

**\*\*Title:\*\***

Paces Industrial Corporation vs. Atty. Edgardo M. Salandanan

**\*\*Facts:\*\***

1. **\*\*October 1973:\*\*** Atty. Edgardo M. Salandanan became a stockholder of Paces Industrial Corporation (Paces) and later took on multiple roles including Director, Treasurer, Administrative Officer, Vice-President for Finance, and legal counsel.
2. **\*\*Representation as Counsel:\*\***
  - He represented Paces in cases such as *\*Sisenando Malveda, et al. v. Paces Corporation\** (NLRC R-04 Case No. 11-3114-73) and *\*Land & Housing Development Corporation v. Paces Corporation\** (Civil Case No. 18791). In the latter, due to his failure to file an Answer after a Motion for a Bill of Particulars was denied, a default order was issued against Paces.
3. **\*\*December 4, 1973:\*\*** E.E. Black Ltd., through its counsel, demanded payment of an outstanding obligation of P96,513.91 from Paces. Salandanan represented Paces in subsequent negotiations and handled the related documents.
4. **\*\*May 27, 1974:\*\*** After internal disagreements, Salandanan and his group sold their shareholdings in Paces to the group led by Mr. Nicolas C. Balderama.
5. **\*\*Post Sell-out:\*\*** Salandanan began representing E.E. Black Ltd. against Paces, filing a complaint for the collection of Paces' debt. He secured a preliminary attachment order, a writ of attachment, and garnishment notices against Paces' business partners.
6. **\*\*Complaint by Paces:\*\*** Paces filed a complaint against Salandanan for representing conflicting interests and utilizing privileged information.
7. **\*\*Defense by Salandanan:\*\*** He contended there was no formal employment contract designating him as Paces' counsel and denied using confidential information obtained as a lawyer.
8. **\*\*Procedural History:\*\***
  - **\*\*November 2, 2011:\*\*** The Commission on Bar Discipline, Integrated Bar of the Philippines (IBP) recommended a one-year suspension for Salandanan.
  - **\*\*September 28, 2013:\*\*** IBP Board of Governors adopted and modified the recommendation, extending the suspension to three years.
  - **\*\*August 8, 2014:\*\*** IBP Board of Governors denied Salandanan's motion for

reconsideration.

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

1. Whether Atty. Salandanan violated the conflict of interest rule by representing E.E. Black Ltd. against his former client Paces Industrial Corporation.
2. Whether Salandanan misused confidential information obtained through his previous role at Paces.

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

The Supreme Court upheld the findings and recommendations of the IBP, determining that:

1. **\*\*Violation of Conflict of Interest Rule:\*\***

- The Court reaffirmed that a lawyer must maintain loyalty and confidentiality with clients. Rule 15.03, Canon 15 of the Code of Professional Responsibility (CPR) explicitly prohibits representing conflicting interests without written consent after full disclosure.
- By representing E.E. Black Ltd. against Paces, Salandanan breached this rule as he had previously represented Paces which demonstrated inconsistent obligations and roles.

2. **\*\*Misuse of Confidential Information:\*\***

- Salandanan's knowledge of Paces' operations and assets, utilized in the attachment and garnishment proceedings, constituted misuse of information gained through a fiduciary relationship.
- Canon 21 of the CPR mandates the preservation of client confidences even after termination of the attorney-client relationship, which Salandanan failed to uphold.

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

1. **\*\*Conflict of Interest:\*\*** Rule 15.03, Canon 15 states that a lawyer cannot represent conflicting interests unless all parties provide written consent after full disclosure.
2. **\*\*Preservation of Client Confidences:\*\*** Canon 21 emphasizes the continuous obligation of lawyers to safeguard client secrets and confidences even after the attorney-client relationship ends.

**\*\*Class Notes:\*\***

1. **\*\*Conflict of Interest (Rule 15.03, Canon 15):\*\***
  - Written consent required after full disclosure.

2. **Confidentiality (Canon 21):**

- Continues post-termination of the attorney-client relationship.

**Historical Background:**

The case reflects the rigorous standards within the Philippine legal system to prevent double-dealing and maintain ethical practice among lawyers. The decision reiterates longstanding principles requiring unwavering loyalty and confidentiality, aiming to sustain public trust in the legal profession and fortify the integrity of client-lawyer relationships.