

### Title:

Florete vs. Florete et al.

### Facts:

**\*\*Formation and Operations:\*\***

- People's Broadcasting Service, Inc. (People's Broadcasting) was incorporated on March 8, 1966, with an authorized capital stock of P250,000 divided into 2,500 shares at P100 par value per share.
- Initial stockholders included Marcelino Florete, Sr., Salome Florete, Ricardo Berlin, Pacifico Sudario, and Atty. Santiago Divinagracia.

**\*\*Stock Movements:\*\***

- On November 17, 1967, Berlin and Sudario resigned, transferring shares to Raul Muyco and Estrella Mirasol.
- Salome Florete died on November 22, 1980, and Marcelino, Sr. became incapacitated after a stroke in 1982.
- Rogelio Florete, Sr. assumed management afterward.
- People's Broadcasting engaged in share transactions that included an issuance of 1,240 shares to Consolidated Broadcasting System, Inc. (CBS), and transfer of shares to various individuals and entities.

**\*\*Dispute:\*\***

- Disputes arose over the ownership and transfer of shares, especially involving transactions dated back to the 1980s where CBS and Newsounds Broadcasting Network, Inc. were involved.
- A complaint was filed by Marcelino Florete, Jr., Maria Elena Muyco, and Raul A. Muyco (Marcelino, Jr. Group) in 2003 to nullify these share issuances and transfers and to correct the capital structure of People's Broadcasting.

**\*\*Trial Court:\*\***

- The Regional Trial Court dismissed the complaint and awarded P25,000,000 in moral damages and P5,000,000 in exemplary damages to Rogelio Florete, Sr.

**\*\*Court of Appeals:\*\***

- Affirmed the dismissal and damages.
- Disallowed the immediate execution of the damages award pending appeal.

### Issues:

1. Whether it was proper for the Regional Trial Court to dismiss the Complaint for lack of a cause of action.
2. Whether the disputed share transactions should be nullified.
3. Whether the trial court's award of moral and exemplary damages can be immediately executed.

### ### Court's Decision:

#### \*\*Issue 1:\*\*

- The Supreme Court determined that the complaint filed by the Marcelino, Jr. Group lacked a cause of action. They pursued the claim as an individual suit rather than a derivative suit on behalf of the corporation.

#### \*\*Issue 2:\*\*

- Since the Marcelino, Jr. Group failed to file the correct type of suit (derivative suit), no resolution on the merits of the share transfers was reached. The Court emphasized that remedies sought for the corporation's benefit cannot be individually initiated.

#### \*\*Issue 3:\*\*

- The award of damages was void because the suit did not join People's Broadcasting as an indispensable party. A derivative suit requires the corporation itself to be included as a party. Because the regional trial court lacked jurisdiction due to this failure, all subsequent actions, including the judgment awarding damages, were invalid.

### ### Doctrine:

- A stockholder cannot sue individually for what is essentially wrong done to the corporation. When the wrong impacts the corporation's entire stock and property, a derivative suit is the appropriate remedy.

### ### Class Notes:

1. **\*\*Derivative Suit Requirements\*\*** (Rule 8, Section 1, Interim Rules of Procedure for Intra-Corporate Controversies):

- Stockholder at the time the acts occurred and at the time of the action.
- Exhaust all available intra-corporate remedies.
- No appraisal rights available.
- Suit is not a nuisance or harassment.
- Action must be in the name of the corporation.
- The corporation must be an indispensable party.

2. **\*\*Indispensable Party\*\***:

- Essential for the presence of the corporation in derivative suits to bind the judgment and avoid multiplicity of suits.

3. **\*\*Provisions Cited\*\***:

- Section 23, 25, 39, 62, 63, 65 of the Corporation Code were involved in determining corporate governance and responsibility.

**### Historical Background:**

- The case exemplifies the intricacies of corporate disputes where family members are involved, leading to the clarification and reinforcement of the requirement to properly classify suits as individual, class, or derivative based on the harm done and the appropriate legal vehicle for redress.