

Title: Philippine Aluminum Wheels, Inc. vs. FASGI Enterprises, Inc., G.R. No. 137378 (1997)

Facts:

1. **Initial Agreement**:

- On June 1, 1978, FASGI Enterprises Inc. (a California corporation), Philippine Aluminum Wheels, Inc. (PAWI, a Philippine corporation), and Fratelli Pedrini Sarezzo S.P.A. (FPS, an Italian corporation) entered into a distributorship agreement for aluminum wheels manufactured by PAWI to be sold in the U.S.

- PAWI shipped 8,594 wheels valued at US\$216,444.30 to FASGI, which paid the value.

2. **Defective Delivery**:

- FASGI discovered defects in the wheels including lack of country origin stamp, weight load limits, and improper fitting, violating U.S. law and the distributorship agreement.

3. **U.S. Lawsuit**:

- On September 21, 1979, FASGI sued PAWI and FPS for breach of contract in the US District Court for the Central District of California, seeking damages of US\$2,316,591.

4. **Settlement Agreement**:

- In January 1980, the parties entered into a "Transaction" settlement where FPS and PAWI agreed to accept returned wheels and refund US\$268,750 via four irrevocable letters of credit (LC), but PAWI failed to comply.

5. **Revised Payment Schedule**:

- PAWI proposed a revised LC schedule due to currency restrictions but failed to meet the April 1980 deadline. FASGI insisted on compliance; PAWI failed, prompting continuation of the lawsuit.

6. **Supplemental Settlement**:

- On November 26, 1980, another settlement was reached, requiring PAWI to open LCs for payment in exchange for the return of wheels in incremental shipments. PAWI failed to meet the agreed timetable.

7. **Entry of Judgment**:

- FASGI filed a motion for entry of judgment in the U.S. court due to PAWI's default. Judgment was entered on August 24, 1982.

8. **Philippine Enforcement**:

- FASGI sought enforcement of the U.S. judgment in the Philippines. The Regional Trial Court of Makati dismissed the case on September 11, 1990, citing fraud and collusion.

9. **Court of Appeals Ruling**:

- On July 30, 1997, the Court of Appeals reversed the trial court's decision and enforced the

U.S. judgment, leading to PAWI's appeal to the Supreme Court.

Issues:

1. **Validity of the U.S. Judgment**:

- Whether the U.S. judgment was valid given claims of collusion, fraud, and mistake of law and fact.

2. **Authority of PAWI's Counsel**:

- Whether PAWI's counsel had legitimate authority to enter into and sign the supplemental settlement agreement and stipulation for judgment.

3. **Applicability of Foreign Judgments**:

- Whether the foreign judgment could be enforced in the Philippines under the principle of international comity and existing local laws.

Court's Decision:

1. **On Collusion and Fraud**:

- The Supreme Court held that claims of fraud must be extrinsic to affect the enforcement of a foreign judgment. PAWI did not demonstrably show extrinsic fraud, so the U.S. judgment was presumed valid.

2. **Counsel's Authority**:

- The Supreme Court opined that PAWI's failure to promptly challenge its counsel's authority and continued adherence to the settlement terms implied ratification. PAWI's belated termination of the counsel's services was unavailing.

3. **Enforcement of the Foreign Judgment**:

- The Court recognized the foreign judgment, considering it final and not violative of Philippine public policy, adhering to the principles of international comity as enshrined in Rule 39, section 48 of the Rules of Court.

Doctrine:

- **Recognition of Foreign Judgments**: A foreign judgment is presumptively valid and binding under Philippine law unless successfully repelled by evidence of lack of jurisdiction, lack of notice, collusion, fraud, or clear mistake of law or fact.

Class Notes:

- **Key Elements/Concepts**:

1. **Presumption of Validity** - Foreign judgments are presumed valid unless proven otherwise.

2. **Extrinsic Fraud** - Fraud impairing enforcement must be extrinsic.

3. ****Disclaiming Counsel's Actions**** - Delay in challenging an attorney's unauthorized actions may imply ratification.
4. ****Rule 39, Section 48 ROC**** - Discusses the effect and repelling of foreign judgments.
 - ****Statutory Citation****:
 - ***Rule 39, Section 48 of the Rules of Court*** - Details the presumptive validity of foreign judgments and the grounds for repudiation.

Historical Background:

- This case highlights the Philippine judiciary's approach to enforcing foreign judgments, reflecting international legal principles and the need for procedural fairness. It underscores the reciprocal respect among nations for judicial decrees, specifically amidst global commercial disputes. *FASGI Enterprises, Inc. vs. PAWI* epitomizes the challenges in transnational litigation and the enforcement of foreign commercial judgments within Philippine jurisdiction.