HEIRS AND/OR ESTATE OF ATTY. ROLANDO P. SIAPIAN, REPRESENTED BY SUSAN S. MENDOZA, PETITIONERS, VS. INTESTATE ESTATE OF THE LATE EUFROCINA G. MACKAY AS REPRESENTED BY DR. RODERIC...

G.R. No. 184799. September 01, 2010

Ponente: ABAD, J.

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ABAD, J.:

This case is about, first, the propriety of hearing and adjudicating a claim for attorney's fees in the case in which the lawyer rendered his services and, second, the need to establish extrinsic fraud or lack of jurisdiction in actions for annulment of judgment or final order.

The Facts and the Case

On May 14, 1994 Eufrocina G. Mackay died intestate in Caloocan City. She left four children: Antonio, Arturo, Domingo, and Elpidio. Another child, Honorato, predeceased Eufrocina.

On July 1, 1994 Antonio filed before the Regional Trial Court (RTC) of Caloocan City a petition for the settlement of Eufrocina's intestate Estate[1] and for his appointment as the Estate's administrator. But the other heirs, namely, Arturo, Domingo, Elpidio, and Honorato (represented by Rolando Mackay), collectively referred to as Arturo, et al, opposed Antonio's appointment as administrator and pushed instead for the appointment of Arturo. To represent them in the case, Arturo, et al engaged the services of Atty. Rolando P. Siapian and agreed to pay him the equivalent of 1% of what they will receive from the Estate. The parties later fixed Atty. Siapian's attorney's fees at P3 million.[2]

On November 2, 1994 the intestate court issued an order appointing Antonio and Arturo as co-special administrators of the Estate. About a year and a half later or in April 1996, Arturo, et al told the RTC[3] that they had terminated Atty. Siapian's services. This prompted Atty. Siapian to file a motion,[4] claiming payment of his attorney's fees. He asked the court not to recognize in the meantime any new counsel for Arturo, et al since they illegally terminated his services. The Estate opposed the motion, saying that it cannot be held answerable for Atty. Siapian's claim for attorney's fees against his clients.

On August 1, 1996 the court denied Atty. Siapian's motion on the ground that it had limited jurisdiction and could not resolve issues relating to attorney's fees which was a concern only of the lawyer and his clients. Despite this order, Atty. Siapian filed on September 2, 1996 a motion for enforcement and annotation of his attorney's lien.[5] He also asked the court to: 1) reconsider its August 1, 1996 order; 2) direct Arturo, et al to pay his attorney's fees; and 3) order the Register of Deeds to inscribe his claim as a lien on the titles of the Estate to its properties.

On April 3, 1997 the intestate court granted the motion.[6] The court said that, while the Estate itself cannot be held liable for subject attorney's fees for lack of privity of contract, Arturo, et al should jointly pay the P3 million

attorney's fees of Atty. Siapian. His clients, said the court, must judiciously and fairly exercise their right to terminate the services of counsel and this cannot be for the purpose of evading an obligation to pay his fees. The court pointed out that Arturo, et al did not present proof that Atty. Siapian was inept and remiss in his duties. Rather, the records showed that he competently handled the case. Arturo, et al appealed[7] the order.

On September 8, 1997, however, the intestate court issued an order, 1) denying due course to the appeal for having been filed beyond the reglementary period and, 2) granting Atty. Siapian's motion for issuance of a writ of execution.[8] Arturo, et al filed a special civil action of certiorari before the Court of Appeals (CA). On September 18, 1997 the CA dismissed the petition for their failure to deposit the amount required as payment for costs.[9] On October 11, 1997 the order of dismissal became final and later an entry of judgment was made on its account.[10]

On September 17, 1997 Atty. Siapian moved for the entry and inscription of his attorney's lien on the titles of the Estate's properties. Meanwhile, on October 15, 1997 Atty. Siapian died and was substituted by his heirs. On June 18, 1998 the intestate court issued an Order, directing the Register of Deeds of Caloocan City, Quezon City, Marikina City and the Province of Rizal to annotate the attorney's lien of Atty. Siapian on the titles mentioned.[11] The court explicitly stated that the attorney's lien was to affect only the distributive shares of Arturo, et al. The latter heirs did not question the order.

Seven years later or on October 10, 2005 Arturo, et al filed before the CA a Petition for Annulment of Judgment or Final Orders and Resolutions under Rule 47 of the Rules of Court, asking the CA to declare null and void the following orders for having been issued by the intestate court without jurisdiction:

> 1) The April 3, 1997 Order, requiring Arturo, et al to jointly pay the attorney's fees;
>
> 2) The July 4, 1997 Order, denying the motion to reconsider the April 3 order;
>
> 3) The September 8, 1997 Order, granting Atty. Siapian's motion for issuance of writ of execution; and
>
> 4) The June 18, 1998 order, directing the Register of Deeds to annotate the attorney's lien on the titles of the Estate's property.

On April 22, 2008 the CA rendered a decision, declaring the June 18, 1998 order of the intestate court null and void.[12] The CA ruled that the Estate cannot be held liable for attorney's fees arising out of the dispute between the Estate's beneficiaries and their lawyer. Only Arturo, et al, in their personal capacities, should be held liable to Atty. Siapian. The April 3 and September 8, 1997 orders clearly stated that only they are liable to the lawyer since the Estate was not a party to their fee agreement. The CA annulled the June 18, 1998 order since it encumbered and made the Estate's properties answerable to Atty. Siapian's claim for attorney's fees.

Further, the CA noted that the late Atty. Siapian failed to fully accomplish the purpose for which his services were engaged and that the shares of Arturo, et al in the properties of the Estate remained to be ascertained. The inventory of assets was still to be completed and the Estate's debts settled. Even so, said the CA, the reasonableness of Atty. Siapian's claim for attorney's fees was yet to be determined. The heirs of Atty. Siapian moved for the reconsideration of the decision but the CA denied the same.[13]

Questions Presented

Petitioner heirs of Atty. Siapian present the following issues:

1. Whether or not the CA erred in effectively setting aside the intestate court's order of April 3, 1997 for Arturo, et al to pay Atty. Siapian's P3 million claim for attorney's fees; and

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2. Whether or not the CA erred in nullifying the June 18, 1998 order of the intestate court which directed the annotation of the attorney's lien on the titles of the properties of the Estate.

The Court's Rulings

One. It is settled that a claim for attorney's fees may be asserted either in the very action in which a lawyer rendered his services or in a separate action.[14] But enforcing it in the main case bodes well as it forestalls multiplicity of suits. The intestate court in this case, therefore, correctly allowed Atty. Siapian to interject his claim for attorney's fees in the estate proceedings against some of the heirs and, after hearing, adjudicate the same on April 3, 1997 with an order for Arturo, et al to pay Atty. Siapian the fees of P3 million due him.[15]

The record shows that Arturo, et al filed a notice of appeal from the intestate court's April 3, 1997 order but the latter court declined to give due course to it for having been filed out of time.[16] This prompted them to file a special civil action for certiorari with the CA.[17] But the latter dismissed the petition for the failure of Arturo, et al to deposit the amount required as payment for costs. The dismissal became final and an entry of judgment was made in the case on September 8, 1997.

Arturo, et al has failed to establish any ground for the CA to annul the April 3, 1997 order. They allege no extrinsic fraud committed in the issuance of that order. Nor were they able to show that the intestate court lacked jurisdiction to adjudicate the claim of Atty. Siapian for attorney's fees. Parenthetically, the Court cannot but give credence to the intestate court's finding that Atty. Siapian competently handled the cause of Arturo, et al[18] up until they terminated his services.

Two. Since the award of P3 million in attorney's fees in favor of Atty. Siapian had already become final and executory, the intestate court was within its powers to order the Register of Deeds to annotate his lien on the Estate's titles to its properties. The Estate has no cause for complaint since the lien was neither a claim nor a burden against the Estate itself. It was not enforceable against the Estate but only against Arturo, et al, who constituted the majority of the heirs. It is a lien contingent on the intestate court's final determination of Arturo, et al's shares of what would remain of the estate's properties after payment of taxes and debts. Thus, the June 18, 1998 order explicitly stated that "The attorney's lien however shall affect the distributive share of the Oppositors, namely: Arturo, Elpidio, Domingo and Ronald, all surnamed Mackay."[19]

At any rate, the Estate's petition under Rule 47 of the Rules of Court was not the proper remedy for nullifying the June 18, 1998 order of the intestate court, which directed the annotation of Atty. Siapian's lien on the titles of the Estate's properties. That order is interlocutory. An interlocutory order refers to a ruling respecting some point or matter between the commencement and end of the suit, but is not a final adjudication of the claims and liabilities of the parties that are in dispute in that suit. The June 18, 1998 order only dealt with and resolved the incidental matter of whether to allow the annotation of an attorney's lien on the properties of the Estate. Evidently, that order did not settle any claim for money or impose any liability against any of the parties to the case.

The Court ruled in Palanca v. Pecson[20] that an attorney may cause a statement of his lien to be registered even before the rendition of any judgment, the purpose being merely to establish his right to the lien. The recording of an attorney's lien is distinct from its enforcement, which may only take place after the judgment is secured in favor of the client. The CA therefore erred in declaring null and void the June 18, 1998 order of the intestate court.

WHEREFORE, the Court GRANTS the petition, SETS ASIDE the decision of the Court of Appeals in CA-G.R. SP 91652 dated April 22, 2008, and REINSTATES the June 18, 1998 Order of the Regional Trial Court of Caloocan City in Special Proceeding C-1814.

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SO ORDERED.

Carpio, Nachura, Bersamin,[*] and Mendoza, JJ., concur.

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[*] Designated as additional member in lieu of Associate Justice Diosdado M. Peralta, per Special Order No. 882 dated August 31, 2010.

[1] Docketed as Special Proceeding C-1814, RTC of Caloocan City.

[2] Annex "E" of Petition, rollo, p. 75.

[3] Urgent Manifestation, CA rollo, pp. 79-80.

[4] Manifestation and Motion, id. at 81-82.

[5] Id. at 85-88.

[6] Id. at 69-71.

[7] Id. at 281.

[8] Id. at 73.

[9] Id. at 282.

[10] Id. at 283.

[11] Id. at 74.

[12] Rollo, pp. 54-68.

[13] Id. at 70-71.

[14] Traders Royal Bank Employees Union-Independent v. National Labor Relations Commission, 336 Phil. 705, 713 (1997); Tolentino v. Hon. Escalona, 136 Phil. 13, 18 (1969).

[15] CA rollo, p. 73.

[16] Id. at 281.

[17] Id. at 282.

[18] Id. at 69-71.

[19] Rollo, p. 119.

[20] 94 Phil. 419, 422 (1954).

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