

PEDRO LOPEZ DEE, PETITIONER, VS. SECURITIES AND EXCHANGE COMMISSION, HEARING OFFICER EMMANUEL SISON, NAGA TELEPHONE CO., INC., COMMUNICATION SERVICES, INC., LUCIANO MAGGAY, AUGU...

G.R. No. 60502. July 16, 1991

Ponente: PARAS, J.

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PARAS, J.:

These are petitions for certiorari with preliminary injunction and/or restraining order which seek to annul and set aside in: (1) G.R. No. 60502, the order* of the hearing officer dated May 4, 1982, setting the date for the election of the directors to be held by the stockholders on May 22, 1982, in SEC Case No. 1748 entitled "Pedro Lopez Dee v. Naga Telephone Co., Inc. et al."; and (2) G.R. No. 63922, the decision** of the Intermediate Appellate Court dated April 14, 1983 which annulled the judgment of the trial court on the contempt charge against the private respondents in G.R. No. SP-14846-R, entitled "Luciano Maggay, et al. v. Hon. Delfin Vir Sunga, et al.".

As gathered from the records, the facts of these cases are as follows:

Naga Telephone Company, Inc. was organized in 1954, the authorized capital was P100,000.00. In 1974 Naga Telephone Co., Inc. (Natelco for short) decided to increase its authorized capital to P3,000,000.00. As required by the Public Service Act, Natelco filed an application for the approval of the increased authorized capital with the then Board of Communications under BOC Case No. 74-84. On January 8, 1975, a decision was rendered in said case, approving the said application subject to certain conditions, among which was:

"3. That the issuance of the shares of stocks will be for a period of one year from the date hereof, after which no further issues will be made without previous authority from this Board."

Pursuant to the approval given by the then Board of Communications, Natelco filed its Amended Articles of Incorporation with the Securities and Exchange Commission (SEC for short). When the amended articles were filed with the SEC, the original authorized capital of P100,000.00 was already paid. Of the increased capital of P2,900,000.00 the subscribers subscribed to P580,000.00 of which P145,000 was fully paid.

The capital stock of Natelco was divided into 213,000 common shares and 87,000 preferred shares, both at a par value of P10.00 per share.

On April 12, 1977, Natelco entered into a contract with Communication Services, Inc. (CSI for short) for the "manufacture, supply, delivery and installation" of telephone equipment. In accordance with this contract, Natelco issued 24,000 shares of common stocks to CSI on the same date as part of the down-payment. On May 5, 1979, another 12,000 shares of common stocks were issued to CSI. In both instances, no prior authorization from the Board of Communications, now the National Telecommunications Commission, was secured pursuant to the conditions imposed by the decision in BOC Case No. 74-84 aforecited (Rollo, Vol. III, Memorandum for private respondent Natelco, pp. 814-816).

On May 19, 1979, the stockholders of the Natelco held their annual stockholders' meeting to elect their seven directors to their Board of Directors, for the year 1979-1980. In this election Pedro Lopez Dee (Dee for short) was unseated as Chairman of the Board and President of the Corporation, but was elected as one of the directors, together with his wife, Amelia Lopez Dee (Rollo, Vol. III, Memorandum for private respondents, p. 985; p. 2).

In the election CSI was able to gain control of Natelco when the latter's legal counsel, Atty. Luciano Maggay (Maggay for short) won a seat in the Board with the help of CSI. In the reorganization Atty. Maggay became president (Ibid., Memorandum for Private Respondent Natelco, p. 811).

The following were elected in the May 19, 1979 election: Atty. Luciano Maggay, Mr. Augusto Federis, Mrs. Nilda Ramos, Ms. Felipa Javalera, Mr. Justino de Jesus, Sr., Mr. Pedro Lopez Dee and Mrs. Amelia C. Lopez Dee. The last three named directors never attended the meetings of the Maggay Board. The members of the Maggay Board who attended its meetings were Maggay, Federis, Ramos and Javalera. The last two were and are CSI representatives (Ibid., p. 812).

Petitioner Dee having been unseated in the election, filed a petition in the SEC docketed as SEC Case No. 1748, questioning the validity of the elections of May 19, 1979 upon the main ground that there was no valid list of stockholders through which the right to vote could be determined (Rollo, Vol. I, pp. 254-262-A). As prayed for in the petition (Ibid., p. 262), a restraining order was issued by the SEC placing petitioner and the other officers of the 1978--1979 Natelco Board in hold-over capacity (Rollo, Vol. II, Reply, p. 667).

The SEC restraining order was elevated to the Supreme Court in G.R. No. 50885 where the enforcement of the SEC restraining order was restrained. Private respondents therefore, replaced the hold-over officers (Rollo, Vol. III, p. 897).

During the tenure of the Maggay Board, from June 22, 1979 to March 10, 1980, it did not reform the contract of April 12, 1977, and entered into another contract with CSI for the supply and installation of additional equipment but also issued to CSI 113,800 shares of common stocks (Ibid., p. 812).

The shares of common stock issued to CSI are as follows:

NO. OF SHARES DATE ISSUED

24,000 shares April 12, 1977
 12,000 shares May 5, 1979
 28,000 shares October 2, 1979
 28,500 shares November 5, 1979
 20,000 shares November 14, 1979
 20,000 shares January 7, 1980
 16,500 shares January 26, 1980

149,000 shares (Ibid., pp. 816-817).

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Subsequently, the Supreme Court dismissed the petition in G.R. No. 50885 upon the ground that the same was pre-mature and the Commission should be allowed to conduct its hearing on the controversy. The dismissal of the

petition resulted in the unseating of the Maggay group from the board of directors of Natelco in a "hold-over" capacity (Rollo, Vol. II, p. 533).

In the course of the proceedings in SEC Case No. 1748, respondent hearing officer issued an order on June 23, 1981, declaring: (1) that CSI is a stockholder of Natelco and, therefore, entitled to vote; (2) that unexplained 16,858 shares of Natelco appear to have been issued in excess to CSI which should not be allowed to vote; (3) that 82 shareholders with their corresponding number of shares shall be allowed to vote; and (4) consequently, ordering the holding of special stockholder's meeting to elect the new members of the Board of Directors for Natelco based on the findings made in the order as to who are entitled to vote (Rollo, Vol. I, pp. 288-299).

From the foregoing order dated June 23, 1981, petitioner Dee filed a petition for certiorari/appeal with the SEC en banc. The petition/appeal was docketed as SEC-AC NO. 036. Thereafter, the Commission en banc rendered a decision on April 5, 1982, the dispositive part of which reads:

"Now therefore, the Commission en banc resolves to sustain the order of the Hearing Officer; to dismiss the petition/appeal for lack of merit; and order new elections as the Hearing Officer shall set after consultations with Natelco officers. For the protection of minority stockholders and in the interest of fair play and justice, the Hearing Officer shall order the formation of a special committee of three, one from the respondents (other than Natelco), one from petitioner, and the Hearing Officer as Chairman to supervise the election.

"It remains to state that the Commission en banc cannot pass upon motions belatedly filed by petitioner and respondent Natelco to introduce newly discovered evidence - any such evidence may be introduced at hearings on the merits of SEC Case No. 1748.

"SO ORDERED." (Rollo, Vol. I, p. 24).

On April 21, 1982, petitioner filed a motion for reconsideration (Rollo, Vol. I, pp. 25-30). Likewise, private respondent Natelco filed its motion for reconsideration dated April 21, 1982 (Ibid., pp. 32-51).

Pending resolution of the motions for reconsideration, on May 4, 1982, respondent hearing officer without waiting for the decision of the commission en banc, to become final and executory rendered an order stating that the election for directors would be held on May 22, 1982 (Ibid., pp. 300-301).

On May 20, 1982, the SEC en banc denied the motions for reconsideration (Rollo, Vol. II, pp. 763-765).

Meanwhile on May 20, 1982 (G.R. No. 63922), petitioner Antonio Villasenor (as plaintiff) filed Civil Case No. 1507 with the Court of First Instance of Camarines Sur, Naga City, against private respondents and co-petitioners, de Jesus, Tordilla and the Dees', all defendants therein, which was raffled to Branch I, presided over by Judge Delfin Vir. Sunga (Rollo, G.R. No. 63922; pp. 25-30). Villasenor claimed that he was an assignee of an option to repurchase 36,000 shares of common stocks of Natelco under a Deed of Assignment executed in his favor (Rollo, p. 31). The defendants therein (now private respondents), principally the Maggay group, allegedly refused to allow the repurchase of said stocks when petitioner Villasenor offered to defendants CSI the repurchase of said stocks by tendering payment of its price (Rollo, p. 26 and p. 78). The complaint therefore, prayed for the allowance to repurchase the aforesaid stocks and that the holding of the May 22, 1982 election of directors and officers of Natelco be enjoined (Rollo, pp. 28-29).

A restraining order dated May 21, 1982 was issued by the lower court commanding desistance from the scheduled election until further orders (Rollo, p. 32).

Nevertheless, on May 22, 1982, as scheduled, the controlling majority of the stockholders of the Natelco defied the restraining order, and proceeded with the elections, under the supervision of the SEC representatives (Rollo, Vol. III, p. 985; p. 10; G.R. No. 60502).

On May 25, 1982, the SEC recognized the fact that elections were duly held, and proclaimed that the following are the "duly elected directors" of the Natelco for the term 1982-1983:

1. Felipa T. Javalera
2. Nilda I. Ramos
3. Luciano Maggay
4. Augusto Federis
5. Daniel J. Ilano
6. Nelin J. Ilano, Sr.
7. Ernesto A. Miguel

And, the following are the recognized officers to wit:

1. President Luciano Maggay
2. Vice-President Nilda I. Ramos
3. Secretary Desiderio Saavedra
4. Treasurer Felipa Javalera
5. Auditor Daniel Ilano

(Rollo, Vol. I, pp. 302-303)

Despite service of the order of May 25, 1982, the Lopez Dee group headed by Messrs. Justino De Jesus and Julio Lopez Dee kept insisting no elections were held and refused to vacate their positions (Rollo, Vol. III, p. 985; p. 11).

On May 28, 1982, the SEC issued another order directing the hold-over directors and officers to turn over their respective posts to the newly elected directors and officers and directing the Sheriff of Naga City, with the assistance of PC and INP of Naga City, and other law enforcement agencies of the City or of the Province of Camarines Sur, to enforce the aforesaid order (Rollo, Vol. II, pp. 577-578).

On May 29, 1982, the Sheriff of Naga City, assisted by law enforcement agencies, installed the newly elected directors and officers of the Natelco, and the hold-over officers peacefully vacated their respective offices and turned-over their functions to the new officers (Rollo, Vol. III, p. 985; pp. 12-13).

On June 2, 1982, a charge for contempt was filed by petitioner Villasenor alleging that private respondents have been claiming in press conferences and over the radio airplanes that they actually held and conducted elections on May 22, 1982 in the City of Naga and that they have a new set of officers, and that such acts of herein private respondents constitute contempt of court (G.R. 63922; Rollo, pp. 35-37).

On September 7, 1982, the lower court rendered judgment on the contempt charge, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered:

"1. Declaring respondents, CSI, Nilda Ramos, Luciano Maggay, Desiderio Saavedra, Augusto Federis and Ernesto Miguel, guilty of contempt of court, and accordingly punished with imprisonment of six (6) months and to pay fine of P1,000.00 each; and

"2. Ordering respondents, CSI, Nilda Ramos, Luciano Maggay, Desiderio Saavedra, Augusto Federis and Ernesto Miguel, and those now occupying the positions of directors and officers of NATELCO to vacate their respective positions therein, and ordering them to reinstate the hold-over directors and officers of NATELCO, such as Pedro Lopez Dee as President, Justino de Jesus, Sr., as Vice President, Julio Lopez Dee as Treasurer and Vicente Tordilla, Jr. as Secretary, and others referred to as hold-over directors and officers of NATELCO in the order dated May 28, 1982 of SEC Hearing Officer Emmanuel Sison, in SEC Case No. 1748 (Exh. 6), by way of RESTITUTION, and consequently, ordering said respondents to turn over all records, property and assets of NATELCO to said hold-over directors and officers." (Ibid., Rollo, p. 49).

The trial judge issued an order dated September 10, 1982 directing the respondents in the contempt charge to "comply strictly, under pain of being subjected to imprisonment until they do so" (Ibid., p. 50). The order also commanded the Deputy Provincial Sheriff, with the aid of the PC Provincial Commander of Camarines Sur and the INP Station Commander of Naga City to "physically remove or oust from the offices or positions of directors and officers of NATELCO, the aforesaid respondents (herein private respondents) x x x and to reinstate and maintain, the hold-over directors and officers of NATELCO referred to in the order dated May 28, 1982 of SEC Hearing Officer Emmanuel Sison." (Ibid.)

Private respondents filed on September 17, 1982, a petition for certiorari and prohibition with preliminary injunction or restraining order against the CFI Judge of Camarines Sur, Naga City and herein petitioners, with the then Intermediate Appellate Court which issued a resolution ordering herein petitioners to comment on the petition, which was complied with, and at the same time temporarily refrained from implementing and/or enforcing the questioned judgment and order of the lower court (Rollo, p. 77, Decision of CA, p. 2).

On April 14, 1983, the then Intermediate Appellate Court, rendered a decision, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered as follows:

"1. Annulling the judgment dated September 7, 1982 rendered by respondent judge on the contempt charge, and his order dated September 10, 1982 implementing said judgment;

"2. Ordering the 'hold-over' directors and officers of NATELCO to vacate their respective offices;

"3. Directing respondents to restore or re-establish petitioners (private respondents in this case) who were elected on May 22, 1982 to their respective offices in the NATELCO, x x x;

"4. Prohibiting whoever may be the successor of respondent Judge from interfering with the proceedings of the Securities and Exchange Commission in SEC-AC No. 036;

xxx xxx xxx."

(Rollo, p. 88).

The order of re-implementation was issued, and, finally, the Maggay group has been restored as the officers of the Natelco (Rollo, G.R. No. 60502, p. 985; p. 37).

Hence, these petitions involve the same parties and practically the same issues. Consequently, in the resolution of the Court En Banc dated August 23, 1983, G.R. No. 63922 was consolidated with G.R. No. 60502.

In G.R. No. 60502 - In a resolution issued by the Court En Banc dated March 22, 1983, the Court gave due course to the petition and required the parties to submit their respective memoranda (Rollo, Resolution, p. 638-A; Vol. II).

In G.R. No. 60502

The main issues in this case are:

- (1) Whether or not the Securities and Exchange Commission has the power and jurisdiction to declare null and void shares of stock issued by Natelco to CSI for violation of Sec. 20 (h) of the Public Service Act;
- (2) Whether or not the issuance of 113,800 shares of Natelco to CSI, made during the pendency of SEC Case No. 1748 in the Securities and Exchange Commission was valid;
- (3) Whether or not Natelco stockholders have a right of pre-emption to the 113,800 shares in question; and
- (4) Whether or not the private respondents were duly elected to the Board of Directors of Natelco at an election held on May 22, 1982.

In G.R. No. 63922

The crucial issue to be resolved is whether or not the trial judge has jurisdiction to restrain the holding of an election of officers and directors of a corporation.

The petitions are devoid of merit.

In G.R. No. 60502

I

It is the contention of petitioner that the Securities and Exchange Commission En Banc committed grave abuse of discretion when, in its decision dated April 5, 1982, in SEC-AC No. 036, it refused to declare void the shares of stock issued by Natelco to CSI allegedly in violation of Sec. 20 (h) of the Public Service Act. This section requires prior administrative approval of any transfer or sale of shares of stock of any public service which vest in the transferee more than forty percentum of the subscribed capital of the said public service.

Section 5 of P.D. No. 902-A, as amended, enumerates the jurisdiction of the Securities and Exchange Commission:

"Sec. 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations, registered with it as expressly granted under the existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

"a) Devices or schemes employed by or any acts, of the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, members of associations or organizations registered with the Commission.

"b) Controversies arising out of intra?corporate or partnership relations, between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity;

"c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.

"d) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities, but is under the management of a Rehabilitation Receiver or Management Committee created pursuant to this Decree." (As added by PD 1758)

In other words, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: (a) between corporation, partnership or association and the public; (b) between the corporation, partnership, or association and its stockholders, partners, members or officers; (c) between the corporation, partnership or association and the state insofar as its franchise, permit or license to operate is concerned; and (d) among the stockholders, partners, or associates themselves (*Union Glass & Container Corp. vs. SEC*, 126 SCRA 31 [1983]).

The jurisdiction of the SEC is limited to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with internal affairs of such entities; P.D. 902-A does not confer jurisdiction to SEC over all matters affecting corporations (*Pereyra vs. IAC*, 181 SCRA 244 [1990]; *Sales v. SEC*, 169 SCRA 121 (1989)).

The jurisdiction of the SEC in SEC Case No. 1748 is limited to deciding the controversy in the election of the directors and officers of Natelco. Thus, the SEC was correct when it refused to rule on whether the issuance of the shares of Natelco stocks to CSI violated Sec. 20 (h) of the Public Service Act.

The SEC ruling as to the issue involving the Public Service Act, Section 20 (h), asserts that the Commission En Banc is not empowered to grant much less cancel franchise for telephone and communications, and therefore has no authority to rule that the issuance and sale of shares would in effect constitute a violation of Natelco's secondary franchise. It would be in excess of jurisdiction on our part to decide that a violation of our public service laws has been committed. The matter is better brought to the attention of the appropriate body for determination. Neither can the SEC provisionally decide the issue because it is only vested with the power to grant or revoke the primary corporate franchise. The SEC is empowered by P.D. 902-A to decide intra-corporate controversies and that is precisely the only issue in this case.

II

The issuance of 113,800 shares of Natelco stock to CSI made during the pendency of SEC Case No. 1748 in the Securities and Exchange Commission was valid. The findings of the SEC En Banc as to the issuance of the 113,800 shares of stock was stated as follows:

"But the issuance of 113,800 shares were (sic) pursuant to a Board Resolution and stockholders' approval prior to May 19, 1979 when CSI was not yet in control of the Board or of the voting shares. There is a distinction between an order to issue shares on or before May 19, 1979 and actual issuance of the shares after May 19, 1979. The actual issuance, it is true, came during the period when CSI was in control of voting shares and the Board (if they were in fact in control) - but only pursuant to the original Board and stockholders' orders, not on the initiative of the new Board, elected May 19, 1979, which petitioners are questioning. The Commission en banc finds it difficult to see how the one who gave the orders can turn around and impugn the implementation of the orders he had previously given. The reformation of the contract is understandable for Natelco lacked the corporate funds to purchase the CSI equipment.

"xxx xxx xxx.

"Appellant had raised the issue whether the issuance of 113,800 shares of stock during the incumbency of the Maggay Board, which was allegedly CSI controlled, and while the case was sub judice, amounted to unfair and undue advantage. This does not merit consideration in the absence of additional evidence to support the proposition."

In effect, therefore, the stockholders of Natelco approved the issuance of stock to CSI.

III

While the group of Luciano Maggay was in control of Natelco by virtue of the restraining order issued in G.R. No. 50885, the Maggay Board issued 113,800 shares of stock to CSI. Petitioner said that the Maggay Board, in issuing said shares without notifying Natelco stockholders, violated their right of pre-emption to the unissued shares.

This Court in *Benito vs. SEC, et al.*, has ruled that:

"Petitioner bewails the fact that in view of the lack of notice to him of such subsequent issuance, he was not able to exercise his right of pre-emption over the unissued shares. However, the general rule is that pre-emptive right is recognized only with respect to new issues of shares, and not with respect to additional issues of originally authorized shares. This is on the theory that when a corporation at its inception offers its first shares, it is presumed to have offered all of those which it is authorized to issue. An original subscriber is deemed to have taken his shares knowing that they form a definite proportionate part of the whole number of authorized shares. When the shares left unsubscribed are later reoffered, he cannot therefore (sic) claim a dilution of interest (*Benito vs. SEC, et al.*, 123 SCRA 722)."

The questioned issuance of the 113,800 stocks is not invalid even assuming that it was made without notice to the stockholders as claimed by the petitioner. The power to issue shares of stocks in a corporation is lodged in the board of directors and no stockholders meeting is required to consider it because additional issuance of shares of stocks does not need approval of the stockholders. Consequently, no pre-emptive right of Natelco stockholders was violated by the issuance of the 113,800 shares to CSI.

IV

Petitioner insists that no meeting and election were held in Naga City on May 22, 1982 as directed by respondent Hearing Officer. This fact is shown by the Sheriff's return of a restraining order issued by the Court of First Instance of Camarines Sur in Case No. 1505 entitled "*Antonio Villasenor v. Communications Service Inc., et al.*" (Rollo, Vol. I, p. 309).

There is evidence of the fact that the Natelco special stockholders' meeting and election of members of the Board of Directors of the corporation were held at its office in Naga City on May 22, 1982 as shown when the Hearing Officer issued an order on May 25, 1982, declaring the stockholders named therein as corporate officers duly elected for the term 1982-1983.

More than that, private respondents were in fact charged with contempt of court and found guilty for holding the election on May 22, 1982, in defiance of the restraining order issued by Judge Sunga (Rollo, Vol. II, p. 750).

It is, therefore, very clear from the records that an election was held on May 22, 1982 at the Natelco Offices in Naga City and its officers were duly elected, thereby rendering the issue of election moot and academic, not to mention the fact that the election of the Board of Directors/Officers has been held annually, while this case was dragging for almost a decade.

The contempt charge against herein private respondents was predicated on their failure to comply with the restraining order issued by the lower court on May 21, 1982, enjoining them from holding the election of officers and directors of Natelco scheduled on May 22, 1982. The SEC en banc, in its decision of April 5, 1982, directed the holding of a new election which, through a conference attended by the hold-over directors of Natelco accompanied by their lawyers and presided by a SEC hearing officer, was scheduled on May 22, 1982 (Rollo, p. 59). Contrary to the claim of petitioners that the case is within the jurisdiction of the lower court as it does not involve an intra-corporate matter but merely a claim of a private party of the right to repurchase common shares

of stock of Natelco and that the restraining order was not meant to stop the election duly called for by the SEC, it is undisputed that the main objective of the lower court's order of May 21, 1982 was precisely to restrain or stop the holding of said election of officers and directors of Natelco, a matter purely within the exclusive jurisdiction of the SEC (P.D. No. 902-A, Section 5). The said restraining order reads in part:

"x x x A temporary restraining order is hereby issued, directing defendants (herein respondents), their agents, attorneys as well as any and all persons, whether public officers or private individuals to desist from conducting and holding, in any manner whatsoever, an election of the directors and officers of the Naga Telephone Co. (Natelco) x x x." (Rollo, p. 32).

Indubitably, the aforesaid restraining order aimed not only to prevent the stockholders of Natelco from conducting the election of its directors and officers, but it also amounted to an injunctive relief against the SEC, since it is clear that even "public officers" (such as the Hearing Officer of the SEC) are commanded to desist from conducting or holding the election "under pain of punishment of contempt of court" (Ibid.). The fact that the SEC or any of its officers has not been cited for contempt, along with the stockholders of Natelco, who chose to heed the lawful order of the SEC to go on with the election as scheduled by the latter, is of no moment, since it was precisely the acts of herein private respondents done pursuant to an order lawfully issued by an administrative body that have been considered as contemptuous by the lower court prompting the latter to cite and punish them for contempt (Rollo, p. 48). Noteworthy is the pertinent portion of the judgment of the lower court which states:

"Certainly, this Court will not tolerate, or much less countenance, a mere Hearing Officer of the Securities and Exchange Commission, to render a restraining order issued by it (said Court) within its jurisdiction, nugatory and ineffectual and abet disobedience and even defiance by individuals and entities of the same x x x." (Roll, p. 48).

Finally, in the case of *Philippine Pacific Fishing Co., Inc. vs. Luna*, 112 SCRA 604, 613 [1983], this Tribunal stated clearly the following rule:

"Nowhere does the law (P.D. No. 902-A) empower any Court of First Instance to interfere with the orders of the Commission (SEC). Not even on grounds of due process or jurisdiction. The Commission is, conceding *arguendo* a possible claim of respondents, at the very least, a co-equal body with the Courts of First Instance. Even as such co-equal, one would have no power to control the other. But the truth of the matter is that only the Supreme Court can enjoin and correct any actuation of the Commission."

Accordingly, it is clear that since the trial judge in the lower court (CFI of Camarines Sur) did not have jurisdiction in issuing the questioned restraining order, disobedience thereto did not constitute contempt, as it is necessary that the order be a valid and legal one. It is an established rule that the court has no authority to punish for disobedience of an order issued without authority (*Chanco v. Madrilejos*, 9 Phil. 356; *Angel Jose Realty Corp. v. Galao, et al.*, 76 Phil. 201).

Finally, it is well-settled that the power to punish for contempt of court should be exercised on the preservative and not on the vindictive principle. Only occasionally should the court invoke its inherent power in order to retain that respect without which the administration of justice must falter or fail (*Rivera v. Florendo*, 144 SCRA 643, 662-663 [1986]; *Lipata v. Tutaan*, 124 SCRA 880 [1983]).

PREMISES CONSIDERED, both petitions are hereby DISMISSED for lack of merit.

SO ORDERED.

Fernan, C.J., Narvasa, Melencio-Herrera, Gutierrez, Jr., Cruz, Feliciano, Gancayco, Padilla, Bidin, Sarmiento, Grino-Aquino, Medialdea, Regalado, and Davide, Jr., JJ., concur.

* Penned by Hearing Commissioner Emmanuel R. Sison

** Penned by Associate Justice Santiago Kapunan and concurred in by Justices Milagros German and Jose Melo

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