

FIRST DIVISION

[G.R. No. 211302, August 12, 2015]

PHILIPPINE TRANSMARINE CARRIERS, INC., CARLOS C. SALINAS, AND NORWEGIAN CREW MANAGEMENT A/S, PETITIONERS, VS. CESAR C. PELAGIO, RESPONDENT.

D E C I S I O N

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*^[1] are the Decision^[2] dated December 21, 2012 and the Resolution^[3] dated February 17, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 122771, which dismissed the *certiorari* petition of petitioners Philippine Transmarine Carriers, Inc. (PTCI), Carlos C. Salinas, and Norwegian Crew Management A/S (petitioners) before the CA on the ground that the issues raised therein had become moot and academic on account of the compromise agreement between petitioners and respondent Cesar C. Pelagio (Pelagio).

The Facts

PTCI, for and on behalf of his foreign principal, Norwegian Crew Management A/S, hired Pelagio as a Motorman on board the vessel MN Drive Mahone for a period of six (6) months, under a Philippine Overseas Employment Administration (POEA)-approved employment contract^[4] dated September 29, 2009, as well as the collective bargaining agreement^[5] between Norwegian Crew Management A/S and Associated Marine Officers' and Seamen's Union of the Philippines (CBA). After being declared fit for employment, Pelagio boarded M/V Drive Mahone on November 3, 2009.^[6]

Sometime in February 2010, Pelagio experienced difficulty in breathing and pains on the nape, lower back, and joints while at work. Pelagio was then referred to a port doctor in Said, Egypt, where he was diagnosed with "Myositis"^[7] and declared unfit to work.^[8] On March 2, 2010, Pelagio was repatriated back to the Philippines for further medical treatment, and thereafter, promptly sought the medical attention of the company-designated physician, Dr. Robert D. Lim (Dr. Lim), at the Metropolitan Medical Center.^[9]

After a series of medical and laboratory examinations, including chest x-ray, pulmonary function tests, electroencephalogram, and other related physical examinations, Pelagio was finally diagnosed to have Carpal Tunnel Syndrome, Bilateral L5-S1 Radiculopathy, Mild Degenerative Changes, and Lumbosacral Spine^[10] with an assessment of disability rating of Grade 11 - "slight loss of lifting power of the trunk."^[11]

On August 18, 2010, Pelagio sought a second opinion from a private orthopedic surgeon physician, Dr. Manuel Fidel M. Magtira (Dr. Magtira), who assessed him with a Grade 8 disability - moderate rigidity or two-thirds loss of motion or lifting power of the trunk- and declared him "permanently UNFIT TO WORK in any capacity at his previous occupation."^[12]

Pelagio sought payment of permanent total disability benefits from petitioners, but to no avail. Hence, he filed a complaint^[13] for disability benefits, reimbursement of medical expenses, illness allowance, damages, and attorney's fees against petitioners before the Arbitration Branch of the National Labor Relations Commission (NLRC), docketed as NLRC-NCR No. (M) 09-13299-10.^[14] Essentially, Pelagio contended that his inability to work for more than 120 days from repatriation entitles him to permanent total disability benefits.^[15]

For their part,^[16] petitioners countered that Pelagio is not entitled to permanent total disability benefits, considering that the independent physician, Dr. Magtira, assessed him with a Grade 8 impediment. In this relation, petitioners likewise claimed that on August 5, 2010, the company-designated physician, Dr. Lim, assessed Pelagio with a Grade 11 disability "slight loss of lifting power of the trunk."^[17] In view of the conflicting findings of the company-designated and independent physicians, petitioners suggested that they seek a third mutually-appointed doctor to comply with the provisions of the POEA-Standard Employment Contract, but Pelagio refused.^[18] Finally, petitioners averred that they offered the amount of US\$13,437.00, the amount of benefit corresponding to a Grade 11 impediment, pursuant to the CBA, but Pelagio rejected such offer.^[19]

The LA Ruling

In a Decision^[20] dated April 29, 2011, the LA found that Pelagio was suffering from a permanent partial disability, and accordingly, ordered petitioners to jointly and severally pay him the amount of US\$13,437.00.^[21] The LA ruled that Pelagio's mere inability to work for 120 days from his repatriation did not *ipso facto* mean that he is suffering from a permanent total disability, especially in view of the disability assessments given by both the company-designated and the independent physicians.^[22] On this note, the LA gave weight to the findings of the company-designated physician that Pelagio was suffering from a Grade 11 impediment, and thus, must only be awarded disability benefits corresponding thereto.^[23]

Dissatisfied, Pelagio appealed to the NLRC.^[24]

The NLRC Ruling

In a Decision^[25] dated August 24, 2011, the NLRC reversed and set aside the LA ruling, and accordingly, awarded Pelagio the amount of US\$77,000.00 at its peso equivalent at the time of actual payment representing permanent total disability benefits and attorney's fees.^[26]

The NLRC found that the records are bereft of anything that would support

petitioners' claim that the company-designated physician indeed gave Grade 11 disability rating, and thus, deemed that there was no assessment made on him.^[27] In view thereof, the NLRC ruled that Pelagio's disability went beyond 240 days without a declaration that he is fit to resume work or an assessment of disability rating, and as such, he is already entitled to permanent total disability benefits as stated under the CBA.^[28]

Petitioners moved for reconsideration,^[29] which was, however, dismissed in a Resolution^[30] dated October 4, 2011. Aggrieved, petitioners filed a petition for *certiorari*^[31] before the CA, docketed as CA G.R. SP No. 122771.

During the pendency of the *certiorari* proceedings before the CA, the parties executed a Satisfaction of Judgment ^[32] dated December 21, 2011 stating that petitioners had already given Pelagio the amount of P3,313,772.00 as full and complete satisfaction of the NLRC ruling. However, it is likewise stated therein that such satisfaction of judgment "is without prejudice to [petitioners'] petition for *certiorari* pending with the [CA] x x x," and that the same was "being made only to prevent imminent execution being undertaken by the NLRC and [Pelagio]."^[33] On even date, Pelagio likewise executed a Receipt of Payment^[34] acknowledging receipt of the aforesaid amount, but recognizing that such payment is "understood to be without prejudice to the pending petition for *certiorari* filed by [petitioners] before the [CA]."^[35] Pelagio further executed an Affidavit of Claimant^[36] stating that he "understand[s] that payment is hereby being made by the shipowners/manning agents to [him] only to prevent further execution proceedings that [he has] initiated with the NLRC;" and that he "recognize[s] the NLRC's jurisdiction on Restitution proceedings, in case of a reversal of judgment by the Higher Courts x x x."^[37] On February 10, 2012, the NLRC issued an Order^[38] approving the settlement and considered the case closed and terminated.

The CA Ruling

In a Decision^[39] dated December 21, 2012, the CA dismissed the *certiorari* petition, ruling that the Satisfaction of Judgment executed by the parties is in the nature of a compromise agreement, which was properly approved by the NLRC, as it did not contravene any law, morals, public policy, or public order.^[40] In this regard, the CA held that the issues raised in the petition had already been rendered moot and academic, and as such, the petition must be dismissed without going into the merits of the case.^[41]

Petitioners moved for reconsideration^[42] but was denied in a Resolution^[43] dated February 17, 2014; hence, this petition.

The Issue Before the Court

The primordial issue for the Court's resolution is whether or not the CA correctly dismissed the *certiorari* petition on the basis of the compromise agreement between the parties. Otherwise stated, the issue is whether or not the execution of the Satisfaction of Judgment between the parties rendered the *certiorari* proceedings

before the CA moot and academic.

The Court's Ruling

The petition is meritorious.

A compromise agreement is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.^[44] To be considered valid and binding between the contracting parties, a compromise agreement must be: (a) not contrary to law, morals, good customs, public order, and public policy; (b) freely and intelligently executed by and between the parties; and (c) compliant with the requisites and principles of contracts.^[45] Once entered into, it has the effect and the authority of *res judicata* upon the parties.^[46] In other words, a valid compromise agreement may render a pending case moot and academic. However, the parties may opt to put therein clauses, conditions, and the like that would prevent a pending case from becoming moot and academic - such as when the execution of such agreement is without prejudice to the final disposition of the said case. After all, a compromise agreement is still a contract by nature, and as such, the parties are free to insert clauses to modify its legal effects, so long as such modifications are not contrary to law, morals, good customs, public order, or public policy.^[47]

In the instant case, it is undisputed that the parties had entered into a Satisfaction of Judgment signifying that petitioners had already given Pelagio the amount of P3,313,772.00 as full and complete satisfaction of the NLRC ruling. While this document may be properly deemed as a compromise agreement, it is conditional in nature, considering that it is without prejudice to the *certiorari* proceedings pending before the CA, *i.e.*, it obliges Pelagio to return the aforesaid proceeds to petitioners should the CA ultimately rule in the latter's favor. In *Leonis Navigation Co., Inc. v. Villamater*^[48] (*Leonis Navigation*), the Court held that such an agreement will not render a pending case moot and academic as it does not preclude the employer from recovering from the employee should the courts ultimately decide in favor of the former, to wit:

Simply put, the execution of the final and executory decision or resolution of the NLRC shall proceed despite the pendency of a petition for *certiorari*, unless it is restrained by the proper court. In the present case, petitioners already paid Villamater's widow, Sonia, the amount of P3,649,800.00, representing the total and permanent disability award plus attorney's fees, pursuant to the Writ of Execution issued by the Labor Arbiter. Thereafter, an Order was issued declaring the case as "closed and terminated." However, although there was no motion for reconsideration of this last Order, **Sonia was, nonetheless, estopped from claiming that the controversy had already reached its end with the issuance of the Order closing and terminating the case. This is because the Acknowledgment Receipt she signed when she received petitioners' payment was without prejudice to the final outcome of the petition for certiorari pending before the CA.**

^[49] (Emphasis and underscoring supplied)

However, in *Career Philippines Ship Management, Inc. v. Madjus*^[50] (*Career Philippines*), the Court made a seemingly contrary ruling from that in *Leonis Navigation*, holding that such an agreement is tantamount to an absolute amicable settlement, thus, rendering the *certiorari* petition before the CA dismissible for being moot and academic, viz.:

In effect, while petitioner had the luxury of having other remedies available to it such as its petition for *certiorari* pending before the appellate court, and an eventual appeal to this Court, respondent, on the other hand, could no longer pursue other claims, including for interests that may accrue during the pendency of the case.

Contrary to petitioner's assertion, it could not, at the time respondent moved for the execution of the Labor Arbiter's monetary awards, have been compelled to immediately pay the judgment award, for it had filed with the NLRC an appeal bond, intended to assure respondent that if he prevailed in the case, he would receive the money judgment in his favor upon the dismissal of the employer's appeal. **The Labor Arbiter and the appellate court may not thus be faulted for interpreting petitioner's "conditional settlement" to be tantamount to an amicable settlement of the case resulting in the mootness of the petition for certiorari.**^[51] (Emphasis supplied, underscoring in the original)

Fortunately, the Court had the opportunity to reconcile the ostensibly opposing pronouncements in the *Leonis Navigation* and *Career Philippines* cases in *Philippine Transmarine Carriers, Inc. v. Legaspi*,^[52] (*Philippine Transmarine*) in this wise:

In *Career Philippines*, believing that the execution of the LA Decision was imminent after its petition for injunctive relief was denied, the employer filed before the LA a pleading embodying a conditional satisfaction of judgment before the CA and, accordingly, paid the employee the monetary award in the LA decision. In the said pleading, the employer stated that the conditional satisfaction of the judgment award was without prejudice to its pending appeal before the CA and that it was being made only to prevent the imminent execution.

The CA later dismissed the employer's petition for being moot and academic, noting that the decision of the LA had attained finality with the satisfaction of the judgment award. This Court affirmed the ruling of the CA, **interpreting the "conditional settlement" to be tantamount to an amicable settlement of the case resulting in the mootness of the petition for certiorari, considering (i) that the employee could no longer pursue other claims, and (ii) that the employer could not have been compelled to immediately pay because it had filed an appeal bond to ensure payment to the employee.**

Stated differently, the Court ruled against the employer because the conditional satisfaction of judgment signed by the parties was highly prejudicial to the employee. The agreement stated that the payment of the monetary award was without prejudice to the right of the employer to file a petition for certiorari and appeal,