

Title: Presidential Commission on Good Government vs. Securities and Exchange Commission, et al.

Facts:

Eastern Telecommunications Philippines, Inc. (ETPI), once a subsidiary of Cable and Wireless, Ltd., became embroiled in ownership and management disputes during the Marcos regime, leading to an alliance with the Philippine Overseas Telecoms Corporation (POTC), and a reorganization into a majority Filipino-owned corporation under the BAN Group (Benedicto, Africa, Nieto). The franchise was transferred to the new ETPI under Presidential Decree No. 489.

As time passed, tensions grew between Cable and Wireless Ltd. and the BAN Group over management and dividend payouts, culminating in a growing fortune for the BAN Group at ETPI's success. Following the EDSA Revolution, the Presidential Commission on Good Government (PCGG) sequestered ETPI stocks associated with the Marcos administration.

The legal case began with PCGG's resolution in January 1988 calling for an ETPI stockholders' meeting, opposed by Victor Africa and later escalated by PCGG nominees' election to the board. Victor Africa, as the alleged Corporate Secretary, challenged the legality of these actions in the Securities and Exchange Commission (SEC Case No. 3297), seeking to nullify the board elections and subsequent meetings.

Simultaneously, Jose Africa and Manuel H. Nieto Jr., both stockholders, sought the Sandiganbayan's intervention against PCGG's administration of ETPI, resulting in a temporary restraining order against PCGG voting in stockholders' meetings for substantial policy changes at ETPI (SB Civil Case No. 0009).

The SEC and Sandiganbayan's overlapping injunctions against PCGG actions resulted in the PCGG petitioning the Supreme Court, challenging both the SEC and Sandiganbayan orders as an overstep of jurisdiction.

Issues:

1. Whether the SEC Hearing Panel had jurisdiction over the intra-corporate controversy presented in SEC Case No. 3297.
2. Whether the Sandiganbayan properly exercised its jurisdiction in issuing the restraining orders.
3. Whether the temporary restraining orders and writs of preliminary injunction issued by the SEC and Sandiganbayan were valid exercises of judicial discretion.

4. Whether the PCGG has the authority to vote sequestered shares in a stockholders' meeting to amend ETPI's Articles of Incorporation and By-Laws.

Court's Decision:

The Supreme Court held that:

1. The SEC Hearing Panel lacked jurisdiction over SEC Case No. 3297 since it involved the actions of the PCGG, a party they have no authority over.
2. The Sandiganbayan's exercise of jurisdiction was proper regarding preventing PCGG from voting sequestered shares for the purpose of deleting the "right of first refusal" clause in ETPI's Articles of Incorporation and By-Laws.
3. The SEC's temporary restraining order was moot, having expired, and any continuing or future action in SEC Case No. 3297 was dismissed, being beyond the SEC's jurisdiction.
4. The Sandiganbayan's orders were too broad; while it was within jurisdiction to prevent vote casting to change the "right of first refusal" clause, it erred in fully prohibiting PCGG from holding stockholders' meetings for broader corporate changes.
5. PCGG is empowered to act as the administrator of sequestered properties but was restrained from exercising acts of strict ownership without clear justification to prevent dissipation of the sequestered assets.

Doctrine:

1. SEC has no jurisdiction over cases involving the PCGG as a party, with the underlying rationale being the presence of sequestered assets under the management of the PCGG.
2. The proper forum for actions questioning the PCGG's conduct related to sequestered assets is the Sandiganbayan.
3. The PCGG has the administrative authority over sequestered businesses and properties but cannot exercise acts of strict ownership such as voting to amend corporate charters unless clearly necessary to prevent asset dissipation.

Class Notes:

- In intra-corporate disputes involving sequestered assets, the SEC lacks jurisdiction if the PCGG is involved as a party; such disputes fall under the jurisdiction of the Sandiganbayan.
- The PCGG's authority under Executive Order No. 14 is expansive but not unlimited; it cannot exercise acts of ownership unless demonstrably essential to the conservation of assets.
- Provisional takeover by the PCGG is for conservatory purposes and not for the assertion of ownership rights.

Historical Background:

The actions and controversies in this case are rooted in the aftermath of the martial law period under President Ferdinand E. Marcos, during which numerous assets and businesses were allegedly obtained by Marcos associates and subsequently sequestered by the PCGG after the 1986 People Power Revolution for recovery of ill-gotten wealth. The case reflects the legal complexities involved in unravelling the business entanglements and restitution efforts post-martial law. It provides an example of the legal clash between the PCGG's mandate for asset recovery and the requirement to respect existing judicial processes and corporate rights.