

FIRST DIVISION

[G.R. No. 169370, April 14, 2008]

**EUSTACIO ATWEL, LUCIA PILPIL and MANUEL MELGAZO,
Petitioners, vs. CONCEPCION PROGRESSIVE ASSOCIATION, INC.,
[**] Respondent.**

D E C I S I O N

CORONA, J.:

The present petition under Rule 45 of the Rules of Court assails the decision^[1] of the Court of Appeals (CA), dated March 17, 2005 in CA-G.R. SP No. 85170, declaring petitioners Eustacio Atwel,^[2] Lucia Pilpil and Manuel Melgazo estopped from questioning the jurisdiction of Branch 8 of the Regional Trial Court (RTC) of Tacloban City as a special commercial court under Republic Act (RA) No. 8799.^[3]

The facts follow.

In 1948, then Assemblyman Emiliano Melgazo^[4] founded and organized Concepcion Progressive Association (CPA) in Hilongos, Leyte. The organization aimed to provide livelihood to and generate income for his supporters.

In 1968, after his election as CPA president, Emiliano Melgazo bought a parcel of land in behalf of the association. The property was later on converted into a wet market where agricultural, livestock and other farm products were sold. It also housed a cockpit and an area for various forms of amusement. The income generated from the property, mostly rentals from the wet market, was paid to CPA.

When Emiliano Melgazo died, his son, petitioner Manuel Melgazo, succeeded him as CPA president and administrator of the property. On the other hand, petitioners Atwel and Pilpil were elected as CPA vice-president and treasurer, respectively.

In 1997, while CPA was in the process of registering as a stock corporation, its other elected officers and members formed their own group and registered themselves in the Securities and Exchange Commission (SEC) as officers and members of respondent Concepcion Progressive Association, Inc. (CPAI). Petitioners were not listed either as officers or members of CPAI. Later, CPAI objected to petitioners' collection of rentals from the wet market vendors.

In 2000, CPAI filed a case in the SEC for mandatory injunction.^[5] With the passage of RA 8799, the case was transferred to Branch 24 of the Southern Leyte RTC and subsequently, to Branch 8 of the Tacloban City RTC. Both were special commercial courts.

In the complaint, CPAI alleged that it was the owner of the property and petitioners,

without authority, were collecting rentals from the wet market vendors.

In their answer, petitioners refuted CPAI's claim saying that it was preposterous and impossible for the latter to have acquired ownership over the property in 1968 when it was only in 1997 that it was incorporated and registered with the SEC. Petitioners added that since the property was purchased using the money of petitioner Manuel Melgazo's father (the late Emiliano Melgazo), it belonged to the latter.

On June 9, 2004, the special commercial court ruled that the deed of sale covering the property was in the name of CPA, not Emiliano Melgazo:

The terms and language of said Deed is unmistakable that the vendee is [CPA], through Emiliano Melgazo, and Emiliano Melgazo signed said Deed "for and [in] behalf of the CPA"...there is therefore no doubt as to who the vendee is. It is [CPA] and not Emiliano Melgazo. As such, it is [CPA] who is the owner of said property and not [petitioner] Manuel Melgazo... [Petitioners] contend that the money used in the purchase of [the property] was Emiliano Melgazo['s]. This Court is not persuaded and to rule otherwise...will be a contravention [to] the Parole Evidence Rule.^[6]

In the dispositive portion of the decision, the court, however, considered CPA to be one and the same as CPAI:

WHEREFORE, premises considered, this Court finds for [CPAI] and against [petitioners] and the latter are hereby directed to cease and desist from collecting the vendor's fee for and [on] behalf of [CPAI] and to account what they have collected from October 1996 up to the present and [turn over] the same to the proper officer.

SO ORDERED.^[7]

Aggrieved, petitioners went to the CA and contested the jurisdiction of the special commercial court over the case. According to them, they were not CPAI members, hence the case did not involve an intra-corporate dispute "between and among members" so as to warrant the special commercial court's jurisdiction over it. CPAI, on the other hand, argued that petitioners were already in estoppel as they had participated actively in the court proceedings.

In its assailed decision of March 17, 2005, although the CA found that the special commercial court should not have tried the case since there was no intra-corporate dispute among CPAI members or officers, it nonetheless held that petitioners were already barred from questioning the court's jurisdiction based on the doctrine of estoppel. Quoting this Court's ruling in *Tijam v. Sibonghanoy*,^[8] the CA held:

An examination of the record of the case will show that [CPAI] admitted in its Pre-Trial Brief and Amended Pre-Trial Brief that petitioners are not its members. The fact that petitioners are admittedly not members of [CPAI], then, [the special commercial court] should not have taken cognizance of the case as [it] exercises special and limited jurisdiction under R.A. No. 8799. However, as correctly argued and pointed out by [CPAI], the acts of the petitioners, through their counsel, in participating in the trial of the case...show that they themselves consider the trial

court to have jurisdiction over the case.^[9]

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...[I]n the case of *Tijam v. Sibonghanoy*, the Supreme Court categorically that:

"The rule is that the jurisdiction over the subject matter is conferred upon the courts exclusively by law, and as the lack of it affects the very authority of the court to take cognizance of the case, the objection may be raised at any stage of the proceedings. However, considering the facts and the circumstances of the present case, a party may be barred by laches from invoking this plea for the first time on appeal for the purpose of annulling everything done in the case with the active participation of said party invoking the plea."

Hence, we agree with [CPAI] that petitioners, after actively participating in the trial of the case, can no longer be allowed to impugn the jurisdiction of the court...^[10]

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WHEREFORE, based on the foregoing premises, judgment is hereby rendered by us DISMISSING the petition filed in this case and AFFIRMING the DECISION dated June 9, 2004 of the [special commercial court] of Tacloban City, Branch 8 in SEC Case No. 2001-07-110.

SO ORDERED.^[11]

Petitioners filed a motion for reconsideration but it was denied by the CA.^[12] Hence, this petition.

Petitioners essentially argue that estoppel cannot apply because a court's jurisdiction is conferred exclusively by the Constitution or by law, *not* by the parties' agreement or by estoppel.

We agree.

Originally, Section 5 of Presidential Decree (PD) 902-A^[13] conferred on the SEC original and exclusive jurisdiction over 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; 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) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payment in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities but is under the management of a rehabilitation receiver or management committee...(emphasis supplied)

Upon the enactment of RA 8799 in 2000, the jurisdiction of the SEC over intra-corporate controversies and other cases enumerated in Section 5 of PD 902-A was transferred to the courts of general jurisdiction. Under this authority, Branch 8 of the Tacloban City RTC, acting as a special commercial court, deemed the mandatory injunction case filed by CPAI an intra-corporate dispute falling under subparagraph (2) of the aforecited provision as it involved the officers and members thereof.

To determine whether a case involves an intra-corporate controversy to be heard and decided by the RTC, two elements must concur:

- (1) the status or relationship of the parties and
- (2) the nature of the question that is subject of their controversy.^[14]

The first element requires that the controversy must arise out of intra-corporate or partnership relations: (a) between any or all of the parties and the corporation, partnership or association of which they are stockholders, members or associates; (b) between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates and (c) between such corporation, partnership or association and the State insofar as it concerns their individual franchises. On the other hand, the second element requires that the dispute among the parties be intrinsically connected with the regulation of the corporation.^[15] If the nature of the controversy involves matters that are purely civil in character, necessarily, the case does not involve an intra-corporate controversy.^[16]

In the case at bar, these elements are not present. The records reveal that petitioners were never officers nor members of CPAI. CPAI itself admitted this in its pleadings. In fact, petitioners were the only remaining members of CPA which, obviously, was not the CPAI that was registered in the SEC.

Moreover, the issue in this case does not concern the regulation of CPAI (or even CPA). The determination as to who is the true owner of the disputed property entitled to the income generated therefrom is civil in nature and should be threshed out in a regular court. Cases of this nature are cognizable by the RTC under BP 129.