

SPECIAL THIRD DIVISION

[G.R. No. 215280, November 27, 2019]

FRANCISCO C. EIZMENDI, JR., JOSE S. TAYAG, JR., JOAQUIN L. SAN AGUSTIN, EDUARDO V. FRANCISCO, EDMIDIO V. RAMOS, JR., ALBERT G. BLANCAFLOR, REY NATHANIEL C. IFURUNG, MANUEL H. ACOSTA, JR., AND VALLE VERDE COUNTRY CLUB, INC., PETITIONERS, V. TEODORICO P. FERNANDEZ, RESPONDENT.

R E S O L U T I O N

PERALTA, C.J.:

This resolves the Motion for Reconsideration^[1] dated October 29, 2018 of respondent Teodorico P. Fernandez, seeking to reconsider and set aside the Court's Decision^[2] dated September 5, 2018 which: (1) granted the petition for review on *certiorari*; (2) reversed and set aside the Court of Appeals' Decision dated June 30, 2014 and Resolution dated October 24, 2014 in CA-G.R. SP No. 134704; and (3) reinstated the Order issued by the Regional Trial Court of Pasig City, Branch 158, on January 28, 2014 in Commercial Case No. 13-202, insofar as it did not allow any evidence to be presented relating to the February 23, 2013 elections of the Board of Directors of Valle Verde Country Club, Incorporated (VVCCI).

Fernandez argues that the Court erred in applying the *stare decisis* principle to his case, and that there is absolutely no binding precedent which supports the ruling that his complaint, questioning the suspension of his membership in VVCCI for lack of authority of petitioners Francisco C. Eizmendi, Jr., Jose S. Tayag, Jr., Joaquin L. San Agustin, Eduardo V. Francisco, Edmidio V. Ramos, Jr., Albert G. Blancaflor, Rey Nathaniel C. Ifurung, and Manuel H. Acosta, Jr., as alleged directors of VVCCI, apart from the ground of denial of due process, is partly an election contest within the purview set by the Interim Rules of Procedure for Intra-Corporate Controversies (*Interim Rules*).

Fernandez contends that the Resolution^[3] in *Valle Verde Country Club, Inc., represented by its hold-over Board of Directors, etc. v. Francisco C. Eizmendi, Jr., et al. (Valle Verde)*, G.R. No. 209120, dated October 14, 2013, is a mere unsigned or minute resolution which neither constitutes a binding precedent nor obligates non-parties, like himself. In support of his contention, Fernandez cites Section 6 (c), Rule 13 of the *Internal Rules of the Supreme Court* which states that "[b]y *unsigned resolution*[,] the Court disposes of the case on the merits, but its ruling is essentially meaningful only to the parties; has no significant doctrinal value; or is [of] minimal interest to the law profession, the academe, or the public."

Fernandez insists that the Court erred in giving *stare decisis* effect an *obiter dictum* in *Valle Verde* by proscribing or disallowing his cause of action on the premise that the same is "partly an election contest" filed beyond the 15-day reglementary period. He claims that the disquisitions in *Valle Verde* on "election contest" are mere

obiter dicta, which are not binding under the doctrine of stare decisis. He also assails the Court's ruling that he cannot question the validity of the February 23, 2013 election for that would be violative of the 15-day reglementary period, based on the maxim that "what cannot be done directly cannot be done indirectly." He submits that the application of the said maxim presupposes the existence of a prohibition in the Constitution or in a law, and that such period is a mere limitation of an action or a specie of a statute of limitation found in a rule of procedure. He asserts that the reglementary period cannot apply to him because he was not a candidate, and he had no cause of action yet during the period.

Fernandez also faults the Court for making capital of the prayer in his complaint to justify the finding that the same presents an election contest. He explains that the prayer for relief, although part of the complaint, cannot create a cause of action; hence, it cannot be considered as part of the allegations on the nature of the cause of action, and it may be disregarded in adjudicating the case.

The Court finds the arguments devoid of merit.

The mere fact that *Valle Verde* is an unsigned resolution does not prevent it from having a binding precedent in this case. Fernandez is confused with the concept of an unsigned resolution or minute resolution that has no binding precedent. In *Phil. Health Care Providers, Inc. v. Commissioner of Internal Revenue*,^[4] the Court clarified why a minute resolution has no binding precedent, thus:

It is true that, although contained in a minute resolution, our dismissal of the petition was a disposition of the merits of the case. When we dismissed the petition, we effectively affirmed the CA ruling being questioned. As a result, our ruling in that case has already become final. When a minute resolution denies or dismisses a petition for failure to comply with formal and substantive requirements, the challenged decision, together with its findings of fact and legal conclusions, are deemed sustained. But what is its effect on other cases?

With respect to the same subject matter and the same issues concerning the same parties, it constitutes *res judicata*. However, if other parties or another subject matter (even with the same parties and issues) is involved, the minute resolution is not binding precedent. Thus, in *CIR v. Baier-Nickel*, the Court noted that a previous case, *CIR v. Baier-Nickel* involving the same parties and the same issues, was previously disposed of by the Court thru a minute resolution dated February 17, 2003 sustaining the ruling of the CA. Nonetheless, the Court ruled that the previous case "ha(d) no bearing" on the latter case because the two cases involved different subject matters as they were concerned with the taxable income of different taxable years.

Besides, there are substantial, not simply formal, distinctions between a minute resolution and a decision. The constitutional requirement under the first paragraph of Section 14, Article VIII of the Constitution that the facts and the law on which the judgment is based must be expressed clearly and distinctly applies only to decisions, not to minute resolutions. A minute resolution is signed only by the clerk of court by authority of the justices, unlike a decision. It does not require the certification of the Chief Justice. Moreover, unlike decisions, minute resolutions are not

published in the Philippine Reports. Finally, the proviso of Section 4(3) of Article VIII speaks of a decision. Indeed, as a rule, this Court lays down doctrines or principles of law which constitute binding precedent in a decision duly signed by the members of the Court and certified by the Chief Justice.^[5] (Citations omitted)

The binding nature of a minute resolution and its ability to establish a lasting judicial precedent have already been settled in *Deutsche Bank AG Manila Branch v. Commissioner of Internal Revenue*^[6] where the Court explained that a minute resolution constitutes *res judicata* only insofar as it involves the "same subject matter and the same issues concerning the same parties[.]" However, if other parties and another subject matter (even if there are the same parties and issues) are involved, the minute resolution is not a binding precedent.

Even if *Valle Verde* is an unsigned resolution, it still creates a binding precedent to the extent that the Court pointed out in the assailed Decision, *i.e.*, if the allegations and prayers in the complaint raise issues of validation of proxies, and the manner and validity of elections, such as the nullification of the election was unlawfully conducted due to lack of quorum, then such complaint falls under the definition of "election contest" under the Interim Rules. This is because *Valle Verde* stated clearly and distinctly the facts and the law on which it is based, and it is not just a mere dismissal of a petition for failure to comply with formal and substantive requirements.

The ruling in *Valle Verde* on what constitutes election cases is not an *obiter dictum*. *Land Bank of the Phils. v. Suntay*^[7] explains the concept and effect of an obiter dictum, as follows:

An obiter dictum has been defined as an opinion expressed by a court upon some question of law that is not necessary in the determination of the case before the court. It is a remark made, or opinion expressed, by a judge, in his decision upon a cause by the way, that is, incidentally or collaterally, and not directly upon the question before him, or upon a point not necessarily involved in the determination of the cause, or introduced by way of illustration, or analogy or argument. It does not embody the resolution or determination of the court, and is made without argument, or full consideration of the point. It lacks the force of an adjudication, being a mere expression of an opinion with no binding force for purposes of *res judicata*.^[8] (Citations omitted)

Valle Verde directly resolved the substantive issue raised by VVCCI as to whether its complaint is an election contest, in this wise:

The Petition

In a petition before this Court, *Valle Verde* points out that it is not challenging the validity of proxies, but merely the respondents' unlawful misrepresentation of corporate office. It stresses that the election did not take place since the annual meeting was already adjourned prior to the respondents' declaration as winners in the "election." Consequently, its complaint is not an election contest as there were actually no winning candidates on February 23, 2013. It also argues that it is a real party-in-interest in this case because the respondents' misrepresentation causes

confusion among its members and employees, and disrupts its operations.

Our Ruling

We find the petition unmeritorious.

Section 2, Rule 6 of the Interim Rules on Intra-Corporate Controversies defines an election contest as "any controversy or dispute involving title or claim to any elective office in a stock or non-stock corporation, the validation of proxies, the manner and validity of elections, and the qualifications of candidates, including the proclamation of winners, to the office of director, trustee or other officer directly elected by the stockholders in a close corporation or by members of a non-stock corporation where the article of incorporation or by-laws so provide."

The present complaint falls under the definition of election contest because it raises the issues of the validation of proxies, and the manner and validity of elections. Furthermore, a reading of Valle Verde's allegations, as well as its prayers in the complaint, shows that the complaint is essentially for the nullification of the election on the ground that the election was unlawfully conducted due to the adjournment of the meeting for lack of quorum.

The determination of the validity of the proxies and of the manner and validity of elections is necessary in adjudicating whether the respondents are the lawful directors and officers of Valle Verde. Consequently, Valle Verde cannot claim that it did not raise these factual issues because no election was conducted last February 23, 2013 due to the adjournment of the meeting for lack of quorum. Valle Verde's assertion that there was no election is merely an effect of the declaration of the nullity of the election if the current petition would be found meritorious.

Even if *Valle Verde* was merely signed by the Division Clerk of Court, such unsigned resolution was issued by authority of the Justices who were members of the Division who took part in the deliberation of the case, and it is still a definitive determination of a question of law raised before it. Applying Section 2, Rule 6 of the Interim Rules, the Court declared that the complaint falls under the definition of election contest because it raises the issues of the validation of proxies, and the manner and validity of elections.

There is also no merit to Fernandez's claim that the statutory construction principle to the effect that what cannot be done directly, cannot be done indirectly, is inapplicable to the construction of the rules of procedure. To disallow the application of such principle would defeat the purpose of the Interim Rules which is meant to expedite the resolution of intra-corporate cases, and would sanction the circumvention of said rules. As stressed in the Court's Decision, the 15-day reglementary period to file an election contest under the Interim Rules aims to hasten the submission and resolution of corporate election controversies, so that the state of uncertainty in the corporate leadership is settled. If the Court were to entertain one of the causes of action in Fernandez's complaint, which is partly an election contest, the salutary purposes of that reglementary period would be defeated.

Besides, "[r]ules of court, promulgated by authority of law, have the force and effect of law, if not in conflict with positive law."^[9] In *Alex Raul B. Blay v. Cynthia B. Baña*,^[10] the Court applied a statutory construction doctrine in construing a provision of the Rules of Court, thus:

It is hornbook doctrine in statutory construction that "[t]he whole and every part of the statute must be considered in fixing the meaning of any of its parts and in order to produce a harmonious whole. A statute must be so construed as to harmonize and give effect to all its provisions whenever possible. In short, every meaning to be given to each word or phrase must be ascertained from the context of the body of the statute since a word or phrase in a statute is always used in association with other words or phrases and its meaning may be modified or restricted by the latter.

By narrowly reading Section 2, Rule 17 of the Rules of Court, the CA clearly violated the foregoing principle and in so doing, erroneously sustained the assailed RTC Orders declaring respondent's counterclaim "as remaining for independent adjudication" despite the latter's failure to file the required manifestation within the prescribed fifteen (15)-day period.

Since the *Interim Rules* was also promulgated by authority of law—Section 5(5), Article VIII of the Constitution no less—and has the force and effect of law, the Court sees no compelling reason why the principles of statutory construction should not be applied to the interpretation of such procedural rules.

That Fernandez was not a candidate in the election that he seeks to nullify and that he had no cause of action yet during the said period will not excuse him from Section 3, Rule 6 of the *Interim Rules* which requires that election contests must be filed within fifteen (15) days from the date of the election. The definition of an election contest is clear; it hardly distinguishes whether the complainant is a participant in the election or not, and it is determined only by the nature of the controversy or dispute involved, namely: (1) the title or claim to any elective office in a corporation; (2) the validation of proxies; (3) the manner and validity of elections; and (4) the qualifications of candidates, including the proclamation of winners, to the office of director, trustee or other officer in a corporation. As aptly pointed out by petitioners, Fernandez is a member of VVCCI, and the time to question their election is within 15 days from the election; to allow him to belatedly question their authority as members of the board would open the floodgate to any member who will be disciplined by petitioners or to question their act by questioning the validity of their election anytime.^[11]

Equally bereft of merit is Fernandez's contention that the prayer of his complaint cannot be considered as part of the allegations on the nature of the cause of action, and it may even be disregarded in adjudicating the case. The rule is settled that a court's jurisdiction over the subject matter is determined by the relevant allegations in the complaint, the law in effect when the action was filed, and the character of the relief sought, irrespective of whether the plaintiff is entitled to all or some of the claims asserted.^[12] Section 2, Rule 7 of the 1997 Rules of Civil Procedure provides that the body of the pleading sets forth its designation, the allegations of the party's claims or defenses, the relief prayed for, and the date of the pleading. Considering