

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
EN BANC**

**AMALGAMATED LABORERS'
ASSOCIATION and/or FELISBERTO M.
JAVIER, for Himself and as General
President, ATTY. JOSE UR.
CARBONELL, ET AL.,**
Petitioners,

-versus-

**G.R. No. L-23467
March 27, 1968**

**HON. COURT OF INDUSTRIAL
RELATIONS and ATTY. LEONARDO C.
FERNANDEZ,**
Respondents.

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DECISION

SANCHEZ, J.:

Controversy over attorneys' fees for legal services rendered in CIR
Case No. 70-ULP-Cebu.

The background facts are as follows:

On May 30, 1956, Florentino Arceo and 47 others together with their
union, Amalgamated Laborers' Association, and/or Felisberto Javier,

general president of said union, lodged a complaint^[1] in the Court of Industrial Relations (CIR), for unfair labor practices specified in Sec. 4(a) 1, 2, 3 and 4 of the Industrial Peace Act. Made respondents were their former employer, Binalbagan Sugar Central Company, Inc. (Biscom), Rafael Jalandoni, its president and general manager; Gonzalo Guillen, its chief engineer and general factory superintendent; and Fraternal Labor Organization and/or Roberto Poli, its president.

Failing in their attempts to dismiss the complaint (motions to dismiss dated June 30, 1956 and July 6, 1956),^[2] respondents Biscom, Jalandoni, and Guillen, on July 9, 1957, answered and counterclaimed. Respondents Fraternal Labor Union and Poli also filed their answer dated July 12, 1957.

With the issues joined, the case on the merits was heard before a trial commissioner.

At the hearings, only ten of the forty-eight complainant laborers appeared and testified. Two of these ten were permanent (regular) employees of respondent company; the remaining eight were seasonal workers. The regular employees were Arsenio Reyes and Fidel Magtubo. Seasonal workers were Catalino Bangoy, Juan Fernandez, Jose Garlitos, Dionisio Pido, Santiago Talagtag, Dominador Tangente, Felimon Villaluna and Brigido Casas.

On November 13, 1962, CIR, thru Associate Judge Arsenio Martinez, rendered judgment, which provides, inter alia that the two regular employees (Reyes and Magtubo) be reinstated “to their former positions, without loss of seniority and other benefits which should have accrued to them had they not been illegally dismissed, with full back wages from the time of their said dismissals up to the time of their actual reinstatements, minus what they have earned elsewhere in the meantime,” and that the eight seasonal workers “be readmitted to their positions as seasonal workers of respondent company (Biscom), with back wages as seasonal workers from the time they were not rehired at the start of the 1955-1956 milling season on October 1, 1955 up to the time they are actually reinstated, less the amount earned elsewhere during the period of their lay-off.”

Respondents Biscom, Jalandoni and Guillen appealed direct to this Court.^[3] On March 28, 1963, this Court dismissed the appeal, without costs. Ground: Petitioners therein did not seek reconsideration of CIR's decision of November 13, 1962. The judgment became final.

Upon the ten complainants' motion to name an official computer to determine the actual money due them, CIR, on June 4, 1963, directed the Chief Examiner of its Examining Division to go to the premises of Biscom and compute the backwages due the ten complainants.

On August 9, 1963, the Chief Examiner reported that the total net back wages due the ten complainants were P79,755.22. Biscom and the complainants moved for reconsideration: Biscom on August 17, 1963; complainants on September 24, 1963.

In the interim, Atty. Leonardo C. Fernandez (a respondent herein) filed on July 15, 1963 in the same case — CIR Case No. 70-ULP-Cebu — a "Notice of Attorney's Lien." He alleged therein that he had been the attorney of record for the laborers in CIR Case 70-ULP-Cebu "since the inception of the preliminary hearings of said case up to the Supreme Court on appeal, as chief counsel thereof that he "had actually rendered legal services to the laborers who are subject of this present litigation [CIR Case No. 70-ULP-Cebu] since the year 1956, more or less"; that the laborers "have voluntarily agreed to give [him], representing his attorney's fees on contingent basis such amounts equivalent to 25% thereof which agreement is evidenced by a Note"; and that the 25% attorney's fee so contracted is "reasonable and proper taking into consideration the length of services he rendered and the nature of the work actually performed by him."

On September 25, 1963, Atty. Fernandez filed an "Amended Notice of Attorney's Lien," which in part reads:

- “3. That the laborers, subject of this present litigation, sometime on February 3, 1956, had initially voluntarily agreed to give Undersigned Counsel herein, representing his Attorney's fees on contingent basis, such amounts as equivalent to Thirty Per Cent (30%) of whatever money claims that may be adjudicated by this Honorable Court, copy of said Agreement, in the local Visayan dialect and a

translation of the same in the English language are hereto attached as annexes 'A' 'A-I' hereof;

4. That subsequently thereafter, when the above entitled Case was already decided in their favor, Arsenio Reyes, in behalf of his co-laborers who are also Complainants in this Case begged from the Undersigned Counsel herein that he reduce his attorney's fees to Twenty-Five Per Cent (25%) only for the reason that they have to share and satisfy also Atty. Jose Ur. Carbonell in the equivalent amount of Five Per Cent (5%) although the latter's actual services rendered was so insignificant thereof;
5. That because of the pleadings of said Arsenio Reyes, who is the President of said Union, the Undersigned Counsel herein finally agreed and consented that his attorney's fees be reduced to Twenty-Five Per Cent (25%) instead of Thirty Per Cent (30%) as originally agreed upon in 1956."

On October 7, 1963, Atty. Jose Ur. Carbonell (a petitioner herein) filed in court a document labelled "Discharge" informing CIR of the discharge, release and dismissal — thru a union board resolution (attached thereto as Annex - A thereof — of Atty. Leonardo C. Fernandez as one of the lawyers of the complainants in CIR Case No. 70-ULP-Cebu, effective February 28, 1963.

On October 14, 1963, Atty. Fernandez replied. He averred that the grounds for his discharge specified in the board resolution were "malicious and motivated by greed and ungratefulness" and that the unjustifiable discharge did not affect the already stipulated contract for attorneys' fees.

On March 19, 1964, CIR Judge Arsenio I. Martinez resolved Biscom's and complainants' motions for reconsideration objecting to the Chief Examiner's Report and also respondent Fernandez' Amended Notice of Attorney's Lien. Judge Martinez' order reads in part:

- “(b) Respondent company is further directed to deposit the amount representing 25% of P79,755.22 with the Cashier of this Court, as attorney's fees;

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“(d) The amount representing attorney’s fees to be deposited by the respondent company is hereby awarded and granted to Atty. Leonardo C. Fernandez, and he may collect the same from the Cashier of the Court upon the finality of this order, subject to existing auditing procedure.”

Biscom complied with the order of deposit.^[4]

On April 10, 1964, Atty. Carbonell moved to reconsider the March 19, 1964 order with respect to the award of attorneys’ fees. Amongst his grounds are that CIR has no jurisdiction to determine the matter in question, and that the award of 25% as attorneys’ fees to Atty. Fernandez is excessive, unfair and illegal. This motion was denied on April 28, 1964 by CIR En Banc.

On June 9, 1964, a motion for reconsideration of the April 28, 1964 resolution was filed by Atty. Carbonell. This was amplified by a similar motion filed on June 11, 1964.

On June 25, 1964, two things happened: First. CIR en banc denied the motion of June 11, 1964. Second. On Atty. Fernandez’ motion, Judge Martinez authorized the Cashier of the court to disburse to Fernandez the amount of P19,938.81 representing attorneys’ fees and deducting therefrom all legal fees incident to such deposit.

Petitioners herein, Atty. Carbonell, Amalgamated Laborers’ Association, and the ten employees, appealed from the June 25, 1964 resolution of CIR, direct to this Court.

1. Petitioners press upon this Court the view that CIR is bereft of authority to adjudicate contractual disputes over attorneys’ fees. Their reasons: (1) a dispute arising from contracts for attorneys’ fees is not a labor dispute and is not one among the cases ruled to be within CIR’s authority; and (2) to consider such a dispute to be a mere incident to a case over which CIR may validly assume jurisdiction is to

disregard the special and limited nature of said court's jurisdiction.

These arguments are devoid of merit.

The present controversy over attorneys' fees is but an epilogue or a tail-end feature of the main case, CIR Case No. 70-ULP-Cebu, which undoubtedly is within CIR's jurisdiction. And, it has been held that "once the Court of Industrial Relations has acquired jurisdiction over a case under the law of its creation, it retains that jurisdiction until the case is completely decided, including all the incidents related thereto.^[5] Expressive of the rule on this point is this

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"4. It is well settled that:

'A grant of jurisdiction implies the necessary and usual incidental powers essential to effectuate it, and every regularly constituted court has power to do all things reasonably necessary for the administration of justice within the scope of its jurisdiction, and for the enforcement of its judgments and mandates, even though the court may thus be called upon to decide matters which would not be within its cognizance as original causes of action.

'While a court may be expressly granted the incidental powers necessary to effectuate its jurisdiction, a grant of jurisdiction, in the absence of prohibitive legislation, implies the necessary and usual incidental powers essential to effectuate it (In re Stingers' Estate, 201 P. 693), and, subject to existing laws and constitutional provisions, every regularly constituted court has power to do all things that are reasonably necessary for the administration of justice within the scope of its jurisdiction, and for the enforcement of its judgments and mandates. So demands, matters, or questions ancillary or incidental to, or growing out of, the main action, and coming within the above principles, may be taken

cognizance of by the court and determined since such jurisdiction is in aid of its authority over the principal matter, even though the court may thus be called on to consider and decide matters which, as original causes of action, would not be within its cognizance (Bartholomew vs. Shipe, 251 S.W. 1031), (21 C.J.S. pp. 136-138.)

Thus, in Gomez vs. North Camarines Lumber Co., L-11945, August 18, 1958, and Serrano vs. Serrano L-19562, May 23, 1964, we held that the court having jurisdiction over the main cause of action, may grant the relief incidental thereto, even if they would otherwise, be outside its competence.”^[6]

To direct that the present dispute be lodged in another court as petitioners advocate would only result in multiplicity of suits,^[7] a situation abhorred by the rules. Thus it is, that usually the application to fix the attorneys’ fees is made before the court which renders the judgment^[8] And, it has been observed that “[a]n approved procedure, where a charging lien has attached to a judgment or where money has been paid into court, is for the attorney to file an intervening petition and have the amount and extent of his lien judicially determined.”^[9] Appropriately to be recalled at this point is the recent ruling in Martinez vs. Union de Maquinistas, 1967 A Phild. 142, 141, January 30, 1967, where, speaking thru Mr. Justice Arsenio P. Dizon, explicit pronouncement was made by this Court that: “We are of the opinion that since the Court of Industrial Relations obviously had jurisdiction over the main cases, it likewise had full jurisdiction to consider and decide all matters collateral thereto, such as claims for attorney’s fees made by the members of the bar who appeared therein.”^[10]

2. The parties herein join hands in one point — the ten (10) successful complainants in CIR Case No. 70-ULP-Cebu should pay as attorneys’ fees 30% of the amount adjudicated by the court in the latter’s favor (P79,755.22).

They are at odds, however, on how to split the fees.

Respondent Atty. Fernandez claims twenty-five per cent (25%) of the 30% attorneys' fees. He explains that upon the plea of Arsenio Reyes, union president and one of the 10 successful complainants, he had to reduce his fees to 25% since "they have to share and satisfy also Atty. Jose Ur. Carbonell in the equivalent amount of Five Per Cent (5%)." Atty. Fernandez exhibited a contract purportedly dated February 3, 1956 — before the 48 employees have even filed their complaint in CIR. The stipulated fee is 30% of whatever amount the ten might recover. Strange enough, this contract was signed only by 8 of the 10 winning claimants. What happened to the others? Why did not the union intervene in the signing of this contract? Petitioners dispute said contract. They say that Atty. Fernandez required the ten to sign the contract only after the receipt of the decision.

Petitioners, on the other hand, contend that the verbal agreement entered into by the union and its officers thru its President Javier and said two lawyers, Atty. Carbonell and Atty. Fernandez, is that the 30% attorneys' fees shall be divided equally ("share and share alike") amongst Atty. Carbonell, Atty. Fernandez and Felisberto Javier, the union president.

After hearing, CIR Associate Judge Arsenio I. Martinez awarded 25% attorneys' fees to respondent Atty. Fernandez. CIR noted that "the active conduct and prosecution of the above-entitled case was done by Atty. Fernandez up to the appeal in the Supreme Court," and that petitioner Atty. Carbonell manifested that "Atty. Leonardo C. Fernandez was the counsel mainly responsible for the conduct of the case." It noted, too, that petitioner Atty. Carbonell did not file any notice of Attorney's Lien.

3. We strike down the alleged oral agreement that the union president should share in the attorney's fees. Canon 34 of Legal Ethics condemns this arrangement in terms clear and explicit. It says: "No division of fees for legal services is

proper, except with another lawyer, based upon a division of service or responsibility.” The union president is not the attorney for the laborers. He may seek compensation only as such president. An agreement whereby a union president is allowed to share in attorneys’ fees is immoral. Such a contract we emphatically reject. It cannot be justified.

4. A contingent fee contract specifying the percentage of recovery an attorney is to receive in a suit “should be reasonable under all the circumstances of the case, including the risk and uncertainty of the compensation, but should always be subject to the supervision of a court, as to its reasonableness.”^[11]

Lately, we said:^[12]

“The principle that courts should reduce stipulated attorney’s fees whenever it is found under the circumstances of the case that the same is unreasonable, is now deeply rooted in this jurisdiction.

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Since then this Court has invariably fixed counsel fees on a quantum meruit basis whenever the fees stipulated appear excessive, unconscionable, or unreasonable, because a lawyer is primarily a court officer charged with the duty of assisting the court in administering impartial justice between the parties, and hence, the fees should be subject to judicial control. Nor should it be ignored that sound public policy demands that courts disregard stipulations for counsel fees, whenever they appear to be a source of speculative profit at the expense of the debtor or mortgagor. See, *Gorospe et al. vs. Gochangco*, L-12735, October 30, 1959. And it is not material that the present action is between the debtor and the creditor, and not between attorney and client. As courts have power to fix the fee as between attorney and client, it must necessarily have the right to say whether a stipulation like this,

inserted in a mortgage contract, is valid, *Bachrach vs. Golingco*, 39 Phil. 138.”

In the instant case, the stipulated 30% attorneys’ fee is excessive and unconscionable. With the exception of Arsenio Reyes who receives a monthly salary of P175, the other successful complainants were mere wage earners paid a daily rate of P4.20 to P5.00.^[13] Considering the long period of time that they were illegally and arbitrarily deprived of their just pay, these laborers looked up to the favorable money judgment as a serum to their pitiful economic malaise. A thirty per cent (30%) slice therefrom immensely dilutes the palliative ingredient of this judicial antidote.

The ten complainants involved herein are mere laborers. It is not far-fetched to assume that they have not reached an educational attainment comparable to that of petitioner Carbonell or respondent Fernandez who, on the other hand, are lawyers. Because of the inequality of the situation between laborers and lawyers, courts should go slow in awarding huge sums by way of attorneys’ fees based solely on contracts.^[14] For, as in the present case, the real objective of the CIR judgment in CIR Case No. 70-ULP-Cebu is to benefit the complainant laborers who were unjustly dismissed from service. While it is true that laborers should not be allowed to develop that atavistic proclivity to bite the hands that fed them, still lawyers should not be permitted to get a lion’s share of the benefits due by reason of a worker’s labor. What is to be paid to the laborers is not a windfall but a product of the sweat of their brow. Contracts for legal services between laborer and attorney should then be zealously scrutinized to the end that a fair share of the benefits be not denied the former.

5. An examination of the record of this case will readily show that an award of twenty-five per cent (25%) attorneys’ fees reasonably compensates the whole of the legal services rendered in CIR Case No. 70-ULP-Cebu. This fee must be shared by petitioner Atty. Carbonell and respondent Atty. Fernandez. For, after all, they are the counsel of record of the

complainants. Respondent Atty. Fernandez cannot deny this fact. The pleadings filed even at the early stages of the proceedings reveal the existence of an association between said attorneys. The pleadings were filed under the name of “Fernandez & Carbonell.” This imports a common effort of the two. It cannot be denied though that most of those pleadings up to judgment were signed for Fernandez & Carbonell by respondent Fernandez.

We note that a break-up in the professional tie-up between Attorneys Fernandez and Carbonell began when petitioner Atty. Carbonell, on November 26, 1962, complained to CIR that respondent Atty. Fernandez “failed to communicate with him nor to inform him about the incidents of this case.” He there requested that he be furnished “separately copies of the decision of the court and other pleadings and subsequent orders as well as motions in connection with the case.”

Subsequent pleadings filed in the case unmistakably show the widening rift in their professional relationship. Thus, on May 23, 1963, a “Motion to Name and Authorize Official Computer” was filed with CIR. On the same day, a “Motion to Issue Writ of Execution” was also registered in the same court. Although filed under the name of “Carbonell & Fernandez,” these pleadings were signed solely by petitioner Atty. Carbonell.

On September 16, 1963, an “Opposition to respondent Biscom’s Motion for Reconsideration” was filed by petitioner Atty. Carbonell. On September 24, 1963, he filed a “Motion for Clarification” of the November 13, 1962 judgment of CIR regarding the basic pay of Arsenio Reyes and Fidel Magtubo. On September 24, 1963, he also filed a “Motion to Reconsider Report of Chief Examiner.” These, and other pleadings that were fled later were signed solely by petitioner Atty. Carbonell, not in the name of “Carbonell & Fernandez.” While it was correctly observed by CIR that a good portion of the court battle was fought by respondent Atty. Fernandez, yet CIR cannot close its eyes to the legal services also rendered by Atty. Carbonell. For, important and numerous

too, were his services. And, they are not negligible. The conclusion is inevitable that petitioner Atty. Carbonell must have a share in the twenty-five per cent (25%) attorneys' fees awarded herein. As to how much, this is a function pertaining to CIR.

6. We note that CIR's cashier was authorized on June 25, 1964 to disburse to Atty. Leonardo C. Fernandez the sum of P19,938.81 which is 25% of the amount recovered. In the event payment actually was made, he should be required to return whatever is in excess of the amount to which he is entitled in line with the opinion expressed herein.^[15]

IN VIEW OF THE FOREGOING, the award of twenty-five per cent (25%) attorneys' fees solely to respondent Atty. Fernandez contained in CIR's order of March 10, 1964 and affirmed by said court's en banc resolutions of April 28, 1964 and June 25, 1964, is hereby set aside; and the case is hereby remanded to the Court of Industrial Relations with instructions to conduct a hearing on, and determine, the respective shares of Attorney Leonardo C. Fernandez and Attorney Jose Ur. Carbonell in the amount of P19,938.81 herein awarded as attorneys' fees for both.

No costs. So Ordered.

**Reyes, Acting C.J., Dizon, Makalintal, Bengzon, Zaldivar, Castro, Angeles and Fernando, JJ., concur.
Concepcion, C.J., is on leave.**

[1] CIR Case No. 70-ULP-Cebu, "Amalgamated Laborers' Association, et al., Complainants vs. Binalbagan Sugar Central Company, Inc., et al., Respondents."

[2] See: CIR order dated June 25, 1957.

[3] L-20572, entitled "Binalbagan Sugar Central Co., Inc., et al., Petitioner vs. Amalgamated Laborers' Association, et al., Respondents." Notice of Appeal was filed below on December 3, 1962.

[4] See: Compliance filed by Biscom on April 7, 1964.

[5] Cebu Portland Cement Co. vs. Court of Industrial Relations 94 Phil. 509, 514, citing cases; italics supplied.

- [6] Philippine Air Lines Employees' Association vs. Philippine Air Lines, Inc., L-18559, June 30, 1964; italics supplied.
- [7] Fabie vs. Inocencio, 84 Phil. 857, 860.
- [8] Palanca vs. Pecson, 94 Phil. 419, 423. See also: Dahlke vs. Viña, 51 Phil. 707, 711; Apo Workers Union vs. Castillo, L-7480, October 31, 1955; Olave vs. Canlas, L-12709, February 28, 1962; Cruz vs. Court of Industrial Relations, L-13277, August 31, 1963.
- [9] 7 Am. Jur. 2d. p. 215.
- [10] Emphasis supplied.
- [11] Canon 13, Code of Legal Ethics. See: Sec. 24, Rule 138 of the Revised Rules of Court.
- [12] Mambulao Lumber Company vs. Philippine National Bank, L-22973, January 30, 1968.
- [13] See: Appendix 2 of the Report of the Chief Examiner.
- [14] Article 24 of the New Civil Code provides: "In all contractual, property or other relations, when one of the parties is at a disadvantage on account of his moral dependence, ignorance, indigence, mental weakness, tender age or other handicap, the courts must be vigilant for his protection."
- [15] Espere vs. Santos (Resolution), Adm. Case 151, April 30, 1955.