566 Phil. 275

THIRD DIVISION

[G.R. No. 173562, January 22, 2008]

CENTRAL CEMENT CORPORATION (now Union Cement Corporation), Petitioner, vs. MINES ADJUDICATION BOARD and ROCK AND ORE INDUSTRIES, INC., Respondents.

D E C I S I O N

REYES, R.T., J.:

PROMPT disposition of cases is a prime duty not only of the courts but also of quasi-judicial bodies. But what should be done if a party requests deferment of disposition until the parties submit a joint motion to dismiss? What is the measure of a valid compromise agreement fit for execution?

We take up the twin questions in this petition to review on *certiorari* under Rule 45 the Decision[1] of the Court of Appeals (CA) affirming that of the Mines Adjudication Board (MAB),[2] which dismissed the appeal of petitioner Central Cement Corporation (CCC).

The Facts

Petitioner CCC and private respondent Rock and Ore Industries, Inc. (ROII) are domestic mining companies incorporated under Philippine law.[3]

In 1992, petitioner CCC filed Mineral Production Sharing Agreement (MPSA), MPSA-P-III-24 and MPSA-P-III-31, with the Department of Environment and Natural Resources (DENR) covering some 4,000 hectares at Barangay Akle, Narra and Alagao in San Ildefonso, Bulacan. Private respondent ROII filed its own MPSA-P-111-117 application over areas in Akle in 1995.[4]

The application of private respondent ROII was duly published and posted. Petitioner opposed and filed an adverse claim to the application of private respondent with the Panel of Arbitrators of the DENR claiming that private respondent's MPSA-P-III-117 was in conflict with its MPSA-P-III-24. A third company, Neutron Construction (NC), filed an intervention complaining that its own MPSA-P-III-26 also overlapped private respondent's MPSA application.[5]

On February 24, 2000, the Panel of Arbitrators rendered a decision dismissing the opposition of petitioner and the intervention of NC. The Panel of Arbitrators ruled, among others, that the adverse claim of petitioner was filed beyond the 30-day reglementary period as provided under DENR Administrative Order No. 96-40. It also upheld the MPSA application of private respondent.[6]

Petitioner appealed to the MAB. On January 4, 2001, the MAB affirmed[7] the

decision of the Panel of Arbitrators. The MAB agreed with the ruling of the Panel of Arbitrators that the adverse claim of petitioner was filed beyond the reglementary period and that petitioner was estopped from challenging the application of private respondent.[8]

Petitioner moved for reconsideration[9] of the MAB's decision.

During the pendency of the motion for reconsideration, the President of private respondent, Manny Teng,[10] brought to the attention of MAB that two companies, Union Cement Corporation (UCC) and Eagle Cement Corporation (ECC), had executed a Memorandum of Understanding (MOU)[11] which amicably settled the differences between the parties. The MOU was signed by Francisco Viray, for UCC, and Ramon Ang, for ECC. The MOU essentially provided for reciprocal cession of claims and ownership of lands in the mining dispute before the MAB by swapping of mining claims and rights. Teng prayed for the resolution of the MAB appeal on the ground that both parties had already resolved the issue by virtue of the executed MOU.[12]

On June 10, 2002, the MAB[13] directed private respondent to comment on why it should act on the request of Teng for the resolution of the appeal, considering that the MOU was entered into between corporations not parties to the case.

Private respondent responded[14] to the MAB order stating that the claims which were the subject matter of the MOU between UCC and ECC were the very same claims covered by the case between it and petitioner and that private respondent had authorized ECC to execute the MOU on its behalf.

In a Manifestation and Comment[15] dated July 13, 2002, petitioner acknowledged that it had merged with UCC and that it was bound by the MOU. The pertinent portions of the manifestation and comment state:

> Appellant does not deny the existence, genuineness, and due execution of the Memorandum of Understanding (MOU) between UNION CEMENT (UCC) AND EAGLE CEMENT CORPORATION (ECC); that it is a corporation which was subsequently merged into UNION CEMENT CORPORATION, the surviving corporation and that it is bound by the MOU; that it recognizes that Rock and Ore Industries, Inc., and ECC have identical controlling interests; and that both parties have agreed to settle this case, upon the swapping contemplated under the MOU.[16]

Petitioner, however, resisted the resolution of the appeal on the ground of prematurity. While admitting that it was bound by the MOU, it claims that the swapping of the claims that was at the heart of the MOU had yet to be consummated by the submission by private respondent of data that petitioner would compare with its own. Petitioner also reported that the parties agreed to prepare and submit a joint motion to dismiss to terminate the litigation. It prayed that the MAB hold in abeyance the dismissal of the appeal on the basis of the MOU until a joint motion of the parties is submitted.[17]

On August 2, 2002, the MAB[18] treated the comment filed by petitioner as an

opposition and required the parties to iron out their differences and submit a joint motion for its consideration.

On August 12, 2002, Teng wrote a letter[19] to the MAB seeking an early resolution of the MAB case on the basis of the comment and manifestation submitted by the parties.

On August 29, 2002, the MAB handed down a dismissal resolution denominated as a decision,[20] with the following *fallo*:

> WHEREFORE, the foregoing premises considered, the herein Motion for Reconsideration filed by the Appellant is hereby DISMISSED.
>
> SO ORDERED.[21]

A reading of the MAB decision reveals that what was under consideration was the letter of Teng praying for the resolution of the case on the ground that the parties had already resolved the issue by virtue of the execution of the MOU. What was disposed by the MAB, however, was the motion for reconsideration filed by petitioner. At any rate, the MAB stated that after the parties failed to respond to its order for them to iron out their differences and file a joint motion, it had no other recourse but to resolve private respondent's plea to deny the motion for reconsideration. The MAB stated:

> Notwithstanding the two (2) Orders of the Chief of the MAB Secretariat, records show that the parties failed to answer the said Order, giving the MAB no other recourse but to resolve the Motion by Rock and Ore to dismiss the pending Motion for Reconsideration of Central Cement Corporation.
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> A thorough examination of the MOU shows that the same is duly executed between the parties. Such genuineness and due execution was expressly recognized and admitted by the Counsel of Central Cement in his Manifestation/Comment dated July 13, 2002. The relationship of the parties to the MOU and the parties of the case is also established. Union Cement Corporation is the surviving corporation of Central Cement while Eagle Cement Corporation is duly authorized by Rock and Ore to execute the MOU. In substance, the MOU hammered out certain points of convergence that have rendered moot and academic the issues in the instant case. Although the Appellant thru Counsel prays for holding in abeyance the resolution of the case in view of some internal matters that has to be ironed out by the parties, the Board is of the position that such matters can not, in any way, affect the agreements reached under the MOU.[22]

Petitioner filed a second motion for reconsideration[23] which was denied.[24] It then appealed to the CA.[25]

CA Disposition

On March 2, 2006, the CA rendered a decision affirming that of the MAB, disposing as follows:

> IN VIEW OF THE FOREGOING, the MAB issuances of August 29, 2002 and December 10, 2002 are AFFIRMED, with the directive that the parties observe the terms of the MOU dated September 26, 2001 as their compromise agreement.
>
> SO ORDERED.[26]

The CA duly noted the oversight in the MAB's disposition, thus:

> On August 29, 2002, only 27 days after its order to the parties, the MAB handed down the controversial resolution, which it calls a Decision, with this cryptic disposition: *Wherefore, the foregoing premises considered, the motion for reconsideration filed by the appellant is dismissed*.
>
> This resolution opens with the statement that for consideration was the letter dated May 14, 2002 of the respondent's Teng praying for the resolution of the case on the ground that the parties have already resolved the issue by virtue of the execution of the MOU, and ends by denying the petitioner's motion for reconsideration. Motion for reconsideration of what? The resolution seems to labor under the impression that the respondent's letter was asking for the denial of the motion for reconsideration of the petitioner with respect to the MAB's original decision of January 4, 2001 affirming the Panel of Arbitrators – an interpretation that is not borne out by its language. As the words make clear, the respondent was only seeking a resolution of the case on the ground that the parties have already resolved the issue between them by virtue of the MOU. This is not the same as saying that it wanted the denial of the motion for reconsideration of the decision of January 4, 2001. But in the context in which it looked at the May 14, 2002 letter, the MAB held that after the parties failed to respond to its order to them to iron out their differences and file a motion, it had no other recourse than to resolve the respondent's plea to deny the motion for reconsideration. [27]

In deciding for the validity of the MOU as a compromise agreement between petitioners and private respondent, the CA ratiocinated:

> As we said, we have perceived that the MAB's original decision on the merits of January 4, 2001 is no longer in question here. While it is true that the petitioner filed a motion for reconsideration of this decision, the parties had since then come to an amicable settlement in the form of the MOU. The dispute had funneled into the narrow question of whether the resolution of the case on the basis of the MOU should be held in abeyance until the parties ironed out their differences under the agreement. The objective of the petition for *certiorari* is, at root, the maintenance of the Order of August 2, 2002, in effect, allowing the parties time to dispose of the case through a joint motion.
>
> The reasons underlying a plea for the deferment of the resolution of the case are not convincing. The petitioner claims that the MAB had acted capriciously when it resolved the case unilaterally against its earlier order to give the parties the right to file the joint motion. But as incisively observed by the Solicitor General, the fact that the MAB came out with a

resolution of the motion for reconsideration only 27 days after directing the parties to resolve their differences and file a motion does not reflect an arbitrary and whimsical change of judgment. The records bear out that the MAB endeavored to have the parties resolve their differences by themselves and only when they failed to submit the motion for resolution of the case did the MAB issue its decision. The lapse of a period of 27 days before it acted was well within the range of a reasonable discretion considering that this was an administrative case that had to be resolved with dispatch. The motion that was resolved was ripe for resolution before the parties even began to set the mechanics of settlement in motion. The MAB surely had the right and duty to resolve the case at once given the failure of the parties to act promptly on its directive.

The Solicitor General has concluded that the MAB ruled for the denial of the motion for reconsideration on the ground that the parties had arrived at a resolution of their controversy through the MOU. Everybody seems to agree. The respondent said that the motion for reconsideration was denied by MAB on August 29, 2002 because the MOU rendered the dispute moot and academic. This has been the constant refrain throughout the discussion. The MAB's intent to consider the case mooted by the MOU may be drawn from its final statement in the August 29, 2002 resolution that whatever internal matters must be ironed out by the parties, they do not affect the agreements reached under the MOU.

It is hard to ignore the logical and legal implications of this ruling. It can only mean that the original MAB decision of January 4, 2001 has become *functus officio*, the rights and obligations of the parties thereunder being substituted by the rights and obligations of the parties under the MOU. The MOU, in a word, was a compromise agreement. This is the view of the respondent, and we agree. A compromise agreement is a contract where the parties undertake reciprocal obligations to avoid a litigation or put an end to one already commenced. *San Antonio v. Court of Appeals*, 371 SCRA 536. If the MOU is to be properly understood, the two parties to the case had freely entered into it for the purpose of undertaking reciprocal obligations to put an end to a controversy between them. Once the compromise was perfected, the parties were bound to abide by it in good faith. *Ramnani v. Court of Appeals*, 360 SCRA 645.

Under Article 2037 of the Civil Code, a compromise has upon the parties the effect and authority of *res judicata*, but there will be no execution except in compliance with a judicial compromise. Although the MAB did not categorically declare the MOU as approved, it achieved this result when it denied the motion for reconsideration and held that the MOU was not affected by the fact that there were still matters to be threshed out within its framework. We only regret that the MAB could not be as articulate as the situation would demand to make clear a very important right. It is for us in the interest of justice to bridge the divide.

In coming this far, we have actually passed upon the issues raised in the second motion for reconsideration.[28]