

**Title:** Nautica Canning Corp., First Dominion Prime Holdings, Inc., and Fernando R. Arguelles, Jr. vs. Roberto C. Yumul (G.R. No. 157301)

**Facts:**

1. **Incorporation of Nautica:**

- Nautica Canning Corporation (Nautica) was incorporated on May 11, 1994 with an authorized capital stock of P40,000,000 divided into 400,000 shares at P100 each. It had a subscribed capital of P10,000,000 with paid-in subscriptions amounting to P5,000,000.

2. **Yumul's Appointment and Stock Option:**

- On December 19, 1994, Roberto C. Yumul was appointed Chief Operating Officer and General Manager of Nautica with a monthly compensation of P85,000 and additional compensation equal to 5% of the company's operating profit.

- On the same date, First Dominion Prime Holdings, Inc., Nautica's parent company, granted Yumul an Option to Purchase up to 15% of its subscribed shares from Nautica.

3. **Deed of Trust and Assignment:**

- A Deed of Trust and Assignment executed on June 22, 1995, transferred 14,999 shares from First Dominion to Yumul.

4. **Dividend Declaration and Resignation:**

- By March 1996, Nautica declared a cash dividend of P35,000,000, of which P8,250,000 was allocated for Yumul's 15% share.

- Yumul resigned on August 5, 1996, and requested Dee to formalize the offer to buy his 15% shares or issue a corresponding share certificate.

5. **Refusal and SEC Petition:**

- Dee, through Atty. Fernando R. Arguelles, Jr., denied Yumul's request, claiming Yumul was not a stockholder.

- Yumul filed a petition for mandamus with the SEC on October 3, 1996, seeking recognition and issuance of his stock certificate and the right to inspect corporate books.

6. **Procedural Posture:**

- The SEC ruled in favor of Yumul on October 12, 2000.

- The Court of Appeals affirmed the SEC's decision on September 26, 2001, and denied the motion for reconsideration on July 16, 2004.

- Petitioners sought relief via a "combined" petition under Rule 65 and Rule 45 before the

Supreme Court.

**\*\*Issues:\*\***

1. **\*\*Was Yumul a stockholder of Nautica, entitled to stock certificates and the right to inspect corporate books?\***
2. **\*\*Was the Deed of Trust and Assignment between First Dominion and Yumul valid or was it void for being simulated or fictitious?\***
3. **\*\*Did the petitioners adopt the correct procedural remedy in appealing to the Supreme Court?\***

**\*\*Court's Decision:\*\***

1. **\*\*Yumul's Stockholder Status:\*\***

- The Supreme Court held that Yumul was a stockholder of Nautica, having one share recorded in his name. The corporation's records and actions (election as director and president) supported Yumul's status. Hence, Yumul was entitled to inspect the corporate books.

2. **\*\*Validity of the Deed of Trust and Assignment:\*\***

- The Court ruled that the SEC and the Court of Appeals erred in affirming the validity of the Deed of Trust and Assignment. The determination of this issue involves the application of Civil Code provisions on obligations and contracts, requiring expertise of regular trial courts, not the SEC. Therefore, the issue of the deed's validity was remanded to the appropriate forum.

3. **\*\*Procedural Remedy:\*\***

- The Supreme Court treated the procedural lapse of combining Rule 65 and Rule 45 petitions as one filed under Rule 45, considering petitioner's arguments on the merits.

**\*\*Doctrine:\*\***

1. **\*\*Stockholder Rights:\*\***

- Incorporators continue to be stockholders unless there is a valid transfer of subscriptions. Corporations rely on their stock and transfer books to determine stockholder status.

2. **\*\*Transfer of Shares:\*\***

- For companies, transfers not recorded in the stock and transfer book are non-existent. The corporation recognizes only recorded transfers.

3. **Jurisdiction on Deed Validity:**

- The SEC does not have jurisdiction over issues purely civil in nature, such as the validity of simulated contracts; this falls under the competence of regular courts.

**Class Notes:**

- **Corporate Law Principles:**

- Incorporation and capital stock recording.
- Rights and recognition of stockholders based on corporate records.
- Jurisdictional boundaries between SEC and regular courts.

- **Legal Procedures:**

- Appeal remedies under Rule 45 versus petitions for certiorari under Rule 65.

- **Relevant Statutory Provisions:**

- Section 23, BP Blg. 68 (Corporation Code: director qualifications).
- Section 74, BP Blg. 68 (rights to inspect corporate books).

**Historical Background:**

The case occurred in the context of corporate governance and the need for clarity regarding stockholder rights amidst alleged internal agreements affecting corporate control and benefits. The decision underscores the importance of formal documentation and adherence to statutory procedures to resolve intra-corporate disputes effectively. The ruling also reflects the transition of jurisdictional authority from the SEC to regional trial courts for civil matters, especially those related to corporate shares and proprietorship controversies.