

Title: Lozano v. De Los Santos and Anda

Facts:

The case arose from a dispute involving two jeepney drivers' and operators' associations in Pampanga, Philippines. Reynaldo M. Lozano, petitioner, was the president of the Kapatirang Mabalacat-Angeles Jeepney Drivers' Association, Inc. (KAMAJDA). The respondent, Antonio Anda, served as the president of the Samahang Angeles-Mabalacat Jeepney Operators' and Drivers' Association, Inc. (SAMAJODA). In August 1995, both parties acceded to a request made by the Sangguniang Bayan of Mabalacat to combine their two associations into the Unified Mabalacat-Angeles Jeepney Operators' and Drivers' Association, Inc. (UMAJODA).

An election was held to determine the officers of UMAJODA, which Lozano won. However, Anda protested the results, alleging fraud, and continued to collect dues from his original association's members, ignoring the agreement. As a result, on December 19, 1995, Lozano filed a civil case for damages against Anda before the Municipal Circuit Trial Court (MCTC) of Mabalacat and Magalang, Pampanga (Civil Case No. 1214), seeking to restrain Anda from collecting dues and to order him to pay damages.

Anda then filed a motion to dismiss, arguing jurisdiction lay with the Securities and Exchange Commission (SEC). The MCTC denied this motion on February 9, 1996, and upon denial of reconsideration, Anda elevated the case to the Regional Trial Court (RTC), Branch 58, Angeles City, through a petition for certiorari. The RTC ruled that the SEC had jurisdiction over the case, as it found the dispute to be intracorporate. The RTC ordered the MCTC to dismiss the case. Lozano subsequently appealed to the Supreme Court.

Issues:

1. Whether the SEC has jurisdiction over a case involving a dispute between heads of two associations intending to consolidate, when such consolidation has not been approved and registered with the SEC.
2. Whether the concept of 'corporation by estoppel' can be invoked to confer jurisdiction upon the SEC.

Court's Decision:

The Supreme Court granted Lozano's petition, disagreeing with the RTC's determination of SEC jurisdiction. The Court concluded that no intracorporate relationship existed between the petitioner and private respondent since the unified association (UMAJODA) had not yet been legally formed through registration with the SEC. The two existing associations were

distinct entities, and as such, the dispute was not intracorporate. Since the SEC's jurisdiction requires both the status of the parties to be in an intracorporate relationship and the nature of the dispute to be connected with the internal regulation of the corporation, the lack of an official consolidated entity meant the SEC had no jurisdiction.

The Court also dismissed the application of the doctrine of corporation by estoppel, which applies where parties purport to act as a corporation towards third parties without being duly registered. In this case, since no third party was involved and the matter was strictly between the heads of two separate associations, the doctrine did not apply.

Doctrine:

The jurisdiction of the Securities and Exchange Commission is determined by the concurrence of two elements: the status or relationship of the parties, which must be intracorporate, and the nature of the question in controversy, which must be connected to the internal regulation of the corporation, partnership, or association. Additionally, jurisdiction cannot be conferred or waived by the parties involved and is not subject to the doctrine of corporation by estoppel in the absence of third parties.

Class Notes:

- Jurisdiction over a case cannot be acquired through the agreement of the parties, or waived, enlarged, or diminished by their act or omission.
- Jurisdiction over intracorporate affairs rests exclusively with the SEC when an actual corporation or association exists and is registered with the SEC.
- The case reaffirms the principles governing SEC jurisdiction, emphasizing the necessity of proper legal entity formation for intracorporate disputes.

Historical Background:

This case took place at a time when the Philippines was still shaping its jurisprudence regarding intracorporate disputes and the Securities and Exchange Commission's jurisdiction under Presidential Decree No. 902-A. The formal legal framework for the consolidation of corporations or associations was under scrutiny, emphasizing compliance with the Corporation Code and SEC regulations. The decision reflects the Court's adherence to the principle of legal corporate existence and the need for regulatory compliance before entities can access certain legal fora for dispute resolution.