

**RAUL H. SESBREÑO, Petitioner, vs. HON. COURT OF APPEALS,
PROVINCE OF CEBU, GOV. EDUARDO R. GULLAS, THE PROVINCIAL
TREASURER, THE PROVINCIAL AUDITOR, THE PROVINCIAL
ENGINEER PATR...**

G.R. No. 161390. April 16, 2008

Ponente: NACHURA, J.

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NACHURA, J.:

For review is the Decision[1] of the Court of Appeals (CA) dated July 23, 2003 and its Resolution[2] dated January 12, 2004 in CA-G.R. CV No. 43287. The assailed decision reversed the decision[3] of the Regional Trial Court (RTC), Branch 6, Cebu City in Civil Case R-19022 insofar as the RTC held the Province of Cebu liable for damages to petitioner Raul H. Sesbreño. The assailed resolution denied petitioner's motion for reconsideration.

On January 26, 1970, Mrs. Rosario Sen and other camineros[4] hired the petitioner to prosecute Civil Cases Nos. R-10933[5] and R-11214,[6] evidenced by an Agreement,[7] the terms of which read as follows:

AGREEMENT

WE, the undersigned, hereby agree to pay Atty. Raul H. Sesbreño, thirty (30%) percent of whatever back salaries, damages, etc. that we may recover in the mandamus and other cases that we are filing or have filed against the Province of Cebu, the Provincial Governor, etc., whether or not the said cases will be amicably settled or decided by the courts by final judgment. We shall take care of all expenses in connection with the said cases.[8]

During the pendency of the aforesaid cases or on April 17, 1979, petitioner registered his charging/retaining lien based on the Agreement.[9]

The camineros obtained favorable judgment when the Court of First Instance (now RTC) of Cebu ordered that they be reinstated to their original positions with back salaries, together with all privileges and salary adjustments or increases.[10] Aggrieved, the Commissioner of Public Highways and the District Engineer filed certiorari cases before this Court where the petitioner willingly rendered further legal assistance and represented the camineros.

When respondent Eduardo R. Gullas (Gov. Gullas) assumed the position of governor of Cebu, he proposed the compromise settlement of all mandamus cases then pending against the province which included Civil Cases Nos. R-10933 and R-11214 handled by the petitioner.

On April 21, 1979, the camineros, represented by the petitioner, and the province of Cebu, through then Gov. Gullas, forged a Compromise Agreement,[11] with the following terms and conditions:

1. The respondent Province of Cebu represented in this act by Gov. Eduardo R. Gullas, duly authorized by proper resolution of the Sanguniang Panlalawigan, hereby agrees to immediately appropriate and pay full backwages and salaries as awarded by the trial court in its decision to all the private respondents-employees from and after July 1, 1968, the date of their termination, up to the date of the approval of the herein

Compromise Agreement by the Honorable Supreme Court, except for those who are qualified for compulsory retirement whose back salaries and wages shall be limited up to the effective date of their retirement.

x x x x

9. That the amounts payable to the employees concerned represented by Atty. Raul H. Sesbreño is subject to said lawyer's charging and retaining liens as registered in the trial court and in the Honorable Court of Appeals.

x x x x

11. That upon request of the employees concerned, most of whom are in dire actual financial straits, the Province of Cebu is agreeable to paying an advance of P5,000.00 to each employee payable through their counsel, Atty. Raul H. Sesbreño, deductible from the total amount that each will receive from the Province of Cebu, effective upon confirmation by the Honorable Solicitor General, the Supreme Court and the Philippine National Bank where the JJ (now infrastructure funds) are now in deposit under trust.[12]

Apparently, the camineros waived their right to reinstatement embodied in the CFI decision and the province agreed that it immediately pay them their back salaries and other claims. This Court adopted said compromise agreement in our decision[13] dated December 18, 1979.[14]

In view of the finality of the above decision, the camineros, through their new counsel (who substituted for the petitioner), moved for its execution. The court then ordered the issuance of a partial writ of execution directing the payment of only 45% of the amount due them based on the computation of the provincial engineering office as audited by the authority concerned.[15] The court did not release the remaining 55%, thus holding in abeyance the payment of the lawyer's fees pending the determination of the final amount of such fees.[16] However, instead of complying with the court order directing partial payment, the province of Cebu directly paid the camineros the full amount of their adjudicated claims.[17]

Thus, petitioner filed the complaint for Damages (Thru Breach of Contract) and Attorney's Fees against the Province of Cebu, the provincial governor, treasurer, auditor, and engineer in their official and personal capacities, as well as against his former clients (the camineros).[18]

Petitioner anchored his claim on the provision of the Civil Code, specifically Article 19[19] thereof. He alleged that by directly paying the camineros the amounts due them, the respondents induced the camineros to violate their written contract for attorney's fees.[20] He likewise claimed that they violated the compromise agreement approved by the Court by computing the camineros' money claims based on the provincial instead of the national wage rate which, consequently, yielded a lower amount.[21] Petitioner went on to say that although he was not a party to the above contracts, by virtue of the registration of his charging lien, he was a quasi-party and thus, had legal standing to institute the case below.[22]

On August 23, 1982, petitioner moved to dismiss the case against the camineros after he had entered into an agreement with them and settled their differences.[23] The case, however, proceeded against the respondents.

On October 18, 1992, the RTC rendered a decision in favor of the petitioner and against the respondent province of Cebu, the pertinent portion of which reads:

Wherefore, for all the foregoing, judgment is rendered, ordering the defendant Province of Cebu to pay the plaintiff the following sums:

- (a) P669,336.51 in actual damages; with interest of 12% per annum from date of demand until fully paid;
- (b) P20,000.00 in moral damages;

(c) P5,000.00 in litigation expenses; and

(d) To pay the costs.[24]

While maintaining the validity of the compromise agreement, the trial court found that the petitioner's money claims should have been computed based on the national and not the provincial rate of wages paid the camineros. Accordingly, the court declared that the petitioner was prejudiced to the extent of the difference between these two rates. The court further upheld the petitioner's status as a quasi-party considering that he had a registered charging lien. However, it did not give credence to the petitioner's claim that the respondent public officials induced the camineros to violate their contract, and thus, absolved them from liability.

On appeal, the CA reversed the trial court's decision and dismissed the complaint.[25] The appellate court concluded that petitioner failed to sufficiently establish his allegation that the respondents induced the camineros to violate the agreement for attorney's fees and the compromise agreement, and that he suffered damage due to respondents' act of directly paying the camineros the amounts due them.[26]

Hence, the instant petition. In his Memorandum, petitioner raises the following issues:

- RESPONDENT COURT OF APPEALS ERRED IN NOT AFFIRMING THE TRIAL COURT DECISION DUE TO LONG DELAY IN DECIDING CA-G.R. CV NO. 43287.
- RESPONDENT COURT OF APPEALS ERRED IN NOT DISMISSING THE APPEAL IN CA-G.R. CV NO. 43287 FOR FAILURE TO PROSECUTE AND DUE TO THE FATALY-DEFECTIVE APPELLANT'S BRIEF.
- RESPONDENT COURT OF APPEALS ERRED IN REVERSING THE TRIAL COURT DECISION BY DECLARING THAT THE TRIAL COURT SHOULD NOT FIX THE ATTORNEY'S FEES OF PETITIONER DESPITE THE FACT THAT THE TRIAL COURT DECISION IS CLEAR THAT WHAT WAS ADJUDGED WAS THE DECLARATION THAT THERE WAS BREACH OF THE COMPROMISE CONTRACT AND DAMAGES ARE TO BE AWARDED THE PETITIONER.
- RESPONDENT COURT OF APPEALS ERRED IN NOT DECLARING RESPONDENTS GULLAS, RESENTE, SANCHEZ AND BACAY AS PERSONALLY LIABLE AND THAT THEIR PERSONAL LIABILITY IS SOLIDARY WITH THAT OF RESPONDENT PROVINCE OF CEBU.
- RESPONDENT COURT OF APPEALS ERRED IN NOT DECLARING THAT PRIVATE RESPONDENTS ARE SOLIDARILY LIABLE TO PAY TO PETITIONER ACTUAL OR COMPENSATORY, MORAL, EXEMPLARY, NOMINAL, TEMPERATE DAMAGES, LITIGATION EXPENSES AND LOSS OF EARNINGS AND INTERESTS.[27]

The petition is bereft of merit.

Petitioner insists that the CA should have affirmed the trial court's decision in view of the delay in resolving the case, and should have denied the appeal because of the formal defects in the appellant's brief.[28] Petitioner cites the cases of *Malacora v. Court of Appeals*[29] and *Flora v. Pajarillaga*[30] where this Court held that an appealed case which had been pending beyond the time fixed by the Constitution should be "deemed affirmed."

We cannot apply the cited cases to the one at bench because they were decided on the basis of Section 11 (2), Article X of the 1973 Constitution, which reads:

SEC. 11. x x x

(2) With respect to the Supreme Court and other collegiate appellate courts, when the applicable maximum period shall have lapsed without the rendition of the corresponding decision or resolution because the

necessary vote cannot be had, the judgment, order, or resolution appealed from shall be deemed affirmed x x x.

That provision is not found in the present Constitution. The court, under the 1987 Constitution, is now mandated to decide or resolve the case or matter submitted to it for determination within specified periods.[31] Even when there is delay and no decision or resolution is made within the prescribed period, there is no automatic affirmance of the appealed decision. The appellate court, therefore, cannot be faulted in not affirming the RTC's decision. While we do not tolerate delay in the disposition of cases, we cannot dismiss appealed cases solely because they had been pending in court for a long period, especially when the appeal is highly meritorious as in the present case.

Likewise, we cannot agree with the petitioner that the appealed case be dismissed on account of the formal defects in respondent's appellant's brief filed before the CA. The requirements laid down by the Rules of Court on the contents of the brief are intended to aid the appellate court in arriving at a just and proper conclusion of the case.[32] However, despite its deficiencies, respondent's appellant's brief is sufficient in form and substance as to apprise the appellate court of the essential facts and nature of the case, as well as the issues raised and the laws necessary for the disposition of the same.[33] Thus, we sustain the CA's decision to rule on the merits of the appeal instead of dismissing it on mere technicality.

Now, on the main issue of whether or not respondents are liable for damages for breach of contract.

Petitioner clarifies that he instituted the instant case for breach of the compromise agreement and not for violation of the agreement for attorney's fees as mistakenly concluded by the appellate court. He also cites *Calalang v. De Borja*[34] in support of his right to collect the amounts due him against the judgment debtor (the respondents).[35] Lastly, petitioner argues that the respondent public officials acted beyond the scope of their authority when they directly paid the camineros their money claims and failed to withhold the petitioner's fees. There is, according to the petitioner, a showing of bad faith on the part of the province and the public officials concerned.

After a careful scrutiny of the record of the case, we find no compelling reason to disturb the appellate court's conclusion. We would like to stress at this point that the compromise agreement had been validly entered into by the respondents and the camineros and the same became the basis of the judgment rendered by this Court. Its validity, therefore, had been laid to rest as early as 1979 when the Court promulgated its decision in *Commissioner of Public Highways v. Burgos*. [36] In fact, the judgment had already been fully satisfied by the respondents. It was precisely this full satisfaction of judgment that gave rise to the instant controversy, based primarily on the petitioner's claim that he was prejudiced because of the following: 1) the wrong computation in the camineros' money claims by using the provincial and not the national wage rate; and 2) the mode of satisfying the judgment through direct payment which impaired his registered charging lien.

Petitioner's claim for attorney's fees was evidenced by an agreement for attorney's fees voluntarily executed by the camineros where the latter agreed to pay the former "thirty (30%) percent of whatever back salaries, damages, etc. that they might recover in the mandamus and other cases that they were filing or have filed." Clearly, no fixed amount was specifically provided for in their contract nor was a specified rate agreed upon on how the money claims were to be computed. The use of the word "whatever" shows that the basis for the computation would be the amount that the court would award in favor of the camineros. Considering that the parties agreed to a compromise, the payment would have to be based on the amount agreed upon by them in the compromise agreement approved by the court. And since the compromise agreement had assumed finality, this Court can no longer delve into its substance, especially at this time when the judgment had already been fully satisfied. We cannot allow the petitioner to question anew the compromise agreement on the pretext that he suffered damage. As long as he was given the agreed percentage of the amount received by the camineros, then, the agreement is

deemed complied with, and petitioner cannot claim to have suffered damage.

Petitioner likewise claims that he was prejudiced by respondents' act in directly paying the camineros the amounts due them, as it rendered inutile the charging lien duly registered for his protection.

To insure payment of his professional fees and reimbursement of his lawful disbursements in keeping with his dignity as an officer of the court, the law creates in favor of a lawyer a lien, not only upon the funds, documents and papers of his client which have lawfully come into his possession until what is due him has been paid, but also a lien upon all judgments for the payment of money and executions issued pursuant to such judgments rendered in the case wherein his services have been retained by the client.[37] Section 37, Rule 138 of the Rules of Court specifically provides:

Section 37. Attorney's liens. - An attorney shall have a lien upon the funds, documents and papers of his client, which have lawfully come into his possession and may retain the same until his lawful fees and disbursements have been paid, and may apply such funds to the satisfaction thereof. He shall also have a lien to the same extent upon all judgments for the payment of money, and executions issued in pursuance of such judgments, which he has secured in a litigation of his client, from and after the time when he shall have caused a statement of his claim of such lien to be entered upon the records of the court rendering such judgment, or issuing such execution, and shall have caused written notice thereof to be delivered to his client and to the adverse party; and he shall have the same right and power over such judgments and executions as his client would have to enforce his lien and secure the payment of his just fees and disbursements.

A charging lien is an equitable right to have the fees and costs due to the lawyer for services in a suit secured to him out of the judgment or recovery in that particular suit. It is based on the natural equity that the plaintiff should not be allowed to appropriate the whole of a judgment in his favor without paying thereout for the services of his attorney in obtaining such judgment.[38]

In this case, the existence of petitioner's charging lien is undisputed since it was properly registered in the records. The parties even acknowledged its existence in their compromise agreement. However, a problem arose when the respondents directly paid in full the camineros' money claims and did not withhold that portion which corresponds to petitioner's fees.

When the judgment debt was fully satisfied, petitioner could have enforced his lien either against his clients (the camineros herein) or against the judgment debtor (the respondents herein). The clients, upon receiving satisfaction of their claims without paying their lawyer, should have held the proceeds in trust for him to the extent of the amount of his recorded lien, because after the charging lien had attached, the attorney is, to the extent of said lien, regarded as an equitable assignee of the judgment or funds produced by his efforts.[39] The judgment debtors may likewise be held responsible for their failure to withhold from the camineros the amount of attorney's fees due the petitioner.

In the instant case, the petitioner rightly commenced an action against both his clients and the judgment debtors. However, at the instance of the petitioner himself, the complaint against his clients was withdrawn on the ground that he had settled his differences with them. He maintained the case against respondents because, according to him, the computation of the camineros' money claims should have been based on the national and not the provincial wage rate. Thus, petitioner insists that the respondents should be made liable for the difference.

While the respondents may have impaired the petitioner's charging lien by satisfying the judgment without regard for the lawyer's right to attorney's fees, we cannot apply the doctrine enunciated in *Calalang v. Judge de Borja*,[40] because of the peculiar circumstances obtaining in this case. In *Calalang*, this Court stressed that the judgment debtor may be held responsible for his failure to withhold the amount of attorney's fees in accordance

with the duly registered charging lien.[41] However, there is a disparity between the two cases, because, in this case, the petitioner had withdrawn his complaint against the camineros with whom he had a contract for legal services. The withdrawal was premised on a settlement, which indicates that his former clients already paid their obligations. This is bolstered by the certification of the clerk of court that his former clients had deposited their passbooks to ensure payment of the agreed fees. Having been paid by his clients in accordance with the agreement, his claim against the respondents, therefore, has no leg to stand on.

Neither can the petitioner rely on *Bacolod Murcia Milling Co., Inc. v. Henares, etc.*[42] where this court declared that satisfaction of the judgment, in general, does not by itself bar or extinguish the attorney's liens, as the court may even vacate such satisfaction and enforce judgment for the amount of the lien.[43] However, the satisfaction of the judgment extinguishes the lien if there has been a waiver, as shown either by the attorney's conduct or by his passive omission.[44] In the instant case, petitioner's act in withdrawing the case against the camineros and agreeing to settle their dispute may be considered a waiver of his right to the lien. No rule will allow a lawyer to collect from his client and then collect anew from the judgment debtor except, perhaps, on a claim for a bigger amount which, as earlier discussed, is baseless.

Lawyering is not a moneymaking venture and lawyers are not merchants. Law advocacy is not capital that yields profits. The returns it births are simple rewards for a job done or service rendered. It is a calling that, unlike mercantile pursuits which enjoy a greater deal of freedom from governmental interference, is impressed with a public interest, for which it is subject to state regulation.[45]

Considering that petitioner's claim of higher attorney's fees is baseless and considering further that he had settled his case as against his former clients, we cannot sustain his right to damages for breach of contract against the respondents, even on the basis of Articles 1191[46] or 1311.[47] Although we sustain his status to institute the instant case, we cannot render a favorable judgment because there was no breach of contract. Even if there was such a breach, he had waived his right to claim against the respondents by accepting payment and/or absolving from liability those who were primarily liable to him. Thus, no liability can be imputed to the province of Cebu or to the respondent public officials, either in their personal or official capacities.

Lastly, we cannot ascribe bad faith to the respondents who directly paid the camineros the amounts due them. The records do not show that when they did so, they induced the camineros to violate their contract with the petitioner; nor do the records show that they paid their obligation in order to cause prejudice to the petitioner. The attendant circumstances, in fact, show that the camineros acknowledged their liability to the petitioner and they willingly fulfilled their obligation. It would be contrary to human nature for the petitioner to have acceded to the withdrawal of the case against them, without receiving the agreed attorney's fees.

WHEREFORE, premises considered, the petition is hereby DENIED. The Decision of the Court of Appeals dated July 23, 2003 and its Resolution dated January 12, 2004 in CA-G.R. CV No. 43287 are AFFIRMED.

SO ORDERED.

Ynares-Santiago (Chairperson), Austria-Martinez, Chico-Nazario, and Reyes, JJ., concur.

[1] Penned by Associate Justice Eliezer R. De Los Santos, with Associate Justices Romeo A. Brawner and Jose C. Mendoza, concurring; rollo, pp. 45-59.

[2] Rollo, pp. 97-98.

[3] Penned by Judge Ramon AM. Torres; rollo, pp. 99-116.

[4] They were permanent laborers holding positions in the national plantilla of floating personnel chargeable against the "JJ" funds with particular assignments at the First Engineering District of Cebu.

[5] Entitled "Cesar Pañares, et al. v. Gov. Rene Espina, et al."

[6] Entitled "Camia Hermosa, et al. v. Gov. Rene Espina, et al."

[7] Records, p. 9.

[8] Id.

[9] Id. at 123.

[10] The dispositive portion of the decision reads:

WHEREFORE, judgment is hereby rendered ordering the alternative respondents Commissioner of Public Highways and the District Engineer of the First Engineering District of Cebu, Bureau of Public Highways, to reinstate the petitioner to their original positions with back salaries, together with all the privileges and salary adjustments or increases, from July 1, 1968 until their reinstatement.

SO ORDERED. (Exh. "TT")

[11] Records, pp. 10-15.

[12] Id. at 11-14.

[13] No. L-36752-53, December 18, 1979, 94 SCRA 731.

[14] But the same was amended on October 13, 1981 due to mistakes in the reproduction of the compromise agreement.

[15] Records, p. 123.

[16] Rollo, p. 47.

[17] Id.

[18] Records, pp. 1-8.

[19] Art. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

[20] Rollo, pp. 47-48.

[21] Id. at 48-49.

[22] Id. at 49.

[23] Records, pp. 423-424.

[24] Rollo, p. 116.

[25] Id. at 58.

[26] Id. at 54-58.

[27] Id. at 186.

[28] Id. at 187-189.

- [29] No. L-51042, September 30, 1982, 117 SCRA 435.
- [30] G.R. No. L-24806, January 22, 1980, 95 SCRA 100.
- [31] CONSTITUTION, Art. VIII, Sec. 15(4).
- [32] Phil. Coconut Authority v. Corona International, Inc., 395 Phil 742, 750 (2000).
- [33] Phil. Coconut Authority v. Corona International, Inc., *supra*.
- [34] 160 Phil 1040, 1045 (1975).
- [35] Rollo, pp. 199-200.
- [36] *Supra*, note 13.
- [37] Legal Ethics by Ruben E. Agpalo, 1989 Edition, p. 359.
- [38] Bacolod Murcia Milling Co., Inc. v. Henares, etc., 107 Phil 560, 567 (1960).
- [39] Bacolod Murcia Milling Co., Inc. v. Henares, etc., *supra* at 568.
- [40] *Supra*.
- [41] *Supra* at 1045.
- [42] *Supra*.
- [43] *Supra*.
- [44] Bacolod Murcia Milling Co., Inc. v. Henares, etc., *supra*.
- [45] Bach v. Ongkiko Kalaw Manhit & Acorda Law Offices, G.R. No. 160334, September 11, 2006, 501 SCRA 419, 433; Metropolitan Bank & Trust Company v. Court of Appeals, G.R. Nos. 86100-03, January 23, 1990, 181 SCRA 367, 377.
- [46] The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.
- The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.
- The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.
- This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with articles 1385 and 1388 and the Mortgage Law.
- [47] Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.
- If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person.

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