



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

CZARINA T. MALVAR,
Petitioner,

G.R. No. 183952

Present:

-versus-

SERENO, C.J.,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
REYES, JJ.

KRAFT FOOD PHILS., INC.
and/or **BIENVENIDO**
BAUTISTA, KRAFT FOODS
INTERNATIONAL,
Respondents.

Promulgated:

SEP 09 2013

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DECISION

BERSAMIN, J.:

Although the practice of law is not a business, an attorney is entitled to be properly compensated for the professional services rendered for the client, who is bound by her express agreement to duly compensate the attorney. The client may not deny her attorney such just compensation.

The Case

The case initially concerned the execution of a final decision of the Court of Appeals (CA) in a labor litigation, but has mutated into a dispute over attorney's fees between the winning employee and her attorney after she entered into a compromise agreement with her employer under circumstances that the attorney has bewailed as designed to prevent the recovery of just professional fees.

Antecedents

On August 1, 1988, Kraft Foods (Phils.), Inc. (KFPI) hired Czarina Malvar (Malvar) as its Corporate Planning Manager. From then on, she gradually rose from the ranks, becoming in 1996 the Vice President for Finance in the Southeast Asia Region of Kraft Foods International (KFI), KFPI's mother company. On November 29, 1999, respondent Bienvenido S. Bautista, as Chairman of the Board of KFPI and concurrently the Vice President and Area Director for Southeast Asia of KFI, sent Malvar a memo directing her to explain why no administrative sanctions should be imposed on her for possible breach of trust and confidence and for willful violation of company rules and regulations. Following the submission of her written explanation, an investigating body was formed. In due time, she was placed under preventive suspension with pay. Ultimately, on March 16, 2000, she was served a notice of termination.

Obviously aggrieved, Malvar filed a complaint for illegal suspension and illegal dismissal against KFPI and Bautista in the National Labor Relations Commission (NLRC). In a decision dated April 30, 2001,¹ the Labor Arbiter found and declared her suspension and dismissal illegal, and ordered her reinstatement, and the payment of her full backwages, inclusive of allowances and other benefits, plus attorney's fees.

On October 22, 2001, the NLRC affirmed the decision of the Labor Arbiter but additionally ruled that Malvar was entitled to "any and all stock options and bonuses she was entitled to or would have been entitled to had she not been illegally dismissed from her employment," as well as to moral and exemplary damages.²

KFPI and Bautista sought the reconsideration of the NLRC's decision, but the NLRC denied their motion to that effect.³

Undaunted, KFPI and Bautista assailed the adverse outcome before the CA on *certiorari* (CA-G.R. SP No. 69660), contending that the NLRC thereby committed grave abuse of discretion. However, the petition for *certiorari* was dismissed by the CA on December 22, 2004, but with the CA reversing the order of reinstatement and instead directing the payment of separation pay to Malvar, and also reducing the amounts awarded as moral and exemplary damages.⁴

¹ *Rollo*, pp. 132-141.

² *Id.* at 143-173.

³ *Id.* at 83.

⁴ *Id.* at 175-187; penned by Associate Justice Edgardo P. Cruz (retired), with Associate Justice Godardo A. Jacinto (retired) and Associate Justice Jose C. Mendoza (now a Member of this Court) concurring.

After the judgment in her favor became final and executory on March 14, 2006, Malvar moved for the issuance of a writ of execution.⁵ The Executive Labor Arbiter then referred the case to the Research and Computation Unit (RCU) of the NLRC for the computation of the monetary awards under the judgment. The RCU’s computation ultimately arrived at the total sum of ₱41,627,593.75.⁶

On November 9, 2006, however, Labor Arbiter Jaime M. Reyno issued an order,⁷ finding that the RCU’s computation lacked legal basis for including the salary increases that the decision promulgated in CA-G.R. SP No. 69660 did not include. Hence, Labor Arbiter Reyno reduced Malvar’s total monetary award to ₱27,786,378.11, viz:

WHEREFORE, premises considered, in so far as the computation of complainant’s other benefits and allowances are concerned, the same are in order. However, insofar as the computation of her backwages and other monetary benefits (separation pay, unpaid salary for January 1 to 26, 2005, holiday pay, sick leave pay, vacation leave pay, 13th month pay), the same are hereby recomputed as follows:

1. Separation Pay		
8/1/88-1/26/05 = 16 yrs		
₱344,575.83 x 16 =		5,513,213.28
2. Unpaid Salary		
1/1-26/05 = 87 mos.		
₱344,575.83 x 87 =		299,780.97
3. Holiday Pay		
4/1/00-1/26/05 = 55 holidays		
₱4,134,910/12 mos/20.83 days x 55 days		909,825.77
4. Unpaid 13 th month pay for Dec 2000		344,575.83
5. Sick Leave Pay		
Year 1999 to 2004 = 6 yrs		
₱344,575.88/20.83 x 15 days x 6 =	1,488,805.79	
Year 2005		
₱344,575.83/20.83 x 15/12 x 1	20,677.86	1,509,483.65
6. Vacation Leave Pay		
Year 1999 to 2004 = 6 years		
₱344,575.88/20.83 x 22 days x 6 =	2,183,581.83	
Year 2005		
₱344,575.83/20.83 x 22/12 x 1	<u>30,327.55</u>	<u>2,213,909.36</u>
		10,790,788.86

⁵ Id. at 292-300.
⁶ Id. at 188-189.
⁷ Id. at 216-221.

Backwages (from 3/7/00-4/30/01, award in LA Sytian’s Decision	4,651,773.75
Allowances & Other Benefits:	
Management Incentive Plan	7,355,166.58
Cash Dividend on Philip Morris Shares	2,711,646.00
Car Maintenance	381,702.92
Gas Allowance	198,000.00
Entitlement to a Company Driver	438,650.00
Rice Subsidy	58,650.00
Moral Damages	500,000.00
Exemplary Damages	200,000.00
Attorney’s Fees	500,000.00
Entitlement to Philip Sch G	Subject to
“Share Option Grant”	<u>Market Price</u>
	27,786,378.11

SO ORDERED.

Both parties appealed the computation to the NLRC, which, on April 19, 2007, rendered its decision setting aside Labor Arbiter Reyno’s November 9, 2006 order, and adopting the computation by the RCU.⁸

In its resolution dated May 31, 2007,⁹ the NLRC denied the respondents’ motion for reconsideration.

Malvar filed a second motion for the issuance of a writ of execution to enforce the decision of the NLRC rendered on April 19, 2007. After the writ of execution was issued, a partial enforcement was effected by garnishing the respondents’ funds deposited with Citibank worth ₱37,391,696.06.¹⁰

On July 27, 2007, the respondents went to the CA on *certiorari* (with prayer for the issuance of a temporary restraining order (TRO) or writ of preliminary injunction), assailing the NLRC’s setting aside of the computation by Labor Arbiter Reyno (CA-G.R. SP No. 99865). The petition mainly argued that the NLRC had gravely abused its discretion in ruling that: (a) the inclusion of the salary increases and other monetary benefits in the award to Malvar was final and executory; and (b) the finality of the ruling in CA-G.R. SP No. 69660 precluded the respondents from challenging the inclusion of the salary increases and other monetary benefits. The CA issued a TRO, enjoining the NLRC and Malvar from implementing the NLRC’s decision.¹¹

On April 17, 2008, the CA rendered its decision in CA-G.R. SP No. 99865,¹² disposing thusly:

⁸ Id. at 273-288.
⁹ Id. at 290-291.
¹⁰ Id. at 91.
¹¹ Id. at 96-97.
¹² Id. at 450-485.

WHEREFORE, premises considered, the herein Petition is **GRANTED** and the 19 April 2007 Decision of the NLRC and the 31 May 2007 Resolution in NLRC NCR 30-07-02316-00 are hereby **REVERSED** and **SET ASIDE**.

The matter of computation of monetary awards for private respondent is hereby **REMANDED** to the Labor Arbiter and he is **DIRECTED** to recompute the monetary award due to private respondent based on her salary at the time of her termination, without including projected salary increases. In computing the said benefits, the Labor Arbiter is further directed to **DISREGARD** monetary awards arising from: (a) the management incentive plan and (b) the share option grant, including cash dividends arising therefrom without prejudice to the filing of the appropriate remedy by the private respondent in the proper forum. Private respondent's allowances for car maintenance and gasoline are likewise **DELETED** unless private respondent proves, by appropriate receipts, her entitlement thereto.

With respect to the Motion to Exclude the Undisputed Amount of ₱14,252,192.12 from the coverage of the Writ of Preliminary Injunction and to order its immediate release, the same is hereby **GRANTED** for reasons stated therefor, which amount shall be deducted from the amount to be given to private respondent after proper computation.

As regards the Motions for Reconsideration of the Resolution denying the Motion for Voluntary Inhibition and the Omnibus Motion dated 30 October 2007, both motions are hereby **DENIED** for lack of merit.

SO ORDERED.¹³

Malvar sought reconsideration, but the CA denied her motion on July 30, 2008.¹⁴

Aggrieved, Malvar appealed to the Court, assailing the CA's decision.

On December 9, 2010, while her appeal was pending in this Court, Malvar and the respondents entered into a compromise agreement, the pertinent dispositive portion of which is quoted as follows:

NOW, THEREFORE, for and in consideration of the covenants and understanding between the parties herein, the parties hereto have entered into this Agreement on the following terms and conditions:

1. Simultaneously upon execution of this Agreement in the presence of Ms. Malvar's attorney, KFPI shall pay Ms. Malvar the amount of Philippine Pesos Forty Million (Php 40,000,000.00), which is in addition to the Philippine Pesos Fourteen Million Two Hundred Fifty-Two

¹³ Id. at 483-485.

¹⁴ Id. at 487-500.

Thousand One Hundred Ninety-Two and Twelve Centavos (Php14,252, 192.12) already paid to and received by Ms. Malvar from KFPI in August 2008 (both amounts constituting the “*Compromise Payment*”). The Compromise Payment includes full and complete payment and settlement of Ms. Malvar’s salaries and wages up to the last day of her employment, allowances, 13th and 14th month pay, cash conversion of her accrued vacation, sick and emergency leaves, separation pay, retirement pay and such other benefits, entitlements, claims for stock, stock options or other forms of equity compensation whether vested or otherwise and claims of any and all kinds against KFPI and KFI and Altria Group, Inc., their predecessors-in-interest, their stockholders, officers, directors, agents or successors-in-interest, affiliates and subsidiaries, up to the last day of the aforesaid cessation of her employment.

2. In consideration of the Compromise Payment, Ms. Malvar hereby freely and voluntarily releases and forever discharges KFPI and KFI and Altria Group, Inc., their predecessors or successors-in-interest, stockholders, officers, including Mr. Bautista who was impleaded in the Labor Case as a party respondent, directors, agents or successors-in-interest, affiliates and subsidiaries from any and all manner of action, cause of action, sum of money, damages, claims and demands whatsoever in law or in equity which Ms. Malvar or her heirs, successors and assigns had, or now have against KFPI and/or KFI and/or Altria Group, Inc., including but not limited to, unpaid wages, salaries, separation pay, retirement pay, holiday pay, allowances, 13th and 14th month pay, claims for stock, stock options or other forms of equity compensation whether vested or otherwise whether arising from her employment contract, company grant, present and future contractual commitments, company policies or practices, or otherwise, in connection with Ms. Malvar’s employment with KFPI.¹⁵

X X X X

Thereafter, Malvar filed an undated Motion to Dismiss/Withdraw Case,¹⁶ praying that the appeal be immediately dismissed/withdrawn in view of the compromise agreement, and that the case be considered closed and terminated.

Intervention

Before the Court could act on Malvar’s Motion to Dismiss/Withdraw Case, the Court received on February 15, 2011 a so-called Motion for Intervention to Protect Attorney’s Rights¹⁷ from The Law Firm of Dasal, Llasos and Associates, through its Of Counsel Retired Supreme Court Associate Justice Josue N. Bellosillo¹⁸ (Intervenor), whereby the Intervenor sought, among others, that both Malvar and KFPI be held and ordered to pay jointly and severally the Intervenor’s contingent fees.

¹⁵ Id. at 733-734.

¹⁶ Id. at 744.

¹⁷ Id. at 755-765.

¹⁸ Id. at 756.

The Motion for Intervention relevantly averred:

x x x x

Lawyers, oftentimes, are caricatured as alligators or some other specie of voracious carnivore; perceived also as leeches sucking dry the blood of their adversaries, and even their own clients they are sworn to serve and protect! As we lay down the facts in this case, this popular, rather unpopular, perception will be shown wrong. This case is a reversal of this perception.

x x x x

Here, it is the lawyer who is eaten up alive by the warring but conspiring litigants who finally settled their differences without the knowledge, much less, participation, of Petitioner's counsel that labored hard and did everything to champion her cause.

x x x x

This Motion for Intervention will illustrate an aberration from the norm where the lawyer ends up seeking protection from his client's and Respondents' indecent and cunning maneuverings. x x x.

x x x x

On 18 March 2008 Petitioner engaged the professional services of Intervenor x x x on a contingency basis whereby the former agreed in writing to pay the latter contingency fees amounting to almost ₱19,600,000.00 (10% of her total claim of almost ₱196,000,000.00 in connection with her labor case against Respondents. x x x.

x x x x

According to their agreement (Annex "A"), Petitioner bound herself to pay Intervenor contingency fees as follows (a) 10% of P14,252,192.12 upon its collection; (b) 10% of the remaining balance of ₱41,627,593.75; and (c) 10% of the value of the stock options Petitioner claims to be entitled to, or roughly P154,000,000.00 as of April 2008.

x x x x

Intervenor's efforts resulted in the award and partial release of Petitioner's claim amounting to ₱14,252,192.12 out of which Petitioner paid Intervenor 10% or ₱1,425,219.21 as contingency fees pursuant to their engagement agreement (Annex "A"). Copy of the check payment of Petitioner payable to Intervenor's Of Counsel is attached as **Annex "C"**.

x x x x

On 12 September 2008 Intervenor filed an exhaustive Petition for Review with the Supreme Court containing 70 pages, including its Annexes "A" to "R", or a total of 419 pages against Respondents to collect on the balance of Petitioner's claims amounting to at least ₱27,000,000.00

and ₱154,000,000.00 the latter representing the estimated value of Petitioner's stock options as of April 2008.

x x x x

On 15 January 2009 Respondents filed their Comment to the Petition for Review.

x x x x

On 13 April 2009 Intervenor, in behalf of Petitioner, filed its Reply to the Comment.

x x x x

All the pleadings in this Petition have already been submitted on time **with nothing more to be done except to await the Resolution of this Honorable Court** which, should the petition be decided in her favor, Petitioner would stand to gain ₱182,000,000.00, more or less, which victory would be largely through the efforts of Intervenor.¹⁹ (Bold emphasis supplied).

x x x x

It appears that in July 2009, to the Intervenor's surprise, Malvar unceremoniously and without any justifiable reason terminated its legal service and required it to withdraw from the case.²⁰ Hence, on October 5, 2009, the Intervenor reluctantly filed a Manifestation (With Motion to Withdraw as Counsel for Petitioner),²¹ in which it spelled out: (a) the terms of and conditions of the Intervenor's engagement as counsel; (b) the type of legal services already rendered by the Intervenor for Malvar; (c) the absence of any legitimate reason for the termination of their attorney-client relationship; (d) the reluctance of the Intervenor to withdraw as Malvar's counsel; and (e) the desire of the Intervenor to assert and claim its contingent fee notwithstanding its withdrawal as counsel. The Intervenor prayed that the Court furnish it with copies of resolutions, decisions and other legal papers issued or to be issued after its withdrawal as counsel of Malvar in the interest of protecting its interest as her attorney.

The Intervenor indicated that Malvar's precipitate action had baffled, shocked and even embarrassed the Intervenor, because it had done everything legally possible to serve and protect her interest. It added that it could not recall any instance of conflict or misunderstanding with her, for, on the contrary, she had even commended it for its dedication and devotion to her case through her following letter to Justice Bellosillo, to wit:

¹⁹ Id. at 755-757.

²⁰ Id. at 725.

²¹ Id. at 718-722.

July 16, 2008

Justice Josue Belocillo (sic)

Dear Justice,

It is almost morning of July 17 as I write this letter to you. Let me first thank you for your continued and unrelenting lead, help and support in the case. You have been our “rock” as far as this case is concerned. Jun and I are forever grateful to you for all your help. I just thought I’d express to you what is in the innermost of my heart as we proceed in the case. It has been around four months now since we met mid-March early this year.

The most important and immediate aspect of the case at this time for me is the collection of the undisputed amount of Pesos 14million which the Court has clearly directed and ordered the NLRC to execute. The only impending constraint for NLRC to execute and collect this amount from the already garnished amount of Pesos 41 million at Citibank is the MR of Kraft on the Order of the Court (CA) to execute collection. We need to get a denial of this motion for NLRC to execute immediately. We already obtained commitment from NLRC that all it needed to execute collection is the denial of the MR.

Jun and I applaud your initiative and efforts to mediate with Romulo on potential settlement. However, as I expressed to you in several instances, I have serious reservations on the willingness of Romulo to settle within reasonable amounts specifically as it relates to the stock options. Let us continue to pursue this route vigorously while not setting aside our efforts to influence the CA to DENY their Motion on the Undisputed amount of Pesos 14million.

At this point, I cannot overemphasize to you our need for funds. We have made financial commitments that require us to raise some amount. But we can barely meet our day to day business and personal requirements given our current situation right now.

Thank you *po* for your understanding and support.²²

According to the Intervenor, it was certain that the compromise agreement was authored by the respondents to evade a possible loss of ₱182,000,000.00 or more as a result of the labor litigation, but considering the Intervenor’s interest in the case as well as its resolve in pursuing Malvar’s interest, they saw the Intervenor as a major stumbling block to the compromise agreement that it was then brewing with her. Obviously, the only way to remove the Intervenor was to have her terminate its services as her legal counsel. This prompted the Intervenor to bring the matter to the attention of the Court to enable it to recover in full its compensation based on its written agreement with her, averring thus:

²² Id. at 770.

X X X X

28. Upon execution of the Compromise Agreement and pursuant thereto, Petitioner immediately received (supposedly) from Respondents ₱40,000,000.00. But despite the settlement between the parties, Petitioner did not pay Intervenor its just compensation as set forth in their engagement agreement; instead, she immediately moved to Dismiss/Withdraw the Present Petition.

29. To parties' minds, with the dismissal by Petitioner of Intervenor as her counsel, both Petitioner and Respondents probably thought they would be able to settle the case without any cost to them, with Petitioner saving on Intervenor's contingent fees while Respondents able to take advantage of the absence of Intervenor in determining the settlement price.

30. The parties cannot be any more mistaken. Pursuant to the Second Paragraph of Section 26, Rule 138, of the Revised Rules of Court quoted in paragraph 3 hereof, Intervenor is still entitled to recover from Petitioner the full compensation it deserves as stipulated in its contract.

31. All the elements for the full recovery of Intervenor's compensation are present. First, the contract between the Intervenor and Petitioner is reduced into writing. Second, Intervenor is dismissed without justifiable cause and at the stage of proceedings where there is nothing more to be done but to await the Decision or Resolution of the Present Petition.²³

X X X X

In support of the Motion for Intervention, the Intervenor cites the rulings in *Aro v. Nañawa*²⁴ and *Law Firm of Raymundo A. Armovit v. Court of Appeals*,²⁵ particularly the following passage:

X X X. While We here reaffirm the rule that "the client has an undoubted right to compromise a suit without the intervention of his lawyer," We hold that when such compromise is entered into in fraud of the lawyer, with intent to deprive him of the fees justly due him, the compromise must be subject to the said fees and that when it is evident that the said fraud is committed in confabulation with the adverse party who had knowledge of the lawyer's contingent interest or such interest appears of record and who would benefit under such compromise, the better practice is to settle the matter of the attorney's fees in the same proceeding, after hearing all the affected parties and without prejudice to the finality of the compromise agreement in so far as it does not adversely affect the right of the lawyer.²⁶ X X X.

The Intervenor prays for the following reliefs:

²³ Id. at 761.

²⁴ No. L-24163, April 28, 1969, 27 SCRA 1090.

²⁵ G.R. No. 90983, September 27, 1991, 202 SCRA 16.

²⁶ Supra note 24, at 1105.

- a) Granting the Motion for Intervention to Protect Attorney's Rights in favor of the Intervenor;
- b) Directing both Petitioner and Respondents jointly and severally to pay Intervenor its contingent fees;
- c) Granting a lien upon all judgments for the payment of money and executions issued in pursuance of such judgments; and
- d) Holding in Abeyance in the meantime the Resolution of the Motion to Dismiss/Withdraw Case filed by Petitioner and granting the Motion only after Intervenor has been fully paid its just compensation; and
- e) Other reliefs just and equitable.²⁷

Opposing the Motion for Intervention,²⁸ Malvar stresses that there was no truth to the Intervenor's claim to defraud it of its professional fees; that the Intervenor lacked the legal capacity to intervene because it had ceased to exist after Atty. Marwil N. Llasos resigned from the Intervenor and Atty. Richard B. Dasal became barred from private practice upon his appointment as head of the Legal Department of the Small Business Guarantee and Finance Corporation, a government subsidiary; and that Atty. Llasos and Atty. Dasal had personally handled her case.

Malvar adds that even assuming, *arguendo*, that the Intervenor still existed as a law firm, it was still not entitled to intervene for the following reasons, namely: firstly, it failed to attend to her multiple pleas and inquiries regarding the case, as when communications to the Intervenor through text messages were left unanswered; secondly, maintaining that this was a justifiable cause to dismiss its services, the Intervenor only heeded her repeated demands to withdraw from the case when Atty. Dasal was confronted about his appointment to the government subsidiary; thirdly, it was misleading and grossly erroneous for the Intervenor to claim that it had rendered to her full and satisfactory services when the truth was that its participation was strictly limited to the preparation, finalization and submission of the petition for review with the Supreme Court; and finally, while the Intervenor withdrew its services on October 5, 2009, the compromise agreement was executed with the respondents on December 9, 2010 and notarized on December 14, 2010, after more than a year and two months, dispelling any badge of bad faith on their end.

On June 21, 2011, the respondents filed their comment to the Intervenor's Motion for Intervention.

²⁷ *Rollo*, p. 763.

²⁸ *Id.* at 792-798.

On November 18, 2011, the Intervenor submitted its position on the respondent's comment dated June 21, 2011,²⁹ and thereafter the respondents sent in their reply.³⁰

Issues

The issues for our consideration and determination are twofold, namely: (a) whether or not Malvar's motion to dismiss the petition on the ground of the execution of the compromise agreement was proper; and (b) whether or not the Motion for Intervention to protect attorney's rights can prosper, and, if so, how much could it recover as attorney's fees.

Ruling of the Court

We shall decide the issues accordingly.

1.

Client's right to settle litigation by compromise agreement, and to terminate counsel; limitations

A compromise agreement is a contract, whereby the parties undertake reciprocal obligations to avoid litigation, or put an end to one already commenced.³¹ The client may enter into a compromise agreement with the adverse party to terminate the litigation before a judgment is rendered therein.³² If the compromise agreement is found to be in order and not contrary to law, morals, good customs and public policy, its judicial approval is in order.³³ A compromise agreement, once approved by final order of the court, has the force of *res judicata* between the parties and will not be disturbed except for vices of consent or forgery.³⁴

A client has an undoubted right to settle her litigation without the intervention of the attorney, for the former is generally conceded to have exclusive control over the subject matter of the litigation and may at any time, if acting in good faith, settle and adjust the cause of action out of court before judgment, even without the attorney's intervention.³⁵ It is important

²⁹ Id. at 802-807.

³⁰ Id. at 809-811.

³¹ Article 2028, *Civil Code*.

³² Supra note 24, at 1098, citing *Jackson v. Stearns*, 48 Ore. 25, 84 Pac. 798.

³³ *Republic v. Court of Appeals*, G.R. No. 143108-09, September 26, 2001, 366 SCRA 87, 90.

³⁴ Article 2037 and Article 2038, *Civil Code*; see *San Antonio v. Court of Appeals*, G.R. No. 121810, December 7, 2001, 371 SCRA 536, 543.

³⁵ *Gubat v. National Power Corporation*, G.R. No. 167415, February 26, 2010, 613 SCRA 742, 758-759.

for the client to show, however, that the compromise agreement does not adversely affect third persons who are not parties to the agreement.³⁶

By the same token, a client has the absolute right to terminate the attorney-client relationship at any time with or without cause.³⁷ But this right of the client is not unlimited because good faith is required in terminating the relationship. The limitation is based on Article 19 of the *Civil Code*, which mandates that “[e]very person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.” The right is also subject to the right of the attorney to be compensated. This is clear from Section 26, Rule 138 of the *Rules of Court*, which provides:

Section 26. *Change of attorneys.* - An attorney may retire at any time from any action or special proceeding, by the written consent of his client filed in court. He may also retire at any time from an action or special proceeding, without the consent of his client, should the court, on notice to the client and attorney, and on hearing, determine that he ought to be allowed to retire. In case of substitution, the name of the attorney newly employed shall be entered on the docket of the court in place of the former one, and written notice of the change shall be given to the adverse party.

A client may at any time dismiss his attorney or substitute another in his place, but if the contract between client and attorney has been reduced to writing and the dismissal of the attorney was without justifiable cause, he shall be entitled to recover from the client the full compensation stipulated in the contract. However, the attorney may, in the discretion of the court, intervene in the case to protect his rights. For the payment of his compensation the attorney shall have a lien upon all judgments for the payment of money, and executions issued in pursuance of such judgment, rendered in the case wherein his services had been retained by the client. (Bold emphasis supplied)

In fine, it is basic that an attorney is entitled to have and to receive a just and reasonable compensation for services performed at the special instance and request of his client. The attorney who has acted in good faith and honesty in representing and serving the interests of the client should be reasonably compensated for his service.³⁸

³⁶ *University of the East v. Secretary of Labor and Employment*, G.R. Nos. 93310- 12, November 21, 1991, 204 SCRA 254, 262.

³⁷ *Francisco v. Portugal*, A.C. No. 6155, March 14, 2006, 484 SCRA 571, 580.

³⁸ *Traders Royal Bank Employees Union–Independent v. NLRC*, G.R. No. 120592, March 14, 1997, 269 SCRA 733, 743.

2.**Compromise agreement is to be approved
despite favorable action on the
Intervenor's Motion for Intervention**

On considerations of equity and fairness, the Court disapproves of the tendencies of clients compromising their cases behind the backs of their attorneys for the purpose of unreasonably reducing or completely setting to naught the stipulated contingent fees.³⁹ Thus, the Court grants the Intervenor's Motion for Intervention to Protect Attorney's Rights as a measure of protecting the Intervenor's right to its stipulated professional fees that would be denied under the compromise agreement. The Court does so in the interest of protecting the rights of the practicing Bar rendering professional services on contingent fee basis.

Nonetheless, the claim for attorney's fees does not void or nullify the compromise agreement between Malvar and the respondents. There being no obstacles to its approval, the Court approves the compromise agreement. The Court adds, however, that the Intervenor is not left without a remedy, for the payment of its adequate and reasonable compensation could not be annulled by the settlement of the litigation without its participation and conformity. It remains entitled to the compensation, and its right is safeguarded by the Court because its members are officers of the Court who are as entitled to judicial protection against injustice or imposition of fraud committed by the client as much as the client is against their abuses as her counsel. In other words, the duty of the Court is not only to ensure that the attorney acts in a proper and lawful manner, but also to see to it that the attorney is paid his just fees. Even if the compensation of the attorney is dependent only on winning the litigation, the subsequent withdrawal of the case upon the client's initiative would not deprive the attorney of the legitimate compensation for professional services rendered.⁴⁰

The basis of the intervention is the written agreement on contingent fees contained in the engagement executed on March 19, 2008 between Malvar and the Intervenor,⁴¹ the pertinent portion of which stipulated that the Intervenor would "collect ten percent (10%) of the amount of PhP14,252,192.12 upon its collection and another ten percent (10%) of the remaining balance of PhP41,627,593.75 upon collection thereof, and also ten percent (10%) of whatever is the value of the stock option you are entitled to under the Decision." There is no question that such arrangement was a contingent fee agreement that was valid in this jurisdiction, provided the fees therein fixed were reasonable.⁴²

³⁹ Supra note 24, at 1105.

⁴⁰ Supra note 35, at 759-760.

⁴¹ *Rollo*, pp. 768-769.

⁴² *Sesbreño v. Court of Appeals*, G.R. No. 117438, June 8, 1995, 245 SCRA 30, 36-37.

We hold that the contingent fee of 10% of ₱41,627,593.75 and 10% of the value of the stock option was reasonable. The ₱41,627,593.75 was already awarded to Malvar by the NLRC but the award became the subject of the appeal in this Court because the CA reversed the NLRC. Be that as it may, her subsequent change of mind on the amount sought from the respondents as reflected in the compromise agreement should not negate or bar the Intervenor's recovery of the agreed attorney's fees.

Considering that in the event of a dispute between the attorney and the client as to the amount of fees, and the intervention of the courts is sought, the determination requires that there be evidence to prove the amount of fees and the extent and value of the services rendered, taking into account the facts determinative thereof,⁴³ the history of the Intervenor's legal representation of Malvar can provide a helpful predicate for resolving the dispute between her and the Intervenor.

The records reveal that on March 18, 2008, Malvar engaged the professional services of the Intervenor to represent her in the case of illegal dismissal. At that time, the case was pending in the CA at the respondents' instance after the NLRC had set aside the RCU's computation of Malvar's backwages and monetary benefits, and had upheld the computation arrived at by the NLRC Computation Unit. On April 17, 2008, the CA set aside the assailed resolution of the NLRC, and remanded the case to the Labor Arbiter for the computation of her monetary awards. It was at this juncture that the Intervenor commenced its legal service, which included the following incidents, namely:

a) Upon the assumption of its professional duties as Malvar's counsel, a Motion for Reconsideration of the Decision of the Court of Appeals dated April 17, 2008 consisting of thirty-eight pages was filed before the Court of Appeals on May 6, 2008.

b) On June 2, 2009, Intervenor filed a Comment to Respondents' Motion for Partial Reconsideration, said Comment consisted 8 pages.

c) In the execution proceedings before Labor Arbiter Jaime Reyno, Intervenor prepared and filed on Malvar's behalf an "Ex-Parte Motion to Release to Complainant the Undisputed amount of ₱14,252,192.12" in NLRC NCR Case No. 30-07-02716-00.

d) On July 29, 2000, Intervenor prepared and filed before the Labor Arbiter a Comment to Respondents' Opposition to the "Ex-Parte Motion to Release" and a "Motion Reiterating Immediate Implementation of the Writ of Execution"

⁴³ *National Power Corporation v. Heirs of Macabangkit Sangkay*, G.R. No. 165828, August 24, 2011, 656 SCRA 60, 96-97.

e) On August 6, 2008, Intervenor prepared and filed before the Labor Arbiter Malvar's Motion Reiterating Motion to Release the Amount of ₱14,252,192.12.⁴⁴

The decision promulgated on April 17, 2008⁴⁵ and the resolution promulgated on July 30, 2008⁴⁶ by the CA prompted Malvar to appeal on August 15, 2008 to this Court with the assistance of the Intervenor. All the subsequent pleadings, including the reply of April 13, 2009,⁴⁷ were prepared and filed in Malvar's behalf by the Intervenor.

Malvar should accept that the practice of law was not limited to the conduct of cases or litigations in court but embraced also the preparation of pleadings and other papers incidental to the cases or litigations as well as the management of such actions and proceedings on behalf of the clients.⁴⁸ Consequently, fairness and justice demand that the Intervenor be accorded full recognition as her counsel who discharged its responsibility for Malvar's cause to its successful end.

But, as earlier pointed out, although a client may dismiss her lawyer at any time, the dismissal must be for a justifiable cause if a written contract between the lawyer and the client exists.⁴⁹ Considering the undisputed existence of the written agreement on contingent fees, the question begging to be answered is: Was the Intervenor dismissed for a justifiable cause?

We do not think so.

In the absence of the lawyer's fault, consent or waiver, a client cannot deprive the lawyer of his just fees already earned in the guise of a justifiable reason. Here, Malvar not only downplayed the worth of the Intervenor's legal service to her but also attempted to camouflage her intent to defraud her lawyer by offering excuses that were not only inconsistent with her actions but, most importantly, fell short of being justifiable.

The letter Malvar addressed to Retired Justice Bellosillo, who represented the Intervenor, debunked her allegations of unsatisfactory legal service because she thereby lavishly lauded the Intervenor for its dedication and devotion to the prosecution of her case and to the protection of her interests. Also significant was that the attorney-client relationship between her and the Intervenor was not severed upon Atty. Dasal's appointment to public office and Atty. Llasos' resignation from the law firm. In other words,

⁴⁴ *Rollo*, pp. 719-720.

⁴⁵ *Id.* at 80-116.

⁴⁶ *Id.* at 118-130.

⁴⁷ *Id.* at 720.

⁴⁸ *Cayetano v. Monsod*, G.R. No. 100113, September 3, 1991, 201 SCRA 210, 213.

⁴⁹ Section 26 (2), Rule 138, *Rules of Court*.

the Intervenor remained as her counsel of record, for, as we held in *Rilloraza, Africa, De Ocampo and Africa v. Eastern Telecommunication Philippines, Inc.*,⁵⁰ a client who employs a law firm engages the entire law firm; hence, the resignation, retirement or separation from the law firm of the handling lawyer does not terminate the relationship, because the law firm is bound to provide a replacement.

The stipulations of the written agreement between Malvar and the Intervenors, not being contrary to law, morals, public policy, public order or good customs, were valid and binding on her. They expressly gave rise to the right of the Intervenor to demand compensation. In a word, she could not simply walk away from her contractual obligations towards the Intervenor, for Article 1159 of the *Civil Code* provides that obligations arising from contracts have the force of law between the parties and should be complied with in good faith.

To be sure, the Intervenor's withdrawal from the case neither cancelled nor terminated the written agreement on the contingent attorney's fees. Nor did the withdrawal constitute a waiver of the agreement. On the contrary, the agreement continued between them because the Intervenor's Manifestation (with Motion to Withdraw as Counsel for Petitioner) explicitly called upon the Court to safeguard its rights under the written agreement, to wit:

WHEREFORE, premises considered, undersigned counsel respectfully pray that instant Motion to Withdraw as Counsel for Petitioner be granted and their attorney's lien pursuant to the written agreement be reflected in the judgment or decision that may be rendered hereafter conformably with par. 2, Sec. 26, Rule 138 of the Rules of Court.

Undersigned counsel further requests that they be furnished copy of the decision, resolutions and other legal processes of this Honorable Court to enable them to protect their interests.⁵¹

Were the respondents also liable?

The respondents would be liable if they were shown to have connived with Malvar in the execution of the compromise agreement, with the intention of depriving the Intervenor of its attorney's fees. Thereby, they would be solidarily liable with her for the attorney's fees as stipulated in the written agreement under the theory that they unfairly and unjustly interfered with the Intervenor's professional relationship with Malvar.

⁵⁰ G.R. No. 104600, July 2, 1999, 309 SCRA 566, 574.

⁵¹ *Rollo*, p. 721.

The respondents insist that they were not bound by the written agreement, and should not be held liable under it.

We disagree with the respondents' insistence. The respondents were complicit in Malvar's move to deprive the Intervenor of its duly earned contingent fees.

First of all, the unusual timing of Malvar's letter terminating the Intervenor's legal representation of her, of her Motion to Dismiss/Withdraw Case, and of the execution of compromise agreement manifested her desire to evade her legal obligation to pay to the Intervenor its attorney's fees for the legal services rendered. The objective of her withdrawal of the case was to release the respondents from all her claims and causes of action in consideration of the settlement in the stated amount of ₱40,000,000.00, a sum that was measly compared to what she was legally entitled to, which, to begin with, already included the ₱41,627,593.75 and the value of the stock option already awarded to her. In other words, she thereby waived more than what she was lawfully expected to receive from the respondents.

Secondly, the respondents suddenly turned around from their strong stance of berating her demand as offensive to all precepts of justice and fair play and as a form of unjust enrichment for her to a surprisingly generous surrender to her demand, allowing to her through their compromise agreement the additional amount of ₱40,000,000.00 on top of the ₱14,252,192.12 already received by her in August 2008. The softening unavoidably gives the impression that they were now categorically conceding that Malvar deserved much more. Under those circumstances, it is plausible to conclude that her termination of the Intervenor's services was instigated by their prodding in order to remove the Intervenor from the picture for being a solid obstruction to the settlement for a much lower liability, and thereby save for themselves and for her some more amount.

Thirdly, the compromise agreement was silent on the Intervenor's contingent fee, indicating that the objective of the compromise agreement was to secure a huge discount from its liability towards Malvar.

Finally, contrary to the stipulation in the compromise agreement, only Malvar, minus the respondents, filed the Motion to Dismiss/Withdraw Case.

At this juncture, the Court notes that the compromise agreement would have Malvar waive even the substantial stock options already awarded by the NLRC's decision,⁵² which ordered the respondents to pay to her, among others, the value of the stock options and all other bonuses she

⁵² Id. at 171-172.

was entitled to or would have been entitled to had she not been illegally dismissed from her employment. This ruling was affirmed by the CA.⁵³ But the waiver could not negate the Intervenor's right to 10% of the value of the stock options she was legally entitled to under the decisions of the NLRC and the CA, for that right was expressly stated in the written agreement between her and the Intervenor. Thus, the Intervenor should be declared entitled to recover full compensation in accordance with the written agreement because it did not assent to the waiver of the stock options, and did not waive its right to that part of its compensation.

These circumstances show that Malvar and the respondents needed an escape from greater liability towards the Intervenor, and from the possible obstacle to their plan to settle to pay. It cannot be simply assumed that only Malvar would be liable towards the Intervenor at that point, considering that the Intervenor, had it joined the negotiations as her lawyer, would have tenaciously fought all the way for her to receive literally everything that she was entitled to, especially the benefits from the stock option. Her rush to settle because of her financial concerns could have led her to accept the respondents' offer, which offer could be further reduced by the Intervenor's expected demand for compensation. Thereby, she and the respondents became joint tort-feasors who acted adversely against the interests of the Intervenor. Joint tort-feasors are those who command, instigate, promote, encourage, advise, countenance, cooperate in, aid or abet the commission of a tort, or who approve of it after it is done, if done for their benefit.⁵⁴ They are also referred to as those who act together in committing wrong or whose acts, if independent of each other, unite in causing a single injury.⁵⁵ Under Article 2194 of the Civil Code, joint tort-feasors are solidarily liable for the resulting damage. As regards the extent of their respective liabilities, the Court said in *Far Eastern Shipping Company v. Court of Appeals*:⁵⁶

x x x. Where several causes producing an injury are concurrent and each is an efficient cause without which the injury would not have happened, the injury may be attributed to all or any of the causes and recovery may be had against any or all of the responsible persons although under the circumstances of the case, it may appear that one of them was more culpable, and that the duty owed by them to the injured person was not same. No actor's negligence ceases to be a proximate cause merely because it does not exceed the negligence of other acts. Each wrongdoer is responsible for the entire result and is liable as though his acts were the sole cause of the injury.

There is no contribution between joint tort-feasors whose liability is solidary since both of them are liable for the total damage. Where the concurrent or successive negligent acts or omissions of two or more

⁵³ Id. at 186-187.

⁵⁴ *Chan, Jr. v. Iglesia ni Cristo, Inc.*, G.R. No. 160283, October 14, 2005, 473 SCRA 177, 186.

⁵⁵ Black's Law Dictionary, Fifth Edition, 1979, pp. 752-753, citing *Bowen v. Iowa Nat. Mut. Ins. Co.*, 270 N.C. 486, 155 S.E. 2d 238, 242.

⁵⁶ G.R. No. 130068, October 1, 1998, 297 SCRA 30, 84.

persons, although acting independently, are in combination the direct and proximate cause of a single injury to a third person, it is impossible to determine in what proportion each contributed to the injury and either of them is responsible for the whole injury. x x x

Joint tort-feasors are each liable as principals, to the same extent and in the same manner as if they had performed the wrongful act themselves. It is likewise not an excuse for any of the joint tort-feasors that individual participation in the tort was insignificant as compared to that of the other.⁵⁷ To stress, joint tort-feasors are not liable *pro rata*. The damages cannot be apportioned among them, except by themselves. They cannot insist upon an apportionment, for the purpose of each paying an aliquot part. They are jointly and severally liable for the whole amount.⁵⁸ Thus, as joint tort-feasors, Malvar and the respondents should be held solidarily liable to the Intervenor. There is no way of appreciating these circumstances except in this light.

That the value of the stock options that Malvar waived under the compromise agreement has not been fixed as yet is no hindrance to the implementation of this decision in favor of the Intervenor. The valuation could be reliably made at a subsequent time from the finality of this adjudication. It is enough for the Court to hold the respondents and Malvar solidarily liable for the 10% of that value of the stock options.

As a final word, it is necessary to state that no court can shirk from enforcing the contractual stipulations in the manner they have agreed upon and written. As a rule, the courts, whether trial or appellate, have no power to make or modify contracts between the parties. Nor can the courts save the parties from disadvantageous provisions.⁵⁹ The same precepts hold sway when it comes to enforcing fee arrangements entered into in writing between clients and attorneys. In the exercise of their supervisory authority over attorneys as officers of the Court, the courts are bound to respect and protect the attorney's lien as a necessary means to preserve the decorum and respectability of the Law Profession.⁶⁰ Hence, the Court must thwart any and every effort of clients already served by their attorneys' worthy services to deprive them of their hard-earned compensation. Truly, the duty of the courts is not only to see to it that attorneys act in a proper and lawful manner, but also to see to it that attorneys are paid their just and lawful fees.⁶¹

⁵⁷ *Lafarge Cement Philippines, Inc. v. Continental Cement Corporation*, G.R. No. 155173, November 23, 2004, 443 SCRA 522, 545.

⁵⁸ *Id.*

⁵⁹ *Pryce Corporation v. Philippine Amusement and Gaming Corporation*, G.R. No. 157480, May 6, 2005, 458 SCRA 164, 166.

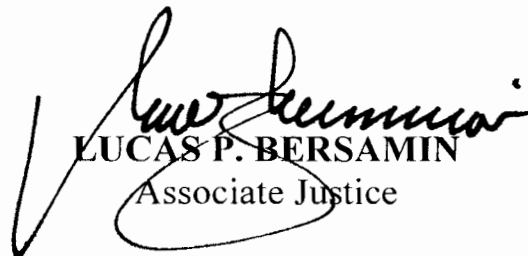
⁶⁰ *Matute v. Matute*, No. L-27832, May 28, 1970, 33 SCRA 35, 37.

⁶¹ *National Power Corporation Drivers and Mechanics Association v. National Power Corporation*, G.R. No. 156208, September 17, 2008, 565 SCRA 417, 437.

WHEREFORE, the Court **APPROVES** the compromise agreement; **GRANTS** the Motion for Intervention to Protect Attorney's Rights; and **ORDERS** Czarina T. Malvar and respondents Kraft Food Philippines Inc. and Kraft Foods International to jointly and severally pay to Intervenor Law Firm, represented by Retired Associate Justice Josue N. Bellosillo, its stipulated contingent fees of 10% of ₱41,627,593.75, and the further sum equivalent to 10% of the value of the stock option.

No pronouncement on costs of suit.

SO ORDERED.

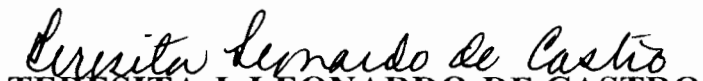


LUCAS P. BERSAMIN
Associate Justice

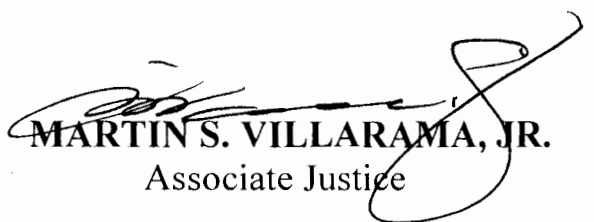
WE CONCUR:



MARIA LOURDES P. A. SERENO
Chief Justice



TERESITA J. LEONARDO-DE CASTRO
Associate Justice



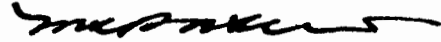
MARTIN S. VILLARAMA, JR.
Associate Justice



BIENVENIDO L. REYES
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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