

****Title:** *Mallare v. A&E Industrial Corporation***

****Facts:****

1. ****Incorporation and Initial Structure:**** A&E Industrial Corporation (A&E), incorporated on December 16, 1975, primarily operated in real estate. Its initial stockholders were Florencio Mallare, Jane Mallare, Anthony Hwang, Evelyn Hwang, and Pacencia Mallare. Jane, married to Florencio, had one child, Aristotle, married to Melody.
2. ****Stockholders' Meeting and GIS:**** As of March 14, 2011, the General Information Sheet listed key stockholders and their shares including Florencio, Jane, Anthony, Evelyn, Aristotle, and Melody.
3. ****Jane's Death:**** On December 9, 2011, Jane Mallare passed away, leading to vacancies in the positions of corporate secretary and chief financial officer (CFO).
4. ****Intestate Estate Proceedings:**** Florencio and Aristotle filed for the judicial settlement of Jane's intestate estate on July 5, 2012, including her stocks in A&E. Anthony also filed for settlement but his was denied.
5. ****Stockholders' Meetings:**** Attempts to hold an annual stockholder's meeting on February 23, 2013, failed due to lack of quorum, as Anthony and Evelyn, holding significant shares, did not attend.
6. ****Competing Stockholders' Meetings:**** Following the failed quorum, the Hwang Group held a separate meeting and elected a new board and officers, while the Mallare Group continued under holdover authority.
7. ****Corporate Disputes:**** The Mallare Group asserted control, excluding Anthony from corporate files and transactions. Anthony filed cases for perjury and swindling against Florencio and Aristotle, and vice versa. Anthony ultimately executed Deeds of Assignment of Stocks to other family members to ensure quorum.
8. ****Injunction and Quo Warranto Suit:**** A&E, represented by the Hwang Group, filed a Verified Complaint against the Mallare Group seeking an injunction, quo warranto, and damages on January 6, 2014. The RTC denied the petition for a Writ of Preliminary Injunction (WPI) citing that the issues overlapped with the main case.
9. ****CA Ruling:**** Displeased, A&E filed a certiorari petition with the Court of Appeals (CA).

The CA annulled the RTC's decision, ordering WPI issuance, acknowledging the Hwang Group's elected board until the main case was resolved.

****Issues:****

1. Whether the CA erred in finding grave abuse of discretion by the RTC when it denied the application for a WPI.
2. Whether the issuance of the WPI preemptively determined the main case, especially in view of the disputed Election and Assignment of Jane's voting rights.

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

- ****Clear and Unmistakable Right:**** The Court emphasized that for WPI issuance, the applicant must establish a clear and legally enforceable right. The CA granted WPI based on the Hwang Group's claim to legitimately hold corporate office post the February 23, 2013 election. However, the Supreme Court found the Hwang Group's right to be significantly disputed.
- ****Legitimacy of Voting Rights:**** Jane's shares were crucial. The assignment of voting rights to Anthony was contested. The Court noted Florencio's appointment as the special administrator of Jane's estate, who should have legal voting rights over Jane's shares, casting further doubt on the election's validity.
- ****Quorum Considerations:**** The determination of a quorum at the February 23, 2013 meeting was essential. Legal and factual disputes over who held legitimate voting rights made it improper to decisively affirm the meeting's quorum without a full trial.
- ****Avoiding Prejudgment:**** The Court reiterated that granting WPI should not dispose of the main case without trial. Here, the injunction essentially ruled in favor of the Hwang Group, prejudging the main case of quo warranto.

The petition to review on certiorari was granted, the CA's decision annulled, and the WPI lifted, directing the RTC to resolve the main case expeditiously.

****Doctrine:****

- ****Prima Facie Evidence for Injunctions:**** An applicant for WPI needs to show a prima facie established right absent rebuttal. This case emphasizes the need for judicial caution in recognizing provisional rights under disputed contexts.

- **Presumption of Valid Corporate Actions:** Corporate actions, such as elections, hold presumptive validity but are subject to legal challenges, especially in intra-corporate disputes.

Class Notes:

1. **Rule 58, Section 3 - Grounds for Preliminary Injunction:** Must show clear right, material invasion, urgent need to prevent irreparable injury, and lack of adequate legal remedies.

2. **Election Contests in Corporations:** Refer to Rules of Procedure on resolving disputes about director elections, voting rights, validation of proxies, and qualifications.

3. **Quorum Requirements:** Presence in person or proxy of majority stockholders/members in meetings per Revised Corporation Code.

Historical Background:

- **Significance of Corporate Governance:** This case underscores issues of corporate governance within family-run businesses. Disputes post shareholder deaths, and accuracy of stockholder meeting procedures, reflect broader challenges in maintaining legal continuity and fiduciary duties.