Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

VITALIANO N. AGUIRRE II and FIDEL N. AGUIRRE, *Petitioners,*	G.R. No. 170770
	Present:
- versus -	CARPIO, *Chairperson,* BRION, DEL CASTILLO, PEREZ, *and* PERLAS-BERNABE, *JJ.*
FQB+7, INC., NATHANIEL D. BOCOBO, PRISCILA BOCOBO and ANTONIO DE VILLA, *Respondents.*	Promulgated: JAN 09 2013

DECISION

DEL CASTILLO, *J.*:

Pursuant to Section 145 of the Corporation Code, an existing intra-corporate dispute, which does not constitute a continuation of corporate business, is not affected by the subsequent dissolution of the corporation.

Before the Court is a Petition for Review on *Certiorari* of the June 29, 2005 Decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 87293, which nullified the trial court's writ of preliminary injunction and dismissed petitioner Vitaliano N. Aguirre's (Vitaliano) Complaint before the Regional Trial Court (RTC) for lack of jurisdiction. The dispositive portion of the assailed Decision reads:

> **WHEREFORE**, the assailed October 15, 2004 Order, as well as the October 27, 2004 Writ of Preliminary Injunction, are SET ASIDE. With FQB+7, Inc.'s dissolution on September 29, 2003 and Case No. 04111077's ceasing to become an intra-corporate dispute, said case is hereby ordered **DISMISSED** for want of jurisdiction.

---

[1] *Rollo*, pp. 74-99.

SO ORDERED.[2]

Likewise assailed in this Petition is the appellate court's December 16, 2005 Resolution,[3] which denied a reconsideration of the assailed Decision.

Factual Antecedents

On October 5, 2004, Vitaliano filed, in his individual capacity and on behalf of FQB+7, Inc. (FQB+7), a Complaint[4] for intra-corporate dispute, injunction, inspection of corporate books and records, and damages, against respondents Nathaniel D. Bocobo (Nathaniel), Priscila D. Bocobo (Priscila), and Antonio De Villa (Antonio). The Complaint alleged that FQB+7 was established in 1985 with the following directors and subscribers, as reflected in its Articles of Incorporation:

Directors	Subscribers
1. Francisco Q. Bocobo	1. Francisco Q. Bocobo
2. Fidel N. Aguirre	2. Fidel N. Aguirre
3. Alfredo Torres	3. Alfredo Torres
4. Victoriano Santos	4. Victoriano Santos
5. Victorino Santos[5]	5. Victorino Santos
	6. Vitaliano N. Aguirre II
	7. Alberto Galang
	8. Rolando B. Bechayda[6]

To Vitaliano's knowledge, except for the death of Francisco Q. Bocobo and Alfredo Torres, there has been no other change in the above listings.

The Complaint further alleged that, sometime in April 2004, Vitaliano discovered a General Information Sheet (GIS) of FQB+7, dated September 6,

---

2 Id. at 98. Penned by Associate Justice Vicente S.E. Veloso and concurred in by Associate Justices Roberto A. Barrios and Amelita G. Tolentino.
3 Id. at 101-109.
4 Id. at 148-161.
5 Id. at 150.
6 Id. at 152.

2002, in the Securities and Exchange Commission (SEC) records. This GIS was filed by Francisco Q. Bocobo's heirs, Nathaniel and Priscila, as FQB+7's president and secretary/treasurer, respectively. It also stated FQB+7's directors and subscribers, as follows:

Directors	Subscribers
1. Nathaniel D. Bocobo	1. Nathaniel D. Bocobo
2. Priscila D. Bocobo	2. Priscila D. Bocobo
3. Fidel N. Aguirre	3. Fidel N. Aguirre
4. Victoriano Santos	4. Victorino[7] Santos
5. Victorino Santos	5. Victorino Santos
6. Consolacion Santos[8]	6. Consolacion Santos[9]

Further, the GIS reported that FQB+7's stockholders held their annual meeting on September 3, 2002.[10]

The substantive changes found in the GIS, respecting the composition of directors and subscribers of FQB+7, prompted Vitaliano to write to the "real" Board of Directors (the directors reflected in the Articles of Incorporation), represented by Fidel N. Aguirre (Fidel). In this letter[11] dated April 29, 2004, Vitaliano questioned the validity and truthfulness of the alleged stockholders meeting held on September 3, 2002. He asked the "real" Board to rectify what he perceived as erroneous entries in the GIS, and to allow him to inspect the corporate books and records. The "real" Board allegedly ignored Vitaliano's request.

On September 27, 2004, Nathaniel, in the exercise of his power as FQB+7's president, appointed Antonio as the corporation's attorney-in-fact, with power of administration over the corporation's farm in Quezon Province.[12]

---

7 Should be Victoriano.
8 CA *rollo*, Vol. 1, p. 131.
9 Id. at 132.
10 Id. at 129.
11 Id. at 135-136.
12 Id. at 137.

Pursuant thereto, Antonio attempted to take over the farm, but was allegedly prevented by Fidel and his men.[13]

Characterizing Nathaniel's, Priscila's, and Antonio's continuous representation of the corporation as a usurpation of the management powers and prerogatives of the "real" Board of Directors, the Complaint asked for an injunction against them and for the nullification of all their previous actions as purported directors, including the GIS they had filed with the SEC. The Complaint also sought damages for the plaintiffs and a declaration of Vitaliano's right to inspect the corporate records.

The case, docketed as SEC Case No. 04-111077, was assigned to Branch 24 of the RTC of Manila (Manila RTC), which was a designated special commercial court, pursuant to A.M. No. 03-03-03-SC.[14]

The respondents failed, despite notice, to attend the hearing on Vitaliano's application for preliminary injunction.[15] Thus, in an Order[16] dated October 15, 2004, the trial court granted the application based only on Vitaliano's testimonial and documentary evidence, consisting of the corporation's articles of incorporation, by-laws, the GIS, demand letter on the "real" Board of Directors, and police blotter of the incident between Fidel's and Antonio's groups. On October 27, 2004, the trial court issued the writ of preliminary injunction[17] after Vitaliano filed an injunction bond.

The respondents filed a motion for an extension of 10 days to file the "pleadings warranted in response to the complaint," which they received on October 6, 2004.[18] The trial court denied this motion for being a prohibited

---

13 Id. at 138, 144-145.
14 *Re*: Consolidation of Intellectual Property Courts with Commercial Courts. Effective July 1, 2003.
15 CA *rollo*, Vol. 1, p. 151.
16 Id. at 151-154; penned by Judge Antonio M. Eugenio, Jr.
17 Id. at 155-157.
18 Id. at 372.

pleading under Section 8, Rule 1 of the Interim Rules of Procedure Governing Intra-corporate Controversies under Republic Act (R.A.) No. 8799.[19]

The respondents filed a Petition for *Certiorari* and Prohibition,[20] docketed as CA-G.R. SP No. 87293, before the CA. They later amended their Petition by impleading Fidel, who allegedly shares Vitaliano's interest in keeping them out of the corporation, as a private respondent therein.[21]

The respondents sought, in their *certiorari* petition, the annulment of all the proceedings and issuances in SEC Case No. 04-111077[22] on the ground that Branch 24 of the Manila RTC has no jurisdiction over the subject matter, which they defined as being an agrarian dispute.[23] They theorized that Vitaliano's real goal in filing the Complaint was to maintain custody of the corporate farm in Quezon Province. Since this land is agricultural in nature, they claimed that jurisdiction belongs to the Department of Agrarian Reform (DAR), not to the Manila RTC.[24] They also raised the grounds of improper venue (alleging that the real corporate address is different from that stated in the Articles of Incorporation)[25] and forum-shopping[26] (there being a pending case between the parties before the DAR regarding the inclusion of the corporate property in the agrarian reform program).[27] Respondents also raised their defenses to Vitaliano's suit, particularly the alleged disloyalty and fraud committed by the "real" Board of Directors,[28] and respondents' "preferential right to possess the corporate property" as the heirs of the majority stockholder Francisco Q. Bocobo.[29]

---

19 Id. at 376.
20 Id. at 2-35.
21 Id. at 167-169.
22 *Rollo*, pp. 286-287.
23 Id. at 271-274.
24 CA *rollo*, Vol. 1, pp. 503-504.
25 Id. at 484-486.
26 Id. at 498-503.
27 The DAR case involves the cancellation of Certificate of Land Ownership Awards to certain beneficiaries, the exercise of FQB+7's retention rights, and exclusion of certain portions of the corporate farm from the coverage of the Comprehensive Agrarian Reform Program.
28 CA *rollo*, Vol. 1, pp. 487-493.
29 Id. at 493-498.

The respondents further informed the CA that the SEC had already revoked FQB+7's Certificate of Registration on September 29, 2003 for its failure to comply with the SEC reportorial requirements.[30] The CA determined that the corporation's dissolution was a conclusive fact after petitioners Vitaliano and Fidel failed to dispute this factual assertion.[31]

Ruling of the Court of Appeals

The CA determined that the issues of the case are the following: (1) whether the trial court's issuance of the writ of preliminary injunction, in its October 15, 2004 Order, was attended by grave abuse of discretion amounting to lack of jurisdiction; and (2) whether the corporation's dissolution affected the trial court's jurisdiction to hear the intracorporate dispute in SEC Case No. 04-111077.[32]

On the first issue, the CA determined that the trial court committed a grave abuse of discretion when it issued the writ of preliminary injunction to remove the respondents from their positions in the Board of Directors based only on Vitaliano's self-serving and empty assertions. Such assertions cannot outweigh the entries in the GIS, which are documented facts on record, which state that respondents are stockholders and were duly elected corporate directors and officers of FQB+7, Inc. The CA held that Vitaliano only proved a future right in case he wins the suit. Since an injunction is not a remedy to protect future, contingent or abstract rights, then Vitaliano is not entitled to a writ.[33]

Further, the CA disapproved the discrepancy between the trial court's October 15, 2004 Order, which granted the application for preliminary injunction, and its writ dated October 27, 2004. The Order enjoined all the respondents "from entering, occupying, or taking over possession of the farm owned ***by Atty.***

---

30 Id. at 572.
31 *Rollo*, pp. 93-94.
32 Id. at 85-86.
33 Id. at 86-92.

Vitaliano Aguirre II," while the writ states that the subject farm is "owned by plaintiff corporation located in Mulanay, Quezon Province." The CA held that this discrepancy imbued the October 15, 2004 Order with jurisdictional infirmity.[34]

On the second issue, the CA postulated that Section 122 of the Corporation Code allows a dissolved corporation to continue as a body corporate for the limited purpose of liquidating the corporate assets and distributing them to its creditors, stockholders, and others in interest. It does not allow the dissolved corporation to continue its business. That being the state of the law, the CA determined that Vitaliano's Complaint, being geared towards the continuation of FQB+7, Inc.'s business, should be dismissed because the corporation has lost its juridical personality.[35] Moreover, the CA held that the trial court does not have jurisdiction to entertain an intra-corporate dispute when the corporation is already dissolved.[36]

After dismissing the Complaint, the CA reminded the parties that they should proceed with the liquidation of the dissolved corporation based on the existing GIS, thus:

> With SEC's revocation of its certificate of registration on September 29, 2004 [sic], FQB+7, Inc. will be obligated to wind up its affairs. The Corporation will have to be liquidated within the 3-year period mandated by Sec. 122 of the Corporation Code.
>
> Regardless of the method it will opt to liquidate itself, the Corporation will have to reckon with the members of the board as duly listed in the General Information Sheet last filed with SEC. Necessarily, and as admitted in the complaint below, the following as listed in the Corporation's General Information Sheet dated September 6, 2002, will have to continue acting as Members of the Board of FQB+7, Inc. *viz*:
>
> x x x x[37]

---

34 Id. at 91.
35 Id. at 93-97.
36 Id. at 96 and 98.
37 Id. at 97.

Herein petitioners filed a Motion for Reconsideration.[38] They argued that the CA erred in ruling that the October 15, 2004 Order was inconsistent with the writ. They explained that pages 2 and 3 of the said Order were interchanged in the CA's records, which then misled the CA to its erroneous conclusion. They also posited that the original sentence in the correct Order reads: "All defendants are further enjoined from entering, occupying or taking over possession of the farm owned ***by plaintiff corporation*** located in Mulanay, Quezon." This sentence is in accord with what is ordered in the writ, hence the CA erred in nullifying the Order.

On the second issue, herein petitioners maintained that the CA erred in characterizing the reliefs they sought as a continuance of the dissolved corporation's business, which is prohibited under Section 122 of the Corporation Code. Instead, they argued, the relief they seek is only to determine the real Board of Directors that can represent the dissolved corporation.

The CA denied the Motion for Reconsideration in its December 16, 2005 Resolution.[39] It determined that the crucial issue is the trial court's jurisdiction over an intra-corporate dispute involving a dissolved corporation.[40] Based on the prayers in the Complaint, petitioners seek a determination of the real Board that can take over the management of the corporation's farm, not to sit as a liquidation Board. Thus, contrary to petitioners' claims, their Complaint is not geared towards liquidation but a continuance of the corporation's business.

Issues

1. Whether the CA erred in annulling the October 15, 2004 Order based on interchanged pages.

---

38 Id. at 110-146.
39 Id. at 101-109.
40 Id. at 104.

2. Whether the Complaint seeks to continue the dissolved corporation's business.

3. Whether the RTC has jurisdiction over an intra-corporate dispute involving a dissolved corporation.

Our Ruling

The Petition is partly meritorious.

On the nullification of the Order of preliminary injunction.

Petitioners reiterate their argument that the CA was misled by the interchanged pages in the October 15, 2004 Order. They posit that had the CA read the Order in its correct sequence, it would not have nullified the Order on the ground that it was issued with grave abuse of discretion amounting to lack of jurisdiction.[41]

Petitioners' argument fails to impress. The CA did not nullify the October 15, 2004 Order merely because of the interchanged pages. Instead, the CA determined that the applicant, Vitaliano, was not able to show that he had an actual and existing right that had to be protected by a preliminary injunction. The most that Vitaliano was able to prove was a future right based on his victory in the suit. Contrasting this future right of Vitaliano with respondents' existing right under the GIS, the CA determined that the trial court should not have disturbed the status quo. The CA's discussion regarding the interchanged pages was made only in addition to its above ratiocination. Thus, whether the pages were interchanged or not will not affect the CA's main finding that the trial court issued the Order despite the absence of a clear and existing right in favor of the applicant, which is

[41] Id. at 1012-1015.

tantamount to grave abuse of discretion. We cannot disturb the CA's finding on this score without any showing by petitioners of strong basis to warrant the reversal.

Is the Complaint a continuation of business?

Section 122 of the Corporation Code prohibits a dissolved corporation from continuing its business, but allows it to continue with a limited personality in order to settle and close its affairs, including its complete liquidation, thus:

> Sec. 122. ***Corporate liquidation.*** – Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be continued as a body corporate for three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, ***but not for the purpose of continuing the business for which it was established.***
>
> x x x x

Upon learning of the corporation's dissolution by revocation of its corporate franchise, the CA held that the intra-corporate Complaint, which aims to continue the corporation's business, must now be dismissed under Section 122.

Petitioners concede that a dissolved corporation can no longer continue its business. They argue, however, that Section 122 allows a dissolved corporation to wind up its affairs within 3 years from its dissolution. Petitioners then maintain that the Complaint, which seeks only a declaration that respondents are strangers to the corporation and have no right to sit in the board or act as officers thereof, and a return of Vitaliano's stockholdings, intends only to resolve remaining corporate issues. The resolution of these issues is allegedly part of corporate winding up.

Does the Complaint seek a continuation of business or is it a settlement of corporate affairs? The answer lies in the prayers of the Complaint, which state:

P R A Y E R

WHEREFORE, it is most respectfully prayed of this Honorable Court that judgment be rendered in favor of the plaintiffs and against the defendants, in the following wise:

I. ON THE PRAYER OF TRO/STATUS QUO ORDER AND WRIT OF PRELIMINARY INJUNCTION:

1. Forthwith and pending the resolution of plaintiffs' prayer for issuance of writ of preliminary injunction, in order to maintain the *status quo*, a *status quo* order or temporary restraining order (TRO) be issued enjoining the defendants, their officers, employees, and agents from exercising the powers and authority as members of the Board of Directors of plaintiff FQB as well as officers thereof and from misrepresenting and conducting themselves as such, and enjoining defendant Antonio de Villa from taking over the farm of the plaintiff FQB and from exercising any power and authority by reason of his appointment emanating from his co-defendant Bocobos.

2. After due notice and hearing and during the pendency of this action, to issue writ of preliminary injunction prohibiting the defendants from committing the acts complained of herein, more particularly those enumerated in the immediately pr[e]ceeding paragraph, and making the injunction permanent after trial on the merits.

II. ON THE MERITS

After trial, judgment be rendered in favor of the plaintiffs and against the defendants, as follows:

1. Declaring defendant Bocobos as without any power and authority to represent or conduct themselves as members of the Board of Directors of plaintiff FQB, or as officers thereof.

2. Declaring that Vitaliano N. Aguirre II is a stockholder of plaintiff FQB owning fifty (50) shares of stock thereof.

3. Allowing Vitaliano N. Aguirre II to inspect books and records of the company.

4. Annulling the GIS, Annex "C" of the Complaint as fraudulent and illegally executed and filed.

5. Ordering the defendants to pay jointly and solidarily the sum of at least ₱200,000.00 as moral damages; at least ₱100,000.00 as exemplary damages; and at least ₱100,000.00 as and for attorney's fees and other litigation expenses.

> Plaintiffs further pray for costs and such other relief just and equitable under the premises.[42]

The Court fails to find in the prayers above any intention to continue the corporate business of FQB+7. The Complaint does not seek to enter into contracts, issue new stocks, acquire properties, execute business transactions, etc. Its aim is not to continue the corporate business, but to determine and vindicate an alleged stockholder's right to the return of his stockholdings and to participate in the election of directors, and a corporation's right to remove usurpers and strangers from its affairs. The Court fails to see how the resolution of these issues can be said to continue the business of FQB+7.

Neither are these issues mooted by the dissolution of the corporation. A corporation's board of directors is not rendered *functus officio* by its dissolution. Since Section 122 allows a corporation to continue its existence for a limited purpose, necessarily there must be a board that will continue acting for and on behalf of the dissolved corporation for that purpose. In fact, Section 122 authorizes the dissolved corporation's board of directors to conduct its liquidation within three years from its dissolution. Jurisprudence has even recognized the board's authority to act as trustee for persons in interest beyond the said three-year period.[43] Thus, the determination of which group is the *bona fide* or rightful board of the dissolved corporation will still provide practical relief to the parties involved.

The same is true with regard to Vitaliano's shareholdings in the dissolved corporation. A party's stockholdings in a corporation, whether existing or dissolved, is a property right[44] which he may vindicate against another party who has deprived him thereof. The corporation's dissolution does not extinguish such

---

42 Id. at 158-160.

43 *Clemente v. Court of Appeals*, 312 Phil. 823, 829-830 (1995); *Gelano v. Court of Appeals*, 190 Phil. 814, 825 (1981).

44 *Gamboa v. Teves*, (Separate Dissenting Opinion of J. Velasco), G.R. No. 176579, June 28, 2011, 652 SCRA 690, 773; *National Development Co. v. Court of Appeals*, G.R. No. 98467, July 10, 1992, 211 SCRA 422, 433-434; *Rural Bank of Salinas, Inc. v. Court of Appeals*, G.R. No. 96674, June 26, 1992, 210 SCRA 510, 515.

property right. Section 145 of the Corporation Code ensures the protection of this right, thus:

> Sec. 145. *Amendment or repeal.* – No right or remedy in ***favor of or against*** any corporation, its stockholders, members, directors, trustees, or officers, nor any liability ***incurred by*** any such corporation, stockholders, members, directors, trustees, or officers, shall be removed or impaired either by the subsequent dissolution of said corporation or by any subsequent amendment or repeal of this Code or of any part thereof. (Emphases supplied.)

On the dismissal of the Complaint for lack of jurisdiction.

The CA held that the trial court does not have jurisdiction over an intra-corporate dispute involving a dissolved corporation. It further held that due to the corporation's dissolution, the qualifications of the respondents can no longer be questioned and that the dissolved corporation must now commence liquidation proceedings with the respondents as its directors and officers.

The CA's ruling is founded on the assumptions that intra-corporate controversies continue only in existing corporations; that when the corporation is dissolved, these controversies cease to be intra-corporate and need no longer be resolved; and that the *status quo* in the corporation at the time of its dissolution must be maintained. The Court finds no basis for the said assumptions.

Intra-corporate disputes remain even when the corporation is dissolved.

Jurisdiction over the subject matter is conferred by law. R.A. No. 8799[45] conferred jurisdiction over intra-corporate controversies on courts of general jurisdiction or RTCs,[46] to be designated by the Supreme Court. Thus, as long as

---

[45] THE SECURITIES REGULATION CODE.

[46] SECTION 5. *Powers and Functions of the Commission.* – 5.1 x x x
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. x x x

the nature of the controversy is intra-corporate, the designated RTCs have the authority to exercise jurisdiction over such cases.

So what are intra-corporate controversies? R.A. No. 8799 refers to Section 5 of Presidential Decree (P.D.) No. 902-A (or The SEC Reorganization Act) for a description of such controversies:

> 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 stockholder, 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.

The Court reproduced the above jurisdiction in Rule 1 of the Interim Rules of Procedure Governing Intra-corporate Controversies under R.A. No. 8799:

> SECTION 1. (a) *Cases Covered* – These Rules shall govern the procedure to be observed in civil cases involving the following:
>
> (1) Devices or schemes employed by, or any act of, the board of directors, business associates, officers or partners, amounting to fraud or misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, or members of any corporation, partnership, or association;
>
> (2) Controversies arising out of intra-corporate, partnership, or association relations, between and among stockholders, members, or associates; and between, any or all of them and the corporation, partnership, or association of which they are stockholders, members, or associates, respectively;
>
> (3) Controversies in the election or appointment of directors, trustees, officers, or managers of corporations, partnerships, or associations;
>
> (4) Derivative suits; and

(5) Inspection of corporate books.

Meanwhile, jurisprudence has elaborated on the above definitions by providing tests in determining whether a controversy is intra-corporate. *Reyes v. Regional Trial Court of Makati, Br. 142*[47] contains a comprehensive discussion of these two tests, thus:

> A review of relevant jurisprudence shows a development in the Court's approach in classifying what constitutes an intra-corporate controversy. Initially, the main consideration in determining whether a dispute constitutes an intra-corporate controversy was limited to a consideration of the intra-corporate relationship existing between or among the parties. The types of relationships embraced under Section 5(b) x x x were as follows:
>
> a) between the 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 as far as its franchise, permit or license to operate is concerned; and
>
> d) among the stockholders, partners or associates themselves. xxx
>
> The existence of any of the above intra-corporate relations was sufficient to confer jurisdiction to the SEC [now the RTC], regardless of the subject matter of the dispute. This came to be known as **the relationship test**.
>
> However, in the 1984 case of *DMRC Enterprises v. Esta del Sol Mountain Reserve, Inc.*, the Court introduced **the nature of the controversy test**. We declared in this case that it is not the mere existence of an intra-corporate relationship that gives rise to an intra-corporate controversy; to rely on the relationship test alone will divest the regular courts of their jurisdiction for the sole reason that the dispute involves a corporation, its directors, officers, or stockholders. We saw that there is no legal sense in disregarding or minimizing the value of the nature of the transactions which gives rise to the dispute.
>
> Under the nature of the controversy test, the incidents of that relationship must also be considered for the purpose of ascertaining whether the controversy itself is intra-corporate. **The controversy must not only be rooted in the existence of an intra-corporate relationship, but must as well pertain to the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation.** If the relationship and its incidents are merely incidental to the controversy or if there will still be conflict even if the relationship does not exist, then no intra-corporate controversy exists.

---

[47] G.R. No. 165744, August 11, 2008, 561 SCRA 593, 609-612.

> **The Court then combined the two tests and declared that jurisdiction should be determined by considering not only the status or relationship of the parties, but also the nature of the question under controversy.** This two-tier test was adopted in the recent case of *Speed Distribution, Inc. v. Court of Appeals*:
>
> > 'To determine whether a case involves an intra-corporate controversy, and is to be heard and decided by the branches of the RTC specifically designated by the Court to try and decide such cases, **two elements must concur: (a) the status or relationship of the parties, and [b] the nature of the question that is the subject of their controversy.**
> >
> > **The first element requires that the controversy must arise out of intra-corporate or partnership relations** between any or all of the parties and the corporation, partnership, or association of which they are 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 the individual franchises. **The second element requires that the dispute among the parties be intrinsically connected with the regulation of the corporation.** If the nature of the controversy involves matters that are purely civil in character, necessarily, the case does not involve an intra-corporate controversy.' (Citations and some emphases omitted; emphases supplied.)

Thus, to be considered as an intra-corporate dispute, the case: (a) must arise out of intra-corporate or partnership relations, and (b) the nature of the question subject of the controversy must be such that it is intrinsically connected with the regulation of the corporation or the enforcement of the parties' rights and obligations under the Corporation Code and the internal regulatory rules of the corporation. So long as these two criteria are satisfied, the dispute is intra-corporate and the RTC, acting as a special commercial court, has jurisdiction over it.

Examining the case before us in relation to these two criteria, the Court finds and so holds that the case is essentially an intra-corporate dispute. It obviously arose from the intra-corporate relations between the parties, and the questions involved pertain to their rights and obligations under the Corporation Code and matters relating to the regulation of the corporation. We further hold

that the nature of the case as an intra-corporate dispute was not affected by the subsequent dissolution of the corporation.

It bears reiterating that Section 145 of the Corporation Code protects, among others, the rights and remedies of corporate actors against other corporate actors. The statutory provision assures an aggrieved party that the corporation's dissolution will not impair, much less remove, his/her rights or remedies against the corporation, its stockholders, directors or officers. It also states that corporate dissolution will not extinguish any liability already incurred by the corporation, its stockholders, directors, or officers. In short, Section 145 preserves a corporate actor's cause of action and remedy against another corporate actor. In so doing, Section 145 also preserves the nature of the controversy between the parties as an intra-corporate dispute.

The dissolution of the corporation simply prohibits it from continuing its business. However, despite such dissolution, the parties involved in the litigation are still corporate actors. The dissolution does not automatically convert the parties into total strangers or change their intra-corporate relationships. Neither does it change or terminate existing causes of action, which arose because of the corporate ties between the parties. Thus, a cause of action involving an intra-corporate controversy remains and must be filed as an intra-corporate dispute despite the subsequent dissolution of the corporation.

WHEREFORE, premises considered, the Petition for Review on *Certiorari* is **PARTIALLY GRANTED**. The assailed June 29, 2005 Decision of the Court of Appeals in CA-G.R. SP No. 87293, as well as its December 16, 2005 Resolution, are **ANNULLED** with respect to their dismissal of SEC Case No. 04-111077 on the ground of lack of jurisdiction. The said case is ordered **REINSTATED** before Branch 24 of the Regional Trial Court of Manila. The rest of the assailed issuances are **AFFIRMED**.

SO ORDERED.

MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

ARTURO D. BRION
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice