

THE HEIRS OF EDGARDO DEL FONSO, NAMELY, MILA A. DEL FONSO, LOUISA DEL FONSO BACANI, CARMINA DEL FONSO, EDGARDO PAULO A. DEL FONSO, AND VICTORIA DEL FONSO FRANCISCO, BEACON EQUIT...

G.R. No. 213457. March 18, 2019

Ponente: J. REYES, JR., J.

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J. REYES, JR., J.:

This is a Petition for Review on Certiorari[1] under Rule 45 of the Rules of Court, assailing the Decision[2] dated November 12, 2013 and Resolution[3] dated June 25, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 130341, which affirmed the Order[4] dated April 2, 2013 of the Regional Trial Court (RTC) of Makati City, Branch 66 in Civil Case No. 05-739.

The Facts

The instant petition stemmed from an Amended Complaint for Quo Warranto, Annulment of Board Decisions, Inspection of Records, Audit, Appointment of Receiver and Damages with Application for Issuance of a Temporary Restraining Order (TRO) and Writ of Preliminary Injunction (WPI), docketed as Civil Case No. 05-739, filed by Edgardo Del Fonso (Del Fonso), substituted by his heirs, Beacon Equities, Inc. (Beacon) (collectively, petitioners), with Maria Encarnacion Cancio, and Belina Cancio, as alleged owners of 17% of the total outstanding shares of stock in DAGUMA Agro-Minerals, Inc. (DAGUMA) against Benjamin Guingona (Guingona), Mamerto Bocanegra (Bocanegra), Tomas Pmdencio, Antonio Ilomin, Christian Monsod (Monsod), Epifanio Sedigo, Jr., as directors and officers of DAGUMA, and Levitico Toquero and Arnold Manat as stockholders thereof (collectively, respondents).[5]

Briefly, the complaint was grounded upon respondents' alleged unlawful acts[6] as members of the board of directors. Respondents countered that petitioners have no cause of action as they are not stockholders of record of DAGUMA.[7]

On January 16, 2006, the RTC issued a WPI, enjoining respondents from any act of divestment of shares of stocks or equities of petitioners without the consent of the shareholders, the conduct of any board meeting or the conduct of any stockholders' meeting without notice to petitioners, among others.[8]

The following circumstances find more relevance to the case at bar.

Despite such WPI, respondents allegedly committed further acts which divested petitioners of their remaining shareholdings in DAGUMA. Particularly, petitioners alleged that respondents executed a Share Purchase Agreement with San Miguel Energy Corporation (SMEnergy) wherein the latter allegedly acquired one hundred percent (100%) of the outstanding capital stock of DAGUMA.[9]

This prompted petitioners to file, on May 9, 2012, a Motion for Production of Documents, praying that

respondents be ordered to produce the aforecited Share Purchase Agreement, as well as all other papers, documents, and records pertinent to and/or related to the sale, transfer, and conveyance of the outstanding capital stock of DAGUMA (SMEnergy Documents).[10]

Respondents opposed the said motion, mainly arguing that petitioners' status as stockholders are still in question and as such, they are not entitled to the relief prayed for.[11]

In its Order dated July 13, 2012, the RTC granted petitioners' motion and ordered respondents to produce the SMEnergy Documents.[12]

Respondents then filed a Motion to Vacate Order of Production of Documents dated July 13, 2012,[13] which was denied by the trial court in its Order dated September 10, 2012.[14]

Thus, respondents filed a Petition for Certiorari before the CA, docketed as CA-G.R. SP No. 127476, questioning the denial of respondents' Motion to Vacate Order of Production of Documents.[15]

In view of the pendency of CA-G.R. SP No. 127476, respondents filed an Urgent Motion to Defer Production of Share Purchase Agreement with the trial court, citing as ground the concept of judicial courtesy. Respondents argued that, for practical and ethical consideration, and so as not to render as moot the issue before the CA in CA-G.R. SP No. 127476, the trial court should wait for the final determination or resolution of the C A before proceeding to implement its order for production of documents.[16]

In its Order dated April 2, 2013, the RTC granted respondents' motion to defer the order to produce the SMEnergy Documents.[17]

Aggrieved, petitioners filed a Petition for Certiorari before the CA, docketed as CA-G.R. SP No. 130341, questioning the grant of said motion to defer.

In its assailed November 12, 2013 Decision, the CA found no grave abuse of discretion on the part of the RTC in deferring the implementation of its order to produce the SMEnergy Documents. The CA ruled that, indeed, judicial courtesy warrants the deferment of the production of said documents as the propriety of ordering the production was precisely the subject matter of CA-G.R. SP No. 127476. According to the CA, should the trial court continue to enforce the order directing the production of said documents, there is a strong probability that the issue pending in CA-G.R. SP No. 127476 would be rendered moot.[18]

The CA also ruled that, at any rate, the RTC is not without power to issue such deferment order citing Sections 5 and 6, Rule 135 of the Rules of Court, which basically state that every court has the power to amend and control its process and orders so as to make them conformable to law and justice.[19]

Thus, the CA disposed of the case as follows:

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered by us DENYING the instant petition for lack of merit. The Order dated April 2, 2013 that was issued by Branch 66 of the Regional Trial Court of the National Capital Judicial Region stationed in Makati City in Civil Case No. 05-739 is hereby AFFIRMED.

SO ORDERED.[20]

Petitioners' motion for reconsideration was likewise denied in the CA's assailed June 25, 2014 Resolution, thus:

WHEREFORE, in view of the foregoing premises, we hereby DENY the said motion for reconsideration.

SO ORDERED.[21]

Hence, this petition.

Issue

The pivotal issue before this Court is whether or not the CA erred in sustaining the RTC Order deferring production of SMEnergy Documents to await the decision or resolution of the CA in CA-G.R. SP No. 127476. Petitioners pray that the deferment order be lifted and that respondents be directed to produce the said documents.

At this juncture, it is noteworthy that the RTC in Civil Case No. 05-739 had already rendered a Decision[22] dated June 16, 2016, dismissing petitioners' Amended Complaint after determination that the latter are not stockholders of DAGUMA, hence, do not have any interest in the business of DAGUMA.[23] Petitioners, however, manifested[24] that said trial court's Decision is not yet final and executory and should not affect the independent resolution of the issues submitted in the case at bar.

This Court also deems it worthy to note that the CA already rendered a Decision[25] dated July 27, 2016 in CA-G.R. SP No. 127476, upholding the denial of respondents' Motion to Vacate Order of Production of Documents. The CA ruled that the said motion was correctly disallowed as it partakes of the nature of a motion for reconsideration, which is prohibited in an intra-corporate suit and also, that it was proper for the petitioners to avail of the modes of discovery under the Rules of Court.

The Court's Ruling

The instant petition should be denied for having become moot and academic. In *Peñafrancia Sugar Mill, Inc. v. Sugar Regulatory Administration*,[26] the Court explained:

A case or issue is considered moot and academic when it ceases to present a justiciable controversy by virtue of supervening events, so that an adjudication of the case or a declaration on the issue would be of no practical value or use. In such instance, there is no actual substantial relief which a petitioner would be entitled to, and which would be negated by the dismissal of the petition. Courts generally decline jurisdiction over such case or dismiss it on the ground of mootness. This is because the judgment will not serve any useful purpose or have any practical legal effect because, in the nature of things, it cannot be enforced.[27] (Emphasis supplied and citation omitted)

Considering that the CA had already disposed of the case which was being awaited by the RTC in issuing the questioned deferment order, and that the RTC had also disposed of the case where the subject documents were sought to be produced, this Court finds no need to resolve the instant petition, which has been rendered moot and academic by the said supervening events. There is no need to scrutinize the actions of both the trial court and the CA relative to the issuance of the assailed deferment order.

This Court cannot order the production of the SMEnergy Documents as prayed for in this petition considering that the RTC already ruled that petitioners have no legal personality to ask for the same. In ruling so, the trial court, in effect already overturned its order allowing petitioners to have a copy of and inspect the said documents. Needless to say, we cannot enforce an order which was subsequently overturned by the authority which issued it.

To be sure, this Court is not unaware that the RTC Decision is not yet final and executory by virtue of petitioners' appeal. However, petitioners' insistence on the production of the SMEnergy Documents is effectively an attack on the RTC Decision, which is proper only through an appeal thereof. To rule otherwise, would be to preempt the resolution of the issue on whether or not petitioners may legally ask for the production of such documents, which is the main issue in the appeal of the RTC Decision availed of by the petitioners.

It is clear, therefore, that resolving the issue on the propriety of the RTC's deferment order would not afford the parties any substantial relief nor will it have any practical effect on the case. The Court, shall, thus, abstain from

expressing its opinion in such a case where no legal relief is needed or called for.[28]

While, admittedly, the Court may pass upon issues albeit supervening events had rendered the petition moot and academic, the Court does so only when there is grave violation of the Constitution; when paramount public interest is involved; when the constitutional issue raised requires formulation of controlling principles to guide the bench, the bar and the public; or when the case is capable of repetition yet evading review.[29] We do not find such circumstances in this case.

WHEREFORE, the instant petition is DENIED for being moot and academic.

SO ORDERED.

Carpio, Acting C.J., (Chairperson), Perlas-Bernabe, Caguioa, and Lazaro-Javier, JJ., concur.

[1] Rollo, pp. 8-49.

[2] Penned by Associate Justice Isaias P. Dicdican, with Associate Justices Michael P. Elbinias and Nina G. Antonio-Valenzuela, concurring; id. at 57-69.

[3] Id. at 71-72.

[4] Id. at 61-62.

[5] Id. at 58-59.

[6] (1) Approval on June 16, 2005 of the Audited Financial Statements of x x x Daguma for the years 2002, 2003 and 2004 which had the effect of erroneously reflecting the conversion of [Del Fonso's] advances in the amount of P1.250. Million into additional equity for him at a premium (P100,000.00 as payment of equity at par and P1.150 Million as paid-in surplus) despite [Del Fonso's] vehement objections against such conversion;

(2) Adoption of a resolution on June 16, 2005 implementing the application of shareholder advances as subscription payments for [DAGUMA's] increase in authorized capital stock and the acceptance of such subscription payments after the subscription deadline, contrary to the terms of subscription that were previously approved by the members of the board of directors of [DAGUMA];

(3) Adoption of a board resolution on June 16, 2005 authorizing the conversion into equities of the remaining balances of the cash advances of [Guingona] and [Bocanegra] through subscriptions to the increased authorized capital stock;

(4) Adoption of a board resolution on June 24, 2005 removing [Del Fonso] as president of [DAGUMA] and declaring [Monsod] as director and president thereof in a manner that was contrary to law; and

(5) Refusal to allow [Del Fonso] and [Beacon] to exercise their right to inspect the records of [DAGUMA]; id at 58-59.

[7] Id. at 118.

[8] Id. at 59-60.

[9] Id. at 60.

[10] Id.

[11] Id. at 143-145.

[12] Id. at 60.

[13] Id. at 150-155.

[14] Id. at 60.

[15] Id. at 61.

[16] Id.

[17] Id.

[18] Id. at 64-65.

[19] Id. at 65-67.

[20] Id. at 68.

[21] Id. at 72.

[22] Penned by Presiding Judge Joselito C. Villarosa; id. at 1414-1427.

[23] Id. at 1408.

[24] Id. at 1371-1374.

[25] Id. at 1381-1407.

[26] 728 Phil. 535 (2014).

[27] Id. at 540.

[28] *The Philippine Ports Authority v. Coalition of PPA Officers and Employees*, 161 Phil. 792, 802 (2015).

[29] Id. at 803.

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