

THIRD DIVISION

[G.R. No. 228505, June 16, 2021]

THE PHILIPPINE RACING COMMISSION AND THE GAMES AND AMUSEMENTS BOARD, PETITIONERS, VS. MANILA JOCKEY CLUB, INC., RESPONDENT.

DECISION

DELOS SANTOS, J.:

Assailed before the Court, through a Petition for Review on *Certiorari*,^[1] are the July 27, 2016 Order^[2] of the Regional Trial Court (RTC) of Bacoor, Cavite, Branch 19, that granted the April 5, 2016 Motion for Summary Judgment filed by respondent Manila Jockey Club, Inc. (MJCI) and the November 22, 2016 Order^[3] denying the Motion for Reconsideration of petitioners Philippine Racing Commission (PHILRACOM) and Games and Amusement Board (GAB).

The Antecedents

MJCI, incorporated in 1939, is a corporation whose primary purpose is the construction and development of horse race tracks and the handling of horse racing.^[4] Pursuant to its primary purpose, it was granted a franchise under Republic Act No. (R.A.) 6631.^[5]

On the other hand, PHILRACOM, established through Presidential Decree No. (P.D.) 420 on March 20, 1974, was vested with exclusive jurisdiction and control over every aspect of the conduct of horse racing, including the framing and scheduling of races, the construction and safety of race tracks, the allocation of prizes, and the security of racing, to wit:

SECTION 8. *Jurisdictions, Powers and Functions.* — Generally, the Commission shall have exclusive jurisdiction and control over every aspect of the conduct of horse-racing, including the framing and scheduling of races, the construction and safety of race tracks, the allocation of prizes, and the security of racing.

The functions of the Games and Amusements Board with respect to horse racing, except those related to the supervision and regulation of betting in horse-racing as provided for in Sections 6, 11, 15, 18 and 24 of Republic Act 309, as amended, are hereby transferred to the Commission.^[6]

PHILRACOM's specific powers are enumerated in Section 9 of P.D. 420, to wit:

- (a) To enforce all laws, decrees and executive orders relating to horse-racing that are not expressly or impliedly repealed or modified by this Decree, including all such existing rules and

regulations until otherwise modified or amended by the Commission;

- (b) To prescribe additional rules and regulations not otherwise inconsistent with this Decree;
- (c) To register race horses, horse owners or associations or federations thereof; and to regulate the construction of the race tracks and to grant permit for the holding of races;
- (d) To issue, suspend or revoke permits and licenses and to impose or collect fees for the issuance of such licenses and permits to persons required to obtain the same;
- (e) To review, modify, approve or disapprove the rules and regulations issued by any person or entity concerning the conduct of horse races held by them;
- (f) To supervise all such race meetings to assure integrity at all times. It can order the suspension of any racing event in case of violation of any law, ordinance or rules and regulations;
- (g) To prohibit the use of improper devices, drugs, stimulants or other means to enhance or diminish the speed of horses or materially harm their condition;
- (h) To approve the annual budget of the Commission and such supplemental budgets as may be necessary;
- (i) To appoint all personnel, including an Executive Director of the Commission as it may deem necessary in the exercise and performance of its powers and duties; and
- (j) To enter into contracts involving obligations chargeable to or against the funds of the Commission.^[7]

PHILRACOM's other powers and responsibilities are mentioned in Section 10 of P.D. 420, to wit:

- (a) The Commission may impose fines, penalties and forfeitures to erring parties under the rules and regulations of the Commission, which fines, penalties and forfeitures shall accrue to the funds of the Commission;
- (b) The Commission may, in its discretion or upon petition of any interested party, after notice and hearing, modify, suspend or revoke any permit or license for failure to comply with and/or for violation of any provision of law or any order, rules or regulations issued thereunder: *Provided*, That the Commission may for good cause and without notice and

hearing, order the temporary suspension of such permit/license whenever such step, in the judgment of the Commission, shall be necessary and for the best interest of racing;

- (c) Except in cases where summary actions are taken, in the settlement of dispute and other problems connected with the conduct of horse racing, the Commission shall act as a body and all hearings and investigations before it shall be governed by the rules of procedures as may be adopted by it: *Provided*, That orders, rulings and decisions may be appealed to the President of the Philippines within seventy-two hours from receipt of such orders, rulings and decisions;
- (d) For the purpose of carrying out the provisions of this Decree, the Commission may summon parties, issue subpoena or require the production of such books, papers, contracts, records, or statement of accounts as may be material to a just determination of any matter under investigation. The Commission may designate any of its members or officers to conduct hearings and investigations on any matter pending before it; and
- (e) The Commission shall perform such other duties and exercise all other powers incidental or necessary to the accomplishment of the aims and objectives of the Commission.^[8]

On November 23, 1997, R.A. 8407 extended the term of MJCI's franchise for another 25 years, or until 2022. The total wager funds or gross receipts from the sale of betting tickets issued by MJCI are apportioned as follows under Section 8 of R.A. 8407:

SEC. 8. *Distribution of Total Wager Funds or Gross Receipts.* — The total wager funds or gross receipts from the sale of betting tickets will be apportioned as follows:

- (a) Eighty-two percent (82%) shall be distributed in the form of dividends among the holders of winning tickets whether from *parimutuel* daily double, forecast, *llave*, *quenella*, *trifecta*, or any other manner of betting;
- (b) Eight and one-half percent (8 1/2%) shall be retained by the grantee as its commission/fee for conducting the horse races;
- (c) Eight and one-half percent (8 1/2%) shall be set aside for the payment of stakes or prizes of win, place and show horses and authorized bonus for jockeys;
- (d) One percent (1%) shall be set aside for the use of the Philippine Racing Commission: *Provided*, That in the case of gross receipts derived from the total sale of *parimutuel* races, the one percent (1%) government share shall be set aside for use of the Games and

Amusement Board, to be shared equally with the Jockeys and Horse Trainers Injury, Disability and Death Compensation Fund created under Republic Act No. 309, as amended.^[9]

Correspondingly, the funds to be remitted to PHILRACOM, GAB, and to the other government agencies are specifically enumerated in MCJI's franchise.^[10]

In the horse races conducted by MJCI, dividends from the winning tickets should be claimed by holders within 30 days from their date of purchase. Otherwise, the same shall be forfeited in favor of MJCI as unclaimed dividends. This statement can be found in the dorsal portion of the ticket, which reads:

Winning tickets must be claimed within thirty (30) days from date of purchase. Otherwise, prize thereof shall be forfeited in favor of the Corporation.^[11]

It is MJCI's position that since the unclaimed dividends are not included in the amounts due to the government under MJCI's franchise and other laws regulating horse racing, these amounts are necessarily private funds, which belong to MJCI.^[12]

PHILRACOM has a contrary stance. It issued its Rules and Regulations on Horse Racing, claiming control over the disposition of unclaimed dividends under PR 58-D pursuant to its rule-making power under Section 8 and Section 9(b) of P.D. 420.^[13] Thereafter, it issued Resolution No. 38-12, making the determination of the disposition of unclaimed dividends under PR 58-D participatory. The said provision currently reads as follows after undergoing several amendments:

PR 58-D. *Dividends and Refunds.* —

All dividends from winning tickets shall be paid to the holder thereof on the same day of the event/s concerned. Those unclaimed on the same day may be collected from the Racing Club within the next Twenty (20) working days. Thereafter, the Commission, on its own initiative and discretion or upon the recommendation of the recognized sectors of the industry, shall determine the use of unclaimed dividends in the furtherance of the declared policy to promote and direct the accelerated development and continued growth of horse racing not only in pursuance of sports development program but also in order to insure the full exploitation of the sport as a source revenue and employment, and/or for the benefit of a charitable institution. That the use of and allocation of the unclaimed dividends shall be based on the following proportion:

40% shall be used to augment prize money for horses
30% shall be used for marketing and promotion of the horseracing industry
30% shall be used for charitable purposes in the name of the PHILRACOM

Furthermore, that at the start of the fiscal year, the Racing Club shall make a monthly report to the PHILRACOM as to the amount of unclaimed dividends and interests thereof, which shall be the basis of the determination prescribed above.^[14]

Because of the dispute as to the proper party entitled to the unclaimed dividends, MJCI filed a *Petition for Declaratory Relief*^[15] with the RTC in Bacoor, Cavite on November 7, 2013, asserting that PHILRACOM does not have the legal authority to dispose of unclaimed dividends from winning tickets.^[16] Subsequently, petitioners filed their joint *Comment*,^[17] to which MJCI filed a *Reply*.^[18]

On April 5, 2016, alleging that there was no question of fact but only a question of law, MJCI filed a Motion for Summary Judgment.^[19] It sought a declaration from the court that unclaimed dividends from winning tickets within the required period by the holders thereof are private funds based on its franchise and other laws regulating horse racing, which expressly exclude unclaimed dividends as part of the funds to be remitted to the PHILRACOM, the GAB, and other government agency and instrumentality.

An *Ad Cautelam Comment*^[20] was thereafter filed by the petitioners where they alleged that summary judgment is not proper because there is a genuine issue of fact in the case. This alleged question of fact pertains to whether MJCI violated PR 58-D and Resolution No. 38-12 of PHILRACOM by arrogating the unclaimed dividends from winning tickets to itself. Considering this alleged violation, petitioners contended that the remedy of declaratory relief is not available.^[21]

RTC Ruling

On July 27, 2016, the court *a quo* issued the first assailed Order,^[22] the dispositive portion of which reads:

WHEREFORE, premises considered, Motion for Summary Judgment filed by petitioner is hereby GRANTED.

PR 58-D and Resolution No. 38-12 Series of 2012 issued by respondent PHILRACOM are VOID for being contrary to law. Hence the unclaimed dividends and/or winnings within thirty days are the private funds of Petitioner.^[23]

Petitioners filed their *Motion for Reconsideration*^[24] but was denied for lack of merit in the second assailed Order dated November 22, 2016.^[25]

Hence, the instant petition was filed.

In this case, petitioners argue that the RTC committed a reversible error when it ruled that the disposition of unclaimed dividends is beyond the rule-making power of PHILRACOM on the sole ground that MJCI's franchise is silent on the matter regarding the apportionment of unclaimed winnings and/or dividends. Petitioners posit that it is not proper to solely focus on MJCI's franchise for basis. According to PHILRACOM, paragraph 1, Section 8 of P.D. 420 provides the basis of its rule-making power regarding the disposition of unclaimed dividends, where part of its powers is its exclusive jurisdiction and control over every aspect of the conduct of horse racing.^[26]

Moreover, paragraph 2, Section 8 of P.D. 420 states that all the powers of the GAB with respect to horse racing except those related to the supervision and regulation of horse racing betting as provided for in Sections 6, 11, 15, 18 and 24 of R.A. 309,