

## THIRD DIVISION

[ G.R. No. 173082, August 06, 2014 ]

**PALM AVENUE HOLDING CO., INC., AND PALM AVENUE REALTY AND DEVELOPMENT CORPORATION, PETITIONERS, VS. SANDIGANBAYAN 5<sup>TH</sup> DIVISION, REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT (PCGG), RESPONDENT.**

[G.R. No. 195795]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, PETITIONER, VS. HON. SANDIGANBAYAN, PALM AVENUE REALTY AND DEVELOPMENT CORPORATION AND PALM AVENUE HOLDING COMPANY, INC., RESPONDENTS.**

### D E C I S I O N

**PERALTA, J.:**

For resolution before the Court are the consolidated cases of G.R. No. 173082 and G.R. No. 195795. In G.R. No. 173082, Palm Avenue Holding Co., Inc. and Palm Avenue Realty and Development Corporation (*the Palm Companies*), through a Petition for *Certiorari* under Rule 65 of the Rules of Court, seek to annul the Resolutions of the Sandiganbayan (Fifth Division), promulgated on January 10, 2003<sup>[1]</sup> and June 14, 2006<sup>[2]</sup> in Civil Case No. 0035, entitled *Republic of the Philippines v. Benjamin "Kokoy" Romualdez* [in which intervention by Trans Middle East (Phil.) Equities, Inc. was allowed]. On the other hand, the Republic of the Philippines (*the Republic*), in G.R. No. 195795, via a Petition for *Certiorari* and Prohibition, with application for temporary restraining order and/or writ of preliminary-injunction, prays for the nullification of the Sandiganbayan Resolutions dated October 21, 2010<sup>[3]</sup> and January 11, 2011<sup>[4]</sup> rendered in the same case.

The factual and procedural antecedents are as follows:

Through a writ of sequestration dated October 27, 1986, the Presidential Commission on Good Government (PCGG) sequestered all the assets, properties, records, and documents of the Palm Companies. Said sequestered assets included 16,237,339 Benguet Corporation shares of stock, registered in the name of the Palm Companies. The PCGG had relied on a letter from the Palm Companies' Attorney-in-Fact, Jose S. Sandejas, specifically identifying Benjamin "Kokoy" Romualdez, a known crony of former President Ferdinand E. Marcos, as the beneficial owner of the Benguet Corporation shares in the Palm Companies' name.

The Republic, represented by the PCGG, filed a complaint with the Sandiganbayan docketed as Civil Case No. 0035 but did not initially implead the Palm Companies as

defendants. However, the Sandiganbayan issued a Resolution dated June 16, 1989 where it ordered said companies to be impleaded. The Court subsequently affirmed this order to implead in G.R. No. 90667<sup>[5]</sup> on November 5, 1991. Pursuant to said order, the Republic filed an amended complaint dated January 17, 1997 and named therein the Palm Companies as defendants. The graft court admitted the amended complaint on October 15, 2001.

In the meantime, on February 11, 1997, the Palm Companies filed an Urgent Motion to Lift the Writ of Sequestration, but was denied on January 10, 2003. The dispositive portion of the Sandiganbayan Resolution reads:

WHEREFORE, in view of the foregoing:

1) The "URGENT MOTION TO NULLIFY WRIT OF SEQUESTRATION" dated January 28, 1997 filed by movant Trans Middle East (Phils.) Equities, Inc., is hereby GRANTED. Accordingly, Sequestration Order No. 86-0056 dated April 15, 1986 is hereby declared null and void for having been issued by one PCGG Commissioner only in direct contravention of Section 3 of the PCGG's own Rules and Regulations. Conformably, however, with the manifestation of the movant Trans Middle East (Phils.) Equities, Inc. itself, the Court will not order the return of its shares of stocks sequestered per Sequestration Order No. 86-0056 dated April 15, 1986, but orders that the same, including the interests earned thereon, to be deposited with the Land Bank of the Philippines in escrow for the persons, natural or juridical, who shall eventually be adjudged lawfully entitled thereto.

2) The "URGENT MOTION TO LIFT THE WRIT OF SEQUESTRATION" dated February 11, 1997 of Palm Avenue Realty and Development Corporation and Palm Avenue Holdings, Co., Inc. is hereby DENIED for lack of merit.

SO ORDERED.<sup>[6]</sup>

They filed a Motion for Reconsideration, but the same was likewise denied on June 14, 2006. Hence, the Palm Companies filed the petition in G.R. No. 173082.

On September 22, 2006, the Palm Companies filed a Motion to Release Sequestered Funds with the Sandiganbayan. In a Resolution dated January 18, 2007, the Sandiganbayan granted said motion and ordered the release of the sequestered funds for the purchase of additional shares in Benguet Corporation, and appointed a comptroller for this purpose. On May 29, 2007, the companies filed a Motion for Bill of Particulars to direct the Republic to submit a bill of particulars regarding matters in the amended complaint which were not alleged with certainty or particularity. On December 21, 2007, the Republic submitted its bill of particulars. Thereafter, the Palm Companies filed a motion to dismiss the Republic's complaint. They argued that the bill of particulars did not satisfactorily comply with the requested details.

On August 5, 2008, the Palm Companies filed a Motion to Order Payment of Interest on Balance of the Sequestered Funds. Later, on September 29, 2008, the Sandiganbayan granted the Palm Companies' motion to dismiss and dismissed the

Republic's complaint as to them. This was affirmed by the Court in a Resolution<sup>[7]</sup> dated January 20, 2010 in G.R. No. 189771. The Sandiganbayan also granted the Palm Companies' Motion to Order Payment of Interest on Balance of the Sequestered Funds on October 28, 2009.

Thereafter, the Palm Companies filed another motion dated May 14, 2010, this time, to order the PCGG to release all the companies' shares of stock and funds in its custody. The Sandiganbayan then issued its October 21, 2010 Resolution, granting the companies' foregoing motion. The graft court disposed of the case as follows:

WHEREFORE, in view of the foregoing, Palm Avenue Holding Company, Inc. and Palm Avenue Realty and Development Corporation's Motion to Order the PCGG to Release to the Palm Companies all the shares of stocks and funds in their custody that pertain to the Palm Companies is hereby **GRANTED**.

SO ORDERED.<sup>[8]</sup>

Upon denial of the Republic's motion for reconsideration, it filed the petition in G.R. No. 195795.

In G.R. No. 173082, the Palm Companies present this lone issue to be resolved by the Court:

[WHETHER OR NOT] RESPONDENT COURT ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION IN DENYING PETITIONERS' MOTION TO LIFT THE WRIT OF SEQUESTRATION NOTWITHSTANDING THE FACT [THAT] SAID WRIT SHOULD BE DEEMED AUTOMATICALLY LIFTED PURSUANT TO SECTION 26, ARTICLE XVIII OF THE 1987 CONSTITUTION FOR FAILURE TO IMPLEAD PETITIONERS WITHIN THE PERIOD OF SIX (6) MONTHS PRESCRIBED IN THE SAID CONSTITUTION.<sup>[9]</sup>

The Palm Companies pray for the lifting of the Writ of Sequestration against their assets, since they were not impleaded as parties-defendants in Civil Case No. 0035 within the period prescribed by the Constitution.

On the other hand, the Republic, through the PCGG, contends in G.R. No. 195795 that:

THE RESPONDENT COURT COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO EXCESS OF JURISDICTION IN GRANTING THE PALM COMPANIES' MOTION TO RELEASE ALL SHARES OF STOCK AND FUNDS IN THE CUSTODY OF THE PCGG.<sup>[10]</sup>

The Republic argues that the dismissal of the complaint as to the Palm Companies is not tantamount to a declaration that their sequestered assets are no longer ill-

gotten.

The issues presented being essentially interrelated, the Court shall make a simultaneous discussion.

Section 26, Article XVIII of the 1987 Constitution provides:

x x x x

A sequestration or freeze order shall be issued only upon showing of a prima facie case. The order and the list of the sequestered or frozen properties shall forthwith be registered with the proper court. **For orders issued before the ratification of this Constitution, the corresponding judicial action or proceeding shall be filed within six months from its ratification.** For those issued after such ratification, the judicial action or proceeding shall be commenced within six months from the issuance thereof.

The sequestration or freeze order is **deemed automatically lifted** if no judicial action or proceeding is commenced as herein provided.<sup>[11]</sup>

The aforesaid provision mandates the Republic to file the corresponding judicial action or proceedings within a six-month period (from its ratification on February 2, 1987) in order to maintain sequestration, non-compliance with which would result in the automatic lifting of the sequestration order. The Court's ruling in *Presidential Commission on Good Government v. Sandiganbayan*,<sup>[12]</sup> which remains good law, reiterates the necessity of the Republic to actually implead corporations as defendants in the complaint, out of recognition for their distinct and separate personalities, failure to do so would necessarily be denying such entities their right to due process.<sup>[13]</sup> Here, the writ of sequestration issued against the assets of the Palm Companies is not valid because the suit in Civil Case No. 0035 against Benjamin Romualdez as shareholder in the Palm Companies is not a suit against the latter. The Court has held, contrary to the assailed Sandiganbayan Resolution in G.R. No. 173082, that failure to implead these corporations as defendants and merely annexing a list of such corporations to the complaints is a violation of their right to due process for it would be, in effect, disregarding their distinct and separate personality without a hearing.<sup>[14]</sup> Here, the Palm Companies were merely mentioned as Item Nos. 47 and 48, Annex A of the Complaint, as among the corporations where defendant Romualdez owns shares of stocks. Furthermore, while the writ of sequestration was issued on October 27, 1986, the Palm Companies were impleaded in the case only in 1997, or already a decade from the ratification of the Constitution in 1987, way beyond the prescribed period.

The argument that the beneficial owner of these corporations was, anyway, impleaded as party-defendant can only be interpreted as a tacit admission of the failure to file the corresponding judicial action against said corporations pursuant to the constitutional mandate. Whether or not the impleaded defendant in Civil Case No. 0035 is indeed the beneficial owner of the Palm Companies is a matter which the PCGG merely assumes and still has to prove in said case.<sup>[15]</sup>

The sequestration order issued against the Palm Companies is therefore deemed automatically lifted due to the failure of the Republic to commence the proper judicial action or to implead them therein within the period under the Constitution. However, the lifting of the writ of sequestration will not necessarily be fatal to the main case since the same does not *ipso facto* mean that the sequestered properties are, in fact, not ill-gotten. The effect of the lifting of the sequestration will merely be the termination of the government's role as conservator. In other words, the PCGG may no longer exercise administrative or housekeeping powers, and its nominees may no longer vote the sequestered shares to enable them to sit in the corporate board of the subject company.<sup>[16]</sup>

The Republic, through the PCGG, may argue that it has substantially complied with the Constitutional requirements to support its sequestration order when it filed an amended complaint which impleaded the Palm Companies, and which was subsequently admitted by the Sandiganbayan. Even so, a careful perusal of the records reveals the existence of legal and factual grounds to warrant the lifting of the writ of sequestration against the assets of the Palm Companies.

Since the Republic did not originally include the Palm Companies in Civil Case No. 0035, the Sandiganbayan issued a Resolution ordering said companies to be impleaded, which was affirmed by the Court in G.R. No. 90667 on November 5, 1991. The Court declared in said case that the Palm Companies are real parties-in-interest in Civil Case No. 0035, because they still appear to be the registered owners of the remaining disputed shares. That Romualdez is considered as their true or real owner is just a claim that still needs to be proved in court.<sup>[17]</sup>

Section 2, Rule 3 of the Rules of Court states:

*Sec. 2. Parties in interest.* – A real party-in-interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. Unless otherwise authorized by law or these Rules, every action must be prosecuted or defended in the name of the real party-in-interest.

This provision has two requirements: 1) to institute an action, the plaintiff must be the real party-in-interest; and 2) the action must be prosecuted in the name of the real party-in-interest. Interest within the meaning of the Rules of Court means material interest or an interest in issue to be affected by the decree or judgment of the case, as distinguished from mere curiosity about the question involved. One having no material interest to protect cannot invoke the jurisdiction of the court as the plaintiff in an action. When the plaintiff is not the real party-in-interest, the case is dismissible on the ground of lack of cause of action.

Pursuant to said order, the Republic filed an amended complaint which named the Palm Companies as defendants. Thereafter, the companies filed a Motion for Bill of Particulars for the Republic to clarify certain matters in its amended complaint. Upon submission of the bill of particulars, the Palm Companies filed a motion to