



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

FREDDIE A. GUILLEN,
Complainant,

A.C. No. 10547

Present:

- versus -

CARPIO, J., *Chairperson,*
PERALTA,
PERLAS-BERNABE,*
CAGUIOA, and
REYES, JJ.

ATTY. AUDIE ARNADO,
Respondent.

Promulgated:

08 NOV 2017

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DECISION

PERALTA, J.:

The instant case is brought about by an administrative complaint which Freddie Guillen filed against his former business partner, Atty. Audie Arnado, for alleged violation of the Code of Professional Responsibility (CPR).

The factual antecedents of the case are as follows:

Complainant Freddie Guillen is the registered owner of the City Grill Restaurant. He then invited respondent Atty. Audie Arnado and a certain Cedric Ebo to join the restaurant business. Each of them had to shell out ₱200,000.00 to make up a total capital of ₱600,000.00. A Memorandum of Agreement (MOA) was therefore executed and the business was formally launched in May 2003. At first, everything went smoothly, until Arnado's sister-in-law and Ebo's son participated in the management, causing complications in the business operations, which later forced Guillen and his wife to step down as general manager and operations manager, respectively.

* On official leave.

Because of the disagreements among the parties, Guillen offered that he would waive his claims for profits, provided that Arnado would return the ₱200,000.00 that he paid as capital. Arnado allegedly claimed that said refund would still be subject to the billings of the Arnado and Associate Law Firm. Thereafter, Guillen was surprised to find out that Arnado had already caused the incorporation of the restaurant with the Securities and Exchange Commission (*SEC*), which was approved on February 16, 2004. Guillen was likewise excluded from the business without the aforementioned refund of his capital. He was further charged with Estafa before the Office of the City Prosecutor of Cebu. Thus, Guillen initiated the present administrative case.

For his part, Arnado admitted the existence and the contents of the MOA. He also admitted that he caused the incorporation of City Grill-Sutukil Food Corporation. However, he insisted that the same was done in accordance with the requirements under the law. Guillen could not validly claim for a refund, and if he was really entitled, he should simply file an action to that effect. Arnado likewise contended that Guillen's refund would still be subject to the legal compensation claim of his law firm.

On November 2, 2011, the Commission on Bar Discipline of the Integrated Bar of the Philippines (*IBP*) recommended the censure of Arnado, thus:¹

WHEREFORE, Taking into consideration the foregoing premises, it is with deep regret to recommend to the Board of Governors that **ATTY. AUDIE ARNADO** [of] Cebu City be **CENSURED** for his deceitful and dishonest act in violation of Rule 1.01 of the Code of Professional Responsibility which provides that- A lawyer shall not engage in an unlawful, dishonest, immoral and deceitful conduct.

So Ordered.

RESPECTFULLY RECOMMENDED.

On January 3, 2013, the IBP Board of Governors passed Resolution No. XX-2013-47,² which adopted and approved the aforementioned recommendation, hence:

RESOLVED to ADOPT and APPROVE, as it is hereby unanimously ADOPTED and APPROVED the Report and Recommendation of the Investigating Commissioner in the above-entitled case, herein made part of this Resolution as Annex "A", and finding the recommendation fully supported by the evidence on record and the applicable laws and rules,

¹ Report and Recommendation submitted by Commissioner Jose I. De La Rama, Jr., dated November 2, 2011; *rollo*, Vol. II, pp. 377-387.

² *Rollo*, p. 376.

*and considering Respondent's violation of Rule 1.01 of the Code of Professional Responsibility, Atty. Audie Arnado is hereby **CENSURED**.*

Thereafter, Arnado moved for reconsideration of said Resolution. On March 23, 2014, the IBP Board of Governors passed another resolution, Resolution No. XXI-2014-180,³ which denied said motion for reconsideration and approved its 2013 Resolution, with modification, to wit:

*RESOLVED to DENY Respondent's Motion for Reconsideration, there being no cogent reason to reverse the findings of the Commission and it being a mere reiteration of the matters which had already been threshed out and taken into consideration. Further, for taking advantage of his knowledge of the law and for his deceitful conduct of easing out Complainant from their restaurant business partnership without his knowledge by registering a corporation under a different name and style but doing the same line of business and using the same complements and trade secrets, Resolution No. XX-2013-47 dated January 3, 2013 is hereby **AFFIRMED, with modification**, and accordingly the penalty imposed on Atty. Audie Arnado [is] increased from Censure to **SUSPENSION from the practice of law for three (3) months**.*

The Court's Ruling

The Court finds no compelling reason to deviate from the findings and recommendation of the IBP Board of Governors that Arnado should be suspended from the practice of law.

At the onset, it must be pointed out that the business name City Grill Restaurant registered under Guillen's name was never dissolved in accordance with the law. Even Arnado failed to prove that the City Grill Restaurant business had already been terminated. Although said business name was only used for a short period of time, the same had already acquired goodwill among the residents and customers in the locality.

On February 26, 2004, City Grill-Sutukil Food Corporation was registered with the SEC. Although Arnado and Ebo were not included as incorporators, those persons reflected in the articles of incorporation as the company's incorporators were their relatives. It is clear that when Arnado caused the incorporation of City Grill-Sutukil Food Corporation, he was fully aware that City Grill Restaurant was still registered in Guillen's name. Obviously, he did the same to take advantage of the goodwill earned by the name of City Grill Restaurant. Arnado was likewise the one who actually notarized some of City Grill-Sutukil Food Corporation's legal documents such as the Treasurer's Affidavit and a letter addressed to the SEC.

³ *Id.* at 402.



The IBP Board thus aptly concluded that Arnado is guilty of taking advantage of his knowledge of the law and of surreptitiously easing out Guillen from their restaurant business partnership by registering a corporation under a different but similar name and style, in the same line of business, and using the same trade secrets. Arnado, although not reflected as one of the incorporators of City Grill-Sutukil Food Corporation, has deceived the public into believing that City Grill Restaurant and City Grill-Sutukil Food Corporation are one and the same, clearly violating Rule 1.01 of the CPR, which prohibits a lawyer from engaging in unlawful, dishonest, immoral, or deceitful conduct.

The Court has repeatedly emphasized that the practice of law is imbued with public interest and that a lawyer owes substantial duties, not only to his client, but also to his brethren in the profession, to the courts, and to the public, and takes part in the administration of justice, one of the most important functions of the State, as an officer of the court. Accordingly, lawyers are bound to maintain, not only a high standard of legal proficiency, but also of morality, honesty, integrity, and fair dealing.⁴

Here, Arnado has certainly fallen short of the high standard of morality, honesty, integrity, and fair dealing required of him. On the contrary, he employed his knowledge and skill of the law as well as took advantage of Guillen to secure undue gains for himself and to inflict serious damage on others.

WHEREFORE, IN VIEW OF THE FOREGOING, the Court **SUSPENDS** Atty. Audie Arnado from the practice of law for a period of one (1) year and **WARNS** him that a repetition of the same or similar offense shall be dealt with more severely.

Let copies of this decision be included in the personal records of Atty. Audie Arnado and entered in his file in the Office of the Bar Confidant.

Let copies of this decision be disseminated to all lower courts by the Office of the Court Administrator, as well as to the Integrated Bar of the Philippines, for their information and guidance.

SO ORDERED.


DIOSDADO M. PERALTA
Associate Justice

⁴ *Tabang v. Atty. Gacott*, 713 Phil. 578, 593 (2013).

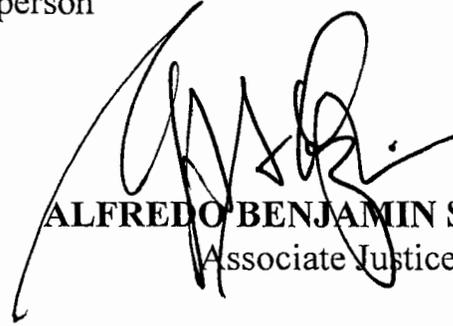
WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson

On official leave

ESTELA M. PERLAS BERNABE
Associate Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

Reyes
ANDRES B. REYES, JR.
Associate Justice