

THIRD DIVISION

[G.R. No. 142476, March 20, 2001]

**REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. THE
HONORABLE SANDIGANBAYAN (FIRST DIVISION),
RESPONDENT.**

D E C I S I O N

SANDOVAL-GUTIERREZ, J.:

The issue in the petition is whether or not the Republic of the Philippines may withdraw funds derived from the sale of an erroneously sequestered aircraft and ordered by this Court to be deposited in escrow for the benefit of the person who may be legally entitled to the funds.

Before us is the petition for certiorari and mandamus under Section 65 of the 1997 Rules of Procedure, as amended, filed by the Republic of the Philippines (Republic) assailing the Resolution of the Sandiganbayan dated September 3, 1999 in Civil Case No. 0033, "Republic of the Philippines vs. Eduardo M. Cojuangco, Jr., et al." and its Resolution dated February 17, 2000.

On July 31, 1987, petitioner Republic and the Presidential Commission on Good Government (PCGG) filed with respondent Sandiganbayan the said Civil Case No. 0033 for reconveyance, reversion, accounting, restitution and damages against Eduardo Cojuangco, Jr. and 60 other defendants. On the strength of this complaint, the PCGG issued several sequestration orders, one of which covers an aircraft, more particularly described as follows:

Avions Dassault - Breguet Falcon 50
Jet Model - 1982
Manufacturer's Serial No. 082
Cert. of Reg. No. RP-C754

The records show that:

1. The Falcon jet was leased by the United Coconut Chemicals Inc. (Unichem) from Faysound Ltd., a company in the United States;
2. The lease over the aircraft lapsed in 1987, at which time the aircraft should have been returned by Unichem to Faysound Ltd., its owner-
lessor;
3. In Civil Case No. 0033, Cojuangco or any of the defendants has not
claimed ownership or interest in the Falcon jet;
4. Unichem has not been sequestered. Only the shares of Cojuangco
in Unichem were sequestered; and

5. But no one, not even the owner, Faysound Ltd., came forward or questioned before the Sandiganbayan the legality of PCGG's sequestration of the aircraft.

On March 20, 1989, or two (2) years after the lease of the Falcon Falcon jet expired, the PCGG filed with the Sandiganbayan a "Motion For Authority To Sell Sequestered Aircraft Pending Litigation" on the ground that it is fast deteriorating. The Sandiganbayan, in its Resolution dated May 18, 1989, denied PCGG's motion, holding that it found "no justification prima facie or otherwise xxx for the seizure from the lessee." Forthwith, the PCGG filed with this Court a petition for certiorari (G.R. No. 88336) alleging in the main that the Sandiganbayan acted with grave abuse of discretion in denying its motion to sell the aircraft and praying that the Resolution of May 18, 1989 be nullified. On June 6, 1989, this Court issued a temporary restraining order directing the Sandiganbayan to cease and desist from enforcing its assailed May 18, 1989 Resolution. This TRO aimed to "prevent the Sandiganbayan from taking further actions proceeding upon or pursuant to its assumption that the airplane has been unlawfully sequestered and should not be in the custody of the PCGG, since that was the bone of contention to be resolved at that posture of the case."

Relying on the temporary restraining order issued by this Court, the PCGG, on September 28, 1989, sold the aircraft to Walter Fuller Aircraft, Inc., (Fuller Aircraft), a US corporation, for US\$7,138,168.65 which was deposited in escrow with the PNB.

[1] The sale was without authority from the Sandiganbayan.

On December 26, 1990, the Supreme Court *en banc* dismissed PCGG's petition in G.R. No. 88336, now in 192 SCRA 743, holding that "the decision to sell the aircraft is not within the limited administrative powers of the PCGG but requires the sanction of the Sandiganbayan which can grant or withhold the same in the exercise of sound discretion and on the basis of the evidence before it." The dispositive portion of this Court's Decision reads:

'WHEREFORE, the petition at bar is hereby DISMISSED. The PCGG is hereby ordered to deposit the proceeds of the sale of the subject aircraft under a special time deposit with the Philippine National Bank for the account of the Sandiganbayan in escrow for the person or persons, natural or juridical, who may be adjudged lawfully entitled thereto. The Solicitor General is also ordered to submit to this Court, within ten (10) days from notice hereof, certified true copies of the bill of the sale and all other pertinent documents regarding the sale of said aircraft to Walter Fuller Aircraft, Inc.'" [2]

According to petitioner Republic, the Certificate of Time Deposit No. 463109 dated July 28, 1999 shows that as of that date, the amount of US\$8,568,905.55 was deposited with the PNB for the account of the Sandiganbayan in trust for the beneficial owner. [3]

Meanwhile, Faysound Ltd., filed with the District Court of Arkansas in the United States an action (No. LR-C-89-834) to recover the Falcon jet from Fuller Aircraft, the buyer in the 1989 PCGG sale.

In a judgment dated October 29, 1990, the District Court ordered that title to the Falcon jet be returned by Fuller Aircraft to Faysound, Ltd., thus:

"Pursuant to the Memorandum Opinion filed contemporaneously herewith, summary judgment is hereby granted in favor of plaintiff Faysound Limited. On the motion for summary judgment filed by defendant Walter Fuller Aircraft Sales, Inc., the same is hereby denied and judgment on said motion is rendered in favor of plaintiff Faysound Limited.

In conformity with this ruling, title to the Falcon 50, which is the subject of this litigation, is vested in the plaintiff Faysound Limited free and clear of any and all encumbrances save for the costs of any repairs made on said plane by the Falcon Jet Corporation. The claim for storage charged on behalf of Falcon Jet is denied since Faysound bears no responsibility for the presence of the plane at the Falcon Jet facility in Little Rock Arkansas. At any rate, Falcon Jet interpled the plane into the custody of the Court and under these circumstances cannot claim storage for the plane. Storage charges may be claimed by Falcon jet against Faysound Limited beginning with the date of this judgment."^[4]

Considering that it was deprived of the aircraft sold to it, Fuller Aircraft sued the Republic and PCGG for breach of warranty with damages (No. CA3-90-2785-R) in the District Court of Texas, Dallas Division. On December 2, 1993, this court rendered against the Republic and PCGG a decision^[5] which partly reads:

"BE IT REMEMBERED, in accordance with the Court's findings of Fact and Conclusions of Law, made on the 21st day of October, 1993, as follows:

"IT IS ORDERED, ADJUDGED, AND DECREED, that judgment be and the same is hereby entered in favor of the Plaintiff Walter Fuller Aircraft Sales, Inc. and against the Defendants The Republic of the Philippines and the Presidential Commission on Good Government, jointly and severally, in the amount of Fourteen Million Nine-Hundred Twenty-Eight Thousand Four Hundred Fifty-Seven Dollars and Twenty-Nine Cents (\$14,928,457.29). The principal amount of this judgment includes pre-judgment interest at the rate of 10% compounded on the attorney's fees award, for the period from April 9, 1990, through October 27, 1993, as follows:

\$9,750,000.00	
975,000.00	interest through April 1991
<hr/>	

\$10,725,000.00	
1,072,500.00	interest through April 1992
<hr/>	

\$11,795,000.00	
1,179,750.00	interest through April 1993
<hr/>	

\$12,977,250.00	
-----------------	--