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FIRST DIVISION

[G.R. No. 63558. May 19, 1987]

SPOUSES JOSE ABEJO AND AURORA ABEJO, TELECTRONIC SYSTEMS, INC., *petitioners, vs.* **HON. RAFAEL DE LA CRUZ, JUDGE OF THE REGIONAL TRIAL COURT (NATIONAL CAPITAL JUDICIAL REGION, BRANCH CLX-PASIG), SPOUSES AGAPITO BRAGA AND VIRGINIA BRAGA, VIRGILIO BRAGA AND NORBERTO BRAGA,** *respondents.*

[G.R. Nos. 68450-51. May 19, 1987]

POCKET BELL PHILIPPINES, INC., AGAPITO T. BRAGA, VIRGILIO T. BRAGA, NORBERTO BRAGA, and VIRGINIA BRAGA, *petitioners, vs.* **THE HONORABLE SECURITIES AND EXCHANGE COMMISSION, TELECTRONIC SYSTEMS, INC., JOSE ABEJO, JOSE LUIS SANTIAGO, SIMEON A. MIRAVITE, SR., ANDRES T. VELARDE AND L. QUIDATO BANDOLINO,** *respondents.*

SYLLABUS

1. **COMMERCIAL LAW; SECURITIES AND EXCHANGE COMMISSION; HAS ORIGINAL AND EXCLUSIVE JURISDICTION OVER DISPUTE IN CASE AT BAR.**— The Court rules that the SEC has original and exclusive jurisdiction over the dispute between the principal stockholders of the corporation Pocket Bell, namely, the Abejos and Telectronics, the purchasers of the 56% majority stock on the one hand, and the Bragas, erstwhile majority stockholders, on the other, and that the SEC, through its *en banc* Resolution of May 15, 1984 correctly ruled in dismissing the Bragas' petition questioning its jurisdiction, that "the issue is not the ownership of shares but rather the non-performance by the Corporate Secretary of

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the ministerial duty of recording transfers of shares of stock of the Corporation of which he is secretary."

2. **ID.; PRIVATE CORPORATIONS; INTRA-CORPORATE CONTROVERSY; PRESENT IN CASE AT BAR.**— The dispute is likewise an intra-corporate controversy between and among the majority and minority stockholders as to the transfer and disposition of the controlling shares of the corporation, falling under paragraph (b). As stressed by the Court in *DMRC Enterprises v. Este del Sol Mountain Reserve, Inc.*, "Considering the announced policy of PD 902-A, the expanded jurisdiction of the respondent Securities and Exchange Commission under said decree extends exclusively to matters arising from contracts involving investments in private corporations, partnerships and associations." The dispute also concerns the fundamental issue of whether the Bragas or Telectronics have the right to elect the corporate directors and officers and manage its business and operations, which falls under paragraph (c).

3. **ID.; ID.; ID.; CONSTRUED.**— Most of the cases that have come to this Court involve those under paragraph (b), *i e.* whether the controversy is an intra-corporate one, arising "between and among stockholders" or "between any or all of them and the corporation." The parties have focused their arguments on this question. The Bragas' contention in his field must likewise fail. In *Philex Mining Corp. v. Reyes*, the Court spelled out that "an intra-corporate controversy is one which arises between a stockholder and the corporation. There is no distinction, qualification, nor any exemption whatsoever. The provision is broad and covers all kinds of controversies between stockholders and corporations. The issue of whether or not a corporation is bound to replace a stockholder's lost certificate of stock is a matter purely between a stockholder and the corporation. It is a typical intra-corporate dispute. The question of damages raised is merely incidental to that main issue." The Court rejected the stockholders' theory of excluding his complaint (for replacement of a lost stock [dividend] certificate which he claimed to have never received) from the classification of intra-corporate controversies as one that "does not square with the intent of the law, which is to segregate from the general jurisdiction of regular Courts controversies involving corporations and their stockholders and to bring them to the SEC for exclusive

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resolution, in much the same way that labor disputes are now brought to the Ministry of Labor and Employment (MOLE) and the National Labor Relations Commission (NLRC), and not to the Courts."

4. **POLITICAL LAW; ADMINISTRATIVE LAW; DOCTRINE OF PRIMARY JURISDICTION; ELUCIDATED.**— In the fifties, the Court taking cognizance of the move to vest jurisdiction in administrative commissions and boards the power to resolve specialized disputes in the field of labor (as in corporations, public transportation and public utilities) ruled that Congress in requiring the Industrial Court's intervention in the resolution of labor-management controversies likely to cause strikes or lockouts meant such jurisdiction to be exclusive, although it did not so expressly state in the law. The Court held that under the "sense-making and expeditious doctrine of primary jurisdiction . . . the courts cannot or will not determine a controversy involving a question which is within the jurisdiction of an administrative tribunal, where the question demands the exercise of sound administrative discretion requiring *the special knowledge, experience, and services of the administrative tribunal to determine technical and intricate matters of fact, and a uniformity of ruling is essential to comply with the purposes of the regulatory statute administered.*"

5. **ID.; ID. ADMINISTRATIVE AGENCIES; BETWEEN THE POWER LODGED IN AN ADMINISTRATIVE BODY AND A COURT, THE UNMISTAKABLE TREND HAS BEEN TO REFER IT TO THE FORMER.**— In this era of clogged court dockets, the need for specialized administrative boards or commissions with the special knowledge, experience and capability to hear and determine promptly disputes on technical matters or essentially factual matters, subject to judicial review in case of grave abuse of discretion, has become well nigh indispensable. Thus, in 1984, the Court noted that "between the power lodged in an administrative body and a court, the unmistakable trend has been to refer it to the former. 'Increasingly, this Court has been committed to the view that unless the law speaks clearly and unequivocably, the choice should fall on [an administrative agency.]'"

6. **COMMERCIAL LAW; SECURITIES AND EXCHANGE COMMISSION; JURISDICTION AND FUNCTION.**— As the

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Court stressed in *Union Glass & Container Corp. v. SEC*, "This grant of jurisdiction [in Section 5] must be viewed in the light of the nature and functions of the SEC under the law. Section 3 of PD No. 902-A confers upon the latter 'absolute jurisdiction, supervision, and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines x x x.' The principal function of the SEC is the supervision and control over corporations, partnerships and associations with the end in view that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development. "It is in aid of this office that the adjudicative power of the SEC must be exercised. Thus the law explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations. "Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: [a] between the corporation, partnership or association and the public; [b] between the corporation, partnership or association and its stockholders, partners, members, or officers; [c] between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; and [d] among the stockholders, partners or associates themselves."

D E C I S I O N

TEEHANKEE, *C.J.*:

These two cases, jointly heard, are jointly herein decided. They involve the question of who, between the Regional Trial Court and the Securities and Exchange Commission (SEC), has original and exclusive jurisdiction over the dispute between the principal stockholders of the corporation *Pocket Bell Philippines, Inc.* (Pocket Bell), a "tone and voice paging corporation," namely, the spouses Jose Abejo and Aurora Abejo (hereinafter referred to as the Abejos) and the purchaser, Telectronic Systems, Inc. (hereinafter referred to as Telectronics)

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of their 133,000 minority shareholdings (for ₱5 million) and of 63,000 shares registered in the name of Virginia Braga and covered by five stock certificates endorsed in blank by her (for ₱1,674,450.00), and the spouses Agapito Braga and Virginia Braga (hereinafter referred to as the Bragas), erstwhile majority stockholders. With the said purchases, Telectronics would become the majority stockholder, holding 56% of the outstanding stock and voting power of the corporation Pocket Bell.

With the said purchases in 1982, Telectronics requested the corporate secretary of the corporation, Norberto Braga, to register and transfer to its name, and those of its nominees the total 196,000 Pocket Bell shares in the corporation's transfer book, cancel the surrendered certificates of stock and issue the corresponding new certificates of stock in its name and those of its nominees.

Norberto Braga, the corporate secretary and son of the Bragas, refused to register the aforesaid transfer of shares in the corporate books, asserting that the Bragas claim pre-emptive rights over the 133,000 Abejo shares and that Virginia Braga never transferred her 63,000 shares to Telectronics but had lost the five stock certificates representing those shares.

This triggered off the series of intertwined actions between the protagonists, all centered on the question of jurisdiction over the dispute, which were to culminate in the filing of the two cases at bar.

The Bragas assert that the regular civil court has original and exclusive jurisdiction as against the Securities and Exchange Commission, while the Abejos claim the contrary. A summary of the actions resorted to by the parties follows:

A. *ABEJOS' ACTIONS IN SEC*

1. The Abejos and Telectronics and the latter's nominees, as new majority shareholders, filed SEC Cases Nos. 02379 and 02395 against the Bragas on December 17, 1982 and February 14, 1983, respectively.

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2. In *SEC Case No. 02379*, they prayed for *mandamus* from the SEC ordering Norberto Braga, as corporate secretary of Pocket Bell to register in their names the transfer and sale of the aforesaid 196,000 Pocket Bell shares (of the Abejos[1] and Virginia Braga[2], cancel the surrendered certificates as duly endorsed and to issue new certificates in their names.

3. In *SEC Case No. 02395*, they prayed for *injunction* and a temporary restraining order that the SEC enjoin the Bragas from disbursing or disposing funds and assets of Pocket Bell and from performing such other acts pertaining to the functions of corporate officers.

4. Pocket Bell's corporate secretary, Norberto Braga, filed a Motion to Dismiss the mandamus case (SEC Case No. 02379) contending that the SEC has no jurisdiction over the nature of the action since it does not involve an intracorporate controversy between stockholders, the principal petitioners therein, Telectronics, not being a stockholder of record of Pocket Bell.

5. On January 8, 1983, SEC Hearing Officer Joaquin Garaygay denied the motion. On January 14, 1983, the corporate secretary filed a Motion for Reconsideration. On March 21, 1983, SEC Hearing Officer Joaquin Garaygay issued an order granting Braga's motion for reconsideration and dismissed SEC Case No. 02379.

6. On February 11, 1983, the Bragas filed their Motion to Dismiss the injunction case, SEC Case No. 02395. On April 8, 1985, the SEC Director, Eugenio Reyes, acting upon the Abejos' *ex-parte* motion, created a three-man committee composed of Atty. Emmanuel Sison as Chairman and Attys. Alfredo Oca and Joaquin Garaygay as members, to hear and decide the two SEC cases (Nos. 02379 and 02395).

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[1] The Abejo's certificates are numbered 001, 012, 017, 018, 022, 026 and 029 totalling 133,000 shares.

[2] Virginia Braga's certificates are numbered 003, 008, 013, 023 and 027 totalling 63,000 shares.

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7. On April 13, 1983, the SEC three-man committee issued an order reconsidering the aforesaid order of March 21, 1983 of the SEC Hearing Officer Garaygay (dismissing the *mandamus* petition SEC Case No. 02379) and directing corporate secretary Norberto Braga to file his answer to the petitioner therein.

B. *BRAGAS' ACTION IN SEC*

8. On December 12, 1983, the Bragas filed a petition for *certiorari*, prohibition and *mandamus* with the SEC *en banc*, SEC Case No. EB #049, seeking the dismissal of SEC Cases Nos. 02379 and 02395 for lack of jurisdiction of the Commission and the setting aside of the various orders issued by the SEC three-man committee in the course of the proceedings in the two SEC cases.

9. On May 15, 1984, the SEC *en banc* issued an order dismissing the Bragas' petition in SEC Case No. EB #049 for lack of merit and at the same time ordering the SEC Hearing Committee to continue with the hearings of the Abejos and Telectronics SEC Cases Nos. 02379 and 02395, ruling that the "issue is not the ownership of shares but rather the non-performance by the Corporate Secretary of the ministerial duty of recording transfers of shares of stock of the corporation of which he is secretary."

10. On May 15, 1984 the Bragas filed a motion for reconsideration but the SEC *en banc* denied the same on August 9, 1984.

C. *BRAGAS' ACTION IN CFI (NOW RTC)*

11. On November 25, 1982, following the corporate secretary's refusal to register the transfer of the shares in question, the Bragas filed a complaint against the Abejos and Telectronics in the Court of First Instance of Pasig, Branch 21 (now the Regional Trial Court, Branch 160) docketed as Civil Case No. 48746 for: (a) rescission and annulment of the sale of the shares of stock in Pocket Bell made by the Abejos in favor of Telectronics on the ground that it violated the Bragas' alleged pre-emptive right over the Abejos' shareholdings and

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an alleged perfected contract with the Abejos to sell the same shares in their (Bragas) favor, (*1st cause of action*); plus damages for bad faith; and (b) declaration of nullity of any transfer, assignment or endorsement of Virginia Bragas' stock certificates for 63,000 shares in Pocket Bell to Telectronics for want of consent and consideration, alleging that said stock certificates, which were intended as security for a loan application and were thus endorsed by her in blank, had been lost (*2nd cause of action*).

12. On January 4, 1983, the Abejos filed a Motion to Dismiss the complaint on the ground that it is the SEC that is vested under PD 902-A with original and exclusive jurisdiction to hear and decide cases involving, among others, controversies "between and among stockholders" and that the Bragas' suit is such a controversy as the issues involved therein are the stockholders" alleged pre-emptive rights, the validity of the transfer and endorsement of certificates of stock, the election of corporate officers and the management and control of the corporation's operations. The dismissal motion was granted by Presiding Judge G. Pineda on January 14, 1983.

13. On January 24, 1983, the Bragas filed a motion for reconsideration. The Abejos opposed. Meanwhile, respondent Judge Rafael de la Cruz was appointed presiding judge of the court (renamed Regional Trial Court) in place of Judge G. Pineda.

14. On February 14, 1983, respondent Judge de la Cruz issued an order rescinding the January 14, 1983 order and reviving the temporary restraining order previously issued on December 23, 1982 restraining Telectronics' agents or representatives from enforcing their resolution constituting themselves as the new set of officers of Pocket Bell and from assuming control of the corporation and discharging their functions.

15. On March 2, 1983, the Abejos filed a motion for reconsideration, which motion was duly opposed by the Bragas. On March 11, 1983, respondent Judge denied the motion for reconsideration.

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D. *ABEJOS' PETITION AT BAR*

16. On March 26, 1983, the Abejos, alleging that the acts of respondent Judge in refusing to dismiss the complaint despite clear lack of jurisdiction over the action and in refusing to reconsider his erroneous position were performed without jurisdiction and with grave abuse of discretion, filed their herein Petition for *Certiorari* and Prohibition with Preliminary Injunction. They prayed that the challenged orders of respondent Judge dated February 14, 1983 and March 11, 1983 be set aside for lack of jurisdiction and that he be ordered to permanently desist from further proceedings in Civil Case No. 48746. Respondent judge desisted from further proceedings in the case, dispensing with the need of issuing any restraining order.

E. *BRAGAS' PETITION AT BAR*

17. On August 29, 1984, the Bragas, alleging in turn that the SEC has no jurisdiction over SEC Cases Nos. 02379 and 02395 and that it acted arbitrarily, whimsically and capriciously in dismissing their petition (in SEC Case No. EB #049) for dismissal of the said cases, filed their herein Petition for *Certiorari* and Prohibition with Preliminary Injunction or TRO. The petitioner seeks the reversal and/or setting aside of the SEC Order dated May 15, 1984 dismissing their petition in said SEC Case No. EB #049 and sustaining its jurisdiction over SEC Cases Nos. 02379 and 02395, filed by the Abejos. On September 24, 1984, this Court issued a temporary restraining order to maintain the *status quo* and restrained the SEC and/or any of its officers or hearing committees from further proceeding with the hearings in SEC Cases Nos. 02379 and 02395 and from enforcing any and all orders and or resolutions issued in connection with the said cases.

The cases, having been given due course, were jointly heard by the Court on March 27, 1985 and the parties thereafter filed on April 16, 1985 their respective memoranda in amplification of oral argument on the points of law that were crystallized during the hearing.

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The Court rules that the SEC has original and exclusive jurisdiction over the dispute between the principal stockholders of the corporation Pocket Bell, namely, the Abejos and Telectronics, the purchasers of the 56% majority stock (*supra*, at page 2) on the one hand, and the Bragas, erstwhile majority stockholders, on the other, and that the SEC, through its *en banc* Resolution of May 15, 1984 correctly ruled in dismissing the Bragas' petition questioning its jurisdiction, that "the issue is not the ownership of shares but rather the non-performance by the Corporate Secretary of the ministerial duty of recording transfers of shares of stock of the Corporation of which he is secretary."

1. The SEC ruling upholding its primary and exclusive jurisdiction over the dispute is correctly premised on, and fully supported by, the applicable provisions of P.D. No. 902-A which reorganized the SEC with additional powers "in line with the government's policy of encouraging investments, both domestic and foreign, and more active public participation in the affairs of private corporations and enterprises through which desirable activities may be pursued for the promotion of economic development; and, to promote a wider and more meaningful equitable distribution of wealth," and accordingly provided that:

"SEC. 3. The Commission shall have *absolute jurisdiction, supervision and control over all corporations*, partnerships or associations, who are the grantees of primary franchise and/or a license or permit issued by the government to operate in the Philippines; x x x

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

a) Devices or schemes employed by or any acts, of the board of directors, business associations, its officers or partners, amounting *to fraud and misrepresentation* which may be *detrimental to the interest of the public and/or of the*

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stockholder, partners, members of associations or organizations registered with the Commission.

b) *Controversies* arising out of *intracorporate or partnership relations, between and among stockholders*, members, or associates; *between any and/or all of them and the corporation*, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity;

c) Controversies in the *election or appointments of directors, trustees, officers or managers* of such corporations, partnerships or associations."[3]

Section 6 further grants the SEC "in order to effectively exercise such jurisdiction," the power, *inter alia*, "to issue *preliminary or permanent injunctions*, whether *prohibitory or mandatory*, in all cases in which it has jurisdiction, and in which cases the pertinent provisions of the Rules of Court shall apply."

2. Basically and indubitably, the dispute at bar, as held by the SEC, is an intracorporate dispute that has arisen between and among the principal stockholders of the corporation Pocket Bell due to the refusal of the corporate secretary, backed up by his parents as erstwhile majority shareholders, to perform his "ministerial duty" to record the transfers of the corporation's controlling (56%) shares of stock, covered by duly endorsed certificates of stock, in favor of Telectronics as the purchaser thereof. *Mandamus* in the SEC to compel the corporate secretary to register the transfers and issue new certificates in favor of Telectronics and its nominees was properly resorted to under Rule XXI, Section 1 of the SEC's New Rules of Procedure,[4]

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[3] Italics supplied.

[4] The cited Rule reads:

"SECTION 1. Petition for *Mandamus*. — When any corporation, board or person unlawfully neglects the performance of an act which the law specifically enjoins as a duty resulting from an office, trust or station, or

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which provides for the filing of such petitions with the SEC. Section 3 of said Rules further authorizes the SEC to "issue orders expediting the proceedings x x x and also [to] grant a preliminary injunction for the preservation of the rights of the parties pending such proceedings."

The claims of the Bragas, which they assert in their complaint in the Regional Trial Court, praying for rescission and annulment of the sale made by the Abejos in favor of Telectronics on the ground that they had an alleged perfected pre-emptive right over the Abejos' shares as well as for annulment of sale to Telectronics of Virginia Braga's shares covered by street certificates duly endorsed by her in blank, may in no way deprive the SEC of its primary and exclusive jurisdiction to grant or not the writ of *mandamus* ordering the registration of the shares so transferred. The Bragas' contention that the question of ordering the recording of the transfers ultimately hinges on the question of ownership or right thereto over the shares notwithstanding, the jurisdiction over the dispute is clearly vested in the SEC.

3. The very complaint of the Bragas for annulment of the sales and transfers as filed by them in the regular court questions the validity of the transfer and endorsement of the certificates of stock, claiming alleged pre-emptive rights in the case of the Abejos' shares and alleged loss of the certificates and lack of consent and consideration in the case of Virginia Braga's shares. Such dispute clearly involves controversies "between and among stockholders," as to the Abejos' right to sell and dispose of their shares to Telectronics, the validity of the latter's acquisition of Virginia Braga's shares, who between the Bragas and the Abejos' transferee should be recognized as the controlling

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unlawfully excludes another from the use and enjoyment of a right or office to which such other is entitled, and there is no other plain, speedy and adequate remedy in the ordinary course of law, the person aggrieved thereby may file a verified petition with the Commission alleging the facts with certainty and praying that judgment be rendered commanding the respondent, immediately or at some other specified time, to do the act required to be done to protect the rights of the petitioner, and to pay the damages sustained by the petitioner by reason of the wrongful acts of the respondent."

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shareholders of the corporation, with the right to elect the corporate officers and the management and control of its operations. Such a dispute and case clearly fall within the original and exclusive jurisdiction of the SEC to decide, under Section 5 of P.D. 902-A, above-quoted. The restraining order issued by the Regional Trial Court restraining Telectronics agents and representatives from enforcing their resolution constituting themselves as the new set of officers of Pocket Bell and from assuming control of the corporation and discharging their functions patently encroached upon the SEC's exclusive jurisdiction over such specialized corporate controversies calling for its special competence. As stressed by the Solicitor General on behalf of the SEC, the Court has held that "Nowhere does the law [PD 902-A] empower any Court of First Instance [now Regional Trial Court] to interfere with the orders of the Commission,"[5] and consequently "any ruling by the trial court on the issue of ownership of the shares of stock is not binding on the Commission"[6] for want of jurisdiction.

4. The dispute therefore clearly falls within the general classification of cases within the SEC's original and exclusive jurisdiction to hear and decide, under the aforequoted governing Section 5 of the law. Insofar as the Bragas and their corporate secretary's refusal on behalf of the corporation Pocket Bell to record the transfer of the 56% majority shares to Telectronics may be deemed a device or scheme amounting to fraud and misrepresentation employed by them to keep themselves in control of the corporation to the detriment of Telectronics (as buyer and substantial investor in the corporate stock) and the Abejos (as substantial stockholders-sellers), the case falls under paragraph (a). The dispute is likewise an intra-corporate controversy between and among the majority and minority stockholders as to the transfer and disposition of the controlling shares of the corporation, falling under paragraph (b). As stressed

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[5] *Phil. Pacific Fishing Co. Inc. v. Luna*, 112 SCRA 604, 613.

[6] Respondent SEC's Comment and Memorandum in G.R. 68450-51; Record, pp. 400 and 524.

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by the Court in *DMRC Enterprises v. Este del Sol Mountain Reserve, Inc.*,[7] "Considering the announced policy of PD 902-A, the expanded jurisdiction of the respondent Securities and Exchange Commission under said decree extends exclusively to matters arising from contracts involving investments in private corporations, partnerships and associations." The dispute also concerns the fundamental issue of whether the Bragas or Telectronics have the right to elect the corporate directors and officers and manage its business and operations, which falls under paragraph (c).

5. Most of the cases that have come to this Court involve those under paragraph (b), *i e.* whether the controversy is an intra-corporate one, arising "between and among stockholders" or "between any or all of them and the corporation." The parties have focused their arguments on this question. The Bragas' contention in his field must likewise fail. In *Philex Mining Corp. v. Reyes*,[8] the Court spelled out that "an intra-corporate controversy is one which arises between a stockholder and the corporation. There is no distinction, qualification, nor any exemption whatsoever. The provision is broad and covers all kinds of controversies between stockholders and corporations. The issue of whether or not a corporation is bound to replace a stockholder's lost certificate of stock is a matter purely between a stockholder and the corporation. It is a typical intra-corporate dispute. The question of damages raised is merely incidental to that main issue." The Court rejected the stockholders' theory of excluding his complaint (for replacement of a lost stock [dividend] certificate which he claimed to have never received) from the classification of intra-corporate controversies as one that "does not square with the intent of the law, which is to segregate from the general jurisdiction of regular Courts controversies involving corporations and their stockholders and to bring them to the SEC for exclusive resolution, in much the

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[7] 132 SCRA 293 (1984), per Gutierrez, *J.*, citing *Union Glass & Container Corp. v. SEC*, 126 SCRA 31 (1983).

[8] 118 SCRA 602, 605-606 (1982) per Melencio-Herrera, *J.*

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same way that labor disputes are now brought to the Ministry of Labor and Employment (MOLE) and the National Labor Relations Commission (NLRC), and not to the Courts."

(a) The Bragas contend that Telectronics, as buyer-transferee of the 56% majority shares is not a registered stockholder, because they, through their son the corporate secretary, appear to have refused to perform "the ministerial duty of recording transfers of shares of stock of the corporation of which he is the secretary," and that the dispute is therefore, not an intracorporate one. This contention begs the question which must properly be resolved by the SEC, but which they would prevent by their own act, through their son, of blocking the due recording of the transfer and cannot be sanctioned. It can be seen from their very complaint in the regular courts that they with their two sons constituting the plaintiffs are all stockholders while the defendants are the Abejos who are also stockholders whose sale of the shares to Telectronics they would annul.

(b) There can be no question that the dispute between the Abejos and the Bragas as to the sale and transfer of the former's shares to Telectronics for ₱5 million is an intracorporate one under Section 5 (b), prescinding from the applicability of Section 5 (a) and (c), (*supra*, par. 4) It is the SEC which must resolve the Bragas' claim in their own complaint in the court case filed by them of an alleged pre-emptive right to buy the Abejos' shares by virtue of "on-going negotiations," which they may submit as their defense to the *mandamus* petition to register the sale of the shares to Telectronics. But asserting such pre-emptive rights and asking that the same be enforced is a far cry from the Bragas' claim that "the case relates to questions of ownership" over the shares in question.[9] (Not to mention, as pointed out by the Abejos, that the corporation is not a close corporation, and no restriction over the free transferability of the shares appears in the Articles of Incorporation, as well as in the by-laws[10] and the certificates of stock themselves, as

[9] Petitioners' Memorandum in G.R. No. 63558. page 1.

[10] Section 98. Corporation Code.

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required by law for the enforcement of such restriction. See *Go Soc & Sons, etc. v. IAC*, G.R. No. 72342, Resolution of February 19, 1987.)

(c) The dispute between the Bragas and Telectronics as to the sale and transfer for ₱1,674,450.00 of Virginia Braga's 63.000 shares covered by Street certificates duly endorsed in blank by her is within the special competence and jurisdiction of the SEC, dealing as it does with the free transferability of corporate shares, particularly street certificates,[11] as guaranteed by the Corporation Code and its proclaimed policy of encouraging foreign and domestic investments in Philippine private corporations and more active public participation therein for the promotion of economic development. Here again, Virginia Braga's claim of loss of her street certificates or theft thereof (denounced by Telectronics as "perjurious"[12]) must be pleaded by her as a defense against Telectronics' petition for *mandamus* and recognition now as the controlling stockholder of the corporation in the light of the joint affidavit of General Cerefino S. Carreon of the National Telecommunications Commission and private respondent Jose Luis Santiago of Telectronics narrating the facts and circumstances of how the former sold and delivered to Telectronics on behalf of his compadres, the Bragas, Virginia Braga's street certificates for 63,000 shares equivalent to 18% of the corporation's outstanding stock and received the cash price thereof.[13] But as to the sale and transfer of the Abejos' shares, the Bragas cannot oust the SEC of its original and exclusive jurisdiction to hear and decide the case, by blocking through the corporate secretary, their son, the due recording of the transfer and sale of the shares in question and claiming that Telectronics is not a stockholder of the corporation — which is the very issue that the SEC is called upon to resolve. As the SEC maintains, "There is no requirement that a stockholder of a corporation must be a registered one in order

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[11] See *Santamaria v. Hongkong & Shanghai Bank*, 80 Phil. 780 (1951).

[12] Petitioners' printed memorandum in G.R. No. 63558, page 13.

[13] Annex I of Abejos' Memorandum Record in G.R. No. 63558, pp. 287-290.

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that the Securities and Exchange Commission may take cognizance of a suit seeking to enforce his rights as such stockholder."[14] This is because the SEC by express mandate has "absolute jurisdiction, supervision and control over all corporations" and is called upon to enforce the provisions of the Corporation Code, among which is the stock purchaser's right to secure the corresponding certificate in his name under the provisions of Section 63 of the Code. Needless to say, any problem encountered in securing the certificates of stock representing the investment made by the buyer must be expeditiously dealt with through administrative *mandamus* proceedings with the SEC, rather than through the usual tedious regular court procedure. Furthermore, as stated in the SEC order of April 13, 1983, notice given to the corporation of the sale of the shares and presentation of the certificates for transfer is equivalent to registration: "Whether the refusal of the (corporation) to effect the same is valid or not is still subject to the outcome of the hearing on the merits of the case."[15]

6. In the fifties, the Court taking cognizance of the move to vest jurisdiction in administrative commissions and boards the power to resolve specialized disputes in the field of labor (as in corporations, public transportation and public utilities) ruled that Congress in requiring the Industrial Court's intervention in the resolution of labor-management controversies likely to cause strikes or lockouts meant such jurisdiction to be exclusive, although it did not so expressly state in the law. The Court held that under the "sense-making and expeditious doctrine of primary jurisdiction . . .the courts cannot or will not determine a controversy involving a question which is within the jurisdiction of an administrative tribunal, where the question demands the exercise of sound administrative discretion requiring *the special knowledge, experience, and services of the administrative tribunal to determine technical and intricate matters of fact,*

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[14] SEC Comment, Record, p. 398.

[15] Record in G.R 68450-51, p. 91.

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and a uniformity of ruling is essential to comply with the purposes of the regulatory statute administered."[16]

In this era of clogged court dockets, the need for specialized administrative boards or commissions with the special knowledge, experience and capability to hear and determine promptly disputes on technical matters or essentially factual matters, subject to judicial review in case of grave abuse of discretion, has become well nigh indispensable. Thus, in 1984, the Court noted that "between the power lodged in an administrative body and a court, the unmistakable trend has been to refer it to the former. 'Increasingly, this Court has been committed to the view that unless the law speaks clearly and unequivocably, the choice should fall on [an administrative agency.]'"[17] The Court in the earlier case of *Ebon vs. De Guzman*,[18] noted that the lawmaking authority, in restoring to the labor arbiters and the NLRC their jurisdiction to award all kinds of damages in labor cases, as against the previous P.D. amendment splitting their jurisdiction with the regular courts, "evidently, . . . had second thoughts about depriving the Labor Arbiters and the NLRC of the jurisdiction to award damages in labor cases because that setup would mean duplicity of suits, splitting the cause of action and possible conflicting findings and conclusions by two tribunals on one and the same claim."

7. Thus, the Corporation Code (B.P. No. 178) enacted on May 1, 1980 specifically vests the SEC with the Rule making power in the discharge of its task of implementing the provisions of the Code and particularly charges it with the duty of preventing fraud and abuses on the part of controlling stockholders, directors and officers, as follows:

"SEC. 143. Rule-making power of the Securities and Exchange Commission. — The Securities and Exchange Commission shall have the power and authority to implement the provisions of this Code,

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[16] *Pambujan Sur United Mine Workers v. Samar Mining Co., Inc.*, 94 Phil. 932, 941 (1954).

[17] *NFL v. Eisma*, 127 SCRA 419, 428, citing precedents.

[18] 113 SCRA 52, 56 (1982).

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and to promulgate rules and regulations reasonably necessary to enable it to perform its duties hereunder, particularly in the prevention of fraud and abuses on the part of the controlling stockholders, members, directors, trustees or officers." (Italics supplied)

The dispute between the contending parties for control of the corporation manifestly falls within the primary and exclusive jurisdiction of the SEC in whom the law has reserved such jurisdiction as an administrative agency of special competence to deal promptly and expeditiously therewith.

As the Court stressed in *Union Glass & Container Corp. v. SEC*,[19] "This grant of jurisdiction [in Section 5] must be viewed in the light of the nature and functions of the SEC under the law. Section 3 of PD No. 902-A confers upon the latter 'absolute jurisdiction, supervision, and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines x x x.' The principal function of the SEC is the supervision and control over corporations, partnerships and associations with the end in view that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development.

"It is in aid of this office that the adjudicative power of the SEC must be exercised. Thus the law explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations.

"Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: [a] between the corporation, partnership or association and the public; [b] between the corporation, partnership or association and its stockholders, partners, members, or officers; [c] between the corporation, partnership or

[19] 126 SCRA 31, 38 (1983), cited in *DMRC Enterprises v. Este Del Sol Mountain Reserve, Inc.* 132 SCRA 293, 298.

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association and the state in so far as its franchise, permit or license to operate is concerned; and [d] among the stockholders, partners or associates themselves."[20]

Parenthetically, the cited case of *Union Glass* illustrates by way of contrast what disputes do not fall within the special jurisdiction of the SEC. In this case, the SEC had properly assumed jurisdiction over the dissenting stockholders' complaint against the corporation Pioneer Glass questioning its *dacion en pago* of its glass plant and all its assets in favor of the DBP which was clearly an intra-corporate controversy dealing with its internal affairs. But the Court held that the SEC had no jurisdiction over petitioner Union Glass Corp., impleaded as third party purchaser of the plant from DBP in the action to annul the *dacion en pago*. The Court held that such action for recovery of the glass plant could be brought by the dissenting stockholder to the regular courts only if and when the SEC rendered final judgment annulling the *dacion en pago* and furthermore subject to Union Glass' defenses as a third party buyer in good faith. Similarly, in the *DMRC* case, therein petitioner's complaint for collection of the amounts due to it as payment of rentals for the lease of its heavy equipment in the form mainly of cash and part in shares of stock of the debtor-defendant corporation was held to be not covered by the SEC's exclusive jurisdiction over intracorporate disputes, since "to pass upon a money claim under a lease contract would be beyond the competence of the Securities and Exchange Commission and to separate the claim for money from the claim for shares of stock would be splitting a single cause of action resulting in a multiplicity of suits."[21] Such an action for collection of a debt does not involve enforcement of rights and obligations under the Corporation Code nor the internal or intracorporate affairs of the debtor corporation. But in all disputes affecting and dealing with the interests of the corporation and its stockholders, following the trend and clear legislative intent of entrusting all disputes of a specialized nature to administrative agencies possessing

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[20] (1984).

[21] 132 SCRA at page 299.

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the requisite competence, special knowledge, experience and services and facilities to expeditiously resolve them and determine the essential facts including technical and intricate matters, as in labor and public utilities rates disputes, the SEC has been given "the original and exclusive jurisdiction to hear and decide" them (under Section 5 of P.D. 902-A) "in addition to [its] regulatory and adjudicative functions" (under Section 3, vesting in it "absolute jurisdiction, supervision and control over all corporations" and the Ruler-making power granted it in Section 143 of the Corporation Code, *supra*). As stressed by the Court in the *Philex* case, *supra*, "(T)here is no distinction, qualification, nor any exemption whatsoever. The provision is broad and covers all kinds of controversies between stockholders and corporations."

It only remains now to deal with the Order dated April 15, 1983 (Annex H, Petition)[22] of the SEC's three-member Hearing Committee granting Telectronics' motion for creation of a receivership or management committee with the ample powers therein enumerated for the preservation *pendente lite* of the corporation's assets and in discharge of its "power and duty to preserve the rights of the parties, the stockholders, the public availing of the corporation's services and the rights of creditors," as well as 'for reasons of equity and justice . . . (and) to prevent possible paralization of corporate business." The said Order has not been implemented notwithstanding its having been upheld per the SEC *en banc*'s Order of May 15, 1984 (Annex "V", Petition) dismissing for lack of merit the petition for *certiorari*, prohibition and *mandamus* with prayer for restraining order or injunction filed by the Bragas seeking the disbandment of the Hearing Committee and the setting aside of its Orders, and its Resolution of August 9, 1984, denying reconsideration (Annex "X", Petition), due to the Bragas' filing of the petition at bar.

Prescinding from the great concern of damage and prejudice expressed by Telectronics due to the Bragas having remained in control of the corporation and having allegedly committed

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[22] Record in G.R. 68450-51, pp. 93-96.

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acts of gross mismanagement and misapplication of funds, the Court finds that under the facts and circumstances of record, it is but fair and just that the SEC's order creating a receivership committee be implemented forthwith, in accordance with its terms, as follows:

"The three-man receivership committee shall be composed of a representative from the commission, in the person of the Director, Examiners and Appraisers Department or his designated representative, and a representative from the petitioners and a representative of the respondent.

"The petitioners and respondent are therefore directed to submit to the Commission the name of their designated representative within three (3) days from receipt of this order. The Commission shall appoint the other representatives if either or both parties fail to comply with the requirement within the stated time."

ACCORDINGLY, judgment is hereby rendered:

(a) Granting the petition in G.R. No. 63558, annulling the challenged Orders of respondent Judge dated February 14, 1983 and March 11, 1983 (Annexes "L" and "P" of the Abejos' petition) and prohibiting respondent Judge from further proceeding in Civil Case No. 48746 filed in his Court other than to dismiss the same for lack or jurisdiction over the subject-matter;

(b) Dismissing the petition in G.R. Nos. 68450-51 and lifting the temporary restraining order issued on September 24, 1984, effective immediately upon promulgation hereof;

(c) Directing the SEC through its Hearing Committee to proceed immediately with hearing and resolving the pending *mandamus* petition for recording in the corporate books the transfer to Telectronics and its nominees of the majority (56%) shares of stock of the corporation Pocket Bell pertaining to the Abejos and Virginia Braga and all related issues, taking into consideration, without need of resubmittal to it, the pleadings, annexes and exhibits filed by the contending parties in the cases at bar; and

(d) Likewise directing the SEC through its Hearing Committee to proceed immediately with the implementation of

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its receivership or management committee Order of April 15, 1983 in SEC Case No. 2379 and for the purpose, the contending parties are ordered to submit to said Hearing Committee the name of their designated representatives in the receivership/ management committee within three (3) days from receipt of this decision, on pain of forfeiture of such right in case of failure to comply herewith, as provided in the said Order; and ordering the Bragas to perform only caretaker acts in the corporation pending the organization of such receivership/management committee and assumption of its functions.

This decision shall be immediately executory upon its promulgation.

SO ORDERED.

Yap, Narvasa, Melencio-Herrera, Cruz, Feliciano, Gancayco, and *Sarmiento, JJ.*, concur.