

Title: Eugenio E. Cortez vs. Atty. Hernando P. Cortes

Facts:

The case began when Eugenio E. Cortez (complainant), filed a Complaint-Affidavit against Atty. Hernando P. Cortes for alleged grave misconduct, breaching the Lawyer's Oath, and violating the Code of Professional Responsibility. Cortez engaged Atty. Cortes's services for an illegal dismissal case against Philippine Explosives Corporation (PEC). He claimed to have a verbal agreement with Atty. Cortes for a 12% contingency fee of the total awarded claim of PhP 1,100,000 which was mandated by the Court of Appeals after it affirmed the NLRC's order against PEC. PEC subsequently issued three checks payable to Cortez.

Upon receipt of the first check, an account was opened at China Bank to deposit it. Atty. Cortes demanded 50% of all claims at the bank and insisted on this even when confronted by Cortez. Faced with threats, Cortez endorsed two checks. He later retracted this with the IBP's help before Atty. Cortes could cash the checks. Atty. Cortes, in his defense, insisted they agreed on a 50% fee since the labor case required travel from Las Pinas to Pampanga. No written fee agreement existed, leading to disputes over whether the agreed fee was 12% or 50%.

The complaint was filed with the Integrated Bar of the Philippines (IBP) Commission on Bar Discipline. The IBP recommended a six-month suspension for Atty. Cortes, but Atty. Cortes filed a motion for reconsideration, which the IBP denied.

Issues:

1. Whether Atty. Cortes committed misconduct in demanding a higher fee than agreed upon?
2. Whether the suspension of Atty. Cortes is a reasonable disciplinary action considering his conduct?
3. Whether the 10% limitation on attorney's fees in labor cases applies to the agreement between Atty. Cortes and Cortez?

Court's Decision:

The Supreme Court found Atty. Cortes guilty of violating Canon 20 of the Code of Professional Responsibility. It ruled that though contingent fee arrangements are valid, they must be in writing, and in this case, there was none. The Court decided Atty. Cortes's demand for 50% was excessive and unreasonable under the circumstances. The Court considered different circumstances including the nature of the labor case, travel involved,

kinship, and the complainant's financial state, supporting the reasonableness of a 12% contingency fee. Consequently, Atty. Cortes was directed to return sums exceeding the 12% fee and his suspension was reduced from six to three months owing to his advancing age and absence of prior disciplinary records.

Doctrine:

The case reiterates the doctrine that contingent fee agreements must be explicitly laid out in a written contract and must not be excessive or unconscionable. Moreover, in labor cases, customary limitations regarding attorney's fees as outlined in Canon 20 of the Code of Professional Responsibility apply, and fees shall be based on the quantum meruit standard only when there is no agreement.

Class Notes:

- Contingency Fee Agreements: Must be in writing and should not exceed reasonable compensation.
- Canon 20, Code of Professional Responsibility: Lawyers shall only charge fair and reasonable fees.
- Article 111, Labor Code: Only permits a maximum of a 10% fee from recovered wages if designated as damages to be paid by the losing party.

Historical Background:

Historically, the regulation on attorney's fees in labor disputes highlights the balance between allowing attorneys to earn from successful litigation while protecting clients from excessive legal fees that could compromise the justice they seek. This case reflects the judicial interest in maintaining fair practices in legal representations to uphold the legal profession's integrity, particularly in labor cases that often involve financially disadvantaged clients.