

Title: Jose M. Roy III v. Chairperson Teresita Herbosa, The Securities and Exchange Commission, and Philippine Long Distance Telephone Company

Facts:

Jose M. Roy III filed a petition challenging the issuances of the Securities and Exchange Commission (SEC), specifically Memorandum Circular No. 8, Series of 2013 (SEC-MC No. 8), as he contends that the SEC committed grave abuse of discretion in aligning with the Supreme Court's decision in *Gamboa v. Finance Secretary Teves*. Following the denial of his petition, he filed a Motion for Reconsideration dated January 19, 2017.

The procedural posture involved passing through the levels of jurisdiction appropriate for the matter, including the Supreme Court as the highest arbiter for constitutional issues. Roy III invoked the Court's power of judicial review over perceived grave abuse of discretion by the SEC as a government instrumentality, framing his petition in light of the transcendental importance of the case due to its constitutional implications on corporate foreign ownership restrictions in the Philippines.

The petitions, motions, and interventions were exhaustively argued through the legal process, with the Supreme Court's prior decision and the *Gamboa* case's engagements serving as jurisprudential background and basis for the understanding of the term "capital" in the context of constitutional restrictions on foreign ownership of corporations operating public utilities.

Issues:

1. Whether the petitioner has standing and whether the case presented an actual controversy warranting the exercise of judicial review;
2. Whether the SEC gravely abused its discretion in issuing SEC-MC No. 8;
3. Whether the definition of "capital" should apply uniformly and across the board to all classes of shares, regardless of nomenclature and category.

Court's Decision:

The Supreme Court, through Justice Caguioa, denied Roy III's Motion for Reconsideration with finality. The Court reiterated that it had already exhaustively discussed and passed upon the grounds raised by the movant in its earlier disposition of the case.

The Court held that the petitioner and petitioners-in-intervention failed, both procedurally and substantively, to allege and establish the existence of a case or controversy and locus standi to warrant the Court's exercise of judicial review. Moreover, the supposed violation

of the hierarchy of courts and failure to implead indispensable parties, such as the Philippine Stock Exchange, Inc. and Shareholders' Association of the Philippines, Inc., constituted fatal procedural flaws.

Substantively, the SEC did not commit grave abuse of discretion in ruling that respondent Philippine Long Distance Telephone Company (PLDT) is compliant with the limitation on foreign ownership under the Constitution and other relevant laws, as the SEC had not yet issued a definitive ruling on PLDT's compliance.

Doctrine:

The Supreme Court established the doctrine that the term "capital" in Section 11, Article XII of the Constitution refers only to shares of stock entitled to vote in the election of directors of corporations operating a public utility. This interpretation ensures that the control and management of public utilities reside in the hands of Filipino nationals, as mandated by the Constitution. Additionally, the Supreme Court's rulings are only to be interpreted in accordance with their dispositives or fallos, and any dissent or obiter dictum does not carry the same weight as the Court's established doctrines.

Class Notes:

- The importance of locus standi and the hierarchy of courts in the judicial review process.
- The principle of separation of powers and the Supreme Court's power of judicial review when there is an allegation of grave abuse of discretion.
- The interpretation of the term "capital" as shares of stock entitled to vote in the election of directors for corporations operating a public utility.
- The concept of indispensable parties to litigation.

Historical Background:

The case is contextualized within a historical concern for preserving and ensuring Filipino ownership and control over public utilities, given the Philippines' constitutional and statutory provisions aimed at protecting national interests. The case of *Gamboa v. Finance Secretary Teves* served as a benchmark decision that provided a deeper examination and interpretation of Section 11, Article XII of the Constitution concerning foreign ownership restrictions in public utilities. It highlighted the judiciary's role in clarifying constitutional provisions and defining the application and limits of laws in business and economics.