



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

CHIQUITA BRANDS, INC. and G.R. No. 189102
CHIQUITA BRANDS
INTERNATIONAL, INC.,
Petitioners,

Present:

PERALTA, J., *Acting Chairperson*,
MENDOZA,*
LEONEN,
JARDELEZA,** and
MARTIRES,*** JJ.

-versus-

HON. GEORGE E. OMELIO,
REGIONAL TRIAL COURT,
DAVAO CITY, BRANCH 14,
SHERIFF ROBERTO C.
ESGUERRA, CECILIO G.
ABENION, and 1,842 OTHER
PLAINTIFFS IN CIVIL CASE NO.
95-45,

Promulgated:

Respondents.

~~07 JUN 2017~~

X-----*[Signature]*-----X

DECISION

LEONEN, J.:

Courts can neither amend nor modify the terms and conditions of a compromise validly entered into by the parties. A writ of execution that

* On official leave.

** Designated additional member per Raffle dated May 29, 2017.

*** On official leave.

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varies the respective obligations of the parties under a judicially approved compromise agreement is void.

Through this Petition for Certiorari¹ under Rule 65 of the Rules of Court, petitioners seek to prevent the execution of a judicially approved compromise agreement.

In particular, petitioners assail the validity of the following writs and orders: (1) Writ of Execution dated April 23, 2003 (Writ of Execution); (2) Omnibus Order dated December 14, 2006, which were both issued by the Regional Trial Court of Panabo City;² (3) Order dated July 10, 2009; (4) Amended Order dated August 11, 2009; (5) Amended Writ of Execution dated July 31, 2009 (Amended Writ of Execution); and (6) Alias Writ of Execution dated August 12, 2009 (Alias Writ of Execution), which were rendered by the Regional Trial Court, Davao City, in Civil Case No. 95-45.³

On August 31, 1993,⁴ thousands of banana plantation workers from over 14 countries⁵ instituted class suits⁶ for damages in the United States against 11 foreign corporations, namely: (1) Shell Oil Company; (2) Dow Chemical Company; (3) Occidental Chemical Corporation; (4) Standard Fruit Company; (5) Standard Fruit and Steamship Co.; (6) Dole Food Company, Inc.; (7) Dole Fresh Fruit Company; (8) Chiquita Brands, Inc.; (9) Chiquita Brands International, Inc.; (10) Del Monte Fresh Produce, N.A.; and (11) Del Monte Tropical Fruit Co.⁷

The banana plantation workers claimed to have been exposed to dibromochloropropane (DBCP) in the 1970s up to the 1990s while working in plantations that utilized it.⁸ As a result, these workers suffered serious and permanent injuries to their reproductive systems.⁹

DBCP is a pesticide used against roundworms and threadworms that thrive on and damage tropical fruits such as bananas and pineapples.¹⁰ It was first introduced in 1955 as a soil fumigant.¹¹ Early studies have shown

¹ *Rollo*, pp. 3–59.

² The assailed orders were penned by Presiding Judge Jesus Granada of Branch 4, Regional Trial Court, Panabo City.

³ *Rollo*, p. 7. The assailed orders were penned by Presiding Judge George E. Omelio of Branch 14, Regional Trial Court, Davao City.

⁴ *Id.* at 95, Amended Joint Complaint.

⁵ *Id.* at 10.

⁶ *Id.* at 96. The actions were based on intentional tort and strict liability.

⁷ *Id.* at 93–95, Amended Joint Complaint.

⁸ *Id.* at 9, Petition.

⁹ *Id.* at 9–10, Petition.

¹⁰ Eula Bingham and Celeste Monforton, *The pesticide DBCP and male infertility*, <<http://www.eea.europa.eu/publications/late-lessons-2/late-lessons-chapters/late-lessons-ii-chapter-9>> (last visited February 17, 2017).

¹¹ *Id.*

that prolonged exposure to DBCP causes sterility.¹² DBCP was also found to have mutagenic properties.¹³

The United States courts dismissed the actions on the ground of *forum non conveniens*¹⁴ and directed the claimants to file actions in their respective home countries.¹⁵

On May 3, 1996, 1,843¹⁶ Filipino claimants filed a complaint for damages against the same foreign corporations before the Regional Trial Court in Panabo City, Davao del Norte, Philippines.¹⁷ The case was raffled to Branch 4, presided by Judge Jesus L. Grageda (Judge Grageda), and was docketed as Civil Case No. 95-45.¹⁸

Before pre-trial,¹⁹ Chiquita Brands, Inc., Chiquita Brands International, Inc. (collectively, Chiquita),²⁰ Dow Chemical Company (Dow), Occidental Chemical Corporation (Occidental), Shell Oil Company (Shell), Del Monte Fresh Produce, N.A., and Del Monte Tropical Fruit Co. (collectively, Del Monte) entered into a worldwide settlement in the United States with all the banana plantation workers.²¹ The parties executed a document denominated as the “Compromise Settlement, Indemnity, and Hold Harmless Agreement” (Compromise Agreement).²² The Filipino claimants were represented by their counsel, Atty. Renato Ma. Callanta (Atty. Callanta).²³

The Compromise Agreement provided, among others, that the settlement amount should be deposited in an escrow account, which should be administered by a mediator. After the claimants execute individual releases, the mediator shall give the checks representing the settlement amounts to the claimants’ counsel, who shall then distribute the checks to each claimant:

COMPROMISE SETTLEMENT, INDEMNITY,
AND HOLD HARMLESS AGREEMENT

.....

7. Escrow

¹² Id.

¹³ Babich H., Davis DL, and Stotzky G., *Dibromochloropropane (DBCP): a review*, <<https://www.ncbi.nlm.nih.gov/pubmed/7015501>> (last visited April 17, 2017).

¹⁴ *Rollo*, p. 10.

¹⁵ Id. at 227.

¹⁶ Id. at 984.

¹⁷ Id. at 9.

¹⁸ Id. at 10.

¹⁹ Id. at 984.

²⁰ Id. at 273–274.

²¹ Id. at 10.

²² Id. at 261–274.

²³ Id. at 10.

The Settling Defendants will pay the "Settlement Sum", which shall be the sum recited in a letter from counsel for the settling defendants to counsel for plaintiffs of even date herewith, and which shall remain confidential unless required to be disclosed for the reasons set forth in the same by Dow Chemical Company as part of its settlement with Plaintiffs. The Settling Defendants reserve the right to move the escrow account and funds contained therein to a different financial institution in Texas. *This payment shall be made within ten (10) business days after The Plaintiffs deliver to Counsel for Settling Defendants an executed original (or counterpart original) of this Compromise Settlement, Indemnity, and Hold Harmless Agreement signed individually by each of the Counsel for The Plaintiffs, or signed by one or more Counsel for The Plaintiffs on their behalf. Administration of this escrow account and all payments from it shall be made by the Mediator, M.A. "Mickey" Mills ("the Mediator").* If Mr. Mills resigns as Mediator, becomes incapacitated, or dies, the Settling Defendants and Counsel for The Plaintiffs must agree upon his successor as Mediator. The parties agree to cooperate with Mr. Mills and, if agreed upon by the parties and if necessary to complete the settlement, to seek his appointment by an appropriate court as Special Master. The interest earned on this escrow account shall first be used to pay the Mediator's fees, costs and expenses (which expenses shall include reasonable expenses associated with travel, lodging and meals), and the costs of implementing this settlement including distribution expenses, bank charges and fees, and the like. Any interest remaining thereafter shall be owned by the party owning the principal. The Settling Defendants reserve the right to audit any and all payments from the escrow account at anytime. One year after the sum stated herein has been paid into the escrow account, any portion remaining, plus interest, shall be refunded to Settling Defendants.

.....

13. Releases

The individual releases are to be signed by The Plaintiffs and shall be enforceable in the courts of Plaintiffs' country of residence, in the United States, and in any other country in which their cause of action allegedly occurred. The form of this individual release shall be that of Exhibit G to the Dow agreement or such other form as is acceptable to the Settling Defendants. The check provided to each Plaintiff will contain release language and will incorporate the language on the full release to be signed separately by the Plaintiff. This release shall be notarized (or, if approved by the Mediator, be authorized in such a manner that the signed release shall be enforceable in the courts of Plaintiffs' country of residence, as well as in the United States) and signed by one of the Counsel for The Plaintiffs or an authorized representative thereof acceptable to Settling Defendants. The notary, or authorizing person, shall attest to the identity of the Plaintiff receiving the settlement payment. In countries which have a picture identification, the notary, or authorizing person, will examine the picture identification at the time the notarization or authorization is accomplished. In countries which do not have a picture identification, the notary, or authorizing person, will examine other appropriate documentary evidence of the identity of the person signing the release; provided, however, that the Mediator shall have authority in all instances to determine identification of The Plaintiffs.

.....



17. Payment From Escrow Funds

The amount placed in escrow shall be divided into a clients' account and an attorneys' account according to the terms of powers of attorney held by Counsel for The Plaintiffs. *The check for the amount payable to each Plaintiff (the "net client allocation") will be provided by the Mediator to Counsel for The Plaintiffs for their delivery to the Plaintiffs at the time the released [sic] is signed.* The amount owed to Counsel for The Plaintiffs from the attorneys' account, as a result of execution of releases by Plaintiffs, shall be paid by the Mediator to Counsel for The Plaintiffs on a sliding scale of the percentage of releases obtained and after receipt and determination by the Mediator that the executed releases received comply with the requirements of this Agreement. Counsel for Plaintiffs will use their best efforts to obtain releases from each of the Plaintiffs listed on Exhibits A and C. When the Mediator receives releases from at least fifty (50) percent of those Plaintiffs listed on Exhibit A, the Mediator may release to Counsel for Plaintiffs from the escrow account attorneys' fees and expenses proportionate to twenty-five (25) percent of the Plaintiffs having signed and returned valid releases. When the Mediator has received releases from at least eighty (80) percent of those Plaintiffs listed on Exhibit A, an additional twenty-five (25) percent of the fees and expenses allocated to Plaintiffs who have signed releases can be disbursed to Plaintiffs' Counsel. Upon receipt of releases from ninety-five (95) percent of the Plaintiffs/Claimants listed on Exhibit A, the Mediator may release all of the allocated fees and expenses proportionate to that percentage of Plaintiffs who have signed releases (e.g., ninety-five (95) percent signed releases results in ninety-five (95) percent of fees and expenses being disbursed to Plaintiffs' Counsel). All questions concerning the propriety and validity of each release and of the payment of the client's share to each individual client will be determined by the Mediator. At the request of the Settling Defendants, the Mediator will provide to Settling Defendants a breakdown of the amounts paid to the Plaintiffs by category.²⁴ (Emphasis supplied)

The Compromise Agreement also provided that the laws of Texas, United States should govern its interpretation.²⁵

Consequently, Chiquita, Dow, Occidental, Shell, and Del Monte moved to dismiss Civil Case No. 95-45.²⁶ In support of its Motion for Partial Dismissal,²⁷ Chiquita alleged that all claimants, except James Bagas and Dante Bautista, executed quitclaims denominated as "Release in Full."²⁸ Chiquita attached five (5) quitclaims in its motion.²⁹

The Regional Trial Court, Panabo City approved the Compromise Agreement by way of judgment on compromise. Accordingly, it dismissed

²⁴ Id. at 263-268.

²⁵ Id. at 269.

²⁶ Id. at 10-11, Petition.

²⁷ Id. at 279-282.

²⁸ Id. at 279.

²⁹ Id.

Civil Case No. 95-45 in the Omnibus Order dated December 20, 2002:³⁰

WHEREFORE, the court, hereby, *resolves*:

....

Under No. 3, supra, the joint motion to dismiss and motion for partial judgment between the plaintiffs and defendants Dow and Occidental under the provisions of “[C]ompromise [S]ettlement, [I]ndemnity and [H]old [H]armless [A]greement(s)”, embodied in annexes “A” and “B”, which documents by reference are, hereby, incorporated, adopted, and made integral parts hereof, not being contrary to law, good morals, public order or policy are, hereby, *approved* by way of judgment on compromise and the causes of action of the plaintiffs in their joint amended complaint as well as the counter-claims of defendants Dow and Occidental are *dismissed*;

The motion to dismiss of the Del Monte defendant except as against sixteen (16) plaintiffs mentioned in par. 4 of motion as shown in Annex “A” of motion hereby incorporated, adopted and made integral part hereof, not being contrary to law, good morals, public order or policy is, hereby, *granted* and/or *approved* by way of judgment on compromise and plaintiffs’ joint amended complaint, except as against the sixteen (16) plaintiffs mentioned above, as well as the Del Monte defendant’s counter-claims against the plaintiffs in the premises are, *dismissed*;

The motion for partial dismissal of the Chiquita defendants of the above-entitled case against all the plaintiffs except plaintiffs James Bagas and Dante Bautista under a quit claim styled as “release in full”, embodied in Annexes “1” to “5” of the motion hereby incorporated, adopted and made integral parts hereof, not being contrary to law, good morals, public order or policy is, hereby, *granted* and/or *approved* by way of judgment on compromise and plaintiffs[’] joint amended complaint except as to plaintiffs James Bagas and Dante Bautista as well as the Chiquita defendants counterclaims against the plaintiffs in the premises are accordingly *dismissed*.

The foregoing parties are, hereby, enjoined to strictly abide by the terms and conditions of their respective settlements or compromise agreements.

The cross-claims of all the co-defendants in the above-entitled case between and among themselves, in effect leaving all the said co-defendants cross-claimants (“plaintiffs”) and cross-defendants (“defendants”) against each other shall continue to be taken cognizance of by the court.

As between and/or among the remaining parties, let the above-entitled case be set for pre-trial on *February 21, 2003 from 9:00 a.m. to 5:00 p.m.*

All other motions filed by the parties in relation to or in connection to the issues hereinabove resolved but which have been wittingly or

³⁰ Id. at 385-407. The Omnibus Order was penned by Presiding Judge Jesus L. Grageda.

unwittingly left unresolved are hereby considered moot and academic; likewise, all previous orders contrary to or not in accordance with the foregoing resolutions are hereby reconsidered, set aside and vacated.

SO ORDERED.³¹ (Emphasis in the original)

Shortly after the dismissal of Civil Case No. 95-45, several claimants moved for the execution of the judgment on compromise.³² They were represented by Atty. Oswaldo A. Macadangdang (Atty. Macadangdang).³³

Chiquita, Dow, Occidental, Shell, and Del Monte opposed the execution on the ground of mootness. They argued that they had already complied with their obligation under the Compromise Agreement by depositing the settlement amounts into an escrow account, which was administered by the designated mediator, Mr. M.A. “Mickey” Mills (Mr. Mills).³⁴ Hence, there was nothing left for the court to execute.³⁵

In its Opposition to the Motion for Execution dated December 26, 2002,³⁶ Chiquita pointed out that the claimants’ execution of individual quitclaims, denominated as “Release in Full,” was an acknowledgement that they had received their respective share in the settlement amount.³⁷ The quitclaims proved that the claimants entered into a compromise agreement and that petitioners complied with its terms.³⁸

The Regional Trial Court, Panabo City granted the Motion for Execution in the Order dated April 15, 2003³⁹ because there was no proof that the settlement amounts had been withdrawn and delivered to each individual claimant.⁴⁰ Although the parties admitted that the funds were already deposited in an escrow account, the Regional Trial Court held that this was insufficient to establish that Chiquita, Dow, Occidental, Shell, and Del Monte had fulfilled their obligation under the Compromise Agreement.⁴¹ Accordingly, a Writ of Execution⁴² was issued on April 23, 2003:

NOW THEREFORE, you are hereby commanded to cause the execution of the Omnibus Order of this court dated December 20, 2002 specifically to collect or demand from each of the herein defendants the following amounts to wit:

³¹ Id. at 405–407.

³² Id. at 11.

³³ Id.

³⁴ Id. at 438.

³⁵ Id. at 12.

³⁶ Id. at 413–420.

³⁷ Id. at 415.

³⁸ Id. at 416.

³⁹ Id. at 421–440. The Order was penned by Presiding Judge Jesus L. Grageda.

⁴⁰ Id. at 439.

⁴¹ Id. at 438–439, Order dated April 15, 2003.

⁴² Id. at 74–79.

1. Defendants Dow Chemical Company (“Dow”) and Occidental Chemical Corporation (“Occidental”) the amount of:
 - a. [US]\$22 million or such amount equivalent to the plaintiffs’ claim in this case in accordance with their Compromise Settlement, Indemnity, and Hold Harmless Agreement (Annex “A”); and
 - b. The amount of [US]\$20 million or such amount equivalent to the plaintiffs’ claim in this case in accordance with their Compromise Settlement, Indemnity, and Hold Harmless Agreement (Annex “B”)
2. Defendants Del Monte Fresh Produce, N.A. and Del Monte Fresh Produce Company (formerly Del Monte Tropical Fruit, Co.) (collectively, the “Del Monte defendants”) the amount of One Thousand Eight and No/100 Dollars ([US]\$1,008.00) for each plaintiff in accordance with their Release in Full Agreement; [and]
3. Defendants Chiquita Brands, Inc. and Chiquita Brands, International, Inc. (collectively the “Chiquita Defendants”) the amount of Two Thousand One Hundred Fifty-Seven and No/100 Dollars ([US]\$2,157.00) for each plaintiff in accordance with their Release in Full Agreement.⁴³

The claimants moved to amend the Writ of Execution to include the subsidiaries of Chiquita, Dow, Occidental, Shell, and Del Monte.⁴⁴

On May 9, 2003, Chiquita filed a motion, praying to suspend the execution of judgment and to recall the Writ of Execution.⁴⁵ On the other hand, Shell, Dow, and Occidental moved that they be allowed to photocopy, certify, and authenticate the release documents in the United States before a court-appointed commissioner or before Judge Grageda.⁴⁶ The release documents, which allegedly proved that the claims had been settled in full, were stored in the Law Offices of Baker Botts L.L.P. in Houston, Texas, United States.⁴⁷ The other defendant corporations, except Chiquita, “joined the motions of Shell, Dow, and Occidental.”⁴⁸

In the Omnibus Order⁴⁹ dated June 30, 2003, the Regional Trial Court,

⁴³ Id. at 77–78.

⁴⁴ Id. at 62.

⁴⁵ Id. at 12.

⁴⁶ Id.

⁴⁷ Id.

⁴⁸ Id.

⁴⁹ Id. at 441–455.

Panabo City granted the motions of Shell, Dow, and Occidental. Judge Grageda, pursuant to Rule 135, Section 6 of the Rules of Court,⁵⁰ ordered the reception of evidence at the Philippine Consulate in San Francisco, California, United States⁵¹ and undertook to preside over the proceedings.⁵² The Regional Trial Court, Panabo City suspended the implementation of the Writ of Execution and deferred action on the pending motions until the termination of the proceedings abroad.⁵³

The claimants, through Atty. Macadangdang, objected to the reception of evidence in the United States.⁵⁴ They argued that Judge Grageda was not authorized to receive evidence and hold hearings outside his territorial jurisdiction⁵⁵ without this Court's express permission.⁵⁶

On August 27, 2003,⁵⁷ Judge Grageda received evidence at the Philippine Consulate Office in San Francisco, California, United States.⁵⁸ Despite due notice, the claimants did not participate.⁵⁹ The proceedings were held until September 29, 2003.⁶⁰

In the Order dated September 29, 2003, Judge Grageda declared the photocopies of the release documents as "authentic and true copies of the original[s]."⁶¹ The claimants moved for reconsideration arguing that the evidence was inadmissible because Judge Grageda was not authorized "to conduct the proceedings abroad."⁶²

⁵⁰ Id. at 452-453.

RULES OF COURT, Rule 135, sec. 6 provides:

Section 6. *Means to carry jurisdiction into effect.* – When by law jurisdiction is conferred on a court or judicial officer, all auxiliary writs, processes and other means necessary to carry it into effect may be employed by such court or officer; and if the procedure to be followed in the exercise of such jurisdiction is not specifically pointed out by law or by these rules, any suitable process or mode of proceeding may be adopted which appears comfortable to the spirit of the said law or rules.

⁵¹ Id. at 986.

⁵² Id. at 13.

⁵³ Id. at 454.

⁵⁴ Id.

⁵⁵ Id. at 986.

⁵⁶ Id. at 456.

⁵⁷ Id. at 986.

⁵⁸ Judge Grageda's actions became the subject of an administrative complaint in *Maquiran v. Grageda*, 491 Phil. 205 (2005) [Per J. Austria-Martinez, Second Division]. Judge Grageda wrote to the Office of the Court Administrator requesting permission to travel to the United States to be on "court duty" in connection with Civil Case No. 95-45, which was pending before his sala. While Judge Grageda's request was pending, he wrote another letter addressed to the Office of the Court Administrator seeking permission to travel to the United States to visit his daughter. Judge Grageda's second request was granted. He was allowed to travel to the United States from August 26, 2003 until September 15, 2003. While he was in the United States, Judge Grageda conducted proceedings in the Philippine Consulate in San Francisco, California, from August 27, 2003 until September 29, 2003, despite lack of authority from this Court. Judge Grageda was held administratively liable and was suspended for six (6) months from service.

⁵⁹ Id. at 13.

⁶⁰ Id.

⁶¹ Id.

⁶² Id. at 14.

Subsequently, the claimants moved to inhibit Judge Grageda.⁶³ However, the motion was denied.⁶⁴

In the Order dated February 4, 2004, the Regional Trial Court, Panabo City considered the documents obtained from the proceedings abroad “as part of the case record.”⁶⁵ The claimants moved for reconsideration, but their motion was denied.⁶⁶

Meanwhile, Dow and Occidental submitted copies of Special Powers of Attorney that the claimants executed in favor of their original counsel, Atty. Callanta, before the Regional Trial Court, Panabo City.⁶⁷ The Special Powers of Attorney were presented to prove Atty. Callanta’s authority to enter into the Compromise Agreement on behalf of his clients and to establish that Dow and Occidental had complied with their obligations under the Compromise Agreement.⁶⁸

The claimants opposed the presentation of the Special Powers of Attorney. They asked the Regional Trial Court of Panabo City to subpoena Atty. Callanta and the notary public, Atty. Zacarias Magnanao (Atty. Magnanao).⁶⁹ The claimants argued that the Special Powers of Attorney “were not properly notarized”⁷⁰ and were neither identified nor authenticated by Atty. Callanta.⁷¹

Subsequently, Dow and Occidental moved to set the dates of hearing for the presentation of the claimants’ evidence.⁷² The claimants asserted that Dow and Occidental had the burden of proving compliance with the Compromise Agreement because they raised the affirmative defense of payment.⁷³

On July 1, 2004, Dow and Occidental filed their formal offer of the evidence adduced during the proceedings in San Francisco, California, United States.⁷⁴

On January 27, 2005 and January 28, 2005, Atty. Magnanao and Atty.

⁶³ Id.

⁶⁴ Id.

⁶⁵ Id.

⁶⁶ Id.

⁶⁷ Id. at 14–15. It appears that the banana plantation workers were originally represented by Atty. Callanta and later on by Atty. Macadangdang. Records show that the Regional Trial Court of Panabo City granted Atty. Callanta’s motion to be withdrawn as counsel due to health reasons.

⁶⁸ Id. at 15.

⁶⁹ Id.

⁷⁰ Id.

⁷¹ Id. at 987.

⁷² Id. at 15.

⁷³ Id. at 988.

⁷⁴ Id. at 64.

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Giselle Talion (Atty. Talion), the executive clerk of court of Panabo City and the custodian of Atty. Magnanao's notarial register,⁷⁵ were subpoenaed. Only Atty. Talion testified. After her direct examination, she failed to appear for cross-examination.⁷⁶

Insisting that the proceedings in San Francisco, California, United States were void, the claimants moved to expunge the documents that were adduced by the defendant corporations. The claimants also moved for the implementation of the Writ of Execution.⁷⁷

On December 14, 2006, the Regional Trial Court, Panabo City rendered an Omnibus Order⁷⁸ directing the implementation of the Writ of Execution against Chiquita and Del Monte. It reasoned that only Dow and Occidental used the evidence produced at the proceedings in San Francisco, California, United States.⁷⁹ In the same Order, the Regional Trial Court, Panabo City denied the motion to include the defendant corporations' subsidiaries, considering that they were not impleaded in the case:⁸⁰

WHEREFORE, the notice of appearance as well as the motion for inhibition against the undersigned filed by Atty. Bartolome C. Amoguis are, hereby DENIED. The motion for reconsideration, and its supplements, of the order dated April 15, 2003 as well as the motions to quash or recall the writ of execution are GRANTED in favor of defendant Dow and Occidental. The motion to amend the said writ to include subsidiaries of the defendant corporations is, hereby, DENIED, considering that said subsidiaries have not been impleaded in the Joint-Amended Complaint in the above-entitled case. The suspension of the writ of execution is, hereby, LIFTED as against defendants Del Monte and Chiquita.

SO ORDERED.⁸¹

Chiquita moved for reconsideration of the Omnibus Order dated December 14, 2006.⁸² It manifested its intention to file its formal offer of evidence once the court declared that the claimants "had waived their right to present evidence . . . [for] their failure to present Atty. Talion for cross-examination[.]"⁸³

On March 26, 2007 and March 27, 2007,⁸⁴ Chiquita took the

⁷⁵ Id. at 15.

⁷⁶ Id. at 15-16.

⁷⁷ Id. at 16.

⁷⁸ Id. at 60-65.

⁷⁹ Id. at 64.

⁸⁰ Id. at 65.

⁸¹ Id. at 64-65.

⁸² Id. at 17.

⁸³ Id.

⁸⁴ Id.

deposition of its counsel in the United States, Mr. Samuel E. Stubbs, (Mr. Stubbs) at the Makati Shangri-la Hotel, Philippines.⁸⁵ The deposition was undertaken with the trial court's approval.⁸⁶ During the deposition, Mr. Stubbs identified and authenticated the documents which proved that Chiquita complied with the terms of the Compromise Agreement.⁸⁷ He also answered the claimants' written interrogatories.⁸⁸

During the hearing of Civil Case No. 95-45, the claimants picketed outside the courtroom.⁸⁹ They were led by a certain Edgardo O. Maquiran.⁹⁰ The claimants accused Judge Grageda as a corrupt official who delayed the execution of the judicially approved Compromise Agreement.⁹¹ The claimants allegedly harassed and intimidated Judge Grageda "by shouting insults and invectives at him when he went to and left the courtroom."⁹² Judge Grageda was forced to inhibit from hearing Civil Case No. 95-45.⁹³

Chiquita requested for a change of venue from Panabo City to Davao City due to security issues.⁹⁴ This Court granted the request and ordered the transfer from Panabo City to Davao City⁹⁵ of Civil Case No. 95-45. The case was raffled to Branch 14, Regional Trial Court, Davao City, presided by Judge George E. Omelio (Judge Omelio).⁹⁶

The claimants, through Atty. Macadangdang, filed a Manifestation dated November 8, 2008 containing a list of the pending incidents in Civil Case No. 95-45.⁹⁷ The Regional Trial Court, Davao City submitted the pending incidents for resolution.⁹⁸

In December 2008, Shell moved to relocate the case records after its counsel discovered that the sealed boxes containing the case records were merely stacked "on the corridors of the [j]ustice [h]all, exposed and unsecured."⁹⁹

During the hearing on Shell's motion, presiding Judge Omelio permitted Atty. Macadangdang "to argue the merits of the pending incidents"

⁸⁵ Id. at 605.

⁸⁶ Id. at 17.

⁸⁷ Id.

⁸⁸ Id.

⁸⁹ Id.

⁹⁰ Id. at 481. Maquiran is the chairman of the Banned Chemical Research and Information Center, Inc. (BCRIC).

⁹¹ Id. at 17.

⁹² Id. at 18.

⁹³ Id.

⁹⁴ Id.

⁹⁵ Id.

⁹⁶ Id.

⁹⁷ Id. at 19.

⁹⁸ Id.

⁹⁹ Id.

of the case.¹⁰⁰ In the course of the proceedings, presiding Judge Omelio allegedly stated that: (1) the proceedings for the reception of evidence held in the Philippine Consulate in San Francisco, California, United States, were void for which Judge Grageda was disciplined;¹⁰¹ (2) the settlement amount should be given directly to the claimants instead of depositing it in a fund;¹⁰² and (3) the defendant corporations should pay the claimants anew.¹⁰³

Suspecting that presiding Judge Omelio had prejudged the case, Shell moved for his inhibition.¹⁰⁴ However, before Shell's motion could be heard, the Regional Trial Court, Davao City issued a Joint Order¹⁰⁵ dated January 7, 2009 denying it.¹⁰⁶ Shell moved for reconsideration. Chiquita also moved to inhibit Judge Omelio. Both motions were denied.¹⁰⁷

In the Order¹⁰⁸ dated July 10, 2009, the Regional Trial Court, Davao City denied Chiquita's Motion for Partial Reconsideration of the Omnibus Order¹⁰⁹ dated December 14, 2006, which directed the implementation of the Writ of Execution.¹¹⁰ In the same Order, the trial court included Chiquita's subsidiaries and affiliates in the Writ of Execution:

WHEREFORE, and in view of all the foregoing, this Court hereby resolves as follows:

- a) As to Chiquita defendants' Motion for Partial Reconsideration of the 14 December 2006 Omnibus Order is DENIED; and
- b) As to the Writ of Execution dated April 23, 2003, the same is hereby amended to include all subsidiaries, affiliates, controlled and related entities, successors, [and] assigns pursuant to the common provision, Clause 25 of the 1997 Compromise Agreement[,] which are doing business in the Philippines and/or registered with the Securities and Exchange Commission.

SO ORDERED.¹¹¹

The Regional Trial Court, Davao City reasoned that Chiquita never filed its formal offer of evidence.¹¹² Hence, the trial court had no other

¹⁰⁰ Id. at 19–21.

¹⁰¹ Id. at 20.

¹⁰² Id.

¹⁰³ Id. at 20–21.

¹⁰⁴ Id. at 21.

¹⁰⁵ Id. at 502–503.

¹⁰⁶ Id. at 21.

¹⁰⁷ Id. at 21–22.

¹⁰⁸ Id. at 66–68.

¹⁰⁹ Id. at 22.

¹¹⁰ Id. at 60–65.

¹¹¹ Id. at 67.

¹¹² Id. at 66.

choice but to issue another writ of execution.¹¹³ The Amended Writ of Execution was issued on July 31, 2009.¹¹⁴

Acting on an ex-parte motion of the claimants, the Regional Trial Court, Davao City issued an Amended Order¹¹⁵ dated August 11, 2009. The Amended Order modified the Writ of Execution under the 25th Clause¹¹⁶ of the Compromise Agreement¹¹⁷ to include all the “subsidiaries, affiliates, controlled and related entities, successors, [and] assigns” of Dow,¹¹⁸ Shell,¹¹⁹ Occidental,¹²⁰ Chiquita,¹²¹ and Del Monte,¹²² which are doing business in the Philippines.¹²³

In the same Order, the Regional Trial Court, Davao City imposed solidary liability on all the subsidiaries, affiliates, controlled and related entities, successors, and assigns of Dow, Shell, Occidental, Chiquita, and Del Monte.¹²⁴ Accordingly, the Regional Trial Court, Davao City issued the Alias Writ of Execution¹²⁵ on August 12, 2009.

On August 26, 2009, Chiquita instituted before this Court a Petition for Certiorari and Prohibition¹²⁶ with an application for the issuance of a temporary restraining order and writ of preliminary prohibitory or mandatory injunction.¹²⁷

Petitioners assail the validity of the following orders and writs on the ground that they were issued with grave abuse of discretion: (1) Writ of Execution; (2) Omnibus Order dated December 14, 2006, which directed the implementation of the Writ of Execution as against petitioners; (3) Order dated July 10, 2009, which denied petitioners’ Motion for Partial Reconsideration of the Omnibus Order dated December 14, 2006; (4) Amended Order dated August 11, 2009, which modified the terms of the Writ of Execution to include petitioners’ subsidiaries, affiliates, controlled and related entities, successors, and assigns doing business in the

¹¹³ Id. at 67.

¹¹⁴ Id. at 22.

¹¹⁵ Id. at 69–73.

¹¹⁶ The Amended Order dated August 11, 2009 incorrectly cited the 28th Clause.

¹¹⁷ *Rollo*, p. 270. Clause 25 of the Compromise Agreement states:

25. Affiliates and Successors

This Agreement and the rights, obligations, and covenants contained herein shall inure to the benefit of and be binding upon The Plaintiffs and Settling Defendants and their respective subsidiaries, affiliates, controlled and related entities, successors, and assigns.

¹¹⁸ Id. at 69–70.

¹¹⁹ Id. at 70.

¹²⁰ Id.

¹²¹ Id. at 71.

¹²² Id. at 72.

¹²³ Id. at 71.

¹²⁴ Id.

¹²⁵ Id. at 86–90.

¹²⁶ Id. at 3–59. The Petition was filed under Rule 65 of the Rules of Court.

¹²⁷ Id. at 48–50.

Philippines; (5) Amended Writ of Execution; and (6) Alias Writ of Execution.¹²⁸

The first two (2) assailed orders were issued by Judge Grageda of Branch 4, Regional Trial Court, Panabo City.¹²⁹ The rest were issued by presiding Judge Omelio of Branch 14, Regional Trial Court, Davao City.¹³⁰

In the Resolution dated September 23, 2009, this Court directed the respondents to file a comment on the petition for certiorari.¹³¹

Meanwhile, on October 8, 2009, petitioners filed an Urgent Motion to Resolve the Application for Temporary Restraining Order.¹³² They filed a Supplemental Petition¹³³ on October 19, 2009. Petitioners alleged that respondents-claimants “attempt[ed] to trifle with court processes”¹³⁴ by filing an Ex-Parte Motion before the Regional Trial Court, Davao City. The Ex-Parte Motion prayed that Deputy Sheriff Amos Camporedondo of Branch 14, Regional Trial Court, Panabo City be deputized to assist respondent Sheriff Roberto C. Esguerra (Sheriff Esguerra) in implementing the assailed orders and writs.¹³⁵ Despite the absence of notice and hearing, the Regional Trial Court, Davao City granted the Ex-Parte Motion in an Order¹³⁶ dated August 19, 2009.

In support of their prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction, petitioners argued that the Petition for Certiorari pending before this Court would be rendered moot and academic by the implementation of the assailed orders and writs.¹³⁷

On December 3, 2009, respondents filed a Comment¹³⁸ on the petition for certiorari.

On December 16, 2009,¹³⁹ this Court issued a Temporary Restraining Order¹⁴⁰ against respondent Judge Omelio, respondent Sheriff Esguerra, and all other persons acting on their behalf enjoining them from implementing

¹²⁸ Id. at 7.

¹²⁹ Id. at 74–79 and 60–65.

¹³⁰ Id. at 66–68, 69–73, 80–85, and 86–90.

¹³¹ Id. at 843A–843B.

¹³² Id. at 854–860.

¹³³ Id. at 866–878.

¹³⁴ Id. at 856.

¹³⁵ Id. at 855.

¹³⁶ Id. at 867.

¹³⁷ Id. at 871–872.

¹³⁸ Id. at 980–1012, Comment on the Petition for Certiorari (with Motion to Dismiss).

¹³⁹ Id. at 972–973.

¹⁴⁰ Id. at 974–976.

and enforcing the assailed orders and writs.¹⁴¹ Petitioners were ordered to post a ₱2 million bond.¹⁴²

On January 5, 2010, petitioners filed a Motion for Leave to Admit Reply.¹⁴³ They posted the ₱2 million bond on January 11, 2010.¹⁴⁴

In a Resolution dated February 17, 2010, this Court granted petitioners' motion for leave to admit reply to the comment on the petition for certiorari and noted the Reply dated January 5, 2010.¹⁴⁵

On June 7, 2011, petitioners manifested¹⁴⁶ that the Court of Appeals rendered a Decision dated March 15, 2011¹⁴⁷ in the consolidated petitions for certiorari¹⁴⁸ filed against respondents regarding the assailed orders and writs.¹⁴⁹

Subsequently, respondents sought for leave before this Court to file a rejoinder to petitioners' reply to the comment on the petition¹⁵⁰ to which petitioners filed an Opposition.¹⁵¹

In the present case, petitioners argue that the Writ of Execution should never have been issued because the dismissal of Civil Case No. 95-45 in the Omnibus Order dated December 20, 2002 was based on the trial court's approval of the quitclaims executed by the claimants.¹⁵² Hence, "there was nothing left" for the trial court to execute.¹⁵³ Consequently, the Omnibus Order dated December 14, 2006, which directed the implementation of the Writ of Execution, is likewise a patent nullity.¹⁵⁴

Petitioners further assert that respondent Judge Omelio issued the

¹⁴¹ Id. at 975.

¹⁴² Id.

¹⁴³ Id. at 1019–1021.

¹⁴⁴ Id. at 1043–1044.

¹⁴⁵ Id. at 1054–1055.

¹⁴⁶ Id. at 1067–1073, Manifestation.

¹⁴⁷ Id. at 1077–1236. The Decision, docketed as CA-G.R. SP No. 03234-MIN, was penned by Associate Justice Leoncia R. Dimagiba and concurred in by Associate Justices Rodrigo F. Lim, Jr. and Edgardo T. Lloren of the Special Former 23rd Division, Court of Appeals, Cagayan de Oro City. The Court of Appeals found that Judge Omelio committed grave abuse of discretion in issuing the assailed orders and writs.

¹⁴⁸ The Consolidated Petitions for Certiorari were filed by Dow Chemical Co., Occidental Chemical Co., Dow Agrosciences, B.V. Philippine Branch, Dow Chemical Pacific Ltd. Philippine Branch, Shell Oil Co., Union Carbide Philippines (Far East), Inc., Del Monte Fresh Produce N.A., Inc., Del Monte Fresh Produce Co., Shell Philippines Exploration B.V., Shell Gas Eastern, Inc., The Shell Co. of the Philippines, Ltd., and Pilipinas Shell Petroleum Corporation.

¹⁴⁹ *Rollo*, p. 1067.

¹⁵⁰ Id. at 1298–1320, Motion for Leave to File and Admit Rejoinder (to Reply dated 29 December 2009).

¹⁵¹ Id. at 1322–1326.

¹⁵² Id. at 29–30.

¹⁵³ Id. at 30.

¹⁵⁴ Id. at 33.

assailed orders and writs “in an arbitrary and despotic manner by reason of passion and hostility” against them and their co-defendants in Civil Case No. 95-45.¹⁵⁵ They claim that he “consistently displayed bias and partiality in favor of [the claimants].”¹⁵⁶ For instance, he allegedly stated in open court that the proceedings at the Philippine Consulate in San Francisco, California, United States were void¹⁵⁷ despite the absence of any order or decision nullifying the proceedings.¹⁵⁸ The evidence adduced during the proceedings in San Francisco, California, United States should have convinced respondent Judge Omelio to quash the Writ of Execution. Instead, he concluded, without reviewing the case records,¹⁵⁹ that there was no evidence to prove that petitioners complied with the Compromise Agreement.¹⁶⁰

According to petitioners, respondent Judge Omelio committed grave abuse of discretion¹⁶¹ and evaded his duties¹⁶² by ignoring the records of Civil Case No. 95-45.¹⁶³

Had Judge Omelio reviewed the case records, he would have discovered that petitioners’ evidence was not limited to the documents produced at the Philippine Consulate in San Francisco, California, United States but included the deposition of Mr. Stubbs.¹⁶⁴ Hence, assuming that the proceedings conducted abroad were invalid,¹⁶⁵ there was still evidence on record to support petitioners’ claim that they fully complied with the terms of the Compromise Agreement¹⁶⁶ by depositing the settlement amount in an escrow account administered by Mr. Mills.¹⁶⁷

Judge Omelio would have also discovered that petitioners’ delay in filing their formal offer of evidence was justified.¹⁶⁸ According to petitioners, respondents-claimants were “still in the process of presenting evidence in support of their motion for execution.”¹⁶⁹ Respondents-claimants had just completed the direct examination of their witness, Atty. Talion. However, Atty. Talion failed to appear for cross-examination.¹⁷⁰ Petitioners deemed it best to make a formal offer of evidence once the trial court declared that the claimants waived their right to present evidence to

¹⁵⁵ Id. at 24.

¹⁵⁶ Id. at 25.

¹⁵⁷ Id. at 28.

¹⁵⁸ Id. at 36.

¹⁵⁹ Id. at 25.

¹⁶⁰ Id. at 26.

¹⁶¹ Id. at 37.

¹⁶² Id. at 29.

¹⁶³ Id. at 25–26.

¹⁶⁴ Id. at 27.

¹⁶⁵ Id. at 36.

¹⁶⁶ Id. at 37.

¹⁶⁷ Id. at 34.

¹⁶⁸ Id. at 26.

¹⁶⁹ Id. at 1027.

¹⁷⁰ Id. at 1027–1028.

ensure an orderly proceeding.¹⁷¹

Petitioners further argue that the trial courts gravely abused their discretion in ordering them to directly pay each of the claimants anew¹⁷² and in imposing solidary liability on their “subsidiaries, affiliates, controlled and related entities, successors, [and] assigns.”¹⁷³ Petitioners’ obligation under the Compromise Agreement consisted of depositing the settlement amount in an escrow fund.¹⁷⁴ They were not required to release and to directly give the settlement amount to each claimant since this duty was delegated to the mediator, Mr. Mills.¹⁷⁵ Therefore, it is unnecessary to prove that each claimant has received his or her respective share in the settlement amount to determine whether the Compromise Agreement has been satisfied.¹⁷⁶

In addition, petitioners’ subsidiaries and affiliates cannot be held liable under Clause 25 of the Compromise Agreement.¹⁷⁷ Their subsidiaries and affiliates were not privy to the Compromise Agreement.¹⁷⁸

Lastly, and for these reasons, petitioners assert that respondent Judge Omelio should inhibit himself from hearing Civil Case No. 95-45.¹⁷⁹

On the other hand, respondents argue that petitioners failed to observe the doctrine on hierarchy of courts by directly filing the petition for certiorari before this Court.¹⁸⁰ While there may be exceptions to the rule on hierarchy of courts, as when the assailed orders are patently null or when there are special and important reasons, none of these is present in this case.¹⁸¹

Respondents point out that the evidence relied upon by petitioners originated from the proceeding conducted in San Francisco, California, United States. However, they insist that the proceedings were void. Hence, petitioners have no evidence to prove that they complied with the Compromise Agreement.¹⁸²

¹⁷¹ Id. at 1028–1029.

¹⁷² Id. at 39.

¹⁷³ Id. at 39–40.

¹⁷⁴ Id. at 38.

¹⁷⁵ Id. at 39.

¹⁷⁶ Id. at 35.

¹⁷⁷ Id. at 40. Clause 25 of the Compromise Agreement provides:

25. Affiliates and Successors

This Agreement and the rights, obligations, and covenants contained herein shall inure to the benefit of and be binding upon The Plaintiffs and Settling Defendants and their respective subsidiaries, affiliates, controlled and related entities, successors, and assigns.

¹⁷⁸ Id. at 40–41.

¹⁷⁹ Id. at 45–48.

¹⁸⁰ Id. at 995.

¹⁸¹ Id. at 995.

¹⁸² Id.

Assuming that the proceedings conducted abroad were valid, petitioners failed to make a formal offer of evidence.¹⁸³ Respondent Judge Omelio had no other choice but “to disregard petitioners’ evidence” although it already formed part of the case records.¹⁸⁴ Respondents find it peculiar that petitioners had to wait for the trial court to declare that respondents-claimants waived their right in presenting evidence before making their formal offer of evidence.¹⁸⁵

Respondents further assert that the Regional Trial Court, Davao City did not err in holding petitioners’ subsidiaries and affiliates solidarily liable because they were bound by Clause 25 of the Compromise Agreement.¹⁸⁶ Furthermore, petitioners used the corporate fiction as a vehicle to evade an existing obligation.¹⁸⁷

Finally, “there is no valid reason for [respondent] Judge Omelio to inhibit himself from further hearing Civil Case No. 95-45.”¹⁸⁸ Mere suspicion of bias is insufficient to prove personal bias or prejudice on the part of a judge.¹⁸⁹

This case presents the following issues for this Court’s resolution:

First, whether this case falls under the exceptions to the doctrine on hierarchy of courts;

Second, whether respondent court committed “grave abuse of discretion amounting to lack or excess of its jurisdiction in issuing the assailed [o]rders and [w]rits”;¹⁹⁰ and

Finally, whether Judge George E. Omelio of Branch 14, Regional Trial Court, Davao City should inhibit himself from hearing Civil Case No. 95-45.¹⁹¹

I

The doctrine on hierarchy of courts prohibits “parties from directly resorting to this Court when relief may be obtained before the lower

¹⁸³ Id.

¹⁸⁴ Id.

¹⁸⁵ Id. at 998.

¹⁸⁶ Id. at 1003.

¹⁸⁷ Id. at 1004.

¹⁸⁸ Id. at 1006.

¹⁸⁹ Id. at 1006–1007.

¹⁹⁰ Id. at 23.

¹⁹¹ Id.

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courts.”¹⁹² This rule is founded upon judicial economy and practical considerations. On the one hand, it allows this Court to devote its time and attention to those matters falling within its exclusive jurisdiction.¹⁹³ It also “prevent[s] the congestion of th[is] Court’s dockets.”¹⁹⁴ On the other hand, it “ensure[s] that every level of the judiciary performs its designated roles in an effective and efficient manner.”¹⁹⁵ The doctrine on hierarchy of courts was designed to promote order and efficiency.

Although this Court has the power to issue extraordinary writs of certiorari, prohibition, and mandamus, it is by no means an exclusive power.¹⁹⁶ “[I]t is shared [concurrently] with the Court of Appeals and the Regional Trial Courts.”¹⁹⁷ However, “[p]arties cannot randomly select the . . . forum to which their [petitions] will be directed.”¹⁹⁸ The doctrine on hierarchy of courts determines the proper venue or choice of forum where petitions for certiorari, prohibition, and mandamus should be filed.¹⁹⁹

Generally, this Court will dismiss petitions that are directly filed before it if relief can be obtained from the lower courts. Trial courts and the Court of Appeals are “in the best position to deal with causes in the first instance.”²⁰⁰ They not only resolve questions of law but also determine facts based on the evidence presented before them.²⁰¹

Nevertheless, a direct invocation of this Court’s original jurisdiction may be justified “when there are compelling reasons clearly set forth in the petition.”²⁰² Immediate resort to this Court may be warranted:

- (1) when genuine issues of constitutionality are raised that must be addressed immediately;
- (2) when the case involves transcendental importance;
- (3) when the case is novel;
- (4) when the constitutional issues raised are better decided by this Court;
- (5) when time is of the essence;
- (6) when the subject of review involves acts of a constitutional organ;
- (7) when there is no other plain, speedy, adequate remedy in the ordinary course of law;
- (8) when the petition includes questions that may affect

¹⁹² *Aala, et al. v. Uy, et al.* G.R. No. 202781, January 10, 2017 <<http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2017/january2017/202781.pdf>> 13 [Per J. Leonen, Second Division].

¹⁹³ *Id.*

¹⁹⁴ *Id.*

¹⁹⁵ *Diocese of Bacolod v. Commission on Elections*, 751 Phil. 301, 329 (2015) [Per J. Leonen, En Banc].

¹⁹⁶ *Aala, et al. v. Uy, et al.* G.R. No. 202781, January 10, 2017 <<http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2017/january2017/202781.pdf>> 13 [Per J. Leonen, Second Division].

¹⁹⁷ *Id.*

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ *Id.* at 14.

²⁰¹ *Diocese of Bacolod v. Commission on Elections*, 751 Phil. 301, 329 (2015) [Per J. Leonen, En Banc].

²⁰² *Aala, et al. v. Uy, et al.* G.R. No. 202781, January 10, 2017 <<http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2017/january2017/202781.pdf>> 15 [Per J. Leonen, Second Division] citing *Diocese of Bacolod v. Commission on Elections*, 751 Phil. 301 (2015) [Per J. Leonen, En Banc].

public welfare, public policy, or demanded by the broader interest of justice; (9) when the order complained of was a patent nullity; and (10) when the appeal was considered as an inappropriate remedy.²⁰³

We may take cognizance of this case “in the interest of judicial economy and efficiency.”²⁰⁴ The records of this case are sufficient for this Court to decide on the issues raised by the parties.²⁰⁵ Any further delay would unduly prejudice the parties.

II

A compromise is defined under the Civil Code as “a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.”²⁰⁶ It may either be judicial or extrajudicial depending on its object or the purpose of the parties.²⁰⁷ A compromise is judicial if the parties’ purpose is to terminate a suit already commenced.²⁰⁸ On the other hand, a compromise is extrajudicial if its object is to avoid litigation.²⁰⁹

In any case, a compromise validly entered into has the authority and effect of *res judicata* as between the parties.²¹⁰ To this extent, a judicial compromise and an extrajudicial compromise are no different from each other.

However, unlike an extrajudicial compromise, a compromise that has received judicial imprimatur “becomes more than a mere contract.”²¹¹ A judicial compromise is regarded as a “determination of the controversy” between the parties and “has the force and effect of [a final] judgment.”²¹² In other words, it is both a contract and “a judgment on the merits.”²¹³ It may neither be disturbed nor set aside except in cases where there is forgery or when either of the parties’ consent has been vitiated.²¹⁴

²⁰³ Id.

²⁰⁴ See *Cathay Metal Corp. v. Laguna West Multi-Purpose Cooperative, Inc.*, 738 Phil. 37, 63 (2014) [Per J. Leonen, Third Division].

²⁰⁵ Id.

²⁰⁶ CIVIL CODE, art. 2028.

²⁰⁷ *Yboleon v. Sison*, 59 Phil. 281, 290 (1933) [Per J. Villa-Real, Second Division].

²⁰⁸ Id.

²⁰⁹ Id.

²¹⁰ Id. CIVIL CODE, art. 2037 provides:

Article 2037. A compromise has upon the parties the effect and authority of *res judicata*; but there shall be no execution except in compliance with a judicial compromise.

²¹¹ *Spouses Martir v. Spouses Verano*, 529 Phil. 120, 125 (2006) [Per J. Ynares-Santiago, First Division].

²¹² Id.

²¹³ *Gadrinab v. Salamanca*, 736 Phil. 279, 293 (2014) [Per J. Leonen, Third Division].

²¹⁴ *Spouses Martir v. Spouses Verano*, 529 Phil. 120, 125–126 (2006) [Per J. Ynares-Santiago, First Division].

The doctrine on immutability of judgments applies to compromise agreements approved by the courts in the same manner that it applies to judgments that have been rendered on the basis of a full-blown trial.²¹⁵ Thus, a judgment on compromise that has attained finality cannot be “modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law, and whether it be made by the court that rendered it or by the Highest Court of the land.”²¹⁶

A judgment on compromise may be executed just like any other final judgment²¹⁷ in the manner provided in the Rules of Court.²¹⁸ The writ of execution derives its validity from the judgment it seeks to enforce and must essentially conform to the judgment’s terms.²¹⁹ It can neither be wider in scope nor exceed the judgment that gives it life.²²⁰ Otherwise, it has no validity. Thus, in issuing writs of execution, courts must look at the terms of the judgment sought to be enforced.

In *Bank of the Philippine Islands v. Green*,²²¹ the writ of execution ordering the sale of the judgment debtor’s mortgaged property²²² was declared void because the judgment sought to be executed was for a sum of money.²²³ In *Philippine American Accident Insurance Co., Inc. v. Flores*,²²⁴ this Court set aside the writ of execution issued by the trial court which ordered the payment of compounded interest because the judgment sought to be enforced ordered the payment of simple interest only.²²⁵

The Writ of Execution ordering the collection of the settlement amount directly from petitioners and its co-defendants in Civil Case No. 95-45 is void.

Under the judicially approved Compromise Agreement, petitioners are obliged to deposit the settlement amount in escrow within 10 business days after they receive a signed Compromise Agreement from the counsel of the claimants.²²⁶

²¹⁵ *Gadrinab v. Salamanca*, 736 Phil. 279, 293 (2014) [Per J. Leonen, Third Division].

²¹⁶ *FGU Insurance Corp. v. Regional Trial Court of Makati City, Branch 66*, 659 Phil. 117, 123 (2011) [Per J. Mendoza, Second Division].

²¹⁷ *Id.* See CIVIL CODE, art. 2037 provides:

Article 2037. A compromise has upon the parties the effect and authority of *res judicata*; but there shall be no execution except in compliance with a judicial compromise.

²¹⁸ *Ybolean v. Sison*, 59 Phil. 281, 290 (1933) [Per J. Villa-Real, Second Division].

²¹⁹ *Bank of the Philippine Islands v. Green*, 48 Phil. 284, 287 (1925) [Per J. Malcolm, En Banc].

²²⁰ *Greater Metropolitan Manila Solid Waste Management Committee v. Jancom Environmental Corp.*, 526 Phil. 761, 778–779 (2006) [Per J. Carpio Morales, Third Division].

²²¹ 48 Phil. 284 (1925) [Per J. Malcolm, En Banc].

²²² *Id.* at 285–286.

²²³ *Id.* at 287–288.

²²⁴ 186 Phil. 563, 565–566 (1980) [Per J. Abad, Second Division].

²²⁵ *Id.*

²²⁶ *Rollo*, pp. 263–264.

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There was nothing in the Compromise Agreement that required petitioners to ensure the distribution of the settlement amount to each claimant. Petitioners' obligation under the Compromise Agreement was limited to depositing the settlement amount in escrow.²²⁷ On the other hand, the actual distribution of the settlement amounts was delegated to the chosen mediator, Mr. Mills.²²⁸ To require proof that the settlement amounts have been withdrawn and delivered to each claimant²²⁹ would enlarge the obligation of petitioners under the Compromise Agreement.

Consequently, the Omnibus Order dated December 14, 2006, which directed the implementation of the Writ of Execution, is likewise void.

Ordinarily, courts have the ministerial duty to grant the execution of a final judgment.²³⁰ The prevailing party may immediately move for execution of the judgment, and the issuance of the writ follows as a matter of course.²³¹ Execution, being "the final stage of litigation . . . [cannot] be frustrated."²³²

Nevertheless, the execution of a final judgment may be stayed or set aside in certain cases. "Courts have jurisdiction to entertain motions to quash previously issued writs of execution[.]"²³³ They "have the inherent power, for the advancement of justice, to correct the errors of their ministerial officers and to control their own processes."²³⁴

A writ of execution may be stayed or quashed when "facts and circumstances transpire" after judgment has been rendered that would make "execution impossible or unjust."²³⁵

In *Lee v. De Guzman*,²³⁶ the trial court issued a writ of execution directing a car manufacturer to deliver a 1983 Toyota Corolla Liftback to a buyer.²³⁷ The manufacturer moved to quash the writ.²³⁸ Instead of ordering the manufacturer to deliver the car, this Court ordered the manufacturer to

²²⁷ Id.

²²⁸ Id. at 268.

²²⁹ Id. at 439.

²³⁰ *Far Eastern Realty Investment, Inc. v. Court of Industrial Relations*, 243 Phil. 281, 284 (1988) [Per J. Padilla, Second Division].

²³¹ *Pamintuan v. Muñoz*, 131 Phil. 213, 216 (1968) [Per J. Bengzon, En Banc].

²³² *Torres v. National Labor Relations Commission*, 386 Phil. 513, 520 (2000) [Per J. Pardo, First Division].

²³³ *Sandico, Sr. v. Piguing*, 149 Phil. 422, 434 (1971) [Per J. Castro, En Banc].

²³⁴ Id.

²³⁵ *Ocampo v. Sanchez*, 97 Phil. 472, 479-480 (1955) [Per J. Jugo, First Division].

²³⁶ 265 Phil. 289 (1990) [Per J. Paras, Second Division].

²³⁷ Id. at 290-292.

²³⁸ Id. at 292.

pay damages.²³⁹ The cessation of the manufacturer's business operations rendered compliance with the writ of execution impossible.²⁴⁰

Another exception is when the writ of execution alters or varies the judgment.²⁴¹ A writ of execution derives its validity from the judgment it seeks to enforce. Hence, it should not "vary terms of the judgment . . . [or] go beyond its terms."²⁴² Otherwise, the writ of execution is void.²⁴³ Courts can neither modify nor "impose terms different from the terms of a compromise agreement" that parties have entered in good faith. To do so would amount to grave abuse of discretion.²⁴⁴

Payment or satisfaction of the judgment debt also constitutes as a ground for the quashal of a writ of execution.²⁴⁵ In *Sandico, Sr. v. Piguing*,²⁴⁶ although the sum given by the debtors was less than the amount of the judgment debt, the creditors accepted the reduced amount as "full satisfaction of the money judgment."²⁴⁷ This justified the issuance of an order recalling the writ of execution.²⁴⁸

A writ of execution may also be set aside or quashed when it appears from the circumstances of the case that the writ "is defective in substance,"²⁴⁹ "has been improvidently issued,"²⁵⁰ issued without authority,²⁵¹ or was "issued against the wrong party."²⁵²

The party assailing the propriety of the issuance of the writ of execution must adduce sufficient evidence to support his or her motion.²⁵³ This may consist of affidavits and other documents.²⁵⁴

On the other hand, in resolving whether execution should be suspended or whether a writ of execution should be quashed, courts should

²³⁹ Id. at 294–295.

²⁴⁰ Id. at 294.

²⁴¹ *Greater Metropolitan Manila Solid Waste Management Committee v. Jancom Environmental Corp.*, 526 Phil. 761, 778 (2006) [Per J. Carpio Morales, Third Division].

²⁴² Id. at 779.

²⁴³ Id.

²⁴⁴ *Gadrinab v. Salamanca*, 736 Phil. 279, 295 (2014) [Per J. Leonen, Third Division].

²⁴⁵ *Greater Metropolitan Manila Solid Waste Management Committee v. Jancom Environmental Corp.*, 526 Phil. 761, 778 (2006) [Per J. Carpio Morales, Third Division].

²⁴⁶ 149 Phil. 422 (1971) [Per J. Castro, En Banc].

²⁴⁷ Id. at 434–435.

²⁴⁸ Id.

²⁴⁹ Id. at 434.

²⁵⁰ Id.

²⁵¹ Id.

²⁵² Id.

²⁵³ RULES OF COURT, Rule 15, sec. 3 provides:

Section 3. *Contents.* – A motion shall state the relief sought to be obtained and the grounds upon which it is based, and if required by these Rules or necessary to prove facts alleged therein, shall be accompanied by supporting affidavits and other papers.

²⁵⁴ RULES OF COURT, Rule 15, sec. 3.

be guided by the same principle in the execution of final judgments. Certainly, they may require parties to present evidence.

In this case, petitioners cannot rely on the five (5) quitclaims²⁵⁵ for the trial court to quash or recall the writ of execution. The quitclaims are insufficient to establish that petitioners complied with their obligation under the Compromise Agreement. They only prove that five (5) claimants received their respective share in the settlement amount but do not establish that petitioners deposited the entire settlement amount in escrow. At the very least, petitioners should have attached proof of actual deposit in their Opposition to the Motion for Execution.

Neither can petitioners rely on the evidence presented during the proceedings conducted at the Philippine Consulate in San Francisco, California, United States. This Court takes judicial notice of the administrative case filed against Judge Grageda for his act of receiving evidence abroad without proper authority.

In *Maquiran v. Grageda*,²⁵⁶ Judge Grageda was held administratively liable for conducting proceedings in the United States in relation to Civil Case No. 95-45 without this Court's approval.²⁵⁷ Although he was granted authority to travel to the United States from August 26, 2003 to September 15, 2003, it was for the sole purpose of visiting his daughter:²⁵⁸

[N]o matter how noble [Judge Grageda's] intention was, he is not at liberty to commit acts of judicial indiscretion. *The proceedings conducted by [Judge Grageda] abroad are outside the territorial jurisdiction of the Philippine Courts. He is the Presiding Judge of Branch 4 of the Regional Trial Court for the Eleventh Judicial Region, the territorial jurisdiction of which is limited only to Panabo, Davao del Norte.* This Court had not granted him any authority to conduct the proceedings abroad.

.....

It is not [Judge Grageda's] duty to secure these documents for the defendants, as he is the judge in the pending case and not the counsel of the defendants. Judges in their zeal to search for the truth should not lose the proper judicial perspective, and should see to it that in the execution of their duties, they do not overstep the limitations of their power as laid by the rules of procedure.²⁵⁹ (Emphasis supplied, citations omitted)

Judge Grageda was meted a penalty of suspension from service for a period of six (6) months.²⁶⁰

²⁵⁵ The quitclaims were attached in petitioners' Motion for Partial Dismissal of Civil Case No. 95-45.

²⁵⁶ 491 Phil. 205 (2005) [Per J. Austria Martinez, Second Division].

²⁵⁷ Id. at 212-217.

²⁵⁸ Id. at 218.

²⁵⁹ Id. at 221.

²⁶⁰ Id. at 231.

Although Branch 4, Regional Trial Court, Panabo City directed the implementation of the Writ of Execution against petitioners in the Omnibus Order dated December 14, 2006, it nevertheless allowed petitioners to take the deposition of their United States counsel, Mr. Stubbs, to prove compliance with the Compromise Agreement.²⁶¹ At the same time, and to ensure the orderly flow of proceedings, petitioners waited for the adverse party to rest its case before making a formal offer of evidence.

However, presiding Judge Grageda inhibited himself from further hearing the case before the Regional Trial Court, Panabo City could act on the pending incidents. The case was then transferred to Davao City due to the hostile environment in Panabo City. Succeeding events further delayed the proceedings.

Given the circumstances of this case, petitioners cannot be faulted for failing to make a formal offer of evidence because they were denied the opportunity to do so. Respondent court should have given petitioners the chance to offer the deposition of Mr. Stubbs in evidence before acting on the pending incidents of the case. Thus, respondent court gravely abused its discretion in issuing the Order dated July 10, 2009, which affirmed execution against petitioners.

Respondent court also erred in issuing the Order dated July 10, 2009. Petitioners' subsidiaries and affiliates cannot be adjudged solidarily liable.

Under the Compromise Agreement, the law that shall govern its interpretation is the law of Texas, United States.²⁶² In this jurisdiction, courts are not authorized to "take judicial notice of foreign laws."²⁶³ The laws of a foreign country must "be properly pleaded and proved" as facts.²⁶⁴ Otherwise, under the doctrine of processual presumption, foreign law shall be presumed to be the same as domestic law.²⁶⁵ Unfortunately, there is no evidence that Texan law has been proven as a fact. Hence, this Court is constrained to apply Philippine law.

III

Solidary liability under Philippine law is not to be inferred lightly but must be clearly expressed.²⁶⁶ Under Article 1207 of the Civil Code, there is

²⁶¹ *Rollo*, p. 17.

²⁶² *Id.* at 269.

²⁶³ *ATCI Overseas Corporation v. Echin*, 647 Phil. 43, 50 (2010) [Per J. Carpio-Morales, Third Division].

²⁶⁴ *Id.*

²⁶⁵ *Id.*

²⁶⁶ *Spouses Berot v. Siapno*, 738 Phil. 673, 690 (2014) [Per J. Sereno, First Division] citing *PH Credit Corporation v. Court of Appeals*, 421 Phil. 821 (2001) [Per J. Panganiban, Third Division].

solidary liability when “the obligation expressly so states, or when the law or the nature of the obligation requires solidarity.”²⁶⁷

The Compromise Agreement provided:

25. Affiliates and Successors

This Agreement and the rights, obligations, and covenants contained herein shall inure to the benefit of and be binding upon The Plaintiffs and Settling Defendants and their respective subsidiaries, affiliates, controlled and related entities, successors, and assigns.²⁶⁸

Clearly, the Compromise Agreement did not impose solidary liability on the parties’ subsidiaries, affiliates, controlled, and related entities, successors, and assigns but merely allowed them to benefit from its effects. Thus, respondent Judge Omelio gravely abused his discretion in holding that the petitioners’ subsidiaries and affiliates were solidarily liable under the Compromise Agreement.

Furthermore, there is no reason for respondent court to pierce the veil of corporate fiction. There is hardly any evidence to show that petitioners abused their separate juridical identity to evade their obligation under the Compromise Agreement.

Consequently, the Amended Order dated August 11, 2009, the Amended Writ of Execution, and the Alias Writ of Execution are void for having been issued by respondent court with grave abuse of discretion.

Respondent court’s fervor in ordering the execution of the compromise agreement appears to be fueled by its compassion towards the workers who have allegedly been exposed to DBCP. However, prudence and judicial restraint dictate that a court’s sympathy towards litigants should yield to established legal rules. Moreover, this jurisdiction should not alter the mechanism established for claims here and abroad as it can undo the entire process for all the farmers involved. The remedy of any unpaid claimant would be to establish their claims with the mediator named in the Compromise Agreement. Counsels for the farmers and their families should have followed this clear, legal course mandated in the Compromise Agreement. This would have abbreviated the further suffering of the respondents.

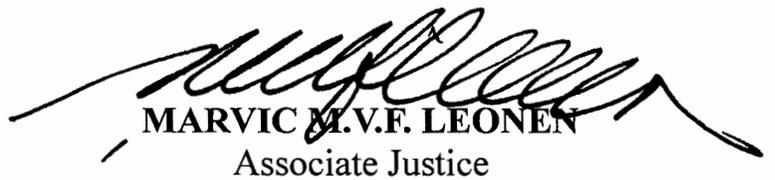
²⁶⁷ CIVIL CODE, art. 1207, par. 2.

²⁶⁸ *Rollo*, p. 270.

Considering that respondent Judge Omelio has been dismissed from service in 2013,²⁶⁹ the last issue raised by petitioners has been rendered moot and academic. It need not be tackled by this Court.

WHEREFORE, the Petition for Certiorari is **GRANTED**. The assailed orders and writs are **ANNULLED** and **SET ASIDE** for having been issued with grave abuse of discretion.

SO ORDERED.



MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:



DIOSDADO M. PERALTA
Associate Justice
Acting Chairperson

On official leave
JOSE CATRAL MENDOZA
Associate Justice



FRANCIS H. JARDELEZA
Associate Justice

On official leave
SAMUEL R. MARTIRES
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA
Associate Justice
Acting Chairperson, Second Division

²⁶⁹ Judge George E. Omelio was dismissed from service for gross ignorance of the law and for violation of judicial conduct in *Peralta v. Omelio*, 720 Phil. 60 (2013) [Per Curiam, En Banc].

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice