

Title: Metropolitan Bank & Trust Company vs. Salazar Realty Corporation

Facts:

This case revolves around an action for quieting of title and nullification of contracts initiated by Salazar Realty Corporation (SARC) against Metropolitan Bank & Trust Company (Metrobank) pertaining to a mortgage and subsequent foreclosure proceedings. The legal battle traversed from the Regional Trial Court (RTC) of Tacloban City to the Court of Appeals (CA), and eventually to the Supreme Court.

- SARC, engaged in real estate, accused Metrobank of encumbering and causing the foreclosure of properties without proper authorization.
- Tacloban RAS, another involved corporation, defaulted on a loan secured by a mortgage on SARC's properties, leading to foreclosure and the transfer of titles to Metrobank.
- SARC, represented by certain incorporators/stockholders (Ramon et al.), claimed the mortgage and subsequent proceedings were void, as the corporate board's approval lacked legal standing, and due diligence from Metrobank was absent.
- At the RTC, Metrobank contended that SARC lacked standing in filing the suit as it concerned internal corporate matters, asserting the case was a derivative suit improperly lodged with a regular court. The RTC, however, denied Metrobank's motion to dismiss.
- Upon elevation to the CA, the court upheld that the case did not constitute an intra-corporate dispute, maintaining RTC's jurisdiction over the matter, which propelled Metrobank to seek relief from the Supreme Court.

Issues:

1. Whether the matter constitutes a derivative suit within the purview of specialized commercial courts.
2. Whether the regular RTC, not being a specialized commercial court, has jurisdiction over such derivative suits.
3. The existence of a derivative suit despite the nature of actions and parties involved.

Court's Decision:

The Supreme Court granted Metrobank's petition, reversing the CA's decision. It declared that:

1. ****Jurisdiction over Derivative Suits****: All derivative suits are to be tried by special

commercial courts. The matter indeed constitutes a derivative suit, warranting transfer to the appropriate special commercial court.

2. **Jurisdiction Misplacement**: The Supreme Court detailed procedural guidelines for instances where cases are incorrectly raffled, ensuring derivative suits are correctly assigned to commercial courts.

3. **Requirements for Derivative Suits**: The suit failed to meet requisite procedural requirements for derivative suits, particularly in alleging non-availment of appraisal rights and confirming the suit wasn't a nuisance/harassment suit.

Consequently, Civil Case No. 2001-11-164 was dismissed.

Doctrine:

The Court underscored the exclusive jurisdiction of special commercial courts over derivative suits, irrespective of the issues or parties involved, thus reinforcing the procedural regime for handling such cases to ensure their proper adjudication.

Class Notes:

- **Derivative Suit**: A legal remedy that allows a shareholder to sue on behalf of the corporation for wrongs committed against it, provided specific requirements are met.
- **Jurisdiction**: The appropriate venue for derivative suits lies within special commercial courts as per guidelines established under the Securities Regulation Code and relevant Supreme Court resolutions.
- **Requirements for Instituting Derivative Suits**: Shareholder standing at the time of the act complained of, exertion to exhaust internal remedies, no available appraisal rights, and the cause of action belonging to the corporation.
- **Intra-Corporate Dispute**: A controversy arising within the context of corporate operations that involve the relations between the corporation, its shareholders, directors, or officers, or between the corporation and its external constituents under specific conditions.

Historical Background:

This case highlights the procedural complexities and jurisdictional nuances in disputes involving corporate governance and contract law. It also reflects evolving jurisprudence on the appropriate handling and venue of derivative suits, balancing the principles of corporate autonomy against shareholder rights to remedy management abuses.