



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated February 15, 2022 which reads as follows:

“G.R. No. 211439 (Milagros Salvani-Bautista, for and on behalf of Sal-Ve Realty and Development Corporation v. Percival Velasco and Trixie Flores) — In this Petition for Review¹ under Rule 45 of the Rules of Court, Milagros Salvani-Bautista (Milagros), acting on behalf of Sal-Ve Realty and Development Corporation (Sal-Ve Realty), questions the February 13, 2013 Decision,² and the February 3, 2014 Resolution,³ of the Court of Appeals (CA) in CA-G.R. CEB SP No. 06864 that declared the decisions of the Municipal Trial Court (MTC) of San Jose, Antique in SCA No. 2010-060⁴ and Regional Trial Court (RTC) of San Jose, Antique, Branch 11, in Civil Case No. 10-10-3744⁵ void for having been rendered without jurisdiction. The CA ruled that the case involves an intra-corporate dispute that is beyond the jurisdiction of the MTC to resolve.

Milagros argues that the issue involved is purely civil in nature — the recovery of prior possession of property seized through intimidation and with threat of use of force. As such, jurisdiction is with the MTC.

We deny.

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¹ *Rollo*, pp. 10-45.

² *Id.* at 49-62; penned by Associate Justice Carmelita Salandanan-Manahan, with the concurrence of Associate Justices Ramon Paul L. Hernando (now a member of this Court) and Maria Elisa Sempio Diy.

³ *Id.* at 63-64; penned by Associate Justice Carmelita Salandanan-Manahan, with the concurrence of Associate Justices Ramon Paul L. Hernando (now a member of this Court) and Ma. Luisa C. Quijano-Padilla.

⁴ *Id.* at 230-237; penned by Presiding Judge Ana Marie T. Mas.

⁵ *Id.* at 285-301; penned by Judge Nery G. Duremdes.

It is well-settled that jurisdiction over the subject matter of a case is conferred by law and is determined by the allegations in the complaint. The complaint contains a statement of the ultimate facts constituting the cause of action. Thus, the nature of an action, as well as determining body which has jurisdiction over it, is based on the allegations in the complaint. Hence, to determine which court has jurisdiction over the action, an examination of the complaint is essential.⁶ Nevertheless, a court may *motu proprio* dismiss the case if it finds that it does not have jurisdiction over the subject matter based on the pleadings and evidence presented.⁷

A reading of Milagros's Complaint for Forcible Entry and Damages filed with the MTC shows that only her physical possession of San Jose Memorial Garden (San Jose Memorial) was put in issue.⁸ However, a close scrutiny of the pleadings filed by the parties show that the true nature of the controversy is that of a shareholder seeking relief from the court to contest a board resolution appointing a new manager. Essentially, the question is the validity of the conferment of the authority to manage San Jose Memorial by members of the Board who are not stockholders of record of Sal-Ve Realty. This is apparent in Percival and Trixie's Answer to the complaint, *viz.*:⁹

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⁶ *Padlan v. Spouses Dinglasan*, 707 Phil 83-94 (2013).

⁷ See *Heirs of Sps. Agustin v. Aquino*, G.R. No. 189789 (Notice), September 16, 2013 and *Gumabon v. Larin*, 422 Phil. 222-236 (2001), citing Section 1, Rule 9, 1997 Rules of Court, which reads:

Section 1. *Defenses and objections not pleaded.* — Defenses and objections not pleaded either in a motion to dismiss or in the answer are deemed waived. However, **when it appears from the pleadings or the evidence on record that the court has no jurisdiction over the subject matter**, that there is another action pending between the same parties for the same cause, or that the action is barred by a prior judgment or by statute of limitations, **the court shall dismiss the claim.** (Emphases supplied.)

⁸ See *rollo*, pp. 161-162.

IV.

FIRST CAUSE OF ACTION

13. Through the use of force, intimidation and threat, plaintiff corporation, represented herein by Salvani-Bautista, was deprived lawful enjoyment and possession of the San Jose Memorial Garden. Further, despite her demand to pay rentals and to vacate the subject property, defendants failed and refused and continue to fail and refuse to pay said rentals and to surrender possession of the subject property to the Plaintiff. Accordingly, defendants should immediately be ordered to vacate the leased premises and turn-over its possession to Plaintiff herein.

V.

SECOND CAUSE OF ACTION

14. As a result of the defendants' continued use of the subject property and refusal to pay rent since January 25, 2009 until January 25, 2010, the plaintiff corporation suffered damages... Plaintiff Corporation is also entitled to any unpaid rentals that may accrue from the time of the filing of this complaint until such time the defendant vacates the subject premises and turn over the physical possession of the same to the plaintiff.

⁹ See *rollo*, pp. 169-175.

5. x x x [Percival] denies that he is encamped (whatever the Plaintiff [Milagros] wants to connote or imply with such a term), in the premises of the San Jose Memorial Garden x x x, the truth being that [Percival] has been **reporting to office as the duly-constituted Manager** of San Jose Memorial Garden, since January 25, 2009, pursuant to the action of the Board of Directors adopted on November 15, 2008, x x x

x x x x

8. x x x as early as January 21, 2004, the shares of Ester M. Velasco were transferred to Danish M. Velasco, mother of Defendant Percival M. Velasco. The shares of Orpha M. Velasco were transferred to Defendant Percival M. Velasco. As of May 1998, Danish M. Velasco was designated as the new Secretary of the Board, while Defendant Percival Velasco was designated as the new Auditor and General Manager of Sal-Ve Realty and Development Corporation (SRDC) x x x

x x x x

11. [Percival and Trixie] deny that they forcibly took over the premises of the San Jose Memorial Garden on January 25, 2009, the truth being that, it was Hannibal S. Velasco, President and Chairman of the Board of Sal-Ve Realty and Development Corporation who initiated **the taking over of control of the management of San Jose Memorial Garden**, pursuant to the action adopted by the majority of the Board of Directors of Sal-Ve Realty and Development Corporation, per the Emergency Board Meeting held on November 15, 2008.

x x x x

24. Contrary to the postulations of the Plaintiff [Milagros], Danish M. Velasco and Defendant Percival M. Velasco have long become shareholders of Sal-Ve Realty and Development Corporation. The transfer of shares of stock of Esther M. Velasco in favor of Danish M. Velasco, as well as the shares of stocks of Orpha M. Velasco in favor of Percival M. Velasco, was made of record before the Securities and Exchange Commission on January 21, 2004. The recording of the said transfers were likewise reflected in the Stock and Transfer Book of the Corporation on October 24, 2004 x x x (Emphasis supplied.)

The true nature of the controversy was reinforced in Milagros' Position Paper filed with the MTC, where she declared:¹⁰

x x x Percival Velasco anchor[s] [his] right to possess the San Jose Memorial Garden on the alleged authority bestowed upon defendant Velasco to manage the memorial park during the 18

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¹⁰ See *rollo*, pp. 199-209.

November 2008 meeting. Plaintiff [Milagros] maintains that the 'board meeting' held on 15 November 2008 was a bogus meeting as it was called and participated in by persons who are not shareholders and therefore not qualified to sit as members of the SRDC Board.

X X X X

Defendant Percival Velasco and his brother, Danish Velasco could not have been qualified to act as, and discharge the powers of, directors of SRDC as they are not owners of at least one (1) share of stock registered in their names in the books of SRDC.

X X X X

From its inception until the present, there has been no valid transfer of shares of stock from the incorporators and original shareholders to Danish and Percival Velasco or to any person, for that matter. The corporate book is bereft of any record of transaction evidencing transfer of shares. There is likewise an absence of any deed or other instrument effecting such transfer.

Defendant Velasco, however, claims that the shares of Esther and Orpha Velasco were allegedly transferred to him and Danish Velasco by virtue of the Deeds of Assignment purported executed by Esther and Orpha Velasco on 15 January 2006.

X X X X

On the other hand, a close examination of the Deeds of Assignment allegedly executed by Esther and Orpha Velasco on 15 January 2004 reveals that these are falsified and spurious documents and therefore, should be deemed inexistent.

X X X X

As it now stands therefore, no valid transfer of shares occurred between Esther and Orpha Velasco and Defendant Percival Velasco and Danish Velasco. Accordingly, defendant Percival Velasco and Danish Velasco are not qualified to be elected and to act as directors of SRDC as they do not own any share of stocks (sic) of the corporation. Consequently, the alleged board meetings, specially the board meeting held on 15 November 2008, are invalid as they were called and participated in by persons who are not authorized to do so. Hence, herein defendants do not possess the requisite authority to take physical possession of the San Jose Memorial Garden x x. (Emphasis supplied.)

In her petition before Us, Milagros consistently argued, viz:¹¹

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¹¹ See *rollo*, p. 23.

It has always been the position of petitioner that private respondent Percival and his brother, Danish Velasco, are not stockholders of SRDC since there were no valid transfers of shares to them in the manner allowed and recognized by law.

Private respondents anchor their right to possess the subject property on the purported authority bestowed upon private respondent Percival to manage the memorial park during the 18 November 2008 meeting. Petitioner, however, maintains that **the purported 'meeting' was a bogus meeting as it was called and participated in by persons who are not shareholders of SRDC and therefore not qualified to sit as members of the board.** (Emphasis supplied.)

There are two (2) tests to determine whether a case deals with an intra-corporate dispute: the relationship test and the nature of the controversy test. In the relationship test, an intra-corporate controversy exists when the conflict is between the corporation, partnership, or association and the public; or between the corporation, partnership, or association and the State insofar as its franchise, permit, or license to operate is concerned; or between the corporation, partnership, or association and its stockholders, partners, members, or officers; or among the stockholders, partners, or associates themselves. On the other hand, under the nature of controversy test, there is an intra-corporate controversy when the controversy is rooted in the existence of an intra-corporate relationship and the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation.¹²

In *Tumagan v. Kairuz*,¹³ we ruled that while the case purports to be one for forcible entry where the only issue is the physical possession, the true nature of the controversy is an intra-corporate dispute between the company and its shareholder. The issue revolved around a shareholder seeking relief from the court to contest the management's decision to: (1) post guards to secure the premises of the corporate property; (2) padlock the premises; and (3) deny her access to the same on May 28, 2007 due to her alleged default on the provisions of the MOA.

Similarly, in *Union Motors Corp. v. National Labor Relations Commission*,¹⁴ the case involved the determination of the rights of the private respondent and the liability of the corporation arising from his

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¹² *San Jose v. Ozamiz*, 813 Phil 669-685 (2017).

¹³ G.R. No. 198124, September 12, 2018.

¹⁴ 373 Phil. 310-322 (1999).

ouster as a corporate officer. The case is intra-corporate subject to the jurisdiction of the Securities and Exchange Commission (now RTC).

Here, the conflict is intra-corporate as it involves Milagros, an incorporator and a shareholder of record of Sal-Ve Realty, Percival, a shareholder under the corporation's General Information Sheet filed in 2006¹⁵ and the person allegedly appointed by the Board of Directors to manage San Jose Memorial, and Trixie, a person allegedly appointed as secretary of San Jose Memorial. Further, Milagros is questioning the Board Resolution purportedly appointing Percival and Trixie as the new manager and secretary of San Jose Memorial by assailing the eligibility of the members of the Board to issue the resolution.

Verily, the CA correctly found that that the real issue before the MTC was the management of the San Jose Memorial — an intra-corporate matter that is outside the jurisdiction of the MTC. Instead, exclusive jurisdiction is vested with the RTC under Section 5 (c)¹⁶ of Presidential Decree No. 902-A,¹⁷ as amended by Subsection 5.2, Section 5¹⁸ of Republic Act No. 8799.¹⁹ We quote with approval the disquisition of the CA, to wit:²⁰

Clearly, the matter and issues on hand are not purely civil in nature since it involves the application of commercial law, specifically, B.P. Blg. 68, otherwise known as the Corporation Code of the Philippines. Thus, a perusal of the Decision of the

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¹⁵ *Rollo*, p. 60.

¹⁶ Entitled: "REORGANIZATION OF THE SECURITIES AND EXCHANGE COMMISSION WITH ADDITIONAL POWERS AND PLACING THE SAID AGENCY UNDER THE ADMINISTRATIVE SUPERVISION OF THE OFFICE OF THE PRESIDENT," March 11, 1976.

¹⁷ SECTION 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving.

x x x x

c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations. (*Reorganization of the Securities and Exchange Commission with Additional Powers and Placing the Said Agency under the Administrative Supervision of the Office of the President, Presidential Decree No. 902-A, March 11, 1976*)

¹⁸ 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. (*The Securities Regulation Code, Republic Act No. 8799, July 19, 2000*)

¹⁹ Entitled "THE SECURITIES REGULATION CODE," July 19, 2000.

²⁰ *Rollo*, p. 61.

court *a quo*, as well as the Judgment of the appellate court reveals that their discussions availed Corporation law provisions and principles in determining that petitioner Percival and his brother, Danish Velasco, were not stockholders of SRDC.

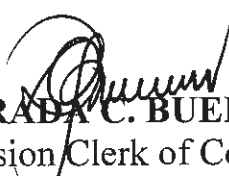

X X X X

In sum, the real issue before the court *a quo* was not the mere possession of the San Jose Memorial Garden but verily pertains to the management thereof. The court *a quo* found it necessary to rule on the validity of transfers of shares from Orpha Velasco and Esther Velasco to petitioner Percival and his brother, Danish Velasco, and to rule that petitioners Percival Velasco and Elfleda 'Trixie' Flores are bereft of any corporate authority to oust the respondent Milagros Salvani-Bautista. Said issues are not within the jurisdiction of the court *a quo* to address.

FOR THESE REASONS, the petition is DENIED.

SO ORDERED.”

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court 

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court
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