PAUL C. DEL MORAL, JUAN ANTONIO DEL MORAL AND JOSE LUIS C. DEL MORAL, PETITIONERS, VS. REPUBLIC OF THE PHILIPPINES REPRESENTED BY THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT ...

G.R. NO. 140301. April 26, 2005

Ponente: AUSTRIA-MARTINEZ, J.

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AUSTRIA-MARTINEZ, J.:

Whether the Sandiganbayan has jurisdiction to annul a decision of a Regional Trial Court (RTC) in a partition case, wherein a sequestered corporation is a party, is the sole issue that needs to be resolved in the present petition for certiorari and prohibition filed before this Court.

The facts are aptly narrated in the Resolution dated December 28, 1998 of the Sandiganbayan, to wit:

> On May 9, 1986, PCGG issued a writ of sequestration over all properties or assets of the Mountain View Real Estate Corporation (Mountain View for brevity) believed to be part of the so-called ill-gotten wealth. On May 21, 1986, the writ of sequestration was annotated at the back of TCT No. 9497, covering a parcel of land located in the province of Cavite co-owned by Mountain View and other persons.
>
> In July 1987, PCGG filed with the Sandiganbayan a case for the recovery of ill-gotten wealth against several defendants, one of them being Anthony Lee, president of Mountain View. The share of Mountain View in the land covered by TCT 9497 was listed as one of the assets of Lee. Subsequently, PCGG and Lee entered into a compromise agreement which was approved by the Sandiganbayan in its Resolution of June 18, 1992, where Lee transferred his rights and interest in Mountain View in favor of the Government.
>
> In the meantime on February 4, 1987, movants Del Morals and Primicias, together with the other co-owners of the land covered by TCT 9497, filed with respondent Regional Trial Court (RTC) of Tagaytay City an action against Mountain View for the partition of the piece of land covered by the said title. Mountain View was declared in default. On March 24, 1988, respondent court rendered a decision approving the project of partition submitted by the parties with the exception of Mountain View. The piece of land covered by TCT 9497 was allocated to the different co-owners, including Mountain View which was given an area of 78,072 square meters. On April 26, 1988, respondent court amended its decision by adding therein a portion ordering the Register of Deeds of Tagaytay City to issue the corresponding certificates of title to the co-owners who were parties to the project of partition, and also to Mountain View, and directing the cancellation of TCT 9497. Certificate of Title No. 17398 was issued in the name of Mountain View covering an area of 78,072 square meters. However, on August 17, 1998,[1] the respondent court issued an order approving the revised technical description submitted by movants Del Morals which in effect reduced the area of the share in the land of Mountain View to only 57,693 square meters.[2]

It was only in 1994 that the Republic of the Philippines, through the Presidential Commission on Good Government (PCGG), came to know of the action for partition filed by herein petitioners in the RTC of Tagaytay City. The Republic, then filed, on November 20, 1996, a petition before the Sandiganbayan for the annulment of

the amended decision of the said trial court and for the reconveyance in favor of Mountain View of the area taken from its share, docketed as Civil Case No. 0173.[3] Petitioners herein filed a motion to dismiss alleging that the Sandiganbayan has no jurisdiction over the case.[4] This was denied by the Sandiganbayan in its Resolution dated December 14, 1998, which reads in part as follows:

> Under Section 4 (c) of P.D. 1606, as amended by R.A. No. 8249, the Sandiganbayan has exclusive original jurisdiction over all civil cases filed pursuant to and in connection with Executive Order Nos. 1, 2, 14 and 14-A, issued in 1986, which executive orders refer to the recovery of the supposed ill-gotten wealth of the late President Marcos, his family and his associates. As held in PCGG vs. Peña (159 SCRA 556), this jurisdiction also applies to all incidents arising from, incidental to, or related to such cases.
>
> The present petition of PCGG for the annulment of the amended decision of respondent RTC of Tagaytay City and for the reconveyance in favor of Mountain View of its share in the piece of land in question which was reduced by the same decision, can still be deemed as a case arising from, incidental to, or related to the recovery of the alleged ill-gotten wealth of the late President Marcos or his associates. This is so for at the time respondent court rendered its amended decision reducing the share of Mountain View in the land in dispute, the said share of Mountain View was not yet acquired by the Government, contrary to the contention of movants Del Morals and Primicias, considering that the amended decision of respondent court was handed down in 1987 while the compromise agreement between PCGG and Lee where he ceded all his interests in Mountain View in favor of the Government was approved by the Sandiganbayan only in 1992. It appears therefore that the instant petition for annulment and for reconveyance filed by PCGG is still within the jurisdiction of this Court.
>
> WHEREFORE, the motion to dismiss of respondents Del Morals, which was adopted by respondent Primicias, is denied.
>
> SO ORDERED.[5]

On August 12, 1999, the Sandiganbayan denied petitioners' motion for reconsideration.[6]

Hence the present petition for certiorari raising the following issues:

> - RESPONDENT SANDIGANBAYAN HAS NO JURISDICTION TO TAKE COGNIZANCE OF THE PETITION TO ANNUL THE DECISION OF THE REGIONAL TRIAL COURT (BRANCH 18) OF TAGAYTAY CITY.
>
> - THE RESPONDENT SANDIGANBAYAN HAS WRONGLY APPLIED THE DOCTRINE SET IN PCGG VS. PENA (159 SCRA 556) IF ONLY TO SUPPORT ITS RULING.
>
> - THE RESPONDENT SANDIGANBAYAN SIMPLY IGNORED CERTAIN RECENT YET VITAL JURISPRUDENCE WHICH SHED LIGHT TO THE PROPER INTERPRETATION OF THE PCGG VS. PENA DOCTRINE.
>
> - THE PATENT ADMISSION OF RESPONDENT REPUBLIC THAT IT IS BUT A STOCKHOLDER OF MOUNTAIN VIEW IS ANOTHER SUFFICIENT GROUND TO DISMISS THE PETITION FOR ANNULMENT.[7]

Anent the first issue, petitioners contend that: it is the Court of Appeals and not the Sandiganbayan which has jurisdiction over the present case since what is sought to be nullified by the Republic through the PCGG is the decision of an ordinary civil court in the exercise of its general jurisdiction; while there are instances when the Sandiganbayan can take cognizance of civil cases arising from, incidental to or related to ill-gotten wealth cases, such limited jurisdiction should never be extended to cover the annulment of a decision by an ordinary civil court; in this case, the reviewing court will pass upon issues not germane to the authority of the Sandiganbayan as a graft

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court, i.e., whether or not there was fraud in the trial court proceeding and whether or not the RTC has acquired jurisdiction over the partition case; and since what was transferred by Lee to the Government are shares of stock in Mountain View, the annulment should have been filed by Mountain View before the ordinary courts.[8]

As to the second issue, petitioners argue that the Sandiganbayan cannot rely on the case of PCGG vs. Peña[9] to justify its cognizance of the instant case; when PCGG acting on behalf of the Republic instituted the action for annulment before the Sandiganbayan, PCGG was no longer recovering ill-gotten wealth, because by the approval of the compromise agreement, the civil case against Lee has already been deemed terminated; inasmuch as what the Republic wanted to recover from Lee has already been transferred to the Government, PCGG, in instituting the annulment case, is no longer exercising its powers under the applicable executive orders and Constitutional provisions; and Sandiganbayan's jurisdiction extends only to those that arise from the ill-gotten wealth cases and not to cases that merely involve ill-gotten wealth.[10]

With regard to the third and fourth issues, petitioners argue that by virtue of this Court's ruling in Republic vs. Sandiganbayan,[11] the Sandiganbayan has no jurisdiction over the present case because it does not concern or involve the question of sequestration, freezing or provisional takeover of property by the government; following this Court's pronouncements in San Miguel Corporation vs. Kahn[12] and Holiday Inn (Phils) vs. Sandiganbayan[13] it can be seen that not all civil cases filed by or against the Republic through PCGG fall under the jurisdiction of the Sandiganbayan; Lee assigned his shares in Mountain View to the Government, as such, the Republic merely became the stockholder of Mountain View; and in view of the doctrine that a corporation has its own personality separate and distinct from its stockholders, it must be Mountain View which should have filed the instant case as the real party-in-interest.[14]

Petitioners pray that a Writ of Preliminary Injunction be issued restraining public respondent Sandiganbayan from proceeding with Civil Case No. 0173; that a decision be rendered declaring the Resolutions dated December 14, 1998 and August 12, 1999 of the Sandiganbayan null and void for being issued in grave abuse of discretion amounting to lack or excess of jurisdiction; and that a writ of prohibition be issued commanding public respondent Sandiganbayan to permanently desist from proceeding with Civil Case No. 0173, entitled, "Republic of the Philippines vs. Regional Trial Court (Branch 18, Tagaytay City), Feliciano Panganiban, et al."; and that said case be dismissed for lack of jurisdiction on the part of public respondent Sandiganbayan.[15]

In his Comment, the Solicitor General averred that: the exclusive jurisdiction to try and decide cases filed pursuant to and in connection with Executive Order Nos. 1, 2, 14 and 14-A issued in 1986, which refer to the recovery of ill-gotten wealth acquired by the late President Marcos, his family and associates, is vested in the Sandiganbayan as provided under Section 4(c) of P.D. No. 1606, as amended by R.A. No. 8249; Sandiganbayan's jurisdiction was interpreted by this Court in PCGG vs. Pena and Soriano III vs. Yuson;[16] the instant case falls under the above pronouncements because the petition for annulment before the Sandiganbayan was filed by respondent in the exercise of its powers as transferee of the interest of Mountain View, a corporation impleaded as party defendant in Civil Case No. 0010 for the recovery of ill-gotten wealth, where Lee, then president of Mountain View, is a defendant; and the Sandiganbayan has jurisdiction in the present case following PCGG vs. Sandiganbayan.[17]As stated, the only issue that needs to be resolved in this petition is whether the Sandiganbayan has jurisdiction over a petition for annulment of an RTC ruling in a partition case wherein a sequestered corporation is a party.

We rule in the affirmative.

As admitted by the parties, the action for partition filed by petitioners over the subject land was instituted before the RTC while all the assets of Mountain View, a co-owner of said property, were under sequestration by the

PCGG. This notwithstanding, petitioners argue that it is the regular courts which have jurisdiction over the present case since what is involved is merely a civil case for partition and not a case for the recovery of ill-gotten wealth; that the fact that it involves a corporation that was placed under sequestration is merely incidental and would not confer upon the Sandiganbayan jurisdiction over the case.

We do not agree.

In PCGG vs. Peña,[18] properly cited by the Sandiganbayan, what was involved was a civil case for damages, and not a case for the recovery of ill-gotten wealth, filed in the Sandiganbayan by the co-owners of the sequestered corporation against PCGG. We held:

> On the issue of jurisdiction squarely raised...the Court sustains petitioner's stand and holds that regional trial courts and the Court of Appeals for that matter have no jurisdiction over the Presidential Commission on Good Government in the exercise of its powers under the applicable Executive Orders and Article XVIII, section 26 of the Constitution and therefore may not interfere with and restrain or set aside the orders and actions of the Commission. Under section 2 of the President's Executive Order No. 14 issued on May 7, 1986, all cases of the Commission regarding "the Funds, Moneys, 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, 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.[19] (Emphasis supplied)

In Soriano III vs. Yuzon,[20] we reiterated the said ruling and even pronounced:

> ...that exclusive jurisdiction conferred on the Sandiganbayan would evidently extend not only to the principal causes of action, i.e., the recovery of alleged ill-gotten wealth, but also to "all incidents arising from, incidental to, or related to, such cases," such as the dispute over the sale of the shares, the propriety of the issuance of ancillary writs or provisional remedies relative thereto, the sequestration thereof, which may not be made the subject of separate actions or proceedings in another forum.[21](Emphasis supplied)

In PCGG vs. Sandiganbayan,[22] respondent court used the very same arguments being raised by the petitioners herein when it motu proprio dismissed a petition for certiorari to annul the RTC decision filed before it by the PCGG. The Sandiganbayan held that not every claim against a sequestered asset or entity falls within its jurisdiction and since the case before the trial court was for enforcement of a foreign judgment and not for the recovery of ill-gotten wealth, it had no jurisdiction to rule on the said petition.[23] Disagreeing with the Sandiganbayan, we explicitly ruled in this wise:

. . . We rule that the Sandiganbayan has jurisdiction to annul the judgment of the Regional Trial Court in a sequestration-related case.[24]

. . .

We disagree with the Sandiganbayan that it has no jurisdiction over an action to annul the Regional Trial Court's judgment in a sequestration-related case. We have held that the Sandiganbayan has original and exclusive jurisdiction not only over principal causes of action involving recovery of ill-gotten wealth, but also over all incidents arising from, incidental to, or related to such cases....[25]

for the following reasons:

> Sequestered assets and corporations are legally and technically in custodia legis, under the administration of the PCGG. Executive Order No. 2 specifically prohibits that such assets and properties be transferred, conveyed, encumbered, or otherwise depleted or concealed, under pain of such penalties as prescribed by law.

> Considering that PNCC/CDCP and AHL are sequestered corporations, and WUTIC's claim is questionable, the payment of a substantial amount of money can result in the deterioration and disappearance of the sequestered assets. "Such a situation cannot be allowed to happen, unless there is a final adjudication and disposition of the issue as to whether these assets are ill-gotten or not, since it may result in damage or prejudice to the Republic of the Philippines."[26] (Emphasis supplied)

Furthermore, in Baseco vs. PCGG,[27] we had the occasion to explain the power of the PCGG, as follows:

> ...the power of the PCGG to sequester property claimed to be "ill-gotten" means to place or cause to be placed under its possession or control said property, or any building or office wherein any such property and any records pertaining thereto may be found, including "business enterprises and entities," --- for the purpose of preventing the destruction, concealment or dissipation of, and otherwise conserving and preserving the same --- until it can be determined, through appropriate judicial proceedings, whether the property was in truth "ill-gotten," i.e., acquired through or as result of improper or illegal use of or the conversion of funds belonging to the Government or any of its branches, instrumentalities, enterprises, banks or financial institutions, or by taking undue advantage of official position, authority, relationship, connection or influence, resulting in unjust enrichment of the ostensible owner and grave damage and prejudice to the State.[28] (Emphasis supplied)

Another argument of petitioners, which must fail, is that the government has no personality to bring a suit to annul a judgment which prejudiced Mountain View since it is a mere stockholder thereof. We do not agree. As borne by the records, a writ of sequestration was issued over "all assets, properties, records and documents of Mountain View"[29] on May 9, 1986, before the institution of the partition case.

"Sequestration" as defined is:

> . . . taking into custody or placing under the Commission's (PCGG) control or possession any asset, fund or other property, as well as relevant records, papers and documents, in order to prevent their concealment, destruction, impairment or dissipation pending determination of the question whether the said asset, fund or property is ill-gotten wealth under Executive Orders Nos. 1 and 2.[30]

In this case, the original area of 78,072 square meters allotted to Mountain View was reduced to 57,693 square meters, by virtue of the August 17, 1988 Order of the trial court in the partition case where Mountain View and the PCGG did not take part.[31]In PCGG vs. Sandiganbayan[32] we explained that:

> We are aware of the various schemes employed to circumvent sequestration orders, dissipate sequestered assets, and thwart PCGG's efforts to recover ill-gotten wealth...Hence, there is a need to vigorously guard these assets and preserve them pending resolution of the sequestration case before the Sandiganbayan, considering the paramount public policy for the recovery of ill-gotten wealth.[33]

With all the assets, properties and documents of Mountain View under the control of PCGG at the time the partition case was instituted by petitioners, clearly PCGG has the legal personality to file an action of annulment of the RTC judgment in the partition case.

The Court is likewise not persuaded by petitioners' claim that our rulings in [Holiday Inn vs.] Sandiganbayan[34] and San Miguel Corporation vs. Kahn[35] apply to the present case.

In Holiday Inn, which involved a complaint-in-intervention filed by said corporation before the Sandiganbayan, the Court upheld the Sandiganbayan when it ruled that it does not have jurisdiction over the complaint-in-intervention case, not only because it involves an interpretation of contract between Holiday Inn and a sequestered corporation, but also because the original and exclusive jurisdiction given to the Sandiganbayan over PCGG cases pertains to:

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> (a) cases filed by the PCGG, pursuant to the exercise of its powers under Executive Order Nos. 1, 2 and 14, as amended by the Office of the President, and Article XVIII, Section 26 of the Constitution, i.e., where the principal cause of action is the recovery of ill-gotten wealth, as well as all incidents arising from, incidental to, or related to such cases and (b) cases filed by those who wish to question or challenge the commission's acts or orders in such cases.[36] (Emphasis supplied)

As pointed out by the Solicitor General, to which this Court agreed, the complaint is not directed against PCGG as an entity but against a private corporation, in which case, it is not per se, a PCGG case.

It is true that in San Miguel Corporation vs. Kahn,[37] we ruled that the subject matter of the complaint does not fall within the jurisdiction of the Sandiganbayan. However, it was made with the following qualification:

> ...His complaint does not involve any property illegally acquired or misappropriated by Marcos, et al., or "any incidents arising from, incidental or, related to any case involving such property, but assets indisputably belonging to San Miguel Corporation which were, in his (de los Angeles'[s]) view, being illicitly committed by a majority of its board of directors to answer for loans assumed by a sister corporation...[38]

Under the foregoing circumstances, it is clear that the rulings in said cases do not apply to the present case.

As a final word, it is well to mention that the jurisdiction of the Sandiganbayan over PCGG cases is not without reason. As we explained in PCGG vs. Peña:[39]

> ...Given the magnitude of the (Marcos) regime's "organized pillage" and the ingenuity of the plunderers and pillagers with the assistance of the experts and best legal minds available in the market, it is a matter of sheer necessity to restrict access to the lower courts, which would have tied into knots and made impossible the Commission's gigantic task of recovering the plundered wealth of the nation, whom the past regime in the process had saddled and laid prostrate with a huge $27 billion foreign debt....[40]

WHEREFORE, the present petition is DISMISSED for lack of merit.

SO ORDERED.

Puno, (Chairman), Callejo, Sr., Tinga, and Chico-Nazario, JJ., concur.

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[1] Should be 1988, Records, Vol. I, p. 17.

[2] Rollo, pp. 39-41.

[3] Entitled: "Republic of the Phils. vs. Regional Trial Court (Branch 18, Tagaytay City), Feliciano Panganiban, et al."

[4] Rollo, pp. 135-138.

[5] Id., pp. 41-42.

[6] Id., p. 43.

[7] Id., pp. 15, 18, 24 and 31.

[8] Rollo, pp. 16-18.

[9] No. L-77663, April 12, 1988, 159 SCRA 556.

[10] Rollo, pp. 20-23.

[11] G.R. Nos. 96073, 104065, 104167, 104168, 104679, 104850, 104883, 105170, 105205, 105206, 105711-12, 105808, 105809, 105850, 106176, 106765, 107233, 107908, 109314, 109592, January 23, 1995, 240 SCRA 376.

[12] G.R. No. 85339, August 11, 1989, 176 SCRA 447.

[13] G.R. No. 85576, June 8, 1990, 186 SCRA 447.

[14] Rollo, pp. 25-31.

[15] Rollo, pp. 31-33.

[16] Nos. L-74910, 75075, 75094, 76397, 79459, 79520, August 10, 1988, 164 SCRA 226.

[17] G.R. No. 132738, February 23, 2000, 326 SCRA 346.

[18] No. L-77665, April 12, 1988, 159 SCRA 556.

[19] Id., pp. 561-562.

[20] No. L-79520, August 10, 1988, 164 SCRA 226.

[21] Id., p. 242.

[22] G.R. No. 132738, February 23, 2000, 326 SCRA 346.

[23] Id., pp. 350-351.

[24] Id., p. 352.

[25] Id., p. 353.

[26] Id., pp. 353-354.

[27] No. L-75885, May 27, 1987, 150 SCRA 181.

[28] Id., pp. 208-209.

[29] Records, Vol. 1, p. 67.

[30] E.O. No. 1, Creating the Presidential Commission on Good Government, Sec. 1. (B).

[31] Rollo, p. 41.

[32] G.R. No. 132738, February 23, 2000, 326 SCRA 346.

[33] Id., p. 353.

[34] G.R. No. 85576, June 8, 1990, 186 SCRA 447.

[35] G.R. No. 85339, August 11, 1989, 176 SCRA 447.

[36] Holiday Inn case, supra, p. 453.

[37] See note 35, supra.

[38] Supra, p. 461.

[39] Supra.

[40] Id., p. 566.

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