

EDUARDO B. OLAGUER AND CONRADO S. REYES IN THEIR OFFICIAL CAPACITY AS FISCAL AGENTS OF THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, PETITIONERS, VS. THE REGIONAL TRIAL COURT,...

G.R. No. 81385. February 21, 1989

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

The parameters of the jurisdiction of the ordinary courts in relation to the Securities and Exchange Commission (SEC) and the Sandiganbayan are put into issue in this petition.

On December 17, 1987, private respondents filed a complaint for injunction and damages, with a prayer for the issuance of a writ of preliminary injunction and/or temporary restraining order, in the Regional Trial Court (RTC) of Manila against petitioners and Winston Marbella, Gaston Ortigas, Roberto Federis, Manuel C. Villa-Real, Emanuel Soriano, Jack Arroyo and Benjamin Tulio.

The complaint alleges, among others, that private respondents are the only stockholders with the right to vote of the Philippine Journalists, Inc. (PJI), publisher of several daily periodicals such as Manila Journal, People's Journal, etc. Sometime in 1977, PJI obtained from the Development Bank of the Philippines (DBP) certain financing accommodations and as security thereof executed a first mortgage in favor of DBP on its assets enumerated in a list attached to the mortgage. The PJI stockholders assigned to DBP the voting rights over 67% of the total subscribed and outstanding voting shares of stock of the company held by them. The DBP appointed said PJI stockholders as proxies to exercise its right to vote. Due to some financial difficulty on its part, PJI requested for a restructuring of its loan obligation with certain conditions. The request was granted by the DBP in a letter dated August 4, 1986. Due to the default on the part of the PJI, the DBP cancelled the proxies in favor of the assigning stockholders on September 30, 1986 and designated as its proxies petitioner Eduardo Olaguer, Jose Mari Velez and Manuel de Leon. DBP scheduled a special stockholders meeting for the purpose of electing a new set of directors.

It is also alleged in the complaint that before the special meeting, petitioner Olaguer asked private respondent Rosario M. Barreto Olivares to assign qualifying shares not only to the three proxies of DBP but also to two others to be chosen by him so as to enable the five of them to sit in the PJI board of directors, and that, accordingly, they may be able to coordinate more effectively with DBP as regards the early evaluation and approval of the request for another restructuring of the PJI loan. Thus respondent Olivares assigned her shareholdings covered by Stock Certificate No. 34 (which were at that time assigned to DBP) to petitioner Olaguer, Marbella, Ortigas, Mari Velez and De Leon, at one share each. The deeds of assignment provided that the said assignment are valid only as long as the nominee is the person designated by the DBP as its representative to sit in the board of directors.

The complaint also alleges that although Olaguer was elected chairman of the board and chief executive officer of

PJI, he failed to comply with his commitment and that this gave private respondents a reason to cancel the assignment. Olaguer also committed certain illegal acts which gave rise to the filing of several complaints against him. However, before these cases could be resolved, Olaguer's appointment as member of the board of directors of DBP was terminated by President Corazon C. Aquino effective September 9, 1987. He was informed about his termination through two letters dated August 27 and October 12, 1987.

It is likewise alleged that, the termination notwithstanding, Olaguer continued to exercise and retain full management and control of PJI. The DBP chief legal counsel wrote to petitioner Reyes informing him of Olaguer's removal from office and enjoining him from implementing or complying with any instructions from Olaguer and from disposing of the properties of PJI and disbursing any funds without prior approval of the board of directors of PJI which will soon be elected, except such amounts needed in the ordinary course of business. Accordingly, the DBP, acting through its Chairman, Jesus Estanislao and its Director-in-Charge, Jose Mari Velez, entered into an Interim Agreement with private respondents. The said agreement called for a special stockholders meeting for the purpose of electing a new board of directors which shall hold office until the next regular stockholders meeting to be held on February 2, 1988.

The complaint further alleges that in a letter dated December 14, 1987, the DBP chief legal counsel informed the private respondents that the said Interim Agreement cannot be implemented because Olaguer claims that he has just been designated the fiscal agent and team leader of the Presidential Commission on Good Government (PCGG) assigned to the PJI and that all his actions are sanctioned and reported to PCGG Chairman Ramon A. Diaz, and that it is the PCGG which exercises the voting rights of all PJI common stocks sequestered since 1986, including those assigned to DBP and that the PJI qualifying shares now held by PJI Directors came from shares sequestered by the PCGG. These observations are contained in a letter dated October 31, 1987 written by petitioner Reyes in his capacity as chief legal counsel and corporate secretary of PJI. It is stated therein that Olaguer, together with Marbella, Ortigas, Soriano, Federis, Arroyo and Villa-Real have been acting as corporate officer and/or members of the board without their having been elected by the majority vote of stockholders and without their owning in their own right even a single qualifying share.

In addition, it is alleged that petitioner Reyes had been sending out notices to private respondents about an alleged stockholders meeting to be held on December 21, 1987 at the PJI building, and that in the letter written by the DBP chief legal counsel,[1] it is stated that petitioner Olaguer and his associates who claim to be members of the board and corporate officers of PJI do not represent DBP and that they are not authorized to act in its behalf.

The complaint emphasizes that the claim of petitioner Reyes that Olaguer can sit as chairman of the board of directors of PJI even if he is no longer a director of DBP but as long as he is the fiscal agent and team leader of the PCGG assigned is baseless because: (a) the writs of sequestration on the shares of respondents Hizon, Orpiada, Maramag, Flores and Sison, served on them on or about February 19, 1987, and on respondents Linsangan, Salak, Soriano and Villanueva, served on them on or about April 28, 1987, had been automatically lifted last August 19, 1987 and October 28, 1987, respectively, pursuant to Section 26, Article XVIII of the 1987 Constitution; and only the sequestration on the shares of respondent Olivares has not been lifted since a complaint was filed against her before the expiration of the constitutional deadline for filing cases; (b) the sequestered shares of respondent Olivares could not be voted upon by petitioners herein and their companions under their claim of being PCGG fiscal agents under the recent pronouncement of the Supreme Court in several cases clearly stating that sequestration does not involve the right of ownership; (c) no other meeting has been validly called for the election of a new set of directors after the members of the board elected last October 2, 1986 had ceased to be such directors, either by virtue of the cancellation of their qualifying shares or their resignation; (d) with the filing of Civil Case No. 35 before the Sandiganbayan where the PJI was listed as one of the involved corporations, all

actions affecting said corporation, including those which will affect rights of ownership and disposition of assets, must have the prior approval of the Sandiganbayan which exercises jurisdiction over these corporations as one of the properties in litigation; and (e) by order of President Aquino, petitioner Olaguer's separation from the PJI was called for; that the acts of all the petitioners and their companions of either continuing to sit in the board of directors of PJI and/or representing and acting as its corporate officers are illegal and are the acts of usurpers and intruders violative of the rights of private respondents as stockholders and are causing great damage and prejudice to them as well as to the rights of the DBP under the Deed of Assignment, and that such acts of usurpation should be enjoined by the trial court.

Under the second cause of action for damages, it is alleged that Olaguer acted illegally and outside the authority granted him as nominee of DBP and, accordingly, Olivares cancelled the Deed of Assignment of one qualifying share to him as well as the Deed of Assignment in favor of Marbella and Ortigas. The notice of cancellation was served upon them on December 5, 1986. As a consequence of such cancellation, the three failed to qualify to sit as members of the board of PJI.

Private respondents also alleged that despite such notice, petitioner and his associates continued to sit in the board and that Olaguer took over the complete management of the corporation and even caused the appointment of other members of the board and/or corporate officers even if such appointees do not own PJI shares of stock in their own right. It is likewise alleged that the petitioner and his associates should be enjoined from committing further acts of usurpation and that they should be held liable for all unlawful disbursements they have made. It is further alleged that some of the private respondents had been unlawfully dismissed and/or retired one after another thereby depriving them of all benefits they are entitled to and subjecting them to great mental anguish, sleepless nights, deep humiliation and great anxiety for which they must be paid damages in an amount left to the sound discretion of the court. Private respondent also asked for exemplary damages as well as the sum of P200,000.00 for attorney's fees and expenses of litigation.

Private respondents prayed that pending a hearing on the merits of the case, a writ of preliminary injunction or a temporary restraining order be issued against petitioner Reyes enjoining him from holding the special stockholders meeting scheduled at 8:00 A.M. on December 21, 1987, and enjoining Olaguer and his associates from sitting and acting as members of the board of directors of PJI or as corporate officers. Private respondents also prayed that such temporary restraining order and/or writ of preliminary injunction be made permanent after due hearing and that petitioner Olaguer and his associates be made to pay, jointly and severally, actual damages as may be proved after audit, including moral and exemplary damages, attorney's fees and litigation expenses in the amount of P200,000.00, and the costs of the suit.[2]

On December 18, 1987, an order was issued by the trial court setting the petition for the issuance of a writ of preliminary injunction for hearing on January 4, 1988 at 1:30 in the afternoon. A temporary restraining order was issued enjoining petitioner Reyes from holding the special stockholders meeting scheduled for December 21, 1987 and enjoining all the other petitioners including Olaguer from sitting and acting as members of the board and/or corporate officers of PJI until further orders of the court.

On January 4, 1988, a motion to dismiss was filed by the petitioners on the ground that the court has no jurisdiction over the persons of petitioners; that they were not served summons and that the subject matter of the action involves controversies arising out of intra-corporate relations between and among stockholders which are covered by the provisions of Section 5 of Presidential Decree No. 902-A so that the matter is within the original and exclusive jurisdiction of the Securities and Exchange Commission (SEC); that the venue for a petition seeking injunctive relief should be the Sandiganbayan where aforesaid PCGG Case No. 0035 against Benjamin Romualdez, Rosario Olivares, et al. is pending, pursuant to Executive Order No. 14 defining the jurisdiction over

cases involving the alleged ill-gotten wealth of Former President Marcos, et al.; that it is the SEC which should exercise jurisdiction over the case pursuant to Section 6 of Presidential Decree No. 902-A; and that the complaint states no cause of action inasmuch as the petitioners and the other defendants hold shares emanating from the PCGG, and not from the DBP; that the shares issued to DBP for Olivares, et al. on the basis of an erroneous DBP legal opinion have been declared void ab initio and cancelled by the PCGG on November 4, 1987 so that the DBP is not a stockholder of record; that the call for the stockholders meeting by petitioner Reyes was with the approval of the PCGG Chairman; that PJI is a sequestered corporation listed as item no. 49 under "Shares of Stock" in "Assets and Other Property of Benjamin Romualdez" marked Annex "A", in Case No. 0035 for "Reconveyance, Reversion, Accounting, Restitution and Damages," entitled "Republic of the Philippines, plaintiff versus Benjamin (Kokoy) Romualdez, et al.,"; that the PJI, pursuant to its Board Resolution No. 43, dated November 14, 1987, has authorized the filing of criminal complaints against Benjamin (Kokoy) Romualdez, Rosario Olivares, Tuynita Soriano, Jose T. Abundo, Evelyn Nicasio, Alejandro Maramag, Caridad Orpiada and other former and present PJI officers and employees who defrauded the company by conspiring in and/or authorizing the illegal disbursements of PJI funds amounting to P10.6 million, all for the account and upon instructions of said Romualdez who was neither an officer, director, stockholder of record of PJI nor a creditor or supplier thereof; that regarding the sequestration of PJI pursuant to orders of the PCGG dated April 22, 1986 and February 19, 1987, the actual sequestration proceedings have not been terminated upon the filing of PCGG Case No. 0035 before the Sandiganbayan on July 31, 1987.

Petitioners maintain that under the pertinent provisions of the 1987 Constitution, the commencement of a judicial action does not ipso facto lift the sequestration order. It is the non-filing of a judicial action within six months from the ratification of the 1987 Constitution if the sequestration order is issued before the ratification, or within six months from the time the sequestration order was issued if the same was issued after such ratification, which will automatically lift the sequestration order. Petitioners also stated that while the PJI suffered huge losses under the administration of private respondents, the corporation realized profits under the management of petitioner Olaguer. All the common and preferred stocks of private respondents have been sequestered pursuant to the orders of the PCGG dated April 22, 1986 and February 19, 1987 and it is the PCGG which exercises the voting rights pertaining to said sequestered shares pursuant to the Memorandum of President Aquino to the PCGG dated June 26, 1986.

A Memorandum in support of the prayer for the issuance of a writ of preliminary injunction and opposition to the motion to dismiss was filed by counsel for private respondents.

On January 14, 1988, an order was issued by the trial court denying the motion to dismiss and issuing a writ of preliminary injunction as prayed for upon a bond in the amount of P50,000.00 to be filed by private respondents.

Hence, the herein petition for certiorari and prohibition with a prayer for the issuance of a temporary restraining order and/or a writ of preliminary injunction wherein the main issue is whether or not the trial court has jurisdiction over the subject matter of the action.

On January 26, 1988, a resolution was issued by this Court requiring the respondents to comment therein within ten (10) days from notice. A temporary restraining order was issued enjoining the respondent judge to cease and desist from enforcing the order of the trial court dated January 14, 1988 in Civil Case No. 87-43156 as well as the writ of preliminary injunction issued against petitioners.

Acting on the manifestation and motion filed by counsel for private respondents on February 4, 1988, this Court issued a resolution enjoining petitioner Reyes and/or the corporate officers of PJI from holding another special stockholders meeting on February 5, 1988 or at any date thereafter pending resolution of this case, and directing

the parties to maintain the status quo until further orders from the Court.

The private respondents filed their comment on the petition. Thereafter, the petitioners filed their reply. On April 5, 1988, the court resolved to give due course to the petition and considered the case submitted for decision. Nevertheless, the private respondents filed a rejoinder.

The petition is impressed with merit. There is no dispute that the PJI is now under sequestration by the PCGG and that Civil Case No. 0035 was filed in the Sandiganbayan wherein the PJI is listed as among the corporations involved in the unexplained wealth case against former President Marcos, Romualdez and many others. The records likewise show that petitioner Olaguer, among others, is a fiscal agent of the PCGG and that as Chairman of the Board of Directors of the PJI, he was acting for and in behalf of the PCGG. Under Section 2 of Executive Order No. 14, the Sandiganbayan has exclusive and original jurisdiction over all cases regarding "the funds, moneys, assets and properties illegally acquired by Former President Ferdinand E. Marcos, Mrs. Imelda Romualdez Marcos, their close relatives, subordinates, business associates, dummies, agents, or nominees,"[3] civil or criminal, including incidents arising from such cases. The Decision of the Sandiganbayan is subject to review on certiorari exclusively by the Supreme Court.[4]

In the exercise of its functions, the PCGG is a co-equal body with the regional trial courts and co-equal bodies have no power to control the other.[5] The regional trial courts and the Court of Appeals have no jurisdiction over the PCGG in the exercise of its powers under the applicable Executive Orders and Section 26, Article XVIII of the 1987 Constitution and, therefore, may not interfere with and restrain or set aside the orders and actions of the PCGG.[6] By the same token, the regional trial courts have no jurisdiction over the acts of fiscal agents of the PCGG acting for and in behalf of said commission.

The Commission should not be embroiled in and swamped by legal suits before inferior courts all over the land. Otherwise, the Commission will be forced to spend valuable time defending all its actuations in such courts. This will defeat the very purpose behind the creation of the Commission. Accordingly, Section 4(a) of Executive Order No. 1 expressly accorded the Commission and its members immunity from suit for damages in that: "No civil action shall lie against the Commission or any member thereof for anything done or omitted in the discharge of the task contemplated by this order."

Civil Case No. 87-43156 pending before the respondent judge is denominated as one for "injunction with prayer for writ of preliminary injunction and/or temporary restraining order and damages." Particularly, under paragraph 17(d) of the complaint, private respondents admitted that the PJI is listed as one of the involved corporations in Civil Case No. 0035 pending before the Sandiganbayan which now exercises jurisdiction over the said corporation. Petitioners Olaguer and Reyes appear to be fiscal agents of the PCGG. There can be no doubt, therefore, that the subject matter of the action (the PJI, its properties and assets) falls within the exclusive jurisdiction of the Sandiganbayan.

Petitioners, as fiscal agents of the PCGG, cannot be sued in such capacity before the ordinary courts. The tribunal for such purpose is the Sandiganbayan.

It necessarily follows that the issues raised by the private respondents before the respondent judge to the effect that petitioners are usurpers and have no right to sit in the board of directors or act as corporate officers of the PJI are issues which should be addressed to the Sandiganbayan.

WHEREFORE, the petition is GRANTED. The respondent judge is permanently enjoined from enforcing the order of the trial court dated January 14, 1988. The restraining order issued by this Court dated February 4, 1988 enjoining petitioner Reyes and/or the corporate officers of the PJI from holding the special stockholders meeting

on February 5, 1988 or at any date thereafter, and to preserve and maintain the status quo, is hereby lifted. The order of the trial court dated January 14, 1988 is hereby SET ASIDE and another order is hereby issued dismissing the complaint, without pronouncement as to costs. This Decision is immediately executory.

SO ORDERED.

Fernan, C.J., Narvasa, Melencio-Herrera, Cruz, Paras, Padilla, Bidin, Sarmiento, Cortes, Griño-Aquino, Medialdea, and Regalado, JJ., concur.

Gutierrez, J., I reiterate my dissent in PCGG vs. Peña, G.R. 77663, April 12, 1988.

Feliciano, J., concurs in the result, for the reason and with the qualifications set out in my separate opinion in PCGG vs. Peña, G.R. 77553, 12 April 1988.

[1] Annex "C" to the Complaint.

[2] Annexes "A-D", Petition.

[3] See Executive Order No. 2 issued on March 12, 1986.

[4] Section 7, Presidential Decree No. 1606.

[5] National Electrification Administration vs. Mendoza, 138 SCRA 632 (1985).

[6] PCGG vs. Hon. Emmanuel G. Peña, et al., G.R. No. 77663, April 12, 1988.

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