

**\*\*Title:\*\*** Malvar v. Kraft Foods Phils., Inc., et al.

**\*\*Facts:\*\***

This case spiraled from a labor litigation between Czarina T. Malvar and Kraft Foods (Phils.), Inc. (KFPI), involving issues of illegal suspension and dismissal, into a dispute over attorney's fees following a compromise agreement between Malvar and her employer. Initially hired by KFPI in 1988 and later occupying a vice president position in the Southeast Asia Region for Kraft Foods International (KFI), Malvar was terminated in March 2000 after a directed explanation regarding possible infractions. Claiming illegal suspension and dismissal, Malvar sought redress through the National Labor Relations Commission (NLRC), which ruled in her favor, including awards for backwages and damages. The ruling was affirmed by the NLRC but modified by the Court of Appeals (CA), who determined reinstatement inappropriate and adjusted damages. Subsequently, as execution proceedings were underway, with the RCU's computation challenged and recalculated by Labor Arbiter Reyno, both parties appealed Reyno's computation. The NLRC then set aside Reyno's computation in favor of the RCU's higher figure. Upon entry into a compromise agreement between Malvar and KFPI while the case was pending appeal in the Supreme Court, a dispute arose over the rightful attorney's fees due to Malvar's lawyer, leading to a Motion for Intervention by Dasal, Llasos and Associates.

**\*\*Issues:\*\***

The primary legal issues encompass:

1. The propriety of Malvar's compromise agreement while her appeal was pending.
2. The legitimacy and enforceability of the attorney's contingent fee agreement against Malvar and potentially against KFPI and KFI.
3. The extent of Malvar's attorney's entitlement to fees following the compromise agreement.
4. The liability, if any, of KFPI and KFI concerning the attorney's fees.

**\*\*Court's Decision:\*\***

The Court ruled that while a client is entitled to compromise and settle litigation, this right does not override the client's obligation under a contingent fee agreement with their attorney. Thus, Malvar's motion to dismiss the petition due to the compromise was deemed proper, but it did not extinguish her liability for attorney's fees stipulated in the contract. The Motion for Intervention to protect attorney's rights was granted, holding both Malvar and the respondents jointly and severally liable to pay the Intervenor's stipulated contingent fees. The Court found that Malvar's dismissal of her attorney without justifiable cause and

the respondents' complicity in the compromised settlement were designed to evade paying the full attorney's fees thus making them joint tort-feasors liable for attorney's fees.

**\*\*Doctrine:\*\***

The main doctrine established relates to the enforceability of contingent fee agreements and the protection of attorneys from being unreasonably deprived of their fees due to settlements made between their clients and opposing parties. It emphasizes that a compromise agreement, while having the authority to terminate litigation, does not invalidate a contractual obligation to compensate one's attorney.

**\*\*Class Notes:\*\***

- **\*\*Client-Architect Liabilities:\*\*** Anthropocentric settlement litigation does not overrule contractual obligations to attorneys under contingent fee agreements.
- **\*\*Contingent Fee Agreement:\*\*** A valid contract stipulating an attorney's fees based on the outcome of the litigation is enforceable, and neither client nor opposing parties can invalidate it through settlements without the attorney's concurrence.
- **\*\*Joint Tort-Feasors:\*\*** Parties acting jointly to deprive an attorney of their lawful fees can be held solidarily liable for those fees.
- **\*\*Attorney's Right to Compensation:\*\*** The termination of an attorney-client relationship does not nullify the client's financial obligation under a written fee agreement, provided the termination was without justifiable cause.

**\*\*Historical Background:\*\***

The *Malvar vs. Kraft Foods Phils., Inc. et al* case illuminates the intricacies and potential conflicts between litigation outcomes and contractual agreements for professional services within the judicial system of the Philippines. Reflecting the intricacies of legal ethics and the protection of contractual rights, this case serves as a pivotal example for examining attorneys' rights to compensation amidst disputes and settlements.