

FIRST DIVISION

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

**STRATEGIC ALLIANCE DEVELOPMENT CORPORATION,
PETITIONER, VS. STAR INFRASTRUCTURE DEVELOPMENT
CORPORATION ET AL., RESPONDENTS.**

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 shares of stock into which SIDC's authorized capital stock of P5,000,000.00 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 P10,000,000.00 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 P11,800,000.00,^[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 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 P850,000,000.00 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 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.

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 Officer's 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]

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
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 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 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 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]