

Title:

****Gochan et al. vs. Heirs of Alice Gochan et al.****

Facts:

1. Felix Gochan and Sons Realty Corporation (Gochan Realty) was established in June 1951, with Felix Gochan Sr., Maria Pan Nuy Go Tiong, Pedro Gochan, Tomasa Gochan, Esteban Gochan, and Crispo Gochan as incorporators.
2. Felix Gochan Sr.'s daughter, Alice, inherited 50 shares in Gochan Realty. Alice passed away in 1955, leaving her shares to her husband, John Young Sr.
3. In 1962, the Regional Trial Court of Cebu adjudicated 6/14 of these shares to Alice's children: Richard, David, Jane, John Jr., Mary, and Alexander.
4. By September 20, 1979, due to accumulated dividends, these shares numbered 179. John Sr. requested Gochan Realty to partition and reassign the shares to his children, but the corporation cited a right of first refusal in their Articles of Incorporation and refused.
5. John Sr. passed away on January 21, 1990, leaving the shares to his children.
6. Cecilia Gochan Uy and Miguel Uy filed a complaint with the SEC on February 8, 1994, for the issuance of shares, nullification of transferred shares, and other related actions.
7. Petitioners filed a motion to dismiss on March 16, 1994, on jurisdictional grounds and argued that respondents were not real parties-in-interest and that the cause of action was barred by the statute of limitations.
8. Petitioners also filed a motion for the cancellation of the Notice of Lis Pendens on March 29, 1994. The SEC hearing officer dismissed the complaint and ordered the cancellation of the lis pendens on December 9, 1994.
9. The SEC en banc affirmed the dismissal on March 3, 1995, ruling that respondents were not stockholders and that they therefore lacked the legal capacity to file a derivative suit.
10. Respondents appealed to the Court of Appeals which ruled that the SEC had no jurisdiction over the complaint as far as the heirs of Alice Gochan were concerned. The Spouses Uy, however, were upheld as bona fide shareholders.
11. The CA held that the intestate estate of John Young Sr. was an indispensable party and the notice of lis pendens should not have been canceled. The CA found the respondents' motion for reconsideration before the SEC was not pro forma, thus tolling the appeal period.
12. Petitioners, aggrieved, brought the matter to the Supreme Court.

Issues:

1. Whether or not Spouses Cecilia and Miguel Uy had the legal standing to file an action before the SEC.
2. Whether or not Spouses Uy could properly bring a derivative suit in the name of Gochan

Realty.

3. Whether or not the intestate estate of John D. Young Sr. is an indispensable party in the SEC case.
4. Whether the cancellation of the notice of lis pendens was justified considering the suit involved real properties owned by Gochan Realty.
5. The effect of Republic Act No. 8799 on the case.

Court's Decision:

1. ****On Legal Standing of Spouses Uy to Sue:****

- The Court held that based on the allegations, Cecilia Uy was a bona fide stockholder, as the sale of her stocks was null and void from the start. This validated her standing to sue. The void transaction produced no legal effect on her obligations as a stockholder.

2. ****On the Derivative Suit:****

- The Court upheld that Spouses Uy could file a derivative suit. The complaint sufficiently alleged corporate injury and actions detrimental to the company's interests, qualifying it as a derivative action. The mere concurrent personal injury did not nullify their standing to sue on behalf of the corporation.

3. ****On Indispensable Party Status of John Young's Estate:****

- The Court affirmed that the estate of John D. Young Sr. was an indispensable party. The transfer and registration of shares, still under John Sr.'s name, could not be finalized without involving his estate in the litigation.

4. ****On Notice of Lis Pendens:****

- The Court ruled that the annotation of lis pendens was warranted due to the pending issues related to the corporate real estate. The appellate court was correct in reversing the SEC's order to cancel the notice of lis pendens.

5. ****On the Effect of RA 8799:****

- The Court declared that RA 8799, effective August 8, 2000, transferred SEC's jurisdiction over intra-corporate dispute cases to regular courts or regional trial courts. Hence, the matter would be remanded to an appropriate trial court.

Doctrine:

1. ****Jurisdiction Based on Allegations:****

- Jurisdiction over the subject matter is determined by the allegations found in the complaint.

2. ****Void Contracts Create No Obligations:****

- A void contract produces no legal effect and does not modify or extinguish any legal relations.

3. ****Derivative Actions:****

- A stockholder may institute derivative actions on behalf of the corporation when the corporation fails to take the necessary legal steps to redress wrongs done to it.

4. ****Essentially, a Cause of Action for Nullification of a Void Contract Does Not Prescribe:****

- Claims based on allegations of contracts being void ab initio do not fall under prescription period defenses.

Class Notes:

1. ****Intra-corporate Controversies:****

- Sec. 5.2 of RA 8799 transfers jurisdiction over intra-corporate disputes from SEC to regional trial courts.

2. ****Derivative Suits Essentials:****

- Evidence of stockholder's status at the time of disputed transactions.
- Allegation of corporate harm.

3. ****Indispensable Parties in Estates:****

- Actions involving estate properties must include the estate as a party.

Historical Background:

- This case is set within the context of intra-corporate disputes in the Philippine legal system, reflecting legislative shifts in jurisdictions—specifically transferring certain disputes from the SEC to regional trial courts via RA 8799. This procedural history showcases evolving legal interpretations concerning shareholders' rights and corporate governance in the Philippines.