

Title: \*\*\*Cua et al. v. Tan et al., G.R. Nos. 181455-56 and 182008\*\*\*

**\*\*Facts:\*\***

The Philippine Racing Club, Inc. (PRCI), a corporation organized under Philippine laws, sought to convert its Makati property from a racetrack to urban residential and commercial use and transfer its racetrack to Cavite. Subsequently, PRCI management decided to spin off the management of its Makati property to a wholly owned subsidiary by acquiring JTH Davies Holdings, Inc. (JTH).

In 2006, PRCI's Board of Directors, comprising Santiago Cua Jr., Solomon S. Cua, and Exequiel D. Robles (petitioners along with Santiago Cua Sr.), decided to acquire 95.55% of JTH's shares from Jardine Matheson Europe B.V. (JME). The decision was met with opposition from some stockholders, particularly Miguel Ocampo Tan, Jemie U. Tan, and Atty. Brigido J. Dulay (respondents), who filed a derivative suit questioning the Board's resolution approving the acquisition and the subsequent transfer of PRCI's Sta. Ana property to JTH in exchange for JTH shares.

The respondents sought a Temporary Restraining Order (TRO) to prevent these actions from being ratified during PRCI's 2007 Annual Stockholders' Meeting. The TRO was issued by Judge Cesar Untalan of the Regional Trial Court (RTC), Branch 149, Makati, and later led to the issuance of a permanent injunction against the PRCI Board.

The PRCI directors filed separate petitions under Rules 45 and 65 of the Rules of Court assailing the RTC's and the Court of Appeals' (CA) decisions.

**\*\*Issues:\*\***

1. Whether the Court of Appeals erred in dismissing the petitions questioning the RTC's issuance of the TRO and permanent injunction.
2. Whether Civil Case No. 07-610 and Civil Case No. 08-458, pending before the RTC, should be dismissed.
3. Whether an intervention by APRI should be allowed in the instant petitions.

**\*\*Court's Decision:\*\***

1. **\*\*TRO and Permanent Injunction\*\***: The Supreme Court held that the derivative suit filed by the respondents was moot and academic as the resolutions questioned were already ratified and approved by the majority of stockholders during the 2008 Annual Stockholders' Meeting. The TRO issued by the RTC expired on 5 August 2007, before the higher court could resolve the matter, rendering it moot. Moreover, the engagement agreement between

PRCI and JTH for the property-for-shares exchange was rescinded, subsequently rendering any further judicial intervention irrelevant.

2. **Dismissal of Civil Case No. 07-610**: The Supreme Court declared that Civil Case No. 07-610 filed as a derivative suit was flawed since respondents failed to meet the requisites for such a suit under the Interim Rules for Intra-Corporate Controversies (IRPICC). The Resolution dated 26 September 2006 by the PRCI Board authorizing the acquisition of JTH was already ratified by the stockholders making any judicial declaration of nullity irrelevant. Additionally, necessary stockholder parties were not impleaded, warranting its dismissal.

3. **Dismissal of Civil Case No. 08-458**: Filed by a different set of minority stockholders, this derivative suit was also rendered moot as it covered the same issues as Civil Case No. 07-610 already approved by the stockholders. Consequently, it also embodied redundancy and potential forum shopping, violating procedural rules.

4. **Intervention by APRI**: The intervention plea by APRI, another minority stockholder, was denied as moot and redundant. The factual resolutions at the stockholders' meeting on 18 June 2008 rendered the issues they raised irrelevant.

**Doctrine:**

The Supreme Court reiterated the principle that corporate actions approved and ratified by stockholders bind the corporation, making derivative suits moot if such approval is subsequent. Furthermore, in derivative suits, the corporation as the real party-in-interest must be the one to take legal action, and any separate action by stockholders individually covering the same factual grounds amounts to impropriety and may be dismissed.

**Class Notes:**

- **Corporate Governance**: Corporate decisions by directors require ratification by stockholders, which when obtained, binds the corporation and validates directors' actions.
- **Derivative Suit**: A legal action initiated by stockholders to address wrongs committed against the corporation which typically requires proof that remedies within the corporation have been exhausted and that no appraisal rights are available.
- **Mootness Doctrine**: Courts will not take jurisdiction over changes or remedies that are rendered moot by subsequent events rendering any decision on legal action ineffective.
- **Procedural Requirements**: Compliance with procedural rules such as proper joinder of indispensable parties is critical in maintaining a legal suit.
- **Appraisal Rights**: These are rights available to dissenting stockholders when a

corporation decides on major changes such as asset transfers or mergers and acquisitions.

**\*\*Historical Background:\*\***

The acquisition of JTH by PRCI and the subsequent corporate maneuvers underlined a significant phase of restructuring and strategic portfolio management intending to repurpose PRCI's extensive real estate assets, responding to emerging urban development trends in Makati. Legal confrontations arose primarily from corporate governance and minority stockholder rights, illustrating evolving dynamics in corporate legal jurisprudence in the Philippines.