

**MAKATI STOCK EXCHANGE, INC., MA. VIVIAN YUCHENGO, ADOLFO M. DUARTE,
MYRON C. PAPA, NORBERTO C. NAZARENO, GEORGE UY-TIOCO, ANTONIO A. LOPA,
RAMON B. ARNAIZ, LUIS J.L. VIRATA, AND ANTONIO GARCIA, PETITIONERS,
VS.
MIGUEL V. CAMPOS, SUBSTITUTED BY JULIA ORTIGAS VDA. DE CAMPOS, RESPONDENT.
G.R. No. 138814 ; APRIL 16, 2009
THIRD DIVISION DECISION ; CHICO-NAZARIO**

A complaint states a cause of action where it contains three essential elements of a cause of action, namely: (1) the legal right of the plaintiff, (2) the correlative obligation of the defendant, and (3) the act or omission of the defendant in violation of said legal right. If these elements are absent, the complaint becomes vulnerable to dismissal on the ground of failure to state a cause of action.

The Petition in SEC Case No. 02-94-4678, although asserts a right of Campos and a correlative obligation of MKSE, failed to lay down the source of the obligation of MKSE or the basis of Campos's right. The petition merely quoted the MKSE Resolution, but nothing in the said Petition from which the Court can deduce that Campos was granted by law, contract, or any other legal source, the right to subscribe to the IPOs of corporations listed in the stock market at their offering prices.

FACTS:

Campos instituted SEC Case No. 02-94-4678 with the Securities, Investigation and Clearing Department (SICD) of the Securities and Exchange Commission, a petition against Makati Stock Exchange, Inc., and its directors. The petition sought, among others, the nullification of a Resolution dated June 3, 1993 of the MKSE Board of Directors, which allegedly deprived him of his right to participate equally in the allocation of Initial Public Offerings (IPO) of corporations registered with MKSE. The SICD issued a TRO and a Writ of Preliminary Injunction to enjoin MKSE from enforcing the Resolution. MKSE appealed the case to the SEC en banc for its failure to state a cause of action. SEC-EB reversed all of SICD's orders. Campos then filed a Petition for Certiorari before the CA and it annulled SEC-EB's decisions.

ISSUE/S:

Whether or not SEC Case No. 02-94-4678 sufficiently states a cause of action.

RULING:

No. The petition filed by Campos should be dismissed for failure to state a cause of action. A cause of action is the act or omission by which a party violates a right of another. A complaint states a cause of action where it contains three essential elements of a cause of action, namely: (1) the legal right of the plaintiff, (2) the correlative obligation of the defendant, and (3) the act or omission of the defendant in violation of said legal right. If these elements are absent, the complaint becomes vulnerable to dismissal on the ground of failure to state a cause of action.

Petition in SEC Case No. 02-94-4678 asserts a right in favor of respondent: Campos's alleged right to subscribe to the IPOs of corporations listed in the stock market at their offering prices; and stipulates the correlative obligation of petitioners to respect respondent's right by continuing to allow respondent to subscribe to the IPOs of corporations listed in the stock market at their offering prices.