corporation, partnership or association and its stockholders, partners, members or officers." Petitioners insist that the PCGG is not a stockholder, partner, member or officer of the corporation. This is misleading and inaccurate. x x x As it stands today, the Republic of the Philippines owns 34.9% of POTC, which wholly owns PHILCOMSAT, which in turn owns 81% of PHC. The Republic, then, has an interest in the proper operations of the PHC, however indirect this interest may seem to be. Chairman Sabio, while himself not a stockholder of the subject corporations, was acting as head of the PCGG, which is the agency tasked to adopt safeguards so that incidents of graft and corruption, as well as cases of abuse of "powers, authority, influence, connections or relationship" in these corporations are eliminated. The Republic acts through its lawfully designated representatives or nominees. Thus, PCGG nominees and directors sit in the boards of directors of sequestered corporations not for themselves but on behalf of the Republic. It is their duty to protect and advance the interests of the Republic of the Philippines.

3. ID.; ID.; ID.; ID.; EVEN UNDER THE *NATURE OF THE CONTROVERSY TEST*, THE INSTANT CASE PRESENTS AN INTRA-CORPORATE CONTROVERSY INASMUCH AS THE PCGG WAS MERELY PROTECTING THE RIGHTS AND INTEREST OF THE REPUBLIC.— The *nature of the controversy test* examines the controversy in relation 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." The controversy in the present case stems from the act of Chairman Sabio in requesting the PSE to suspend the listing of PHC's increase in capital stock because of still unresolved issues on the election of the POTC's and PHILCOMSAT's respective boards of directors. The act of Chairman Sabio in asking the SEC to suspend the listing of PHC's shares was done in pursuit of protecting the interest of the Republic of the Philippines, a legitimate stockholder in PHC's controlling parent company, POTC. The character of the shares held by the PCGG/Republic, on whose behalf the PCGG Chairman is presumed to be acting, is irrelevant to Chairman Sabio's

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actions. Any shareholder, harboring any apprehensions or concerns, could have done the same or posed the same objection. It was an act that had no relation to any proceeding or question of ill-gotten wealth or sequestration. The PCGG was merely protecting the rights and interest of the Republic of the Philippines.

4. ID.; ID.; ID.; JURISDICTION OVER INTRA-CORPORATE CONTROVERSY LIES WITH THE REGULAR COURTS AND NOT WITH THE SANDIGANBAYAN; REGIONAL TRIAL COURT IS CO-EQUAL TO PCGG ONLY IN RELATION TO CASES FALLING UNDER THE LATTER'S FUNCTION UNDER THE LAW.— [I]t is clear that the jurisdiction lies with the regular courts and not with the Sandiganbayan. Section 5 of Presidential Decree No. 902-A conferred original and exclusive jurisdiction over intra-corporate disputes on the SEC. However, Section 5.2 of R.A. 8799, transferred the jurisdiction over such cases to courts of general jurisdiction, or the appropriate RTC. Petitioners, however, further argue that the case must be decided by the Sandiganbayan because the RTC is co-equal to the PCGG and therefore would have no authority to issue an order to the latter. x x x As the Court has already conclusively ruled, the RTC is co-equal to the PCGG only in relation to cases falling under the latter's function under the applicable Executive Orders, specifically Section 2 of E.O. 14, and Section 26, Article XVIII of the 1987 Constitution. Note that in this case, the acts complained of do not pertain to the PCGG's function under the aforementioned provisions of law and the Constitution, *i.e.*, it is not a case involving "the Funds, Moneys, Assets and Properties Illegally Acquired or Misappropriated by Former President Ferdinand Marcos, Mrs. Imelda Romualdez Marcos, their Close Relatives, Subordinates, Business Associates, Dummies, Agents or Nominees, whether civil or criminal, x x x" nor can it be considered an "[incident] arising from, incidental to, or related to" such cases. Rather, the PCGG, acting as representative of the Republic, was exercising a duty of a stockholder to ensure the proper and lawful exercise of corporate acts.

APPEARANCES OF COUNSEL

Dennis R. Manzanal for petitioners.
The Solicitor General for respondents.

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D E C I S I O N

CARPIO, *J.*:

The Case

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court filed by Philippine Communications Satellite Corporation (PHILCOMSAT) and PHILCOMSAT Holdings Corporation (PHC) [petitioners] against respondents, the Sandiganbayan and the Presidential Commission on Good Government (PCGG). Petitioners are assailing the Sandiganbayan's Resolution[1] promulgated on 3 May 2012 dismissing their complaint in Civil Case No. SB-12-CVL-0001, and the Resolution[2] promulgated on 14 August 2012 denying their motion for reconsideration.

The Facts

PHC is a domestic corporation listed in the Philippine Stock Exchange (PSE). It was previously known as Liberty Mines, Inc. (LMI) and had been previously engaged in the discovery, exploitation, development and exploration of oils.[3]

On 13 September 1995, Oliverio G. Laperal (Laperal), then Chairman of the Board and President of LMI, and Honorio Poblador III, then President of PHILCOMSAT, signed a Memorandum of Agreement[4] for the latter to gain controlling interest in LMI through an increase in its authorized capital stock.[5]

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[1] *Rollo*, pp. 30-44. Penned by Associate Justice Roland B. Jurado, with Associate Justices Teresita V. Diaz-Baldos and Alex L. Quiroz concurring.

[2] *Id*. at 45-55.

[3] *Id*. at 7.

[4] *Id*. at 60-67.

[5] *Id*. at 7.

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On 24 June 1996, Laperal and PHILCOMSAT executed a Supplemental Memorandum of Agreement[6] reiterating the increase in capital stock of LMI from six billion shares to 100 billion shares with par value of ₱0.01 per share equivalent to ₱1 billion. As part of its implementation of the Supplemental MOA, PHILCOMSAT subscribed to 79,050,000,000 shares of LMI.[7]

Sometime in 1997, LMI changed its name to PHC. It declassified its shares and amended its primary purpose to become a holding company. PHC then filed its application with the PSE for listing the shares representing the increase in its capital stock. Included in this application were the PHC shares owned by PHILCOMSAT.[8]

Pending the PSE's final approval of PHC's application for listing of the shares, the PCGG on 1 March 2005, through its then Chairman Camilo L. Sabio (Chairman Sabio), made a written request to suspend the listing of the increase in PHC's capital stock citing as reason the need to settle the conflicting claims of the two sets of board of directors of the Philippine Overseas Telecommunication Corporation (POTC) and PHILCOMSAT.[9]

In a letter[10] dated 22 March 2005, the PSE informed the PCGG that the PSE Listing Committee deferred action on the company's listing application and instead referred the matter to the PSE General Counsel to ascertain the applicability of the provisions on disqualifications for listing as provided under the PSE Revised Listing Rules.

On 7 June 2005, the PCGG sent another letter[11] to the PSE reiterating its request to defer the listing of PHC shares.

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[6] *Id*. at 68-71.

[7] *Id*. at 7.

[8] *Id*. at 8.

[9] *Id*. at 8 and 89.

[10] *Id*. at 9 and 92-93.

[11] *Id*.

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In November 2007, then President Gloria Macapagal-Arroyo appointed new government nominees to the POTC and PHILCOMSAT boards to replace Enrique Locsin, Manuel Andal, Julio Jalandoni and Guy de Leon. POTC owns 100% of PHILCOMSAT.

On 19 November 2007, in a special stockholders' meeting attended by POTC's private stockholders and Presidential Management Staff Undersecretary Enrique D. Perez, as representative and proxy of the Republic of the Philippines, and observed by Securities and Exchange Commission (SEC) representatives, the following were elected directors:

Daniel C. Gutierrez (government)
Santiago J. Ranada (government)
Erlinda I. Bildner (private)
Katrina C. Ponce-Enrile (private)
Marietta K. Ilusorio (private)
Pablo L. Lobregat (private)
Honorio A. Poblador III (private)
Allan S. Montaño (government)
Francisca Benedicto-Paulino (private)

Immediately thereafter, the new directors elected POTC's new set of officers:

Daniel C. Gutierrez — Chairman
Erlinda I. Bildner — Vice-Chairman
Katrina C. Ponce-Enrile — President
Marietta K. Ilusorio — Treasurer
Rafael A. Poblador — Asst. Treasurer
Victoria C. delos Reyes — Secretary

On the same day, PHILCOMSAT held a special stockholders' meeting attended by Erlinda I. Bildner as proxy for POTC. At the request of the Republic of the Philippines, the three government representatives were nominated to the PHILCOMSAT Board of Directors. The following were elected:

Abraham R. Abesamis (government)
Ramon P. Jacinto (government)
Rodolfo G. Serrano, Jr. (government)

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Erlinda I. Bildner (private)
Katrina C. Ponce-Enrile (private)
Pablo L. Lobregat (private)
Honorio A. Poblador III (private)
Marietta K. Ilusorio (private)
Lorna P. Kapunan (private)

Immediately after, at the meeting of the new and unified Board of Directors of PHILCOMSAT, the following were elected officers:

Abraham R. Abesamis — Chairman
Pablo L. Lobregat — Vice-Chairman
Erlinda I. Bildner — President
Marietta K. Ilusorio — Vice-President
Katrina C. Ponce-Enrile — Treasurer
Rafael A. Poblador — Asst. Treasurer
John Benedict B. Sioson — Secretary

On 7 May 2008, the PCGG issued *En Banc* Resolution No. 2008-009[12] recognizing the validity of the POTC's and PHILCOMSAT's respective stockholders' meetings and elections, both held on 19 November 2007:

NOW, THEREFORE, be it RESOLVED, as it is hereby RESOLVED, that:

1. The PCGG recognize[s] the validity of the 19 November 2007, POTC/PHILCOMSAT stockholders' meeting and confirm[s] as valid the election of the following government nominees: Atty. Daniel C. Gutierrez, Justice Santiago J. Ranada and Atty. Allan S. Montano to the Board of Directors of POTC and Radm. Abraham R. Abesamis, Mr. Ramon P. Jacinto and Mr. Rodolfo G. Serrano, Jr. to the Board of Directors of PHILCOMSAT;

x x x x x x x x x [13]

In a letter[14] dated 25 July 2011, Katrina C. Ponce-Enrile (Ponce-Enrile), then President of POTC, wrote to then PCGG

[12] *Id*. at 101-103.

[13] *Id*. at 102.

[14] *Id*. at 104-106.

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Chairman Andres D. Bautista (Chairman Bautista) demanding that the PCGG rescind its objection to the listing of the increase in PHC's capital stock.

When PCGG failed to reply, PHILCOMSAT sent a final demand letter[15] reiterating its demand for PCGG to withdraw its objection to the listing of the increase in PHC's capital stock.

On 11 January 2012, Ponce-Enrile received a letter[16] from Chairman Bautista, informing her that, among others, the agency was discussing the matter with the Department of Finance and that the two would give a joint recommendation thereafter. However, the PCGG never communicated said recommendation to PHILCOMSAT.

On 1 February 2012, PHILCOMSAT filed a complaint[17] before the Sandiganbayan against PCGG to compel the latter to withdraw its opposition to the listing of the increase in PHC's capital stock. PHILCOMSAT argued that PCGG had already recognized the validity of the stockholders' meetings in the two corporations, which "practically erased" the alleged conflict between the two sets of directors.[18]

The PCGG filed a motion to dismiss the complaint, which PHILCOMSAT subsequently opposed.

The Sandiganbayan's Ruling

On 3 May 2012, the Sandiganbayan issued the assailed Resolution, the dispositive portion of which reads:

> WHEREFORE, premises considered, defendant Presidential Commission on Good Government (PCGG)'s Motion to Dismiss dated 8 March 2012 is hereby GRANTED for lack of jurisdiction over the subject matter.

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[15] *Id*. at 107-108.

[16] *Id*. at 109.

[17] *Id*. at 110-122.

[18] *Id*. at 14.

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SO ORDERED.[19]

The Sandiganbayan held that, based on the allegations in the complaint, the action was one for specific performance since it sought to have PCGG withdraw its objection to the listing of the increase in PHC's capital stock at the PSE. Following Section 19[20] of Batas Pambansa Blg. 129 (B.P. 129), as amended by Republic Act No. 7691 (R.A. 7691), the Regional Trial Court (RTC) has exclusive jurisdiction over the case. It said:

> In our considered view, the allegations in the complaint show that it is primarily one for specific performance as it prays that the PCGG be directed to withdraw its objection to the listing of PHILCOMSAT's shares in PHC, hence, incapable of pecuniary estimation and within the RTC's jurisdiction.[21]

The Sandiganbayan also ruled that the case was a "dispute among its directors," and thus, was an intra-corporate dispute, *viz.*:[22]

> The determination of whether or not the PCGG should withdraw its request to defer the listing of the PHILCOMSAT shares **until the conflicting claims between the two sets of board of directors of POTC and PHILCOMSAT is settled**, is an intra-corporate controversy. (Emphasis in the original)

On 14 August 2012, the Sandiganbayan denied petitioners' motion for reconsideration. It reiterated its earlier ruling that it did not have jurisdiction over the controversy since it was an intra-corporate dispute.

In plaintiffs' complaint, it was stated that: "The Republic of the Philippines is the 34.9% owner of POTC, which wholly owns

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[19] *Id.* at 44.

[20] SECTION 19. *Jurisdiction in civil cases*. — Regional Trial Courts shall exercise exclusive original jurisdiction:

(1) In all civil actions in which the subject of the litigation is incapable of pecuniary estimation;

x x x x x x x x x

[21] *Rollo*, p. 40.

[22] *Id.* at 43.

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PHILCOMSAT, which in turn, owns 81% of PHC. As such, the Republic of the Philippines, with 28.7% indirect ownership in PHC, also its largest single beneficial owner, continues to sustain the incalculable loss of holding illiquid or unmarketable shares in a publicly listed company." Evidently, while the PCGG may not be a stockholder, director, officer, member or even associate of the plaintiff corporations, it bears emphasis that the Commission has an interest in the PHC shares prompting the PCGG to request the PSE to suspend the listing of the SEC approved increase in capital stock of PHC. The Commission's interest in the aforesaid shares determines the "nature of the question under controversy" in the instant case and consequently, the reiteration of this Court's pronouncement in the assailed Resolution of having no jurisdiction over the subject matter of the instant case.[23]

The Issue

Petitioners are now before the Court on a petition for review on *certiorari* under Rule 45 raising this sole assignment of error:

> The Sandiganbayan erred in dismissing the case *a quo* for lack of jurisdiction on [the] ground that the action allegedly involves an intra-corporate controversy.[24]

Petitioners' arguments

Petitioners argue that the allegations in the complaint do not qualify as an intra-corporate controversy because "not a single element of an intra-corporate controversy exists in this case." [25]

Petitioners claim that, *first*, the cause of action in this case — to compel PCGG to withdraw its objection to the listing of PHILCOMSAT's shares in PHC — is not an intra-corporate dispute,[26] since PCGG is not a stockholder, director, officer, member or even associate of the plaintiff corporation.[27]

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[23] *Id*. at 50-51.

[24] *Id*. at 15.

[25] *Id*. at 16.

[26] *Id*. at 19.

[27] *Id.*

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Second, petitioners insist that the "subject matter of the case *a quo*, that is, to have respondent PCGG withdraw its objections to the listing of [PHILCOMSAT's] shares in PHC, does not fall in any of the cases that may be considered intra-corporate controversy, as enumerated in Section 5 of PD 902-A."[28] It argues that "the issue in this case does not even involve POTC and/or the shares that the Republic owns therein to the extent of thirty five percent (35%). The issue specifically pertains to petitioner [PHILCOMSAT's] shares in petitioner PHC where the respondent PCGG, through abuse of authority, objected to the listing in the Philippine Stock Exchange. While the government (Republic of the Philippines) owns 35% of POTC, the latter has a separate and distinct legal personality with petitioner PHILCOMSAT and PHC. x x x. Respondent PCGG, which is not even the registered owner of a single PHILCOMSAT share has no personality to meddle in PHC's affairs and block the listing of PHILCOMSAT's share in the stock exchange. The twin element of corporate relationship and intra-corporate issues were never met in the complaint."[29]

Third, petitioners state that PCGG has ceased to have a valid and justifiable reason for blocking the listing of the increase in PHC's capital stock because "the appointment of new government nominees and the stockholders' meetings of POTC, PHILCOMSAT and PHC in 2007 paved the way for unified boards and erased whatever alleged uncertainty that existed previously on who has control over these corporations."[30]

More importantly, with its 7 May 2008 *En Banc* Resolution No. 2008-009, the PCGG itself has recognized the valid election of the POTC, PHILCOMSAT and PHC boards and, therefore, the basis for its objection is no longer obtaining.[31]

Lastly, petitioners argue that the PCGG is a co-equal body with the RTC and since co-equal bodies have no power to

[28] *Id*.

[29] *Id*. at 20.

[30] *Id*. at 21.

[31] *Id*. at 22.

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control the other, the RTC cannot compel the PCGG to follow its order.[32]

The PCGG's arguments

On the other hand, the PCGG, through the Office of the Solicitor General, raised the following arguments in its Comment:[33]

I. THE RESPONDENT COURT IS BEREFT OF JURISDICTION OVER PETITIONERS' COMPLAINT.

II. PETITIONERS' PROTESTATIONS NOTWITHSTANDING, THE COMPLAINT DESERVES OUTRIGHT DISMISSAL BECAUSE:

A. PETITIONERS HAVE NOT ALLEGED ANY CAUSE OF ACTION TO ENTITLE THEM TO THE RELIEF DEMANDED.

B. PETITIONERS FAILED TO IMPLEAD THE REPUBLIC AS INDISPENSABLE PARTY.

C. ASSUMING THAT THE STATE HAS BEEN IMPLEADED THROUGH THE PCGG, THIS CASE SHOULD NONETHELESS BE DISMISSED ON THE GROUND THAT THE STATE MAY NOT BE SUED WITHOUT ITS CONSENT.

D. THE PRESENT SUIT IS BARRED BY *LITIS PENDENTIA*.

E. PETITIONERS' COUNSEL FAILED TO COMPLY WITH BAR MATTER NO. 1922 DATED JUNE 3, 2008.

The PCGG contends that "the controversy does not emanate from, nor does it relate to any functions of the PCGG of recovering ill-gotten wealth, or any incident arising from, or incidental to such duty."[34] Rather, the PCGG posits that the acts complained of are in the nature of an intra-corporate controversy. It avers that "the nature of petitioners' claim refers to the enforcement of the parties' rights under the Corporation Code and internal rules of the corporation, particularly affecting the propriety of

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[32] *Id*. at 23.

[33] *Id*. at 202-229.

[34] *Id*. at 212.

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publicly listing in the Philippine Stock Exchange (PSE) of the 790 million shares of PHILCOMSAT with PHC." [35] The PCGG emphasized that "the matter of compelling the PCGG x x x to withdraw its objection regarding the listing of shares in PHC, which objection is an exercise of ownership rights, is an intra-corporate controversy and outside the jurisdiction of the respondent court."[36]

The Court's Ruling

The petition has no merit and is, therefore, denied.

The Complaint involves an Intra-corporate Controversy

Intra-corporate controversy

To determine if a case involves an intra-corporate controversy, the courts have applied two tests: the relationship test and the nature of the controversy test.

Under the *relationship test*, the existence of any of the following relationships makes the conflict intra-corporate: (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.[37]

On the other hand, the *nature of the controversy* test dictates that "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."[38]

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[35] *Id*. at 215.

[36] *Id*. at 217-218.

[37] *Medical Plaza Condominium Corp. v. Cullen*, G.R. No. 181416, 11 November 2013, 709 SCRA 110, 120. (Citations omitted)

[38] *Id*. at 120-121, citing *Strategic Alliance Development Corporation v.*

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A combined application of the *relationship test* and the *nature of the controversy test* has become the norm in determining whether a case is an intra-corporate controversy,[39] to be "heard and decided by the [b]ranches of the RTC specifically designated by the Court to try and decide such cases."[40]

Relationship test

Under the *relationship test,* an intra-corporate controversy arises when the conflict is "between the corporation, partnership or association and its stockholders, partners, members or officers."

Petitioners insist that the PCGG is not a stockholder, partner, member or officer of the corporation. This is misleading and inaccurate.

The PCGG was created under Executive Order No. 1 (E.O. 1) to assist the President in:

(a) The recovery of all ill-gotten wealth accumulated by former President Ferdinand E. Marcos, his immediate family, relatives, subordinates and close associates, whether located in the Philippines or abroad, including the takeover or sequestration of all business enterprises and entities owned or controlled by them, during his administration, directly or through nominees, by taking undue advantage of their public office and/or using their powers, authority, influence, connections or relationship.

(b) The investigation of such cases of graft and corruption as the President may assign to the Commission from time to time.

(c) The adoption of safeguards to ensure that the above practices shall not be repeated in any manner under the new government, and the institution of adequate measures to prevent the occurrence of corruption.[41]

Star Infrastructure Development Corporation, G.R. No. 187872, 17 November 2010, 635 SCRA 380, 391 and *Reyes v. RTC of Makati, Br. 142,* 583 Phil. 591, 608 (2008).

[39] *Strategic Alliance Development Corporation v. Star Infrastructure Development Corporation*, G.R. No. 187872, 17 November 2010, 635 SCRA 380, 391-392.

[40] *Speed Distributing Corp. v. CA*, 469 Phil. 739, 758 (2004).

[41] Section 2, E.O. 1 (1986).

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This Court, in *PCGG v. Peña*,[42] further explained:

> In the discharge of its vital task "to recover the tremendous wealth plundered from the people by the past regime in the most execrable thievery perpetrated in all history," or "organized pillage" (to borrow a phrase from the articulate Mr. Blas Ople), the Commission was vested with the ample power and authority:
>
> (a) x x x
>
> (b) to sequester or place or cause to be placed under its control or possession any building or office wherein any ill-gotten wealth or properties may be found, and any records pertaining thereto, in order to prevent their destruction, concealment or disappearance which would frustrate or hamper the investigation or otherwise prevent the Commission from accomplishing its task.
>
> (c) to provisionally takeover in the public interest or to prevent the disposal or dissipation of business enterprises and properties taken over by the government of the Marcos Administration or by entities or persons close to former President Marcos, until the transactions leading to such acquisition by the latter can be disposed of by the appropriate authorities.
>
> (d) to enjoin or restrain any actual or threatened commission of acts by any person or entity that may render moot and academic, or frustrate or otherwise make ineffectual the efforts of the Commission to carry out its task under this Order.x x x .[43]

In *Republic v. Sandiganbayan*,[44] the Court settled that, due to the Compromise Agreement validly entered into by the Republic through the PCGG, the Republic of the Philippines now owns 4,727 shares of POTC.

As it stands today, the Republic of the Philippines owns 34.9% of POTC, which wholly owns PHILCOMSAT, which in turn owns 81% of PHC.[45] The Republic, then, has an interest in the

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[42] 243 Phil. 93 (1988).

[43] *Id.* at 103-104. (Citations omitted)

[44] 499 Phil. 138 (2005).

[45] *Rollo*, p. 126.

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proper operations of the PHC, however indirect this interest may seem to be.

Chairman Sabio, while himself not a stockholder of the subject corporations, was acting as head of the PCGG, which is the agency tasked to adopt safeguards so that incidents of graft and corruption, as well as cases of abuse of "powers, authority, influence, connections or relationship" in these corporations are eliminated.[46]

The Republic acts through its lawfully designated representatives or nominees. Thus, PCGG nominees and directors sit in the boards of directors of sequestered corporations not for themselves but on behalf of the Republic. It is their duty to protect and advance the interests of the Republic of the Philippines.

Nature of the controversy test

The *nature of the controversy test* examines the controversy in relation 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."[47]

The controversy in the present case stems from the act of Chairman Sabio in requesting the PSE to suspend the listing of PHC's increase in capital stock because of still unresolved issues on the election of the POTC's and PHILCOMSAT's respective boards of directors.

The act of Chairman Sabio in asking the SEC to suspend the listing of PHC's shares was done in pursuit of protecting the interest of the Republic of the Philippines, a legitimate stockholder in PHC's controlling parent company, POTC. The character of the shares held by the PCGG/Republic, on whose behalf the PCGG Chairman is presumed to be acting, is irrelevant to Chairman Sabio's actions. Any shareholder, harboring any

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[46] E.O. 14.

[47] *Supra* note 38.

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apprehensions or concerns, could have done the same or posed the same objection. It was an act that had no relation to any proceeding or question of ill-gotten wealth or sequestration. The PCGG was merely protecting the rights and interest of the Republic of the Philippines.

From the foregoing, it is clear that the dispute in the present case is an intra-corporate controversy.

The Sandiganbayan has no Jurisdiction

As such, it is clear that the jurisdiction lies with the regular courts and not with the Sandiganbayan.

Section 5 of Presidential Decree No. 902-A conferred original and exclusive jurisdiction over intra-corporate disputes on the SEC. However, Section 5.2 of R.A. 8799, transferred the jurisdiction over such cases to courts of general jurisdiction, or the appropriate RTC.[48]

Petitioners, however, further argue that the case must be decided by the Sandiganbayan because the RTC is co-equal to the PCGG and therefore would have no authority to issue an order to the latter.[49]

The following pronouncements of this Court are instructive:

> Under Section 2 of Executive Order No. 14, the Sandiganbayan has exclusive and original jurisdiction over all cases regarding "the funds, moneys, assets and properties illegally acquired by Former President Ferdinand E. Marcos, Mrs. Imelda Romualdez Marcos, their close relatives, subordinates, business associates, dummies, agents, or nominees," civil or criminal, including incidents arising from such cases. The Decision of the Sandiganbayan is subject to review on certiorari exclusively by the Supreme Court.
>
> In the exercise of its functions, the PCGG is a co-equal body with the regional trial courts and co-equal bodies have no power to control the other. The regional trial courts and the Court of Appeals have no jurisdiction over the PCGG in the exercise of its powers under

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[48] See *Speed Distributing Corp. v. Court of Appeals, supra* note 40.

[49] *Rollo*, p. 22.

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the applicable Executive Orders and Section 26, Article XVIII of the 1987 Constitution and, therefore, may not interfere with and restrain or set aside the orders and actions of the PCGG.[50]

Further:

The issue of whether or not the Regional Trial Courts have jurisdiction over the Presidential Commission on Good Government in the exercise of the latter's powers and functions under the applicable Executive Orders and Section 26, Article XVIII of the 1987 Constitution has been laid to rest in *PCGG vs. Hon. Emmanuel G. Peña, et al., G.R. No. 77663, April 12, 1988* where Mr. Chief Justice Claudio Teehankee articulated the opinion of an almost unanimous court as follows:

> On the issue of jurisdiction squarely raised, as above indicated, the Court sustains petitioner's stand and holds that regional trial courts and the Court of Appeals for that matter have no jurisdiction over the Presidential Commission on Good Government **in the exercise of its powers under the applicable Executive Orders and Article XVIII, Section 26 of the Constitution and therefore may not interfere with and restrain or set aside the orders and actions of the Commission.** Under Section 2 of the President's Executive Order No. 14 issued on May 7, 1986, all cases of the Commission regarding "the Funds, Moneys, Assets and Properties Illegally Acquired or Misappropriated by Former President Ferdinand Marcos, Mrs. Imelda Romualdez Marcos, their Close Relatives, Subordinates, Business Associates, Dummies, Agents or Nominees" whether civil or criminal, are lodged within the "exclusive and original jurisdiction of the Sandiganbayan" **and all incidents arising from, incidental to, or related to, such cases necessarily fall likewise under the Sandiganbayan's exclusive and original jurisdiction** subject to review on certiorari exclusively by the Supreme Court.[51] (Emphasis supplied)

As the Court has already conclusively ruled, the RTC is co-equal to the PCGG only in relation to cases falling under the

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[50] *Olaguer v. RTC, Br. 48, Manila*, 252 Phil. 495, 504-505 (1989). (Citations omitted). See also *PCGG v. Nepomuceno*, 263 Phil. 378, 393-394 (1990).

[51] *PCGG v. Aquino,* 246 Phil. 371, 378-379 (1988).

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latter's function under the applicable Executive Orders, specifically Section 2 of E.O. 14, and Section 26, Article XVIII of the 1987 Constitution.

Note that in this case, the acts complained of do not pertain to the PCGG's function under the aforementioned provisions of law and the Constitution, *i.e.*, it is not a case involving "the Funds, Moneys, Assets and Properties Illegally Acquired or Misappropriated by Former President Ferdinand Marcos, Mrs. Imelda Romualdez Marcos, their Close Relatives, Subordinates, Business Associates, Dummies, Agents or Nominees, whether civil or criminal, x x x" nor can it be considered an "[incident] arising from, incidental to, or related to"[52] such cases.

Rather, the PCGG, acting as representative of the Republic, was exercising a duty of a stockholder to ensure the proper and lawful exercise of corporate acts.

Based on the foregoing, the Sandiganbayan correctly dismissed the complaint for lack of jurisdiction.

WHEREFORE, the petition is **DENIED.** The Resolutions of the Sandiganbayan in Civil Case No. SB-12-CVL-0001 promulgated on 3 May 2012 and 14 August 2012 are **AFFIRMED.** Costs against petitioners.

SO ORDERED.

Brion, del Castillo, Mendoza, and *Reyes,*[*] *JJ.*, concur.

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[52] *Id*. at 378.

[*] Designated acting member per Special Order No. 2056-A dated 10 June 2015.