

****Title:****

J-Phil Marine, Inc. and Norman Shipping Services vs. National Labor Relations Commission and Warlito E. Dumalaog

****Facts:****

On March 4, 2002, Warlito E. Dumalaog, who served as a cook aboard overseas vessels, filed a pro-forma complaint with the National Labor Relations Commission (NLRC) against J-Phil Marine, Inc., its then president Jesus Candava, and its foreign principal Norman Shipping Services (collectively referred to as “petitioners”). Dumalaog sought unpaid money claims, moral and exemplary damages, and attorney’s fees. Subsequently, Dumalaog amended his complaint twice to include claims for overtime pay, vacation leave pay, sick leave pay, and disability/medical benefits. He alleged that he had contracted an enlarged heart and severe thyroid enlargement while performing his duties, which rendered him disabled. The total claims amounted to P864,343.30, with an additional P117,557.60 for interest and P195,928.66 for attorney’s fees.

On August 29, 2003, Labor Arbiter Fe Superiaso-Cellan dismissed Dumalaog’s complaint for lack of merit. Dumalaog appealed, and the NLRC, by a decision dated September 27, 2004, reversed the Labor Arbiter’s ruling, awarding him US\$50,000.00 in disability benefits but dismissing his other claims for lack of basis or jurisdiction. Petitioners sought reconsideration, which was denied, prompting them to file a petition for certiorari with the Court of Appeals (CA).

On September 22, 2005, the CA dismissed the petition for failing to attach all material documents and for defective verification and certification. Petitioners’ motion for reconsideration was also denied, leading them to elevate the matter to the Supreme Court.

During the pendency of the case before the Supreme Court, Dumalaog, against his counsel’s advice, entered a compromise agreement with the petitioners, resulting in a Quitclaim and Release sworn to before the Labor Arbiter. On May 8, 2007, petitioners filed a manifestation informing the Supreme Court of the amicable settlement. On July 2, 2007, Dumalaog’s counsel filed a Comment and Opposition, raising no objection to the petition’s dismissal but objecting to absolving petitioners from paying the total US\$50,000.00 awarded by the NLRC. Dumalaog’s counsel argued that only P450,000.00 had been paid, which he deemed unconscionably low.

****Issues:****

1. Whether the compromise agreement between Dumalaog and the petitioners, without the presence of his counsel, is valid and binding.
2. Whether the amount of the compromise settlement (P450,000.00) is unconscionable and thus should allow the case to proceed in respect to unpaid balances.

Court's Decision:

1. **Validity of Compromise Agreement:**

The Supreme Court held that the compromise agreement was valid and binding, as it complied with Article 227 of the Labor Code, which states that such agreements voluntarily agreed upon with the assistance of the Department of Labor are final and binding unless they are a product of fraud, misrepresentation, or coercion. The Court emphasized that the presence of the employee's counsel is not required for the compromise to be considered voluntarily entered. The individual consent of Dumalaog was sufficient, and it was performed in front of the Labor Arbiter.

2. **Consideration of Amount:**

The Court noted that Dumalaog's personal consent to the compromise was conclusive, and only he could impugn the consideration as unconscionable. Since Dumalaog did not personally contest the settlement's adequacy in court, his counsel's objections were insufficient to invalidate the agreement. The Court also clarified that there was no indication that Dumalaog intended to defraud his counsel of his fees.

Consequently, the Court dismissed the petition in light of the binding Quitclaim and Release.

Doctrine:

- Compromise agreements in labor disputes, executed voluntarily and with or without the counsel's presence, are binding if they comply with Article 227 of the Labor Code.
- Such agreements are not subject to further judicial review unless evidence suggests they were concluded through deceitful means.

Class Notes:

- **Key Elements:**
- Article 227 of the Labor Code encompasses voluntary compromise settlements.
- Voluntariness and the individual's informed consent are crucial.
- The presence of legal counsel during the execution of a compromise agreement is not mandatory.

- **Relevant Statutory Provisions:**

- **Article 227 of the Labor Code:** Enforces the finality and binding nature of voluntary compromise agreements.
- **Article 2037 of the Civil Code:** Stipulates that compromises hold res judicata status, applied suppletorily in labor cases.

Historical Background:

This case exemplifies the Philippine legal system's approach to labor disputes, emphasizing the sanctity of voluntary compromise agreements to resolve conflicts efficiently. The case highlights the balance between protecting workers' rights and honoring autonomous agreements, reflecting the judiciary's broader goals during the early 2000s to regulate the finality and fairness in labor conflicts.