

## **FIRST DIVISION**

**[ G.R. No. 183952, September 09, 2013 ]**

**CZARINA T. MALVAR, PETITIONER, VS. KRAFT FOOD PHILS.,  
INC. AND/OR BIENVENIDO BAUTISTA, KRAFT FOODS  
INTERNATIONAL, RESPONDENTS.**

### **D E C I S I O N**

**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,<sup>[1]</sup> 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.<sup>[2]</sup>

KFPI and Bautista sought the reconsideration of the NLRC’s decision, but the NLRC denied their motion to that effect.<sup>[3]</sup>

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.<sup>[4]</sup>

After the judgment in her favor became final and executory on March 14, 2006, Malvar moved for the issuance of a writ of execution.<sup>[5]</sup> 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 P41,627,593.75.<sup>[6]</sup>

On November 9, 2006, however, Labor Arbiter Jaime M. Reyno issued an order,<sup>[7]</sup> 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 P27,786,378.11, 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	
P344,575.83 x 16	5,513,213.28
=	

2. Unpaid Salary

1/1-26/05 = 87	
mos.	
P344,575.83 x 87	299,780.97
=	

3. Holiday Pay

4/1/00-1/26/05 =	
55 holidays	
P4,134,910/12	
mos/20.83 days x	909,825.77
55 days	

4. Unpaid 13 <sup>th</sup> month pay for Dec 2000	344,575.83	
5. Sick Leave Pay Year 1999 to 2004 = 6 yrs P344,575.88/20.83 x 15 days x 6 =	1,488,805.79	
Year 2005 P344,575.83/20.83 x 15/12 x 1	20,677.86	1,509,483.65
6. Vacation Leave Pay Year 1999 to 2004 = 6 years P344,575.88/20.83 x 22 days x 6 =	2,183,581.83	
Year 2005 P344,575.83/20.83 x 22/12 x 1	30,327.55	<u>2,213,909.36</u>
		10,790,788.86
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.<sup>[8]</sup>

In its resolution dated May 31, 2007,<sup>[9]</sup> 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 P37,391,696.06.<sup>[10]</sup>

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.<sup>[11]</sup>

On April 17, 2008, the CA rendered its decision in CA-G.R. SP No. 99865,<sup>[12]</sup> disposing thusly:

**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 P14,252,192.12 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.**<sup>[13]</sup>

Malvar sought reconsideration, but the CA denied her motion on July 30, 2008.<sup>[14]</sup>

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 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, 13<sup>th</sup> and 14<sup>th</sup> 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, 13<sup>th</sup> and 14<sup>th</sup> 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.<sup>[15]</sup>

x x x x

Thereafter, Malvar filed an undated Motion to Dismiss/Withdraw Case,<sup>[16]</sup> praying that the appeal be immediately dismissed/withdrawn in view of the compromise