

## **VICENTE ARRIETA, PLAINTIFF-APPELLEE, VS. MALAYAN SAWMILL COMPANY, MASINLOC SAWMILL COMPANY, SEE KIONG AND ONG LIAN KUAY, DEFENDANTS-APPELLANTS.**

*G.R. No. L-24140. July 31, 1968*

Ponente: CONCEPCION, C.J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/fe163572f29d/>

---

### **CONCEPCION, C.J.:**

Appeal from an order of the Court of First Instance of Rizal, setting aside a decision thereof.

On November 25, 1963, Vicente Arrieta filed, with said court, a complaint against Malayan Sawmill Company - herein-after referred to as Malayan - Masinloc Sawmill Company - hereinafter referred to as Masinloc - See Kiong and Ong Lian Kuay, to collect a sum of money allegedly representing the balance of the price of logs delivered by Arrieta to Malayan - which, through alleged fraud on its part and on that of its co-defendants, was dis-solved and its assets transferred to Masinloc, to evade compliance with a given contract between plaintiff and Malayan; to compel Malayan to take delivery of certain logs and comply with the terms and conditions of said contract; and to recover damages. After the issues had been joined, or on May 2, 1964, the parties submitted a compromise agreement stipulating that:

"1. The price per board foot of logs to be delivered by the plaintiff to the defendants is P0.09 plus P0.09 (measurement squared);

"2. Defendants agree to make an advance payment of P4,000.00 to the plaintiff upon the signing of this agreement, the same to be deductible from the purchase price of logs, to be hereafter delivered by the plaintiff to the defendants as herein stipulated; provided, however, that should the defendants fail to take delivery of good and marketable logs at the private road side to be designated by the defendants, within the current logging season, or until June 30, 1964, the said sum of P4,000.00 shall be deemed forfeited in favor of the plaintiff and the defendants shall have no recourse therefor;

"3. Payment for the logs delivered to the defendants shall be payable on, a cash-and-carry basis, it being understood, however, that no payment shall be due to the plaintiff for logs delivered and accepted by the defendants until the aforesaid sum of P4,000.00 is fully covered;

"4. The defendants agree to purchase all the good and marketable logs which shall be delivered by the plaintiff from his concession to the private road side to be designated by the defendants on or before June 30, 1964, and thereafter, the contract dated January 3, 1962 and marked Annex 'B' of the complaint in the above case shall be considered rescinded and without force and effect;

"5. It is understood and agreed that the defendants shall be under no obligation to buy logs of the plaintiff which are not in the private road side to be designated by the defendants on or before June 30, 1964, which, even if in said place, are not acceptable to the defendants by reason of poor quality;

"6. The plaintiff and the defendants agree to dis-miss and waive any and all claims and counterclaims which one had or may have had against the other, including those mentioned in the complaint in this case.

"WHEREFORE, it is respectfully prayed that the foregoing stipulations of the parties be approved."

On the same date, the Court approved this agreement and rendered a decision in accordance therewith, as well as enjoined the parties to comply with the terms and conditions thereof, with-out pronouncement as to costs.

Soon later, or on May 23, 1964, plaintiff filed a motion to set aside said decision, upon the ground, inter alia, that the de-fendants had violated an unwritten "gentleman's agreement," allegedly made simultaneously with the aforementioned compro-mise agreement and as part and parcel thereof, but without any intention on the part of the defendants to comply therewith, and that plaintiff's conformity to the written compromise agreement had been secured by the defendants through fraud and deceit on their part. Despite defendants' opposition thereto, said motion was granted in an order dated May 30, 1964, which set aside the decision of May 2, 1962 and set the case for trial on the merits. A motion for consideration of said order having been denied, defendants interposed the present appeal.

They now allege: 1) that plaintiff's motion of May 23, 1964 should not have been entertained, for, being based upon compromise agreement, the aforementioned decision had forthwith become final and executory; 2) that the lower court, accordingly, had no jurisdiction to set aside said decision; 3) that plaintiff's claim is barred by the principle of res judicata; and 4) that, having re-ceived from the defendants the sum of P4,000.00, in partial compliance with the compromise agreement, plaintiff is in estoppel to demand the setting aside of the decision based thereon.

At the outset, it should be noted that, inasmuch as the decision of May 2, 1964 had been set aside by the order of May 30, 1964 there is now no decision or order disposing finally of the case; that the same is still pending trial on the merits; and that, thereafter there shall be another decision, from which the defendants may appeal, if they wish. In other words, said order of May 30, 1964 is interlocutory in nature and, as such, not appealable, so that defendants' appeal therefrom should not have been allowed.[1]

Just the same, we have gone over the records and found that the lower court has not erred in issuing said order. Plaintiff alleged in his motion of May 23, 1964, that, during the negotiations preceding the compromise agreement, plaintiff wanted from the defendants an undertaking to immediately send their trucks to his concession for the purpose of hauling the logs he had therein ready for delivery, and avoiding the deterioration thereof; that, alleging that a written stipulation to this effect would subject them to prosecution, for violation of the Anti-Dummy Act, defendants expressed their reluctance to in-corporate a provision to this effect in the compromise agreement; that the trial Judge, Hon. Damaso S. Tengco, then suggested that the aforementioned undertaking be an unwritten "gentleman's agreement which, if not complied with, would justify the setting aside of the compromise agreement; that plaintiff acquiesced thereto, subject to the understanding; and that, in violation thereof, defendants failed and neglected to pick up the aforementioned logs.

Judge Tengco confirmed the truth of these allegations, which the defendant did not deny - and, hence, impliedly admitted - in their opposition, dated May 29, 1964, to plaintiff's aforesaid motion. Indeed, the defendants then limited themselves to contending: 1) that the decision of May 2, 1964 had become final and executory immediately after its promulgation; and 2) that plaintiff was barred by the principle of res judicata. The second part of this contention is, however, a mere consequence of the first, for there can be no res judicata if the decision on which it is based does not exist, by reason of its having been set aside, apart from the fact that said principle cannot be invoked when the decision relied upon is assailed - as it is, in the case at bar - upon the ground of fraud.[1] Consequently, the issue boils down to whether or not the aforemen-tioned decision has been validly set aside.

In this connection, it is well settled that, although a decision rendered in pursuance of a compromise agreement is

final and executory upon its rendition, said decision may be set aside and the case reinstated to its status quo ante, when the agreement is tainted with fraud, mistake or duress,[2] or one of the parties fails or refuses to comply with it. In the present case, defendants have impliedly admitted the truth of plaintiff's allegations relative to the unwritten "gentleman's agreement" which the former had failed to observe and the charge of fraud on their part, by not denying said allegations in their opposition, dated May 29, 1964, to plaintiff's motion to set aside of May 23, 1964. What is more, Judge Tengco, who had a hand in the aforementioned compromise agreement and in said "gentleman's agreement," confirmed the veracity of said allegations. Hence, it was not necessary that plaintiff's aforesaid motion be verified and supported by an affidavit of merits.

Defendants allege that plaintiff cannot keep the P4,000.00 paid by the defendants in partial satisfaction of the decision of May 2, 1960 and of the compromise agreement, and, at the same time, have both set aside. In this connection, paragraph 2 of said agreement explicitly provides that said sum shall be deemed forfeited to the plaintiff, "without any recourse" on the part of the defendants, should they fail to take delivery of the logs therein mentioned "within the current logging season, or until, June 30, 1964." It is not claimed that the defendants have taken delivery of said logs on or before this date. At any rate, since the plaintiff has, in fact, chosen to rescind the aforementioned compromise agreement, the lower court should declare, in the decision to be rendered after due trial, the effect of the rescission upon said sum of P4,000.00.

WHEREFORE, the appealed order of May 30, 1964 should be, as it is hereby affirmed, with the costs of this instance against the defendants.

**IT IS SO ORDERED.**

Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, Ruiz Castro, Angeles, and Fernando, JJ., concur.

---

[1] Mendoza vs. Montesa, 90 Phil., 631; Manila Electric vs. Artiaga, 50 Phil., 114.

[1] See Art. 2038, Civil Code of the Philippines and 30 Am. Jur., 941-942; See, also, Manila Railroad v. Arzadon, 20 Phil. 452; Ybolean v. Sison, 59 Phil. 281; Saminiada v. Mata, 92 Phil. 426; City of Manila v. Tarlac Development Corp., L-24557, City of Manila v. Manila Lodge, L-24469, City of Manila v. Army and Navy Club, L-24481, July 30, 1968.

[2] De los Reyes v. Ugarte, 75 Phil. 505; Enrique v. Padilla, 77 Phil. 373.

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.