

INTERNATIONAL BROADCASTING CORPORATION, PETITIONER, VS. JOSE T. JALANDOON, RESPONDENT,

G.R. No. 148152. November 18, 2005

Ponente: AZCUNA, J.

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AZCUNA, J.:

Before us are two consolidated petitions for review on certiorari of the Decision[1] of the Court of Appeals in CA-G.R. SP No. 62027 promulgated on May 9, 2001, and its Resolution promulgated on July 20, 2001 denying the Motion for Reconsideration of petitioner Securities and Exchange Commission (SEC). The Decision of the Court of Appeals reversed and set aside the Order of the SEC dated October 5, 2000 and directed SEC to decide SEC Case No. 12-96-5505, entitled Jose T. Jalandoon v. International Broadcasting Corporation, et al.

The antecedents[2] of the case are as follows:

On April 3, 1996, Julius Raboca, the corporate secretary of International Broadcasting Corporation (IBC), caused the publication in the newspapers of a Notice, which, among others, enjoined all persons having any claim against IBC to present them to the Office of the Corporate Secretary within five days from date of publication, after which, no claim would be entertained.

Respondent Jose T. Jalandoon, after reading the Notice, wrote a letter to Raboca to make his claim of twenty percent (20%) of the shareholdings of IBC. Raboca allegedly did nothing on the claim.

In December 1996, Jalandoon filed with SEC an Amended Petition[3] for Accounting, Reconstitution of Records, Mandamus, Nullification of Directors' Election, Calling of Stockholders' Meeting, and Damages against IBC and the members[4] of its Board of Directors.

On February 10, 1997, IBC, et al., filed its Answer with Counterclaims and, at the same time, moved for the dismissal of the case through its counsel, Cruz Enverga & Raboca.

On June 2, 1997, the Office of the Government Corporate Counsel (OGCC) made a verbal manifestation that it had known of the filing of the case "a few days ago and requested for extension of time to enter into preliminary conference." Cruz Enverga & Raboca withdrew as counsel for IBC.

During the preliminary conference on June 25, 1997, IBC, et al. were declared in default due to the failure of the OGCC's lawyers to produce a Board Resolution authorizing them to appear in behalf of IBC, et. al.

On July 2, 1997, the Presidential Commission on Good Government (PCGG), filed a Special Appearance and Motion to Dismiss assailing SEC's jurisdiction over the case on the ground that it is the Sandiganbayan that has sole and exclusive jurisdiction over the case involving IBC, as an acquired asset of the Republic of the Philippines.

On July 3, 1997, the OGCC, in behalf of IBC, filed an Omnibus Motion, namely, a Motion for Reconsideration and/or To Lift Order of Default; a Motion to Nullify All Proceedings Taken after Declaration of Default; and a

Motion to Dismiss.

On July 28, 1997, the SEC Hearing Officer issued an Omnibus Order lifting the Order declaring IBC in default, denying the motion to nullify all proceedings after declaring IBC in default, and denying the motion to dismiss for lack of merit.

On the motion to dismiss, the SEC Hearing Officer ruled:

The motion to dismiss cannot be sustained on the allegation that IBC was ceded to the government by Roberto S. Benedicto, over the claim of petitioner that he is owner of some shares of stocks in IBC. Whether said shares of stock are subject to sequestration or were sequestered shares, is best determined after trial on the merits.

Also it cannot be argued that the real party in interest is the PCGG.

IBC is an entity separate and distinct from the PCGG. If ever, the PCGG (or the) government owns shares of stocks in IBC, it does so [in] its proprietary character, stepping down from the pedestal of its sovereign power, and engages into private ownership and contracts like an ordinary citizen, thus shedding off its sovereign immunity from suit.[5]

IBC, et al. filed a motion for reconsideration of the Omnibus Order insofar as it denied their motion to dismiss and to nullify the proceedings after declaration of default. The SEC Hearing Officer denied it in an Order dated June 22, 1998.[6]

Pre-trial and trial ensued. Thereafter, the parties presented their respective evidence. The SEC Hearing Officer admitted the exhibits formally offered in evidence by Jalandoni in an Order dated March 9, 2000.

In an Order dated July 25, 2000, the SEC Hearing Officer admitted the exhibits formally offered in evidence by IBC, et al. and the case was considered submitted for decision. The parties were directed to submit their respective memoranda not later than 15 days from receipt of the Order.

On August 9, 2000, Republic Act No. 8799, otherwise known as the Securities Regulation Code, took effect. The Act transferred jurisdiction over intra-corporate disputes from SEC to the Regional Trial Courts.

Anticipating the Code's effectivity, the SEC earlier issued, on August 1, 2000, the Guidelines on Intra-Corporate Cases Pending Before the SICD and the Commission En Banc of the Securities and Exchange Commission.

On October 5, 2000, the SEC en banc issued an Order,[7] the pertinent portions of which read:

...

The Commission now holds that the Republic, as the registered owner of 100% of the shares of IBC -13, is a real party in interest, because it stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit.

...

. . . The petition failed to implead the Republic and is therefore defective in form. Nonetheless, the substantiality being plainly evident, such defect in form can and must be cured, otherwise, no final determination of the case can be had. The impleading of the Republic as party-respondent is thus in order. And in accordance with the constitutional provisions and jurisprudential declarations, the Republic must be accorded due process and given its day in court.

In view of the foregoing determination by the Commission, there is still much left to be done before the case can reach the final disposition stage. Considering the effectivity of the new Securities Regulation Code on

August [9], 2000 and the Guidelines of the Commission, and further considering that the case is not yet ripe for final adjudication, the Commission no longer has any jurisdiction to continue to hear the case, receive pertinent pleadings thereto nor render a final judgment therein.

Despite the loss of its jurisdiction and because the Commission cannot render a final decision based on the foregoing discussions on the defect of non-joinder of an indispensable party, the Commission is of the opinion that it must issue this last order, so that "the actual merits of the controversy may speedily be determined." To do otherwise would leave the case in limbo, a situation which the Commission, in the [interest] of justice, cannot allow.

WHEREFORE, foregoing premises considered, and under the circumstances of the present case, the Republic of the Philippines, as represented by PCGG, is hereby ordered impleaded as party-respondent, copy of this decision shall be furnished the Office of the Solicitor General as counsel for the government. The parties are directed to furnish the Solicitor General with copies of all the pertinent pleadings they have filed in the instant case within fifteen (15) days from their receipt hereof. The Solicitor General is hereby directed to file its Comments and Answer to the petitioner's claims within fifteen (15) days from its receipt of said pleadings. And the petitioner is given a like period of time to file his response thereto. Any and all pleadings required to be submitted after this Order is issued shall be filed before the court of proper jurisdiction as may be designated by the Supreme Court.

SO ORDERED. [8]

Respondent appealed the SEC Order to the Court of Appeals by filing a Petition for Certiorari and Mandamus With Very Urgent Application for the Issuance of a Writ of Preliminary Injunction and/or Temporary Restraining Order.

In its Decision promulgated on May 9, 2001, the Court of Appeals stated the main issue as: Did the Securities and Exchange Commission gravely abuse its discretion in refusing to decide the instant case and instead transferring the same to the regular courts?

The Court of Appeals held that SEC should decide the instant case, thus:

It is undisputed that per order dated July 28, 2000, (p. 382, rollo), petitioner's (Jalandoon) case before the Commission was ~~is~~ now submitted for decision". Both parties therein, per records, duly submitted the required memorandum within fifteen (15) days from receipt of the order. Clearly, therefore, at the time petitioner's case was being heard and up to the time the same was submitted for decision, it was still governed by the REVISED RULES OF PROCEDURE IN THE SECURITIES AND EXCHANGE COMMISSION adopted on August 1, 1989 as amended, on April 26, 1993.

It must also be pointed out that the GUIDELINES which the Commission issued pursuant to par. 5.2, Sec. 5, of R.A. 8799, specifically Sec. 2 thereof provides thus: "The COMMISSION SHALL RETAIN JURISDICTION OVER PENDING INTRA-CORPORATE DISPUTES SUBMITTED FOR FINAL RESOLUTION [PRIOR TO THE EFFECTIVITY OF THE ACT] which shall be resolved within one (1) year from July 19, 2000." Since petitioner's case was submitted for final resolution on July 28, 2000 and since R.A. 8799 took effect only on August 9, 2000, petitioner's case should have remained within the jurisdiction of public respondent Commission and decided by it pursuant to the August 1, 1989 Rules of the Commission, as amended . . . [9]

The dispositive portion of the Decision of the Court of Appeals reads:

Wherefore, foregoing premises considered, the petition is hereby GIVEN DUE COURSE, and the challenged order of public respondent Commission hereby REVERSED and SET ASIDE, and it is hereby DIRECTED to decide the case of petitioner in accordance with its August 1, 1989 Rules, as amended, and based on the evidence duly offered and admitted. No costs.

SO ORDERED.[10]

SEC filed a Motion for Reconsideration of the Decision of the Court of Appeals, which was denied in a Resolution promulgated on July 20, 2001.

Both SEC and IBC filed before this Court their respective petitions for review on certiorari of the Decision of the Court of Appeals. SEC also sought a review of the Court of Appeals' Resolution dated July 20, 2001, which denied its motion for reconsideration. Respondent Jalandoni moved for the consolidation of the two petitions, which was granted by the Court.

The relevant issues raised by petitioners are:

- Did the Court of Appeals err in ordering SEC to decide the case filed by respondent Jalandoni, docketed as SEC-SICD Case No. 12-96-5505?
- Does SEC have jurisdiction over respondent's claim of ownership or interest in IBC or is the determination of such ownership properly lodged with the Sandiganbayan in connection with Sandiganbayan Case No. 0034 for reversion, reconveyance, restitution, accounting and damages filed by the Republic/PCGG?
- Assuming arguendo that SEC has jurisdiction over this case, was the case ripe for decision when Republic Act No. 8799 took effect on August 9, 2000, which transferred jurisdiction over intra-corporate disputes from SEC to the Regional Trial Courts?
- Did SEC lose jurisdiction over the instant case pursuant to Republic Act No. 8799?

Petitioner IBC, represented by the OGCC, contends that SEC has no jurisdiction over the instant case since it involves the determination of the ownership of its company, which is the subject of Sandiganbayan Case No. 0034 for reversion, reconveyance, restitution, accounting and damages. IBC asserts that issues which arise from and are incidental to said sequestration case before the Sandiganbayan should be raised in the Sandiganbayan, citing *Presidential Commission on Good Government v. Peña*[11] and *Republic of the Philippines v. Sandiganbayan*. [12]

We do not agree.

As stated by SEC in its Order, the sequestration proceedings over IBC are over. The Sandiganbayan has ordered the transfer of IBC's shares of stock in the name of the Republic of the Philippines. As ownership of IBC has been vested upon the Republic, the subject matter of the instant suit falls within the definition of intra-corporate controversy over which SEC had jurisdiction at the time this case was initiated.

In a separate petition[13] filed with us by Jalandoni against PCGG, which sought to enjoin PCGG from proceeding with the scheduled public bidding of the assets of IBC on December 27, 1996, PCGG recognized the jurisdiction of SEC over the instant case when it agreed in a Joint Motion with Jalandoni to refer the resolution of Jalandoni's claim over the 20% equity in IBC-13 to SEC. The Joint Motion, in part, submitted:

...

- That the claim of the petitioner over the 20% equity in IBC -13 shall be litigated in the Securities & Exchange Commission (SEC), and the release of the said 20% equity shall be conditioned upon the rendition of a final and executory judgment in favor of the person entitled thereto;
- That in consideration for the immediate resolution of this case and the lifting of the Temporary Restraining Order, subject to the above paragraph No. 3, petitioner or his assigns shall be granted the right of first refusal to acquire an additional twenty (20%) percent of IBC equity at PCGG established floor price; provided that this shall be subject to the approval of the Committee on Privatization (COP).

WHEREFORE, it is most respectfully prayed that this case be dismissed and that the Temporary Restraining Order be immediately lifted and dissolved and the question on the claim of the petitioner over the 20% equity in IBC be referred to the Securities & Exchange Commission and that the parties be granted such other reliefs to which they may be entitled to law and equity.[14]

On July 15, 1998, we issued a Resolution (Third Division) granting the said Joint Motion, thus:

. . . The joint motion, dated March 17, 1998, filed by the Presidential Commission on Good Government Chairman Magtangol C. Gunigundo and petitioner Jose T. Jalandoon, assisted by their counsels, praying that this case be dismissed and that the temporary restraining order be lifted and dissolved and the question on the claim of petitioner over the 20% equity in IBC be referred to the Securities and Exchange Commission is GRANTED.[15]

Next, petitioners contend that the Court of Appeals erred in directing SEC to decide the case since it was not yet ripe for decision when Republic Act No. 8799 took effect. Noted was paragraph 5.2, Section 5 of Republic Act No. 8799, which, in part, provides that "[t]he Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code." [16] Petitioners, however, assert that although the SEC Hearing Officer in an Order dated July 28, 2000 considered the case submitted for decision even before the effectivity of Republic Act No. 8799, the SEC en banc subsequently ordered on October 5, 2000 that the Republic of the Philippines be impleaded as party-respondent as an indispensable party in the case. Hence, petitioners submit that since the Republic is yet to be heard, the case was not yet ripe for decision when Republic Act No. 8799 took effect; therefore, SEC lost jurisdiction over the case.

We agree.

The pertinent provision under Republic Act No. 8799 reads:

SEC. 5. Powers and Functions of the Commission

. . .

5.2. The Commission's jurisdiction over all cases enumerated under Section 5 of Presidential Decree No. 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: Provided, That the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. . . .

Moreover, the Guidelines on Intra-Corporate Cases Pending Before the SICD and the Commission En Banc of the Securities and Exchange Commission issued by SEC on August 1, 2000 provides:

Section 3. The Commission shall retain jurisdiction over pending intra-corporate disputes submitted for final resolution which shall be resolved within one (1) year from July 19, 2000, the enactment of the The Securities Regulation Code.

. . .

Section 5. All cases already decided by the Securities Investigation and Clearing Department (SICD) may be elevated to the Commission en banc on appeal provided that the appeal is perfected on or before August 8, 2000.

No appeal shall be accepted by the Commission thereafter.

Section 6. Subject to any circular that may be issued by the Supreme Court on the matter, all cases over which the Commission has not retained jurisdiction under the Securities Regulation Code shall, upon its effectivity on August 9, 2000, be transferred to the Regional Trial Courts.

Considering that SEC, in its Order dated October 5, 2000, ordered *motu proprio* that the Republic of the Philippines, as the registered owner of 100% of the shares of IBC, be impleaded as party-respondent as an indispensable party in this case, and directed the parties to furnish the Solicitor General, as counsel of the Government, with copies of all pertinent pleadings which they have filed within 15 days from receipt of said Order and also directed the Solicitor General to file its Comments and Answer to the claims within 15 days from receipt of the pleadings, the case was clearly not yet ripe for final resolution at the time Republic Act No. 8799 took effect on August 9, 2000.

The SEC Order of October 5, 2000 overruled the SEC Hearing Officer's Order of July 28, 2000 for the reason that the Republic of the Philippines, as an indispensable party, still has to be heard, through its counsel, the Office of the Solicitor General.

Stated otherwise, SEC Case No. 12-96-5505, as of August 9, 2000, was not a pending case submitted for final resolution, since the same could not be decided by SEC without including a new party and affording said party the opportunity to be heard, thereby requiring further proceedings.

Finally, the fact that Sec. 5.2 of Republic Act No. 8799 states that the pending cases over which SEC shall retain jurisdiction "should be resolved within one (1) year from the enactment of this Code," confirms the interpretation that it refers to cases where no further proceedings are required for their final resolution.

WHEREFORE, the petitions are GRANTED and the Decision of the Court of Appeals in CA-G.R. SP No. 62027 and its Resolution promulgated on July 20, 2001 are REVERSED and SET ASIDE, and the Order of the Securities and Exchange Commission in SEC Case No. 12-96-5505 dated October 5, 2000 is REINSTATED. The SEC Case is hereby ordered TRANSFERRED to the Regional Trial Court of Makati City pursuant to Republic Act No. 8799.

No costs.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Quisumbing, Ynares-Santiago, and Carpio, JJ., concur.

[1] Penned by Justice Jose L. Sabio, Jr., and concurred in by Justices Ma. Alicia Austria-Martinez and Hilarion L. Aquino of the Third Division.

[2] SEC Order, Rollo (G.R. No. 148152), pp. 60-61; CA Decision, Rollo (G.R. No. 148152), pp. 51-53.

[3] Docketed as SEC Case No. 12-96-5505.

[4] Namely, Tomas B. Gomez III, Emmanuel T. Santos, Emiliano D. Templo, Cielito Del Mundo, Leonardo Q. Belen, Julius N. Raboca.

[5] Rollo (G.R. No. 148152), p. 451.

[6] *Id.* at 467.

[7] *Id.* at 59.

[8] Id. at 71, 73-74.

[9] Id. at 56.

[10] Id. at 56-57.

[11] G.R. No. L-77663, April 12, 1988, 159 SCRA 556.

[12] G.R. No. 88537, April 17, 1990, 184 SCRA 382.

[13] G.R. No. 127399, *Jalandoon v. Presidential Commission on Good Government, et. al.*

[14] *Supra*, note 5, at 377-378. Emphasis supplied.

[15] Id. at 380. Emphasis supplied.

[16] Emphasis supplied.

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