

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
EN BANC**

**FORTUNATO HALILI, doing business  
under the name and style HALILI  
TRANSIT (substituted by EMILIA DE  
VERA DE HALILI),**

*Petitioner,*

*-versus-*

**G.R. No. L-24864  
April 30, 1985**

**COURT OF INDUSTRIAL RELATIONS  
and HALILI BUS DRIVERS and  
CONDUCTORS UNION (PTGWO),**

*Respondents.*

X-----X

**EMILIA DE VERA VDA. DE HALILI,  
*Petitioner,***

*-versus-*

**G.R. No. L-27773  
April 30, 1985**

**COURT OF INDUSTRIAL RELATIONS  
and HALILI BUS DRIVERS AND  
CONDUCTORS UNION (PTGWO),**

*Respondents.*

X-----X

**FELICIDAD M. TOLENTINO, Et Al.,  
*Petitioners,***

***-versus-***

**G.R. No. L-38655  
April 30, 1985**

**COURT OF INDUSTRIAL RELATIONS,  
Et Al.,  
*Respondents.***

X-----X

**EMILIA DE VERA VDA. DE HALILI,  
*Petitioner,***

***-versus-***

**G.R. No. L-30110  
April 30, 1985**

**HALILI BUS DRIVERS AND  
CONDUCTORS UNION PTGWO and  
COURT OF INDUSTRIAL RELATIONS,  
*Respondents.***

X-----X

**RESOLUTION**

**MAKASIAR, J.:**

Before Us for resolution is the urgent motion to cite Atty. Benjamin C. Pineda, Ricardo Capuno and Manila Bank (Cubao Branch) in contempt for the alleged continued failure of aforementioned parties to comply with the temporary mandatory restraining order issued by this Court on September 1, 1983 and with the resolution dated

September 13, 1983 which again directed Atty. Pineda and union administrator Capuno to comply with the aforesaid mandatory restraining order and which ordered the Manila Bank to transfer the funds allocated for the workers to the NLRC (p. 376, L-24864, rec.; p. 301. L-027773 rec.).

The issuance of the temporary mandatory restraining order stemmed from the questioned orders of September 23, 1982 and February 9, 1983 issued by Labor Arbiter Raymundo Valenzuela in Case No. 1099-V before the NLRC which orders respectively allowed the sale of the property awarded to satisfy or answer for the claims of the union members in these four cases and authorized the distribution of the proceeds of the purchase.

For a better appreciation of the aforesaid motion for contempt, We must recall certain prefatory facts which the Solicitor General has so aptly summed up. Thus:

“The above-entitled cases involve disputes regarding claims for overtime of more than five hundred bus drivers and conductors of Halili Transit. Litigation initially commenced with the filing of a complaint for overtime with the defunct Court of Industrial Relations on August 20, 1958 docketed as CIR Case No. 1099-V. The disputes were eventually settled when the contending parties reached an Agreement on December 23, 1974, the pertinent portions of which are as follows:

“WHEREAS, in the face of this strong urging on the part of the Supreme Court Justices upon the parties to put an immediate end to this case by amicable settlement, the parties repeatedly came to conference, conscientiously explored all avenues of settlement, and finally arrived at the tentative agreement (tentative because of the condition that the same be sanctioned by the court in the estate case) whereby the Administratrix would transfer to the employees title to that tract of land, covered by TCT No. 36389, containing an area of approximately 33,952 square meters, situated in the Barrio of San Bartolome, Municipality of Caloocan, Province of Rizal, and pay in addition the cash amount of P25,000.00 in full and final

satisfaction of all the claims and causes of action of all of the employees against the estate of Fortunato F. Halili, subject of CIR Case No. 1099-V.

X X X

“NOW, THEREFORE, for and in consideration of the foregoing and of the covenants, stipulations and undertakings hereinafter contained, the parties have agreed as follows:

“1. The UNION, its officers and members-claimants relative to CIR Case No. 1099-V, shall withdraw and dismiss with prejudice Case No. 1099-V filed by the UNION in behalf of its members-claimants before the Court of Industrial Relations and all its incidents thereto.

“2. The ESTATE shall deliver or cause to be delivered, to the UNION the following:

“(a) Deed of Transfer of a parcel of land situated in Barrio San Bartolome, Caloocan City, containing an area of THIRTY-THREE THOUSAND NINE HUNDRED FIFTY-TWO (33,952) Square Meters, more or less, and covered by Transfer Certificate of Title No. 35389 of the Registry of Deeds of Rizal, to be made, upon authority and approval granted by the Court of First of Rizal, Branch IV, at Quezon City, in Proc. No. Q-10852 in the name of the Halili Bus Drivers & Conductors Union (PTGWO), free from any and all liens, encumbrances, and any and all claims whatsoever.

“(b) Negotiable Check for TWENTY-FIVE THOUSAND (P25,000.00) PESOS in the name

of Domingo D. Cabading, President of the UNION.

- “3. The transfer of the above-described parcel of land and receipt of the amount of P25,000.00 constitute the full and final satisfaction of the claims and award in said CIR Case No. 1099-V, as well as any and all attorney’s liens in said case, for and in consideration of which the UNION members-claimants in CIR Case No. 1099-V by these presents now and forever release and quitclaim Halili Enterprises, Halili Transit, Fortunato F. Halili, his estate, heirs and successors by reason of CIR Case No. 1099-V, it being their intention that they be absolutely, completely and finally absolved and released from any and all liability in said case, including attorneys’ liens, the transfer of the property and payment of the amount herein above stated constituting for all intents and purposes a full, final and complete settlement and satisfaction of the award in CIR Case No. 1099-V and all incidents thereto.
  
- “4. The UNION and its undersigned officers hereby warrant that the UNION is a duly registered labor organization and that in a special meeting called for the purpose they were duly authorized on December 22, 1974, by all the members-claimants in CIR Case No. 1099-V to sign this Memorandum of Agreement with Release and Quitclaim which was unanimously approved and ratified by said members-claimants as evidenced by a Resolution dated December 22, 1974, a copy of which is attached hereto and made a part hereof as Annex “B”, and hereby jointly and severally hold the estate and heirs of Fortunato F. Halili free and harmless from, and undertake to indemnify them for, any and all liability for any claims by

members of the UNION, their heirs, assigns and agents relating to CIR Case No. 1099-V or attorneys' liens in connection therewith' (69 SCRA 509-510).

“On January 6, 1975, pursuant to the Agreement, the administratrix of the estate of Fortunato F. Halili executed a Deed of Conveyance of Real Property, transferring the aforementioned parcel of land to the Halili Bus and Conductors Union (PTGWO) in trust for the members of the union claimants. The parcel of land was eventually registered in the name of the Union on February 14, 1975. Hence, on February 10, 1976, the contending parties moved for the dismissal of G.R. No. L-30110 and G.R. No. L-38655, which this Honorable Court granted on February 27, 1976 (69 SCRA 505). The two other cases, G.R. No. L-24864 and G.R. No. L-27773, were previously disposed of on February 26, 1968 and December 28, 1970, respectively (22 SCRA 785, and 36 SCRA 522).

“On August 9, 1982, the Union, through Atty. Benjamin C. Pineda, filed an urgent motion with the Ministry of Labor and Employment (MOLE) requesting for authority to sell and dispose of the property. The motion was granted in an order dated September 23, 1982. A prospective buyer, the Manila Memorial Park Cemetery, Inc. expressed its misgivings on the authority of the Union to sell the property in view of sec. 66 of PD 1529 which requires no less than an order from a court of competent jurisdiction as authority to sell property in trust. So, Atty. Pineda filed a motion with the Supreme Court on December 1, 1982 requesting for authority to sell the property. This Honorable Court, however, merely noted the motion in a resolution dated December 8, 1982.

“Nevertheless, Atty. Pineda, without authority from the Supreme Court but relying on the earlier authority given him by the Ministry of Labor, filed another urgent motion with the latter, praying that the Union be authorized to sell the lot to the Manila Memorial Park Cemetery, Inc. and to make arrangements with it such that payment will be advanced for the real estate taxes inclusive of penalties, attorney's lien which

is equivalent to a thirty-five percent (35%) of the total purchase price, and home developer's fee of P69,000.00. Apparently, the prospective purchaser had decided to withdraw its objection regarding the Union's authority to sell. In an Order dated February 9, 1983, Labor Arbiter Raymundo R. Valenzuela granted the motion. So, the sale was finally consummated on June 7, 1983, resulting in the execution of an escrow agreement on June 8, 1983 wherein the purchase price was deposited under escrow with the Manila Bank-Cubao Branch. The Bank then released the amounts due the claimants in accordance with the escrow agreement" (pp. 352-356, L-24864 rec.).

The dispositive portion in L-24864 is re-stated hereunder:

"WHEREFORE, the appealed order and resolution en banc are hereby affirmed and the Court of Industrial Relations is hereby enjoined to make a judicial determination of the union membership of the claimants, while the Examining Division of said court shall proceed with its computation of the compensable hours of work rendered by, and the corresponding compensation payable to, the drivers and conductors admitted by both parties to be union members since October 1, 1956 and those contended by the union to be such members but disputed by the employer. No costs. So ordered" (p. 186, L-24864 rec.).

When Atty. Jose C. Espinas (herein movant and alleged original counsel for the Union) learned of the sale and apportionment of the proceeds from past Union president Amado Lopez, he requested Labor Arbiter Raymundo Valenzuela to allow him to look into the records of Case No. 1099-V. The latter, however, told him that the records of the aforesaid case were missing. Thereupon, Atty. Espinas requested Director Pascual Reyes of the NLRC to locate the records (p. 356, L-24864 rec.).

Hence, Atty. Espinas filed the urgent motion with prayer for, a temporary mandatory restraining order on August 26, 1983 and the supplement thereto on August 29, 1983 (pp. 215, 227, L-24864 rec.).

On August 30, 1983, the records of Case No. 1099-V were finally found and Atty. Espinas was dully informed of the development.

The above two motions question the legality of the orders dated September 23, 1982 and February 9, 1983 issued by Labor Arbiter Raymundo Valenzuela in Case No. 1099-V before the NLRC which authorized the sale of the awarded property and the distribution of the proceeds from such purchase.

Movants Union and counsel Espinas upon filing of the motions urgently pray of this Court to:

1. Require Atty. Benjamin C. Pineda to deposit with the NLRC the amount of P712,992.00 paid to him or deposited to his account at Manila Bank, Cubao Branch, allegedly representing 35% attorney's fees on the sale of 33,952 square meters of the lot registered in the name of the Union;
2. Require the Halili Drivers and Conductors Union through Domingo Cabading or any of his representatives to deposit with the NLRC the 6% alleged union expenses paid to them or similarly deposited to their account;
3. Implead with leave of court the Manila Bank Cubao Branch to require the said bank to prevent further withdrawals of amount deposited in the name of Atty. Pineda and/or the Halili Drivers and Conductors Union or any of its officers and to turn over any remaining deposits to the NLRC for proper disposition; and
4. Should Atty. Pineda and the Union officers have already withdrawn the deposits or parts thereof, require them to post a bond in the equivalent amounts of 35% (attorney's fees), 6% (union expenses), and 5% (broker's fee) respectively of the total proceeds of the sale of the property, solidarily (p. 219, L-24864 rec.; p. 160, L-27773 rec.).

Likewise, and after due consideration of the merits, movants prayed that —

1. the order of Arbiter Valenzuela dated February 9, 1983 be nullified insofar as it allows Atty. Pineda 35% attorney's fees;

2. the NLRC be directed to locate the records of Case No. 1099-V or reconstitute the same and thereafter to equitably dispose 20% as fees to all lawyers who participated in the proceedings and any excess amounts to be again distributed to the workers; and
3. these cases be remanded to the NLRC with instructions as above-stated and that the proper penalty be imposed on those involved and who have acted fraudulently and illegally (p. 220, L-24864 rec.; p. 165, L-27773 rec.).

The succeeding pleadings and developments which are common to all these cases are now presented chronologically.

On August 29, 1983, Atty. Espinas, for himself and members of the respondent Union, filed a supplement to urgent motion stating that the prayers in the urgent motion of August 26, 1983 are reiterated and praying for the nullification of Arbiter Valenzuela's order not only on the award of attorney's fees but also on the allowance of payment of "union obligations" not previously authorized nor approved by the NLRC (p. 227, L-24864, rec.; p. 176, L-27773 rec.).

In its resolution dated September 1, 1983, this Court impleaded the Manila Bank, Cubao Branch as party respondent and directed the issuance of a temporary mandatory restraining order (p. 234, L-24864 rec. & p. 187, L-27773 rec.). This Court correspondingly issued a temporary mandatory restraining order on the same date which enjoined Atty. Benjamin C. Pineda or his agents or any person acting in his stead to deposit with the NLRC the amount of P712,992.00 paid to him or deposited in his account at Manila Bank, Cubao Branch allegedly representing 35% attorney's fees on the sale of 33,952 square meters of the lot registered in the name of Halili Drivers and Conductors Union; directed the Union thru Domingo Cabading or his agents to deposit with the NLRC 6% alleged union expenses paid to the Union or similarly deposited to its account; and ordered the NLRC and Manila Bank, Cubao Branch, or their agents or persons in their stead not to allow withdrawals of amounts deposited in the name of Atty. Benjamin C. Pineda and/or the Union or any of its officers (p. 235, L-24864; p. 188, L-27773 rec.).

On September 6, 1983, respondent Union, thru Atty. Pineda, filed its comment, in compliance with the resolution of September 1, 1983, on the urgent motion and the supplement thereto both filed by counsel Espinas, alleging therein that the subject matter sought to be enjoined or mandated by the restraining order ceased to exist rendering the same moot and academic, and thus praying for the dismissal of the said motion and the supplement thereto (p. 237, L-24864 rec.; p. 191, L-27773 rec.).

On September 7, 1983, Atty. Pedro Lopez, an original associate of Atty. Espinas, filed his motion for leave to intervene, with the submission that the lawyers involved should only divide 20% fees as per the workers' contract and the rest refunded by Atty. Pineda and the alleged "union officers" for redistribution to the members (p. 265, L-24864, rec.; p. 219, L-27773 rec.).

Atty. Espinas, in behalf of the workers, filed a manifestation and motion to require Atty. Pineda and the union to comply with the temporary mandatory restraining order on September 9, 1983, with prayer that the Manila Bank be ordered to transfer the funds allocated for the workers to the NLRC, which should be instructed to pay the workers upon proper identification (without prejudice to additional shares) or to mail such amounts by money order or manager's check to the workers' addresses as furnished to the NLRC (p. 274, L-24864, rec.; p. 231, L-27773 rec.).

On September 12, 1983, petitioner filed a manifestation in compliance with the resolution of September 2, 1983 stating, among other things, that its liability had been completely extinguished with the approval of the Memorandum of Agreement with Release and Quitclaim in L-38655 and L-30110; that said agreement operated as an absolute and complete release of petitioner from any liability to the Union; and that petitioner had not been given any notice of any proceedings respecting cases subsequent to the promulgation of the decisions aforestated (p. 281, L-24864, rec.; p. 237, L-27773 rec.).

Counsel Espinas (for the workers involved) filed his reply to comments of respondent Union on September 14, 1983 praying for this Court to:

1. nullify the order of February 9, 1983 issued by Arbiter Raymundo Valenzuela in CIR Case No. 1099-V and others connected therewith regarding the distribution of proceeds of the sale of the land belonging to the members-claimants for lack of due process and for being contrary to law;
2. nullify the 35% attorney's fees of Atty. Benjamin Pineda as illegal and unconscionable and in disregard of other lawyers in the case;
3. require reimbursement to the members - from the Union P101,856.00 allocated without their consent as Union expenses; P101,856 unreceipted brokers' fees less P4,020.40 expenses for the transfer of title; to refund the 1% of the net proceeds, P9,596.18, for named claimants; and to secure a refund of P308,000.00 from the P712,992.00 fees of Atty. Pineda (the excess of 20% fees for all lawyers);
4. subject the balance of P404,992.00 of the remainder of Atty. Pineda's 35% fees for distribution among the three lawyers as may be determined by the NLRC; and
5. should this Court so decides, fix the fees (p. 285, L-24864 rec.; p. 240, L-27773 rec.).

On September 13, 1983, the Solicitor General filed his comment on the urgent motion and the supplement thereto dated August 25, 1983 and August 29, 1983, respectively with the recommendations that (1) the orders of Arbiter Valenzuela dated September 23, 1982 and February 9, 1983 be nullified for having been issued without due process; (2) the case must be remanded to the NLRC for further proceedings; and (3) the temporary restraining order issued by this Court on September 1, 1983 be maintained, pending final resolution by the NLRC (p. 351, L-24864 rec.).

The Solicitor General, on October 6, 1983, filed his manifestation and motion in lieu of comment on the motion of Atty. Pedro Lopez for leave to intervene in L-24864 and L-27773 (p. 360, L-24864 rec.; p. 289, L-27773 rec.).

On October 6, 1983, counsel Espinas filed his comment on the intervention of Atty. Pedro Lopez wherein he offers no objection to the latter's intervention and states that said counsel is also entitled to attorney's fees in accordance with his participation (p. 364, L-24864 rec.; p. 292, L-27773 rec.).

Atty. Pineda filed his comment and manifestation on October 7, 1983, in compliance with the resolution of September 13, 1983, alleging therein that as per Retainer's Contract dated January 1, 1967, he handled Case No. 1099-V before the Court of Industrial Relations alone. On the mandatory restraining order, Atty. Pineda claims that as of October 4, 1983, he had a balance of P2,022.70 in his account with the Manila Bank (p. 370, L-24864 rec.; p. 295, L-27773 rec.).

In its resolution dated October 18, 1983, this Court (1) set aside as null and void the orders of September 23, 1982 and February 9, 1983 of Arbiter Raymundo R. Valenzuela; (2) allowed the intervention of Atty. Pedro Lopez; (3) directed the Manila Bank (Cubao Branch), Atty. Benjamin Pineda, and the Halili Drivers and Conductors Union through Domingo Cabading or any of his representatives, to comply with the temporary mandatory restraining order issued on September 1, 1983 and the resolution dated September 13, 1983, within ten [10] days from receipt thereof; and (4) remanded these cases to the NLRC for further proceedings (p. 374, L-24864 rec.; p. 299, L-27773 rec.).

The day before or on October 17, 1983, Sergio de Pedro, as representative of the workers and assisted by Atty. Espinas, thus filed the urgent motion to cite Atty. Pineda, Ricardo Capuno and Manila Bank (Cubao Branch) in contempt, alleging therein that after two letters dated October 6 and October 14, 1983 to the NLRC which inquired as to whether or not compliance with the restraining order had been made, the Commission certified that as of October 14, 1983, no deposits had been effected by the parties so directed (p. 376, L-24864 rec.; p. 301, L-27773 rec.).

In its manifestation and motion filed on November 2, 1983, respondent Manila Banking Corporation (Rustan-Cubao Branch), in compliance with this Court's resolution of September 13, 1983, stated that it transmitted or paid to the NLRC the amount of P417,380.64

under Cashier's Check No. 34084190 for the account of the Union and P2,022.70 under Cashier's Check No. 34084191 for the account of Atty. Pineda and thus prayed therein that the aforesaid transmittals be deemed as sufficient compliance with the aforesaid resolution and that the urgent motion to cite respondents in contempt dated October 17, 1983 be considered moot and academic (p. 390, L-24864 rec.).

On November 8, 1983, respondent Atty. Pineda filed his manifestation and motion in lieu of comment, in compliance with this Court's resolution of October 20, 1983, stating that he and respondent Union thereby adopt the aforesaid manifestation and motion of respondent Manila Banking Corporation and thus prayed that since they have complied with this Court's resolution of September 13, 1983, the urgent motion to cite them for contempt be considered moot and academic (p. 394, L-24864 rec.; p. 310, L-27773 rec.).

On November 10, 1983, respondent Manila Banking Corporation filed another manifestation and motion in lieu of comment, by way of compliance with the Court's resolution of October 20, 1983 with prayer that its previous manifestation and motion dated October 28, 1983 and filed on November 2, 1983 be considered as sufficient compliance with the resolution of September 13, 1983 which would render the urgent motion to cite respondents in contempt moot and academic (p. 396, L-24864 rec.; p. 312, L-27773 rec.).

On the foregoing manifestations and motions, representative Sergio de Pedro, with the assistance of Atty. Espinas, filed a comment on November 16, 1983 wherein he alleged that out of the P2,037,120.00 purchase price, only P1,940,127.29 was deposited with the Manila Bank; that Atty. Pineda has yet to return the balance of P710,969.30; and that the Union has still to account for P111,452.18 (p. 399, L-24864 rec.; p. 315, L-27773 rec.).

On December 14, 1983, respondent Union filed its reply to Mr. de Pedro's above unsigned comment therein stating among other things that the alleged missing amount of P96,992.71 was used for the payment of outstanding real estate taxes on real property of said Union covered by TCT No. 205755 and that the amount of P2,022.70

only was remitted by Manila Bank to the NLRC for the account of Atty. Pineda (p. 323, L-27773 rec.).

On December 20, 1983, Mr. de Pedro and Atty. Espinas, for the workers involved, filed their rejoinder to the comment of Atty. Pineda and Mr. Capuno reiterating therein their plea to declare Atty. Pineda and Mr. Capuno in contempt of court and to mete out the proper penalty (p. 328, L-27773 rec.).

The Manila Banking Corporation filed its compliance with the Court resolution of November 22, 1983 on February 3, 1984, praying that its report to the NLRC on the amount of withdrawals be considered as sufficient compliance with the said resolution (p. 343, L-27773 rec.).

Atty. Espinas filed his comment and motion on March 15, 1984, stating among other things that as per report of the Manila Bank to the NLRC, Atty. Pineda has not yet complied with the said order. He thus moved that Atty. Pineda be required to post a bond on the undeposited balance in the amounts of P710,969.30 and that Mr. Capuno be also required to post a bond before the NLRC on the undeposited balance of P52,236.04 during the pendency of the motion for contempt (p. 373, L-27773 rec.).

On April 4, 1984, Mr. Sergio de Pedro filed his reply to the aforesaid comment of the Union administrator and Atty. Pineda stating therein that there are still questions to be resolved on the merits before the NLRC and hence, prays that Arbiter Antonio Tirona be required to continue hearing the merits of the case pending in the said Commission (p. 377, L-27773 rec.).

Before We resolve the motion for contempt, certain crucial facts which have surfaced and which precipitated Our issuance of the resolution of October 18, 1983 declaring the two questioned orders of Arbiter Valenzuela as null and void, must be retraced.

Then Union President Amado Lopez, in a letter dated August 21, 1958, informed J. C. Espinas and Associates that the general membership of the said Union had authorized a 20% contingent fee for the law firm based on whatever amount would be awarded the Union (p. 267, L-24864 rec.).

Atty. Jose C. Espinas, the original counsel, established the award of 897 workers' claim in the main cases before the defunct CIR and the Supreme Court. In L-24864, the Notice of Judgment of this Court dated February 26, 1968 was served on Messrs. J. C. Espinas & Associates (p. 188, L-24864 rec.). In L-27773, the Notice of Judgment dated December 29, 1970 was sent to Atty. B.C. Pineda & Associates under same address — 716 Puyat Bldg., Suit 404 at Escolta, Manila (p. 147, L-27773 rec.). Note that this is the same address of Atty. J. C. Espinas & Associates.

When Atty. Pineda appeared for the Union in these cases, still an associate of the law firm, his appearance carried the firm name "B. C. Pineda and Associates," giving the impression that he was the principal lawyer in these cases.

Atty. Pineda joined the law firm of Atty. Espinas in 1965 when these cases were pending resolution. He always held office in the firm's place at Puyat Building, Escolta until 1974, except in 1966 to 1967 when he transferred to the Lakas ng Manggagawa Offices. During this one-year stint at the latter office, Atty. Pineda continued handling the case with the arrangement that he would report the developments to the Espinas firm. When he rejoined the law firm in 1968, he continued working on these cases and using the Puyat Building office as his address in the pleadings.

When Atty. Pineda rejoined the Espinas firm in 1968, he did not reveal to his partners (he was made the most senior partner) that he had a retainer's contract entered into on January 1, 1967 which allegedly took effect in 1966. He stayed with the law firm until 1974 and still did not divulge the 1967 retainer's contract. Only the officers of the Union knew of the contract.

The alleged retainer's contract between Atty. Pineda and the Union appears anomalous and even illegal as well as unethical considering that —

1. The contract was executed only between Atty. Pineda and the officers of the Union chosen by about 125 members only. It was not a contract with the general membership. Only 14% of

the total membership of 897 was represented. This violates Article 242 (d) of the Labor Code which provides:

“The members shall determine by secret ballot, after due deliberation, any question of major policy affecting the entire membership of the organization, unless the nature of the organization or force majeure renders such secret ballot impractical, in which case the board of directors of the organization may make the decision in behalf of the general membership” (emphasis supplied).

2. The contingent fee of 30% for those who were still working with Halili Transit and the 45% fee for those who were no longer working worked to the prejudice of the latter group who should and were entitled to more benefits. Thus, too, when the alleged retainer’s contract was executed in 1967, the Halili Transit had already stopped operations in Metro Manila. By then, Atty. Pineda knew that all the workers would be out of work which would mean that the 45% contingent fee would apply to all.
3. The contract which retroactively took effect on January 1, 1966, was executed when Atty. Espinas was still handling the appeal of Halili Transit in the main case before the Supreme Court. Atty. Pineda would have but did not substitute himself in place of Atty. Espinas or the law firm on the basis of such contract.
4. When Atty. Pineda filed his motion for approval of his attorney’s lien with Arbiter Valenzuela on February 8, 1983, he did not attach the retainer’s contract.
5. The retainer’s contract was not even notarized (p. 248, L-24864 rec.).

The Manila Memorial Park Cemetery, Inc., as the prospective buyer, initially expressed its misgivings over the authority of the Union to sell subject property conformably with Section 66 of P. D. No. 1529, which requires an order from a court of competent jurisdiction

authorizing the sale of a property in trust. The pertinent portion of Section 66 provides:

“No instruments which transfers or mortgages or in any way deals with registered land in trust shall be registered, unless the enabling power thereto is expressly conferred in the trust instrument, or unless a final judgment or order of a court of competent jurisdiction has construed the instrument in favor of the power, in which case a certified copy of such judgment or order may be registered.”

The decision of aforementioned purchaser to stop questioning the Union’s authority to sell and the expeditious manner by which Arbiter Valenzuela granted Atty. Pineda’s motion for such authority to sell the property make the entire transaction dubious and irregular.

Thus, without notice to the other lawyers and parties, Atty. Pineda commenced the proceeds before the NLRC with the filing of a motion and manifestation on August 9, 1982 with Arbiter Valenzuela of the NLRC Office of the Labor Ministry wherein he asked for authority to sell the property. On September 23, 1983 or just over a month, Arbiter Valenzuela approved the motion per order of the same date. Notably, only Atty. Pineda and the lawyers of the purchaser were informed of such order.

On February 4, 1983, again without notice to Atty. Espinas and Atty. Lopez, Atty. Pineda filed a motion with Arbiter Valenzuela wherein he asked for authority to distribute the proceeds of the sale of the property. This distribution would include his attorney’s fee which was allegedly the subject of a retainer’s contract entered into between him and the alleged Union officers. On February 9, 1983, or barely five days from the day the motion was filed, Arbiter Valenzuela, without informing the other lawyers and relying exclusively on the unverified motion of Atty. Pineda (the records of the case were not on hand), approved the said motion which authorized the apportionment.

This Court, as earlier stated, nullified said orders dated September 23, 1982 and February 9, 1983 of Labor Arbiter Valenzuela as violative of the due process clause. It is a settled rule that in administrative proceedings, or cases coming before administrative

tribunals exercising quasi-judicial powers, due process requires not only notice and hearing, but also the consideration by the administrative tribunal of the evidence presented; the existence of evidence to support the decision; its substantiality; a decision based thereon or at least contained in the record and disclosed to the parties; such decision by the administrative tribunal resting on its own independent consideration of the law and facts of the controversy; and such decision acquainting the parties with the various issues involved and the reasons therefor (Ang Tibay vs. Court, 69 Phil. 635, cited on p. 84, Philippine Constitutional Law, Fernando, 1984 ed.).

Significantly, Atty. Pineda's act of filing a motion with this Court on December 1, 1982 praying for authority to sell was by itself an admission on his part that he did not possess the authority to sell the property and that this Court was the proper body which had the power to grant such authority. He could not and did not even wait for such valid authority but instead previously obtained the same from the labor arbiter whom he knew was not empowered to so authorize. Under Article 224 (a) of the Labor Code, only final decisions or awards of the NLRC, the Labor Arbiter, or compulsory or voluntary arbitrators may be implemented or may be the subject of implementing orders by aforementioned body or officers.

When Atty. Espinas discovered the sale of the property, he went to Arbiter Valenzuela to look into the transaction who told him that the records of CIR Case No. 1099-V were missing. It took director Pascual Reyes of the NLRC to locate the records.

The 45% attorney's lien on the award of those union members who were no longer working and the 30% lien on the benefits of those who were still working as provided for in the alleged retainer's contract are very exorbitant and unconscionable in view of Section 11, Rule VIII of Book III which explicitly provides:

“Sec. 11. Attorney's fees. — Attorney's fees on any judicial or administrative proceedings for the recovery of wages shall not exceed 10% of the amount awarded. The fees may be deducted from the total amount due the winning party.”

The amount of P101,856.00 which Atty. Pineda donated to the Union and which actually corresponds to 5% of the total 35% attorney's fees taken from the proceeds (p. 263, L-24864, rec.) appears improper since it amounts to a rebate or commission. This amount was subsequently treated as union miscellaneous operating expenses without the consent of the general membership.

Thus, in the case of Amalgamated Laborers' Association vs. Court of Industrial Relations (L-23467, 22 SCRA 1267 [March 27, 1968]), We declared:

“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 attorney's fees is immoral. Such a contract we emphatically reject. It cannot be justified.

“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.’” (Italics supplied).

A deeper scrutiny of the pleadings in L-24864 notably indicates a fraudulent or deceitful pattern in the actuations of Atty. Pineda. Thus, in his motion for execution of judgment filed on September 18, 1965 in this case, he signed for and in behalf of “J. C. Espinas & Associates” (p. 323, rec.). In his manifestation dated December 10, 1968, he signed as “B. C. Pineda,” lone counsel for petitioner (p. 327, rec.); and yet, he carried the address of Espinas & Associates at 716 G. Puyat Building, Escolta.

However, in the October 29, 1968 resolution of this Court, a copy thereof was served on “Messrs. J. C. Espinas, B. C. Pineda, J. J. dela

Rosa & Associates” at Puyat Building, Escolta (p. 324, rec.). In the notice of judgment dated December 29, 1970, this Court addressed the said pleading to “Attys. B. C. Pineda & Associates” with the same Puyat Building address (p. 325, rec.). Notably also, then Union President Amado Lopez addressed his letter dated August 21, 1958 to “J. C. Espinas & Associates” wherein he informed the latter that the general membership of the Union had authorized them a 20% contingent fee on whatever award would be given the workers (p. 267, rec.).

The Manila Banking Corporation (Cubao Branch) has manifested that it turned over to the NLRC the amount of P417,380.64 for the Union’s account, which appears to be the balance of P950,021.76 corresponding to the net proceeds for distribution to the workers after deducting P525,480.40, the total payments to claimants. The amount of P417,380.64 appears lacking, since accurately computed, the balance should be P424,541.36.

However, the Union has yet to account for P101,856.00, the 5% donation or share from Atty. Pineda’s attorney’s fee of 35%.

For the account of Atty. Pineda, the Manila Banking Corporation has remitted to the NLRC the amount of P2,022.70 only. This means that Atty. Pineda is still accountable for the amount of P710,969.30. He is directed to return the amount of P712,992.00 representing the 35% attorney’s fees he unlawfully received.

In view of Our resolution of October 18, 1983, which set aside as null and void the questioned orders dated September 23, 1982 and February 9, 1983 issued by Arbiter Raymundo Valenzuela, the sale of the Union property and the distribution of the proceeds therefrom had been effected without authority and, therefore, illegal. Consequently, Atty. Pineda and Arbiter Valenzuela become liable for their unauthorized acts.

Atty. Pineda should be cited for indirect contempt under paragraphs (b), (c) and (d) of Section 3, Rule 71 of the Revised Rules of Court. The said paragraphs read thus:

“Sec. 3. Indirect contempts to be punished after charge and hearing. — x x x

“(b) Disobedience of or resistance to a lawful writ, process, order, judgment, or command of a court, or injunction granted by a court or judge, including the act of a person who, after being dispossessed or ejected from any real property by the judgment or process of any court of competent jurisdiction, enters or attempts or induces another to enter into or upon such real property, for the purpose of executing acts of ownership or possession, or in any manner disturbs the possession given to the person adjudged to be entitled thereto;

“(c) Any abuse of or any interference with the process or proceedings of a court not constituting direct contempt under section 1 of this rule;

“(d) Any improper conduct tending, directly or indirectly to impede, obstruct, or degrade the administration of justice.”

Contempt of court is a defiance of the authority, justice or dignity of the court; such conduct as tends to bring the authority and administration of the law into disrespect or to interfere with or prejudice parties litigant or their witnesses during litigation (12 Am. Jur. 389, cited in 14 SCRA 813).

Contempt of court is defined as a disobedience to the court by acting in opposition to its authority, justice and dignity. It signifies not only a willful disregard or disobedience of the court’s orders, but such conduct as tends to bring the authority of the court and the administration of law into disrepute or in some manner to impede the due administration of justice (17 C.J.S. 4).

This Court has thus repeatedly declared that the power to punish for contempt is inherent in all courts and is essential to the preservation of order in judicial proceedings and to the enforcement of judgments, orders, and mandates of the court, and consequently, to the due

administration of justice (Slade Perkins vs. Director of Prisons, 58 Phil. 271; In re Kelly, 35 Phil. 944; Commissioner of Immigration vs. Cloribel, 20 SCRA 1241; Montalban vs. Canonoy, 38 SCRA 1).

In the matter of exercising the power to punish contempts, this Court enunciated in the Slade Perkins case that “the exercise of the power to punish contempts has a twofold aspect, namely (1) the proper punishment of the guilty party for his disrespect to the court or its order; and (2) to compel his performance of some act or duty required of him by the court which he refuses to perform. Due to this twofold aspect of the exercise of the power to punish them, contempts are classified as civil or criminal. A civil contempt is the failure to do something ordered to be done by a court or a judge for the benefit of the opposing party therein; and a criminal contempt, is conduct directed against the authority and dignity of a court or of a judge, as in unlawfully assailing or discrediting the authority or dignity of the court or judge, or in doing a duly forbidden act. Where the punishment imposed, whether against a party to a suit or a stranger, is wholly or primarily to protect or vindicate the dignity and power of the court, either by fine payable to the government or by imprisonment, or both, it is deemed a judgment in a criminal case. Where the punishment is by fine directed to be paid to a party in the nature of damages for the wrong inflicted, or by imprisonment as a coercive measure to enforce the performance of some act for the benefit of the party or in aid of the final judgment or decree rendered in his behalf, the contempt judgment will, if made before final decree, be treated as in the nature of an interlocutory order, or, if made after final decree, as remedial in nature, and may be reviewed only on appeal from the final decree, or in such other mode as is appropriate to the review of judgments in civil cases. The question of whether the contempt committed is civil or criminal, does not affect the jurisdiction or the power of a court to punish the same.” (58 Phil. 271, 272).

For civil contempt, Section 7, Rule 71 of the Revised Rules of Court explicitly provides:

“Sec. 7, Rule 71. Imprisonment until order obeyed. When the contempt consists in the omission to do an act which is yet in

the power of the accused to perform, he may be imprisoned by order of a superior court until he performs it.”

Thus, in the case of *Harden vs. Director of Prisons* (L-2349, 81 Phil. 741 [Oct. 22, 1948]), where petitioner was confined in prison for contempt of court, this Court, in denying the petition and resolving the question of petitioner’s indefinite confinement, had the occasion to apply and clarify the aforementioned provision in the following tenor:

“The penalty complained of is neither cruel, unjust nor excessive. In *Ex-parte Kemmler*, 136 U. S. 436, the United States Supreme Court said that ‘punishments are cruel when they involve torture or a lingering death, but the punishment of death is not cruel, within the meaning of that word as used in the constitution. It implies there something inhuman and barbarous, something more than the extinguishment of life.’

“The punishment meted out to the petitioner is not excessive. It is suitable and adapted to its objective; and it accords with section 7, Rule 64 of the Rules of Court which provides that ‘when the contempt consists in the omission to do an act which is yet in the power of the accused to perform, he may be imprisoned by order of a superior court until he performs it.’

“If the term of imprisonment in this case is indefinite and might last through the natural life of the petitioner, yet by the terms of the sentence the way is left open for him to avoid serving any part of it by complying with the orders of the court, and in this manner put an end to his incarceration. In these circumstances, the judgment cannot be said to be excessive or unjust. (*Davis vs. Murphy* [1947], 188 P., 229-231.) As stated in a more recent case (*De Wees* [1948], 210 S. W., 2d, 145-147), ‘to order that one be imprisoned for an indefinite period in a civil contempt is purely a remedial measure. Its purpose is to coerce the contemner to do an act within his or her power to perform. He must have the means by which he may purge himself of the contempt.’ The latter decision cites *Staley vs. South Jersey Realty Co.*, 83 N. J. Eq., 300, 90 A., 1042, 1043, in which the theory is expressed in this language:

“In a “civil contempt” the proceeding is remedial, it is a step in the case the object of which is to coerce one party for the benefit of the other party to do or to refrain from doing some act specified in the order of the court. Hence, if imprisonment be ordered, it is remedial in purpose and coercive in character, and to that end must relate to something to be done by the defendant by the doing of which he may discharge himself. As quaintly expressed, the imprisoned man “carries the keys to his prison in his own pocket”“ (pp. 747-748).

Likewise, American courts had long enunciated these rulings:

“The commitment of one found in contempt of a court order only until the contemnor shall have purged himself of such contempt by complying with the order is a decisive characteristic of civil contempt. *Maggio vs. Zeitz*, 333 US 56, 92 L. ed. 476, 63 S Ct 401.”

“Civil or quasi-criminal contempt is contemplated by a statute providing that if any person refused to obey or perform any rule, order, or judgment of court, such court shall have power to fine and imprison such person until the rule, order, or judgment shall be complied with. *Evans vs. Evans*, 193 Miss 468, 9 So 2d. 641.” (17 Am. Jur. 2d).

The reason for the inherent power of courts to punish for contempt is that respect of the courts guarantees the stability of the judicial institution. Without such guarantee said institution would be resting on a very shaky foundation (*Salcedo vs. Hernandez*, 61 Phil. 724; *Cornejo vs. Tan*, 85 Phil. 722).

Likewise, Atty. Pineda should be subject to disbarment proceedings under Section 27 of Rule 138 of the Revised Rules of Court which provides:

“Sec. 27. Attorneys removed or suspended by Supreme Court on what grounds. — A member of the bar may be removed or suspended from his office as attorney by the Supreme Court for any deceit, malpractice, or other gross misconduct in such

office, grossly immoral conduct, or by reason of his conviction of a crime involving moral turpitude, or for any violation of the oath which he is required to take before admission to practice, or for a willful disobedience of any lawful order of a superior court, or for corruptly or willfully appearing as an attorney for a party to a case without authority so to do. The practice of soliciting cases at law for the purpose of gain, either personally or through paid agents or brokers, constitutes malpractice.”

The Court may suspend or disbar a lawyer for any conduct on his part showing his unfitness for the confidence and trust which characterize the attorney and client relations, and the practice of law before the courts, or showing such a lack of personal honesty or of good moral character as to render him unworthy of public confidence (7 C.J.S. 733).

It is a well-settled rule that the statutory grounds for disbarment or suspension are not to be taken as a limitation on the general power of the courts in this respect. The inherent powers of the court over its officers cannot be restricted (In re Pelaez, 44 Phil. 567).

Finally, Atty. Pineda could be prosecuted for betrayal of trust by an attorney under Article 209 of the Revised Penal Code. Said article provides:

“Art. 209. Betrayal of trust by an attorney or solicitor. Revelation of secrets. — In addition to the proper administrative action, the penalty of prision correccional in its minimum period, or a fine ranging from 200 to 1,000 pesos, or both, shall be imposed upon any attorney-at-law or solicitor (procurador judicial) who, by any malicious breach of professional duty or inexcusable negligence or ignorance, shall prejudice his client, or reveal any of the secrets of the latter learned by him in his professional capacity” (italics supplied).

The aforequoted criminal sanction for unprofessional conduct of an attorney is without prejudice to proper administrative action, such as disbarment or suspension of attorneys (p. 503, Criminal Law Annotated, Padilla, 1972 Ed.).

Labor Arbiter Raymundo Valenzuela should be made to answer for having acted without or beyond his authority in proper administrative charges. He could also be prosecuted before the Tanodbayan under the provisions of the Anti-Graft Law. Independently of his liabilities as a government officer, he could be the subject of disbarment proceedings under Section 27, Rule 138 of the Revised Rules of Court.

Atty. Benjamin Pineda could also be held liable under Section 4(b) of R. A. No. 3019 (Anti-Graft and Corrupt Practices Act) which makes it unlawful for any person knowingly to induce or cause any public official to commit any of the offenses defined in Section 3 of said act. Section 3 enumerates the corrupt practices which public officers may be prosecuted for. Atty. Pineda knowingly induced or caused Labor Arbiter Valenzuela to issue the questioned orders without or beyond the latter's authority and to which orders the former was not entitled, considering that he was not the sole and proper representative.

The Manila Banking Corporation (Cubao Branch) per manifestation and motion dated October 28, 1983 and reiterated on November 10, 1983, had transmitted to the NLRC the remaining balance of P417,380.64 and P2,022.70 for the account of the Union and Atty. Pineda, respectively. This turnover of the aforesaid amounts is a sufficient compliance with Our restraining order and resolution of September 13, 1983 and hence, the Manila Banking Corporation can no longer be liable for contempt of court.

Very recently, on August 23, 1984, respondent Union, thru Acting Administrator Ricardo Capuno, filed its motion to drop Halili Bus Drivers and Conductors Union from the contempt charge in view of these reasons:

1. The Manila Bank has already turned over to the NLRC the amount of P59,716.14 which represents the remaining balance of 5% earmarked for Union expenses incurred in the case aside from the amounts deposited in escrow for the workers. The amount of P42,140.00 was spent legitimately by the Union for administration purposes relative to the subject property. The Union asserts that it is ready and willing to account for all expenses and withdrawals from the bank before the NLRC.

2. The alleged 5% donation of Atty. Pineda to the Union taken from the 35% attorneys' fees was given to and received by then President Domingo Cabading alone, who thereafter left for the United States.
3. The 1% allocated for unknown claimants or those not previously listed in the amount of P9,596.18 can easily be accounted for by the Union before the NLRC.

In the same motion, Mr. Capuno clarifies that with regard to attorneys' fees, Atty. Pineda made the Union officers believe that he would be the one to pay the fees of Attys. Espinas and Lopez for which reason, the 35% increased fees was approved by the Union's board in good faith. The Union likewise confirms that Atty. Pineda came into the picture only when he was assigned by Atty. Espinas in 1965 to execute the CIR decision which, thru Atty. Espinas' handling, was upheld by this Court in L-24864 in 1968. The Union officers were aware that Atty. Espinas was the principal counsel even after Atty. Pineda's assignment. They also knew of the original contract for 20% attorney's fees which was increased to 35% by Atty. Pineda upon the arrangement that with the increase, he would answer for the payment of Attys. Espinas and Lopez' fees and for necessary representation expenses (p. 450, L-24864 rec.).

Acting on the aforesaid motion, this Court in its resolution of August 28, 1964, dropped the Union and its officers from the within contempt charge (p. 455, L-24864 rec.).

**WHEREFORE, ATTY. BENJAMIN PINEDA IS HEREBY FOUND GUILTY OF INDIRECT CONTEMPT OF COURT FOR WHICH HE IS HEREBY SENTENCED TO IMPRISONMENT IN THE MANILA CITY JAIL UNTIL THE ORDERS OF THIS COURT DATED SEPTEMBER 1 AND SEPTEMBER 13, 1983 ARE COMPLIED WITH.**

**ATTY. BENJAMIN PINEDA IS ALSO DIRECTED TO SHOW CAUSE WHY HE SHOULD NOT BE DISBARRED UNDER RULE 138 OF THE REVISED RULES OF COURT.**

**LET COPIES OF THIS RESOLUTION AND THE RESOLUTION OF OCTOBER 18, 1983 BE FURNISHED THE MINISTRY OF LABOR AND THE TANODBAYAN FOR APPROPRIATE ACTION.**

**SO ORDERED.**

**Fernando, C.J., Teehankee, Aquino, Melencio-Herrera, Escolin, De la Fuente, Cuevas and Alampay, JJ., concur. Concepcion, Jr., Plana, Relova and Gutierrez, Jr., JJ., took no part.  
Abad Santos, J., I reserve my vote.**