

HOLIDAY INN (PHILS.), INC., PETITIONER, VS. THE SANDIGANBAYAN (1ST DIVISION), REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE PHILIPPINE COMMISSION ON GOOD GOVERNMENT (PCGG), RO...

G.R. No. 85576. June 08, 1990

Ponente: MEDIALDEA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-85576/>

MEDIALDEA, J.:

This is a petition for review on certiorari, (treated as a special civil action for certiorari) questioning the Resolution issued by the SANDIGANBAYAN dated November 11, 1988, denying the motion for intervention filed by petitioner Holiday Inn (Phils.), Inc., in Civil Case No. 0034/PCGG Case No. 34, entitled "Republic of the Philippines v. Roberto S. Benedicto, et al."

The antecedent facts are as follows:

On January 1, 1976, Holiday Inn, Inc. (HII) entered into a management contract with New Riviera Hotel and Development Co., Inc. (NRHDC) for a period of ten (10) years. Article 18 of said agreement stipulates:

"ARTICLE 18

RIGHT OF FIRST REFUSAL

"If Owner, at any time or times during the term hereof, shall receive a bona fide offer from a third party acceptable to Owner, or which Owner does not promptly reject, to purchase the Premises or any part thereof, or the business conducted in connection therewith, or in the buildings, equipment or furnishings used in connection therewith, or any interest in Owner (whether a partnership, or corporation or otherwise), Owner shall deliver to Manager an executed original copy of such offer and agrees concurrently therewith to deliver to Manager all financial information (including but not limited to, certified balance sheets and operating statements) involved and such other information as may be reasonably requested by Manager. Manager may, within twenty-one (21) days of its receipt of such offer and said financial data, at its option, purchase said interest of said Owner on the terms of said offer." (p. 4, Rollo)

Similarly, on January 1, 1976, NRHDC and HII assigned all their rights under the above-mentioned agreement to petitioner Holiday Inn (Phils.), Inc. (HIP).

On April 22, 1986, NRHDC was sequestered by the PCGG which subsequently appointed fiscal agents and/or placed an operating team to monitor the activities of said corporation.

Because of numerous controversies and conflicts resulting in operational problems regarding NRHDC, PCGG and Roberto S. Benedicto, who is perceived to be the controlling stockholder of the company, entered into an agreement whereby 2/3 of the members of the Board of Directors of NRHDC shall be nominees of the PCGG and 1/3 thereof shall be nominees of Mr. Benedicto.

On July 14, 1986, HIP and NRHDC, as sequestered by PCGG entered into an agreement (addendum) extending the terms of their January 1, 1976 agreement thereof to an indefinite period "on its existing terms and conditions" with either party having the right to terminate the agreement upon six (6) months prior written notice to the other party (pp. 6-7, Rollo).

On May 10, 1988, NRHDC served upon HIP a letter advising that the management agreement shall be terminated six (6) months from said date. It was later learned that the letter termination was brought about by NRDC's decision to have New World Hotel Philippines (NWHP) manage the property in lieu of HIP.

Contending that there was breach of Article 18 of its original management agreement with NRHDC, HIP initiated on November 2, 1988 an action for intervention in Sandiganbayan in Civil Case No. 0034/PCGG No. 34, a sequestration case, and wherein NRHDC was included as among the firms sequestered, alleged to be part of the ill-gotten wealth amassed by Roberto S. Benedicto in conspiracy with former President Ferdinand Marcos.

The proposed complaint-in-intervention attached to the motion-in-intervention questions the termination of the management agreement without the corresponding prior notice and/or right of first refusal under Article 18 of the Agreement. Petitioner likewise prayed for recovery of unpaid management fees under the agreement.

On November 11, 1988, the Sandiganbayan issued the questioned Resolution denying HIP's motion for intervention for lack of jurisdiction since, "the presence of PCGG representatives in sequestered companies does not automatically tear down the corporate veil that distinguishes the corporation from its officers, directors or stockholders. Corporate officials whether nominated by the PCGG or not, insofar as third parties are concerned, are corporate officers."

HIP has filed the present petition contending that, based on the ruling of the Supreme Court in PCGG v. Peña, G.R. No. 7763, April 12, 1988 and PCGG v. SEC, G.R. No. 82188, June 30, 1988 which held that the Sandiganbayan has exclusive and original jurisdiction over all cases civil or criminal, 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 (emphasis Ours).

We issued a temporary restraining order on November 16, 1988.

The issues in this case are:

1. whether petitioner has a legal interest in Civil Case No. 0034, sufficient to justify its intervention therein; and
2. whether the Sandiganbayan has jurisdiction over the subject matter of petitioner's proposed complaint-in-intervention.

On the first issue, petitioner has argued that:

"As an incident of the case for recovery of ill-gotten wealth filed by the Republic against Mr. Roberto S. Benedicto (Civil Case No. 0034) lodged before the Sandiganbayan, NRHDC which was alleged to be controlled by the defendant thereat was placed under sequestration. As an incident of the sequestration of NRHDC, PCGG nominees were able to constitute the majority in the Board of the corporation such that for all practical intents and purposes, it ran the affairs of the sequestered company as conservators of the same. Among its corporate acts, is the root of the present controversy wherein PCGG nominees have decided to terminate the agreement between NRHDC and the petitioner. Viewed in this light therefore, petitioner stands to be adversely affected by the decision of the Board. x x x." (p. 27, Rollo)

In its questioned Resolution, the Sandiganbayan stated:

"The issue in the principal case into which movant Holiday Inn seeks to intervene refers to the character of the

properties subject matter thereof, including RIVIERA: whether or not they were 'ill-gotten' or 'crony' properties. Whether or not, in the end, the position of the Republic as plaintiff is upheld does not affect the rights of third persons who deal with sequestered corporations.

"Sec. 2 of Rule 12 tells us that a person may intervene in proceedings in progress if that person has a legal interest in the success of either of the parties, or against both or when a disposition of the property involved would affect the prospective intervenor. Holiday Inn, Inc., has not shown how the termination or continuation of its management contract would be legally affected by a finding of whether or not Roberto S. Benedicto lawfully acquired RIVIERA.

"Holiday Inn, Inc. tells the Court at argument that its services to RIVIERA are superior to that which might be proposed by the prospective new management company, the New World Hotels International, Ltd. of Hongkong. That may or may not be so. The fact is only the Board of Directors of RIVIERA is qualified to make that determination and, certainly, not this Court. At all events, even if New World is inferior to Holiday Inn, Inc., and its management of RIVIERA's hotel might create less gains, or even losses, that is not a legal interest that Holiday Inn, Inc. possesses in the main case of the Republic against Roberto S. Benedicto nor is it a fact that will justify intervention herein." (pp. 186-187, Rollo; emphasis Ours)

On the second issue, petitioner avers that the Sandiganbayan has jurisdiction because, it claims that the termination by Riviera of its management contract was upon a Board Resolution two thirds (2/3) of whose Board of Directors are PCGG nominees; hence, the action to terminate the agreement subject of the petition bears the imprimatur of the PCGG nominees sitting thereat, making the PCGG the real party-in-interest in the present controversy.

The Sandiganbayan believes otherwise:

"x x x. This Court is of the view that its jurisdiction refers to acts of the PCGG acting as such whether alone or with other persons, natural or juridical, and not generally where PCGG representatives act as part of another juridical person or entity. A rule of thumb might be thus: if the PCGG can be properly impleaded on a cause of action asserted before this Court as a distinct entity, then this Court would generally exercise jurisdiction; otherwise, it would not, because, then the 'PCGG character' of the act or omission in question may, at best, be only incidental.

"After all, the presence of PCGG representatives in sequestered companies does not automatically tear down the corporate veil that distinguishes the corporation from its officers, directors or stockholders. Corporate officers whether nominated by the PCGG or not act, insofar as third parties are concerned, are corporate officers. Contracts entered into by the San Miguel Corporation, for example, in connection with its poultry operations and the cancellations thereof, are not PCGG activities which would justify the invocation of this Court's jurisdiction, even if the contract or the suit were unanimously approved by its board of directors where PCGG representatives sit." (Resolution, Annex 'O,' p. 143, Rollo)

In both instances, We agree with the Sandiganbayan.

The subject-matter of petitioner's proposed complaint-in-intervention involves basically, an interpretation of contract, i.e., whether or not the right of first refusal could and/or should have been observed, based on the Addendum/Agreement of July 14, 1988, which extended the terms and conditions of the original agreement of January 1, 1976. The question of whether or not the sequestered property was lawfully acquired by Roberto S. Benedicto has no bearing on the legality of the termination of the management contract by NRHDC's Board of Directors. The two are independent and unrelated issues and resolution of either may proceed independently of each other. Upholding the legality of Benedicto's acquisition of the sequestered property is not a guarantee that HIP'S management contract would be upheld, for only the Board of Directors of NRHDC is qualified to make such a determination.

Likewise, the Sandiganbayan correctly denied jurisdiction over the proposed complaint-in?intervention. The original and exclusive jurisdiction given to the Sandiganbayan over PCGG cases pertains to 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.

Evidently, petitioner's proposed complaint-in?intervention is an ordinary civil case that does not pertain to the Sandiganbayan. As the Solicitor General stated, 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.

ACCORDINGLY, the petition is DISMISSED and the ruling of the Sandiganbayan denying the motion to intervene, is hereby upheld. The temporary restraining order issued on November 16, 1988 is likewise LIFTED. No costs.

SO ORDERED.

Fernan, C.J., Narvasa, Melencio-Herrera, Cruz, Paras, Feliciano, Gancayco, Padilla, Bidin, Sarmiento, Cortes, and Regalado, JJ., concur.

Gutierrez, Jr., J., please see dissent.

Griño-Aquino, J., on leave.

Holiday Inn vs Sandiganbayan : 85576 : June 8, 1990 : J. Gutierrez Jr : En Banc : Dissenting Opinion Normal
Clean Clean 6 pt 6 pt 0 3 MicrosoftInternetExplorer4 st1:*{behavior:url(#ieooui) } /* Style Definitions */
table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0;
mso-style-noshow:yes; mso-style-parent:""; mso-padding-alt:0in 5.4pt 0in 5.4pt; mso-para-margin:0in;
mso-para-margin-bottom:.0001pt; mso-pagination:widow-orphan; font-size:10.0pt; font-family:"Times New
Roman";}

DISSENTING OPINION

GUTIERREZ, JR. J.:

I respectfully dissent. If this Court does not want to decide the simple question of the right of first refusal found in the 1976 management contract as extended by the 1986 addendum, the least we can do is to require the Sandiganbayan to resolve this issue before it tackles the main issue as to the true ownership of Holiday Inn Hotel.

Through this decision, we are inviting a multiplicity of suits - (1) the ill gotten wealth case now before the Sandiganbayan, (2) the dispute as to who shall manage and run the sequestered property to insure that it is not dissipated before final turnover to the Benedictos or to the Government (which, under this decision, we say is for the regular courts and not the Sandiganbayan), and (3) the inevitable appeal to us or the interpretation of the management contract and later the ownership issue in the sequestration case, assuming the hotel still exists once the decision on the management question is implemented.

Because of the agreement between PCGG and Mr. Roberto S. Benedicto, two-thirds of the members of the Holiday Inn Board are PCGG nominees and one third are Benedicto nominees. When the decision to terminate Holiday Inn's contract was made, this was, therefore, a PCGG decision. I find it strange why the legality of that PCGG action and the authority of Holiday Inn (Philippines) to enforce a clause on its right of first refusal should

be outside of the jurisdiction of Sandiganbayan. There would have been no termination of the contract which was acceptable to the parties since 1976, if PCGG did not take over the control and effective ownership of the business. Without a sequestration order, not a single PCGG official would be sitting in the hotel board. There would have been no PCGG dominated Board deciding to terminate the contract. Therefore, any decision to end the management contract and to have the hotel managed by PCGG's chosen people is simply an incident of the exercise of the power to sequester. Only the Supreme Court or the Sandiganbayan who are familiar with the record of PCGG in managing sequestered companies and who can immediately act on motions involving the life and health of these companies should decide the issue on the management of the hotel. Our earlier experience with cases involving Holiday Inn and its fiscal agents confirms my dim views on the ability of Government in general and PCGG in particular to run sequestered firms with the diligence of a real owner.

I, therefore, emphasize that PCGG, the sequestrator, has taken over Holiday Inn hotel as its effective administrator with the powers of an owner. Any challenge to its acts must be taken before the Sandiganbayan and eventually to us.

Under the Court's decision in *PCGG v. PEÑA*, 159 SCRA 556 (1988), it is not only the PCGG cases involving the illegal wealth of Mr. Marcos, his family, and cronies which come under the Sandiganbayan's exclusive jurisdiction. The Court also included "all incidents arising from, incidental to or related to such cases." I dissented in *Peña* and urged that certain cases such as the efforts of victims, whose properties were taken over by Marcos cronies, to recover their properties, cases which have nothing to do with cronyism or illegal acquisition of wealth, and cases of unlawful detainer, unpaid rents, etc. should go to regular courts. I was overruled by the majority. In his "addendum", the ponente - then Chief Justice Teehankee - stated that jurisdiction cannot be split; every issue involving sequestered property and its management and disposition must go to Sandiganbayan.

We now have before us an issue that is of paramount importance in the way sequestered property shall be administered and operated. Yet, the Court does not want to allow the intervenor who has been operating the hotel since 1976 to come before the Sandiganbayan.

I believe the better procedure is for us to decide the issue which led to this petition. Everything needed for a decision is in the records. The issue will come to us again in the future if we do not settle it now. But if we opt not to do so, then the issue must be decided by Sandiganbayan. It is part and parcel of the sequestration case. It should not be split from the main case.

I, therefore, vote to GRANT the petition and to ORDER the Sandiganbayan to allow the petitioner to intervene in the main case.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.