

MARSMAN & CO., INC., ET AL., PLAINTIFFS AND APPELLANTS, VS. LEOPOLDO SYQUIA, ET AL., DEFENDANTS AND APPELLEES.

G.R. No. L-19207. August 31, 1965

Ponente: BENGZON, C.J.

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BENGZON, C.J.:

This is an action to enjoin allegedly vexatious suits filed or to be filed by defendants. Presented in the Rizal court of first instance, August 3, 1961, the complaint was later dismissed upon defendants' motion based on the grounds that it stated no cause of action and the court had no jurisdiction. From such dismissal order plaintiffs appealed. The facts are these:

Incorporated in 1929, Marsman & Co., Inc., is a big business corporation with principal office at Makati, Rizal. The individual plaintiffs on one side and defendants on the other (or some of them) are fighting for its control. The first were, during the year 1960, the president, the vice-president and directors of Marsman & Co., Inc., and of Marsman Investments Ltd. The latter (or some of them) were the incorporators, directors and/or stockholders of the other defendant, Arayat Corporation and of Marsman Investments Ltd. They are sued with their wives and lawyers.

The general stockholders' meeting set for December 28, 1960, of Marsman Investment Ltd., marked the beginning of the struggle for control, in pursuance of which, a series of litigations ensued, namely:

Civil Case No. 6427 of the Rizal Court;

Civil Case No. 45935 of the Manila Court;

Civil Case No. 6492 of the Rizal Court;

Civil Case No. 6493 of the Rizal Court; and

Civil Case No. 3513 of the Davao Court.

From the pleadings, it may be gathered that prior to 1952, Marsman Investments Ltd. was the owner of 76% (2,800,000) of the shares of Marsman & Co., Inc. (3,761,200). On December 14, 1960, the board of directors of Marsman Investments Ltd. approved the transfer to J. H. Marsman of 2,500,000 of its own shares of stock of Marsman & Co., Inc; Before his death, J. H. Marsman assigned all the above shares to the plaintiff Mary A. Marsman. Certificates in her name were accordingly issued. Of the total price at P0.25 per share, she paid one-half, the balance being payable 60 days after the execution of the deed of sale.

It is at once apparent that before this sale, the Marsman Investments Ltd. controlled the bigger corporation Marsman & Co., Inc., but with this sale, J. H. Marsman, and later Mary A. Marsman acquired control over it.[1]

The defendants Leopoldo M. Syquia, et al. or some of them (directors of Marsman Investments Ltd.) desirous of annulling the sale to Mary A. Marsman, and to assume management of Marsman & Co., Inc., thru control of the

Marsman Investments Ltd., organized themselves into a corporation named Arayat Corporation of which they became officers. This corporation bought 10,000 shares of Marsman Investments Ltd. But as Mary A. Marsman had 116,164 shares, they solicited proxies and (thru misrepresentation, according to plaintiffs) obtained proxies for 456,546 shares. This, in preparation for the general annual stockholders' meeting of Marsman Investments Ltd. to be held on December 28, 1960.

Aware of the situation and providing for it, Mary A. Marsman and the other plaintiffs, who sided with her and were members of the board of directors of Marsman Investments Ltd., passed a resolution on December 27, 1960, authorizing Mary A. Marsman as chairman of the board to announce the suspension of the proxies held by herein defendants (upon the ground of fraudulent solicitation). This caused the institution of a suit in the Rizal court of first instance (Civil Case No. 6426) to prevent the suspension of such rights. (This case was later dismissed.)

Another suit (Civil Case 6427) was also instituted by Syquia, et al., on the same day of the meeting of December 28. Its purpose was to disqualify Mary A. Marsman and the other directors favoring her (herein plaintiffs) from presiding over the stockholders' meeting. Ground for the suit was her advanced age, and their interest in the approval of the sale to her or her husband of the Marsman shares[2] (at a low price). In both cases, preliminary injunctions were issued. So Syquia and his partisans succeeded in obtaining control of the meeting and in passing a resolution annulling the sale of Marsman's shares to Mary A. Marsman, who had in the meantime, walked out of the meeting with her co-plaintiffs on the pretext that the assembly was illegal.

And so, alleging that they held over as officers of Marsman Investments Ltd., Mary A. Marsman (and her co-plaintiffs here) filed on December 31, 1960, Civil Case No. 48935 of the Manila court of first instance principally to prevent Syquia and companions from taking over the affairs of Marsman Investments Ltd., and of Marsman & Co., Inc., and from implementing the resolution annulling the sale of the 2-1/2 million shares to Mary A. Marsman.

Then on February 2, 1961, Apolonio Aguirre (one of the defendants herein), a stockholder of Marsman & Co., inc., filed in the Rizal court, Civil Case No. 6492, alleging that having received information that said corporation had been disposing of its' properties at a loss, he requested permission from its officers to examine its books, but this request was denied without any legal reason.

Later, on February 10, 1961, herein defendant Thelma Legrun sued Itogon-Mines Inc., a corporation managed by Marsman & Co., Inc. (Civil Case No. 6493) to compel its officers to allow her to inspect the books of the corporation as a stockholder thereof.

The last case filed March 23, 1961, in the Davao court of first instance was a complaint of defendants (some of them) as directors of Marsman Investments Ltd. to collect from Philippine Abaca Development Co., loans previously given by both Marsman companies in the total amount of P277,266.11; and incidentally to annul a mortgage made by said company in favor of Mary A. Marsman to pay off such indebtedness to the Marsman corporations.

Wherefore, in view of the institution of the above-mentioned litigations and of other circumstances to be described later, the herein plaintiffs commenced this proceeding in the Rizal court of first instance (Civil Case Q-5934) to prevent these defendants collectively and individually from filing or prosecuting other actions against plaintiffs in addition to those herein mentioned in connection with the ownership of the shares of Mary A. Marsman.

Plaintiffs avowedly invoked the principle that equity will intervene to restrain irreparable mischief, or to suppress oppressive and interminable litigation or to prevent multiplicity of suits.

To bolster their claim of oppression or harassment, plaintiffs mentioned the fact that Juan Lebrun, husband of defendant Thelma Lebrun (plaintiff in Civil Case 6493) charged plaintiff Armando L. Velilla before the Fiscal of Rizal with slander, in connection with statements of the latter in the stockholders' meeting of Marsman Investments Ltd., held on December 28, 1960. This charge has not yet been acted upon by the fiscal's office, and if dismissed, perhaps Velilla may demand responsible ity for malicious prosecution. Anyway, this incident bears no relevancy to this equity suit, because it is just a dispute between one of the plaintiffs' group and another of the defendants' group of 23 persons.

As to the court cases, it is evident that plaintiffs may not cite the Manila case to support their demand for equitable remedies. It was instituted by them—not by defendants. Note that their theme is harassment by defendants.[3]

Of the other four cases, two (6492 and 6493) have been instituted by individual defendants—not by all or substantially all of the defendants, nor filed at their instigation. As stated in connection with the complaint before the Fiscal's office, it is not proper to consider these to be in furtherance of the supposed harassment by defendants. They were obviously an exercise of stockholders' rights.

There remain two other cases: one in Rizal and the other in Davao. The first appears to be prima facie tenable, since a preliminary injunction has been issued therein. And the second (Davao) cannot be regarded as vexatious, if it is true as alleged, that Mary A. Marsman had acquired no valid rights to the majority stocks of the Marsman Corporations.

At any rate, after examining all the aspects of the situation, we view these two litigations as incidents of the struggle for the control and management of the Marsman business, struggle conducted within the frame of corporation rules and in accordance with usual court procedures. One side is bound to finally win; but that does not mean necessarily that the other side, actuated by illegal motives, is adopting such harassing tactics as call for a halt. This last remark applies to the new litigation (Special Civil Act 6759) described in the supplemental complaint. It appears that on August 8, 1961, five of herein defendants, who had been elected directors of Marsman Investments Ltd., at the December 1960 meeting, instituted quo warranto proceedings against Mary A. Marsman and companions, who as previously stated, had walked out of the meeting, questioned its validity, and continuing to act as officers of Marsman Investment Ltd., refused to yield to the new directorate.

All in all, we do not believe such conditions have arisen as to require the exercise of special equitable powers.[4] The herein plaintiffs have sufficient legal remedies to protect themselves. For one thing, they might invoke the rule on pendency of another action.

For these reasons, we are constrained to confirm the court's order denying relief. With costs.

Bautista Angelo, Reyes, J. B. L., Regala, Makalintal, Bengzon, J. P., and Zaldivar, JJ., concur.

[1] She died pending this appeal; she is substituted by her executor, Alexander Sycip.

[2] They claimed Director J. H. Marsman could not buy from corporation: conflict of interests.

[3] Reports. An incident of this case was brought here (L-18262). Our decision therein bears no relation to this appeal.

[4] Cf. Conde cases, Vol, 45 Phil. Reports.

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