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[G.R. No. 105938, September 20, 1996]

TEODORO R. REGALA, EDGARDO J. ANGARA, AVELINO V. CRUZ, JOSEC. CONCEPCION, ROGELIO A. VINLUAN, VICTOR P. LAZATIN, AND EDUARDO U. ESCUETA, PETITIONERS, VS. THE HONORABLE SANDIGANBAYAN, FIRST DIVISION, REPUBLIC OF THE PHILIPPINES, ACTING THROUGH THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, AND RAUL S. ROCO, RESPONDENTS.

[G.R. NO. 108113. SEPTEMBER 20, 1996]

PARAJA G. HAYUDINI, PETITIONER, VS. THE SANDIGANBAYAN AND THE REPUBLIC OF THE PHILIPPINES, RESPONDENTS.

D E C I S I O N

KAPUNAN, J.:

These cases touch the very cornerstone of every State's judicial system, upon which the workings of the contentious and adversarial system in the Philippine legal process are based - the sanctity of fiduciary duty in the client-lawyer relationship. The fiduciary duty of a counsel and advocate is also what makes the law profession a unique position of trust and confidence, which distinguishes it from any other calling. In this instance, we have no recourse but to uphold and strengthen the mantle of protection accorded to the confidentiality that proceeds from the performance of the lawyer's duty to his client.

The facts of the case are undisputed.

The matters raised herein are an offshoot of the institution of the Complaint on July 31, 1987 before the Sandiganbayan by the Republic of the Philippines, through the Presidential Commission on Good Government against Eduardo M. Cojuangco, Jr., as one of the principal defendants, for the recovery of alleged ill-gotten wealth, which includes shares of stocks in the named corporations in PCGG Case No. 33 (Civil Case No. 0033), entitled "Republic of the Philippines versus Eduardo Cojuangco, et al."^[1]

Among the defendants named in the case are herein petitioners Teodoro Regala, Edgardo J. Angara, Avelino V. Cruz, Jose C. Concepcion, Rogelio A. Vinluan, Victor P. Lazatin, Eduardo U. Escueta and Paraja G. Hayudini, and herein private respondent Raul S. Roco, who all were then partners of the law firm Angara, Abello, Concepcion, Regala and Cruz Law Offices (hereinafter referred to as the ACCRA Law Firm). ACCRA Law Firm performed legal services for its clients, which included, among others, the organization and acquisition of business associations and/or organizations, with the correlative and incidental services where its members acted as incorporators, or simply, as stockholders. More specifically, in the performance of

these services, the members of the law firm delivered to its client documents which substantiate the client's equity holdings, i.e., stock certificates endorsed in blank representing the shares registered in the client's name, and a blank deed of trust or assignment covering said shares. In the course of their dealings with their clients, the members of the law firm acquire information relative to the assets of clients as well as their personal and business circumstances. As members of the ACCRA Law Firm, petitioners and private respondent Raul Roco admit that they assisted in the organization and acquisition of the companies included in Civil Case No. 0033, and in keeping with the office practice, ACCRA lawyers acted as nominees-stockholders of the said corporations involved in sequestration proceedings.^[2]

On August 20, 1991, respondent Presidential Commission on Good Government (hereinafter referred to as respondent PCGG) filed a "Motion to Admit Third Amended Complaint" and "Third Amended Complaint" which excluded private respondent Raul S. Roco from the complaint in PCGG Case No. 33 as party-defendant.^[3] Respondent PCGG based its exclusion of private respondent Roco as party-defendant on his undertaking that he will reveal the identity of the principal/s for whom he acted as nominee/stockholder in the companies involved in PCGG Case No. 33.^[4]

Petitioners were included in the Third Amended Complaint on the strength of the following allegations:

14. Defendants Eduardo Cojuangco, Jr., Edgardo J. Angara, Jose C. Concepcion, Teodoro Regala, Avelino V. Cruz, Rogelio A. Vinluan, Eduardo U. Escueta, Paraja G. Hayudini and Raul Roco of the Angara Concepcion Cruz Regala and Abello law offices (ACCRA) plotted, devised, schemed, conspired and confederated with each other in setting up, through the use of the coconut levy funds, the financial and corporate framework and structures that led to the establishment of UCPB, UNICOM, COCOLIFE, COCOMARK, CIC, and more than twenty other coconut levy funded corporations, including the acquisition of San Miguel Corporation shares and its institutionalization through presidential directives of the coconut monopoly. Through insidious means and machinations, ACCRA, being the wholly-owned investment arm, ACCRA Investments Corporation, became the holder of approximately fifteen million shares representing roughly 3.3% of the total outstanding capital stock of UCPB as of 31 March 1987. This ranks ACCRA Investments Corporation number 44 among the top 100 biggest stockholders of UCPB which has approximately 1,400,000 shareholders. On the other hand, corporate books show the name Edgardo J. Angara as holding approximately 3,744 shares as of February, 1984.^[5]

In their answer to the Expanded Amended Complaint, petitioners ACCRA lawyers alleged that:

4.4. Defendants-ACCRA lawyers' participation in the acts with which their co-defendants are charged, was in furtherance of legitimate lawyering.

4.4.1. In the course of rendering professional and legal services to clients, defendants-ACCRA lawyers, Jose C. Concepcion, Teodoro D.

Regala, Rogelio A. Vinluan and Eduardo U. Escueta, became holders of shares of stock in the corporations listed under their respective names in Annex 'A' of the expanded Amended Complaint as incorporating or acquiring stockholders only and, as such, they do not claim any proprietary interest in the said shares of stock.

4.5. Defendant ACCRA-lawyer Avelino V. Cruz was one of the incorporators in 1976 of Mermaid Marketing Corporation, which was organized for legitimate business purposes not related to the allegations of the expanded Amended Complaint. However, he has long ago transferred any material interest therein and therefore denies that the 'shares' appearing in his name in Annex 'A' of the expanded Amended Complaint are his assets.^[6]

Petitioner Paraja Hayudini, who had separated from ACCRA law firm, filed a separate answer denying the allegations in the complaint implicating him in the alleged ill-gotten wealth.^[7]

Petitioners ACCRA lawyers subsequently filed their "COMMENT AND/OR OPPOSITION" dated October 8, 1991 with Counter-Motion that respondent PCGG similarly grant the same treatment to them (exclusion as parties-defendants) as accorded private respondent Roco.^[8] The Counter-Motion for dropping petitioners from the complaint was duly set for hearing on October 18, 1991 in accordance with the requirements of Rule 15 of the Rules of Court.

In its "Comment," respondent PCGG set the following conditions precedent for the exclusion of petitioners, namely: (a) the disclosure of the identity of its clients; (b) submission of documents substantiating the lawyer-client relationship; and (c) the submission of the deeds of assignments petitioners executed in favor of its clients covering their respective shareholdings.^[9]

Consequently, respondent PCGG presented supposed proof to substantiate compliance by private respondent Roco of the conditions precedent to warrant the latter's exclusion as party-defendant in PCGG Case No. 33, to wit: (a) Letter to respondent PCGG of the counsel of respondent Roco dated May 24, 1989 reiterating a previous request for reinvestigation by the PCGG in PCGG Case No. 33; (b) Affidavit dated March 8, 1989 executed by private respondent Roco as Attachment to the letter aforesaid in (a); and (c) Letter of the Roco, Bunag, and Kapunan Law Offices dated September 21, 1988 to the respondent PCGG in behalf of private respondent Roco originally requesting the reinvestigation and/or re-examination of the evidence of the PCGG against Roco in its Complaint in PCGG Case No. 33.^[10]

It is noteworthy that during said proceedings, private respondent Roco did not refute petitioners' contention that he did actually not reveal the identity of the client involved in PCGG Case No. 33, nor had he undertaken to reveal the identity of the client for whom he acted as nominee-stockholder.^[11]

On March 18, 1992, respondent Sandiganbayan promulgated the Resolution, herein questioned, denying the exclusion of petitioners in PCGG Case No. 33, for their refusal to comply with the conditions required by respondent PCGG. It held:

ACCRA lawyers may take the heroic stance of not revealing the identity of the client for whom they have acted, i.e. their principal, and that will be their choice. But until they do identify their clients, considerations of whether or not the privilege claimed by the ACCRA lawyers exists cannot even begin to be debated. The ACCRA lawyers cannot excuse themselves from the consequences of their acts until they have begun to establish the basis for recognizing the privilege; the existence and identity of the client.

This is what appears to be the cause for which they have been impleaded by the PCGG as defendants herein.

5. The PCGG is satisfied that defendant Roco has demonstrated his agency and that Roco has apparently identified his principal, which revelation could show the lack of cause against him. This in turn has allowed the PCGG to exercise its power both under the rules of Agency and under Section 5 of E.O. No. 14-A in relation to the Supreme Court's ruling in *Republic v. Sandiganbayan* (173 SCRA 72).

The PCGG has apparently offered to the ACCRA lawyers the same conditions availed of by Roco; full disclosure in exchange for exclusion from these proceedings (par. 7, PCGG's COMMENT dated November 4, 1991). The ACCRA lawyers have preferred not to make the disclosures required by the PCGG.

The ACCRA lawyers cannot, therefore, begrudge the PCGG for keeping them as party defendants. In the same vein, they cannot compel the PCGG to be accorded the same treatment accorded to Roco.

Neither can this Court.

WHEREFORE, the Counter Motion dated October 8, 1991 filed by the ACCRA lawyers and joined in by Atty. Paraja G. Hayudini for the same treatment by the PCGG as accorded to Raul S. Roco is DENIED for lack of merit.^[12]

ACCRA lawyers moved for a reconsideration of the above resolution but the same was denied by the respondent Sandiganbayan. Hence, the ACCRA lawyers filed the petition for certiorari, docketed as G.R. No. 105938, invoking the following grounds:

I

The Honorable Sandiganbayan gravely abused its discretion in subjecting petitioners ACCRA lawyers who undisputably acted as lawyers in serving as nominee-stockholders, to the strict application of the law of agency.

II

The Honorable Sandiganbayan committed grave abuse of discretion in

not considering petitioners ACCRA lawyers and Mr. Roco as similarly situated and, therefore, deserving of equal treatment.

1. There is absolutely no evidence that Mr. Roco had revealed, or had undertaken to reveal, the identities of the client(s) for whom he acted as nominee-stockholder.
2. Even assuming that Mr. Roco had revealed, or had undertaken to reveal, the identities of the client(s), the disclosure does not constitute a substantial distinction as would make the classification reasonable under the equal protection clause.
3. Respondent Sandiganbayan sanctioned favoritism and undue preference in favor of Mr. Roco in violation of the equal protection clause.

III

The Honorable Sandiganbayan committed grave abuse of discretion in not holding that, under the facts of this case, the attorney-client privilege prohibits petitioners ACCRA lawyers from revealing the identity of their client(s) and the other information requested by the PCGG.

1. Under the peculiar facts of this case, the attorney-client privilege includes the identity of the client(s).
2. The factual disclosures required by the PCGG are not limited to the identity of petitioners ACCRA lawyers' alleged client(s) but extend to other privileged matters.

IV

The Honorable Sandiganbayan committed grave abuse of discretion in not requiring that the dropping of party-defendants by the PCGG must be based on reasonable and just grounds and with due consideration to the constitutional right of petitioners ACCRA lawyers to the equal protection of the law.

Petitioner Paraja G. Hayudini, likewise, filed his own motion for reconsideration of the March 18, 1991 resolution which was denied by respondent Sandiganbayan. Thus, he filed a separate petition for certiorari, docketed as G.R. No. 108113, assailing respondent Sandiganbayan's resolution on essentially the same grounds averred by petitioners in G.R. No. 105938.

Petitioners contend that the exclusion of respondent Roco as party-defendant in PCGG Case No. 33 grants him a favorable treatment, on the pretext of his alleged undertaking to divulge the identity of his client, giving him an advantage over them who are in the same footing as partners in the ACCRA law firm. Petitioners further argue that even granting that such an undertaking has been assumed by private respondent Roco, they are prohibited from revealing the identity of their principal under their sworn mandate and fiduciary duty as lawyers to uphold at all times the confidentiality of information obtained during such lawyer-client relationship.