Supreme Court E-Library

the *MODIFICATION* that the award of exemplary damages is *DELETED*.

SO ORDERED.

Carpio (Chairperson), Nachura, Peralta, and *Mendoza, JJ.*, concur.

FIRST DIVISION

[G.R. No. 187872. November 17, 2010]

STRATEGIC ALLIANCE DEVELOPMENT CORPORATION, *petitioner, vs.* **STAR INFRASTRUCTURE DEVELOPMENT CORPORATION, ET AL.,** *respondents.*

SYLLABUS

1. COMMERCIAL LAW; CORPORATION CODE; INTRA-CORPORATE DISPUTE; DEFINED AND CONSTRUED. — An intra-corporate dispute is understood as a suit arising from intra-corporate relations or between or among stockholders or between any or all of them and the corporation. Applying what has come to be known as the relationship test, it has been held that the types of actions embraced by the foregoing definition include the following suits: (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 insofar as its franchise, permit or license to operate is concerned; and, (d) among the stockholders, partners or associates themselves. As the definition is broad enough to cover all kinds of controversies between stockholders and corporations,

Supreme Court E-Library

the traditional interpretation was to the effect that the relationship test brooked no distinction, qualification or any exemption whatsoever. However, the unqualified application of the relationship test has been modified on the ground that the same effectively divests regular courts of jurisdiction over cases for the sole reason that the suit is between the corporation and/or its corporators. It was held that the better policy in determining which body has jurisdiction over a case would be to consider not only the status or relationship of the parties but also the nature of the question that is the subject of their controversy. Under the nature of the controversy test, the dispute must not only be rooted in the existence of an intra-corporate relationship, but must also refer to the enforcement of the parties' correlative rights and obligations under the Corporation Code as well as the internal and intra-corporate regulatory rules of the corporation. The combined application of the relationship test and the nature of the controversy test has, consequently, become the norm in determining whether a case is an intra-corporate controversy or is purely civil in character.

2. ID.; ID.; ID.; REPUBLIC ACT NO. 8799 (THE SECURITIES REGULATION CODE); PROVIDES FOR THE TRANSFER OF JURISDICTION OVER ALL CASES ENUMERATED UNDER SECTION 5 OF PRESIDENTIAL DECREE NO. 902-A FROM THE SECURITIES AND EXCHANGE COMMISSION (SEC) TO THE REGIONAL TRIAL COURTS (RTCS) DESIGNATED BY THIS COURT AS SPECIAL COMMERCIAL COURTS (SCCS).— In addition to being conferred by law, it bears emphasizing that the jurisdiction of a court or tribunal over the case is determined by the allegations in the complaint and the character of the relief sought, irrespective of whether or not the plaintiff is entitled to recover all or some of the claims asserted therein. Moreover, 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 pursuant to A.M. No. 00-11-03-SC promulgated on 21 November 2000. Thus, Section 1(a), Rule 1 of the *Interim Rules of Procedure Governing Intra-Corporate Controversies (Interim Rules)* provides as follows: "SECTION 1. (a) *Cases covered.* — These Rules shall govern the procedure to be observed in civil cases involving

Supreme Court E-Library

the following: (1) *Devices or schemes employed by, or any act of, the board of directors, business associates, officers or partners, amounting to fraud or misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, or members of any corporation, partnership, or association*; (2) *Controversies arising out of intra-corporate, partnership, or association relations, between and among stockholders, members, or associates; and between, any or all of them and the corporation, partnership, or association of which they are stockholders, members, or associates, respectively;* (3) Controversies in the election or appointment of directors, trustees, officers, or managers of corporations, partnerships, or associations; (4) Derivative suits; and (5) Inspection of corporate books."

3. **ID.; ID.; ID.; SPECIAL COMMERCIAL COURTS (SCCS); JURISDICTION; THE DESIGNATION OF THE SCCS AS SUCH HAS NOT IN ANY WAY LIMITED THEIR JURISDICTION TO HEAR AND DECIDE CASES OF ALL NATURE, WHETHER CIVIL, CRIMINAL OR SPECIAL PROCEEDINGS.—** [U]nlike the SEC which is a tribunal of limited jurisdiction, Special Commercial Courts (SCCs) like the RTC are still competent to tackle civil law issues incidental to intra-corporate disputes filed before them. In *G.D. Express Worldwide N.V. vs. Court of Appeals*, this Court ruled as follows: It should be noted that the SCCs are still considered courts of general jurisdiction. Section 5.2 of R.A. No. 8799 directs merely the Supreme Court's designation of RTC branches that shall exercise jurisdiction over intra-corporate disputes. Nothing in the language of the law suggests the diminution of jurisdiction of those RTCs to be designated as SCCs. The assignment of intra-corporate disputes to SCCs is only for the purpose of streamlining the workload of the RTCs so that certain branches thereof like the SCCs can focus only on a particular subject matter. The designation of certain RTC branches to handle specific cases is nothing new. For instance, pursuant to the provisions of R.A. No. 6657 or the Comprehensive Agrarian Reform Law, the Supreme Court has assigned certain RTC branches to hear and decide cases under Sections 56 and 57 of R.A. No. 6657. The RTC exercising jurisdiction over an intra-corporate dispute can be likened to an RTC exercising its probate jurisdiction or sitting as a special

Supreme Court E-Library

agrarian court. The designation of the SCCs as such has not in any way limited their jurisdiction to hear and decide cases of all nature, whether civil, criminal or special proceedings.

4. REMEDIAL LAW; RULES OF COURT; RULES OF PROCEDURE OUGHT NOT TO BE APPLIED IN A VERY RIGID, TECHNICAL SENSE, FOR THEY HAVE BEEN ADOPTED TO HELP SECURE SUBSTANTIAL JUSTICE; SUSTAINED.— The rule is settled that rules of procedure ought not to be applied in a very rigid, technical sense, for they have been adopted to help secure – not override – substantial justice. Considering that litigation is not a game of technicalities courts have been exhorted, time and again, to afford every litigant the amplest opportunity for the proper and just determination of his case free from the constraints of technicalities. Since rules of procedure are mere tools designed to facilitate the attainment of justice, it is well recognized that courts are empowered to suspend its rules, when the rigid application thereof tends to frustrate rather than promote the ends of justice. No less than Section 3, Rule 1 of the *Interim Rules* provides that the provisions thereof are to "be liberally construed in order to promote their objective of securing a just, summary, speedy and inexpensive determination of every action or proceeding."

5. ID.; PROVISIONAL REMEDIES; PRELIMINARY INJUNCTION; CONSTRUED; ELEMENTS.— A provisional remedy which has, for its object, the preservation of the ***status quo***, preliminary injunction may be resorted to by a party in order to preserve and protect certain rights and interests during the pendency of an action. By both law and jurisprudence, said provisional writ may be issued upon the concurrence of the following essential requisites, to wit: (1) that the invasion of the right is material and substantial; (2) that the right of complainant is clear and unmistakable; and, (3) that there is an urgent and paramount necessity for the writ to prevent serious damage.

APPEARANCES OF COUNSEL

Tan Acut & Lopez for petitioner.

Aspiras & Aspiras Law Offices for Star Infrastructure Development Corp.

Fortun Narvasa & Salazar Law Offices for Robert Wong.

Supreme Court E-Library

Tabalingcos & Associates for B.S. Tabalingcos and R. Caraos.

Castillo Laman Tan Pantaleon & San Jose Law Offices for A.Z. Yujuico & B.C. Sumbilla.

Tan & Concepcion for Cypress Tree Capital Investments, Inc. & C. Laureta.

D E C I S I O N

PEREZ, *J.*:

The classification of causes of action as intra-corporate disputes is at the heart of this petition for review on *certiorari* filed pursuant to Rule 45 of the *1997 Rules of Civil Procedure*, assailing the 22 December 2008 Decision rendered by the Ninth Division of the Court of Appeals (CA) in CA-G.R. No. 96945[1] as well as the 30 April 2009 resolution which denied the motion for reconsideration of the same decision.[2]

The Facts

Petitioner Strategic Alliance Development Corporation (STRADEC) is a domestic corporation primarily engaged in the business of a development company in all the elements and details thereof, with principal place of business at Poblacion Sur, Bayambang, Pangasinan.[3] Along with five individuals[4] and three other corporations,[5] STRADEC incorporated respondent Star Infrastructure Development Corporation (SIDC) on 28 October 1997, for the purpose of engaging in the general construction business. As such incorporator, STRADEC fully paid and owned 2,449,998 shares or 49% of the 5,000,000

[1] *Rollo*, pp. 64-88.

[2] *Id.* at 90-92.

[3] *Id.* at 11, 164-172.

[4] Cezar T. Quiambao, Melvin B. Nazareno, Jaime H. Pajara, Robert L. Wong and Leopoldo P. Campos.

[5] JH Pajara Construction Corporation, William Uy Construction Corporation, Betonval Ready Concrete Incorporated.

Supreme Court E-Library

shares of stock into which SIDC's authorized capital stock of ₱5,000,000.00 were divided.[6] Pursuant to an amendment of its Articles of Incorporation on 5 June 1998, SIDC transferred its principal place of business from Pasig City to Poblacion Sur, Bayambang, Pangasinan[7] and, later, to Lipa, Batangas.[8]

On 8 October 2004, respondents Aderito Z. Yujuico and Bonifacio C. Sumbilla, in their respective capacities as then President and Treasurer of STRADEC, executed a Promissory Note for and in consideration of a loan in the sum of ₱10,000,000.00 ostensibly extended in favor of said corporation by respondent Robert L. Wong, one of the incorporators of SIDC.[9] As security for the payment of the principal as well as the stipulated interests thereon, a pledge constituted over STRADEC's entire shareholdings in SIDC was executed by respondent Yujuico on 1 April 2005.[10] In view of STRADEC's repeated default on its obligations,[11] however, the shares thus pledged were sold by way of the 26 April 2005 notarial sale conducted in Makati City by respondent Raymond M. Caraos. Having tendered the sole bid of ₱11,800,000.00,[12] respondent Wong was issued the corresponding certificates of stocks by respondent Bede S. Tabalingcos, SIDC's Corporate Secretary for the years 2004 and 2005, after the transfer was recorded in the corporation's stock and transfer book.[13]

On 17 July 2006, Cezar T. Quiambao, in his capacity as President and Chairman of the Board of Directors of STRADEC, commenced the instant suit with the filing of the petition which was docketed as Civil Case No. 7956 before Branch 2 of the

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[6] *Rollo*, pp. 182-194.

[7] *Id.* at 180.

[8] *Id.* at 332.

[9] *Id.* at 401-402.

[10] *Id.* at 429-430.

[11] *Id.* at 403-407.

[12] *Id.* at 409-410.

[13] *Id.* at 325.

Supreme Court E-Library

Regional Trial Court (RTC) of Batangas City, sitting as a Special Commercial Court (SCC).[14] In its 31 July 2006 amended petition, STRADEC alleged, among other matters, that respondents Yujuico and Sumbilla were not authorized to enter into any loan agreement with respondent Wong, much less pledge its SIDC shareholdings as security therefor; that it did not receive the proceeds of the supposed loan and immediately apprised SIDC of the irregularity of the transaction upon discovering the same; that it was only able to ascertain the details of the transaction and transfer of the subject shares from a narration thereof in a Certification dated 3 September 2005 issued by respondent Tabalingcos; and, that respondent Wong subsequently sold the shares to respondent Cypress Tree Capital Investment, Inc. (CTCII), a corporation he formed with members of his own family on 5 July 2005.[15]

STRADEC further averred that it already caused the National Bureau of Investigation (NBI) to conduct an investigation of the unlawful transfer of its shares; that it was altogether eased out during the 30 July 2005 SIDC annual stockholders' meeting where respondent Wong was acknowledged as the holder of the subject shares and the further transfer of the corporation's principal place of business to Lipa, Batangas was approved; and, that despite being left out in the notice sent by respondent Cynthia Laureta, SIDC's new Corporate Secretary, it fielded a proxy to the 20 July 2006 SIDC stockholders' special meeting where the increase of the corporation's authorized capital stock to ₱850,000,000.00 was discussed together with the decrease of the number of its directors from nine to five. In addition to a temporary restraining order and/or writ of preliminary injunction to enjoin, among other matters, CTCII's exercise of proprietary rights over the subject shares, SIDC's implementation of the resolutions passed during the 20 July 2006 stockholders' meeting and any action thereon by respondent Securities and Exchange Commission (SEC), STRADEC prayed for the grant of the following reliefs: (a) the nullification of the loan and pledge

[14] *Id.* at 283-317.

[15] *Id.* at 318-356.

Supreme Court E-Library

respondents Yujuico and Sumbilla contracted with respondent Wong; (b) the avoidance of the notarial sale conducted by respondent Caraos; (c) the cancellation of the transfer of its shares in SIDC's books; (d) the invalidation of the 30 July 2005 and 20 July 2006 SIDC stockholders' meetings; and, (e) the grant of its claims for attorney's fees and the costs.[16]

On 30 August 2006, the RTC issued a resolution denying STRADEC's application for writ of preliminary injunction on the ground that the grant thereof would effectively dispose of the main action without trial; and, that the right to the relief sought was, as yet, uncertain in view of the pendency of cases before the courts of Pasig and Urdaneta City involving, among other issues, the ownership of STRADEC's shares and the legitimacy of its two opposing sets of directors.[17] Anent STRADEC's amended petition as aforesaid, the RTC issued the following order on the same date:

> The Amended Petition dated July 31, 2006 presents four (4) main causes of action.
>
> The Court holds that as for the first and second causes of action, to wit: *First – declaration of nullity of the supposed loan extended by respondent Wong to STRADEC and the Deed of Pledge covering STRADEC's entire shareholding in SIDC; Second – declaration of nullity of the 26 April 2005 auction sale of STRADEC's entire shareholdings in SIDC in Makati City*, this Court is the wrong venue; The Rules of Court provides that all other actions (other than real) may be commenced and tried where the plaintiff or any of the principal plaintiffs resides; or where the defendant or any of the principal defendants resides, at the election of the plaintiff. By the foregoing, STRADEC should file the case, under the first cause of action, either in Bayambang, Pangasinan, its principal place of business as stated in the Articles of Incorporation or in any of the residences of Yujuico, Sumbilla or Wong. The same holds true with respect to the second cause of action. The matter is between STRADEC and its alleged erring officers over the alleged irregular auction sale of STRADEC's shareholdings in SIDC, hence, venue should be at the residences of the parties, as plaintiff may elect, as discussed above.

[16] *Id.* at 330-356.

[17] *Id.* at 157-159.

Supreme Court E-Library

Although this Court is not the correct venue, the Court will not dismiss the case but however will not act thereon.

As for the third and fourth causes of action which are *the cancellation of registration of fraudulent transfers involving STRADEC's shareholding in SIDC* and *the declaration of invalidity of the 30 July 2005 annual stockholders meeting and 20 July 2006 special stockholder's meeting of SIDC*, the Court resolves to hold in abeyance any action thereon until after the Supreme Court shall have rendered a ruling as to who between the conflicting two (2) sets of Board of Directors of STRADEC should be recognized as legitimate, because it is only then that this Court could make a determination on the issue raised by the respondents on the authority of Mr. Quiambao to represent STRADEC in this suit.

SO ORDERED.[18]

Dissatisfied with the foregoing order, STRADEC, through its counsel of record, interposed an oral motion for reconsideration on the ground that the solidary liability the individual respondents and SIDC incurred for the tortious transfer of the subject shares justified the laying of venue at the latter's principal place of business in Batangas; that the pledge executed by respondent Yujuico violated the 18 October 2004 temporary restraining order issued by Branch 48 of the RTC of Urdaneta City in Civil Case No. U-14 (SCC-2874), the intra-corporate dispute earlier filed to determine STRADEC's legitimate Directors and Officers; and, that pursuant to the 25 November 2004 order issued in the same case, a writ of preliminary injunction had been issued enjoining respondent Yujuico and his cohorts from acting as STRADEC's Officers and committing acts inimical to its interests.[19] The motion was, however, denied for lack of merit in the second 30 August 2006 order issued by the RTC upon the finding that the theory of solidary liability foisted by STRADEC had no basis in its pleadings and that the injunctive writ issued in Civil Case No. U-14 (SCC-2874) was not determinative of the issue of ownership of its shares.[20]

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[18] *Id.* at 160-161.

[19] *Id.* at 670-680.

[20] *Id.* at 162-163.

Supreme Court E-Library

Aggrieved, STRADEC filed the petition for *certiorari* docketed before the CA as CA-G.R. SP No. 96945, on the ground that the RTC acted without or in excess of jurisdiction or with grave abuse of discretion in finding that venue was improperly laid, in holding in abeyance further proceedings in the case and in denying its application for a writ of preliminary injunction.[21] In receipt of respondents' separate comments[22] to the petition and the memoranda subsequently filed by the parties,[23] the Ninth Division of the CA rendered the herein assailed 22 December 2008 decision,[24] discounting the grave abuse of discretion STRADEC imputed against the RTC upon the following findings and conclusions, to wit:

1. STRADEC's first and second causes of action for nullification of the pledge constituted over its shares and the subsequent notarial sale thereof are purely civil in nature and were, therefore, erroneously joined with its third and fourth causes of action for invalidation of the registration of the transfer in SIDC's books as well as its annual and special stockholders' meetings;

2. Aside from correctly applying the rule on venue in personal actions for STRADEC's first and second causes of action, the RTC cannot be faulted for not ordering the dismissal of the same since misjoinder of causes of action does not involve a question of jurisdiction and the discretionary authority to order separation of the misjoined causes of action necessarily includes the authority to stay proceedings with respect thereto;

3. Further proceedings with respect to the third and fourth causes of action were also correctly held in abeyance by the RTC in view of the pendency of cases in other courts involving, among other issues, the ownership of STRADEC's shares, its legitimate Directors and Corporate Officers and the authority of Cezar T. Quiambao to act for and its behalf; and

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[21] *Id.* at 93-156.

[22] *Id.* at 371-395; 434-481.

[23] *Id.* at 756-890.

[24] *Id.* at 64-88.

Supreme Court E-Library

4. The pendency of said cases discounts the existence of a clear and unmistakable right on the part of STRADEC as would justify the grant of its application to an injunctive writ which would, at any rate, effectively dispose of the main case without trial.[25]

STRADEC's motion for reconsideration[26] of the foregoing decision was denied in the 30 April 2009 resolution issued in the case,[27] hence, this petition.

The Issues

STRADEC urges the reversal and setting aside of the assailed CA decision and resolution on the following grounds:

THE COURT OF APPEALS HAS NOT ONLY DECIDED QUESTIONS OF SUBSTANCE IN A WAY NOT IN ACCORD WITH LAW OR WITH APPLICABLE DECISIONS OF THIS HONORABLE COURT, BUT HAS ALSO SO FAR SANCTIONED THE LOWER COURT'S DEPARTURE FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS AS TO CALL FOR AN EXERCISE OF THIS HONORABLE COURT'S POWER OF SUPERVISION, IN THAT –

A. THE COURT OF APPEALS GRIEVOUSLY ERRED IN NOT CHARACTERIZING THE FIRST AND SECOND CAUSES OF ACTION IN CIVIL CASE NO. 7956 AS INTRA-CORPORATE AND PLACE ITS VENUE AND JURISDICTION IN RTC BATANGAS CITY.

B. THE COURT OF APPEALS GRIEVOUSLY ERRED IN NOT ASCRIBING GRAVE ABUSE OF DISCRETION TO RTC BATANGAS CITY'S REFUSAL TO APPLY THE RULES OF COURT AFTER RULING THAT IT WAS NOT THE PROPER

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[25] *Id.* at 75-86.

[26] *Id.* at 891-917.

[27] *Id.* at 90-92.

Supreme Court E-Library

VENUE FOR THE FIRST AND SECOND CAUSES OF ACTION IN CIVIL CASE NO. 7956.

C. THE COURT OF APPEALS GRIEVOUSLY ERRED IN NOT ASCRIBING GRAVE ABUSE OF DISCRETION TO RTC BATANGAS CITY'S RULING TO HOLD IN ABEYANCE FURTHER PROCEEDINGS WITH RESPECT TO THE THIRD AND FOURTH CAUSES OF ACTION IN CIVIL CASE NO. 7956 BY REASON OF AN UNRELATED PENDING ACTION.

D. THE COURT OF APPEALS GRIEVOUSLY ERRED IN NOT ASCRIBING GRAVE ABUSE TO RTC BATANGAS CITY'S DENIAL OF PETITIONER'S APPLICATION FOR A WRIT OF PRELIMINARY INJUNCTION DESPITE A SHOWING OF A CLEAR AND POSITIVE RIGHT AND A CONTINUING VIOLATION BY THE RESPONDENTS THEREOF.[28]

The Court's Ruling

We find merit in the petition.

An intra-corporate dispute is understood as a suit arising from intra-corporate relations[29] or between or among stockholders or between any or all of them and the corporation.[30] Applying what has come to be known as the relationship test, it has been held that the types of actions embraced by the foregoing definition include the following suits: (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 insofar as its franchise, permit or license to operate is concerned; and, (d) among the stockholders, partners or associates themselves.[31] As the definition is broad enough to

[28] *Id.* at 26-27.

[29] *Pilipinas Bank v. Court of Appeals,* 383 Phil.18, 27 (2000).

[30] *Sps. Abejo v. Judge Dela Cruz,* 233 Phil. 668, 681 (1987).

[31] *Union Glass & Container Corp., et al. v. SEC, et al.*, 211 Phil. 222, 230-231 (1983).

Supreme Court E-Library

cover all kinds of controversies between stockholders and corporations, the traditional interpretation was to the effect that the relationship test brooked no distinction, qualification or any exemption whatsoever.[32]

However, the unqualified application of the relationship test has been modified on the ground that the same effectively divests regular courts of jurisdiction over cases for the sole reason that the suit is between the corporation and/or its corporators. It was held that the better policy in determining which body has jurisdiction over a case would be to consider not only the status or relationship of the parties but also the nature of the question that is the subject of their controversy.[33] Under the nature of the controversy test, the dispute must not only be rooted in the existence of an intra-corporate relationship, but must also refer to the enforcement of the parties' correlative rights and obligations under the Corporation Code as well as the internal and intra-corporate regulatory rules of the corporation.[34] The combined application of the relationship test and the nature of the controversy test has, consequently, become the norm in determining whether a case is an intra-corporate controversy or is purely civil in character.

In the case at bench, STRADEC's first and second causes of action seek the nullification of the loan and pledge over its SIDC shareholding contracted by respondents Yujuico, Sumbilla and Wong as well as the avoidance of the notarial sale of said shares conducted by respondent Caraos. STRADEC's 31 July 2006 amended petition significantly set forth the following allegations common to its main causes of action, to wit:

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[32] *Fabia v. Court of Appeals*, 437 Phil. 389, 398 (2002).

[33] *Viray v. Court of Appeals*, G.R. No. 92481, 9 November 1990, 191 SCRA 308, 323.

[34] *Reyes v. Regional Trial Court of Makati, Branch 142*, G.R. No. 165744, 11 August 2008, 561 SCRA 593, 611.

Supreme Court E-Library

"4. Sometime in June 2005, STRADEC's President and Chairman of the Board of Directors, Cezar T. Quiambao, received information that STRADEC had been divested of its shareholdings in SIDC.

Apparently, all of STRADEC's 49% shareholdings in SIDC were transferred and placed in the name of respondent Wong, another incorporator of SIDC, upon the instance of respondents Yujuico and Sumbilla, former officers of STRADEC.

5. However, respondents Yujuico and Sumbilla, despite being former officers of STRADEC, never possessed authority to transact any business in behalf of STRADEC involving any of its corporate assets and investments, including STRADEC's shareholdings in SIDC.

6. Upon learning of this highly irregular development, STRADEC immediately called the attention of SIDC's Board of Directors and officers and requested official confirmation of the recording of any such sale in the books of SIDC cautioning that STRADEC had not authorized the sale or transfer of its shares in SIDC.

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7. To date, however, STRADEC has not received any response from SIDC's Board of Directors and officers.

8. Instead, STRADEC was able to secure from a secondary source a copy of the *Certification* dated 23 September 2005 issued by respondent Tabalingcos, SIDC's Corporate Secretary, narrating how all of STRADEC's shareholdings in SIDC, among others, were acquired by respondent Wong by reason of respondents Yujuico and Sumbilla's unauthorized acts.

The same *Certification* states that the shareholdings were in turn transferred by respondent Wong to respondent CTCII, which as STRADEC would later learn was a newly-formed corporation of respondent Wong's family;

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11. STRADEC was able to get hold of a document entitled Deed of Pledge dated 08 October 2004 purportedly signed by respondents Yujuico and Sumbilla in behalf of STRADEC as pledgor, and by respondent Wong as pledgee.

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Supreme Court E-Library

12. The *Deed of Pledge* made it appear, among others, that for and in partial consideration of a loan from respondent Wong in the principal amount of only TEN MILLION PESOS (₱10,000,000.00), STRADEC pledged its 2,449,998 shares of stocks in SIDC worth TWO HUNDRED FORTY-FOUR MILLION, NINE HUNDRED NINETY-NINE THOUSAND EIGHT HUNDRED PESOS (₱244,999,800.00).

13. STRADEC, however, had never authorized respondents Yuhuico and Sumbilla to enter into any loan agreement with respondent Wong, much less pledge its shareholdings in SIDC.

14. Neither has STRADEC at any time received any amount of loan personally from Mr. Wong.

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15. Moreover, a subsequent examination of the Notarial Records of respondent Caraos for the year 2004 with the Office of the Clerk of Court and *Ex-Officio* Sheriff of the Regional Trial Court of Makati City revealed that the Deed of Pledge is not one of the documents notarized by Atty. Caraos during the period of September 2003 to December 2004.

16. STRADEC was also able to get hold of a *Certificate of Sale* issued by respondent Caraos on 26 April 2005 stating that an auction sale was held on 26 April 2005 wherein all of STRADEC's 2,449,998 shares of stock in SIDC, among others, were sold to respondent Wong to satisfy STRADEC's alleged outstanding obligation in the amount of ELEVEN MILLION EIGHT HUNDRED THOUSAND PESOS (₱11,800,000.00);

From the *Certificate of Sale*, it appears that respondent Caraos proceeded with the auction sale without any notice to STRADEC as the supposed pledgor, and despite the fact that that (sic) respondent Wong, the supposed pledgee, was the only bidder.

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17. Incidentally, respondent CARAOS and SIDC's Corporate Secretary, Atty. Tabalingcos, are partners of the same law firm;

18. STRADEC has good reasons to believe that while it immediately informed the officers of SIDC of the irregularities attending the divestment of its shareholdings in said respondent corporation, its Corporate Secretary, respondent Tabalingcos,

Supreme Court E-Library

apparently went on to register the transfers in the corporation's stock and transfer book, as evidenced by SIDC's *General Information Sheet* for 2005, wherein it was annotated that 'the shares of STRADEC or Strategic Alliance Development Corp. has been acquired by Mr. Wong in view of the Notarial Sale conducted on April 26, 2005.

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19. Worse, it would appear now that respondent Wong had likewise unlawfully transferred STRADEC's 49% shareholdings in SIDC to his newly formed Corporation, respondent CTCII.

xxx xxx xxx"[35]

Applying the relationship test, we find that STRADEC's first and second causes of action qualify as intra-corporate disputes since said corporation and respondent Wong are incorporators and/or stockholders of SIDC. Having acquired STRADEC's shares thru the impugned notarial sale conducted by respondent Caraos, respondent Wong appears to have further transferred said shares in favor of CTCII, a corporation he allegedly formed with members of his own family. By reason of said transfer, CTCII became a stockholder of SIDC and was, in fact, alleged to have been recognized as such by the latter and its corporate officers. To our mind, these relationships were erroneously disregarded by the RTC when it ruled that venue was improperly laid for STRADEC's first and second causes of action which, applying Section 2, Rule 4 of the *1997 Rules of Civil Procedure*,[36] should have been filed either at the place where it maintained its principal place of business or where respondents Yujuico, Sumbilla and Wong resided.

Considering that they fundamentally relate to STRADEC's status as a stockholder and the alleged fraudulent divestment of its stockholding in SIDC, the same causes of action also qualify as intra-corporate disputes under the nature of the

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[35] *Rollo*, pp. 323-329.

[36] Sec. 2. *Venue of personal actions.* – All other actions may be commenced and tried where the plaintiff or any of the principal plaintiffs resides or where the defendant or any of the principal defendants resides, or in the case of a non-resident defendant where he may be found, at the election of the plaintiff.

Supreme Court E-Library

controversy test. As part of the fraud which attended the transfer of its shares, STRADEC distinctly averred, among other matters, that respondents Yujuico and Sumbilla had no authority to contract a loan with respondent Wong; that the pledge executed by respondent Yujuico was simulated since it did not receive the proceeds of the loan for which its shares in SIDC were set up as security; that irregularities attended the notarial sale conducted by respondent Caraos who sold said shares to respondent Wong; that the latter unlawfully transferred the same shares in favor of CTCII; and, that SIDC and its officers recognized and validated said transfers despite being alerted about their defects. Ultimately, the foregoing circumstances were alleged to have combined to rid STRADEC of its shares in SIDC and its right as a stockholder to participate in the latter's corporate affairs.

In addition to being conferred by law,[37] it bears emphasizing that the jurisdiction of a court or tribunal over the case is determined by the allegations in the complaint[38] and the character of the relief sought,[39] irrespective of whether or not the plaintiff is entitled to recover all or some of the claims asserted therein.[40] Moreover, pursuant to Section 5.2 of Republic Act No. 8799,[41] otherwise known as the Securities Regulation Code, the jurisdiction of the SEC over all cases enumerated under

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[37] *Deltaventures Resources, Inc. v. Cabato*, 384 Phil. 252, 259-260 (2000).

[38] *Gochan v. Young*, 406 Phil. 663, 679 (2001).

[39] *Sunny Motor Sales, Inc. v. Court of Appeals, et al.*, 415 Phil. 515, 520 (2001).

[40] *Intestate Estate of Alexander T. Ty v. Court of Appeals*, 408 Phil. 792, 798 (2001).

[41] 5.2. The Commission's jurisdiction over all cases enumerated under Section 5 of Presidential Decree No. 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: Provided that the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payments/rehabilitation cases filed as of 30 June 2000 until finally disposed.

Supreme Court E-Library

Section 5 of Presidential Decree No. 902-A has been transferred to RTCs designated by this Court as SCCs[42] pursuant to A.M. No. 00-11-03-SC promulgated on 21 November 2000. Thus, Section 1(a), Rule 1 of the *Interim Rules of Procedure Governing Intra-Corporate Controversies (Interim Rules)* provides as follows:

"SECTION 1. (a) *Cases covered.* — These Rules shall govern the procedure to be observed in civil cases involving the following:

(1) *Devices or schemes employed by, or any act of, the board of directors, business associates, officers or partners, amounting to fraud or misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, or members of any corporation, partnership, or association*;

(2) *Controversies arising out of intra-corporate, partnership, or association relations, between and among stockholders, members, or associates; and between, any or all of them and the corporation, partnership, or association of which they are stockholders, members, or associates, respectively*;

(3) Controversies in the election or appointment of directors, trustees, officers, or managers of corporations, partnerships, or associations;

(4) Derivative suits; and

(5) Inspection of corporate books." (Italics supplied)

In upholding the RTC's pronouncement that venue was improperly laid, the CA ruled that STRADEC's first and second causes of action were not intra-corporate disputes because the issues pertaining thereto were civil in nature. In support of the foregoing conclusion, the CA cited *Speed Distributing Corporation vs. Court of Appeals*[43] where this Court essentially ruled out the existence of an intra-corporate dispute from an action instituted by the wife for the nullification of the transfer of a property between corporations of which her deceased husband

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[42] *Atwel v. Concepcion Progressive Association, Inc.*, G.R. No. 169370, 14 April 2008, 551 SCRA 272, 279-280.

[43] G.R. No. 149351, 469 Phil. 739 (2004).

Supreme Court E-Library

was a stockholder. The CA also relied on this Court's pronouncement in *Nautica Canning Corporation vs. Yumul*[44] to the effect, among others, that an action to determine the validity of the transfer of shares from one stockholder to another is civil in nature and is, therefore, cognizable by regular courts and not the SEC.[45] In addition to the fact that the first case involved a civil action instituted against corporations by one who was not a stockholder thereof, however, STRADEC correctly points out that, unlike the second case, the limited jurisdiction of the SEC is not in issue in the case at bench.

Even prescinding from the different factual and legal milieus of said cases, the CA also failed to take into consideration the fact that, unlike the SEC which is a tribunal of limited jurisdiction,[46] SCCs like the RTC are still competent to tackle civil law issues incidental to intra-corporate disputes filed before them. In *GD Express Worldwide N.V. vs. Court of Appeals*,[47] this Court ruled as follows:

> It should be noted that the SCCs are still considered courts of general jurisdiction. Section 5.2 of R.A. No. 8799 directs merely the Supreme Court's designation of RTC branches that shall exercise jurisdiction over intra-corporate disputes. Nothing in the language of the law suggests the diminution of jurisdiction of those RTCs to be designated as SCCs. The assignment of intra-corporate disputes to SCCs is only for the purpose of streamlining the workload of the RTCs so that certain branches thereof like the SCCs can focus only on a particular subject matter.
>
> The designation of certain RTC branches to handle specific cases is nothing new. For instance, pursuant to the provisions of R.A. No. 6657 or the Comprehensive Agrarian Reform Law, the Supreme Court has assigned certain RTC branches to hear and decide cases under Sections 56 and 57 of R.A. No. 6657.
>
> The RTC exercising jurisdiction over an intra-corporate dispute can be likened to an RTC exercising its probate jurisdiction or sitting

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[44] G.R. No. 164588, 19 October 2005, 473 SCRA 415.

[45] *Rollo*, pp. 77-79.

[46] *Yap Sumndad v. Harrigan*, 430 Phil. 612, 624 (2002).

[47] G.R. No. 136978, 8 May 2009, 587 SCRA 333.

Supreme Court E-Library

as a special agrarian court. The designation of the SCCs as such has not in any way limited their jurisdiction to hear and decide cases of all nature, whether civil, criminal or special proceedings.

Viewed in the foregoing light and the intra-corporate nature of STRADEC's first and second causes of action, the CA clearly erred in upholding the RTC's finding that venue therefor was improperly laid. Given that the question of venue is decidedly not jurisdictional and may, in fact, be waived,[48] said error was further compounded when the RTC handed down its first 30 August 2006 order even before respondents were able to file pleadings squarely raising objections to the venue for said causes of action.[49] Pursuant to Section 5, Rule 1 of the *Interim Rules*,[50] at any rate, it cannot be gainsaid that STRADEC correctly commenced its petition before the RTC exercising jurisdiction over SIDC's principal place of business which was alleged to have been transferred from Bayambang, Pangasinan to Lipa, Batangas.[51] It matters little that STRADEC, as pointed out by respondents, also questions the validity of the 30 July 2005 SIDC stockholders' annual meeting where the aforesaid change in the address of its principal place of business was allegedly approved. Said matter should be properly threshed out in the proceedings before the RTC alongside such issues as the validity of the transfers of STRADEC's shares to respondents Wong and CTCII, the propriety of the recording of said transfers in SIDC's books, STRADEC's status as a stockholder of SIDC, the legality of the 20 July 2006 SIDC stockholders' special meeting or, for that matter, Cezar T. Quiambao's authority to represent STRADEC in the case at bench.

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[48] *Rudolf Lietz Holdings, Inc. v. Registry of Deeds of Paranaque City*, 398 Phil. 626, 632 (2000).

[49] *Rollo*, pp. 1000; 1029; 1085.

[50] SECTION 5. *Venue.* — All actions covered by these Rules shall be commenced and tried in the Regional Trial Court which has jurisdiction over the principal office of the corporation, partnership, or association concerned. Where the principal office of the corporation, partnership or association is registered in the Securities and Exchange Commission as Metro Manila, the action must be filed in the city or municipality where the head office is located.

[51] *Rollo*, p. 332.

Supreme Court E-Library

The rule is settled that rules of procedure ought not to be applied in a very rigid, technical sense,[52] for they have been adopted to help secure – not override – substantial justice.[53] Considering that litigation is not a game of technicalities[54] courts have been exhorted, time and again, to afford every litigant the amplest opportunity for the proper and just determination of his case free from the constraints of technicalities. Since rules of procedure are mere tools designed to facilitate the attainment of justice, it is well recognized that courts are empowered to suspend its rules, when the rigid application thereof tends to frustrate rather than promote the ends of justice.[55] No less than Section 3, Rule 1 of the *Interim Rules* provides that the provisions thereof are to "be liberally construed in order to promote their objective of securing a just, summary, speedy and inexpensive determination of every action or proceeding."

The CA also erred in upholding the RTC's suspension of proceedings for STRADEC's third and fourth causes of action assailing the registration of the transfers of its shares as well as the 30 July 2005 annual meeting and 20 July 2006 special meeting of SIDC's stockholders, in view of the pendency of actions in other courts involving ownership of the shares into which STRADEC's own capital stock has been divided and its legitimate directors and officers. On the principle that a corporation is a legal entity with a personality separate and distinct from its individual stockholders or members and from that of its officers who manage and run its affairs,[56] we find that said other actions have little or no bearing to the issues set forth in STRADEC's amended petition which, at bottom, involve the transfer of its own shareholding in SIDC and its status and rights as such stockholder. The record also shows that the impugned loan transaction was contracted by respondents Yujuico and Sumbilla

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[52] *Ramiscal, Jr. v. Hon. Sandiganbayan*, 487 Phil. 384, 400 (2004).

[53] *Remulla v. Manlongat*, 484 Phil. 832, 841 (2004).

[54] *Fulgencio v. National Labor Relations Commission*, 868 Phil. 881 (2003).

[55] *Thermphil, Inc. v. Court of Appeals*, 421 Phil. 589, 595-596 (2001).

[56] *PNB v. Andrada Electric & Engineering Company*, 430 Phil. 882, 894 (2002).

Supreme Court E-Library

on 8 October 2004 or before the 10 December 2004 election of STRADEC's Board of Directors conducted pursuant to the 25 November 2004 order issued in Civil Case No. U-14 (SCC-2874). Thus, even the restoration of *status quo ante* in said case pursuant to this Court's 29 January 2007 decision in G.R. No. 168639, entitled *Alderito Yujuico, et al. vs. Cezar T. Quiambao, et al.*[57] is no hindrance to the determination of the issues of want of authority and consideration for the transfer of STRADEC's shares.

Considering that the determination of the factual and legal issues presented in the case can proceed independent of those being litigated in the other cases filed against each other by the members of STRADEC's Board of Directors, we find that the CA finally erred in denying STRADEC's application of a writ of preliminary injunction to restrain (a) CTCII from further exercising proprietary rights over the subject shares; (b) SIDC and its officers from recognizing the transfer or further transfers of the same; (c) the implementation of the resolutions passed during the 20 July 2006 SIDC stockholders' special meeting; and (d) the SEC from acting on any report submitted in respect thereto. A provisional remedy which has, for its object, the preservation of the ***status quo***,[58] preliminary injunction may be resorted to by a party in order to preserve and protect certain rights and interests during the pendency of an action.[59] By both law and jurisprudence, said provisional writ may be issued upon the concurrence of the following essential requisites, to wit: (1) that the invasion of the right is material and substantial; (2) that the right of complainant is clear and unmistakable; and, (3) that there is an urgent and paramount necessity for the writ to prevent serious damage.[60]

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[57] *Rollo*, pp. 1046-1065.

[58] *Ocampo v. Sison Vda. De Fernandez*, G.R. No. 164529, 19 June 2007, 525 SCRA 79, 94.

[59] *Buyco v. Baraquia*, G.R. No. 177486, 21 December 2009, 608 SCRA 699, 704.

[60] *Samahan ng Masang Pilipino sa Makati, Inc. (SMPMI) v. Bases Conversion Development Authority (BCDA)*, G.R. No. 142255, 26 January 2007, 513 SCRA 88, 98.

Supreme Court E-Library

As the owner, STRADEC is undoubtedly possessed of clear and unmistakable rights over the subject SIDC shares which respondent Yujuico pledged in favor of respondent Wong. Unless collectively restrained, the aforesaid acts will completely divest STRADEC of its shares and unfairly deprive it of participation in SIDC's corporate affairs pending the determination of the validity of the impugned transfers. Given that the parties have already submitted their arguments for and against the writ of preliminary injunction sought, STRADEC is, however, required to put up an injunction bond pursuant to Section 1, Rule 10 of the *Interim Rules*.[61] Conditioned to answer for damages respondents may sustain as a consequence of the issuance of the writ,[62] the amount of the bond is fixed at ₱10,000,000.00 which is equivalent to the supposed loan for which STRADEC's shares were pledged by respondent Yujuico.

WHEREFORE, premises considered, the petition is *GRANTED* and the assailed decision and resolution are, accordingly, *REVERSED* and *SET ASIDE*. In lieu thereof, another is entered *ORDERING* the resumption of proceedings in Civil Case No. 7956 without further delay. Subject to the posting of the requisite bond in the sum of ₱10,000,000.00, STRADEC's application for a writ of preliminary injunction is likewise *GRANTED*.

SO ORDERED.

Corona, C.J. (Chairperson), Velasco, Jr., Leonardo-de Castro, and *Peralta,*[*] *JJ.,* concur.

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[61] SECTION 1. *Provisional remedies.* — A party may apply for any of the provisional remedies provided in the Rules of Court as may be available for the purposes. However, no temporary restraining order or status quo order shall be issued save in exceptional cases and only after hearing the parties and the posting of a bond.

[62] *Limitless Potentials, Inc. v. Court of Appeals*, G. R. No. 164459, 24 April 2007, 522 SCRA 70, 83.

[*] Additional member in lieu of Associate Justice Mariano C. del Castillo per Special Order No. 913 dated 2 November 2010.