

Chapter 31

Yuchengco v. Sandiganbayan:^{*[11](#)}

Ownership of Sequestered PLDT Shares

The Facts

Civil Case No. 0002 was filed by the Republic of the Philippines through the Presidential Commission on Good Government (PCGG)^{[11](#)} to recover ill-gotten wealth of the late former President, Ferdinand E. Marcos.

Among the properties identified as ill-gotten were shares of stock in the Philippine Telecommunications Investment Corporation (PTIC): 76,779 shares in Ramon U. Cojuangco's name; 21,525 in Imelda O. Cojuangco's name; and 111,415 in that of Prime Holdings, Inc. (PHI). PTIC was the biggest stockholder of Philippine Long Distance Telephone Company, Inc. (PLDT), with over two million shares representing some 28 percent of the outstanding shares at the time Civil Case No. 0002 was filed.

The Republic sought to recover, as part of the so-called ill-gotten wealth of the Marcoses, the covered PLDT shares from Imelda O. Cojuangco, the Estate of Ramon U. Cojuangco, and PHI. Alfonso T. Yuchengco and Y Realty Corporation intervened, claiming that they were the rightful owners of PHI's 46 percent shareholding in PTIC.

Acting on the Motion of Imelda and Ramon Cojuangco, the Sandiganbayan resolved to sever the PLDT ownership issue from other claims in Civil Case No. 0002 and allowed a separate trial with respect only to the issue relating to the PLDT shares.

In the course of the separate trial, interlocutory Orders of the Sandiganbayan were questioned before the Supreme Court in the three present consolidated Petitions: GR Nos. 149802 and 150320, filed by Yuchengco and Y Realty, challenged the Resolutions (1) denying their Motions to suspend trial pending discovery proceedings and to reset trial dates; and (2) declaring that they had waived their right to present evidence. GR No. 150367, filed by the Republic, assailed the Order denying its Motion for Additional Time to complete the presentation of evidence and directing it to submit its offer of evidence within 30 days.

During the pendency of these three Petitions, the Sandiganbayan continued with the proceedings, as no restraining order had been issued by the Supreme Court. On May 6, 2002, the Sandiganbayan promulgated a Partial Decision in Civil Case No. 0002, resolving the issue of the PLDT shares. It dismissed the Complaint of the Republic and the Complaint-in-Intervention of Yuchengco and Y Realty.

The Partial Decision was challenged in GR No. 153459, filed by the Republic; and GR No. 153207, by Yuchengco and Y Realty.

GR Nos. 149802, 150320, and 150367 were denied for being moot or for failing to show grave abuse of discretion on the part of the Sandiganbayan. GR No. 153207 was likewise denied in the absence of any reversible error by the same court.

The Issue

The sole issue that remained was, whether the Partial Decision conformed to the evidence presented, the law, and/or settled jurisprudence.

The Court's Ruling

Under Executive Order No. 14-A,^[2] the degree of proof required in this case was preponderance of evidence. The Sandiganbayan, therefore, was not to look for proof beyond reasonable doubt. Rather, it was to determine, based on evidence and in the light of common human experience, which of the theories proffered by the parties was more worthy of credence.

The evidence presented by the parties showed that the preponderance clearly lay with the Republic. In the Decision she penned, Justice Conchita Carpio Morales,^[3] held that the Sandiganbayan had grossly misappreciated the facts presented and thus committed reversible error. The following witnesses established the Marcoses' ownership of PHI:

1. Jose Yao Campos. It was not disputed that Campos was a former crony, who, after the February 1986 EDSA Revolution, surrendered to the government substantial assets that he had held for the late President. He testified that, for and on behalf of Marcos, he had organized companies, one of which was PHI. The stockholders, none of whom had any financial interest, executed a Deed of Trust or Deed of Assignment in favor of an unnamed beneficiary; the original copy of the deed was then submitted to the former President. Notwithstanding this testimony, the Sandiganbayan concluded that Marcos had no link to PHI.

2. Rolando C. Gapud. Gapud corroborated Campos' statements and further established that PHI, of which he was one of the incorporators, was a dummy corporation of the Marcoses.

3. Francisco de Guzman. The testimony of De Guzman, a former corporate secretary of PHI, shed light on the origins and organization of the corporation and substantially corroborated the statements of Campos and Gapud. He confirmed that

PHI had been completely organized by the associates of Campos, who had categorically testified to having organized it for the benefit of Marcos.

On the other hand, there was hardly any evidence to substantiate the thesis that the company was beneficially owned by Cojuangco. De Guzman also revealed that its office was within the premises of United Laboratories (UNILAB), a Campos family corporation. Further clarifying the testimonies of Campos and Gapud, De Guzman stated that no stock certificates were issued by PHI, but only deeds of assignment.

On the basis of the evidence, the Court ruled that Marcos owned PHI, and that all the incorporators had acted under his direction. The following conclusions inevitably followed:

1. Cojuangco was elected president, and he took over the management of PHI in 1981 with the cooperation of the Marcos nominees.
2. As the remaining incorporators on the board divested their shares only in 1983, Cojuangco managed the Marcos-controlled corporation for at least two years.
3. The three remaining incorporators' simultaneous divestment of shares in favor of Cojuangco's close relatives in 1983 was with the knowledge and authorization of their principal, Marcos.

Clearly, all these circumstances showed that Cojuangco was either one of the nominees, as was Gapud whom he had replaced as president of PHI; or, at the very least, was a close associate of the late President. Thus, the PCGG could and must recover for the Republic the 111,415 PTIC shares being held by PHI. They bore the character of ill-gotten wealth, whether they were in the hands of Marcos or of Cojuangco.

In *PCGG v. Peña*^{[41](#)}, this Court described the rule of Marcos as a “well-entrenched plundering regime of twenty years”; and noted the “magnitude of the past regime’s ‘organized pillage’ and the ingenuity of the plunderers and pillagers with the assistance of the experts and best legal minds available in the market.” The evidence presented in the case revealed one more instance of this grand scheme. As guardian of the high standards and noble traditions of the legal profession, the Court had before it an opportunity to undo -- even if only to a limited extent -- the damage that had been done.

The Separate Opinions

The Callejo Concurrence

Justice Callejo wrote a Separate Concurring Opinion, saying that the testimonies of the Republic’s witnesses should be accorded great probative weight.

The admissions of Campos were judicial and thus conclusive on him and his successors-in-interest, including Gapud and the Cojuangcos. Moreover, these were “admissions against interest” and, therefore, trustworthy.

Justice Callejo believed that the dissenters’ reliance on the Deeds of Assignment, purportedly executed by the PHI incorporators in favor of the Cojuangcos, was misplaced. That the beneficial ownership belonged to the Cojuangcos was not proved by the fact that the deeds were in their names and deviated from the standard practice of delivering blank deeds to Marcos. He opined that their acquisition of the PHI shares in question had no juridical effect, because there was no evidence of any consideration given for the transfer of the shares to the Cojuangcos, a transfer that had been made with the knowledge and consent of Marcos.

The Garcia Dissent

In his Dissent, Justice Garcia explained the Court's dismissal of GR No. 149802 on the basis of mootness. The Yuchengcos had moved that the trial be suspended to await the completion of their discovery procedure or, in the alternative, for the Cojuangcos to present evidence. Owing to the promulgation of the Partial Decision, the change in the order of presentation of evidence sought in the Petition could no longer be granted or, if granted, could no longer be implemented.

Justice Garcia also explained the dismissal of GR Nos. 150320 and 150367. The certiorari Petitions of the Republic and the Yuchengcos rested on the postulate that the Sandiganbayan's refusal to grant their requests for further postponement had violated their right to due process. In keeping with the imperatives of the speedy disposition of cases, and in the exercise of its discretion, the trial court issued the Orders and Resolutions presently assailed.

Grave abuse of discretion cannot be ascribed to the Sandiganbayan, considering that petitioners had previously agreed on and committed to abide by the trial dates.

Moreover, it appears that they wasted the trial dates assigned to them, through their innumerable requests for the cancellation and resetting of hearings. In addition, they presented witnesses who had already been deposed, even after the manifestation by the Cojuangcos of the latter's intention to waive the right to cross-examine the deponents.

The dismissal of GR No. 153207 was likewise explained by Justice Garcia. He said that summary judgment was allowed if there was no genuine issue as to any material fact, and the moving party was entitled to a judgment as a matter of law. Hence, under the circumstances obtaining, he opined that the Sandiganbayan had not committed any reversible error in granting the Motion for Summary Judgment filed by

the Cojuangcos.

Yuchengco anchored his claim over the disputed PLDT shares on the proposition that the Marcos regime had coerced him into giving up six percent of the PTIC shares. He had allegedly paid for those shares, which were formerly owned by Gregorio Romulo and Leonides Virata. Apart from this six percent transaction, he had allegedly entered into a “put and call” agreement with General Telephone and Electronics, Inc. (GTE), for the purchase of its 25 percent equity in PTIC. Again, however, he was supposedly coerced into not exercising his option to purchase, only to learn that the same 25 percent stockholdings had been acquired by PTI.

According to Justice Garcia, the Cojuangcos moved for a summary judgment after the Yuchengcos had been deemed to have waived the latter’s right to present evidence. Thus, the only facts before the Sandiganbayan were those to be gathered from the pleadings and depositions of Gregorio Romulo; Francisco de Guzman, former PHI corporate secretary; and Teresa Mercado-Ferrer, former PTIC corporate secretary. The depositions on file showed no substantial proof of coercion or duress.

On the other hand, the deposition of Atty. Mercado-Ferrer showed (1) that the “put” option of Yuchengco had expired in 1972, long before the assignment of PTIC shares in favor of Ramon U. Cojuangco; and (2) that in 1978, Realty Corporation had executed a waiver of its preemptive right when the PTIC shares held by GTE were transferred to Ramon U. Cojuangco.

The majority and the minority differed in their determinations of whether the disputed PLDT shares were part of the “ill-gotten wealth” of the Marcos family. Justice Garcia believed that these shares were not. He reasoned that the Republic had failed to prove its theory that the disputed PLDT shares were in fact owned by the Marcos family, and that the Cojuangcos and PHI were mere

dummies/nominees/conduits in the Marcos family's attempts to control PLDT.

Justice Garcia pointed out that the connection of PHI to Marcos had not been convincingly shown by the testimony of Campos. There was no declaration that the deeds or stock certificates in blank delivered to the late President included those of the company. Accordingly, the allegation that it had been incorporated to hold the PTIC shares did not prove that PHI and the Cojuangcos were dummies of the Marcos family.

Justice Garcia contended that the testimony of Gapud did not support the Republic's theory. The latter said that he had assigned his shares in PHI to Ramon U. Cojuangco for a consideration. Further, he had no personal knowledge of whether or not it owned shares in PTIC.

The testimony merely reiterated facts deducible from the testimonies of Campos and Gapud. Moreover, De Guzman disclosed that the Deeds of Assignment designated the persons to whom they had been transferred. Justice Garcia said that, because those deeds were not indorsed in blank, there was a departure from the set pattern usually followed in the organization of corporations on behalf of Marcos.

Justice Garcia therefore agreed with the Sandiganbayan's finding that respondent had failed to give sufficient proof that the PLDT shares were recoverable. That those shares were part of the "ill-gotten wealth" of the Marcos family was not deducible from *Bataan Shipyard & Engineering Co., Inc. (Baseco) v. PCGG*.⁵¹

The Sandoval-Gutierrez Dissent

Justice Gutierrez joined the Dissent of Justice Garcia. She held that the Republic had failed to prove its case by a preponderance of evidence. Though

identified by witnesses, the modus operandi employed by Marcos to hide his “ill-gotten wealth” was not evident in the case of PHI.

Justice Gutierrez said that the claim of Campos that he never discussed PHI with the late President was contrary to human experience. She believed that there was nothing to discuss about the company, because it was not one of his dummy corporations. De Guzman, she said, even admitted that it did not meet the description of a Marcos dummy corporation.

The delivery of blank deeds of assignment was the normal modus operandi. In the present case, Marcos was not in possession of the deeds, so he could not have controlled or managed PHI.

According to Justice Gutierrez, the realistic scenario was that the shares actually pertained to Ramon U. Conjuangco from the beginning, and that their assignment to him and the members of his family confirmed what already existed in fact. In other words, Cojuangco -- not Marcos -- had been the beneficial owner of the shares from the start. That was the reason why the Deeds of Assignment that were executed and delivered were not in blank; they in fact named the Cojuangcos.

Justice Gutierrez noted the other source of debate in the case. The majority Decision claimed that the Court had never intended to lay down evidentiary standards in *Baseco*. That case confirmed the modus operandi described by the Republic’s witnesses: that stock certificates had been indorsed in blank and were found as part of the possessions of Marcos in Malacañang. Since the PHI stock certificates and Deeds of Assignment were not with him, there was no such documentary evidence in the present case, unlike in *Baseco*.

* GR Nos. 149802, 150320, 150367, 153207, 153459, January 20, 2006, per Carpio Morales, *J.*

[1] Pursuant to Executive Order Nos. 1 and 2 in relation to Executive Order No. 14, all series of 1986.

[2]

Amending EO No. 14, “Defining the Jurisdiction Over Cases Involving the Ill-Gotten Wealth of Former President Ferdinand E. Marcos, Mrs. Imelda R. Marcos, Members of their Immediate Family, Close Relatives, Subordinates, Close and/or Business Associates, Dummies, Agents and Nominees.”

[3]

Concurred in by Chief Justice Artemio V. Panganiban and Justices Ma. Alicia Austria-Martinez and Renato C. Corona. Justice Romeo J. Callejo Sr. wrote a Separate Concurring Opinion. Justices Renato S. Puno and Leonardo A. Quisumbing concurred in the result. The main Dissent was written by Justice Cancio C. Garcia, who was joined by Justices Consuelo Ynares-Santiago and Minita Chico-Nazario. Justice Angelina Sandoval-Gutierrez wrote her own Dissenting Opinion. Justices Antonio T. Carpio, Adolfo S. Azcuna and Dante O. Tinga took no part. The 15th seat in the Court was vacant at the time the Decision was promulgated.

[4]

159 SCRA 556, April 12, 1988.

[5]

150 SCRA 181, May 27, 1987.