

****Title:****

Belo Medical Group, Inc. vs. Jose L. Santos and Victoria G. Belo, G.R. No. 186439

****Facts:****

On May 5, 2008, Belo Medical Group, Inc. (BMGI) received a request from Jose L. Santos (Santos) to inspect corporate records, citing his status as a registered shareholder and co-owner of shares acquired during his cohabitation with Victoria Belo (Belo). Santos questioned several corporate activities, including meetings from which he was excluded.

Santos' attempts to inspect the records were thwarted due to the absence of Alfredo Henares, the officer in charge. On May 14, 2007, Belo informed BMGI that Santos held 25 shares in his name in trust for her, as she considered herself the true owner. She also highlighted Santos' business interests in a competing company and suspected his request was in bad faith.

A second unsuccessful attempt by Santos to inspect the records was made on May 15, 2008, followed by a third attempt on May 22, 2008, which also failed.

Faced with conflicting claims over the shares, BMGI filed a Complaint for Interpleader with the Makati Regional Trial Court (RTC) on May 21, 2008, and a Supplemental Complaint for Declaratory Relief on May 29, 2008. The RTC classified the case as intra-corporate.

Belo filed an Answer with a Cross-Claim, stating Santos had no right to inspect the books, and that his actions were in bad faith due to his ownership in a competing business.

Santos filed a Motion to Dismiss arguing procedural lapses and no conflict in ownership of the shares. He also noted BMGI's potential criminal liability for denying his inspection request.

The RTC, on December 8, 2008, declared the dispute as intra-corporate but dismissed the Complaints, citing the failure of BMGI to establish conflicting ownership claims over the shares.

****Issues:****

1. Whether Belo Medical Group, Inc. committed forum shopping.
2. Whether the present controversy is intra-corporate.

3. Whether Belo Medical Group, Inc. used the correct mode of appeal.
4. Whether the trial court had basis in dismissing BMGI's Complaint for Declaratory Relief.

Court's Decision:

1. **Forum Shopping:** The Supreme Court found no willful and deliberate violation by BMGI or Belo. Each had filed their respective appeals within the allowed period. The issue was rendered moot by the Court of Appeals dismissing Belo's appeal due to *litis pendencia*.
2. **Nature of the Controversy:** The Supreme Court applied both the "relationship test" and the "nature of the controversy test," concluding that the case was indeed intra-corporate. Both Belo and Santos were stockholders based on the corporate records, and the primary aim involved their proprietary rights within the corporation. The core issue was inspecting corporate books, falling squarely within intra-corporate jurisdiction.
3. **Mode of Appeal:** BMGI's direct filing under Rule 45 was incorrect. According to A.M. No. 04-9-07-SC, appeals in intra-corporate cases should be under Rule 43 to the Court of Appeals. Despite procedural oversight, the Supreme Court decided not to dismiss the case to avoid undue delay and remanded it for further proceedings.
4. **Dismissal of the Complaint:** The Supreme Court found that BMGI's Complaint and Supplemental Complaint were incorrectly dismissed by the trial court. The intra-corporate nature warranted continuation of proceedings to resolve underlying issues.

Doctrine:

1. **Intra-Corporate Disputes:** Both the "relationship test" and the "nature of the controversy test" must be applied to determine if a dispute is intra-corporate.
2. **Inspection of Corporate Books:** A registered stockholder's right to inspect corporate records can form the basis of an intra-corporate dispute, underscoring the necessity of clear corporate governance.

Class Notes:

- **Intra-Corporate Relationship Test:** Determines if a dispute involves corporate relationships among stockholders, partners, or associates.
- **Nature of the Controversy Test:** Evaluates the intrinsic nature of the conflict to see if it aligns with corporate disputes.
- **Jurisdiction and Proper Mode of Appeal:** Cases adjudicated as intra-corporate should

follow A.M. No. 04-9-07-SC, appealing under Rule 43 to the Court of Appeals.

- **Corporate Ownership and Inspection Rights:** Statutorily backed by Section 74 of the Corporation Code for registered stockholders inspected within corporate governance.

Historical Background:

This case reflects a complex interplay between corporate governance and shareholders' rights within the burgeoning and competitive cosmetic medical industry in the Philippines. It underscores evolving judicial approaches to intertwined personal and corporate relationships, which are increasingly scrutinized for adherence to procedural and substantive corporate law frameworks.