

**HONORIO SAAVEDRA, JR., ESTER SAAVEDRA, CESAR SAAVEDRA,
& ROEL BEJASA, PETITIONERS, VS. SECURITIES &
EXCHANGE COMMISSION, GREGORIO RAMOS, NAPOLEN RAMOS,
CELSO TINGCUNGO, ARMANDO...**

G.R. No. 80879. March 21, 1988

Ponente: PADILLA, J.

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PADILLA, J.:

The petitioners seek the reversal and/or setting aside of SEC orders dated 23 November 1987 and 11 December 1987 and other orders issued in Securities and Exchange Commission (hereinafter, SEC) Case No. 3257 entitled "Gregorio Ramos, et al. vs. Honorio Saavedra, et al.". Petitioners likewise seek to prohibit the SEC from proceeding with said case.

It appears that, on 20 November 1987, private respondents filed the abovementioned case with the SEC, alleging in their amended complaint that, on or about 2 July 1987, private respondents sold all their stocks, rights and interests in Pine Philippine Inc. to petitioners for the sum of P1.2 million payable in installments; that the sale was evidenced by a Memorandum of Agreement and a Deed of Assignment, whereby under the former, the parties agreed that the sale agreement would automatically be rescinded upon failure on the part of petitioners to pay any amount due; that petitioners failed to pay the last sum due on the scheduled date, so that private respondents rescinded the sale under an instrument, Rescission of Memorandum of Agreement. Private respondents prayed, among others, that said instrument of rescission be declared as having been made and executed in accordance with law and that a Temporary Restraining Order be issued to enjoin petitioners from x x x "committing acts of disposal of the Company assets, merchandise stocks, equipments, machineries and other company paraphernalia".

As prayed for, the respondent SEC issued a Temporary Restraining Order on 23 November 1987.

On 2 December 1987, petitioners filed a Motion to Dismiss, alleging lack of jurisdiction over the case on the part of the SEC. Private respondents opposed said Motion to Dismiss.

On 11 December 1987, the SEC issued an order denying the Motion to Dismiss.

Hence, the present recourse by petitioners to this Court.

As aptly held by the SEC, the dispute at bar is an intracorporate dispute that has arisen between and among the principal stockholders of the corporation due to the refusal of the defendants (now petitioners) to fully comply with what has been covenanted by the parties. Such dispute involves a controversy "between and among stockholders", specifically as to plaintiffs' right, as stockholders, over unpaid assignment of shares and the validity of defendants' acquisition of the same.[1] In other words, the present case involves an intracorporate dispute as to who has the right to remain and act as owners-stockholders of the corporation.

Pursuant to PD No. 902-A, as amended, particularly Section 5(b) thereof, the primary and exclusive jurisdiction

over the present case properly belongs to the SEC. The pertinent provision reads:

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

5(b) Controversies arising out of intracorporate or partnership relations, between and among stockholders, members, or associates; between any and/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; x x x.

In *Abejo vs. de la Cruz*,^[2] citing *Philex Mining Corporation vs. Reyes*, the Court held that "an intracorporate controversy is one which arises between stockholder and the corporation. There is no distinction, qualification, nor any exemption whatsoever. The provision is broad and covers all kinds of controversies between stockholders and corporations".

In the same case of *Abejo vs. de la Cruz*, the Court expounded on the expanded jurisdiction of the SEC in line with the government's policy of encouraging investments, and more active public participation in the affairs of private corporations and enterprises through which desirable activities may be pursued for the promotion of economic development, and to promote a wider and more meaningful equitable distribution of wealth. The expanded jurisdiction of SEC includes absolute jurisdiction, supervision and control over all corporations, partnerships or associations, who are the grantees of primary franchise and/or a license or permit issued by the government to operate in the Philippines (Sec. 3, PD 902-A as amended); x x x and, in addition to its regulatory and adjudicative functions over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, 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 associations, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, partners, members of associations or organizations registered with the Commission.

b)

Controversies arising out of intracorporate or partnership relations, between and among stockholders, members, or associates; between any and/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".

In cases involving specialized disputes, the trend has been to refer the same to an administrative agency of special competence. As early as 1954, the Court in *Pambujan Sur United Mine Workers vs. Samar Mining Co. Inc.*^[3] held that under the sense-making and expeditious doctrine of primary jurisdiction". . . the courts cannot or will not determine a controversy involving a question which is within the jurisdiction of an administrative tribunal prior to

the decision of that question by the administrative tribunal, where the question demands the exercise of sound administrative discretion requiring the special knowledge, experience, and services of the administrative tribunal to determine technical and intricate matters of fact, and a uniformity of ruling is essential to comply with the purposes of the regulatory statute administered". Recently, this Court speaking thru Mr. Chief Justice Claudio Teehankee said:

"In this era of clogged court dockets, the need for specialized administrative boards or commissions with the special knowledge, experience and capability to hear and determine promptly disputes on technical matters or essentially factual matters, subject to judicial review in case of grave abuse of discretion, has become well nigh indispensable"[4].

WHEREFORE, the petition is hereby DISMISSED. Without costs.

SO ORDERED.

Teehankee, C.J., Yap, Fernan, Narvasa, Melencio-Herrera, Gutierrez, Jr., Cruz, Paras, Feliciano, Gancayco, Bidin, Sarmiento, Cortes, and Griño-Aquino, JJ., concur.

[1] Order of SEC, dated 11 December 1987, p. 2

[2] 149 SCRA 654, 666

[3] 94 Phil 932, 941

[4] Abejo vs. de la Cruz, 149 SCRA 654, 675

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