

## **FIRST DIVISION**

**[ G.R. No. 184622, July 03, 2013 ]**

**PHILIPPINE OVERSEAS TELECOMMUNICATIONS CORPORATION (POTC) AND PHILIPPINE COMMUNICATIONS SATELLITE CORPORATION (PHILCOMSAT), PETITIONERS, VS. VICTOR AFRICA, ERLINDA I. BILDNER, SYLVIA K. ILUSORIO, HONORIO POBLADOR III, VICTORIA C. DELOS REYES, JOHN BENEDICT SIOSON, AND JOHN/JANE DOES, RESPONDENTS.**

**G.R. Nos. 184712-14**

**PHILIPPINE OVERSEAS TELECOMMUNICATIONS CORPORATION (POTC) AND PHILIPPINE COMMUNICATIONS SATELLITE CORPORATION (PHILCOMSAT), PETITIONERS, VS. HON. JENNY LIN ALDECOA-DELORINO, PAIRING JUDGE OF THE REGIONAL TRIAL COURT OF MAKATI CITY-BRANCH 138, VICTOR AFRICA, PURPORTEDLY REPRESENTING PHILCOMSAT, AND JOHN/JANE DOES, RESPONDENTS.**

**G.R. No. 186066**

**PHILCOMSAT HOLDINGS CORPORATION, REPRESENTED BY CONCEPCION POBLADOR, PETITIONER, VS. PHILIPPINE COMMUNICATIONS SATELLITE CORPORATION (PHILCOMSAT), REPRESENTED BY VICTOR AFRICA, RESPONDENT.**

**G.R. No. 186590**

**PHILCOMSAT HOLDINGS CORPORATION, REPRESENTED BY ERLINDA I. BILDNER, PETITIONER, VS. PHILCOMSAT HOLDINGS CORPORATION, REPRESENTED BY ENRIQUE L. LOCSIN, RESPONDENT.**

## **D E C I S I O N**

**BERSAMIN, J.:**

An intra-corporate dispute involving a corporation under sequestration of the Presidential Commission on Good Government (PCGG) falls under the jurisdiction of the Regional Trial Court (RTC), not the Sandiganbayan.

### **The Cases**

These consolidated appeals *via* petitions for review on *certiorari* include the following:

(a) G.R. No. 184622 - the appeal from the dismissal by the

Sandiganbayan of the petitioners' complaint for injunction docketed as Civil Case No. 0198 on the ground that the Sandiganbayan had no jurisdiction over the issue due to its being an intra-corporate dispute;

(b) G.R. No.184712-14 and G.R. No. 186066 - the appeals of the Locsin Group (in representation of Philippine Overseas Telecommunications Corporation (POTC), Philippine Communications Satellite Corporation (PHILCOMSAT), and Philcomsat Holdings Corporation (PHC) from the consolidated decision the Court of Appeals (CA) promulgated on September 30, 2008 in C.A.-G.R. SP No. 101225, C.A.-G.R. SP No. 98097 and C.A.-G.R. SP No. 98399; and

G.R. No. 186590 - the appeal of the Ilusorio Group seeking the  
(c) reversal of the decision promulgated by the CA on July 16, 2008 in C.A.-G.R. SP No. 102437.

### **Common Antecedents**

POTC is a domestic corporation organized for the purpose of, among others, constructing, installing, maintaining, and operating communications satellite systems, satellite terminal stations and associated equipments and facilities in the Philippines.<sup>[1]</sup>

PHILCOMSAT is also a domestic corporation. Its purposes include providing telecommunications services through space relay and repeater stations throughout the Philippines.

PHC is likewise a domestic corporation, previously known as Liberty Mines, Inc., and is engaged in the discovery, exploitation, development and exploration of oil. In 1997, Liberty Mines, Inc. changed its name to PHC, declassified its shares, and amended its primary purpose to become a holding company.<sup>[2]</sup>

The ownership structure of these corporations implies that whoever had control of POTC necessarily held 100% control of PHILCOMSAT, and in turn whoever controlled PHILCOMSAT wielded 81% majority control of PHC. Records reveal that POTC has been owned by seven families through their individual members or their corporations, namely: (a) the Ilusorio Family; (b) the Nieto Family; (c) the Poblador Family; (d) the Africa Family; (e) the Benedicto Family; (f) the Ponce Enrile Family; and (g) the Elizalde Family.<sup>[3]</sup>

Atty. Potenciano Ilusorio, the patriarch of the Ilusorio Family, owned shares of stock in POTC. A block consisting of 5,400 POTC shares of stock has become the bone of contention in a prolonged controversy among the parties. Atty. Ilusorio claimed that he had incurred the ire of Imelda Marcos during the regime of President Marcos, leading to the Marcos spouses' grabbing from him the POTC shares of stock through threats and intimidation and without any valuable consideration, and placing such shares under the names of their *alter egos*, namely: 3,644 shares in the name of Independent Realty Corporation (IRC); 1,755 shares in the name of Mid-Pasig Land Development (Mid-Pasig); and one share in the name of Ferdinand Marcos, Jr.<sup>[4]</sup>

On February 25, 1986, the EDSA People Power Revolution deposed President Marcos from power and forced him and his family to flee the country. On February 28, 1986, newly-installed President Corazon C. Aquino issued Executive Order No. 1 to create the PCGG whose task was to assist the President in the recovery of all ill-gotten wealth amassed by President Marcos, his immediate family, relatives, subordinates and close associates, whether located in the Philippines or abroad, through the takeover or sequestration of all business enterprises and entities owned or controlled by them during President Marcos' administration, directly or through nominees, by taking undue advantage of their public office and/or using their powers, authority, influence, connections or relationships.<sup>[5]</sup>

Subsequently, Jose Y. Campos, a self-confessed crony of President Marcos, voluntarily surrendered to the PCGG the properties, assets, and corporations he had held in trust for the deposed President. Among the corporations surrendered were IRC (which, in the books of POTC, held 3,644 POTC shares) and Mid-Pasig (which, in the books of POTC, owned 1,755 POTC shares). Also turned over was one POTC share in the name of Ferdinand Marcos, Jr.<sup>[6]</sup>

With Campos' surrender of IRC and Mid-Pasig to the PCGG, the ownership structure of POTC became as follows:

Owner	% of Shareholdings
Ilusorio, Africa, Poblador, Benedicto and Ponce Enrile Families	46.39%
PCGG (IRC and Mid-Pasig)	39.92%
Nieto Family	13.12%
Elizalde Family	0.57%
Total	100.00%

With 39.92% of the POTC shareholdings under its control, the PCGG obtained three out of the seven seats in the POTC Board of Directors. At the time, Manuel Nieto, Jr. was the President of both POTC and PHILCOMSAT. However, Nieto, Jr. had a falling out with other stockholders. To keep control of the POTC and PHILCOMSAT, Nieto, Jr. aligned with the PCGG nominees to enable him to wrest four out of seven seats in the POTC Board of Directors and five out of the nine seats in the PHILCOMSAT Board of Directors. Thus, Nieto, Jr. remained as the President of POTC and PHILCOMSAT.<sup>[7]</sup>

On July 22, 1987, the Government, represented by the PCGG, filed in the Sandiganbayan a Complaint for reconveyance, reversion, accounting, restitution and damages against Jose L. Africa, Manuel H. Nieto, Jr., President Marcos, Imelda R. Marcos, Ferdinand R. Marcos, Jr., Roberto S. Benedicto, Juan Ponce Enrile and Atty. Potenciano Ilusorio.<sup>[8]</sup> The Complaint, docketed as SB Civil Case No. 009, alleged that the defendants "acted in collaboration with each other as dummies, nominees and/or agents of defendants Ferdinand E. Marcos, Imelda R. Marcos and Ferdinand R. Marcos, Jr. in several corporations, such as the Mid-Pasig Land Development Corporation and the Independent Realty Corporation which, through manipulations by said defendants, appropriated a substantial portion of the shareholdings in Philippine Overseas Telecommunications Corporation and Philippine Communications

Satellite Corporation held by the late Honorio Poblador, Jr., Jose Valdez and Francisco Reyes, thereby further advancing defendants' scheme to monopolize the telecommunications industry;" that through their illegal acts, they acquired ill-gotten wealth; that their acts constituted "breach of public trust and the law, abuse of rights and power, and unjust enrichment;" and that their ill-gotten wealth, real and personal, "are deemed to have been acquired (by them) for the benefit of the plaintiff (Republic) and are, therefore, impressed with constructive trust in favor of (the latter) and the Filipino people."<sup>[9]</sup>

The Complaint prayed that all the funds, properties and assets illegally acquired by the defendants, or their equivalent value, be reconveyed or reverted to the Government; and that the defendants be ordered to render an accounting and to pay damages.<sup>[10]</sup>

In his Amended Answer with Cross-Claim (against the Marcoses) and Third-Party Complaint against Mid-Pasig and IRC, Atty. Ilusorio denied having acquired ill-gotten wealth and having unjustly enriched himself by conspiring with any of the defendants in committing a breach of public trust or abuse of right or of power, stating that "he has never held any public office nor has he been a government employee;" and that he was never a dummy or agent of the Marcoses. He interposed the affirmative defense that he owned 5,400 POTC shares of stock, having acquired them through his honest toil, but the Marcoses had taken the shares from him through threats and intimidation and without valuable consideration and then placed the shares in the names of their *alter egos*; and that he thus became "the hapless victim of injustice," with the right to recover the shares and their corresponding dividends.<sup>[11]</sup>

On June 28, 1996, after a decade of litigation, the Republic, IRC and Mid-Pasig, and the PCGG (acting through PCGG Commissioner Hermilo Rosal) entered into a compromise agreement with Atty. Ilusorio, whereby Atty. Ilusorio recognized the ownership of the Republic over 4,727 of the POTC shares of stock in the names of IRC and Mid-Pasig, and, in turn, the Republic acknowledged his ownership of 673 of the POTC shares of stock and undertook to dismiss Civil Case No. 009 as against him.

The compromise agreement relevantly stated:

WHEREAS, this Compromise Agreement covers the full, comprehensive and final settlement of the claims of the GOVERNMENT against ILUSORIO in Civil Case No. SB-009, pending before the Third Division of the Sandiganbayan; the Cross-Claim involving several properties located in Parañaque, Metro Manila; and the Third-Party Complaint filed by ILUSORIO, in the same case, involving the Five Thousand Four Hundred (5,400) shares of stocks registered in the names of Mid-Pasig Land Development Corporation (MLDC) and Independent Realty Corporation (IRC), respectively, in the Philippine Overseas Telecommunications Corporation (POTC);

x x x x

President Ramos approved the compromise agreement, and directed its submission to the Sandiganbayan for approval through his marginal note dated October 5,

1996.<sup>[12]</sup>

It was not until June 8, 1998, or nearly two years from its execution, however, that the Sandiganbayan approved the compromise agreement, the resolution for which reads:

WHEREFORE, and as prayed for in the Motion dated June 3, 1998, which is hereby granted.

1. The foregoing Compromise Agreement dated June 28, 1996 executed by and between the plaintiff and defendant Potenciano T. Ilusorio is hereby approved, the same not being contrary to law, good morals and public policy. The parties thereto are hereby enjoined to strictly abide by and comply with the terms and conditions of the said Compromise Agreement.
2. The complaint as against defendant Potenciano T. Ilusorio only in the above-entitled case No. 0009 is hereby dismissed.
3. The Motions for Injunction and Contempt, respectively, filed by defendant Potenciano T. Ilusorio against the Government/PCGG, its officers and agents, in Civil Case No. 0009 are hereby withdrawn;
4. The Third-Party Complaint and the Cross-Claim of defendant Potenciano T. Ilusorio are hereby dismissed; and
5. The Board of Directors, President and Corporate Secretary of the Philippine Overseas Telecommunications Corporation are hereby ordered to issue the corresponding stock certificates to, and in the names of Potenciano T. Ilusorio, Mid-Pasig Land Development Corporation, and Independent Realty Corporation, respectively.<sup>[13]</sup>

The result was the redistribution of the POTC shareholdings as follows:

Owner	% of Shareholdings
Ilusorio, Africa, Poblador, Benedicto and Ponce Enrile Families	51.37%
PCGG (IRC and Mid-Pasig)	34.94%
Nieto Family	13.12%
Elizalde Family	0.57%
Total	100.00%

The Ilusorio Family's shareholding became 18.12%, while that of the PCGG (through IRC and Mid-Pasig) was reduced to 34.94%. With its reduced shareholdings, the PCGG's number of seats in the POTC Board settled at only two. The Ilusorio Family continued its alliance with the Africa, Poblador, Benedicto and Ponce Enrile Families. In effect, the compromise agreement tilted the control in POTC, PHILCOMSAT and PHC, such that the alliance between the Nieto Family and the PCGG, theretofore dominant, became the minority.<sup>[14]</sup>