

SECOND DIVISION

[G.R. No. 107943, February 03, 2000]

**REPUBLIC OF THE PHILIPPINES THRU THE ASSET
PRIVATIZATION TRUST, PETITIONER, VS. COURT OF APPEALS,
HON. FELIX S. CABALLES, AND DOMESTIC SATELLITE
PHILIPPINES, INC., RESPONDENTS.**

D E C I S I O N

BELLOSILLO, J.:

ASSET PRIVATIZATION TRUST (APT), an entity created pursuant to Proclamation No. 50,^[1] is mandated to *"take title to and possession of, conserve, provisionally manage and dispose of assets"*^[2] that have been identified for privatization or disposition, while private respondent Domestic Satellite Philippines, Inc. (DOMSAT), is a domestic corporation engaged in satellite-based telecommunications and satellite broadcast network. In 1977 DOMSAT was granted foreign loans totaling US\$16,537,724.00 by Marubeni Corporation of Tokyo to finance the establishment and operation of a nationwide satellite communications network. To secure the foreign loans DOMSAT executed two (2) credit agreements with the Philippine National Bank (PNB) for the opening of letters of credit. The first credit agreement was made on 21 April 1977 whereby PNB granted DOMSAT letters of credit for US\$16.5 Million subject to the condition that the payment of the obligations under the letters of credit be secured by the following: (a) First mortgage on electronic equipment and all equipment and chattels to be purchased from Marubeni Corporation; (b) Assets to be acquired by DOMSAT consisting of land site, office equipment, vehicles, etc.; and, (c) Mortgage/assignment of franchise to operate a domestic satellite facility.^[3] Also on the same date, 21 April 1977, simultaneously with the credit agreement for US\$16.5 Million worth of letters of credit, DOMSAT executed a Deed of Promise to Mortgage the electronic equipment and shelter to be purchased from Marubeni Corporation as well as the assets to be acquired with the proceeds of the letters of credit.^[4]

On 22 September 1983 DOMSAT entered into a second credit agreement with PNB in the amount of P2,802,888.00 for the purpose of paying its tax obligations. In addition, PNB released funds for the purchase of lands in various parts of the country and the construction of buildings and improvements to house the equipment for the satellite communications facility.^[5]

Meanwhile, on 25 January 1980 DOMSAT constituted a real estate mortgage in favor of PNB in the total amount of P123,387,958.76 covering fourteen (14) separate parcels of realty used as sites for earth stations, "together with all the buildings and improvements now existing or which may thereafter be erected or constructed thereon."^[6]

On the same date DOMSAT also executed a chattel mortgage in favor of PNB. Annexed thereto was a detailed list of (a) office equipment in DOMSAT's Makati office; (b) eleven (11) Toyota Land Cruisers; and, (c) all the electronic, electrical, mechanical and other satellite communications equipment, machinery, systems, sub-systems, components, etc., that DOMSAT had imported from Japan in seventeen (17) separate shipments over a three (3)-year period (1977-1979) for its nationwide network consisting of one (1) Master Earth Station located in Antipolo, Rizal, and ten (10) remote earth stations spread out over the Philippine archipelago. [7]

On 8 December 1986 then President Corazon C. Aquino issued Proclamation No. 50 establishing the APT and mandating the transfer to APT, as trustee of the National Government, of certain non-performing assets held by government financial institutions like the PNB. Among the non-performing assets transferred to APT were the accounts receivable of DOMSAT which at the time of transfer allegedly reached more than One (1) Billion Pesos including interests and penalties. Since 1980 DOMSAT defaulted and failed to meet the progress payments due PNB and despite repeated demands no single payment was made in favor of the bank.

Since negotiations for the settlement of DOMSAT's obligations with APT proved futile, the latter moved to foreclose on DOMSAT's mortgaged properties. On 5 January 1990 APT filed with the Ex Officio Sheriff of Antipolo, Rizal, a *Petition for the Extra-Judicial Foreclosure Sale* of DOMSAT's mortgaged properties under Acts 1508 and 3135, as amended. Similar petitions were filed in Cebu on 23 May 1990 and in Tacloban on 14 June 1990.

On 22 June 1990 DOMSAT filed a petition before the Sandiganbayan alleging, among others, that its petition was "being filed pursuant to the ruling of the Supreme Court in *Bataan Shipyard v. PCGG*,^[8] and *PCGG v. Pena*,^[9] holding that 'all incidents arising from, incidental to, or related to the ill-gotten wealth cases shall be heard and tried in the Sandiganbayan,' and praying that 'after due hearing, judgment be rendered ordering the PCGG to withdraw its objection to the settlement agreed upon between DOMSAT and APT, the PCGG having no legal right to interpose an objection thereto x x x x "' As an ancillary measure, DOMSAT prayed that pending hearing on the petition, a temporary restraining order be issued enjoining APT to defer its intended foreclosure of the assets of DOMSAT.^[10]

In December 1990, after several postponements of the scheduled foreclosure at the request of DOMSAT, APT moved to foreclose on DOMSAT's Antipolo station. Antipolo Sheriff-in-Charge Nicanor D. Blanco issued a Notice of Sheriff's Sale under Act 1508 and PD 385 and setting for public auction on 28 January 1991 the satellite communications equipment and facilities comprising DOMSAT's Antipolo earth station, which according to the notice, had been mortgaged under Act 1508 by DOMSAT. A list of the "chattels" to be sold, consisting of parabolic antennae, high power amplifiers, radio frequency equipment and other satellite communications equipment and facilities was attached to the said notice. In the ensuing public auction held on 28 January 1991, APT was the highest bidder at P42,725,000.00. The corresponding Certificate of Sale was issued by the Sheriff on the same day.

On 30 January 1991 DOMSAT filed a complaint with the Regional Trial Court of Antipolo, which it amended on 11 February 1991, for *Annulment of Sheriff's Sale*

and Chattel Mortgage; Injunction with Prayer for Preliminary Injunction and Temporary Restraining Order and Damages, against APT and PNB, as well as Pio E. Martinez as Ex-Officio Sheriff for RTC, Antipolo, and Nicanor D. Blanco, Sheriff-in-Charge, and docketed as Civil Case No. 91-1951.^[11] The damages sought from APT amounted to ₱1,100,000.00.

On 4 February 1991 the trial court issued a temporary restraining order enjoining APT and the Antipolo Sheriff "to refrain or desist from executing the certificate of sale, or some other instrument formally conveying to the defendant APT, the plaintiff's properties which were sold at public auction sale on 28 January 1991." On 18 February 1991 APT filed a *Motion to Dismiss with Opposition to the Application for Injunction* on the following grounds: (a) lack of jurisdiction of the lower court because of DOMSAT's failure to comply with Sec. 2 of PD 385 and to pay the correct docket fees; (b) action was within the exclusive jurisdiction of the Sandiganbayan; (c) pendency of Civil Case No. 0106 before the Sandiganbayan which involved the same cause; (d) forum shopping on the part of DOMSAT; and, (e) restraining order or injunction prayed for was barred by Sec. 31 of Proclamation No. 50-A.^[12]

After several hearings, the trial court issued the controversial Order dated 25 February 1991 holding in abeyance the resolution of APT's motion to dismiss until DOMSAT would have rested in its main case and granting the writ of preliminary injunction prayed for upon the filing by DOMSAT of a bond of ₱2,000,000.00. On the issue of nonpayment of the prescribed docket fees, the trial court pursuant to *Sun Insurance Office Ltd. v. Asuncion* allowed the payment of additional docket fees considering the willingness of DOMSAT to do so.^[13]

On 2 April 1991 the trial court issued the impugned *Writ of Preliminary Injunction* "ordering the defendants, their agents x x x to refrain or desist from executing the certificate of sale x x x or some other instrument formally conveying to the defendant APT the plaintiff's properties which were sold at public auction on January 28, 1991."^[14]

Subsequently, acting on APT's *Motion for Reconsideration* of the 25 February 1991 Order and of DOMSAT's *Motion to Clarify the Terms of the Injunctive Writ*, the trial court issued its Order of 21 June 1991 which (a) denied APT's motion for reconsideration of the 25 February 1991 Order "for lack of merit;" and (b) amended the writ of preliminary injunction "further directing the defendants Sheriff and x x x APT to cease and desist from further pursuing any other action or actions relative to such foreclosure."^[15]

On 22 January 1992 APT elevated its plaint to the Court of Appeals through a *Petition for Certiorari* to annul the questioned Orders dated 25 February 1991, 2 April 1991 and 21 June 1991, as well as the *Writ of Preliminary Injunction* issued in Civil Case No. 91-1951-A. APT contended *inter alia* that (a) the Antipolo Regional Trial Court acted without or in excess of its jurisdiction and gravely abused its discretion when it issued the questioned Orders and Writ considering that Sec. 31 of Proclamation No. 50-A strictly prohibited the issuance of restraining orders against APT; (b) the Sandiganbayan has exclusive jurisdiction to hear and decide the complaint filed in Civil Case No. 91-1951-A, the properties of DOMSAT being sequestered assets; thus the pendency of Civil Case No. 0106 before the Sandiganbayan bars the filing of Civil Case No. 91-1951-A with the Antipolo RTC on