

Title: Securities and Exchange Commission and Vernetta G. Umali vs. Baguio Country Club Corporation; Ramon K. Ilusorio and Erlinda K. Ilusorio vs. Baguio Country Club Corporation

Facts:

On December 17, 1998, the Securities and Exchange Commission (SEC) approved the amended by-laws of Baguio Country Club Corporation (BCCC), which included a provision extending the term of its Board of Directors to two years. On September 27, 2002, Manuel R. Singson, on behalf of Ramon and Erlinda Ilusorio (the Ilusorios), submitted a letter-complaint to the SEC to compel BCCC to hold the 2002 annual election of directors, challenging the validity of the two-year term provision. The SEC had earlier opined that such an amendment violates the one-year term limitation set by the Corporation Code.

The SEC, on November 13, 2002, ordered BCCC to amend its by-laws to conform to the Corporation Code and to conduct the annual election of the board. Subsequently, SEC issued a show cause order to the BCCC's officials for defying the November 13 order. BCCC responded, stating it was seeking clarification on the first SEC order.

Ramon Ilusorio formalized the request through a petition with the SEC. The SEC ordered BCCC to call a stockholder's meeting for election under its supervision, which BCCC challenged via a petition for certiorari and prohibition with the Court of Appeals (CA). The CA ruled in favor of BCCC: the SEC had overstepped its jurisdiction because the issue was an intra-corporate dispute that fell under the jurisdiction of regular courts, pursuant to the Securities Regulation Code (RA No. 8799). The SEC and the Ilusorios both petitioned the Supreme Court against the CA's decision.

Issues:

1. The legal standing of the Ilusorios to challenge BCCC's by-laws.
2. Whether the SEC has the jurisdiction to compel BCCC to amend its by-laws and conduct the annual election of directors.
3. The nature of the dispute as intra-corporate, determining the appropriate forum for the case.
4. The SEC's regulatory versus quasi-judicial functions under RA No. 8799.

Court's Decision:

The Supreme Court dismissed the petitions on the grounds that the issue had been rendered moot by subsequent events, specifically, an amendment to the BCCC by-laws in 2005 that restored a one-year term for board members. The Court noted that the validity of the two-

year term provision and the calling of a meeting for the election of board members were no longer in question. There was no need to address the other issues raised, as any discussion would be merely academic.

Doctrine:

A case is considered moot when there is no longer a justiciable controversy, and a declaration on the matter would have no practical value. Courts generally will not decide on moot cases, except when a constitutional issue raised requires the formulation of controlling principles or when the case is capable of repetition yet evading review.

Class Notes:

- The legal standing, or locus standi, of individuals to bring a suit is dependent on their having a personal stake in the outcome of the controversy.
- Jurisdiction is the authority granted by law over a certain area and matters to decide cases. The transfer of jurisdiction over intra-corporate disputes from the SEC to the regular courts was effected by the passage of RA No. 8799.
- Intra-corporate disputes are those arising between the corporation and its stockholders or members, or among the stockholders/members themselves with regards to their rights as such.
- The mootness doctrine precludes courts from issuing advisory opinions or deciding cases where supervening events have made the judgment non-impactful on the parties.

Historical Background:

The jurisdiction over intra-corporate disputes in the Philippines was historically within the powers of the SEC. However, with the enactment of RA No. 8799, the Securities Regulation Code, in 2000, jurisdiction over these disputes was transferred to the Regional Trial Courts designated as special commercial courts, significantly changing the landscape of corporate litigation within the country. This case illustrates the transition phase and the jurisprudence needed to establish clear demarcations of authority between the SEC and the courts under the new law.