



Republic of the Philippines
 Supreme Court
 Manila

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 WILFREDO V. LADIMAN
 Division Clerk of Court
 Third Division

SEP 26 2018

THIRD DIVISION

**FRANCISCO C. EIZMENDI JR.,
 JOSE S. TAYAG JR., JOAQUIN L.
 SAN AGUSTIN, EDUARDO D.
 FRANCISCO, EDMIDIO V.
 RAMOS, JR., ALBERT G.
 BLANCAFLOR, REY NATHANIEL
 C. IFURUNG, MANUEL H.
 ACOSTA JR., and VALLE VERDE
 COUNTRY CLUB, INC.,**
 Petitioners,

G.R. No. 215280

Present:

PERALTA, J., *Chairperson*,
 LEONEN,
 GESMUNDO,
 REYES, A., JR.,* and
 REYES, J., JR., *JJ.*

- versus -

Promulgated:

TEODORICO P. FERNANDEZ,
 Respondent.

September 5, 2018

X-----X

DECISION

PERALTA, J.:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court, seeking to nullify and set aside the Court of Appeals (CA) Decision¹ dated June 30, 2014 in CA-G.R. SP No. 134704, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered by us **GRANTING** the petition filed in this case. The Order that was issued by Branch 158 of the Regional Trial Court of the National Capital Judicial Region in Pasig City on January 28, 2014 in Commercial Case No. 13-202, insofar as it did not allow any evidence to be presented relating to the 23 February 2013 elections of the board of director of VVCCI, and the subsequent resolution of the said court dated February

* Designated as an additional member per Special Order No. 2588 dated August 28, 2018

¹ Penned by Associate Justice Isaias P. Dicedican, with Associate Justices Michael P. Elbinias and Victoria Isabel A. Paredes, concurring; *rollo*, pp. 42-53.

3, 2014, are hereby **ANNULLED** and **SET ASIDE**. Consequently, the public respondent judge is **DIRECTED** to allow the presentation of evidence by the petition in connection with the election of the members of the board of directors of VVCCI that was conducted during its annual members' meeting on February 23, 2013.

SO ORDERED.²

The facts are as follows:

On November 28, 2013, respondent Teodorico P. Fernandez filed a Complaint³ for Invalidation of Corporate Acts and Resolutions with Application for Writ of Preliminary Injunction against the individual petitioners, namely: Francisco C. Eizmendi Jr., Jose S. Tayag Jr., Joaquin San Agustin, Eduardo Francisco, Edmidio Ramos, Jr., Albert Blancaflor, Rey Nathaniel Ifurung, Manuel Acosta Jr., who allegedly constituted themselves as new members of the Board of Directors (*BOD*) of Valle Verde Country Club, Inc. (*VVCCI*), despite lack of quorum during the annual members' meeting on February 23, 2013. *VVCCI* is a duly organized non-stock corporation engaged in promoting sports, recreational and social activities, and the operation and maintenance of a sports and clubhouse, among other matters.

Fernandez averred that he is a proprietary member in good standing of *VVCCI*, and that the individual petitioners held a meeting on October 18, 2013 during which they supposedly acted for and in behalf of *VVCCI*, and found him guilty of less serious violations of the by-laws and imposed on him the penalty of suspension of membership for six (6) months from September 21, 2013, or until March 21, 2014.

Fernandez asserted that since petitioners were not validly constituted as the new *BOD* in the place of the hold-over *BOD* of *VVCCI*, they had no legal authority to act as such *BOD*, to find him guilty and to suspend him. Fernandez added that he was not accorded due process, as petitioners failed to give him opportunity to defend himself by notifying him of the charge and the verdict against him. Not having been notified of his suspension, Fernandez claimed that he had no premonition of what would happen to him when he went to the *VVCCI* Complex on October 26, 2013 to avail of its facilities, and that he suffered deep pain and severe embarrassment because a security guard directed a waiter not to serve the food he had ordered in the presence of several members on the ground that his name is in the list of members suspended at the instance of the individual petitioners.

² *Rollo*, p. 52.

³ *Id.* at 85-95.

Fernandez prayed that after hearing on the merits, judgment be rendered: (a) making the injunction permanent; (b) invalidating the claims of the individual petitioners to the office of director of the VVCCI; (c) nullifying the annual members' meeting on February 23, 2013, as well as subsequent board meetings similarly held and conducted by the individual petitioners, including resolutions and measures approved thereat, particularly those which are related to his suspension from the VVCCI; (d) ordering the individual petitioners, jointly and severally, to pay him ₱500,000.00 as attorney's fees and not less than ₱500,000.00 as exemplary damages, and ₱500,000.00 as moral damages.

In an Urgent Motion or Request for Production/Copying of Documents⁴ dated January 10, 2014, Fernandez cited Rule 27 of the Rules of Court and requested the VVCCI, as owner and custodian of corporate documents, to produce them and allow him to copy the following matters in connection with the hearing of his application for issuance of a writ of preliminary injunction:

1. The original of the Stock and Transfer Book and all cancelled Membership Fee Certificates of the VVCCI.
2. The original of the Certificate of Incorporation of VVCCI issued by the Securities and Exchange Commission (SEC) on May 30, 1975.
3. The original of the Directors' Certificate To By-laws dated August 24, 1975 of VVCCI, as filed with the SEC.
4. The original of the By-Laws of VVCCI dated June 30, 1975 as filed with the SEC.
5. The original of the Certificate of Filing of By-Laws of VVCCI issued by the SEC on October 20, 1976, as received by VVCCI from the SEC.
6. The original of the duly-signed "Resolution Increasing the Corporation's Membership Certificates To Two Thousand (2000)", adopted and approved by the Board of Directors of VVCCI on June 22, 1979, consisting of two (2) pages including the signature page, together with any covering minutes, under pain of sanctions under Rule 29 of the Rules of Court.

Petitioners opposed the Urgent Motion or Request for Production/Copying of Documents, and prayed that it be denied for lack of merit, for being unreasonable and for not being in their possession.

On January 14, 2014, the hearing of Fernandez's application for issuance of a writ of preliminary injunction was held before the Hon. Maria Rowena Modesto San Pedro, Presiding Judge of the Regional Trial Court of Pasig City, Branch 158. During the hearing, Judge San Pedro stressed that she will not touch on the election contest aspect of the Complaint, but only on the issue of his suspension from the VVCCI, thus:

COURT:

Before you testify, we are in agreement that the remaining issue... we will not touch on the election aspect because that is not proper for the instant case. I have already said it's too late in the day to file

⁴ *Id.* at 106-107.

an election contest. So, the only issue before the Court is the suspension.

ATTY. FERNANDEZ:

Yes, your Honor, but with due respect, if your Honor please, our case is not an election contest because this is a suit precisely questioning the legal authority of the board who suspended me.

COURT:

Yes, even if you do not say that it is an election contest, that will, especially the issue, will still be whether or not the board of directors' composition is legitimate because, in essence, it was still an election contest. I will not touch on that, as I had continuously said. The only reason I'm still entertaining this complaint is with respect to your suspension. So, your suspension, it cannot be based... whether or not your suspension is legitimate will not be anchored on the composition of the board of directors but on issues like due process, if you were duly notified, if the grounds for your suspension were valid, etcetera.

ATTY. FERNANDEZ

We wish to inform the Honorable Court, your Honor, that the dismissal of the case before Judge Bonifacio was not based on trial on the merits. That's the reason we cannot...

COURT:

At any rate, that will not affect me at all, that case. What I am saying is that the election contest could not have been filed... any disagreement with the composition of that election cannot be raised as an issue in any other facts fifteen days from election.

ATTY. FERNANDEZ:

But, Your Honor, may we be allowed to present evidence in relation to the fact that... I have two allegations, if your Honor please. No. 1, is the fact that they have no legal authority to suspend me because when they convened as a board, when they elected themselves as board of directors after the declaration of no quorum, your Honor, they used 1,500 as basis and therefore...

COURT:

Okay, I will not entertain that. That's still an election contest. That still goes into the validity of the election. No matter how you phrase it, it will still go into the validity of the election.

ATTY. FERNANDEZ

But that will also deal on the authority... aside from the other ground, if your Honor please, the authority of the Board to suspend me because...

COURT:

Exactly, you cannot question their authority because no election contest was timely filed.

ATTY. FERNANDEZ:

Well, we will just address that in a ...




COURT:

You can very well file a petition for certiorari against my refusal to entertain that issue.⁵

On January 20, 2014, petitioners filed their Answer with Counterclaim and Grounds for Dismissal.⁶ Petitioners specifically denied the material allegations of Fernandez's Complaint, and sought the dismissal thereof on the following grounds (1) he has no cause of action against the individual petitioners who acted as members of the BOD of VVCCI which is a collegial body; (2) the case is an election contest filed more than 15 days from the date of election, in violation of Section 3, Rule 6 of the Rules Governing Intra-Corporate Controversies; (3) non-exhaustion of intra-corporate remedies and non-compliance with condition precedent under the By-Laws of VVCCI; and (4) violation of rules on notarial practice.

In an Order⁷ dated January 28, 2014, the RTC pointed out that the application of a Writ of Preliminary Injunction has been rendered moot, upon discussion with counsel and parties present that, in order to expedite proceedings and to proceed with the trial proper, petitioners have graciously agreed to provide the relief sought in the Injunction application which is to immediately reinstate Fernandez. The RTC also reminded the parties that it shall not entertain any issue respecting the February 23, 2013 elections; otherwise, the mandatory period within which to file an Election Contest would be rendered nugatory. The trial court stressed that it cannot allow indirectly what is barred directly by the Rules and, accordingly, the only issue remaining is whether due process was observed in suspending Fernandez.

In a Resolution⁸ dated February 3, 2014, the RTC denied the Urgent Motion or Request for Production/Copying of Documents. The trial court reiterated its position that the case is not an election contest since it was filed way beyond the reglementary period under the *Interim Rules of Procedure Governing Intra-Corporate Controversies* for election contests to be brought to court, considering that the only issue that remains to be resolved is with respect to whether due process was observed in suspending Fernandez. It also found no meritorious reason to compel VVCCI to produce the original Stock and Transfer Book and all cancelled Membership Fee Certificates since they do not appear to be material in the resolution of the remaining issue. It further found no necessity to compel VVCCI to produce the original items 2 to 6 of the motion, since VVCCI already admitted their existence and the machine copies thereof were already admitted by the court as documentary exhibits of Fernandez during the application for the issuance of a writ of preliminary injunction.



⁵ *Id.* at 98-101.

⁶ *Id.* at 115-130.

⁷ *Id.* at 110-111.

⁸ *Id.* at 112-114.

Aggrieved by the RTC Order dated January 28, 2014 and Resolution dated February 3, 2014, Fernandez filed a petition for *certiorari* before the CA.

The CA summed up the twin issues to be resolved in the petition: *first*, whether or not the RTC gravely abused its discretion when it treated the case as an election contest and disregarded the fact that the real cause of action was Fernandez's purported illegal suspension as member of VVCCI, and *second*, whether the RTC gravely abused its discretion when it merely noted and passed upon the contention of Fernandez's that *res judicata* does not apply in the case.

In a Decision⁹ dated June 30, 2014, the CA granted Fernandez's petition for *certiorari*, nullified and set aside the assailed Order and Resolution of the RTC insofar as it did not allow any evidence to be presented relating to the February 23, 2013 elections of the board of directors of VVCCI. The CA directed the judge to allow presentation of evidence in connection with the election of the members of the BOD of VVCCI that was conducted during its annual members' meeting on February 23, 2013. Anent the other matter raised by Fernandez, the CA stated that said issues would be best threshed out in a full-blown trial of the case, because the other allegations in the petition involved evidentiary matters which could be passed upon only during trial on the merits of the case.

The CA ruled that in order to fully resolve the issue regarding the legality of the suspension of Fernandez from VVCCI, it was also necessary for the trial court to admit pieces of evidence which relate to the composition of the BOD of VVCCI during the time when the penalty of suspension from club membership was imposed upon petitioner. As explained by the CA, this is especially true because Fernandez was suspended as member of VVCCI precisely for committing acts that were purportedly inimical to the interest of the club. The aforesaid acts, in turn, related to the allegation that Fernandez, along with other members of VVCCI, caused the expulsion of petitioners as members of VVCCI on the ground that they were "critical of the abuses of the 17-year hold-over board" of directors of VVCCI. In other words, Fernandez was suspended as member of VVCCI on the ground that he and other club members had previously caused the expulsion of some of the members of VVCCI who, according to Fernandez, were illegally constituted as members of the BOD of VVCCI. Consequently, the issues in the case below, while its primary aim is to declare the suspension of Fernandez from club membership as illegal, likewise necessarily related to the legality or illegality of the election of the members of the BOD of VVCCI during the annual members' meeting that was conducted on February 23, 2013. This especially finds relevance in that it had been the position of Fernandez from the very beginning

⁹ *Supra* note 1.



that petitioners were illegally constituted as members of the BOD of VVCCI, thereby refusing to recognize the authority of the acts of the latter.

In support of its ruling, the CA cited the case of *Yu v. Court of Appeals*¹⁰ where it was held that while trial courts have the discretion to admit or exclude evidence, such power is exercised only when the evidence had been formally offered. This is because during the early stages of the development of proof, it is impossible for a trial court judge to know with certainty whether evidence is relevant or not and, thus, the practice of excluding evidence on doubtful objections to its materiality should be avoided.

The CA also relied on *Prats & Co. v. Phoenix Insurance Co.*¹¹ where it was stressed that in the heat of the battle over which he presides, a judge of first instance may possibly fall into error by judging of the relevancy of proof where a fair and logical connection is in fact shown. When such a mistake is made and proof is erroneously ruled out, the Supreme Court, upon appeal, often finds itself embarrassed and possibly unable to correct the effects of the error without returning the case for a new trial – a step which this court is always very loath to take. On the other hand, the admission of proof in a court of first instance, even if the question as to its form, materiality or relevancy is doubtful, can never result in much harm to either litigant, because the trial judge is supposed to know the law; and it is its duty, upon final consideration of the case, to distinguish the relevant and material from the irrelevant and immaterial. If this course is followed and the cause is prosecuted to the Supreme Court upon appeal, this court then has all the materials before it necessary to make a correct judgment.

In a Resolution dated October 24, 2014, the CA denied petitioners' motion for reconsideration. Aggrieved, petitioners filed a petition for review on *certiorari*, raising the issue of: *Whether the Court of Appeals gravely erred in allowing respondent in Commercial Case No. 13-190 to present evidence in connection with the election of the members of the board of directors of VVCCI conducted on February 23, 2013 to invalidate the claims of petitioners to the office of director in relation to respondent's suspension as a member thereof by petitioners as a board of directors in view of the decision of the Honorable Court in G.R. No. 209120 and the 15-day period within which to file an election contest.*¹²

Petitioners argue that the CA correctly affirmed the trial court's finding that the cause of action of Fernandez relates to the legality of his suspension as member of VVCCI, but it gravely erred in ruling as follows:

¹⁰ 512 Phil. 802, 807 (2005).

¹¹ 52 Phil. 807, 816-817 (1929).

¹² *Rollo*, p. 26.

x x x Consequently, the issue in the case below, while its primary aim is to declare the suspension of the petitioner from club membership as illegal, likewise necessarily relates to the legality or illegality of the election of the members of the board of directors of VVCCI during the annual members' meeting that was conducted on February 23, 2013. This especially finds relevance in that it had been the position of the petitioner from the very beginning that herein private respondents were illegally constituted as members of the board of directors of VVCCI, thereby refusing to recognize the authority or the acts of the latter.¹³

Petitioners contend that Fernandez is attempting to indirectly violate the rules on, and the period for, filing an election contest as provided in the *Interim Rules*. They point out that the trial court has read Fernandez's complaint and readily sensed that the case is partly an election contest; thus, it immediately prevented Fernandez from raising the issue on the election of petitioners as members of the BOD, and limited the issue to whether Fernandez was validly suspended by petitioners. They add that to allow Fernandez to prove the invalidity of petitioners' election is also tantamount to reopening the first case between the hold-over BOD and the petitioners in G.R. No. 209120, entitled "*Valle Verde Country Club, Inc. v. Eizmendi, Jr.*," dated October 14, 2013 (*Valle Verde*), which stemmed from a complaint filed by VVCCI, for misrepresentation of corporate office against the defendants [herein individual petitioners] with respect to the February 23, 2013 annual meeting where the latter were elected as directors, despite the alleged lack of *quorum*.

Petitioners submit that the Court Resolution in G.R. No. 20912 – where the complaint for misrepresentation of corporate office was dismissed with finality on two grounds: (1) lack of cause of action for having been filed by VVCCI instead of the contenders, which include Fernandez, who are the real parties-in-interest; and (2) for being essentially an election contest which was filed beyond the 15-day reglementary period under the *Interim Rules* – is conclusive upon the status of petitioners as the duly-elected members of the BOD of VVCCI. Considering that Fernandez is a party in G.R. No. 209120 as an appointee of the old BOD and being a candidate in the February 23, 2013 elections of the members of the BOD, petitioners claim that he should have filed an election contest within 15 days therefrom or intervened in Commercial Case No. 13-190, which is the RTC case referred to in G.R. No. 209120.

Petitioners posit that while Fernandez asserts that he is not claiming the office as member of the BOD, he is, in effect, attempting to unseat them as members thereof, which is in the nature of an election contest. Besides, petitioners state that their term as members of the BOD of VVCCI already expired on April 5, 2014, which makes the issue on the validity of their election moot. Finally, they invoke that the Resolution in G.R. No. 209120

¹³ *Id.* at 54.

should also be considered as the “law of the case” under the principle of *stare decisis*.

For his part, Fernandez counters that his cause of action is his wrongful suspension as member of the VVCCI, and that he may question petitioners’ authority as a board to order his suspension. He also insists that the case before the RTC is not an election contest as defined by the *Interim Rules*, and that his complaint is not barred by *res judicata*, let alone bound by the Resolution in G.R. No. 209120 under the doctrine of *stare decisis*.

The petition for review is impressed with merit.

On the issue of whether Fernandez’s complaint may be considered as an election contest within the purview of the *Interim Rules*, the Court rules in the affirmative.

In *Valle Verde Country Club, Inc. v. Eizmendi Jr, et al.*,¹⁴ the Court ruled that the complaint for misrepresentation of corporate office filed by Valle Verde Country Club, Inc., against the respondents [herein individual petitioners] falls under the definition of election contest because it raises the issues of the validation of proxies, and the manner and validity of elections. The Court noted that a reading of Valle Verde’s allegations and prayers in the complaint shows that it is essentially for the nullification of the election on the ground that the election was unlawfully conducted due to the adjournment of the February 23, 2013 meeting for lack of *quorum*.

Here, the allegation in Fernandez’s complaint for invalidation of corporate acts and resolutions partly assails the authority of the BOD to suspend his membership on the ground that despite the lack of *quorum* at the same February 23, 2013 meeting, the individual petitioners proceeded to have themselves constituted as the new members of the BOD of VVCCI.¹⁵ His complaint clearly raises an issue on the validity of the election of the individual petitioners. Contrary to Fernandez’s claim that the case before the lower court does not involve a claim or title to an elective office in VVCCI, and that his objective is not to unseat the individual petitioners during the term for which they were allegedly elected, the Court finds that a plain reading of the prayers in his complaint betrays his cause:

2. After hearing on the merits, to render judgment in favor of plaintiff and against the defendants.

a) Making the injunction permanent;

¹⁴ G.R. No. 209120, October 14, 2013. (Minute Resolution)

¹⁵ *Rollo*, p. 89; Complaint in Commercial Case No. 13-202 entitled “Teodorico P. Fernandez vs. Francisco C. Eizmendi, Jr. et al. for Invalidation of Corporate Acts and Resolutions With Application for Writ of Preliminary Injunction, p. 5.

b) Invalidating the claims of individual defendants [individual petitioners] Francisco C. Eizmendi Jr., Jose S. Tayag, Jr., Joaquin San Agustin, Eduardo Francisco, Edmidio Ramos, Jr., Albert Blancaflor, Rey Nathaniel Ifurung and Manuel Acosta, Jr. to the office of director of VVCCI;

c) Nullifying the so-called annual members' meeting of February 23, 2013, as well as the so-called board meetings similarly held and conducted by the individual defendants, such as but not limited to the so-called board meeting of October 18, 2013, including all resolutions and measures approved thereat, particularly those which related to the suspension of plaintiff [Fernandez] from VVCCI;¹⁶

Fernandez's complaint disputes the election of petitioners as members of the BOD of VVCCI on the ground of lack of *quorum* during the February 23, 2013 annual meeting. Verily, his complaint is partly an "election contest" as defined under Section 2, Rule 6 of the *Interim Rules*, which refers to "any controversy or dispute involving title or claim to any elective office in a stock or non-stock corporation, the validation of proxies, the manner and validity of elections, and the qualifications of candidates, including proclamation of winners, to the office of director, trustees or other officer directly elected by the stockholders in a close corporation or by members of a non-stock corporation where the article of incorporation so provide."

That Fernandez's complaint is partly an election contest is manifest from the decision of the CA, thus:

x x x [I]n order to fully resolve the issue regarding the legality of the suspension of the petitioner [Fernandez] from VVCCI, it was also necessary for the trial court to admit pieces of evidence which relate to the composition of the board of directors of VVCCI during the time when the penalty of suspension from club membership was imposed upon petitioner. This is especially true in that petitioner was suspended as a member of VVCCI precisely for committing acts that were purportedly inimical to the interests of the club. The aforesaid acts, in turn, relate to the allegation that herein petitioner, along with other members of VVCCI, caused the expulsion of herein private respondents [individual petitioners] as members of VVCCI on the ground that the latter were "critical of the abuses of the 17-year hold over board" of directors of VVCCI. In other words, the petitioner was suspended as a member of VVCCI on the ground that he and other club members had previously caused the expulsion of some of the members of VVCCI who, according to petitioner, were illegally constituted as member of the board of directors of VVCCI. x x x¹⁷

¹⁶ *Id.* at 92-93; *Id.* at 8-9. (Emphasis added.)

¹⁷ *Rollo*, pp. 50-51. (Emphasis ours).

On the issue of whether Fernandez may question the authority of the petitioners to act as the BOD of VVCCI and approve the board resolution suspending his club membership, the Court rules in the negative.

To allow Fernandez to indirectly question the validity of the February 23, 2013 election would be a clear violation of the 15-day reglementary period to file an election contest under the *Interim Rules*. As aptly pointed out by the RTC, what cannot be legally done directly cannot be done indirectly. This rule is basic and, to a reasonable mind, does not need explanation; if acts that cannot be legally done directly can be done indirectly, then all laws would be illusory.¹⁸

The Court agrees with Fernandez that the 15-day reglementary period within which to file an election contest under the *Interim Rules* is meant to hasten the submission and resolution of corporate election controversies, so that the state of uncertainty in the corporate leadership is settled; and that the said period not meant to block suits questioning the unlawful acts of winning directors, including the legitimacy of their authority. However, if the Court were to entertain one of the causes of action in Fernandez's complaint, which is partly an election contest raised beyond the said reglementary period, then the salutary purposes of the said period under the *Interim Rules* would be rendered futile; the floodgates to election contests would be opened, to the detriment of the regime of efficient and stable corporate governance.

The RTC committed no grave abuse of discretion in disallowing Fernandez from presenting evidence during the hearing of his application for preliminary injunction, relative to the lack of authority of the individual petitioners to suspend him because it would inevitably question the validity of the February 23, 2013 election.

The RTC's action of virtually dismissing the first cause of action in Fernandez's complaint for being an election contest filed beyond the 15-day reglementary period, is indeed consistent with the following provisions of the *Interim Rules*: (a) Section 3, Rule 1, because such act promotes the objective of securing a just, summary, speedy and inexpensive determination of every action or proceeding; and (b) Section 4, Rule 6, which authorizes the court to dismiss outright the complaint if the allegations thereof is not sufficient in form and substance. The RTC's action is, likewise, consistent with the inherent power of courts to amend and control its process and orders so as to make them conformable to law and justice, under Section 5, Rule 135 of the Rules of Court.

The RTC could not, therefore, be faulted with grave abuse of discretion, which is meant such capricious and whimsical exercise of judgment as is

¹⁸ *Tawang Multi-Purpose Cooperative v. La Trinidad Water District*, 661 Phil. 390, 398 (2011).

equivalent to lack of jurisdiction. Neither could it be blamed for exercising power in an arbitrary or despotic manner by reason of passion or personal hostility, which is so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined by or to act at all in contemplation of law.

In allowing the presentation of evidence on the validity of the election of the individual petitioners as members of the BOD of VVCCI, the CA erroneously relied on *Yu v. Court of Appeals*¹⁹ where it was held that (1) while trial courts have the discretion to admit or exclude evidence, such power is exercised only when the evidence had been formally offered; and (2) during the early stages of the development of proof, it is impossible for a trial court to know with certainty whether evidence is relevant or not and, thus, the practice of excluding evidence on doubtful objections to its materiality should be avoided.

Here, there is no doubt as to the materiality or relevancy of the evidence sought to be presented by Fernandez in assailing the validity of the February 23, 2013 election. What the RTC correctly did was to dismiss of the first cause of action because it is essentially an election contest that was filed beyond the 15-day reglementary period under the *Interim Rules*, and to limit the issue of the case to the second cause of action. To stress, the first cause of action is in effect an election contest, inasmuch as Fernandez averred that the individual petitioners had no legal authority to act as BOD of VVCCI, to find him guilty of any violation of the by-laws and to suspend him on the ground of lack of *quorum* during the February 23, 2013 election wherein petitioners constituted themselves as members of the BOD; whereas the second cause of action pertains to his claim for damages for not having been notified of his suspension, which led to an embarrassing incident on October 26, 2013 when he was refused services at the VVCCI complex in front of other club members. Since Fernandez's complaint is partly an election contest, and there being no provision in VVCCI's by-laws that lay down a procedure for resolution of the controversy from which the 15-day period to file such contest may be reckoned with, the first cause of action should be dismissed for having been filed beyond the 15-day reglementary period from the date of the election.

Suffice it to state that Fernandez's reliance on *Valley Golf Club, Inc. v. Vda. De Caram*²⁰ is misplaced, because no election contest, as defined in the *Interim Rules*, is involved therein. While one of the issues in *Caram* is the lack of due process due to non-service of notice to the member whose membership share was sold for being delinquent in the payment of his monthly dues, there is no dispute that the board of directors of the club has authority under the by-laws to expel a member through forfeiture of such member's club share. In contrast, an election contest is involved in this case,

¹⁹ *Supra* note 11.
²⁰ 603 Phil. 219 (2009).

as Fernandez is also questioning the authority of the BOD of VVCCI to suspend him when he claimed that the individual petitioners were elected as members thereof despite the supposed lack of quorum during an annual meeting on February 23, 2013.

On the issue of whether or not the final resolution in *Valle Verde Country Club, Inc. v. Eizmendi, et al.*, G.R. No. 209120 dated October 14, 2013 bars Fernandez's complaint under the principles of *res judicata*, law of the case and *stare decisis*, the Court rules that only the *stare decisis* principle applies to this case.

For *res judicata* to serve as an absolute to a subsequent action, the following requisites must be present: (1) the former judgment or order must be final; (2) the judgment or order must be on the merits; (3) it must have been rendered by a court having jurisdiction over the subject matter and the parties; and (4) there must be between the first and second actions, identity of parties, of subject matter, and causes of action. Here, *res judicata* does not apply because there is no identity of parties, causes of action and reliefs sought between the complaint subject of *Valle Verde* and the complaint subject of this case.

First, while the defendants in the complaints subject of *Valle Verde* [Commercial Case No. 13-190] and of this case [Commercial Case No. 13-202] are the very same individual petitioners, the plaintiff in the former case is VVCCI, whereas the plaintiff in this case is Fernandez as plaintiff and proprietary member in good standing of VVCCI. The absence of identity of parties is underscored in *Valle Verde* where the Court upheld the dismissal of the complaint because Valle Verde had no cause of action and was not the real party-in-interest. The Court explained that a corporation does not have the right to vote and that the reliefs prayed for in the complaint are for the benefit of the respondents' contenders [like herein respondent Fernandez].

Second, the causes of action of the complaint subject of *Valle Verde* is distinct from that subject of this case. In *Valle Verde*, the cause of action is the individual petitioners' misrepresentation that they were elected as new members of the BOD and the Officers of VVCCI for 2013 to 2014, due to the claim that there was no *quorum* during the February 23, 2013 annual meeting. In this case, the cause of action is the invalidation of corporate acts of VVCCI on the ground of lack of authority of the individual petitioners, as members of the BOD, to suspend the club membership of Fernandez, and the lack of due process which attended his suspension.

Third, there is also a stark contrast between the reliefs sought in the complaint subject of *Valle Verde* and that subject of this case. In *Valle Verde*, VVCCI sought to enjoin the individual petitioners from misrepresenting themselves to be members of the BOD and Officers of the Club. In this case,



Fernandez seeks to invalidate the claims of said individual petitioners to the office of BOD of VVCCI and to nullify the annual members' meeting of February 23, 2013, as well as the subsequent board meetings conducted by the individual petitioners, including all resolutions and measures approved thereat relative to his suspension.

The doctrine of the "law of the case" is also inapplicable, because it only applies to the same case involving the same parties. *Valle Verde* is separate and distinct from this case in terms of parties, cause of actions and reliefs sought, despite the fact that both intra-corporate controversies arose from the February 23, 2013 election of the individual petitioners as members of the BOD of VVCCI in an annual meeting which was supposedly adjourned due to lack of *quorum*.

*Spouses Sy v. Young*²¹ explains the concept of the "law of the case," thus:

Law of the case has been defined as the opinion delivered on a former appeal. It means that whatever is once irrevocably established the controlling legal rule of decision between the **same parties in the same case** continues to be the law of the case whether correct on general principles or not, so long as the facts on which such decision was predicated continue to be the facts of the case before the court.

x x x law of the case does not have the finality of *res judicata*. **Law of the case applies only to the same case**, whereas *res judicata* forecloses parties or privies in one case by what has been done in another case. In law of the case, the rule made by an appellate court cannot be departed from in subsequent proceedings in the same case. Furthermore, law of the case relates entirely to questions of law, while *res judicata* is applicable to the conclusive determination of issues of fact. Although *res judicata* may include questions of law, it is generally concerned with the effect of adjudication in a wholly independent proceeding.

The rationale behind this rule is to enable an appellate court to perform its duties satisfactorily and efficiently, which would be impossible if a question, once considered and decided by it, were to be litigated anew in the same case upon any and every subsequent appeal. Without it, there would be endless litigation. Litigants would be free to speculate on changes in the personnel of a court, or on the chance of our rewriting propositions once gravely ruled on solemn argument and handed down as the law of a given case.

While the doctrines of *res judicata* and "the law of the case" are not applicable, the principle of *stare decisis et non quieta movere* [stand by the decision and disturb not what is settled] applies to this case, but only to the extent that *Valle Verde* held that (1) if the allegations and prayers in the complaint raise the issues of validation of proxies, and the manner and validity

²¹ 711 Phil. 444, 449-450 (2013). (Emphasis supplied; citations omitted).



of elections, such as the nullification of election was unlawfully conducted due to lack of *quorum*, then such complaint falls under the definition of election contest under the *Interim Rules*; and (2) the real parties-in-interest in an election contest are the contenders, and not the corporation.

*Abaria, et al. v. National Labor Relations Commission, et al.*²² expounds on *stare decisis* in this wise:

Under the doctrine of *stare decisis*, once a court has laid down a principle of law as applicable to a certain state of facts, it will adhere to that principle and apply it to all future cases where the facts are substantially the same, even though the parties may be different. It proceeds from the first principle of justice that, absent any powerful countervailing considerations, like cases ought to be decided alike. Thus, where the same questions relating to the same event have been put forward by parties similarly situated as in a previous case litigated and decided by a competent court, the rule of *stare decisis* is a bar to any attempt to relitigate the same issue.

The doctrine though is not cast in stone for upon a showing that circumstances attendant in a particular case override the great benefits derived by our judicial system from the doctrine of *stare decisis*, the Court is justified in setting it aside. For the Court, as the highest court of the land, may be guided but is not controlled by precedent. Thus, the Court, especially with a new membership, is not obliged to follow blindly a particular decision that it determines, after re-examination, to call for a rectification.

Considering that Fernandez's first cause of action seeks to nullify the claim of the individual petitioners to the office of the BOD of VVCCI due to lack of *quorum* during the election on February 23, 2013, then the Court must adhere to its ruling in *Valle Verde*, and hold that his complaint is partly an election contest. However, *Valle Verde* cannot be invoked to sustain the position that an election contest filed beyond the 15-day reglementary period under the *Interim Rules* is prescribed.

A recap of the facts in *Valle Verde* is in order. The RTC dismissed the complaint for misrepresentation of corporate office filed by VVCCI against the respondents (herein individual petitioners) for lack of cause of action, as the real parties-in-interest were the respondents' contenders. The RTC also ruled that the complaint is essentially an election contest, and should have been filed beyond the 15-day reglementary period under the *Interim Rules*. The CA agreed with the RTC that respondents had no cause of action and that the complaint was essentially an election contest because Valle Verde was seeking the respondents' ouster from their position. While it found no merit in the petition for review on *certiorari* assailing the rulings of the RTC and the CA, the Court merely held that "the factual issues raised relate to the rights of the opposing candidates of the respondents to vote and be voted for; thus,

²² 678 Phil. 64, 97-98 (2011). (Citations omitted).

the CA correctly ruled that Valle Verde has no cause of action.” However, the Court did not definitively rule on the effect of the filing of an election contest beyond the 15-day period under the *Interim Rules*. It is not amiss to note that a cursory review of the factual antecedents of *Valle Verde* and the complaint therein would show that it was filed on March 1, 2013, hence, within the 15-day reglementary period from the date of the election during Valle Verde’s annual meeting on February 23, 2013. Based on the factual antecedents of *Valle Verde*, it appears that the RTC erred in citing the violation of the 15-day reglementary period under the *Interim Rules* as a ground to dismiss the complaint of VVCCI.

In sum, the CA gravely erred in allowing Fernandez in Commercial Case No. 13-190 to present evidence in connection with the election of the individual petitioners as members of the BOD of VVCCI conducted on February 23, 2013 to invalidate their claims to the office of director, because that is akin to entertaining an election contest filed beyond the 15-day period under the *Interim Rules*.

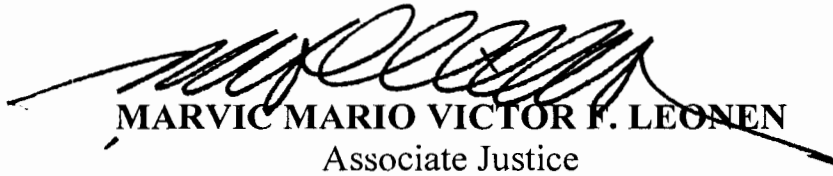
WHEREFORE, premises considered, the petition for review on *certiorari* is **GRANTED**. The Court of Appeals Decision dated June 30, 2014 and the Resolution dated October 24, 2014 Resolution in CA-G.R. SP No. 134704 are **REVERSED** and **SET ASIDE**. The Order issued by the Regional Trial Court of Pasig City, Branch 158, on January 28, 2014 in Commercial Case No. 13-202, insofar as it did not allow any evidence to be presented relating to the February 23, 2013 elections of the Board of Directors of Valle Verde Country Club, Inc. and the subsequent resolution of the trial court dated February 3, 2014, are hereby **REINSTATED**.


SO ORDERED.



DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:


MARVIC MARIO VICTOR F. LEONEN
 Associate Justice

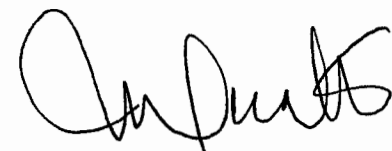

ALEXANDER G. GESMUNDO
 Associate Justice


ANDRES B. REYES, JR.
 Associate Justice


JOSE C. REYES, JR.
 Associate Justice


ATTESTATION

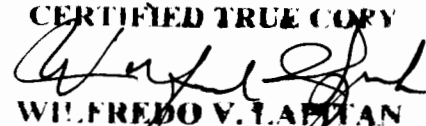
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


DIOSDADO M. PERALTA
 Associate Justice
 Chairperson, Third Division

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.


TERESITA J. LEONARDO-DE CASTRO
 Chief Justice

CERTIFIED TRUE COPY

WILFREDO V. LAPID
 Division Clerk of Court
 Third Division

SEP 26 2018