

### Title:

Lee v. People of the Philippines and Atoz Trading Corporation

### Facts:

**A. Background:**

- Position and Employment:** Robert Crisanto D. Lee was the marketing manager of Atoz Trading Corporation (ATC), a company dealing in animal feeds and other raw materials.
- Client Acquisition:** During his tenure, Lee secured Ocean Feed Mills (Ocean) as a client, which made payments to ATC through telegraphic transfers. These transfers were made out to "Atoz Trading and/or Robert Lee" or just "Robert Lee".
- Discovery of Irregularity:** In 1994, Lee ceased working for ATC. An audit revealed that Ocean had payments aggregating PHP 318,672.00 outstanding. ATC then informed Ocean that Lee was no longer with them and asked for account verification. Ocean responded that it had settled its dues, inclusive of overpayments.
- Bank Records:** Bank documentation from UCPB Greenhills indicated that the telegraphically transferred payments were credited to Lee's personal account (Savings Account No. 117-105532-0).

**B. Legal Proceedings:**

- Filing of Informations:** On September 27, 1994, ATC filed 10 separate informations in the Regional Trial Court (RTC) of Pasig City against Lee for estafa under Art. 315, par. 1(b) of the Revised Penal Code.
- Joint Trial:** After Criminal Case No. 107023 was dismissed, Lee was arraigned and pleaded "Not Guilty" to the remaining nine cases. A joint trial ensued.
- Prosecution Evidence:** The prosecution presented testimonies from various parties including ATC's President Johnny Jaotegan, UCPB's general teller Jeffrey Corneby, Ocean's corporate secretary Maria Concepcion dela Cruz, and Ellen Gusar, an accounting clerk from ATC.
- Defense Evidence:** Lee asserted having informed Lu Hsui Nan, the supposed "real" president of ATC, about payment methods. He claimed to have entregued the withdrawn amounts to Beth Ligo, ATC's cashier, without obtaining acknowledgment receipts. Testimonies from John Jaotegan and the alleged vice-president of ATC refuted these claims.
- Rebuttal:** On rebuttal, prosecution witnesses confirmed that Ocean's payments were never properly remitted to ATC.

**C. Decision of the RTC:**

On July 23, 1996, the RTC convicted Lee on nine counts of estafa, imposing varying

penalties and mandating reimbursement to ATC.

**\*\*D. Appeal to the Court of Appeals (CA):\*\***

Lee contended the lack of formal demand for the funds and insufficient evidence of misappropriation. The CA dismissed the appeal and affirmed the RTC's decision on September 13, 2002. Lee's motion for reconsideration was denied.

**\*\*E. Petition for Review in Supreme Court:\*\***

Lee contested the CA's decisions on two grounds: 1) lack of formal demand for funds before filing the cases, and 2) misinterpretation or errors in judgment by the CA.

**### Issues:**

1. Is formal demand a necessary pre-condition for a conviction for estafa under Article 315, paragraph 1(b) of the Revised Penal Code?
2. Was there sufficient evidence to prove that Lee misappropriated or converted the funds to his own use?

**### Court's Decision:**

**\*\*A. Necessity of Formal Demand:\*\***

1. **\*\*Demand as Evidence of Misappropriation:\*\*** The Court reiterated that demand, while not a requisite element, serves as circumstantial evidence of misappropriation. Misappropriation or conversion can be established direct or circumstantial.
2. **\*\*Forms of Demand:\*\*** It need not be formal; a verbal query may suffice. The Court cited previous rulings affirming that any request or inquiry regarding the whereabouts of misappropriated funds is tantamount to a demand.

**\*\*B. Proof of Misappropriation:\*\***

1. **\*\*Evidence of Conversion:\*\*** Lee's cross-examination revealed his admittance of telegraphic transfers into his account. The prosecution provided strong and positive evidence of conversion through Lee's actions.
2. **\*\*Rebuttal Witnesses' Testimonies:\*\***
  - **\*\*Jaotegan's Testimony:\*\*** Established a demand for the funds on August 12, 1994, which remained unmet by Lee.
  - **\*\*Sur-Rebuttal by Lee:\*\*** His sur-rebuttal testimony affirmed the invalidity of his defense narrative, consolidating the conversion claims.

**\*\*C. Conclusion:\*\***

The Court denied the petition for lack of merit, upholding Lee's conviction.

### Doctrine:

- **Demand Not Necessary for Estafa:** Formal demand is not a required element but serves as circumstantial evidence of misappropriation.
- **Misappropriation of Trust Funds:** The accused can be convicted if evidence sufficiently proves conversion or misappropriation of funds held in trust, based on either direct evidence or sufficient circumstantial evidence.

### Class Notes:

1. **Elements of Estafa (Article 315(1)(b), RPC):**
  - a. Receipt of money/property in trust.
  - b. Misappropriation or conversion by the offender.
  - c. Prejudice to another resulting from such misappropriation.
2. **Demand:** Not a mandatory element but relevant as circumstantial evidence.
3. **Case Precedents:**
  - **Tubb v. People (1957, 101 Phil. 114):** Verbal queries are as effective as formal demands.
  - **Barrameda v. CA (313 SCRA 477):** Demand need not be explicit.

### Historical Background:

The case underscores the challenges in internal fraud detection and the accountability of corporate officers. In the context of the early 1990s, this case highlighted the vital need for stringent internal controls and audit processes within companies to safeguard against financial misdeeds and protect corporate interests. The decision also represents the judiciary's approach towards reinforcing fiduciary responsibilities and deterring embezzlement.