

MANILA ELECTRIC COMPANY, PETITIONER, VS. THE HONORABLE SANDIGANBAYAN, PHILIPPINE COMMISSION ON GOOD GOVERNMENT AND SINING MAKULAY, INC., RESPONDENTS.

G.R. No. 102355. May 31, 1994

Ponente: BIDIN, J.

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BIDIN, J.:

The question presented in this petition for certiorari and prohibition is whether the Sandiganbayan has jurisdiction over a private claim demanded by petitioner against private respondent Sining Makulay, Inc., arising from an alleged violation of a lease agreement duly entered into by the parties. Respondent Sandiganbayan ruled in the affirmative in a Resolution dated October 22, 1991 and it is this ruling which petitioner now seeks to set aside.

Petitioner MERALCO is a domestic corporation engaged in the distribution and sale of electrical power within its franchise areas. It likewise leases to various companies specific spaces in its distribution poles for their lines and attachments (Rollo, pp. 137-138).

Private respondent Sining Makulay, Inc. (SMI) is likewise a domestic corporation which provides Community Antenna Television Service (CATV) to its customers (Rollo, p. 26).

On January 26, 1979, MERALCO entered into an agreement with SMI whereby the former agreed to lease to the latter specific spaces in its distribution poles at a rental rate of P26.00 per pole for a period of one year for its Community Antenna Television Service (CATV) (Rollo, pp. 26--33).

Unknown to petitioner, respondent SMI was also using its distribution poles not only for CATV but for cables providing computer data channels as well to various banking institutions. This practice became known to MERALCO (Rollo, p. 34).

Soon after the discovery of the above practice, petitioner advised SMI, among others, that the use of distribution poles for data transmission for certain clients and purposes other than for community antenna television services was a violation of their Joint Pole Agreement.

In its reply, SMI's president and PCGG Representative Manuel Francisco Jr. denied having violated the Joint Pole Agreement because it believed that data transmission was a CATV-related service (Rollo, p. 52).

On the other hand, petitioner insists that SMI's use of the cables for data transmission other than that for CATV exposed it to an unwarranted risk. Thus, it served a notice of termination of the agreement to SMI and at the same time demanded the removal of private respondent's attachments to the distribution poles within six (6) months from receipt thereof (Rollo, p. 53).

In the interim, the government filed Civil Case No. 0034 entitled "Republic of the Philippines vs. Roberto Benedicto, et. al.", before the Sandiganbayan for the recovery of alleged ill-gotten wealth amassed by the defendants named therein. Neither MERALCO nor SMI were party litigants in this civil case, but the latter was

placed under sequestration as one of the companies allegedly owned by Benedicto.

In an "Urgent Motion for Preliminary Injunction" filed in Civil Case No. 0034 pending before the Second Division of respondent Sandiganbayan, SMI prayed that an order be issued requiring MERALCO to appear before the court for a hearing thereon. In said motion, SMI prayed that petitioner be enjoined from withholding the use of the distribution poles by SMI and thus prevent the irreparable damage and prejudice to the movant.

During the hearing on the motion MERALCO asked and was granted fifteen (15) days to file its formal opposition and comment to the said motion (Rollo, p. 66). Thereafter, MERALCO submitted its Comment alleging lack of jurisdiction of the Sandiganbayan over petitioner and subject matter of the motion (Rollo, pp. 68-75). As aforesaid, respondent Sandiganbayan ruled otherwise.

From these antecedents, MERALCO now comes before this Court reiterating its claim that:

I

"THE SANDIGANBAYAN DID NOT ACQUIRE JURISDICTION OVER THE PETITIONER.

II

"THE SANDIGANBAYAN HAS NO JURISDICTION OVER THE SUBJECT MATTER OF THE MOTION" (Rollo, pp. 9; 13).

MERALCO, not being a party litigant before the Sandiganbayan, it would initially appear that respondent court did commit grave abuse of discretion when it assumed jurisdiction over petitioner. A closer look, however, reveals otherwise.

It is not disputed that respondent SMI was sequestered by the PCGG. Under section 2 of the President's Executive Order No. 14 issued on May 7, 1986, all cases of the Commission regarding "the x x x Assets, and Properties Illegally Acquired or Misappropriated by Former President Ferdinand Marcos, Mrs. Imelda Romualdez Marcos, their Close Relatives, Subordinates, Business Associates, Dummies, Agents, or Nominees," whether civil or criminal, are lodged within the "exclusive and original jurisdiction of the Sandiganbayan" and all incidents arising from, or incidental to, or related to, such cases necessarily fall likewise under the Sandiganbayan's exclusive and original jurisdiction, subject to review on certiorari exclusively by the Supreme Court (PCGG v. Peña, 159 SCRA 556 [1988]).

Thus, respondent Sandiganbayan correctly held that:

"There can be no dispute whatsoever that MOVANT (Sining Makulay, Inc.) is one of the sequestered assets listed in Annex A of the complaint in this case. Legally and technically, it is under custodia legis as ruled in BASECO vs. PCGG, 150 SCRA 181, although under the administration of the PCGG, which is mandated under Executive Order Nos. 1, 2 and 14, as amended, to sequester or provisionally take over, place or cause to be placed under its control or possession any building or office wherein any "ill-gotten wealth or properties" may be found x x x in order to prevent their destruction, concealment or disappearance x x x. Thus, under Executive Order No. 2, it is specifically prohibited that such assets and properties be transferred, conveyed, encumbered or otherwise depleted or concealed, under pain of such penalties as are prescribed by law. And, under Executive Order No. 14, as amended, exclusive and original jurisdiction over cases filed and prosecuted by the PCGG under Executive Orders Nos. 1 and 2 are vested in this Court.

"II. Considering, therefore, that MOVANT is a sequestered corporation and that its main asset or line of business is the continued existence and maintenance of the franchise x x x and which, for alleged unjustified and unmeritorious reasons, the latter (MERALCO) seeks to terminate, then the end result will be that

MOVANT may cease to operate and its assets, properties, equipment and accounts deteriorate and eventually dissipate and disappear. Such a situation cannot be allowed to happen, until and unless there will be a final adjudication and disposition of the issue as to whether these assets, etc. are ill-gotten wealth or not, since it may result in damage or prejudice being caused to the plaintiff Republic of the Philippines or any of the defendants therein." (Rollo, pp. 21-23)

While the contractual dispute between the two companies may appear to be of private concern, the same has necessarily fallen under the jurisdiction of the Sandiganbayan by virtue of the sequestration of SMI. An action that MERALCO may choose to pursue against SMI arising from the alleged breach of contract under the circumstances would ultimately lead to remedies which must be pursued before respondent Sandiganbayan, as an incident of Civil Case No. 0034.

After filing the instant petition, MERALCO received, a notice of resolution rendered by respondent Sandiganbayan which granted the "Joint Motion To Approve Compromise Agreement" in Civil Case No. 0034 entered into between the Republic of the Philippines, represented by the PCGG, and the defendant Roberto S. Benedicto.

In view of this development, petitioner MERALCO additionally raised the following issue:

III

"WHETHER OR NOT THE COMPROMISE AGREEMENT IN CIVIL CASE NO. 0034 RENDERED AS MOOT AND ACADEMIC THE INSTANT PETITION/CASE." (Rollo, p. 142)

MERALCO submits the affirmative. Respondents argue otherwise considering that in the execution of the compromise agreement, respondent court retains jurisdiction and authority to grant the relief prayed for by SMI in its motion for the issuance of a writ of preliminary injunction.

The Court disagrees with SMI's argument. The said compromise agreement provides:

"COMPROMISE AGREEMENT

"WHEREAS, this Compromise Agreement covers the remaining claims and cases of the Philippine Government against Roberto S. Benedicto, including his associates and nominees x x x;

"WHEREAS, specifically, these claims are the subject matter of the following cases:

x x x

"3. Sandiganbayan Civil Case No. 34

x x x

"WHEREAS, sometime in December, 1986, the parties herein entered into a temporary arrangement pendente lite, covering the management and operations of Mr. Benedicto's media business, to wit: x x x, Sining Makulay (CATV) x x x, for the purpose of maintaining the status quo of Mr. Benedicto's proprietary interest during the pendency of the sequestration proceedings;

"WHEREAS, in March 1990 the cases of Mr. Benedicto in the United States were settled thru a plea bargaining agreement approved by the New York Court, and a "Settlement and Partial Release of Claims" approved by the Los Angeles Court, California, U.S.A.;

"WHEREAS, on July 20 and 23, 1990 the Swiss cases, involving Benedicto's bank deposits were terminated with the withdrawal by Benedicto of his opposition to and the appeals filed against the grant of international

legal cooperation as requested by the Philippine Authorities from Switzerland; and on the part of the Republic of the Philippines, by a request to the Swiss authorities to unfreeze all assets (deposits) with the Swiss Federal and Cantonal authorities in order to comply with the Agreement;

"WHEREAS, following the termination of the United States and Swiss cases, and also without admitting the merits of their respective claims and counter-claims presently involved in uncertain, protracted, and expensive litigation, the Republic of the Philippines, solely motivated by the desire for immediate accomplishment of its recovery mission and Mr. Benedicto, being interested to lead a peaceful and normal pursuit of his endeavors, the parties have decided to withdraw and/or dismiss their mutual claims and counter-claims under the cases pending in the Philippines, earlier referred to;

"NOW, THEREFORE, for and in consideration of the foregoing premises, parties hereunto agree as they hereby agree to execute the following reciprocal cessions and concessions:

x x x

"II. Lifting of Sequestrations; Extension of Absolute Immunity and Recognition of the Freedom to Travel:

"a) The government hereby lifts the sequestration over the assets listed in Annex "C" hereof, the same being within the capacity of Mr. Benedicto to acquire from the exercise of his profession and conduct of business, x x x." (Rollo, pp. 164-168, underscoring supplied)

Annex "C" of the compromise agreement is titled "FOR RELEASE FROM SEQUESTRATION". Included in the list is all of Benedicto's shareholdings, whether personal or through nominees, in private respondent SMI (Rollo, p. 225).

Private respondent SMI admitted that it is one of the sequestered companies released to and returned by the respondent PCGG to its rightful owner under the approved compromise agreement (Rollo, p. 242).

In the questioned resolution of the respondent Sandiganbayan, one of the premises upon which the court based its conclusion was the fact that the movant was then a sequestered company, thus:

"II. Considering, therefore, that MOVANT (private respondent SMI) is a sequestered corporation and that its main asset or line of business is the continued existence and maintenance of the franchise which is the subject of the Agreement dated January 26, 1979 entered into between it and MERALCO, and which, for alleged unjustified and unmeritorious reasons, the latter seeks to terminate, then the end result will be that the MOVANT may cease to operate and its assets, properties, equipment and accounts deteriorate and eventually dissipate and disappear. Such a situation cannot be allowed to happen, until and unless there will be a final adjudication and disposition of the issue as to whether these assets, etc. are ill-gotten wealth or not, since it may result in damage or prejudice being caused to the plaintiff Republic of the Philippines or any of the defendants therein.

"III. It is precisely to cover situations such as the one involved herein that the Supreme Court had ruled in PCCG vs. Peña, supra, thus:

'All cases of the Commission x x x, and all incidents arising from, incidental to, or related to (them), such cases necessarily fall likewise under the Sandiganbayan's exclusive and original jurisdiction subject to review on certiorari exclusively by the Supreme Court.'

x x x

"Since the instant incident arose from, is incidental to, or related to cases which the PCGG has filed with this Court under its exclusive and original jurisdiction and constitute matters relative to the sequestration of defendant Roberto Benedicto's sequestered assets and properties, then it surely follows that this incident is

within the competency of this Court to pass upon." (Rollo, pp. 23-24).

The situation has now changed with the settlement of the Civil Case No. 0034. SMI is at present no longer under sequestration and is in private hands. Thus, whatever results in the contractual dispute between MERALCO and SMI would not cause any prejudice to the government nor to any of the defendants in said case.

SMI argues that the Sandiganbayan continues to have jurisdiction over Civil Case No. 0034, including its related incidents, even after the approval of the compromise agreement for purposes of execution and enforcement of the terms and conditions of the settlement.

The argument is beside the point. It is beyond question that under the compromise agreement, SMI is released from sequestration and its private ownership by Roberto S. Benedicto is not challenged. Article 2037 of the New Civil Code provides that "[a] compromise [agreement] has upon the parties the effect and authority of res judicata." In this regard, the assailed resolution of respondent Sandiganbayan is deemed to have been superseded and abandoned by the said compromise agreement, the validity of which has been upheld by this Court in *Republic v. Sandiganbayan, et al.*, (GR No. 108292, September 10, 1993).

WHEREFORE, the petition is DISMISSED for being moot and academic. The questioned resolution dated October 22, 1991 of respondent Sandiganbayan is SET ASIDE for having become functus officio.

SO ORDERED.

Feliciano, Padilla, Davide, Jr., Romero, Bellosillo, Melo, Puno, Vitug, and Kapunan, JJ., concur.
Narvasa, C.J., Cruz, and Regalado, JJ., on leave.
Quiason, J., no part.

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