

### Title:

Ruiz, et al. vs. Cabahug, et al., 102 Phil. 110 (1957)

### Facts:

**\*\*Background and Initial Contract:\*\***

- On July 31, 1950, the Secretary of National Defense accepted a bid from Allied Technologists, Inc. to provide architectural and engineering services for the construction of the Veterans Hospital at a price of P302,700.
- Plans and specifications submitted by Allied Technologists, through architects Enrique J. L. Ruiz, Jose V. Herrera, and Pablo D. Panlilio, were approved by the United States Veterans Administration in Washington, D.C.
- Due to legal constraints on Allied Technologists practicing architecture, the contract was signed by Ruiz as President and Panlilio as Architect.

**\*\*Conflict and Payment Issues:\*\***

- Payments to Allied Technologists were made with 15% of the contract price (P34,740) retained by the Department of National Defense officials.
- Panlilio asserted he was the sole architect for the project, excluding Ruiz and Herrera. This claim was allegedly supported by Col. Nicolas Jimenez of the Defense Department.
- Ruiz and Herrera sought judicial intervention to prevent this recognition, fearing deprivation of their compensation and professional recognition.

**\*\*Second Cause of Action:\*\***

- The contract included an option for the government to direct Allied Technologists to perform additional supervision services under Title II, which was refuted by disqualifying plaintiffs and entrusting work to inexperienced engineers.

**\*\*Lower Court Proceedings:\*\***

- The plaintiffs filed an amended complaint in the Court of First Instance of Manila requesting to recognize Ruiz, Herrera, and Panlilio as architects and enforce the government contract's Title II provisions.
- The court dismissed the complaint, citing the case as an unauthorized suit against the government and stating the majority shareholders hadn't joined the minority stockholder suit.

- Plaintiffs appealed, focusing solely on the first cause of action.

### Issues:

1. Whether the lawsuit is an unauthorized suit against the government, thus invalid without consent.
2. Whether the provisions of Act 3083, as amended by Commonwealth Act 327, apply and necessitate plaintiffs' claim to be filed with the Auditor General.
3. Whether the minority stockholder suit is tenable without the majority's endorsement.

### Court's Decision:

**\*\*Issue 1: Unauthorized Suit Against Government\*\***

- The Supreme Court determined that the suit is not against the government but against specific officials to clarify the entitlements to the retained contract payment.
- The government's financial obligations had been fulfilled by setting aside the contract amount, and the litigation was limited to competing claims by architects, with no required state action.

**\*\*Issue 2: Applicability of Act 3083 and Commonwealth Act 327\*\***

- Discussion on this issue occurs inherently within the context of the first issue, emphasizing the lawsuit's nature against officials instead of the government precludes applicability. The primary concern was whether the claim required filing with the Auditor General.
- The court positioned the issue as a misunderstanding, asserting the lawsuit focuses on individual officials and not the government's assets or obligations.

**\*\*Issue 3: Tenability of Minority Stockholder Suit\*\***

- The Supreme Court did not delve into the merits of this issue, implicitly bypassing it. Instead, they focused on determining if individual officials' actions constituted the basis for the claim.

**\*\*Conclusion:\*\***

- The Supreme Court reversed the lower court's decision, remanding the case for further proceedings to assess the entitlements under the retained funds and professional recognition dispute among the architects.

### Doctrine:

- The State's sovereign immunity is not breached when public officials are sued in their capacity to clarify competing private claims, provided the state's financial interests are unaffected.
- Legal proceedings against specific government officials, where no direct claim against the government is involved, fall outside the prohibition against suing the government without consent.

### ### Class Notes:

1. **Sovereign Immunity:** A fundamental principle barring lawsuits against the state without authorization.
2. **Minority Stockholder Rights:** Specific conditions under which minority shareholder suits are permissible.
3. **Public Official Accountability:** Government officials can be defendants if claims relate to their actions without impinging state obligations.

### **Relevant Legal Provisions:**

- **Sovereign Immunity Doctrine:** "There is no proposition of law which is better settled than the general rule that a sovereign state and its political subdivision cannot be sued in the courts except upon the statutory consent of the state."
- **Minority Stockholder Actions:** Requires careful consideration of the majority's involvement and necessity in joining suits.

### ### Historical Background:

The case emerged in post-WWII Philippines, highlighting procedural and substantive legal conflicts in state contracts for national projects. Amidst reconstruction efforts, the legal landscape was evolving to adapt to new institutional frameworks and judicial interpretations of administrative actions, which directly affected engineering and technological projects sponsored by government agencies.