

FRANK B. INGERSOLL, PLAINTIFF AND APPELLEE, VS. THE MALABON SUGAR COMPANY, DEFENDANT AND APPELLANT.*G.R. No. 27770. December 31, 1927*

Ponente: OSTRAND, J.

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The defendant in the present case is a regularly organized corporation. The plaintiff is a lawyer and in his complaint sets forth six causes of action. He seeks recovery under the first cause of action of the sum of P5,000 as fees for professional services alleged to have been rendered the defendant during the period from January 1, 1924, to March 24, 1925; under the second cause of action of the sum of P3,812.50 as retainer fees at the rate of P250 per month during the period from the 24th day of March, 1925, to June 30, 1926, both dates inclusive; under the third cause of action of the sum of P14,500 alleged to be due him as fees for legal services rendered the defendant corporation in matters of litigation between said defendant and Smith, Bell & Co., Ltd., from the early part of April, 1925, until May 5, 1925; under the fourth cause of action of the sum of P7,000 as fees for services rendered between November 15, 1925, and June 15, 1926; under the fifth cause of action of the sum of P512.50 for office accommodations furnished the defendant from April 23, 1925, until the end of February, 1926; and under the sixth cause of action of P375.75 as reimbursement for court costs, supplies for secretarial use, and other things paid for by the plaintiff on behalf of the defendant. The total amount of plaintiff's claims is P31,200.75.

In its answer, the defendant pleads the general issue and as a special defense sets forth in substance that none of plaintiff's alleged legal services were of any value whatever to the defendant; that the so-called legal advice given by plaintiff to certain stockholders and directors of the defendant corporation throughout certain litigation with Smith, Bell & Co., Ltd., was unsound and erroneous and contrary to the interest of the defendant; that the litigation was brought about by unsound and erroneous advice given by plaintiff; that he is without extensive experience in the practise of law, as he for many years has devoted the major part of his time and attention to commercial and other kinds of pursuits; that he was not qualified either by professional learning or experience to advise the board of directors of the defendant corporation in connection with the litigation of Smith, Bell & Co., Ltd.; and that the fees he seeks to recover are exorbitant in amount and are unreasonable and unconscionable.

Upon trial the court below rendered judgment for the plaintiff for the full amounts claimed under the first, third, fifth and sixth causes of action. The P3,812.50 claimed in the second cause of action was reduced to the sum of P1,689.48, and only P1,000 was allowed upon the fourth cause of action, the total amount awarded plaintiff being P23,077.73. From this judgment the defendant appealed.

The first eight assignments of error relate to the rejection of offers of proof made by defendant, and tending to show that the plaintiff's earnings from his law practise were small; that he was without experience in the practise of law; and that legal opinions given by the plaintiff in connection with the defendant's litigation with Smith, Bell & Co., Ltd., were based upon unfounded rumors brought to him by irresponsible persons concerning matters which they imparted to him and upon which information he relied in giving his opinions.

Aside from the fact that the offers of proof were made while the plaintiff was presenting his evidence and therefore, as a matter of procedure, might properly have been rejected for that reason alone, it is also to be observed that the income of a lawyer is not a safe criterion of his professional ability. Many very good lawyers earn but small incomes while lawyers of inferior ability may prosper financially. Neither is the length of time a lawyer has practised a reliable measure of his ability; his competency must be judged by the character of his work. It is safe to say that the admission of the evidence in question would not have affected the results of the case and that its rejection is not reversible error.

The ninth assignment of error raises the question of the reasonableness of the fees demanded by the plaintiff and requires a brief statement of the material facts of the case.

The defendant is a domestic corporation and owns and operates a sugar refinery at Malabon, Province of Rizal. The great majority of the stock is held by residents of Hongkong. By a written agreement, dated October 10, 1919, Smith, Bell & Co., Ltd., who had been the manager of the refinery under earlier contracts, were continued as general manager for the period of 10 years from the date of the agreement. It was provided in the same agreement that for its services as general manager, Smith, Bell & Co., Ltd., was to receive a compensation of 2 per cent of the gross amount of the sales and 1 per cent of the gross amount of the purchases of the Malabon Sugar Company.

Some of the stockholders became dissatisfied with Smith, Bell & Company's management of the sugar refinery, and in the early part of 1924, two of the principal stockholders, J. M. Noronha and Fred Ellis, both residents of Hongkong, entered into correspondence and conversations with the plaintiff in regard to the affairs of the company. The matter does not seem to have gone beyond the conversational stage until in the month of March, 1925, when the annual meeting of stockholders was held, and where by means of proxies brought from Hongkong by Ellis, a new board of directors was elected, the majority of the new members being "dummy" directors and in sympathy with the dissatisfied element. Controversies almost immediately arose between the new board and Smith, Bell & Co., Ltd., leading to considerable litigation which continued until in 1926 when an amicable arrangement between the principal parties was effected and the pending suits were dismissed.

In the meantime contracts were entered into between the plaintiff and the defendant corporation through the new board of directors by which the plaintiff was retained as counsel for the corporation and his fees fixed in the amounts now demanded in the first four causes of action set forth in his complaint. The actions of the board of directors were afterwards ratified by resolution of a special meeting of stockholders held on May 25, 1925. Of the 9,665 shares represented at the meeting, 9,003 were voted in favor of the resolution. The total number of outstanding shares of the corporation was only 14,000.

The general rule is that in corporate affairs the will of the majority controls, and that contracts intra vires entered into by the board of directors are binding upon the corporation and that the courts will not interfere unless such contracts are so unconscionable and oppressive as to amount to a wanton destruction of the rights of the minority. In regard to contracts for lawyers' fees, this rule is somewhat modified by the provision of the last sentence of section 29 of the Code of Civil Procedure, that a written contract for legal services shall control the amount of recovery of fees if found by the court not to be unconscionable or unreasonable.

Though the fees demanded by the plaintiff may be somewhat larger than this court would have allowed in the absence of a contract, we are, nevertheless, not prepared to say that the charges under the second, third, fourth, fifth and sixth causes of action are so unreasonable and unconscionable as to warrant interference by the court. The provision of the contract of October 10, 1919, basing the compensation of Smith, Bell & Co., Ltd., upon the gross amounts of the purchases and sales of the defendant corporation, and the fact that the net profits of that

corporation, therefore, might be of comparatively little importance to Smith, Bell & Co., Ltd., would readily lead to the suspicion that the latter, as general manager, did not give the necessary attentions to the welfare of the corporation. That most of the stockholders, as well as the plaintiff, more than suspected that the interests of the corporation were neglected, clearly appears from the record, and we have no doubt whatever that the actions of said stockholders and their counsel were taken in entire good faith and that they, in view of the large amount of work done by the plaintiff, considered his fees reasonable. From a practical point of view, some of his efforts were no doubt misdirected, but it is not at all certain that the advice given by him, as it appears from the record, was unsound from a purely legal standpoint.

In regard to the first cause of action, the vote of the court was not unanimous, but the majority is of the opinion that the amount to be recovered under that cause should be limited to P2,000.

The appealed judgment is therefore modified by reducing the recovery under the first cause of action from P5,000 to P2,000. In all other respects the judgment is affirmed with the costs against the appellant. So ordered.

Avanceña, C. J., Johnson, Street, Villamor, and Villa-Real, JJ., concur.
Malcolm, J., concurs in the result.

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