

**FEDERATION OF FREE FARMERS, MELQUIADES BETIOS,
CRESENCIANO FERNANDEZ, SANCHO PEREZ AND AGATON POSA,
PETITIONERS, VS. THE HONORABLE COURT OF APPEALS,
VICTORIAS MILLING COMPANY, I...**

G.R. No. L-41161. September 10, 1981

Ponente: BARREDO, J.

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BARREDO, J.:

Four separate petitions of the respective parties concerned for the review of the decision of the Court of Appeals in CA-G.R. No. 47298-R, entitled Federation of Free Farmers, et al. vs. Victorias Milling Co., Inc., et al. of August 12, 1975.

The appellate court held that notwithstanding the provisions of Section 9, in relation to Section 1 of the Sugar Act of 1952, Republic Act 809, providing that of any increase in the share of the proceeds of milled sugarcane and derivatives obtained by the planters from the centrals in any sugar milling district in the Philippines, 60% of said increase shall correspond to and should be paid by the planters to their respective laborers, the laborers of the planters affiliated to the Victorias Milling District who are members of or represented by the Federation of Free Farmers, one of herein petitioners, have not been fully paid their share thus provided by law, corresponding to crop years 1955 to 1974, in spite of clear evidence in the record showing that the increase of 4% in the share of the Planters, Victorias Milling District, corresponding to all the years since the enforcement of the aforementioned Act had already been paid by petitioner Victorias Milling Co., Inc. to said planters. The Court of Appeals further found that even the shares of the laborers corresponding to crop years 1952-1955, when by operation of the Act, the increase was 10%, had not been paid. The appellate court rendered judgment holding the planters of the district and Victorias Milling Co., Inc. jointly and severally liable to the said laborers for all said alleged unpaid amounts.

All the four parties involved, namely, (1) the FEDERATION, (2) the PLANTERS, as an association and on behalf of all planters in the Victorias district, (3) two individual planters (SANTOS and TIROL) as well as (4) the CENTRAL (VICTORIAS) are now before Us with their respective opposing positions relative to such decision.

In G.R. No. L-41161, the FEDERATION maintains that (1) the plantation laborers, its member, have not only not been fully paid the amounts undisputably due them from crop year 1952--1953 to November 1, 1955, during which period all the parties are agreed that Section 1 of Republic Act 809 was fully applicable, but that (2) in 1956, VICTORIAS and the PLANTERS had entered into an agreement which they had no legal right to enter into the way they did, (providing for a 64-36 ratio) that is, in a manner that did not conform with the ratio of sharing between planters and millers specified in the just mentioned legal provision, (which correspondingly provides for a 70-30 ratio) the FEDERATION maintaining that after the enactment of Republic Act 809, all planters and millers in all the sugar milling districts in the Philippines were deprived of the freedom to stipulate any ratio of sharing of the proceeds of sugarcane milled by the respective centrals, as well as their derivatives, in any

proportion different from, specially if less for the planters, than that listed in Section 1 of the Act; and (3) assuming the PLANTERS and VICTORIAS had the legal right to enter into any such agreement, that the 60% of the increase given to the PLANTERS under said agree-ment has not been paid up to now to the respective laborers of said PLANTERS. In this connection, the FEDERATION further urges, in this instance, that the Court of Appeals' decision is correct in holding that under the law on torts, the PLANTERS and the CENTRAL are jointly and severally liable for the payment of the amounts thus due them.

In G.R. No. L-41222, the contentions of petitioner VICTORIAS are: (1) that the evidence incontrovertibly shows that it has already paid in full to the PLANTERS their respective shares in the proceeds of the sugarcane and derivatives milled by said central from the moment it was legally decided and agreed that it should do so, (aside, of course, from other issues which albeit related thereto may need not be resolved here anymore, for reasons hereinunder to be stated) (2) in its initial petitions in the trial court, the FEDERATION admitted that the laborers have been given what is due them as far as the 1952-53 to 1954-55 crops are concerned, and (3) that, even if it were true that the PLANTERS have not paid their laborers the corresponding share provided for them by law, the facts and circumstances extant in the records do not factually and legally justify the holding of the Court of Appeals that the Victorias Milling Company, Inc. is jointly and severally liable to the laborers for what the latter's respective planters-employers might have failed or refused to pay their laborers or which said planters might have otherwise appropriated unto themselves or absconded. The CENTRAL also posits that the action as filed below was not founded on torts but on either an obligation created by contract or by law, under neither of which it could be liable, and moreover, even if such action might be deemed based on torts, it has already prescribed, apart from the fact that since the Federation's pleadings alleged and prayed for pay-ment of the laborers' share in 1955-56-1973-74 crop years, the Court of Appeals had no jurisdiction to render judgment concerning the 1952-53-1954-55 crop years, the latter not having been the subject of the allegations and prayers of the FEDERATION in its pleadings in the trial court and all evidence regarding said matters outside of the pleaded issues were properly and opportunely objected to.

In G.R. No. L-43153, the PLANTERS, aside from asserting (1) their freedom to stipulate with the CENTRAL such ratio of sharing as they might agree upon, regardless of the ratios specified in Section 1 of the Sugar Act, (2) insist that their respective laborers have already been fully paid what is due them, under the law insofar as the 1952-53 to 1954-55 crop years are concerned, thereby impliedly if not directly admitting that as provided by law, the CENTRAL or VICTORIAS had already paid them the increase they had agreed upon and (3) that, in any event, the milling company should reimburse them whatever amounts they might be adjudged to pay the laborers.

Lastly, in G.R. No. L-43369, Planters PRIMO SANTOS and ROBERTO H. TIROL, who are among the planters in the Victorias District, complain that the decision of the Court of Appeals ignored their plea of lack of jurisdiction of the trial court over their persons in spite of their proven claim that they had not been properly served with summons, and that the portion of said decision holding them jointly and severally liable with VICTORIAS and the PLANTERS to the latter's laborers for the amounts here in question has no factual and legal basis, considering they were not parties to the pertinent questioned agreements.

I

In its petition, the FEDERATION assigns the following alleged errors in the decision under review:

"I - RESPONDENT THE HONORABLE COURT OF APPEALS erred in not holding that as contended by the Honorable Secretary of Labor, and, in effect, the Honorable Secretary of Justice, the phrase 'written milling agreements' in the aforequoted Section 1 of Republic Act No. 809 has exclusive reference to written milling agreements still existing upon the effectivity of the law on June 22, 1952, and, not to those executed

subsequent to said date

"II - RESPONDENT THE HONORABLE COURT OF APPEALS erred in not holding that the purpose and intendment of Republic Act No. 809 is to exempt from its operation milling districts in which there were still existing, on June 22, 1952, written milling agreements between the majority of planters and the millers

"III - RESPONDENT THE HONORABLE COURT OF APPEALS erred in not holding that as contended by the Honorable Secretary of Labor, and, in effect, the Honorable Secretary of Justice, the purpose and intendment of Republic Act No. 809, admittedly patterned after the Rice Share Tenancy Act, is to firmly fix by law, effect-ive and, therefore, the legal effect June 22, 1952, the sharing participation among the millers, the planters and the latter's laborers in the unrefined sugar produced in districts not exempt, as well as all by-products and derivatives thereof, and, consequently, to prohibit in said districts written milling agreements, executed subsequent to said date, providing for sharing arrangements different from or contrary to the schedule fixed under said Sections 1 and 9, and, to prevent any form of circumvention thereof

"IV - RESPONDENT THE HONORABLE COURT OF APPEALS erred in holding that in order 'to safeguard, preserve, and maintain the integrity, viability, and health of an industry so vital to the entire economy of the country' as sugar industry the lawmakers intended to place in the hands of the millers and the planters the operation of Republic Act No. 809 --- i.e. to enable them to sti-pulate in their written milling agreements executed subsequent to June 22, 1952 participations those prescribed in Section 1 thereof

"V - RESPONDENT THE HONORABLE COURT OF APPEALS erred in invoking the 'Rules and Regulations to Implement Section 9 of Republic Act 809 dated February 23, 1956, as amended on May 4, 1956 (Exhibit GGG) to support its conclusion that the lawmakers intended to place in the hands of the millers and the planters the operation of Republic Act No. 809 --- i.e. to enable them to stipulate in their written milling agreements executed subsequent to June 22, 1952 participations different from those prescribed in Section 1 thereof" (Pp. 44-45, L-41161 Rec., Vol. 1.)

In its brief here, however, it assigns ten alleged errors thus:

"- I -

"RESPONDENT COURT ERRED IN DISRE-GARDING THE OPINION OF THE HONORABLE SECRETARY OF LABOR AND, IN EFFECT, OF THE HONORABLE SECRETARY OF JUSTICE, AND, IN NOT HOLDING THAT THE 'WRITTEN MILLING AGREEMENTS' CONTEMPLATED IN SECTION 1 OF REPUBLIC ACT NO. 809 BY THE FRAMERS THEREOF WERE THOSE LONG-TERM WRITTEN MILLING AGREEMENTS REFERRED TO IN THE REPORT OF CHIEF JUSTICE MANUEL V. MORAN, MOST, IF NOT ALL, OF WHICH HAD EXPIRED AS EARLY AS 1951, AND, NOT THOSE WHICH THE MILLERS AND THE PLANTERS MIGHT EXECUTE SUBSEQUENT TO THE DATE THE ACT WOULD TAKE EFFECT

"- II -

"RESPONDENT COURT ERRED IN DISREGARDING THE EXPLANATION MADE BY REPRESENTATIVE CARLOS HILADO, SPONSOR OF HOUSE BILL NO. 1517, AND, IN NOT HOLDING THAT, BY INSERTING BEFORE THE TEXT OF SECTION 1 OF REPUBLIC ACT NO. 809 THE PHRASE 'IN THE ABSENCE OF WRITTEN MILLING AGREEMENTS BETWEEN THE MAJORITY OF PLANTERS AND THE MILLERS OF SUGARCANE IN ANY MILLING DISTRICT,' THE FRAMERS OF SAID LAW INTENDED TO EXEMPT FROM THE OPERATION THEREOF THOSE MILLING DISTRICTS, IF ANY, WHEREIN THERE WERE STILL EXISTING, ON THE DATE THE LAW WOULD TAKE EFFECT, THOSE LONG-TERM WRITTEN MILLING AGREEMENTS BETWEEN THE MILLERS AND A MAJORITY OF THEIR ADHERENT PLANTERS PROVIDING FOR SHARING

ARRANGEMENTS; SAID EXEMPTION BEING MERELY A PRECAUTIONARY MEASURE TO PRECLUDE SAID MILLERS, IF ANY, FROM CHALLENGING THE LAW AS BEING VIOLATIVE OF PARAGRAPH 10, SECTION L, ARTICLE III OF THE OLD CONSTITUTION

" - III -

"RESPONDENT COURT ERRED IN DISREGARDING THE OPINION OF THE HONORABLE SECRETARY OF LABOR AND, IN EFFECT, OF THE HONORABLE SECRETARY OF JUSTICE, AND, IN NOT HOLDING THAT IT IS CONTRARY TO THE PURPOSE AND INTENDMENT OF THE FRAMERS OF REPUBLIC ACT NO. 809 THAT 'THE OPERATION AND APPLICABILITY OF THE SUGAR ACT WOULD REST UPON THE AGREEMENT, THE BILATERAL WILL OF THE CENTRAL AND THE MAJORITY OF THE PLANTERS OR PERHAPS THEIR COLLUSION, TO THE EXCLUSION OF AND THE DETRIMENT OF THE LABORERS, WHOM CONGRESS AS A MEASURE OF LAW AND PUBLIC POLICY CLEARLY INTENDED TO BENEFIT'

" - IV -

"RESPONDENT COURT ERRED IN NOT HOLDING THAT WHAT THE FRAMERS OF REPUBLIC ACT NO. 809 HAD CONTEMPLATED IN ORDER 'TO SAFEGUARD, PRESERVE, AND MAINTAIN THE INTEGRITY, VIABILITY, AND HEALTH OF AN INDUSTRY SO VITAL TO THE ENTIRE ECONOMY OF THE COUNTRY' AS THE SUGAR INDUSTRY WAS TO PROMOTE SOCIAL JUSTICE AND PROTECT THE PLANTATION LABORERS THEREIN BY DETERMINING AND FIXING THE RESPECTIVE JUST PARTICIPATIONS IN THE BENEFITS FROM SAID INDUSTRY AMONG THE MILLERS, THE PLANTERS AND THE PLANTATION LABORERS

" - V -

"RESPONDENT COURT ERRED IN DISREGARDING THE OPINION OF THE HONORABLE SECRETARY OF LABOR AND, IN EFFECT, OF THE HONORABLE SECRETARY OF JUSTICE, AND, IN NOT HOLDING THAT, EFFECTIVE JUNE 22, 1952 AND THEREAFTER, EVEN BEYOND CROP MILLING YEAR 1973-1974 AS LONG AS THE ACTUAL PRODUCTION CONTINUES TO EXCEED ONE MILLION TWO HUNDRED THOUSAND (1,200,000) PICULS, THE SUGAR PRODUCE IN THE VICTORIAS MILL DISTRICT, AS WELL AS, ALL ITS BY-PRODUCTS AND DERIVATIVES, SHOULD BE DIVIDED AMONG THE CENTRAL, THE PLANTERS AND THE LABORERS AS FOLLOWS: THIRTY (30%) PER CENT FOR THE CENTRAL, SIXTY-FOUR (64%) PER CENT FOR THE PLANTERS AND SIX (6%) PER CENT FOR THE LABORERS.

" - VI -

"RESPONDENT COURT ERRED IN DISREGARDING THE OPINION OF THE HONORABLE SECRETARY OF LABOR AND, IN EFFECT, OF THE HONORABLE SECRETARY OF JUSTICE, THAT THE 'AMICABLE SETTLEMENT-COMPROMISE AGREEMENT' DATED MARCH 5, 1956 (EXHIBITS XXX THRU XXX-6) IS CONTRARY TO REPUBLIC ACT NO. 809, AND, THEREFORE, NULL AND VOID AB INITIO

" - VII -

"RESPONDENT COURT ERRED IN DISREGARDING THE OPINION OF THE HONORABLE SECRETARY OF LABOR AND, IN EFFECT, OF THE HONORABLE SECRETARY OF JUSTICE, THAT THE 'GENERAL COLLECTIVE SUGAR MILLING CONTRACT' (EXHIBITS YYY THRU YYY-7) AND THE 'INDIVIDUAL SUGAR MILLING CONTRACTS' (EXHIBITS SSS THRU SSS-28 AND ZZZ THRU

ZZZ-7), IN SO FAR AS THEY REPRODUCE, CONFIRM AND RATIFY THE 'AMICABLE SETTLEMENT-COMPROMISE AGREEMENT' DATED MARCH 5, 1956 (EXHIBITS XXX THRU XXX-6) AND/OR ARE DERIVED THEREFROM, ARE CONTRARY TO REPUBLIC ACT NO. 809, AND, THEREFORE, NULL AND VOID AB INITIO

"- VIII -

"RESPONDENT COURT ERRED IN NOT ORDER-ING THE CENTRAL AND THE PLANTERS, JOINTLY AND SEVERALLY, TO ACCOUNT AND PAY FOR THE FAIR MARKET VALUE OF THE SIX (6%) PER CENT SHARE OF THE LABORERS IN THE PROCEEDS OF THE ANNUAL UNREFINED SUGAR PRODUCE AS WELL AS ITS BY-PRODUCTS AND DERIVATIVES FOR THE PERIOD BEGINNING NOVEMBER 1, 1955, WITH LEGAL INTEREST THEREON COMMENCING FROM OCTOBER 31, 1956 UNTIL FULLY PAID

"- IX -

"RESPONDENT COURT ERRED IN FAILING TO CONSIDER AND RESOLVE THE LABORERS' TWENTY-SEVENTH ASSIGNMENT OF ERROR AND IN NOT IMPOSING UPON THE CENTRAL AND THE PLANTERS, JOINTLY AND SEVERALLY, THE LIA-BILITY TO PAY THE LABORERS BY WAY OF EXEM-PLARY DAMAGES, TO SET AN EXAMPLE FOR THE PUBLIC GOOD, THE SUM EQUIVALENT TO AT LEAST TWENTY (20%) PER CENT OF ALL THE AMOUNTS TO WHICH THE LABORERS MAY BE ENTITLED

"- X -

"RESPONDENT COURT ERRED IN REDUCING THE JOINT AND SEVERAL LIABILITY OF THE CENTRAL AND THE PLANTERS FOR CONTINGENT ATTORNEY'S FEES FROM THE STIPULATED SUM EQUIVALENT TO TWENTY (20%) PER CENT OF ALL THE AMOUNTS TO WHICH THE LABORERS MAY BE ENTITLED TO A SUM EQUIVALENT TO TEN (10%) PER CENT THEREOF"

On the other hand, VICTORIAS presents in its petition the following so-called issues of substance and grounds for allowance of its petition:

"1. Considering the attendant existence of written milling agreements between petitioner Vicmico and the planters, which written milling agreements were held to be legal and valid by the Court of Appeals, is Republic Act No. 809 applicable in the case at bar?

"2. In interpreting the phrase 'under this Act' appearing in Section 9 of Republic Act No. 809, as embracing written milling agreements executed subsequent to the effectivity of said law, did not the Court of Appeals unauthorizedly and unfoundedly indulge in judicial legislation?

"3. Assuming arguendo that the phrase 'under this Act' includes subsequently executed written milling contracts providing for increased participa-tion on the part of the planters in the amount of 4%, on the basis of which milling contracts the claim of the FFF, et als. to 60% of said 4% share is founded, did not the Court of Appeals erroneously hold, said Court acting contrary to law and to the facts and admissions of the parties, that petitioner Vicmico is jointly and solidarily liable, on the ground of tort, with the planters for said 60% of 4%?

"4. May petitioner Vicmico be held jointly and solidarily liable for tort for 60% of the 4% increased participation of the planters as provided for the latter under the milling contracts, even in the absence of allegations or evidence of acts constitut-ing tort and notwithstanding the admitted fact that petitioner Vicmico has, since November 1, 1955, regularly delivered to the planters, as required by law and contract, said 4% increase in participation?

"5. May respondent Court of Appeals, on the basis of tort, validly hold petitioner Vicmico jointly and severally liable with the planters (a) for said 60% of the 4% increase in the plant-ers' participation notwithstanding the fact that FFF, et als. did not proceed on the theory of tort which had long prescribed, as admitted by FFF, et als. but on the basis of contract or obligations created by law, (b) as well as for alleged causes of action that accrued subsequent to the filing on November 9, 1962 of the petition of the FFF, et als., even in the absence of any supplemental petition or amendment to the pleadings effected before judgment?

"6. Did not the Court of Appeals gravely abuse its discretion, said abuse amounting to lack of jurisdiction when it awarded the laborers P6,399,105.00, plus interest thereon at 6%, and P180,769.38, plus interest thereon at 6%, said awards allegedly representing the share pertaining to the laborers from June 22, 1952 to October 31, 1955, – (a) in the face of the laborers' admission that they had received their lawful participation during said period; (b) in the face of any lack of allegation in the petition concerning any cause of action relative thereto; (c) in the face of the Court of Appeals' ruling that the amicable settlement is legal and valid; and (d) in the face of the undeniable fact that, as per the very evidence pre-sented by the FFF, et als., Vicmico delivered all the amounts pertaining to the laborers to the planters, and the laborers actually received said amounts as demonstrated by Exhibit '23-Vicmico'?

"7. The petition of the FFF, et als. being essentially a suit for accounting, considering that the amicable settlement and milling agreements are valid and binding, as held by the Court of Appeals on the basis of facts found by it, and consider-ing, further, the evidence and admissions of the parties to the effect that petitioner Vicmico complied with all of its obligations thereunder, by delivering all of the increased share to the planters, as required by law and contract, did not the Court of Appeals manifestly err and grossly abuse its discretion in not taking the foregoing matters into consideration and nevertheless holding petitioner Vicmico jointly and severally liable with the planters?

"8. In any event, is Republic Act No. 809, otherwise known as the 'Sugar Act of 1952', constitutional?

"9. Is the action filed by the laborers properly brought as a class suit?

"10. Did the Court of Agrarian Relations have jurisdiction over the subject matter of the laborers' suit at the time the same was filed on November 9, 1962?" (Pp. 18-22, Rec., G.R. No. L-41222)

and the following assignment of errors:

"I

First Assignment of Error

"THE COURT OF APPEALS ERRED IN HOLDING THAT REPUBLIC ACT 809 IS APPLIC-ABLE EVEN IN THE PRESENCE OF WRITTEN MILLING AGREEMENTS BETWEEN THE CENTRAL AND THE PLANTERS, SINCE THE PROVISIONS OF SAID ACT AS CLEARLY STATED IN THE STATUTE ITSELF BECOME OPERATIVE ONLY 'IN THE ABSENCE' OF WRITTEN MILLING AGREEMENTS.

"II

Second Assignment of Error

"THE COURT OF APPEALS ERRED IN CONSTRUING THE PHRASE 'UNDER THIS ACT' EMBODIED IN SECTION 9 OF REPUBLIC ACT NO. 809 AS INCLUDING OR EMBRACING WRITTEN MILLING AGREEMENTS EXECUTED AFTER SAID ACT TOOK EFFECT ON JUNE 22, 1952, IN VIEW OF THE FACT THAT THE EXPRESS IMPORT OF SAID PHRASE CLEARLY EXCLUDES WRITTEN MILLING AGREEMENTS AND IN VIEW OF THE CIRCUMSTANCE THAT THE APPLICABILITY OF SECTION 9 IS DEPENDENT UPON THE ENFORCEMENT OF SECTION 1 OF THE SAME LAW.

"III

Third Assignment of Error

"THE COURT OF APPEALS ERRED IN HOLDING THAT THE LEGISLATIVE INTENT AND HISTORY OF REPUBLIC ACT 809 POINT TO NO OTHER CONCLUSION THAN THAT SECTION 9 OF SAID ACT ALSO EMBRACES WRITTEN MILLING AGREEMENTS, SINCE THE LEGISLATIVE INTENT AND HISTORY DEMONSTRATE OTHERWISE AND CLEARLY SHOW THAT SECTION 9 IS NOT AT ALL APPLICABLE DURING PERIODS WHEN MILLING CONTRACTS EXIST BETWEEN THE CENTRAL AND THE PLANTERS.

"IV

Fourth Assignment of Error

"THE COURT OF APPEALS ERRED IN HOLDING THAT REPUBLIC ACT 809 IS A PIECE OF SOCIAL LEGISLATION THAT UNCONDITIONALLY AND EQUALLY GRANTS BENEFITS TO LABORERS IN THE SUGAR INDUSTRY. SINCE SAID ACT IS DISCRIMINATORY, SAID SELECTIVE OR DISCRIMINATORY FEATURE BEING MADE MORE MANIFEST BY THE INTERPRETATION OF THE COURT OF APPEALS AS WELL AS BY THE AMENDED RULES OF THE DEPARTMENT OF LABOR, WHICH AMENDED RULES ARE NULL AND VOID AS CONTRARY TO LAW.

"V

Fifth Assignment of Error

"ASSUMING ARGUENDO, THAT THE HONORABLE COURT OF APPEALS CORRECTLY INTERPRETED REPUBLIC ACT 809 AS APPLICABLE EVEN WHEN THE CENTRAL AND THE PLANTERS HAVE SUBSEQUENTLY EXECUTED WRITTEN MILLING AGREEMENTS, AS IN THE CASE AT BAR, THE COURT OF APPEALS ERRED IN HOLDING PETITIONER VICMICO JOINTLY AND SEVERALLY LIABLE WITH THE PLANTERS ON THE BASIS OF TORT FOR 60% OF THE 4% INCREASED PARTICIPATION OF THE PLANTERS AND FOR AMOUNTS ALLEGEDLY DUE THE LABORERS FROM JUNE 22, 1952 TO OCTOBER 31, 1955, SAID ERROR BEING EVIDENT IN VIEW OF THE FACT THAT RESPONDENTS FFF ET ALS. DID NOT PROCEED ON THE THEORY OF TORT BUT ON THE THEORY OF CONTRACTS OR OBLIGATIONS CREATED BY LAW AND IN VIEW OF THE FACT THAT SAID WRITTEN MILLING AGREEMENTS HAVE NOT PROVIDED FOR ANY SOLIDARY LIABILITY, THE TERMS OF SAID WRITTEN MILLING AGREEMENTS HAVING, MOREOVER, BEEN FAITHFULLY COMPLIED WITH BY PETITIONER VICMICO.

"VI

Sixth Assignment of Error

"THERE BEING NO ALLEGATION OR PROOF OF ACTS CONSTITUTING TORT OR EVEN CONSTITUTING ANY VIOLATION OF THE WRITTEN MILLING CONTRACTS ON THE PART OF PETITIONER VICMICO IN CONNECTION WITH THE LABORERS' CLAIM OF 60% OF THE 4% INCREASED PARTICIPATION OF THE PLANTERS AND THERE BEING, MOREOVER, NO AMENDED OR SUPPLEMENTAL PLEADINGS FILED BY FFF ET ALS. INVOLVING ANY CAUSE OF ACTION BASED ON TORT, THE COURT OF APPEALS ERRED IN NEVERTHELESS HOLDING PETITIONER VICMICO JOINTLY AND SEVERALLY LIABLE WITH THE PLANTERS, ON THE BASIS OF TORT.

"VII

Seventh Assignment of Error

"THE COURT OF APPEALS ERRED, IN ANY EVENT, IN NOT HOLDING THAT ANY ACTION BASED ON TORT HAS LONG PRESCRIBED.

"VIII

Eighth Assignment of Error

"IN ANY EVENT, THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE PLANTERS WERE THE AGENTS OF THE LABORERS WHOSE CAUSE OF ACTION, IF ANY, FOR 60% OF THE 4% INCREASED PARTICIPATION OR FOR THOSE AMOUNTS PERTAINING TO THE PERIOD FROM JUNE 22, 1952 TO OCTOBER 31, 1955, SOLELY LIES AGAINST SAID PLANTERS AS THEIR AGENTS, IN VIEW OF THE FACT THAT PETITIONER VIC-MICO FAITHFULLY DELIVERED, AS ADMITTED BY THE PARTIES AND FOUND BY THE HONORABLE COURT, ALL OF SAID AMOUNTS TO THE PLANTERS WHOSE OBLIGATION, IN TURN, WAS TO DISTRIBUTE TO THEIR RESPECTIVE LABORERS THE LATTER'S SHARE.

"IX

Ninth Assignment of Error

"WITH REFERENCE TO THE AMOUNT OF P6,399,105.00 AND THE AMOUNT OF P180,769.38, WHICH ACCRUED IN FAVOR OF THE LABORERS FROM JUNE 22, 1952 TO OCTOBER 31, 1955 WHEN THERE WAS AS YET NO WRITTEN MILLING AGREEMENT, IN VIEW OF THE FACT THAT THE LABORERS ADMITTED IN THEIR PETITION THAT THE PLANTERS GAVE THEM THEIR LAWFUL PARTICIPATION FROM JUNE 22, 1952 TO OCTOBER 31, 1955 AND THERE BEING, MOREOVER, NO ALLEGATION OF ANY CAUSE OF ACTION RELATIVE THERETO, THE COURT OF APPEALS ERRED AND ACTED WITH GRAVE ABUSE OF DISCRETION WHEN IT HELD PETITIONER VICMICO AND THE PLANTERS JOINTLY AND SEVERALLY LIABLE VIA TORT FOR SAID AMOUNTS.

"X

Tenth Assignment of Error

"HAVING FOUND THE MILLING AGREEMENT AND THE AMICABLE SETTLEMENT-COMPROMISE AGREEMENT (ASCA) TO BE VALID, THE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONER VICMICO AND THE PLANTERS HAD NO AUTHORITY TO STIPULATE IN SAID ASCA ON THE DISPOSITION OF THE AMOUNTS PERTAINING TO THE LABORERS FROM JUNE 22, 1952 TO OCTOBER 31, 1955, THE PLANTERS BEING THE AUTHORIZED AGENTS OF THE LABORERS BY, AMONG OTHERS, HAVING RECEIVED ALL THE AMOUNTS DUE THEM, HAVING MOREOVER RATIFIED SAID ASCA.

"XI

Eleventh Assignment of Error

"THE COURT OF APPEALS ERRED IN CONCLUDING THAT THE LABORERS DID NOT RECEIVE THE AMOUNT OF P6,399,105.00 AND IN HOLDING, ON THE BASIS OF TORT, PETITIONER VICMICO, JOINTLY AND SEVERALLY LIABLE WITH THE PLANTERS THEREFOR, EXHIBIT

23-VICMICO CLEARLY SHOWING ON ITS FACE THAT THE LABORERS ACTUALLY RECEIVED A TOTAL OF P6,536,741.98 AND THE COURT OF APPEALS HAVING FOUND THAT ALL AMOUNTS PERTAINING TO THE LABORERS HAD BEEN RECEIVED BY THE PLANTERS, THE FOREGOING DEMONSTRATING, AMONG OTHERS, THAT PETITIONER VICMICO CANNOT BE ACCUSED OF ANY TORTIOUS ACT.

"XII

Twelfth Assignment of Error

"THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE PETITION OF FFF, ET ALS. IS ESSENTIALLY AN ACTION FOR ACCOUNTING, SAID ACTION REQUIRING A PRIOR DETERMINATION OF THE RIGHT TO ACCOUNTING AND THE ACCOUNT-ING ITSELF, A SEQUENCE THAT HAS NOT BEEN ADHERED TO BY THE COURT OF APPEALS WHEN IT ENTERED A FINAL JUDGMENT FOR UNDETER-MINED AND SPECIFIC AMOUNTS, NOTWITHSTANDING FFF, ET ALS.' ABSENCE OF ANY RIGHT TO ACCOUNT-ING AGAINST PETITIONER VICMICO, THEIR RIGHT, IF ANY, BEING EXCLUSIVELY AGAINST THE PLANTERS.

"XIII

Thirteenth Assignment of Error

"IN ANY EVENT, THE COURT OF APPEALS ERRED IN NOT HOLDING THAT REPUBLIC ACT 809, OTHER-WISE KNOWN AS THE SUGAR ACT OF 1952, IS UNCONSTITUTIONAL.

"XIV

Fourteenth Assignment of Error

"THE COURT OF APPEALS ERRED IN HOLDING THAT THE ACTION OF FFF, ET ALS. HAS BEEN IMPROPERLY BROUGHT AS A CLASS SUIT.

"XV

Fifteenth Assignment of Error

"THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE COURT OF AGRARIAN RELATIONS HAD NO JURISDICTION OVER THE SUBJECT MATTER OF THE SUIT AT THE TIME THE SAME WAS FILED ON NOVEMBER 9, 1962.

"XVI

Sixteenth Assignment of Error

"THE COURT OF APPEALS ACCORDINGLY ERRED IN NOT ABSOLVING PETITIONER VICMICO FROM ALL OBLIGATIONS (A) FOR 60% OF THE 4% INCREASED PARTICIPATION OF THE PLANTERS, (B) FOR P6,399,105.00 AND P180,768.38, AND (C) FOR ATTORNEY'S FEES." (A to K of VICTORIAS' Brief)

On its part, as grounds relied upon for the allowance of their petition, the PLANTERS submit that:

" - A -

"THE COURT OF APPEALS ERRED IN CONCLUDING THAT, WHILE THE AGREEMENT BETWEEN THE CENTRAL AND THE PLANTERS WITH RESPECT TO THE 64-36 SHARING BASIS IS VALID, YET THERE MUST BE READ INTO IT THE PROVISIO THAT 60% OF THE INCREASE IN THE PARTICIPATION OF THE PLANTERS SHALL PERTAIN TO THE PLANTATION LABORERS IN ACCORDANCE WITH SECTION 9 OF REPUBLIC ACT NO. 809, OTHERWISE KNOWN AS THE SUGAR ACT OF 1952.

" - B -

"THE COURT OF APPEALS ERRED IN HOLDING PETITIONER PLANTERS JOINTLY AND SEVERALLY LIABLE, ON THE BASIS OF TORT WITH CENTRAL NOTWITHSTANDING THE FACT THAT IT FOUND THE ASCA PERFECTLY VALID AND NOT IN CIRCUMVENTION OF THE LAW.

" - C -

"THE COURT OF APPEALS ERRED IN FINDING THAT THE P4,000,000.00, OF THE P5,186,083.34, PERTAINING TO THE SHARE OF THE PLANTATION LABORERS WITHIN THE VICTORIAS MILL DISTRICT FROM JUNE 22, 1952 TO OCTOBER 31, 1955, WAS NOT DISTRIBUTED TO THE SAID PLANTATION LABORERS SIMPLY BECAUSE NEITHER THE CENTRAL, NOR THE PLANTERS NOR THE SPECIAL COMMITTEE PRESENTED EVIDENCE AS TO ITS DISTRIBUTION.

" - D -

"THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE RESPONDENTS' PETITION IS NOT PROPER AS A CLASS SUIT.

" - E -

"THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE COURT OF AGRARIAN RELATIONS HAD NO JURISDICTION OVER THE SUBJECT MATTER OF THE SUIT AT THE TIME THE SAME WAS FILED BY THE FFF, ET ALS. ON NOVEMBER 9, 1962.

" - F -

"THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE COURT OF AGRARIAN RELATIONS HAD NOT ACQUIRED JURISDICTION OVER THE PERSONS OF THE PLANTERS WHO WERE SERVED SUMMONS BY PUBLICATION, DUE TO DEFECTIVE SERVICE OF SUMMONS BY PUBLICATION." (Pp. 33-34, L-43153 Rec., Vol. I.)

Petitioners Primo Santos and Roberto H. Tirol formulate their reasons for their petition for review thus:

"1. - The Hon. Court of Appeals failed to resolve a most important question as to whether or not the lower court had acquired jurisdiction over the persons of defendants-appellees Primo Santos and Roberto H. Tirol due to defective service of summons by publication.

"2. - The Sugar Act of 1952 (Rep. Act No. 809) may be interpreted as not to preclude freedom of contract between the majority of the plantation owners and the central; but the law should not later be applied only in part as to benefit and favor the Central to the great prejudice of both the plantation owners and the laborers.

"3. - Defendant Primo Santos being a mere LESSEE, not the owner of 'Hda. Kana-an', and NOT having signed any milling contract with the Victorias Milling Co., he should not be made jointly and severally liable with the

central and the plantation owners for acts and/or contracts in which he had no part nor inter-vention whatsoever.

"4. - There is no evidence that the individual planters, particularly the defendants-movants herein, had any knowledge of nor intervention in the custody of the sum of P4,000,000 belonging to the plantation laborers which was supposedly entrusted to a 'Special Committee' of five (5) members; and, therefore, they (the movants) should not be adjudged jointly and severally liable for the alleged loss of such amount and its increments.'" (Page 7, L-43369 Rec.)

The foregoing numerous assignments of error supposedly committed by the Court of Appeals would, if all of them were to be separately considered, call for a very extended discussion, necessarily making this opinion tediously long. But We have repeatedly received from all the parties motions for early resolution of these cases, which although relatively new in this Court, were indeed started in the Court of Agrarian Relations, Bacolod Branch, more than eighteen (18) years ago. And, considering they involve an enormous amount constituting, as it were, another windfall for the least favored element—the farm laborers—of the once prosperous sugar industry in Negros Occidental, We will limit Ourselves to the fundamental and pivotal matters, and thus put finis, as briefly as possible, to this important controversy together with all hardships its long pendency has entailed for all the parties concerned, particularly the laborers.

Anyway, going carefully with detailed attention over the numerous issues raised in the so-called grounds for allowance alleged by the parties in their respective petitions, it would be readily noted, that most of them deal with but a few fundamental issues, some of them, already settled and determined, as a matter of fact, by this Supreme Court, in its decision in a related case, that of *Asociacion de Agricultores de Talisay-Silay, Inc. vs. Talisay-Silay Milling Co., Inc.*, 88 SCRA 294, and its resolution of the motion for reconsideration thereof as reported in 89 SCRA 311. Indeed, in its second motion dated July 8, 1980 for promulgation of decision, the FEDERATION acknowledges expressly that "the constitutionality of the Sugar Act of 1952 as well as the construction and interpretation thereof" have been set at rest by Us in said case. In the main, therefore, insofar as such basically similar and resolved issues are concerned, We shall refer to them here already as settled juridical premises whenever it should be proper to do so in resolving the issues in these cases.

II

To set them forth briefly, among the issues in these instant cases, which this Court has already resolved with finality in the Talisay-Silay case are the following:

- A -

That Republic Act 809, as a social legislation founded not only on police power but more importantly on the social welfare mandates of the Constitution, is undoubtedly constitutional in all its aspects material and relevant to the instant cases. We deem it would be a fruitless exercise for Us to rediscuss and belabor that point here. Indeed, We find the position of the Court of Appeals thereon to be well studied and discussed and totally correct, being as they are substantially in line with the pertinent considerations on the same point expressed in Our Talisay-Silay decision.

- B -

Aside from upholding the constitutionality of Republic Act 809, We further ruled in Talisay-Silay that the predicate or prerequisite of absence of milling agreements for the application of Section 1 of the Act does not refer exclusively to the expiration of the then existing contracts (those that expired before the approval of the Act)

but even to future failure of centrals and planters to enter into written milling contracts; that, therefore, there is nothing in the law that excludes the right of said parties to enter into new contracts, and that in said new contracts, they could provide for a ratio of sharing different from that stipulated in Section 1 of the Act, provided, of course, that any increase of their share in the proceeds of milling that the PLANTERS would get, 60% thereof must be paid by them to their respective plantation laborers.

Suffice it, therefore, to refer, insofar as said issues are concerned, to the decision of the Court of Appeals, which We hereby uphold, and to Our own discourse thereon as well as Our construction of Section 1 thereof regarding the freedom of the centrals and the planters to agree on how they would share the proceeds of the milled sugarcane made in Our decision of April 3, 1979 and resolution of February 19, 1979 earlier mentioned above. Covered here by this adoption by reference and, therefore deemed resolved in line with Talisay-Silay are the following assignments of error of the parties hereto, all of which We have quoted at the outset of this opinion:

- A. I to V in the FEDERATION's brief in G.R. No. L-41161 in Federation, etc., et al. vs. Court of Appeals, et al.;
- B. Nos. 1, 2 and 8 of its so-called questions of substance and assignment of errors I, II and IX, of VICTORIAS in G.R. No. L-41222 in Victorias Milling Co., Inc. vs. Court of Appeals, et al.; and
- C. Ground A of the PLANTERS in G.R. No. L-43153 in Planters, Victorias Milling District vs. Court of Appeals, et al.

as well as the corresponding refutations thereof and counter-assignments of the respective parties relative to the just-mentioned assignments of error or grounds for allowance, but none of the points raised by petitioners in Santos and Tirol vs. Court of Appeals, et al. G.R. No. L-43369.

III

To facilitate understanding of the resolution of these cases, let it be recalled that, as is more extensively discussed in the portions of the decision of the Court of Appeals hereinunder to be quoted, previous to the passage of Republic Act 809 or the Sugar Act of 1952, almost all over the country, and particularly in the sugar milling districts of Negros Occidental, the centrals practically dominated the economic fate of the planters and the laborers of the latter. The common prevalent ratio of sharing of the proceeds of the sugarcane milled by said centrals was fixed at 40% for the centrals and 60% for the planters, both parties dealing with and paying their respective laborers at rates which were considered subnormal, so much so that President Manuel Quezon had to appoint a committee headed by Chief Justice Manuel Moran to investigate the economic and social conditions in the whole sugar industry. As expected, the report recommended more effective measures to ease the strangle-hold of the centrals over the planters, and more importantly, to ameliorate the conditions of labor, even to the extent of utilizing police power steps for the purpose, if needed. Hence, the above-mentioned Sugar Act came into being.[1]

Section 1 thereof provides thus:

"SECTION 1. In the absence of written milling agreements between the majority of planters and the millers of sugar-cane in any milling district in the Philippines, the unrefined sugar produced in that district from the milling by any sugar central of the sugar-cane of any sugar-cane planter or plantation owner as well as all by-products and derivatives thereof, shall be divided between them as follows:

'Sixty per centum for the planter, and forty per centum for the central in any milling district the maximum actual production of which is not more than four hundred thousand piculs: Provided, That the provisions of this section shall not apply to sugar centrals with an actual production of less than one hundred fifty thousand piculs;

'Sixty-two and one-half per centum for the planter, and thirty-seven and one-half per centum for the central in any milling district the maximum actual production of which exceeds four hundred thousand piculs but does not exceed six hundred thousand piculs;

'Sixty-five per centum for the planter, and thirty-five per centum for the central in any milling district the maximum actual production of which exceeds six hundred thousand piculs but does not exceed nine hundred thousand piculs;

'Sixty-seven and one-half per centum for the planter, and thirty-two and one-half per centum for the central in any milling district the maximum actual production of which exceeds nine hundred thousand piculs but does not exceed one million two hundred thousand piculs;

'Seventy per centum for the planter, and thirty per centum for the central in any milling district the maximum actual production of which exceeds one million two hundred thousand piculs."

Complementing the above provision, Section 9 thereof provides for a 60/40 partition between the planters and laborers (60% for the laborers and 40% for the planters) of any increase that the planters might obtain under the Act. (Sec. 9 is quoted in the portion of the decision of the Court of Appeals to be quoted on pages 25 and 26 hereof.)

In the wake of such legislation, litigations were started questioning the constitutionality thereof, and among such cases was Talisay-Silay which, as already stated, We have already decided. To reiterate, in that case, We did not only uphold the statute's validity, We also held that the Act was not intended to deprive the mills and the planters of the right to divide the proceeds of the milled sugarcane in each district in the proportion they might agree on, without regard to the ratios specified in Section 1 of the Act, provided that any increase that the planters might be given, as expected in consequence of the implicit compulsion of the law, has to be shared by them with their respective laborers in their plantations, whether owned or leased by them, in the proportion of 60% for said laborers and 40% only for them. Nothing in the pleadings and the briefs of the parties in the instant cases persuades Us to rule otherwise. In fact, at the request of the FEDERATION, We already had occasion to go over the main points raised by it here, when they asked Us to consider in deciding that case their arguments in their brief filed with the Court of Appeals, copy of which was furnished Us. The decision of this case must then be predicated fundamentally on the Talisay-Silay rulings insofar as they may be pertinent here.

We can now, therefore, proceed to discuss the aspects of the cases that require disquisition and disposal.

IV

To start with, the PLANTERS, VICTORIAS and SANTOS--TIROL impugn the jurisdiction of the Court of Agrarian Relations, 11th Regional District, Branch I, Bacolod City, in taking cognizance of this case, with SANTOS and TIROL contending that since this is an action in personam, service to them by publication is invalid, hence, the trial court did not acquire jurisdiction over their person; even as VICTORIAS and PLANTERS maintain that not all the planters' members have been properly summoned, considering that some of them were served summons only also by publication.

We are not going to tarry long on these two points of jurisdiction. We are sufficiently convinced that, by and large, Sections 1 and 7 of Republic Act 1267, which created the Court of Agrarian Relations, providing that:

"SEC. 1. Creation. - For the enforcement of all laws and regulations governing the relation of capital and labor on all agricultural lands under any system of cultivation, there is hereby created a court of Agrarian Relations, which shall be under the executive supervision of the Department of Justice.

x x x

"SEC. 7. Jurisdiction of the Court. - The Court shall have original and exclusive jurisdiction over the entire Philippines, to consider and investi-gate, decide and settle all questions, matters, controversies, or disputes involving all those relationships established by law which determine the varying rights of those persons in the cultivation and use of agricultural land where one of the parties works the land; Provided, however, that cases pending in the Court of Industrial Relations upon approval of the Act which are within the jurisdiction of the Court of Agrarian Relations, shall be transferred to, and the proceedings therein continued in, the latter court."

and which was the law at the time of the filing of the FEDERATION's suit on November 10, 1962, contemplated the transfer from the Court of Industrial Relations, established under Commonwealth Act No. 3, to the Court of Agrarian Relations of all controversies of whatever nature involving agricultural laborers, particularly those referring to the employer-employee relationship with their respective employers, which naturally include the sugar planters and their plantation workers. (Santos vs. C.I.R., 3 SCRA 759.) Hence, it cannot be said that the trial court, the Court of Agrarian Relations of Bacolod City, had no jurisdiction to take cognizance of the vital petition that spawned the instant cases before Us.

V

Also, considering the number of laborers involved herein, We hold that it cannot be seriously argued that the trial court erred in holding that the laborers and/or the FEDERATION had properly initiated their action as a class suit, it being a matter of common knowledge that "the subject matter of the controversy (herein) is one of common or general interest to persons --- (so) numerous that it is impracticable to bring them all before the court," and after all, it appears that "the parties actually before (the trial court were) sufficiently numerous and representative, so that all interests concerned (were) sufficiently protected." (Sec. 12, Rule 3.)

Anent the complaint of the PLANTERS that since not all the 422 individual planters named respondents in the amended petition filed below were personally or by proper substitute form of service served with summons, the court did not acquire jurisdiction over the persons of all the planters concerned, suffice it to say that the record shows that at the hearing of December 14, 1967 in the court below, there was the following clarification of the PLANT-ERS' appearance:

"ATTY. SOTO:

Attys. Sanicas and Soto appearing for Planters' Association.

"ATTY. SABIO:

Do I understand that Attys. Soto, Banzon and Associates represent the members of the Victorias Mill District Planters' Association, Inc.?

"ATTY. SOTO:

Those planters who are respondents in this case as well as planters which (sic) are not duly represented by counsel, who are not present in court." (t.s.n. pp. 5-6)

We understand this manifestation to mean that Atty. Soto assumed representation presumably with due authority of all the planters in the district. In any event, the filing of the FEDERA-TION's petition must have been well known or was of public knowledge in the Victorias milling district and We believe that all the rest of the planters not here mentioned by name were as much concerned as the latter and may be deemed to have felt that all of them would eventually have the same fate. Besides, it is Our impression that the interests of all the planters concerned cannot be better presented and defended than by how the PLANTERS have done in these cases before Us now. In view whereof, We consider it rather superfluous to cite any authorities for a holding, as We do hold, that the

persons of all the planters in the Victorias Mill District had been properly placed within the jurisdiction of the trial court. (Aguilos vs. Sepulveda, 53 SCRA 269.)

Moreover, the issues of jurisdiction just discussed may be considered as resolved by the provisions of the law reorganizing the Courts of Agrarian Relations, under which technical rules have hardly any force or applicability, and considering that the acquisition of jurisdiction over the persons of defendants is an adjective matter, this significant modification of the procedural rules in the Court of Agrarian Relations from which these cases originated may be given retroactive effect. (See Presidential Decree 946, Sec. 16.)

VI

Coming now to the real meat of the problem before Us, which is the question of how much money the laborers belonging to the FEDERATION should be paid by the PLANTERS and/or VICTORIAS, corresponding to all the years from the passage of Republic Act 809 up to November 1974 (which is the year both parties seemingly are agreed the factual premises of further controversy among them came to an end due to shortage of production), it should be helpful for a deeper insight into the issues between the parties to quote pertinent portions of the decision of the Court of Appeals. According to said court:

"Section 9 of the Sugar Act provides as follows:

'SECTION 9. In addition to the benefits granted by the Minimum Wage Law, the proceeds of any increase in the participation granted the planters under this Act and above their present share shall be divided between the planter and his laborer in the plantation in the following proportion:

'Sixty per centum of the increased participation for the laborers and forty per centum for the planters. The distribution of the share corresponding to the laborers shall be made under the supervision of the Department of Labor.

'The benefits granted to laborers in sugar plantations under this Act and in the Minimum Wage Law shall not in any way be diminished by such labor contracts known as 'by the piece', 'by the volume', 'by the area', or by any other system of 'pakyaw', the Secretary of Labor being hereby authorized to issue the necessary orders for the enforcement of this provision.'

"The petition in the lower court alleged that, while pursuant to Section 9 of the Act, as above quoted, 'respondents PLANTERS gave to petitioners LABORERS the latter's participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until November 1, 1955,' they 'ceased to do so until the present', (par. 10, petition). It likewise charged that 'with evident intent to evade compliance with said Act and to the grave prejudice of the laborers, some of the respondents PLANTERS and respondent CENTRAL prepared and executed a General Collective Sugar Milling Contract sometime in March, 1956', (par. 11, petition) the substance of which is discussed, supra. Appellants forthwith prayed for a judgment: declaring the applicability to the Victorias Mill District of the sharing participation prescribed by the Act, starting with the 1955-1956 crop year; ordering Central and/or Planters to pay Appellants' lawful share in the sugar production beginning the crop year 1955-1956, plus legal interests thereon; awarding exemplary damages in an amount that the Court may deem sufficient; and granting attorney's fees of 20% of whatever amount the Appellants might be entitled to.

"Denying material allegations of the petition, respondent Central, in its answer, claims in substance that petitioners did not have any cause of action against it since it had existing written milling agreements with respondent Planters, and Republic Act 809 is applicable only in the absence of written milling agreements. As special defenses, it advanced the propositions that the lower court had no jurisdiction over the subject-matter of the action at the time of the filing thereof prior to the effectivity of the Land Reform Code; that Republic Act

809 is unconstitutional; that appellant Federation of Free Farmers has no legal authority and capacity to intervene in the action; and that the action was not proper for a class suit. It likewise filed a counterclaim for attorney's fees in the amount of P20,000.00, alleging that the action instituted against it was clearly unfounded.

"On their part, respondent Planters, in answers filed singly or in groups, substantially echoed Central's defenses, adding, however, that should judgment be rendered against them, they should be entitled to reimbursement from Central.

"Assuming jurisdiction over the action, recognizing the personality of the respondent Federation of Free Farmers, and considering the case as proper for a class suit, the lower court, after hearing, relying principally on the interpretation of Section 1 of Republic Act 809 that the law applies only in the absence of written milling agreements, dismissed the petition, having found that written milling agreements do exist between respondent Central and respondent Plant-ers, the dispositive portion of the decision, dated December 14, 1970, reading as follows:

'IN VIEW OF THE FOREGOING PREMISES, judgment is hereby rendered dismissing this case as it is hereby ordered DISMISSED, without pronouncement as to cost.'

"The matter now before this Court is the appeal taken by the petitioners from the decision referred to. Respondents Central and Planters did not interpose any appeal.

"In their appeal, appellants ventilate twenty-eight assignments of error (pp. 67 to 77, Appellant's Brief). These, however, may be reduced to the following issues, namely:

"First: Whether, as held by the lower court, the existence of written milling agreements between Central and Planters (Exhibits XXX thru XXX-6; YYY thru YYY-7; and SSS thru SSS-28 and ZZZ thru ZZZ-7) renders inapplicable the operation of Republic Act 809;

"Second: Whether, as appellants' claim these milling agreements have been entered into in circumvention of Republic Act 809 and are, for that reason, void ab initio; and

"Third: Whether, Central and Planters misappropriated money belonging to appellants amounting to millions of pesos.

"We find substantial merit in the appeal. On the basis of the historical facts bearing upon the case, we find the decision of the lower court in error.

"For, historically, the facts that triggered the enactment of Republic Act 809 and the case at bar are as follows:

"In 1918, 1919, and 1920, Central and Planters executed 30-year milling agreements under which the former was to receive 40% and the latter 60% of the proceeds of sugarcane produced and milled in the Victorias Mill District in Negros Occidental. As early as the 1930's, however, agitations were already made to increase the participation of the Planters. Planters sought to justify their demands upon the claims that there was too great a disparity in profits in favor of Central and that the increase was necessary to improve the condition of their plantation laborers.

"The situation in the sugar industry at the time was such that on February 23, 1938, President Manuel L. Quezon appointed Chief Justice Moran of the Supreme Court as Special Investigator to study the 'alleged inequitable distribution of sugar resulting from the milling of sugarcane between the centrals and the plantations, with a view to ameliorating the condition of the planters' laborers'. On April 30, 1939, Justice Moran, in his report, verified the disparity and observed that unless the participation of the planters were increased, they could not be made to ameliorate the condition of their plantation laborers.

"Moran's investigations were followed up by similar ones conducted by the National Sugar Board created by President Quezon under Executive Orders Nos. 157 and 168, and the Board's findings confirmed those of

Justice Moran's according to its report of August 2, 1939.

"On June 7, 1940, Commonwealth Act No. 567 took effect. Noting the great disparity in the proportion of benefits 'being received from the industry by each of its component elements', it declared it to be a 'national policy to obtain a readjustment of the benefits derived from the sugar industry by the component elements thereof—the mill, the land-owner, the planters of the sugarcane, and the laborers in the factory and the field'.

"The years during World War II may have momentarily stilled the agitations for the increase, but during the Second Congress of the Republic the same were resumed with vigor. Four bills were filed, three in the House and one in the Senate, all entitled 'An Act To Regulate the Relations between Planters and Millers of Sugarcane'. After a series of amendments, the Senate version (SB No. 138) was finally sent to President Quirino who, however, vetoed the same on grounds, among others, that 'the bill contains no provisions granting to the laborers a share in the increased participation of the planters nor does it expressly require the latter to improve the lot of their laborers'.

"On January 15, 1951, House Bill No. 1517 (which ultimately became Republic Act No. 809) entitled 'An Act To Regulate the Relations Among Persons Engaged in the Sugar Industry', was introduced to remedy the presidential objections to the vetoed SB No. 138. The remedy introduced by HB No. 1517 was in the form of its Section 10 (which was amended later to become Section 9 of Republic Act 809) providing, in essence, that 60% of any increase in participation granted to planters under the Act 'above their present share' should go to their plantation laborers.

"In the meantime, Planters, on the one hand, and Central, on the other, were locked in a tug-of-war, the former continuing the demand for increase, the latter insisting in refusing to grant any. Mean-while, a new element had entered into the dimensions of the controversy the Planters now contended that new written milling agreements should be concluded because their 30-year contracts with Central had already expired. Central countered with the argument that its contracts were still in force although the 30-year period may already have run out, be-cause 6 years had to be excluded from the computation of the 30-year period for the reason that during 4 of the 6 years, the mills were not in operation because of the Japanese occupation, and during the last 2 years of the 6, the mills had to be reconstructed and rehabilitated so that the mills were not in operation either. As the conflict continued unresolved, with Central adamant in its position not to offer any increase in Planters' participation the expiration of the pre-ferential treatment of sugar in the American market was fast approaching: beginning July 4, 1954, graduated customs duties were going to be taxed on Philippine sugar. There was therefore, in the language of Section 1 of the sugar bills deliberated on in Congress on May 9, 1950, a need 'to insure the maximum utilization of the benefits of preferential treatment for the Philippine sugar in the American market for the few remaining years'.

"The need for increasing the planters' participation, the approaching expiry date of the preferential treatment of Philippine sugar in the American market, the impasse between Central and Planters despite the termination or near termination of their 30-year written milling contracts, and the need for Congress to step in and pass a sugar law, found expression in the 'Explanatory Note' of House Bill No. 1517 introduced on January 15, 1951, thus:

"The necessity for increasing the share of the planters and the laborers in the income derived from the sugar industry for its stabilization is not a new question but an admitted fact even before the outbreak of World War II.

'On February 23, 1938, President Quezon on appointed Justice Manuel V. Moran to make a study of the 'distribution of sugar resulting from the milling of sugarcane between the centrals and the planters with a view to ameliorating the condition of the planters' laborers'; and after an exhaustive investigation covering several months, Justice Moran filed his report on April 30, 1939, recommending the increase in the participation of sugar planters, even in violation of existing milling contracts, contending that such a law is constitutional as a valid exercise of the police power of the state. The National Sugar Board created by Executive Orders Nos. 157 and

168, which made another investigation of the sugar industry, in its report to the President of the Philippines on August 2, 1939, confirmed practically the findings of Justice Moran.

'Five crop years after liberation find the Philippine sugar industry still behind its production allotment. In the meantime, only three more years of preferential treatment in the American market remain.

'Serious as the situation is, it is further aggravated by the fact that a determined struggle continues between millers and planters. Most of the milling contracts are due to expire next year, if they have not already done so. Recently, a serious crisis faced the industry when planters of the Victorias-Manapla district with a quota of 1,711,235.11 piculs declared a sit-down strike, refusing to mill their canes due to the obstinate refusal of the central to discuss terms for a new milling contract. It is feared that with this antecedent, the disagreement between the millers and planters will lead to more serious disruption of the industry and ultimately to a complete paralization of production. The dispute as to the ownership of the sugar quota has already reached our Courts.

'It is therefore believed that national interest requires that Congress should take immediate steps to save or promote an industry, which is not only a source of livelihood for many millions of Filipinos but is also one of our most important dollar producing industries. Our country can ill afford to waste time in long-drawn out disagreements and litigations between millers and planters with only three more years of free American trade under the terms of the Philippine Trade Act of 1946.

'The present bill seeks to avoid fatal controversies in the sugar industry by determining the respective share of millers and sugar-cane planters in the absence of milling agreements, on the pattern set by the Rice Share Tenancy Act, the constitutionality of which has been already upheld and on the basis of the declarations of emergency and national interest made in Act No. 4166. Commonwealth Act No. 567, and Republic Act No. 279.

'This bill is also in harmony with the recommendation of the Bell Report for the improvement of the living condition of the laboring class by providing higher wages therefor. This bill does not violate existing milling agreements between planters and millers of sugar-cane as its provisions are only applicable in the absence of such milling contracts.'

"Notwithstanding the facts faithfully reflected in the aforequoted 'Explanatory Note' to HB 1517, Central and Planters still had not entered into new written milling contracts, and there were no prospects that such contracts would soon be entered into. In fact, on June 16, 1952, Planters went to court in Civil Case No. 16815 filed with the Manila Court of First Instance praying that a judgment be rendered declaring their 30-year written milling agreements with Central terminated.

"Under this air of extreme uncertainty and necessity, Congress approved HB 1517 to become law as Republic Act 809 on June 22, 1952.

"Under this law, Planters claimed, the Victorias Mill District fell in the category of districts producing 1,200,000 piculs or more. By prescription of its Section 1, Central would have a share of 30% and Planters, 70%. Since, before June 22, 1952, Planters had a participation of only 60% while Central had 40%, and since, under their contention, their 30-year milling contracts had already expired, Planters demanded that Central, pursuant to the new law, give them an increase equivalent to 10% over their previous 60% participation.

"On July 1, 1952, however, Central replied to Planters (Exhibit N-14):

'We refer to your letter of June 25, 1952.

'We reiterate our opinion that our milling contracts have not yet expired, and that we are under no obligation to deliver to the planters the increased participation of 70% provided in the Sugar Act of 1952.

'On the other hand, there is pending in the Court of First Instance of Manila (Case No. 16815), the action instituted by you against our Company for a declaratory judgment as to whether or not our milling contracts have already expired.

'In view of the foregoing, we suggest matters be held in abeyance until final judgment is rendered in the said case No. 16815.'

"Notwithstanding this reply, Central, beginning June 22, 1952, set aside a 'reserve' of 10% as a precautionary measure to take care of Planters' demand just in case it had to give that 10% increase. Central, however, did not actually give it to Planters; it merely set it aside for future disposition, 'because', explained Central's treasurer-comptroller, 'apparently there was no milling contract at that time and the company was afraid to incur liability under Republic Act 809 and therefore the company set aside every year 10%' (tsn., August 14, 1969, p. 6).

"On April 19, 1954, Central filed an action (Exhibits H to H-12) against Planters in Civil Case No. 22577 asking the Manila Court of First Instance to declare Republic Act 809 unconstitutional.

"In the meantime, on March 19, 1953, the Manila Court of First Instance, in Civil Case No. 16815 brought by Planters (Exhibits F thru F-22) decided that the 30-year milling contracts had indeed expired in 1951, at the latest, or before June 22, 1952. On appeal, this decision was affirmed by the Supreme Court in G.R. No. L-6648 dated July 25, 1955 (Exhibits G-1 thru G-6).

"On December 14, 1955, some 20 months after filing Civil Case No. 22577, Central filed a motion (Exhibit U) alleging that negotiations were in progress for the amicable settlement of its differences with Planters. On February 25, 1956, similar motions (Exhibit V) were filed by both Central and Planters manifesting to the court that such negotiations were going on and that there was probability that they would reach an amicable settlement.

"On March 5, 1956, Central and Planters executed the controversial 'Amicable Settlement-Compromise Agreement' (Exhibits XXX thru XXX-6).

"On April 23, 1956, Central and Planters filed a manifestation (Exhibit Y) to the effect that they had already compromised and settled their differences, but that the execution by the majority of Planters of their new individual sugar milling contracts had not yet been completed, and that as soon as this was done, Central would ask for the dismissal of Civil Case No. 22577.

"On May 2, 1956, three persons, planters themselves (the spouses Jose V. Coruña and Jesusa Rodriguez, and Felipe L. Lacson), filed a 'Motion for Intervention' (Exhibits Z thru Z-19) in which they attacked the 'Amicable Settlement-Compromise Agreement' (referred to hereafter as ASCA for convenience), as a circumvention and violation of Republic Act 809 because it eliminates the share of the laborers, from November 1, 1955 to October 31, 1974.

"On May 5, 1956, the Secretary of Labor filed a manifestation (Exhibits AA thru AA-1) adopting the allegations of the three planters' motion for intervention, and assailing the ASCA as being contrary to law because it totally deprives the plantation laborers of the benefits granted them by Republic Act 809 for the period commencing November 1, 1955 up to the end of the 1973-1974 crop milling season, and because, with respect to the period from June 22, 1952 to October 31, 1955, their share is not being disposed of in accordance with the provisions of Republic Act 809.

"On May 28, 1956, another group of 6 laborers filed a motion (Exhibits BB thru BB-17) with the court, likewise attacking the ASCA as a 'device by which the petitioner and a majority of the planters seek to circumvent the provisions of the Sugar Act of 1952, and conniving and confabulating together thereby denying to labor its just rights granted them by the said law'.

"On June 4, 1956, almost three months to the day from the execution of the ASCA on March 5, 1956, Central filed with the court, in Civil Case No. 22577, a 'Petition for Provisional Dismissal' (Exhibit FF-2).

"On June 8, 1956, the 3 planters earlier referred to filed an opposition (Exhibits II thru 11-3) to the petition for provisional dismissal.

"On the same date, June 8, 1956, the Secretary of Labor filed a similar opposition (Exhibits JJ thru JJ-10), assailing the ASCA sharing of the sugar between Planters and Central at 64% and 36%, respectively, with nothing going to the plantation laborers, as being contrary to Section 1 of Republic Act 809 which had increased Planters' participation from 60% to 70%, representing an increase of 10%, and to Section 9 of the Act which grants the plantation laborers a participation of 60% of such 10% increase.

"On June 22, 1956, the Manila Court of First Instance denied the motions for intervention and dismissed Civil Case No. 22577, without prejudice, from which denial and dismissal (Exhibits KK thru KK-6) the Secretary of Labor, the three planters, and the six laborers referred to above, took an appeal to the Supreme Court. In G.R. No. L-11218 (Exhibit UU-1), the Supreme Court dismissed the appeal on November 5, 1956.

"As is readily evident from the foregoing recital of facts, the major bone of contention between the appellants, on the one hand, and the appellees, on the other, consists in the 'Amicable Settlement-Compromise Agreement (Exhibits XXX thru XXX-6, hereafter referred to as the ASCA for convenience) executed on March 5, 1956 by Central, on the one hand, and Planters, on the other, and reproduced in substance in the 'General Collective Sugar Milling Contract' (Exhibits YYY thru YYY-7) and the 'Individual Sugar Milling Contracts' (Exhibits SSS thru SSS-28 and ZZZ thru ZZZ-7). For a deeper insight into the conflicts that divide the parties to this case, the ASCA is hereunder reproduced in full as follows:

'AMICABLE SETTLEMENT-COMPROMISE AGREEMENT'

'This document, executed by

'VICTORIAS MILLING COMPANY, INC., a corporation organized and existing under the laws of the Philippines, and domiciled in the City of Manila (hereinafter referred to as the 'COMPANY'), represented herein by its President, Carlos L. Locsin, of age, Philippine citizen, married, and resident of the Province of Negros Occidental, as Party of the First Part;

- a n d -

'VICENTE F. GUSTILO, JESUS SUAREZ, SIMON DE PAULA, FERNANDO J. GONZAGA and JOSE GASTON, of age, Philippine citizens, married, and residents of the Province of Negros Occidental, and duly authorized to execute this document by the sugarcane planters affiliated with the COMPANY, (hereinafter referred to as the 'PLANTERS') as Party of the Second Part;

'WITNESSETH: That

'WHEREAS, long before the war in 1941 the COMPANY and NORTH NEGROS SUGAR CO., INC., (a domestic corporation, domiciled in the City of Manila, whose obligations were assumed by the COMPANY) and several sugarcane planters in Manapla, Cadiz and Victorias, Negros Occidental, entered into, and executed, sugar milling contracts which have already expired;

'WHEREAS, on June 22, 1952, Republic Act 809 was passed;

'WHEREAS, prior to June 22, 1952, the sugar manufactured by the Party of the First Part from the sugarcane delivered to it by the planters affiliated with the COMPANY was divided between the COMPANY and the PLANTERS on a 40-60 basis, respectively, pursuant to the aforementioned sugar milling contracts;

'WHEREAS, after the passage of said Republic Act 809 the PLANTERS made a demand on the COMPANY for a division of the sugar and by-products manufactured by the COMPANY from sugarcane delivered to it by the PLANTERS from and after said date, June 22, 1952, on a basis of 70-30, for the PLANTERS and the COMPANY, respectively, under the provisions of said Republic Act 809;

'WHEREAS, the COMPANY denied said demand made by the PLANTERS;

'WHEREAS, the COMPANY has heretofore filed a petition in the Court of First Instance of Manila for a declaratory judgment declaring Republic Act 809 unconstitutional and invalid, and for other relief, which petition was opposed by the PLANTERS;

'WHEREAS, pending the determination of the action or petition above-mentioned, the COMPANY, as an accounting precautionary measure, has, since the enactment of Republic Act 809, annually set aside a reserve corresponding to the disputed TEN PER CENT (10%) increase in participation demanded by the planters under said Republic Act 809;

'WHEREAS, the COMPANY and the PLANTERS desire to avoid a prolonged litigation and amicably settle and compromise their differences, and enter into, and execute new sugar milling contracts;

'WHEREAS, a 'Special Committee' herein accepted and recognized by the Party of the First part, has been created by the PLANTERS for the purpose of effectuating the present amicable settlement and compromise, which 'Special Com-mittee' is composed of the five (5) sugarcane planters hereinabove mentioned, executing this agreement as 'Party of the Second Part';

'NOW, THEREFORE, the COMPANY and the PLANTERS affiliated with it, the latter being represented herein by the Party of the Second Part, hereby agree to amicably settle and compromise, and do hereby amicably settle and compromise, all their differences, as follows:

'(1) The PLANTERS shall execute the 'General Collective Sugar Milling Contract' as well as supplemental new individual sugar milling contracts, effective November 1, 1955, the sugar and by-products manufactured by the COMPANY from the sugarcane delivered to it by the PLANTERS to be divided between them, SIXTY-FOUR PER CENT (64%) for the PLANTERS and THIRTY SIX PER CENT (36%) for the COMPANY;

'As to the sugar and molasses manufactured by the COMPANY from June 22, 1952 (the date of the passage of Republic Act 809), to October 31, 1955, (the end of the COMPANY's fiscal year), the COMPANY suggested to divide the same on a 65-35 basis, SIXTY-FIVE PER CENT (65%) for the PLANTERS and THIRTY-FIVE PER CENT (35%) for the COMPANY, as part of a 65-35 milling contract to begin June 16, 1952, and to end with the 1973-1974 crop milling year, on the same basis of participation. But as the COMPANY and the PLANTERS failed to reach an agreement thereon, the COMPANY agrees to reduce its share or participation to 30, in favor of the PLANTERS, for the said period of June 22, 1952-October 31, 1955, and the PLANTERS, in turn, agree to reduce their share or participation to 64, in favor of the COMPANY, for the period commencing November 1, 1955, to the end of the 1973-1974 crop milling season, that is, October 31, 1974 and the COMPANY, upon all the PLANTERS affiliated with it executing their new individual milling contracts shall pay them the total value of the reserve referred to in the seventh 'WHEREAS' clause now amounting to P8,643,472.24, as follows:

'(a) The Party of the Second Part shall set aside Sixty Per Cent (60%) of the said sum of P8,643,472.24 as received by them to be held in trust for the benefit of their laborers that may be entitled thereto because some of them have already died and their heirs are unknown while a great number of them are hard to locate and identify, the Party of the Second Part, shall dispose of the said Sixty Per Cent (60%) of the sum of P8,643,472.24 as received by them; as follows:

'(1) The Party of the Second Part shall invest P4,000,000.00 of the P5,186,083.34, which is Sixty Per Cent (60%) of the said sum of P8,643,472.24, in 40,000 voting and transferable shares of capital stock of the COMPANY of the par value of P100.00 per share which shall be issued in four (4) blocks of 10,000 shares per block by the COMPANY to the Party of the Second Part upon effectivity, of this agreement as provided in Clause (2) hereof, it being understood that the issuance of such shares does not involve an increase in the present author-ized capitalization of the COMPANY.

'The above-mentioned 40,000 shares of the capital stock of the COMPANY will enable the laborers/planters to become part owners of the COMPANY but if within the period of eighteen (18) months, but not earlier than six (6) months, from and after date of delivery of the said 40,000 shares by the COMPANY to the Party of the Second Part, the Party of the Second Part should desire to have the value of the said 40,000 shares to wit. P4,000,000.00, or such portions thereof in blocks of 10,000 shares at P1,000,000.00 per block, paid in cash, the COMPANY will pay in cash to the Party of the Second Part or its successors the said value of the said 40,000 shares or of such blocks of 10,000 shares per block, as the Party of the Second Part may decide to have converted into cash; as to such blocks of 10,000 shares per block, that the Party of the Second Part may retain, such shares may be retained by the PLANTERS for their own account upon their payment to the Party of the Second Part or its suc-cessors of the value thereof of P1,000,000.00 per block. The COMPANY shall have a period of Thirty (30) days after receipt of written request of the Party of the Second Part within which to make such cash payment of the value of the shares.

'The balance of P1,186,083.34 shall be distributed under the supervision of the Secretary of Labor among the present laborers of the Party of the Second Part who were already laborers of the PLANTERS during the period comprised between June 22, 1952 (the date of the passage of Republic Act 809) and October 31, 1955 (the end of the COMPANY's fiscal year);

'(ii) As to the sum of P3,457,388.90, which is the Forty Per Cent (40%) of the P8,643,472.24, the Party of the Second Part shall distribute this amount among the PLANTERS in proportion to the sugar milled for them by the COMPANY during the aforementioned period of June 22, 1952, to October 31, 1955.'

'(b) As to the manner of delivery of the cash involved in the foregoing transaction amounting to P4,643,472.24, a 'General Collective Sugar Milling Contract' has heretofore been prepared for the signature of the PLANTERS affiliated with the COMPANY signing the said 'General Collective Sugar Milling Contract', the COMPANY shall pay and deliver to the Party of the Second Part at least fifty per cent (50%) of the said cash balance of P4,643,472.24 or that portion thereof corresponding to the said majority of the PLANTERS affiliated with the COMPANY who have already signed the said 'General Collective Sugar Milling Contract', and the remaining fifty per cent (50%) or remainder thereof will be paid, one half upon the execution of their new individual sugar milling contracts, and the other half upon the registration thereof in the Office of the Register of Deeds for the Province of Negros Occidental;

'(c) It is understood, as part of this settlement agreement, that the block of the COMPANY's common shares mentioned in sub-paragraph (i) and all its earnings shall constitute a trust fund to be dedicated to the amelioration of the plantation laborers of the PLANTERS in the Victorias-Manapla-Cadiz milling district. Said trust fund shall be administered by the Party of the Second Part for the benefit of the PLANTERS' laborers under the supervision of the Secretary of Labor and in accordance with the trust laws of the Philippines. Should the trust fund be liquidated by order of the Court of Justice or in the manner provided for in paragraph (1) (a) (i) then the PLANTERS shall have the first option from the trustees, and the COMPANY the second option from the trustees and/or from the planters themselves, to buy said Victorias Milling Co., Inc., shares in blocks of 10,000 shares at their value of P1,000,000.00 per block. And in case both the Party of the First Part and Party of the Second Part refuse to exercise their right, then said block of VMC shares may be sold in the open market.'

'(2) This agreement will become effective if and when the majority of the planters affiliated with the Party of the First Part have signed the said 'General Collective Sugar Milling Contract'.

'Executed at Victorias, Negros Occidental, this 5th day of March, 1957.

'VICTORIAS MILLING CO., INC.

By:

(Sgd.) CARLOS L. LOCSIN

CARLOS L. LOCSIN

President

(Party of the First Part)

(Sgd.) VICENTE F. GUSTILO

VICENTE F. GUSTILO

(Sgd.) JESUS SUAREZ

JESUS SUAREZ

(Sgd.) SIMON DE PAULA

SIMON DE PAULA

(Sgd.) FERNANDO J. GONZAGA

FERNANDO J. GONZAGA

(Sgd.) JOSE GASTON

JOSE GASTON

(Party of the Second Part)'."

(Decision of CA, pp. 177-198, Rollo of L- 41161)

VII

Before proceeding any further, and in order to place in proper perspective the matters covered by the numerous assignment of errors presented by the parties for Our resolution, We believe We must underscore at this point that as may be readily noted in the portion of the decision under review We have just quoted, the Court of Appeals summed up the allegations of the petition (and presumably the amended one) filed with the trial court and stated unqualifiedly the premise that, per its own petition the Federation admitted that the laborers' share in the 1952-53 to 1954-55, "the PLANTERS gave to petitioners LABORERS the latters' participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until November 1, 1955, etc." (Underlining Ours) Then the Court proceeded to state the defenses of the defendants PLAN-TERS and CENTRAL or VICTORIAS. And after quoting the dispositive portion of the trial court's judgment, the Court went on to say that appellants (meaning the laborers represented by the FEDERATION) ventilate twenty-eight assignment of errors giving rise, in that Court's view to the three issues it enumerated. (supra) The point We want to clarify as early as at this juncture is that it is at once evident that technically, the second and third issues referred to cannot be deemed to contemplate any question beyond those raised in the petition, namely, the

non-payment of the laborers' share in the proceeds of production after November 1, 1955. Whatever, therefore, might have been covered by the FEDERATION's twenty eight assignment of errors in respect to matters before November 1, 1955 were obviously new matter, and could be resolved by the Appellate Court only if evidence thereon were received by the trial court without objection of the adverse parties seasonably as if the same were tried with by agreement of all the parties.

We have to make this early elucidation and setting of the proper perspective of the issues, because, as will be seen later, one of the decisive considerations We will dwell on will be whether or not the Appellate Court legally acquired authority to act on said new matter and/or whether or not it resolved the issues of fact and law relative thereto in accordance with the evidence and the law. Hereunder is how the Court of Appeals, resolved the three issues that it held came out from the assignment of errors of appellant Federation.

VII

The appellate court resolved the three issues it enumerated as follows:

Regarding the first issue, the Court held:

"We agree that millers and planters may indeed enter into written milling agreements stipulating participations different from those prescribed in Section 1 of the Sugar Act. This conclusion is justified by the language of Section 1 itself which declares that –

'In the absence of written milling agreements between the majority of the planters and the millers of sugarcane in any milling district in the Philippines, the unrefined sugar produced in that district.... shall be divided between them.'

in the proportions established therein. The phrase 'in the absence of clearly indicates that the division of the sugar between the millers and the planters in accordance with the schedule of participations mentioned, has to be complied with only during periods when millers and planters are bound by no written milling agreements, and need not govern the sharing system of the contracting parties who have entered into such agreements.

"That this is the real intendment of the law can hardly be shrouded in doubt. For the law is not merely social in that it means to uplift the wretched condition of the laborers in the country's sugarcane plantations; it is also economic in that the law is calculated to safeguard, preserve, and maintain the integrity, viability, and health of an industry so vital to the entire economy of the country. When the sugar bill (which ultimately became Republic Act 809) was being debated in Congress in 1950, 1951, and 1952, one of the urgent reasons advanced by its sponsors in plead-ing for the expeditious passage of the measure was the fact that in a year or so the preferential treatment of Philippine sugar in the American market was expiring, and it was imperative that the situation in the sugar industry be stabilized as quickly as possible by the passage of the bill in order to take advantage of the remaining few years of such preferential treatment. The provisions of the law authorizing the take-over by the government of centrals which refuse to mill or of plantations which neglect to plant, indicate the concern of the industry to the over-all posture of the national economy. The respective participations of the millers and the planters cannot, therefore, be regulated, at all times, by the same proportions established in Section 1 of the law. On the contrary, such participations should be understood as subordinated, at all times, to the superior interests of the industry as a whole. No one, least of all the very people involved in the industry – millers, planters, and laborers – has a right, so to speak, 'to kill the goose that lays the golden eggs.' Particularly when production costs are so high and sales are so low, sacrifice on the part of everyone is in order. In such cases, millers and planters should be able to adjust their respective participations in response to the economic realities obtaining in the industry, that is, stipulate in their written milling agree-ments participations lower or higher than those prescribed in Section 1 of the law.

"Fears may be expressed, as a result of the conclusion we have reached, that millers and planters may be

thrown back into the same situation that the Sugar Act was passed to remedy—that is, a situation where the weak planters would be continually demanding an increase in their participation and the strong millers would persist in refusing to grant the increase, the same stalemate, in the same impasse that characterized the relations between Central and Planters before the Act became law and which, in fact, precipitated the enactment of the law in 1952. Such fears, however, may not be seriously entertained. A continuing period of no-contract would result in a definite disadvantage to the centrals. Section 1 provides summary increases dictated by Section 1 would continue to accrue in favor of the planters. For reasons of sheer self-interest, therefore, the centrals would thus be compelled to negotiate written contracts with the planters.

"In such a situation, the planters, understandably would not be in too great hurry. If, however, they must write new contracts with the millers, there is hardly any doubt that, after enjoying the increases as decreed in Section 1 of the law in the absence of written milling agreements they would not yield to less in negotiating new milling agreements with the millers. Proof of this is the fact, in the instant case, that Planters, enjoying a 4% increase in their participation by virtue of Section 1 when they had no milling agreements with Central, did not settle for less when they finally executed the ASCA with Central on March 5, 1956.

"But we disagree with appellees when they assert that plantation laborers have no right to any share in any increase in planters' participation where such increase is granted not 'under this Act' (a phrase used in Section 9 of the law) but by contract, as in the case of the ASCA of March 5, 1956. The argument loses sight of the fact that the Sugar Act of 1952 is, by and large, a piece of social legislation intended to grant increases in the planters' participation for the primary purpose of enabling the planters to improve the lot of their plantation laborers. Thus, in 1938, when President Manuel L. Quezon appointed Chief Justice Moran to study the 'alleged inequitable distribution of sugar resulting from the milling of sugarcane between the centrals and the plantation', the study was undertaken with a view to 'ameliorating the condition of the planters' laborers'. When Justice Moran finally submitted his report on April 30, 1939, he came up with the conclusion that unless the participation of the planters was increased, they could not be made to 'ameliorate the condition of their plantation laborers.'

The Court then went into an extended discussion of practically the same considerations discussed by Us in *Talisay-Silay*, hence We will not quote them anymore. As We did in *Talisay-Silay*, the Court concluded:

"In keeping with this spirit, the Department of Labor has made a correct interpretation of the scope and extent of the applicability of Republic Act 809 in respect to the benefits of plantation laborers, in issuing the 'Rules and Regulations to Implement Section 9 of Republic Act 809 (Exhibit GGG), dated February 23, 1956, as amended on May 4, 1956, providing:

'SECTION 1, The benefits granted to laborers under the Act shall apply to all laborers of sugar plantations in any milling district wherein the planters' share has increased in accordance with the schedule of participations established in Section 1 of said Act, due either to the absence or expiration of written milling agreements between the majority of the planters and their respective millers or under subsequent milling agreements executed after the date of effectivity of the Act.'

"It is clear from the foregoing provisions of the 'Rules and Regulations', that the benefits to which the plantation laborers are entitled refer to the increases in planters' participation granted either under Section 1 of the law (in the absence of written milling agreements on the date said law became effective, June 22, 1952) or under any subsequent contracts executed after the date of effectivity of the said Act.

"It is likewise clear that such increase is the difference determined, as basis, either on the lower participation of the planter under the last milling contract expired immediately prior to June 22, 1952, or on the lower participation of the planter under a milling contract which, although subsisting on that date, expired immediately thereafter, in relation either to the higher participation of the planter under Section 1 of the law (in the absence of a milling contract) or to the higher participation of the planter under a milling agreement

executed subsequent to June 22, 1952. Thus, provides the 'Rules and Regulations' –

'Increase in participation shall mean the difference between the participation of the planters under Section 1 of the Act or the participation of the planters in any mil-ling agreement subsequent to the effectivity of the Act, and the participation of said planters under the milling contract subsisting at the date of the effectivity of the Act, or in the absence thereof, under the last milling contract immediately prior to the enactment of said Act.'

"Consequently, we hold that, since, as the facts of this case show, under their milling contracts which expired before June 22, 1952, Planters had a participation of 60%, while Central had 40%, and since, under the ASCA executed between them on March 5, 1956, but made retroactive to November 1, 1955, Planters have a participation of 64% while Central has 36%, with such participations to run and remain in force until October 31, 1974, Planters enjoy a 4% increase in participation under the said ASCA. Pursuant to Section 9 of Republic Act 809, the plantation laborers, or appellants herein, are entitled to a share of 60% of such 4% increase during the entire period of the 19-year term of the ASCA.

"In the light of all the foregoing, we hold, in disposing of the first issue herein discussed, that the existence of milling agreements does not necessarily render Republic Act 809 inapplicable or inoperative as to the contracting parties but the Act remains applicable and operative in all cases where the milling agreements, executed subsequent to June 22, 1952, provide any increase in planters' participation, as the term 'increase in participation' is defined herein.

"Accordingly, the ASCA and the other derivative sugar milling contracts are hereby declared modified so as to be caused to be read thereinto a provision granting the plantation laborers, or the appellants herein, 60% of the 4% increase in planters' participation stipulated therein, commencing from November 1, 1955 to October 31, 1974. They should likewise be entitled to legal interest for the same period.

As already stated earlier in this opinion, the above ruling of the Court of Appeals conforms with Our decision in *Talisay-Silay*, which We here reaffirm for the purposes of these cases, no new and cogent reasons having been advanced by the FEDERATION to convince Us to alter Our view. As We have earlier indicated, in the latest motions filed by it for early resolution of these cases, it is quite apparent that the FEDERATION is more or less resigned to accept Our *Talisay-Silay* rulings.

- VIII -

Anent the second issue, the Court discoursed thus:

"We shall now take up the second issue under which appellants claim that the ASCA of March 5, 1956 (Exhibits XXX thru XXX-6), and derivative contracts, the 'General Collective Sugar Milling Contract' (Exhibits YYY thru YYY-7) and the 'Individual Sugar Milling Contract' (Exhibits SSS thru SSS-28 and ZZZ thru ZZZ-7) executed by Central, on the one hand, and Planters, on the other, have been entered into in circumvention of Republic Act 809 and are, for that reason, void ab initio.

"In their twelfth assignment of error (appellants' brief, pp. 265-278), appellants argue that while appellees are free to enter into written milling agreements subsequent to June 22, 1952, the intent of Republic Act 809 is that the provisions of such agreements 'must be without prejudice to the sharing arrangement laid down in Sections 1 and 9' of the law. In support of this position, they cite the proceedings on the deliberations of the Senate on House Bill No. 1517 (which ultimately became Republic Act 809) particularly on what became Section 5 of the law. In their sixteenth assignment of error (appellants' brief, pp. 292-306), appellants charge that the motive of the appellees in executing the milling agreements is 'to have a pretext for evading and circumventing Sections 1 and 9 of Republic 809 and thereby to be able to appropriate with impunity the six (6%) per cent share' of appellants in the unrefined sugar and its derivatives.

"We have gone over the arguments of appellants in both assignments of error but found no evidence of

circumvention as appellants have charged. Under their twelfth assignment of error, it is true that Senator Zulueta introduced an amendment so as to subject the schedule of participations under Section 1 of the law to decisions by a proposed Board of Arbitration to be appointed by the President of the Philippines 'in the event that any central, shall be unable to arrive at a milling agreement with a majority of the planters affiliated with it, and shall refuse to mill the sugar cane of such plant-ers in the absence of such agreement', and that this amendment was voted down on the ground, strongly advocated by Senator Tañada, that since the bill already fixed the ratio of participation between the millers and the planters, it would be wrong to 'open it to further inquiry or arbitration.'

"Senator Tañada was correct in taking such position. There was no point to creating a Board of Arbitration to determine the participations of the millers and the planters which the bill under discussion had already fixed as a congressional determination of the matter. But no inference may be drawn from Senator Tañada's position that the sharing proportions established under Section 1 of the law may not be deviated from in contracts executed subsequent to the passage of the law on June 22, 1952. Appellees are correct in their view that indeed if it were the intention of Congress for the millers and planters to observe no other sharing arrangements than those established under Section 1, there would be little point, if at all, entering into any written milling agreements which cannot stipulate other proportions in the sharing arrangements than those prescribed under Section 1. In our resolution of the first issue, we adverted to the fact that Republic Act 809, although not a revenue-raising measure, is, in addition to being social, also an economic piece of legislation. It bears repeating in connection with the issue at hand that Congress could not have intended, by Section 1, to prevent the millers and planters from agreeing to other sharing proportions, even at the cost of the preservation of the sugar industry. We do not believe we need say more.

"Under their sixteenth assignment of error, appellants cite the various acts of Central in resorting to maneuvers to get Planters to execute the ASCA of March 5, 1956, and the other derivative sugar milling agreements. Appellants are of the view that they are entitled to 6% of the sugar proceeds effective June 22, 1952 without contract, as under Section 1 of the law, or with contract, as under the ASCA, and that the maneuvers of Central in offering the Planters 64%, provided Central got 36%, which the latter finally succeeded getting the former to agree to under the ASCA, constitute a circumvention of the law.

"Central's tactics may not be exactly moral, but they are standard operating procedure of businesses—using every possible leverage and device to bring about the best bargain under given circumstances—for profit. The contracts, therefore, which it wrung from Planters are not in circumvention of the law but in legitimate pursuit of profit—which is the end-all and be-all of business. That Central, as a result of the ASCA which appellants claim it (Central) to have 'engineered', got 36% and Planters 64%, while the plantation laborers got nothing, is no reason for considering the contract a circumvention of the law which does not in the first place impose upon it any duty or require of it the performance of any obligation to yield any part of its participation in favor of planters laborers. In other words, we do not find in Central's conduct in the premises anything so odious or so obnoxious as to render the contracts it has entered into with Planters illegal or repugnant to public policy. In the course of negotiations, Central acted under the belief that if it succeeded in writing new written milling agreements, the agreements could stipulate other proportions in the sharing system than those established under Section 1 of the law, since in its view, the law would no longer be applicable the moment such agreements were entered into. There is evidence that Planters, on their part, at first recoiled from Central's suggestion that the latter was willing to increase the former's participation from 60% to 64% provided Planters agreed to give 36% to Central for the duration of the contract. The sense of repulsion was understandable, since, under Central's suggestion, the 6% which the Planters' laborers were to enjoy from June 22, 1952 to October 31, 1955, would all go to Central during the next 19 years, from November 1, 1955 to October 31, 1974. But Planters seemed to have little choice as Central appeared to have all the aces: from June 22, 1952, it had started setting aside a 'reserve' equivalent to 10% of the annual production, this being the amount of increase which the Planters had demanded as due to them under Section 1 of the law. Although Central still insisted, even after the passage of the law on June 22, 1952, that its 30-year milling contracts with Planters had

not yet expired because of its belief that 4 years of Japanese occupation and 2 years of rehabilitation of the mills during which the mills were not in operation should be deducted from the 30-year periods of the contracts, it set aside this 'reserve' just in case it was finally decided by the courts before which the issue had been brought by the planters, that its 30-year contracts had indeed expired as of the date of effectivity of the law. As of October 31, 1955, this 'reserve' had accumulated to P8,643,472.24. Central's suggestion was that this amount of 'reserve' built up during the period from June 22, 1952, to October 31, 1955, be divided between Planters and the plantation laborers on the proportion of 40% for the former and 60% for the latter, the same proportions prescribed by Section 9 of Republic Act 809. With 40% of the 'reserve', Planters would stand to get P3,457,388.90, while the plantation laborers, with 60% would have P5,186,083.34. These participations in the 'reserve' of 40% for Planters and 60% for the plantation laborers in the 'reserve', would be equivalent to participations of 4% and 6%, respectively, in the total annual production within the period from June 22, 1952 to October 31, 1955, Planters' total participation for the period, therefore, would be 64%.

"Confronted by an acute need for money and these enticements dangled before them P3,457,388.90 in cash (equivalent to 40% of their participation in the reserve or to 4% in the total annual production) for the period June 22, 1952 to October 31, 1955, and a similar total participation of 64% for the next 19 years, that is, from November 1, 1955 to October 31, 1974, coupled by the speculation perhaps that their 4% increase for the 19 years could not be touched by the plantation laborers because of the argument that Republic Act 809 would no longer be applicable once written milling agreements were entered into, Planters found no better alternative than sign, as they did sign, on March 5, 1956, the controversial ASCA and subsequently, the other agreements reproducing the provisions of the ASCA.

"That Planters might not have gotten the better end of the bargain since, under the ASCA, the 6% that would go to their plantation laborers for the period from June 22, 1952 to October 31, 1955, would go instead to Central for the next 19 years, from November 1, 1955 to October 31, 1974, is no evidence of circumvention of Republic Act 809. As we have said in our resolution of the first issue, the millers and planters may stipulate in their written milling agreements other sharing proportions than those prescribed in Section 1 of the law which were so prescribed only in the absence or because of the absence of written milling agreements. Centrals' drive, therefore, to get all the 6% for itself is a perfectly legitimate one, not a circumvention."

Again, fundamentally, the above position of the Court of Appeals is in accord with Talisay-Silay, except for some apparent inconsistencies therein, to which We will hereinunder address Ourselves re-garding the conduct of VICTORIAS in entering into the so-called ASCA. It is quite obvious that the Appellate Court tried very hard to look for some way of making VICTORIAS somehow liable for whatever might be due the laborers of the PLANTERS, notwithstanding its categorical finding and holding that VICTORIAS did nothing more than to obtain as legitimate a bargain as any sensible businessman or industrialist having an eye for profit would do. We see no legal, equitable nor moral reason for such effort, even as We reaffirm for the purposes of the instant cases, Our ruling in Talisay-Silay that under no circumstances should the plantation laborers be deprived of 60% of whatever increase in share their respective planters-employers had obtained from the Central, that is, whether by the application of Section 1 of the Act when there were not enough written contracts, or, under the said contracts upon there being a majority of them.

After holding that the ASCA is legal and, what is more, not conceived to circumvent the law, surprisingly, the Court went into a matter not alleged in the petitions in the trial court. It proceeded to go into a disquisition of the effects of the provisions of the ASCA regarding the manner of paying the share of the laborers in the 10% increase of the PLANTERS' share from June 22, 1952 to October 31, 1955. As will be noted in the earlier quoted provisions of the ASCA, it was stipulated that the PLANTERS would be paid their 10% increase, 60% of which would pertain to the laborers, with the condition, however, that instead of the PLANTERS receiving the total share of the laborers in cash, only a portion would be in cash and the balance of Four Million (P4M) Pesos would be in the form of certificates of shares of stock to be issued to the PLANTERS, who formed a Special Committee

or Board of Trustees for the purpose, expressly in trust for the laborers. The Court condemned such provisions as entirely beyond the authority of the PLANTERS and VICTORIAS to stipulate just between them without the express consent or prior assent of the laborers or the Federation or even the Secretary (now Minister) of Labor, who, under Section 9 of the Act, was supposed to super-vise "the distribution of the share corresponding to the laborers." On such premises, the Court concluded:

"In the light of all the foregoing, we hold, in resolution of the second issue, that, while we do not find appellees to have circumvented Republic Act 809 in entering into the ASCA and in stipulating a participation of 64% for Planters and 36% for Central, and for this reason, declare the ASCA and the other derivative sugar milling contracts valid, the appellees are jointly and severally liable for tort in disposing, upon their own accord, and without any authority of the plantation laborers, of the money of the said laborers in the total amount of P5,186,083.34, and in thus causing the loss of shares of stock and their earnings purchased out of the P4,000,000.00 of such amount."

X

While, as We have said, We are in agreement with the Court of Appeals in its construction and application of Sections 1 and 9 of Republic Act 809 as discussed above, We cannot, as We will show anon, fully accept its conclusions as to the pretended liability of the PLANTERS and VICTORIAS for the amount that the FEDERATION claims the laborers of the PLANTERS have not been paid as their share of the proceeds of the crop years 1952-1953 to 1954-1955 as well as those of the crop years 1956-1957 to 1973-1974. In passing upon, as We have just quoted, the second issue formulated by it to resolve the appeal to it of the Federation, it held the appellees, the PLANTERS (including Primo Santos and Benjamin Tirol) and VICTORIAS "jointly and severally liable for tort in disposing, upon their own accord, and without any authority of the plantation laborers, of the money of the said laborers in the total amount of P5,186,083.34 and thus causing the loss of shares of stock and their earnings purchased out of P4,000,000.00 of such amount." Not only that, the Court of Appeals adjudged the PLANTERS and VICTORIAS also jointly and severally liable for the 2.4% share of the laborers in the proceeds, which they maintain they have not received, of the crop years 1956-57 to 1973-74. In-deed, in the course of resolving the second issue and in disposing of the third issue, the Appellate Court found the PLANTERS and VICTORIAS guilty of misappropriation and conversion of P7,385,950.00 corresponding to the P4M worth of VICTORIAS shares of stock which under the ASCA was stipulated to be received by the PLANTERS in trust for the laborers.

Obviously, this particular aspect of these instant cases before Us involve questions both of fact and of law. To put things in their proper order and to pin liability for the claim of the laborers on the proper party or parties, it would be best to discuss and dispose of separately the two stages of sharing and payment in question, namely, (1) that which refers to the proceeds of the 1952--53 to 1954-55 crop years and (2) that referring to the proceeds from crop year 1955-56 to crop year 1973-74.

XI

- A -

We will start with what We feel is the stage that involves factual and legal issues which may be easily and readily determined, which is that referring to the proceeds of 1955-56 to 1973-74 crop years. Under the terms of the ASCA, the ratio of sharing between the PLANTERS and VICTORIAS during that period was to be 64% of said proceeds for the former and 36% thereof for the latter. As this Supreme Court held in Talisay-Silay and as held in the decision of the Court of Appeals under review, We reiterate, it is indubitable that said proportion of sharing is

legal, the ratios fixed in Section 1 of Republic Act 809 notwithstanding. Although nothing is provided in the ASCA as to the share of the laborers in the 4% increase the PLANTERS were thus given by VICTORIAS, which under Talisay?Silay and the decision of the Court of Appeals ought to be 2.4%, or 60% of said 4%, it is admitted on all sides that VICTORIAS religiously gave the PLANTERS their full increase of 4% annually from crop year 1955-56 to crop year 1973-74 thereby leaving it to the PLANTERS to pay their respective laborers the said 2.4%.

The FEDERATION claims and the Court of Appeals so found that the laborers were not paid by their respective planters?employers what is legally due them. Such being the case, We cannot but affirm the judgment of the Court of Appeals that the PLANTERS are liable therefor.

- B -

We cannot, however, share the Appellate Court's holding that VICTORIAS is jointly and severally liable with the PLANTERS. We cannot perceive any factual or legal basis for such solidary liability. From the very beginning of the sugar industry, the centrals have never had any privity of any kind with the plantation laborers, since they had their own laborers to take care of. In other words, both the centrals and the planters have always been the one dealing with their respective laborers regarding the terms and condition of their employment, particularly, as to wages. Nowhere in Republic Act 809 can We find anything that creates any relationship between the laborers of the planters and the centrals. Under the terms of said Act, the old practice of the centrals issuing the quedans to the respective PLANTERS for their share of proceeds of milled sugar per their milling contracts has not been altered or modified. In other words, the language of the Act does not in any manner make the central the insurer on behalf of the plantation laborers that the latter's respect-ive employers-planters would pay them their share. Had the legislature intended to make the central as such insurer, We have no doubt that clear words to such effect would have been used. Much less is there in the ASCA any provision making VICTORIAS responsible in any way for the share due the plantation laborers in the 4% obtained by the PLANTERS under said agreement.

Section 9 of the Act unequivocally provides that 60% of "the proceeds of any increase in the participation granted the planters under this Act and above their present share shall be divided between the planter and his laborer." Further, the same provision explicitly mandates that the "distribution of the share corresponding to the laborers shall be made under the supervision of the Department of Labor." Accordingly, the only obligation of the centrals, like VICTORIAS, is to give to the respective planters, like the PLANTERS herein, the planters' share of the proceeds of the milled sugar in the proportion stipulated in the milling contract which would necessarily include the portion of 60% pertaining to the laborers. Once this has been done, the central is already out of the picture, and thereafter, the matter of paying the plantation laborers of the respective planters becomes the exclusively the concern of the planters, the laborers and the Department of Labor. Under no principle of law or equity can We impose on the central – here VICTORIAS – any liability to the planta-tion laborers, should any of their respective planters-employers fail to pay their legal share. After all, since, under the law, it is the Department of Labor which is the office directly called upon to supervise such payment, it is but reasonable to maintain that if any blame is to be fixed for the unfortunate situation of the unpaid laborers, the same should principally be laid on the planters and secondarily on the Department of Labor, but surely, never on the central.

- C -

Moreover, when We consider that according to their own petitions, both original and amended in the court below, the laborers had not been paid their share since after the 1954-55 crop year, and their original petition was filed only in November 1962, We feel inclined to believe that if the laborers were convinced that they had any kind of cause of action against VICTORIAS, it is quite unexplainable why it took them practically more than six years to file their suit. It is just as remarkable that they did not move even against their very employers, the PLANTERS,

during all that time. In any event, as We have already stated, We find no legal nor equitable basis for the pretended joint and several or solidary liability of VICTORIAS with the PLANTERS to the laborers. Its act of paying the PLANTERS the full 4% increase was not illegal or contrary to law, for it was in fact in fulfillment of its obligation both under Our Talisay-Silay ruling and the provisions of the ASCA.

- D -

Incidentally, it may be added, the Rules and Regulations to implement Section 9 of Republic Act 809, "issued by the Secretary of Labor on February 23, 1956, as amended on May 4, 1956, do provide pertinently that the laborers' share in the increase in participation accruing to the planters shall be included in the quedans covering said increase issued in the planters' name with the following notation on the face of the quedan sixty per centum (60%) share of laborers in the increase in the participation of planters under Sugar Act of 1952 included." But absent any iota of evidence indicating that such was not done, We are under the law supposed to presume that the regulations have been complied with. Nowhere in the Federation's unusually lengthy and prolific brief is there any indication otherwise. And whatever the respective PLANTERS did after those quedans were issued to them cannot under any concept of law or equity be imputed to VICTORIAS or to any imaginable connivance between it and the PLANTERS to prejudice the laborers. There was nothing that VICTORIAS could conceivably gain in any such nefarious arrangement to induce it to take the risk of ultimate being made liable in the manner done by the Court of Appeals.

- E -

It is indeed noteworthy that whereas, as We shall discuss presently, with regard to the payment of the laborers' share in the proceeds of the 1952-53 to 1954-55 crop years (60% of 6% out of the 10% provided in Section 1 of Republic Act 809), the Court of Appeals rather extensively argued and discoursed, with, to be sure, seeming or apparent plausibility what considerations, in its view, ought to make VICTORIAS, jointly and severally or solidarily liable with the PLANTERS,[2] hardly did said Court lay down any premise for the following portion of its judgment now under review:

"3. Declaring that the participation of 64% for Planters and 36% for Central commencing from November 1, 1955 to October 31, 1974, as stipulated in these written milling agreements, is valid, but that there should be deemed written into said agreements a stipulation providing that 60% of Planters' 4% increase in participation belongs to appellants herein for the entire duration of the same period pursuant to Section 9 of Republic Act 809;

x x x x

"5. Ordering appellees, jointly and severally, to pay appellants:

(a) The sum equivalent to sixty (60) percent of Planters' increase in participation of four (4%) percent, beginning November 1, 1955, and ending October 31, 1974, inclusive, with interests thereon at the legal rate of 6% per annum until fully paid:" (Pp. 79-80, Annex A, CENTRAL's Brief)

The only statement or finding or holding We can see in such challenged decision which might be said to refer to the point under discussion is the following:

"In the light of all the foregoing, we hold, in disposing of the first issue herein discussed, that the existence of milling agreements does not necessarily render Republic Act 809 inapplicable or inoperative as to the contracting parties but the Act remains applicable and operative in all cases where the milling agreements, executed subsequent to June 22, 1952, provide any increase in planters' participation, as the term 'increase in participation' is defined herein.

"Accordingly, the ASCA and the other derivative sugar milling contracts are hereby declared modified so as to be caused to be read thereinto a provision granting the plantation laborers, or the appellants here-in, 60% of the 4% increase in planters' participation stipulated therein, commencing from November 1, 1955 to October 31, 1974. They should likewise be entitled to legal interest for the same period." (Page 49, id.)

Well and good, but the Appellate Court did not say that with such construction it had made of the Act, (to be sure, in accord with Talisay-Silay) it became the obligation of VICTORIAS to see to it that the respective laborers of the PLANTERS were duly paid their share of 2.4% or 10% of the 4% increase the PLANTERS were given.

The foregoing judgment becomes more incomprehensible when it is recalled that in its minute analysis of the ASCA insofar as the provisions thereof stipulating a 64%-36% sharing between the PLANTERS and the CENTRAL of the proceeds of milled sugar during crop years 1955-56 to 1973-74, it found that in so stipulating such ratio of sharing in said ASCA, there was no evidence at all that on the part of VICTORIAS—and the PLANTERS, for that matter of any circumvention, and We can add, even of any intent to circumvent, the provisions of the Section 1 of the Act, To Our mind, for the Appellate Court to impose upon VICTORIAS joint and several liability with the PLANTERS, in the light of its just quoted predicates, for the latter's failure to pay their respective laborers the 2.4% corresponding to said workers, is not only a veritable non-sequitur but an utterly baseless legal conclusion that cannot be allowed to stand uncorrected. Accordingly, it is Our considered opinion, and We so hold, that the portion of the judgment of the Court of Appeals just quoted should be as it is hereby REVERSED, and whatever liability there exists in favor of the plantation laborers should be pinned exclusively on the PLANTERS, their respective employers. We must add though, that it was the Department of Labor's unexplainable inattention, not to say negligence, in performing its own corresponding obligations under Section 9 of the Act that contributed to a considerable extent to the sad plight that befell the said laborers. There was perceptible lack of sufficient concern and initiative, to say the least, in the Department's attitude and actions in the premises. It may be said that its vigilance concerning the rights of labor was unhappily not up to the expectations of the lawmakers when they approved the Act.

XII

With the matter of the liabilities relative to the share of the laborers in the proceeds of the 1955-56 to 1973-74 crop years thus Clarified and determined, We can now pass to what happened to the participation due the laborers during the 1952-53 to 1954-55 crop years. Again, this is an inquiry that involves both issues of fact and of law.

- A -

In this connection, let us hearken first to how the Court of Appeals made its conclusions of fact in respect to P5,185,083.34 that it found to be the unpaid share of the laborers before the execution of the ASCA:

"In resolving the third and last issue set forth above, we have taken note of appellants' position that Central and Planters are guilty of 'misappropriation' of the amount of P5,185,083.34 belonging to them which accrued during the period from June 22, 1952, to October 31, 1955 as their 60% share of Planters 10% increase in participation totaling, during the same period, P8, 643,472.24. What will now be resolved, therefore, is whether or not appellants have, in fact, received this amount of P5,185,083.34.

"By way of a short flashback, it is to be recalled that the laborers' P5,185,083.34 was, under the ASCA, to be disposed of as follows: P1,186,083.34 was to be distributed to the laborers, under the supervision of the Secretary of Labor, and P4,000,000.00 was to be invested in Central's shares of stock.

"It may be pertinent, at this point, to make a brief reference to the mechanics of this investment. As provided in the ASCA, the P4,000,000.00 of the P5,185,083.34 belonging to the appellants-laborers was to be invested in

40,000 shares of Central's capital stock (with par value of P100.00 per share) redeemable after a period of time by Central. This investment was to be administered by the 'Special Committee'; designated in the ASCA as representative of Planters. On August 13, 1956, pursuant to the ASCA of March 5, 1956, Central issued the 40,000 shares in four certificates of 10,000 shares each, in the names of five members of the 'Special Committee' or 'Board of Trustees', to wit: Vicente F. Gustilo, Jesus Suarez, Simon de Paula, Fernando J. and Jose Gaston, in their capacity as 'trustees' for appellants-laborers. Three of these five having died, Gustilo and Gaston, with the assistance of legal counsel of Central, filed a petition for their replacement, with the Court of First Instance of Negros Occidental (Exhibits JJJJJ-1 thru JJJJJ-3), resulting in the appointment of three new members: Ysmael Reinoso, Newton Jison, and Enrique Hinlo (Exhibits JJJJJ-7 thru JJJJJ-9). Gaston and Gustilo themselves having died, only the three new members could testify during the hearing of the case in the court below.

"Through subpoenas duces tecum (Exhibits IIIII, KKKKKK and LLLLLL), each of the three was commanded:

'x x x to bring with him the complete record of the Board of Trustees beginning March 5, 1956, of the sums of P4,000,000.00 and P1,186,083.34 referred to in the Amicable Settlement Compromise Agreement dated March 5, 1956, executed between Victorias Milling Co. , Inc., represented by its President Carlos L. Locsin and, Vicente F. Gustilo, Jesus Suarez, Simon de Paula, Fernando.'

"The evidence shows that, except for a small part (P180,679.38) of the sum of P5,185,083.34, the entire P1,186,083.34 was actually paid to the laborers. Thus, testified witness Felipe de Guia, representative of the Department of Labor in charge of the distribution:

'COURT:

'Q. Mr. de Guia, you said that there were some amounts that were not distributed because some laborers cannot be located; is this the amount mentioned in this Exh. '23', under the words 'amount of undistributed of windfall'?

'A. Yes, sir, P180,679.38' (tsn. p. 23, June 18, 1970)

"Appellants themselves, in their brief, have made the following observations:

'So, it can be assumed without fear of contradiction that the last portion of the said amount of P1,186, 083.34 was delivered, if ever, to PLANTERS-APPELLANTS-LABORERS after February 18, 1957.' (Appellants' Brief, p. 326)

"The evidence, however, fails to show that the amount of P4,000,000.00 (invested in Central's shares of stock pursuant to the ASCA) and its accruals have ever been received by appellants-laborers.

S. Gonzaga and Jose Gaston, representing the sugarcane planters affiliated with the Company in connection with Civil Case No. 22577 of the CFI of Manila.'

Testifying on June 17, 1970, Jison, vice-chairman, said he could not bring the documents asked of him because Gaston, as chairman of the Board of Trustees, had taken custody of all the records; that these records remained in Gaston's custody up to the time of his death; that since Gaston's death in 1969, 'we did not have any meeting and practically we forgot all about it. And he has still all the records so I cannot bring the records requested of me.' (p. 37, tsn., June 17, 1970).

"Hinlo, secretary to the Board of Trustees, could not bring any of the documents subpoenaed, either, 'because I have resigned already as Secretary of the Board of Trustees in February, 1970, and the records are all in the hands of the late Jose Gaston.' (p. 58, tsn., June 18, 1970).

"Reinoso, treasurer of the Board of Trustees, did not appear at the hearing set for June 18, 1970, but his lawyer manifested that the only document he, Reinoso, had, was a copy of the ASCA of March 5, 1956.

"For his part, Pfiffner, treasurer-comptroller of Central, testified that Central had nothing to do with the sale of the 40,000 shares in which the P4,000,000.00 was invested; that it was the Board of Trustees, which sold the shares. Thus:

'Q. Are you trying to say, Mr. Pfiffner, that the amount of 40,000 shares of stock and their dividend also in stock were sold with the consent only of the Board of Trustees?

'A. Yes, Sir.

'Q. x x x x And the defendant Victorias Milling Co., Inc., had nothing to do with it?

'A. That is correct.' (p. 86, tsn., June 16, 1970).

"Appellees claim that witness Felipe de Guia, Chief of the Agricultural Wage Section of the Department of Labor, had testified on the distribution to and receipt by appellants-laborers of the principal and earnings of the P4,000,000.00 invested in the 40,000 shares. This claim, however, is not borne out by the records; in fact, de Guia denied any knowledge of the whereabouts of the proceeds of the sale and earnings of the 40,000 shares of stock. (Underlining Ours)

"Testifying on June 18, 1970, as a represent-ative of the Secretary of Labor, witness de Guia stated: that he had no knowledge of the 40,000 share of stock, and that he did not know about the prices at which the 40,000 shares of stock were sold (p. 14, tsn., June 18, 1970). He further stated that he did not know about the income in dividends earned by the 40,000 shares of stock (p. 16, tsn., June 18, 1970), although he admitted having supervised the first distribution of the amount of P1,186,083.36 to appellants-laborers (p. 21, tsn., June 18, 1970).

"It is clear from the evidence that, after Central issued the 40,000 shares of stock in the names of the five members of the Special Committee' or 'Board of Trustees' representing, vis-a-vis Central, both Planters and appellants-laborers, the said 'Special Committee' or 'Board of Trustees', in its capacity as trustee for appellants-laborers, sold these 40,000 shares to various buyers, some of the shares going to Central and some to Planters, and that proceeds of the sales of these shares were received by the said 'Special Committee' or 'Board of Trustees' and delivered to Planters for distribution to appellants-laborers. Thus, 'Special Committee vice-chairman Jison explained:

'Q. Would you like to tell this Honorable Court what happened to the money, whether in cash, check or in terms of shares of stock which was delivered by the Victorias Milling Co., Inc. to the Board of Trustees?

'A. The stock of shares of the Victorias Milling Co., Inc. which was delivered to the Board of Trustees was sold and liquidated according to the Amicable Settlement-Compromise Agreement and in such case, checks were issued to the respondents planters and also to be delivered to the respective laborers under the supervision of the Department of Labor. So far the record is concerned, the Department of Labor has all the records. (pp. 37-38, tsn., June 17, 1970).

Not a shred of evidence, however, has been introduced into the record to show that the proceeds of the sales of the 40,000 shares of stock and the increments in cash and stock dividends have been actually delivered to or received by appellants-laborers. The three surviving members of the 'Special Committee' or 'Board of Trustees', namely Messrs. Ismael Reinoso, Newton Jison, and Enrique Hinlo, who were supposed to be the guardians or administrators of the P4,000,000.00 invested in Central's 40,000 shares of stock, could not present any document whatsoever showing or tending to show that the proceeds of the sales were actually delivered to the Planters concerned and subsequently paid to the laborers.

"Central argues that in the petition of appellants-laborers, no issue has been raised by the allegations

concerning the latter's 6% participation from June 22, 1952 to October 31, 1955, amounting to P5,186,083.34. Neither, it says, have appellants-laborers prayed for any relief in connection therewith. In fact, it goes on to say, appellants-laborers have admitted receipt of all amounts due them within the period mentioned, citing paragraphs 8, 9 and 10 of the petition, thereby estopping themselves from raising any issue as to such amounts in the instant appeal.

"These arguments are more technical than substantial. It is true enough that the petition does not categorically state any specific relief desired with respect to the amount of P5,186,083.34, but it does contain a general prayer 'for such other relief as may be just and equitable in the premises'. And this general prayer is broad enough 'to justify extension of a remedy different from or together with the specific remedy sought'. (Schenker v. Gemperk, L-16449, Aug. 31, 1962, 5 SCRA 1042). It is also true that paragraph 10 of the petition states –

'That pursuant to Sec. 9 of said Act, respondents PLANTERS gave to petitioners LABORERS the latters' lawful participation in the sugar production as well as in the by-products and derivatives thereof and continue to give the same until November 1, 1955, when they ceased to do so until the present:'

but appellants-laborers have explained that what they meant by the quoted paragraph was that their 6% share had actually been set aside during the period from June 22, 1952, to October 31, 1955 (p. 1446, Appellants' Reply Brief), not that the amounts due were actually delivered to or received by plaintiffs?appellants-laborers. Besides, no questions were raised during the trial of this case when the matter of the investment of the P4,000,000.00 was taken up by counsel of plaintiffs-appellants-laborers. In fact, counsel of Central agreed that what happened to the P4,000,000.00 was a proper issue in the case (p. 26, tsn, April 28, 1970). Furthermore, when Felipe de Guia, Chief Agricultural Wage Section, Department of Labor, testified as representative of the Secretary of Labor, on the matter of distribution of the P1,186,083.34, no objections were raised either by defendants-appellees. Again, when counsel for plaintiffs-appellants-laborers asked witness de Guia about the records of the distribution of the amounts of P1,186,083.34 and the P4,000,000.00 and its dividend earnings, counselor Central likewise agreed to the production of whatever records there were available concerning these amounts (p. 157, tsn., June 16, 1970).

"But no records whatsoever were produced until the presentation of the evidence of the parties was closed.

"In effect, what has been established by the evidence is that the P4,000,000.00 together with its earnings in dividends in the total amount of P3,385,950.00 (p. 66, tsn., June 16, 1970), has not been distributed to or received by plaintiffs?appellants-laborers." (Pp. 65-74, Appendix A, Victorias' Brief)

- B -

In their brief filed with Us, the PLANTERS vehemently dispute these conclusions and argue thus:

"THIRD ASSIGNMENT OF ERROR

"THAT THE COURT OF APPEALS ERRED IN FINDING AND CONCLUDING THAT THE SUM OF FOUR MILLION (P4,000,000.00) PESOS OUT OF THE FIVE MILLION ONE HUNDRED EIGHTY SIX THOUSAND AND EIGHTY THREE & 34/ (P5,186,083.34) PESOS CONSTITUTING THE 60% SHARE OF THE LABORERS IN THE 10% INCREASE IN PARTICIPATION OF THE PLANTERS FROM THE CENTRAL UNDER REPUBLIC ACT NO. 809 FROM JUNE 22, 1952 (THE DATE OF THE EFFECTIVITY OF SAID ACT) TO OCTOBER 31, 1955 (THE DAY PREVIOUS TO NOVEMBER 1, 1955 WHICH IS THE EFFECTIVE DATE OF THE MILLING AGREEMENTS OF THE PLANTERS AND THE CENTRAL), WAS NOT DISTRIBUTED TO AND RECEIVED BY THE LABORERS, SUCH FINDINGS BEING BASED ON A MISAPPREHENSION OF THE SPECIFIC ISSUES INVOLVED IN THE CASE AND GOES BEYOND THE RANGE OF SUCH ISSUES, ASIDE FROM BEING CONTRARY TO THE

ALLEGATIONS OF THE ORIGINAL PETITION. AS A COROLLARY, THE COURT OF APPEALS ERRED IN HOLDING THAT THE PLANTERS AND THE CENTRAL ARE JOINTLY AND SOLIDARILY LIABLE THEREFOR.

"In relation to this assignment of error, the Honorable Court of Appeals stated thus:

'x x x if it is further considered, as shown in our resolution of the third issue, that this amount of P4,000,000.00, along with its accruals, was never received by the plantation laborers to this day, the unwisdom of investment, let alone its illegality, is hardly in doubt.'

(Appendix 'A' pp. 75-76).

'x x x and the fact that the laborers' P4,000,000.00 worth of shares and their earnings have, without any explanation from anyone from the Central, from the Planters, or from the Special Committee, vanished into limbo without the laborers being able to actually receive any cent of the same.'

(Appendix 'A', p. 77)

'In effect, what has been established by the evidence is that the P4,000,000.00, together with its earnings in dividends in the total amount of P3,385,950.00 (pp. 6, tsn., June 16, 1970), has not been distributed to or received by the plaintiffs-appellants-laborers.'

(Appendix 'A', p. 91).

"For the purposes of clarification, let us inquire into the question as to what P4,000,000.00 does the Court of Appeals refer to:

"On pages 17 et seq. of the Decision of the Court of Appeals, reference is made to a document known as the 'Amicable Settlement-Compromise Agreement' and referred to by the Court of Appeals for convenience as ASCA. This ASCA is quoted in full on pages 18-24 of the Decision. (Appendix 'A', pp. 25-35).

"In said ASCA, which was executed on 5 March 1956, it was stipulated that from June 22, 1952, when the Sugar Act took effect, to October 31, 1955, the parties recognized that said Sugar Act was applicable. Consequently, the Planters were entitled to a 70-30 sharing basis from the Central, thereby earning a 10% increase in their previous participation of 60%. This 10% increase amounted to P8,643,472.24.

"Of this P8,643,472.24, the Planters were entitled to 40% thereof or P3,457,388.90 and the laborers were entitled to 60% thereof or to the amount of P5,186,083.34. Of this latter amount, it was agreed that P1,186,083.34 was to be distributed by the Planters to their laborers while the remaining P4,000,000.00 was to be invested by a Special Committee in shares of stock of the Central.

"It is this amount of P4,000,000.00, therefore, that is involved in the present consideration.

"The Court of Appeals held that this amount was not distributed to and received by the Laborers.

"We respectfully and humbly submit that this finding and conclusion of the Court of Appeals has no basis in law and fact, and is contrary to the law of evidence and to evidence on records.

"Said finding has no basis in law and in fact.

"Before we proceed, it might be pertinent to inquire into what is being claimed (their cause of action) by the Laborers in their petition or complaint.

"A simple perusal of the petition will reveal that the Laborers are asking for their share under the Sugar Act of 1952, from November 1, 1955 to date. In other words, there is no claim whatsoever in the petition for any amount corresponding to the period covered from June 22, 1952 to October 31, 1955.

"Thus, the Laborers in their petition dated November 9, 1962 alleged:

'That pursuant to Sec. 9 of said act, respondents planters gave petitioners-laborers the latter's lawful participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until November 1, 1955 when they ceased to do so until the present.'

"In consonance with their allegations in said paragraph 10 of their petition dated November 9, 1962, laborers in paragraphs 1 and 2 of their prayer, prayed that judgment be rendered:

'(1) Declaring the applicability of the Victorias Mill District of the sharing participation prescribed by Republic Act 809 for every crop year starting with the crop year 1955-56.'

'(2) Ordering respondent planters and/or respondent Central to account for and petitioners laborers' lawful share in the sugar produce, as well as the by-products and derivatives thereof, for every crop year from the crop year 1955-56, in accordance with Rep. Act No. 809, plus legal interests thereon computed on the basis of the average market price during the month in which the sugar was sold;

(See Annex 'C' of the Petitioner's Petition)

"Said admission of the laborers in paragraph 10 of their petition dated November 9, 1962 and in their prayer, to the effect that they have already received their lawful participation in the sugar production as well as in the by-products and derivatives thereof from 1952 until November 1, 1955 was again reiterated in their 'consolidated opposition to the motion to dismiss', dated February 28, 1963, when they argued and we quote:

'To recapitulate, inasmuch as the present action is not merely for the recovery of money, but is primarily brought for the enforcement of Republic Act No. 809 and the declaration of its applicability to the respondents for the crop year starting with the crop year 1955-56, we respectfully submit that this Honorable Court has jurisdiction over the subject matter of the present action.' (See Annex 'C' of respondents' Petition for Review on Certiorari by respondent Victorias Milling Co., Inc.' (Italics supplied).

"Said allegation in paragraph 10 of the laborers petition dated November 9, 1962 as well as in paragraphs 1 and 2 of the prayer were again reproduced verbatim in their amended petition dated March 6, 1964, (See Annex C-1, Central's petition for review on certiorari).

"The Honorable Court of Appeals itself found also as a fact that:

'x x x it is also true that paragraph 10 of the petition states –

'That pursuant to Sec. 9 of said Act, respondents PLANTERS gave to petitioners laborers the latters' lawful participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until November 1, 1955, when they ceased to do so until the present;

(Appendix 'A', p. 89, Italics supplied)

"From the foregoing, it is obvious that the share pertaining to the laborers covering the period from October 31, 1952 to June 22, 1955 was never made an issue in the case at bar.

"Since the share pertaining to the laborers was never made an issue in the case at bar for the simple reason that the Laborers have expressly admitted in their pleadings the receipt of their entire share covering from October 31, 1932 to June 22, 1955, therefore, the Court of Appeals, in holding the planters jointly and solidarily liable with the central for P6,399,105.00 plus 6% interest per annum and P180,768.38 plus 6% per annum all representing the laborers' share pertaining to said period, gravely abused its discretion said abuse of discretion amounting to lack of jurisdiction.

"It is a well settled principle in procedure that courts of justice have no jurisdiction or power to decide question not in issue (*Limtoco vs. Go Fay*, 80 Phil. 166-176).

"Thus in the following cases this court held:

'It is a fundamental principle that judgments must conform to both the pleadings and the proof, and must in accordance with theory of the action upon which the pleadings were framed and the case was tried; that a party can no more succeed upon a case proved, but, not alleged than upon one alleged but not proved. (*Ramon vs. Ortuzar*, 89 Phil. 730, 742). (*Italics supplied*)

'A judgment going outside the issues and purporting to adjudicate something upon which the parties were not heard, is not merely irregular, but extrajudicial and invalid.' (*Salvante vs. Cruz*, 88 Phil. 236, 244; *Lazo vs. Republic Surety & Insurance Co., Inc.*, 31 SCRA 329, 334).

'The actuation of the trial court was not legally permissible, especially because the theory on which it proceeded involved factual considerations neither touched upon in the pleadings nor made the subject of evidence at the trial. Rule 6, Section 1, is quite explicit in providing that 'pleadings are the written allegations of the parties of their respective claims and defenses submitted to the court for trial and judgment.' This rule has been consistently applied and adhered to by the courts.

'Moreover, to award damages in favor of petitioner Miguel Tolentino, Sr., and against herein private respondents would violate the cardinal rule that a judgment must conform to and be supported by both the pleadings and the proofs, and should be in accordance with the theory of the action on which the pleadings were framed and the case was tried (*Secundum allegata et probata*.' *Republic vs. de los Angeles*, 41 SCRA 422, 450, *Italics supplied*).

"Said findings is contrary to the law on evidence.

"As previously shown, the Laborers have expressly admitted in their pleadings the receipt of their entire share covering the period from October 31, 1952 to June 22, 1955, or all of the P5,186,083.00.

"What then is the legal effect of said admission by the Laborers.

Section 2, Rule 129 of the Rules of Court provides:

'Judicial admissions. – Admissions made by the parties in their pleadings, or in the course of the trial or other proceedings do not require proof and cannot be contradicted unless previously shown to have been made through palpable mistake.

(*Italics supplied*)

"In relation to the foregoing rule, this Honorable Court in the following cases held:

'Soriano is bound by his own petition and by the adjudication of his claim made in consonance with his prayer. A party can not trifle with a court's decision or order which he himself sought with full awareness of his rights under the premises, by taking it or leaving it at pleasure. The allegations, statements or admissions contained in a pleading are conclusive as against the pleader. A party cannot subsequently take a position contradictory to, or inconsistent with, his pleadings, (*Mc Daniel vs. Apacible*, 44 Phil., 448; 49 C.J. 128-134). Specifically, he is not allowed to ask his money back when the peso value is good, and later say he wants to keep the land when the peso purchasing power is down. (*Cunanan vs. Amparo, et al.*, 45 Off. Gaz., 3796, (*The Revised Rules of Court by Francisco* (Evidence, p. 66).

'An admission in a pleading may be made by an express acknowledgment of some fact or facts set forth in the pleading of the opposite party, or by a failure to deny or otherwise controvert the truth of such fact or facts. Thus,

facts alleged in the complaint are deemed admissions of the plaintiff and binding upon him. Facts alleged in the answer are deemed admissions of the defendant and binding upon him. And facts stipulated in an agreement of facts are deemed admissions of both parties and binding upon them. Facts stated in a motion are deemed admissions of the movant and binding upon him. The allegations, statements or admissions in a pleading are conclusive as against the pleader who cannot subsequently take a position contradictory to, or inconsistent with his pleadings.' (Cunanan vs. Amparo, 45 O.G. 3796) The Revised Rules of Court, Evidence, Francisco, p. 66).

'An admission may occur in the complaint as well as in the answer. Thus where a complaint alleged the amount of the account to be \$541.90, and that there was a balance due, after deducting all payments, of \$175.75, it was held that the plaintiff admitted the payment of \$366.15, and that the defendant was not precluded from insisting upon this admission by disputing the correctness of the items of the account. (White vs. Smith, 46 N.Y. 418.)

'The defendant's allegation in his answer that the plaintiff still owes him after deducting the value of the goods alleged to have been taken by the defendant from the plaintiff, if, interpreted in conjunction with the defendant's counterclaim for the balance resulting, after deducting the price of said goods, is an express admission of the existence of the obligation for the value of said goods. (Jurika vs. Castillo, 36 Off. Gaz., 476.)

"Notwithstanding that the law on evidence so declares that such an admission does not require proof and cannot be contradicted, the Court of Appeals still gave credence to respondent Laborers' explanation in their Reply Brief. (Appendix 'A', pp. 89-90), which is not evidence at all. To sustain this finding is to give evidentiary value to an argument in party's reply brief. This is against all rules of evidence requiring such tests as to admissibility, competency, relevancy, and materiality and which can only be accomplished during the trial proper.

"The Honorable Court of Appeals, in futile effort to justify its ruling that the share pertaining to labor covering the period from June 22, 1952 to October 31, 1955 was not distributed to the laborers despite the admission made by the laborers in their pleadings that they have already received their share covering said period, argued that respondents laborers have explained that what they meant by the quoted paragraph was that their 60% had actually been set aside during the period from June 22, 1952 to October 31, 1955, (page 1446, appellants' Reply Brief), not that the amounts due were actually delivered to or received by plaintiff appellants laborers. (Appendix 'A', pp. 89-90)

"But it should be noted that this contention of the Laborers was raised for the first time only in their Reply Brief long after the trial of the case. In other words, it was a second thought of the Laborers brought about in their Reply Brief, thus amounting to change in theory and a deprivation of the right of the Planters to be apprised of the real issue for their defense.

"Although it may be true, that under Section 2, Rule 129 of the Rules of Court by way of exception the Court may in its reasonable discretion relieve the party from the effects of his admission, yet the same can be had only upon proper showing that said admission was made thru palpable mistake. In the instant case the admission made by the respondent-laborers found in paragraph 10 of their petition as well as paragraphs 1 and 2 of their prayer was never shown to have been made thru palpable mistake.

"Reading of the explanation of respondent-laborers as appearing in page 1446 of their reply brief relied upon by the Court of Appeals reveals that the allegations in paragraph 10 of their petition dated November 9, 1962 as well as the amended petition dated March 6, 1964 was never made thru palpable mistake.

"What was explained by respondents-laborers in page 1446 of their reply brief was the meaning of said paragraph 10. According to the respondent-laborers what they meant by their allegation in paragraph 10

'that pursuant to Sec. 9 of said act, respondent-planters gave petitioners-laborers the latter's lawful participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until

November 1, 1955 when they ceased to do so until the present'

is that . . .

'the 60% of plaintiff-appellant-laborers in the annual 10% increase participation of the defendant appellees planters had in fact been set aside pursuant to Section 9 of Republic Act 809 for the duration of the period beginning June 22, 1952 and ending October 31, 1955.'

"Since said admissions were never withdrawn, modified or explained or shown to have been made thru palpable mistake, therefore, Laborers were never relieved of the effects of their admission which under the rule on evidence is conclusive upon them.

"Suffice it to state their admission in paragraph 10 of their petition being conclusive as against them which they cannot thereafter contradict (Cunanan v. Amparo, Supra) established the fact that they already received their share under the Sugar Act of 1952 up to November 1, 1955 and against this fact no argument can prevail.

CONTRA FACTUM NON VALET ARGUMENTUM.

"That the record is replete with evidence showing that the share of the laborers were distributed to them.

"Not only is there an admission by the Laborers of their receipt of the participation granted them by the Sugar Act up to November 1, 1955, but the record is replete with evidence showing that there was a distribution of this amount of P4,000,000.00 and its accruals, from year to year from a witness presented by the Laborers themselves.

"Mr. Felipe de Guia, Chief of Agriculture wage Section of the Department of Labor, a witness for the laborers testified that they made a distribution, or supervised the distribution of the participation of labor covering the period from June 22, 1952 to October 31, 1955, pursuant to the provision of Section 9, paragraph 2 of the Sugar Act that 'The distribution of the share corresponding to the laborers shall be made under the supervision of the Department of Labor.' Thus, he testified:

'x x x

'Q. Mr. Guia, what steps, if you know the Department of Labor has taken. I withdraw the question.

'Q. As Chief of the Agricultural Wages Section under the Department of Labor, do you know what steps your section of the Department of Labor has taken to implement Section 9 of RA 809, otherwise, known as Sugar Act of 1952, with the Victorias Milling District, Negros Occidental?

'A. Yes, sir, we have distributed also the supposed share of the laborers amounting to 6,717,360.00.

'COURT

'Q. When was that distribution made?

'A. It was made in the year 1955.

Proceed.

'ATTY. SABIO

'Q. This distribution covered the period from June 22, 1952 to what period?

'A. To October 31, 1955.

'Q. Will you kindly tell the Court the basis of the distribution of the amount distributed?

'A. As I understand, this amount was the participation due to the laborers working in that milling district, from June 22, 1952 up to October 31, 1955.

'COURT

'Q. June 22 of what year?

'A. June 22, 1952 to October 31, 1955.

Proceed.

'ATTY. SABIO

'Q. Under what law that is due to them?

'A. RA 809, otherwise, known as Sugar Act of 1952.

'Q. By the way, Mr. Guia, what section or Division of the Department of Labor is embodied the implementation of RA 809?

'A. The Agricultural Wage Section of which I am the Chief.

'ATTY. HAGAD

'CROSS EXAMINATION

'Q. How was this amount of P9,612,421.36 distributed?

'A. The original amount which is supposed to be distributed is P5,186,083.36; but on account of converting the 4,000 shares of the laborers' shares of the stock, it was distributed continuously year to year. The dividends amounted to more than 1,000,000.00, which is added to this amount. It was based practically on the 10% increase participation due to the planters of the Victorias Milling District, wherein 60% of the 10% increase participation represented the said amount which was distributed among the laborers of the Victorias Milling District.

'Q. So, P5,186,083.36 was 60% of 10% was the increase participation of the planters within the Victorias Milling District, for the period from June 22, 1952 to October 31, 1955; is that right?

'A. Yes, sir.

(t.s.n., pp. 17-21, December 15, 1967) Lorenzo C. Caraig; *Italics underlined*).

'x x x

'ATTY. SABIO

'Q. Do you have in your possession the record on how this amount of P1,186,083.34 marked as Exhibits 'XXX' thru 'XXX-6'?

'A. Yes, sir.

'Q. Would you be able to bring that next time?

'A. I think so.

'Q. Would you be able or do you have in your possession a record showing how the amount of P4,000,000.00 marked as Exhibit 'XXX-10' was disposed of?

'A. Not with the P4,000,000.00 because the distribution of this amount was made in five releases as per what is

stated in the statement as presented here.

'Q. At any rate, my question is: Do you have in your possession the record of the distribution of the P4,000,000.00?

'A. Yes, sir.

(t.s.n., pp. 143-144, June 16, 1970, L. Caraig; *Italics underlined*).

'Again:

'COURT:

'What is the purpose now of Atty. Sabio in presenting those records?

'ATTY. SABIO:

'We will show that not only a portion of the amount of P5,186,083.34, including of course the earnings, was distributed that properly belong to the laborers.

'COURT:

'Why not find out from Mr. de Guia the record about the distribution how much was distributed?

'WITNESS:

'Atty. Sabio, I just want to clarify your statement — the distribution I personally handled, I want that to be corrected. If you will allow me, sir, if Mr. Bascug can recall that in our distribution from the first to the fourth I think each and everyone of them even their members could really testify to the effect that the distribution was orderly undertaken. I just want to put that on record. There should be no insinuations, with due tolerance, being the supervisor of the distribution.

'ATTY. SABIO:

'We do not make any insinuation. We only want the record. In the interest of all concerned and in the interest of justice, if the records will be brought here we hope that the records are not irregular and we believe if they are regular no responsibility would be incurred by any official of the Department of Labor.

'WITNESS:

'Which are you referring to, Atty. Sabio?

'ATTY. SABIO:

'Any official of the Department of Labor.

'WITNESS:

'What charge of irregularity?

'ATTY. SABIO:

'The distribution of P5,186,083.34.

'WITNESS:

'In order to facilitate all those records in bringing here, can I request Atty. Sabio any personnel that can accompany me. Because the records are so voluminous. For one distribution of one planter there are no less than 28 pages and there are five distributions. So I am requesting Atty. Sabio to give me an assistant to come

as well as bring the records and I am willing to bring all those records because I have nothing to hide. It is also shown that there are those laborers who were not able to receive and it stated in the undistributed amount.'

(t.s.n., pp. 151-154, June 16, 1970, V. Salvarino, Italics supplied).

"On cross examination, this witness further testified thus:

'Atty. Hagad

'Q. My question Mr. de Guia, is this, the figures referred to in Exh. 23-Victorias Milling Co., Inc. came from the records of your office, is that correct?

'A. Yes, sir.

'Q. Exh. 23 mentioned first, second and up to the fifth distribution. What do you mean by this?

'A. There are distributions undertaken in the Victorias Milling Co., Inc. The first distribution was stated here is in accordance with the number that is corresponding to the amount distributed or released for distribution among the laborers of the Victorias Milling Co., Inc.

'Q. By the first distribution, you are referring to the Amicable Settlement-Compromise Agreement the amount of P1,186, 083.36 and this correspond to the same amount indicated in the Amicable Settlement-Compromise Agreement you also identified; is that correct?

'A. I do not know exactly if this figure stated there is correct but I have to check whether it tallies with it.

'Q. Which figures is reflected in Exh. XXX and Exh. XXX-9?

'A. There is difference of 2 centavos.

'Q. These other distributions that you made, were those also done under your supervision beginning from the second up to the fifth distribution?

'A. (Correction, please). I was not the one who made the distribution; I was only concerned on the first distribution which was supervised.

'Q. As first of the team of supervisors, you supervised the actual delivery of the money to the laborers; is that correct?

'A. Yes, sir.'

(t.s.n., pp. 20-22, June 18, 1970; Lorenzo Caraig).

"Silence of Central, Planters and Special Committee

"According to this Honorable Court, because there was no 'explanation from anyone from the Central, from the Planters or from the Special Committee.' (Appendix 'A', p. 77) as to the distribution of this amount of P4,000,000.00 then the conclusion is that the said amount was never distributed to the plantation laborers. This conclusion is entirely lacking in basis. For it has been established in the preceding paragraphs that according to law (Section 2, Rule 129, Rules of Court), such an admitted fact does not require proof. If so, what was there to be proved by the Planters, the Central or the Special Committee as to the distribution of the said P4,000,000.00 when there is no dispute as to this fact, the same being admitted in the pleadings.

"Not only did this Honorable Court err in finding that the P4,000,000.00 was not distributed to the plantation laborers, but it also fell into error when it held that it could order Planters and Central to pay the said amount to the Laborers even something they did not ask specifically under the general prayer, especially so because such a relief is inconsistent with the admission of the respondent laborers that they were already given their share

corresponding to the period from June 22, 1952 to October 31, 1955. While it may be true that a general prayer is probably broad enough 'to justify extension of a remedy different from or together with specific remedy sought' a general prayer is no longer broad enough to justify extension of a remedy which is INCONSISTENT with the specific allegation in the petition as in the case at bar. The case of *Schenker vs. Gemperk*, L-16449, Aug. 31, 1962, 5 SCRA 1042 relied upon by the Court of Appeal cannot, therefore, be made applicable to the case at bar, for the facts in said case are far different from the one at bar. In the *aforecited* case, the remedy extended is merely different from or together with the specific prayer sought; in the case at bar, the remedy extended is INCONSISTENT with the specific allegation and cause of action of respondent laborers' petition.

"The cause of action of the respondent laborers is only for their alleged share from November 1, 1955 and is further bolstered by paragraph 1 of their prayer reading thus:

'Declaring the applicability of the Victorias Mill District of the sharing participation prescribed by Republic Act 809 for every crop year starting with the crop year 1955-56;'

(ITALICS SUPPLIED)

"With respect to the investment of the P4,000,000.00 in 40,000 shares of stock of the Victorias Milling Co., Inc., no prejudice was really caused to the plantation laborers because these shares of stock remained their property. It was never claimed by the PLANTERS or by the Special Committee as theirs. It was only held in trust for them by the Board of Trustees. (Art. 1448, New Civil Code). This was not only a wise investment; it also earned a good return, for on the principal of P4,000,000.00, its stock and cash dividends amounted to about P3,385,950.00 (p. 50, Decision)." (Pp. 69-97, PLANTERS' Brief.)

We have carefully scrutinized the foregoing arguments, supported as they are by the pleadings on record as well as unexpurgated and unquestioned parts of the transcript of the stenographic notes of the testimony of the FEDERATION's principal witness, Mr. de Guia, in the light of the pertinent conclusions of the Court of Appeals, and at this point, We are already apprehensive that said conclusions can be said to be supported by such substantial evidence as would preclude this Court from accepting them as unreviewable by this Court under the general limitation of this Supreme Court in regard to findings of fact of the Court of Appeals.

- C -

This impression of Ours that the Appellate Court's above conclusions cannot be said to be sufficiently grounded gathers added force then the following able discussion of the same apparent misapprehension of the evidence by the Appellate Court in the brief of VICTORIAS' ninth to eleventh (IX to XI) assignments of error in its brief with Us is taken into account:

"Ninth Assignment of Error

"WITH REFERENCE TO THE AMOUNT OF P6,399,105.00 AND THE AMOUNT OF P180,769.38, WHICH ACCRUED IN FAVOR OF THE LABORERS FROM JUNE 22, 1952 TO OCTOBER 31, 1955 WHEN THERE WAS AS YET NO WRITTEN MILLING AGREEMENT, IN VIEW OF THE FACT THAT THE LABORERS ADMITTED IN THEIR PETITION THAT THE PLANTERS GAVE THEM THEIR LAWFUL PARTICIPATION FROM JUNE 22, 1952 TO OCTOBER 31, 1955 AND THERE BEING, MOREOVER, NO ALLEGATION OF ANY CAUSE OF ACTION RELATIVE THERETO, THE COURT OF APPEALS ERRED AND ACTED WITH GRAVE ABUSE OF DISCRETION WHEN IT HELD PETITIONER VICMICO AND THE PLANTERS JOINTLY AND SEVERALLY LIABLE VIA TORT FOR SAID AMOUNTS.

"Aside from adjudging petitioner VICMICO and the planters jointly and severally liable for the money equivalent of 60% of the 4% increased participation of the planters from November 1, 1955 to October 31,

1974, which amount would run to tens of millions of pesos, a judgment that, as previously discussed, finds no basis in law and in fact, the Court of Appeals likewise adjudged petitioner VICMICO and the planters jointly and severally liable for tort for P6,399,105.00 and for P180,769.38, which sums pertained to the amounts that accrued in favor of the laborers from June 22, 1952 to October 31, 1955, during which period there was no milling agreement.

"The Court of Appeals, in attempted justification of its aforesaid ruling, stated that while FFF et als. admitted in paragraph 10 of their petition that the 'planters gave to petitioners-laborers the latter's lawful participation in the sugar pro-duction as well as in the by-products or derivatives thereof and continued giving the same until November 1, 1955' (Par. 10, Petition of FFF et als.), the FFF et als. in their brief filed before the Court of Appeals, 'explained that what they meant x x x was that their 6% share had actually been set aside during the period from June 22, 1952 to October 31, 1955,' (Decision, p. 61). The Court of Appeals further stated that counsel for petitioner VICMICO allegedly agreed 'that what happened to the P4 Million was a proper issue in this case' (ibid., p. 62) and that the general prayer of FFF et als. 'for such other relief as may be just and equitable under the premises is broad enough to justify extension of a remedy not specifically sought' (ibid., p. 61).

"Petitioner VICMICO respectfully submits that the justification advanced by the Court of Appeals is untenable as we shall hereunder discuss and as shown by the fact that the laborers did actually receive said amounts (Vide Exh. 23–VICMICO or Annex I of VICMICO's Petition for Certiorari), as discussed at length in the Tenth Assignment of Error.)

"The FFF et als. did not allege any cause of action in their petition concerning their share from June 22, 1952 to October 31, 1955, during the period when there was as yet no writ-ten milling agreement; as a matter of fact, FFF et als. expressly admitted receipt of their lawful participation pertaining to said period. (Italics supplied.)

"As previously noted, VICMICO and the planters did not have any written milling contract from June 22, 1952, when Republic Act 809 took effect, until October 31, 1955, the last day prior to the written milling agreements' having become effective. The amounts pertaining to the planters' laborers representing 60% of the planters' increased participation, pursuant to the sharing proportion prescribed in Section 1 of Republic Act 809, were expressly provided for in the amicable settlement-compromise agreement (ASCA) executed between the central and the planters.

"The Court of Appeals, in its Decision (Annex Q to VICMICO's Petition for Certiorari) declared the foregoing amicable settlement-compromise agreement or ASCA to be valid and legal and not violative of Republic Act 809. (Vide, Annex Q, p. 43) Pursuant to the amicable settlement-compromise agreement, the entire share of the planters' laborers was eventually delivered and distributed to them, the distribution having amounted to a grand total of P6,536,741.98, involving 474,811 laborers in five (5) distributions. (Vide Exh. 23-VICMICO or Annex I hereof). FFF et als. expressly admit-ted receipt of all amounts pertaining to the laborers during the period June 22, 1952 to October 31, 1955. Thus the petition of FFF et als., reads in part:

'8. That on June 22, 1952, Republic Act No. 809 otherwise known as the Sugar Act of 1952, was enacted the pertinent provisions of which are as follows:

'* * *.

'9. That at the time that the said Act went into effect, a majority of sugarcane planters of the Victorias Mill District had no milling agreements with respondents CENTRAL.

'10. That pursuant to Sec. 9 of said Act, respondent PLANTERS gave to petitioners LABORERS the latter's lawful participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until November 1, 1955 when they ceased to do so until the present;' Vide Annex A to VICMICO's Petition for Certiorari.)

"In view of the foregoing express admissions of FFF et als., herein petitioner VICMICO stated in its answer to the petition that the 'windfall bonuses, if any, given by the adherent planters to their plan-tation laborers was the consequence of the terms of the amicable settlement-compromise agreement arrived at between respondent central and its adhe-rent planters within the district in relation to a then pending court case between them.' (Vide, par. 7 of Annex E to VICMICO's Petition for Certiorari.) On the part of the planters, they averred that 'the windfall bonuses that respondent planters herein gave to their plantation laborers x x x are legal and valid and were the result or consequence of the terms and conditions of the amicable settlement arrived at between the respondent central and its adherent planters within the district x x x'. (Vide Annex 'G' to VICMICO's Petition for Certiorari.)

"It is obvious that FFF et als. did not allege any cause of action with reference to those amounts which accrued in favor of the laborers from June 22, 1952 to October 31, 1955 as they, in fact, ad-mitted that the planters gave to petitioners laborers the latter's lawful participation in the sugar production as well as in the by-products or derivatives thereof and continued to give the same until November 1, 1955.' That FFF et als. did not allege any cause of action relative thereto is evident, the essential elements constituting a cause of action not being present. There is a cause of action only if certain essential elements are alleged in the petition. We quote:

'A cause of action is an act or omission of one party in violation of the legal right of the others. Its essential elements are, namely: (1) the existence of a legal right in the plaintiff, (2) a correlative legal duty in the defendant, and an act or omission of the defendant in viola-tion of plaintiff's right with consequential injury or damage to the plaintiff for which he may maintain an action for the recovery of damages or other appropriate relief.' (Mathay vs. Consolidated Bank & Trust Co., 58 SCRA 559.)

"While FFF et als. alleged that the laborers had the legal right to a certain percentage share of the sugar produced from June 22, 1952 to October 31, 1955, they did not allege any correlative duty on the part of petitioner VICMICO to deliver those shares to the laborers, as said laborers, in fact, expressly admitted that the planters, who had that exclusive correlative duty under Section 9 of Republic Act 809 had already delivered to the laborers the latter's lawful participa-tion. Moreover, insofar as any amounts due the laborers during the period when there was no milling contract are concerned, the petition of FFF et als. did not allege any act or omission whatsoever, on the part of petitioner VICMICO or on the part of the planters in violation of the laborer's rights. There having been no allegation whatsoever of such a cause of action, the Court of Appeals acted with grave abuse of discretion in nevertheless adjudging petitioner VICMICO jointly and severally liable with the planters for the amounts pertaining to the laborers during the period June 22, 1952 to October 31, 1955.

"FFF et als. could not be permitted to controvert their express admission, and any proof contrary thereto or inconsistent therewith should have been ignored. (italics supplied)

"It is a fundamental principle that an admission made in a pleading cannot be controverted by the party making such an admission. We quote:

'Our decisions from *Irlanda v. Pitargue*, announced in a 1912 decision, to *De Borja v. Vda. de Borja*, promulgated in 1972, speak to that effect. 'It is a familiar doctrine,' according to Justice J.B.L. Reyes in *Joe's Radio & Electrical Supply v. Alto Electronics Corp.*, 'that an admission made in the pleadings cannot be controverted by the party making such admission and are conclusive as to him, and that all proofs submitted by him contrary thereto or inconsistent therewith, should be ignored, whether objection is interposed by the party or not * * *' (*Santiago vs. De los Santos*, 61 SCRA 146, 149.)

"The explanation given by FFF et als. to the effect that what they meant by the word 'gave' is that the laborers' share during the period was merely set aside for said laborers is not only a belated and forced explanation advanced only at the time FFF et als., filed their reply brief with the Court of Appeals under date of April 30, 1972, or almost ten years from the date said parties filed their petition on or about November 9, 1962, but is

also contrary to the ordinary and generally under-stood meaning of the word 'gave'. The matter is rather substantial in the sense that it involves an amount representing millions of pesos which has not been treated as a cause of action in the petition of FFF et als., nor has it been specifically mentioned in their prayer. What was required of the FFF was that they amend their petition, with prior leave of court, so that petitioner VICMICO, as well as the planters could have directly met the issue. This procedural requirement not having been complied with by the FFF et als. and the Court of Appeals having proceeded to decide the case on certain issues not raised by the parties, said Court of Appeals acted with grave abuse of discretion. (*Evangelista vs. Alto Surety and Insurance Co., Inc.*, 103 Phil. 401).

"The Court of Appeals moreover contends (*Vide Annex Q to VICMICO's Petition for Certiorari*, p. 61) that while the petition of the FFF et als., did not specifically pray for recovery of the amounts pertaining to the period from June 22, 1952 to October 31, 1955, their general prayer 'for such other relief as may be just and equitable in the premises' is broad enough to justify extensions of a remedy different from the specific amounts sought. While the phrase 'for such other relief as may be just and equitable in the premises' may embrace all other reliefs not specifically prayed for, only those reliefs which are alleged or supported by the allegations in the petition or the complaint can validly be adjudged. In the absence of any such allegation, as in the case at bar, no relief other than that justified by the allegations and proof may be awarded. We quote:

'Moreover, to award damages in favor of petitioner Miguel Tolentino, Sr., and against herein private respondents would violate the cardinal rule that a judgment must conform to and be supported by both the pleadings and the proofs, and should be in accordance with the theory of the action on which the pleadings were framed and the case was tried (*secundum allegata et probata*).'*(Republic vs. De los Angeles*, 41 SCRA 422, 450).

x x x x x

'The actuation of the trial court was not legally permissible, especially because the theory on which it proceeded involved factual considerations neither touched upon in the pleadings nor made the subject of evidence at the trial. Rule 6, Section 1, is quite explicit in providing that 'pleadings are written allegations of the parties of their respective claims and defenses submitted to the court for trial and judgment.' This rule has been consistently applied and adhered to by the courts.

'The subject matter of any given case is determined x x x by the nature and character of the pleadings submitted by the parties to the court for trial and judgment. (*Belandres vs. Lopez Sugar Central Mill Co., Inc.*, 97 Phil. 100, 103).

'It is a fundamental principle that judgments must conform to both the leadings and the proof, and must be in accordance with the theory of the action upon which the pleadings were framed and the case was tried; that party can no more succeed upon a case proved, but not alleged, than upon one alleged but not proved. (*Ramon v. Ortuzar*, 89 Phil. 730, 742).

'It is a well-known principle in procedure that courts of justice have no jurisdiction or power to decide a question not in issue. (*Lim Toco vs. Go Fay*, 80 Phil. 166).

'A judgment going outside the issues and purporting to adjudicate something upon which the parties were not heard, is not merely irregular, but extrajudicial and invalid. (*Salvante v. Cruz*, 88 Phil. 236, 244).' [*Lazo vs. Republic Surety & Insurance Co., Inc.* 31 SCRA 329, 334.]

"Plaintiffs-appellants FFF et als. sought to bring up matters concerning the share of the laborers from June 22, 1952 to October 31, 1955 not by way of recovery thereof, as FFF et als., in fact, admitted receipt of everything due, but merely by way of pursuing their theory that the amicable settle-ment-compromise agreement is allegedly null and void. (*Italics supplied*)

"When counsel for plaintiffs-appellants propounded questions to Mr. de Guia concerning the alleged disagreement of the Department of Labor concerning the procedure adopted in the disposition of the shares of the laborers, Atty. Ditching, a planter, as counsel for himself and his wife, objected thereto on the ground that, as per paragraph 10 of their petition, plaintiffs-appellants admitted receipt of all of the shares up to October 31, 1955.

'Q You stated that your Department disagreed with the procedure adopted by the Victorias Milling Co., Inc. and its planters in the disposition of the amount of money due the laborers under Republic Act 809; and you also mentioned that you have document in your possession of the objection of your Department to such procedure; is that right?

'ATTY. DITCHING:

'We object to that because there is no necessity of bringing that point because the petition itself admitted that the petitioners received their participation. It is here in paragraph 10 of the petition.

'COURT:

'I believe the objection is tenable because the supposed participation of the laborers from the 40-60 sharing which was later on increased to 60-40 according to that amicable settlement.

'ATTY. SABIO:

'This amicable settlement, Your Honor, we are trying to impugn it.' (t.s.n. pp. 64-66, December 15, 1967).

"When counsel for plaintiffs-appellants FFF et als. was reminded that, pursuant to his petition, FFF et als. had admitted receipt of what was due them prior to November 1, 1955 and that said counsel could not introduce evidence which would contradict said admission unless the petition would first be amended, counsel for plaintiffs-appellants stated that he was not amending his petition, as his purpose was only to pursue his theory that the mil-ling contracts were null and void. We quote:

'ATTY. TIROL:

'I think we are trying this case and not to impugn that document, whereas compañero stated that there is an allegation in the petition that prior to November 1, 1955, the plant-ers have complied with the law . . . that is your pleading. Are you going to amend your petition?

'ATTY. SABIO:

'We are not but paragraph 11 of the petition states: '11. That with evident intent to evade compliance of said Act and to the grave pre-judice of the laborers, some of respondents PLANTERS and respondent CENTRAL prepared and executed a General Collective Sugar Milling Contract sometime in March, 1956; and, that adherence thereto, even as late as April 29, 1960, was made to retroact to November 1, 1955;' This contract which we are trying to impugn was not presented to court.

'ATTY. HILADO, JR.

'We doubt very much if counsel for the plaintiffs can give us reason why this amicable settlement was not presented by the parties in court. In that case then, granting that he can so prove his allegation, because the Victorias Milling Co., Inc. under Par. 10 of the petition, states that up to October 31, 1955, the laborers received their lawful participation under RA 809. This milling contract was executed but that was after October, 1955 already. Sohe cannot go against his allegation.

'COURT:

'Let us go to the question now so the ruling could be issued.

'ATTY. SABIO:

'My question is the matter of document presented by the witness was not asked by me but by Atty. Hilado, Jr. So the document was mentioned by the witness.

'ATTY. HILADO, JR.

'The Rules of Court says that, agreement the parties could not be contradicted.

'ATTY. SABIO:

'We disagree on the qualification of the fact.

'COURT:

'Let us go to the question now. Proceed.

'ATTY. SABIO:

'Q. You stated during the cross examination by Atty Hilado, Jr. That you have a document in your possession to show that your office disagreed with the procedure in the disposition of the money due to the laborers' share which was made by the Central and the planters; where is that document now?

'ATTY. DITCHING:

'Objection. In the pleading, par. 10 of the petition, the petitioners admitted that they have received their lawful share up to November, 1955

'COURT:

'That is not denied.

'ATTY. DITCHING:

'The petitioners admitted that in par. 10 of petition, they have received their lawful share up to November 1, 1955; so that question is immaterial.

'COURT:

'The question asked is, with reference only to the procedure of the Department of Labor.

'ATTY. HILADO, JR.

'Are they not in a position to ascertain all their allegations in the petition?

'COURT:

'The position of counsel for the plaintiff is that, he is trying to find out his procedure that is being followed. Let the witness answer.

'A. Witness is showing a certain document which for purposes of identification has been marked as Exhibit 'HHH-HHH-5' for the plaintiffs. It is a Memorandum addressed to the Hon. Secretary of Labor by Mr. Ruben F. Santos of the Wage Board Division.

'COURT:

'Q. Why did your Department object to such arrangement of the planters and Victorias Milling Co., Inc. referring to the disposition of increase participation?

'A. The only objection of our Department as stated in the memorandum, is the conversion of P4,000,000.00

into shares of stock.

'Q. So your objection is in the conversion into share of stock of certain amount of dividend; is that it?

'A. Yes, Sir, the memorandum in our office speaks for it' (t.s.n., pp. 67-72, December 15, 1967).

"It is obvious that plaintiffs-appellants were not seeking recovery of what pertained to them from June 22, 1952 to October 31, 1955, not only because they admitted receipt of their shares corresponding to said period, but also because Mr. de Guia likewise affirmed the laborers' receipt of the corresponding share. While, according to Mr. de Guia, the Department of Labor disagreed merely with reference to the initial conversion of the P4 Million into VICMICO shares, said VICMICO shares were subsequently converted into cash and, ultimately, distributed to the laborers who interposed no disagreements or objection thereto. Mr. de Guia testified:

'Q. Is it not a fact that those shares of stock were sold and proceeds of your distribution as indicated in your report was up to the 5th distribution made by your office?

'A. Yes, Sir.

'Q. And as a matter of fact, with the sale of shares of stock, you realized that not only the original amount of investment which correspond to the part of 60% for the laborers but by more than million dividend; is that right?

'A. Yes, Sir.

'Q. Is it not a fact that the reason why after October 31, 1955 your office did not distribute the windfall or bonuses because there had been milling contracts that were signed by the management and the planters in the milling district?

'A. Yes, Sir.

'Q. Was there a report of your office with reference to the 5th distribution of payments of money?

'A. Yes, Sir.

'Q. Who gave the money?

'A. The planters.' (t.s.n. pp. 35-36, December 15, 1967.)

x x x x x

'Q. And there was no disagreement on that matter, correct?

'A. Yes, Sir.

'Q. And there was no complaint from the laborers after the participation; is that correct?

'A. There was none.

'Q. So that this distribution was accepted by all, including the laborers who were the participants in this distribution; correct?

'A. There was none.

'Q. So that this distribution was accepted by all, including the laborers who were the participants in this distribution; correct?

'A. That is only within the period that is covered by the distribution.' (t.s.n., p. 53, December 15, 1967.)

"As a matter of fact, when Mr. de Guia testified that one planter did not allegedly distribute the share corresponding to his own laborers, Atty. Ditching, as counsel for himself and his wife, moved to strike out the answer of the witness on the ground that the laborers, in their petition, admitted having received all of their shares, and the trial court granted the motion. We quote from the transcript:

'Q. Of the 400 planters adhered to the Victorias Milling District, only one planter has not distributed the corresponding participation of the laborers; is that right?

'A. Yes, Sir.

'ATTY. DITCHING:

'I move for the striking out of the answer of the witness, it is admitted by the petitioners themselves in par. 10 of the petition filed with this court on November 9, 1962, which says: '10. That pursuant to Sec. 9 of said Act, respondents PLANTERS gave to petitioners LABORERS the latter's lawful participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until November 1, 1955 when they ceased to do so until the present.' So regarding the distribution, I object to that because there was already an answer. I move to strike out with respect to the answer because it will affect us.

'COURT:

'Strike out that from the record regarding that one planter has not distributed the participation of the laborers. It is enough that the Department of Labor have that in the record.' (t.s.n. pp. 48-50, December 16, 1967).

"The contention of the Court of Appeals that 'counsel for central agreed that whatever happened to the P4,000,000 was a proper issue in this case' (Annex Q, p. 62) finds no justification. While counsel for VICMICO made the foregoing remark in the course of an exchange of manifestations with counsel for FFF et als., said remark should be taken in the context in which it was uttered. Counsel for FFF et als. was requesting for records concerning the P4,000,000 invested in VICMICO shares of stock, and counsel for VICMICO insisted that counsel for FFF et. als. specify the documents being asked for (tsn, pp. 7 to 32, April 28, 1970). It should be noted moreover that counsel for VICMICO objected to the presentation of evidence concerning the existence of any alleged fraud because 'there is no allegation to the effect that complaint and that should not be brought in the rebuttal because that is improper.' (tsn, pp. 14-15, April 28, 1970).

"Moreover, the said statement of counsel of VICMICO was meant merely to emphasize what VICMICO alleged in Par. 7 of its answer to the petition, which Par. 7 reads as follows:

'7. – That, being the mill company, respondent Central does not have sufficient information so as to be able to admit or deny the truth of the allegations of paragraph 10 of the petition; and it here further states that the wind-fall bonuses, if any, given by the adherent planters to their plantation laborers was the consequence of the terms of the amicable settlement arrived at between the respondent Central and its adherent planters within the district in relation to the pending court case between them.' (Vide, Annex E, Par. 7 thereof, Peti-tion for Certiorari of Vicmico)

"If there was any issue at all with reference to the P4,000,000 investment in VICMICO shares, it was not an issue in relation to any cause of action filed by FFF et als. to recover the proceeds thereof, as FFF et als. never made such an allegation and even expressly admitted receipt of said amount.

"X

Tenth Assignment of Error

HAVING FOUND THE MILLING AGREEMENT AND THE AMICABLE SETTLEMENT-COMPROMISE AGREEMENT (ASCA) TO BE VALID, THE COURT OF APPEALS ERRED IN HOLDING THAT

PETITIONER VICMICO AND THE PLANTERS HAD NO AUTHORITY TO STIPULATE IN SAID ASCA ON THE DISPOSITION OF THE AMOUNTS PERTAINING TO THE LABORERS FROM JUNE 22, 1952 TO OCTOBER 31, 1955, THE PLANTERS BEING THE AUTHORIZED AGENTS OF THE LABORERS BY, AMONG OTHERS, HAVING RECEIVED ALL THE AMOUNTS DUE THEM, HAVING MOREOVER RATIFIED SAID ASCA.

"The ruling by the Court of Appeals to the effect that the milling agreements and the ASCA are valid renders legally untenable its conclusion that the parties thereto had no authority to provide for the disposition of the amounts pertaining to the laborers from June 22, 1952 to October 31, 1955. (*Italics supplied*)

"The Court of Appeals, after a review of the records, 'found no evidence of circumvention' in the execution of the milling agreements and of the ASCA 'as appellants (FFF, et als.) charged.' (*Decision*, p. 41, Annex 'Q' to Vicmico's Petition for Certiorari). It added that the 'contracts, therefore, which it (Vicmico) wrung from Planters are not in circumvention of the law but in legitimate pursuit of profit – which is the end-all and be-all of business. That Central (Vicmico), as a result of the ASCA which appellants (FFF, et als.) claim it (Central) to have 'engineered' got 36% and Planters 64% while the plantation laborers got nothing, is no reason for considering the contracts a circumvention of the law which does not in the first place interpose upon it any duty or require of it the performance of any obligation to yield any part of its participation in favor of planters laborers. In other words, we do not find in Central's conduct anything so odious or so obnoxious as to render the contracts it has entered into with Planters illegal or repugnant to public policy.' (*Ibid.*, p. 43). The Court of Appeals, thus, declared 'the ASCA and the other derivative sugar milling contracts valid.' (*Ibid.*, p. 54.)

'Notwithstanding its finding and conclusion that the ASCA and its derivative sugar milling contracts were valid, the Court of Appeals stated that the Central and the Planters had no authority to provide in the ASCA for the disposition of the amounts pertaining to the laborers from June 22, 1952 to October 31, 1955. Thus, the Court of Appeals ruled in part:

'Central and Planters could stipulate whatever they might wish upon the share (P3,457,388.90) of Planters in the 'reserve' – how or when such share would be paid to the latter. After all, they were the only contracting parties in the ASCA. But it was absolutely beyond the power and competence of either Central or planters or both Central and Planters to stipulate upon the share (P5,186,083.34) of the plantation laborers in the 'reserve'. As though the share of the plantation laborers were their own property, however, both Central and Planters, on March 5, 1956, sat down in judgment upon the question of its disposition. On that date, therefore, they both decided, in the ASCA, on how the laborers' share was to be disposed of P4,000,000.00 was to be invested in shares of capital stock of Central, the balance of P1,186,083.34 to be distributed among the plantation laborers 'under the supervision of the Secretary of Labor'. (*Decision*, pp. 48--49; *Vide*, Annex 'Q' to Vicmico's Petition for Certiorari.)

"The foregoing conclusion of the Court of Appeals is legally inconsistent with its finding and ruling that the ASCA was legal and valid. A ruling that a contract is valid presupposes that all the essential elements of a contract are present, namely: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation which is established. (Art. 1318, Civil Code). Consent presupposes legal capacity, that is, that the Planters who entered into said ASCA on behalf of their laborers had been authorized by the latter. (*Tolentino*, Civil Code of the Philippines, p. 407 [1956]; cf. *Tolentino v. Paraiso*, 34 Phil. 609 [1916]).

"In any event, the planters were the authorized agents of the respective laborers, and Vicmico had the right to rely on that authority. (*Italics supplied*)

Section 9 of Republic Act 809 reads:

'In addition to the benefits granted by the Minimum Wage Law, the proceeds of any increase in the participation

granted the planters under this Act and above their present share shall be divided between the planter and his laborer in the plantation in the following proportion:

'Sixty per centum of the increased participation for the laborers and forty per centum for the planters. The distribution of the share corresponding to the laborers shall be made under the supervision of the Department of Labor.

'The benefits granted to laborers in sugar plantations under this Act and in the Minimum Wage Law shall not in any way be diminished by such labor contracts known as 'by the piece', 'by the volume', 'by the area', or by any other system of 'pakyaw', the Secretary of Labor being hereby authorized to issue the necessary orders for the enforcement of this provision.'

"The above provision has constituted the planters the agents of their respective laborers with reference to any share to which they may be entitled from the increased participation of the planters granted under the Act. It is an agency created by law (Art. 1317, Civil Code). Accordingly, when the planters entered into the ASCA with the Central, they did so, insofar as the share of their laborers was concerned, as agents of their laborers and no authority was necessary from the laborers because the planters had, by law, a right to represent them.

"Moreover, the planters are the employers of their respective laborers; they speak for their laborers in matters involving whatever percentage share the laborers would be entitled to from the increased participation of the planters granted under Republic Act 809. These laborers were so numerous (cf. Exh. 23-Vicmico) that only the respective planters who, under the law, are obliged to prepare their payrolls, knew who they were. Hence, Vicmico had the right to rely on the representations of the planters relative to their laborers.

"Moreover, the laborers ratified the ASCA by their silence for six (6) years and by their enjoyment of the benefits accruing therefrom. (Underlining supplied)

"From November 5, 1956 when this Honorable Court dismissed the appeal of the laborers in G.R. No. L-11218 up to November 9, 1962 when the petition of FFF, et als. was filed with the trial court, about six (6) years had elapsed. Within that long period, the laborers never questioned the validity of the ASCA on the ground that the Central and the Planters had no authority to provide for the manner of pre-servation and distribution of their share correspond-ing to the period from June 22, 1952 to October 31, 1955 when there was as yet no written milling contract in the Victorias-Manapla-Cadiz mill district. They never, within such period, filed any action to nullify the ASCA for lack of consent on their part, notwithstanding their knowledge thereof, some of the laborers having intervened in Civil Case No. 22577 (Exh. 'H') and in G.R. No. L-11218, where the question of validity of the ASCA and of the milling agreement was in issue (Exhs. 'VV', 'VV-1', 'VV-2').

Article 1317 of the Civil Code reads:

'* * *. No one may contract in the name of another without being authorized by the latter, or unless he has by law a right to represent him.

'A contract entered into in the name of another by one who has no authority or legal representation, or who has acted beyond his powers, shall be unenforceable, unless it is ratified, expressly or impliedly, by the person on whose behalf it has been executed, before it is revoked by the other contracting party.'

"By their silence for six (6) years, notwithstanding their knowledge of the ASCA, the laborers are deemed to have ratified the contract. We quote:

'Nor has Concepcion directly impugned the validity of the obligation contracted by her mother in her behalf and therefore it may be taken for granted that she has by her silence ratified the obligation to pay, jointly with her mother and brothers, the sum her father owed when he died. (Art. 1313, Civil Code.)' (Fabie v. Yulo, 24 Phil. 240, 247 [1913], emphasis supplied.)

* * *

'* * *. On the contrary, the case comes squarely within the purview of the provisions of the Civil Code under the subject of Nullity of Contracts which pertain to ratification. Codal article 1309 provides: 'The action of nullity is extinguished from the moment the contract may have been validly ratified.' Article 1311 following provides: 'Ratification may be either express or implied. It shall be deemed that there is an implied ratification when a person entitled to avail himself of any ground for the annulment of the contract should, with knowledge of its existence and after it has ceased, do anything which necessarily implies an intention to waive such right.' Finally comes article 1313 which provides: 'Ratification purges the contract of all defects to which it may have been subject as from the moment it was entered into'. It results, therefore, that after a contract is validly ratified, no action to annul the same can be maintained based upon defects relating to its original validity. (Gutierrez Hermanos vs. Orense [1914], 28 Phil. 571; Vales vs. Villa [1916], 35 Phil. 769.) [Tan Ah Chan and Kwong Kam Koon vs. Gonzales, No. 28595, October 11, 1928.]

"Article 1313 of the Old Civil Code cited by the Supreme Court in the Fabie v. Yulo case quoted above corresponds to Article 1396 of the New Civil Code, which reads:

'Art. 1396. Ratification cleanses the contract from all its defects from the moment it was constituted (Art. 1313).'

"When FFF, et als. did file on November 9, 1962 a petition with the trial court, they also did not question the authority of the Central or the Planters to provide, in the ASCA, the manner in which their share from June 22, 1952 to October 31, 1955 would be held and distributed. In fact, they expressly admitted that the planters gave them their corresponding participation. We quote paragraph 10 of their petition:

'That pursuant to Sec. 9 of said Act, respondents PLANTERS gave petitioners LABORERS the latters' lawful participation in the sugar production as well as in the by products and derivatives thereof and continued to give the same until November 1, 1955 when they ceased to do so until the present; * * *.' (Annex 'A', Vicmico's Petition).

"Moreover, the laborers received the benefits of the ASCA when their share was distributed to them (Exh. 23-Vicmico; see also Eleventh Assignment of Error, *infra*.) Their receipt of such benefits amounted to a ratification of the authority of the planters to represent them in the ASCA. (Zamboanga Transportation Co. v. Bachrach Motor Co., 52 Phil. 244; Ibañez v. Rodriguez, 47 Phil. 554; Tacalar v. Corro 34, Phil. 889; underlining Ours)

"XI

Eleventh Assignment of Error

THE COURT OF APPEALS ERRED IN CONCLUDING THAT THE LABORERS DID NOT RECEIVE THE AMOUNT OF P6,399,105.00 AND IN HOLDING, ON THE BASIS OF TORT, PETITIONER VICMICO, JOINTLY AND SEVERALLY LIABLE WITH THE PLANTERS THEREFOR, EXHIBIT 23--VICMICO CLEARLY SHOWING ON ITS FACE THAT THE LABORERS ACTUALLY RECEIVED A TOTAL OF P6,536,741.98 AND THE COURT OF APPEALS HAVING FOUND THAT ALL AMOUNTS PERTAINING TO THE LABORERS HAD BEEN RECEIVED BY THE PLANTERS. THE FOREGOING DEMONSTRATING, AMONG OTHERS, THAT PETITIONER VICMICO CANNOT BE ACCUSED OF ANY TORTIOUS ACT.

"The conclusion of the Court of Appeals to the effect that the laborers received only P1,186,083.34 and not the whole amount of P6,399,105.00 has no basis in fact, the evidence as testified to by a representative of the Labor Department being to the contrary.

"Notwithstanding the express admission in the petition of FFF, et als., to the effect that the 'Planters gave petitioners (FFF, et als.) the latter's lawful participation in the sugar production and derivatives thereof and continued to give the same until November 1, 1955, when they ceased to do so until the present' (Par. 10, Petition of FFF, et als., filed with the trial court, Vide Annex 'A' to Vicmico's Petition for Certiorari), which fact, having been admitted, requires no proof and cannot be contradicted (Rule 129, Sec. 2, Rules of Court; Sta. Ana v. Maliwat, 24 SCRA 1018), the Court of Appeals made the following unfounded statements:

'x x x if it is further considered, as shown in our resolution of the third issue, that this amount of P4,000,000.00, along with its accruals, was never received by the plantation laborers to this day, the unwisdom of the investment, let alone, its illegality, is hardly in doubt.' (p. 52, Decision, Annex 'Q' to Vicmico's Petition for Certiorari).

* * *

'x x x and the fact that the laborers' P4,000,000.00 worth of shares and their earnings have, without any explanation from anyone from the Central, from the Planters, or from the Special Committee, vanished into limbo without the laborers being able to actually receive any cent of the same.' (Idem., p. 53).

* * *

'In effect, what has been established by the evidence is that the P4,000,000.00, together with its earnings in dividends in the total amount of P3,385,950.00 (p. 6, tsn., June 16, 1970), has not been distributed to or received by plaintiffs-appellants-laborers.' (Idem., p. 62).

* * *

'The evidence shows that, except for a small part (P180,679.38) of the sum of P5,185,083.34, the entire P1,186,083.34 was actually paid to the laborers. x x x.' (Idem, p. 55; Annex 'Q' to Vicmico's Petition for Certiorari).

* * *

'Not a shred of evidence, however, has been introduced into the record to show that the proceeds of the sales of the 40,000 shares of stock and the increments in cash and stock dividends have been actually delivered to or received by appellants-laborers. x x x.' (Annex 'Q' to Vicmico's Petition for Certiorari, p. 60).

"None of the foregoing statements finds any basis in fact and the Court of Appeals' unwarranted conclusions constitute a grave abuse of discretion tantamount to an excess of jurisdiction. (Duran v. Court of Appeals, L-39758, May 7, 1976). Mr. Felipe de Guia testified lengthily on the point, but the Court of Appeals apparently was oblivious of his testimony which established distributions of over P6,000,000.00 in favor of the laborers. We quote the testimony of Mr. de Guia:

'Q. Mr. Guia, what steps, if you know the Department of Labor has taken . . . I withdraw the question.

'Q. As Chief of the Agricultural Wages Section under the Department of Labor, do you know what steps your section of the Department of Labor has taken to implement Section 9 of RA 809, otherwise, known as Sugar Act of 1952, with the Victorias Milling District, Negros Occidental?

'A. Yes, sir, we have distributed also the supposed share of the laborers amounting to P6,717,360.00. (Italics supplied).

'COURT:

'Q. When was that distribution made?

'A. It was made in the year 1955.

Proceed.

'ATTY. SABIO:

'Q. This distribution covered the period from June 22, 1952 to what period?

'A. To October 31, 1955.

'Q. Will you kindly tell the Court the basis of the distribution of the amount distributed?

'A. As I understand, this amount was the participation due to the laborers working in that milling district, from June 22, 1952 up to October 31, 1955. (*Italics supplied*).

'COURT:

'Q. June 22 of what year?

'A. June 22, 1952 to October 31, 1955. Proceed.

'ATTY. SABIO:

'Q. Under what law that is due to them?

'A. RA 809, otherwise known as Sugar Act of 1952.

'Q. By the way, Mr. Guia, what Section or Division of the Department of Labor is embodied the implementation of RA 809?

'A. The Agricultural Wage Section of which I am the Chief.

'ATTY. HAGAD:

'CROSS EXAMINATION:

'Q. How was this amount of P9,612,421.36 distributed?

'A. The original amount which is supposed to be distributed is P5,186,083.36; but on account of converting the 4,000 shares of the laborers' share of stock, it was distributed continuously year to year. The dividends amounted to more than P1,000,000.00 which is added to this amount. It was based practically on the 10% increase participation due to the planters of the Victorias Milling District, wherein 60% represent this said amount; otherwise, 60% of the 10% increase participation represented the said amount which was distributed among the laborers of the Victorias Milling District.

'Q. So, P5,186,183.36 was 60% of 10% was the increase participation of the planters within the Victorias Milling District, for the period from June 22, 1952 to October 31, 1955; is that right?

'A. Yes, sir.' (T.s.n., pp. 17-21, December 15, 1967, Lorenzo C. Caraig; *italics supplied*).

'x x x x

'ATTY. SABIO:

'Q. Do you have in your possession the record on how this amount of P1,186,083.34 marked as Exhibits 'XXX' thru 'XXX-6'?

'A. Yes, sir.

'Q. Would you be able to bring that next time?

'A. I think so.

'Q. Would you be able or do you have in your possession a record showing how this amount of P4,000,000.00 marked as Exhibit 'XXX-10' was disposed of?

'A. Not with the P4,000,000.00 because the distribution of this amount was made in five releases as per what is stated in the statement as presented here.

'Q. At any rate, my question is: Do you have in your possession the record of the distribution of the P4,000,000.00?

'A. Yes, sir.' (t.s.n. pp. 143-144, June 16, 1970, L. Caraig; italics supplied).

* * *

'COURT:

'What is the purpose now of Atty. Sabio in presenting those records?

'ATTY. SABIO:

'We will show that not only a portion of the amount of P5,186,083.34, including of course the earnings, was distributed that properly belong to the laborers.

'COURT:

'Why not find out from Mr. de Guia the record about the distribution how much was distributed?

'WITNESS:

'Atty. Sabio, I just want to clarify your statement — the distribution I personally handled, I want that to be corrected. If you will allow me, sir, if Mr. Bascug can recall that in our distribution from the first to the fourth I think each and everyone of them even their members could really testify to the effect that the distribution was orderly undertaken. I just want to put that on record. There should be no insinuations, with due tolerance, being the supervisor of the distribution.

'ATTY. SABIO:

'We do not make any insinuation. We only want the record. In the interest of all concerned and in the interest of justice, if the records will be brought here we hope that the records are not irregular and we believe if they are regular no responsibility would be incurred by any official of the Department of Labor.

'WITNESS:

'Which are you referring to, Atty. Sabio?

'ATTY. SABIO:

'Any official of the Department of Labor.

'WITNESS:

'What charge of irregularity?

'ATTY. SABIO:

'The distribution of P5,186,083.34.

'WITNESS:

'In order to facilitate all those records in bringing here, can I request Atty. Sabio any personnel that can

accompany me. Because the records are so voluminous. For one distribution of one planter there are no less than 28 pages and there are five distributions. So I am requesting Atty. Sabio to give me an assistant to come as well as bring the records and I am willing to bring all those records because I have nothing to hide. It is also shown that there are those laborer who were not able to receive and it is stated in the undistributed amount.' (t.s.n., pp. 151-154, June 16, 1970, V. Salvarino, italics supplied).

"On cross examination, this witness further testified thus:

'ATTY. HAGAD:

'Q. My question Mr. De Guia is this, the figures referred to in Exh. 23-Victorias Milling Co., Inc. came from the records of your office, is that correct?

'A. Yes, sir.

'Q. Exh. 23 mentioned first, second and up to the fifth distribution. What do you mean by this?

'A. There are distributions undertaken in the Victorias Milling Co., Inc. The first distribution as stated here is in accordance with the number that is corresponding to the amount distributed or released for distribution among the laborers of the Victorias Milling Co., Inc.

'Q. By first distribution, you are referring to the Amicable Settlement-Compromise Agreement the amount of P1,186,083.36 and this correspond to the same amount indicated in the Amicable Settlement-Compromise Agreement you also identified; is that correct?

'A. I do not know exactly if this figure stated there is correct but I have to check whether it tallies with it.

'Q. Which figure is reflected in Exh. XXX and Exh. XXX-9?

'A. There is a difference of 2 centavos.

'Q. These other distributions that you made, were those also done under your super-vision beginning from the second up to the fifth distribution?

'A. (Correction, please). I was not the one who made the distribution; I was only concerned on the first distribution which was supervised.

'Q. As first of the team of supervisors, you supervised the actual delivery of the money to laborers; is that correct?

'A. Yes, sir.' (T.s.n., pp. 20-22, June 18, 1970; Lorenzo Caraig).

"The above testimony of Mr. de Guia clearly demonstrates that the laborers received their entire share corresponding to the period from June 22, 1952 to October 31, 1955 when there was as yet no written milling contract between the Central and the Planters.

"Exh. 23-Vicmico which summarizes the amounts received by the laborers totaling P6,536,741.98 (except for the sum of P180,679.38) having been relied upon in part by the Court of Appeals when it required payment of P180,679.38 to the laborers, the whole contents thereof deserve full credit, namely, that the laborers received the total amount of P6,536,741.98. (Italics supplied).

"The Court of Appeals, quoting the testimony of Mr. Felipe de Guia, stated in part:

'The evidence shows that, except for a small part (P180,679.38) of the sum of P5,185,083.34, the entire P1,186,083.34 was actually paid to the laborers. Thus, testified witness Felipe de Guia, representative of the Department of Labor in charge of the distribution:

'COURT:

'Q. Mr. de Guia, you said that there were some amounts that were not distributed because some laborers cannot be located; is this the amount mentioned in this 'Exhibit 23', under the words 'amount of undistributed or windfall?'

'A. Yes, sir, P180,679.38.' (T.s.n., p. 28, June 18, 1970; Annex 'Q' to Vicmico's Petition for Certiorari, p. 55).

"Apparently giving full credit to the foregoing testimony of Mr. de Guia, the Court of Appeals, in the dispositive part of the decision, ordered the Central and the Planters, jointly and severally, to pay the laborers '(1) the sum of P180,679.38, not distributed to appellants, with interests thereon at 6% per annum commencing from February 19, 1957, until fully paid'. (Decision, pp. 68-69; Annex 'Q' to Vicmico's Petition for Certiorari). But Exh. '23' which was the basis of Mr. de Guia's testimony to the effect that there was an undistributed amount of P180,679.38 (t.s.n., p. 28, June 18, 1970) clearly shows that P6,536,741.98 was distributed in favor of the laborers, with only P180,679.38 remaining undistributed. Exh. '23' reads:

'Republic of the Philippines

Department of Labor

BUREAU OF LABOR STANDARDS

M a n i l a

Statement of Windfall Distributions of the

Victorias Milling Districts

Victorias, Negros Occidental

As of June 30, 1967

AMOUNT RELEASED FOR DISTRIBUTION:

1st Distribution

.....

P1,186,083.36

2nd Distribution

.....

1,841,338.00

3rd Distribution

.....

1,390,000.00

4th Distribution

.....

1,100,000.00

5th Distribution

.....

1,200,000.00

P6,717,421.36

AMOUNT PAID BY DISTRIBUTOR:

1st Distribution

.....

P1,162,040.79

2nd Distribution

.....

1,815,326.40

3rd Distribution

.....

1,357,067.88

4th Distribution

.....

1,059,895.05

5th Distribution

.....

1,142,411.86

P6,536,741.98

"AMOUNT OF UNDISTRIBUTED WINDFALLS BY DISTRIBUTION:

1st Distribution

.....

P 24,042.57

2nd Distribution

.....

26,011.60

3rd Distribution

.....

32,932.12

4th Distribution

.....

40,104.95

5th Distribution

.....

57,588.14

P180,679.38

LABORERS PAID BY DISTRIBUTION:

1st Distribution

.....

96,229

2nd Distribution

.....

97,170

3rd Distribution

.....

95,411

4th Distribution

.....

93,747

5th Distribution

.....

92,254

474, 811

Respectfully submitted:

(Sgd.) ROM J. MALACON

"Explaining the distribution appearing in Exhibit '23', Mr. de Guia testified:

'Q. As first of the team of supervisors, you supervised the actual delivery of the money to the laborers; is that correct?

'A. Yes, sir.

'Q. In other words, you went to the haciendas and gathered all the laborers and gave the corresponding amount to the laborers; is that correct?

'A. Yes, sir.

'Q. And before that distribution, your supervisor inquired if all those payrolls are prepared by the respective planters concerned; is it not?

'A. Yes, sir.

'Q. And your obligation is to check the payrolls regarding the names of the laborers and the amount indicated in the payrolls; is that correct?

'A. Not necessarily check the individual names appearing on the payrolls but also verify whether the amount released to be distributed tally with the amount appearing on the payrolls.

'Q. What about the actual payment of the amount to the laborers, were you present there?

'A. Yes, sir.

'Q. So that, in all those distributions reflected in this Exhibit '23' – Victorias Milling Company, Inc. either you or the member of your team or any representative of the laborer see to it that the money is delivered to the laborers concerned; is that correct?

'A. Yes, sir, that is the duty of the supervisor to see to it that the corresponding amount is actually received by

the laborers.

'Q. And you keep that record in the course of the distributions; is that correct?

'A. Yes, sir.

'Q. If I correctly get, there would be about 20,000 payrolls of the planters in the haciendas; is that correct?

'A. I can say that there are some planters who have 15 to 50 sheets of payrolls of the haciendas; so you can just imagine the number of payrolls of the haciendas.' (T.s.n., pp. 22--25, June 18, 1970).

"Since the Court of Appeals relied upon the foregoing Exhibit '23' in its finding that the sum of P180,679.38 had not been distributed, that exhibit should not have been segregated in parts with the Court having chosen that portion which afforded advantage to the laborers and disregard the other parts which were to the advantage of the Central and the Planters. (cf. *inter alia*, *Orient Insurance Co. vs. Revilla*, 54 Phil. 919, where it was held that when a party introduces in evidence part of the privileged document, he cannot remove the seal of confidentiality as makes for his advantage and insist that it is privileged as to so much as makes for the advantage of his adversary). The whole contents of Exhibit '23' should therefore be given full weight and credit, namely that P6,536,741.98 had been actually distributed in favor of the laborers. (VICTORIAS' Brief, pp. 286-336, G.R. No. L-41222.)

- D -

True it is, as already stated earlier, that in petitions for review of decisions of the Court of Appeals, well and long settled it is that We are as a rule bound by its findings or conclusions of fact. In the instant cases, however, after carefully considering its ratiocination and bases in finding that the share of the laborers in the proceeds of the 1952-53 to 1954-55 crop years, and after mature study of and searching deliberation on the arguments and authorities very comprehensively advanced and cited in the briefs of the PLANTERS and VICTORIAS in the portions thereof extensively quoted above, We find Ourselves sufficiently convinced that the clear and unequivocal admission of such payment in the FEDERATION's original and amended petitions in the trial court, if it cannot be deemed strictly binding upon it, is a significant persuasive factor We have to count with in deciding the particular issue of fact now under discussion. In Our opinion, there is hardly anything in the FEDERATION's main and reply briefs cogent enough to convince Us contrariwise.

We wish to make it clear that in connection with said issue, We have not overlooked the laudable principles and guidelines that inform both Republic Act 1257, the charter of the agrarian courts, and Presidential Decree 946, both of which prod the courts to be as liberal as possible in disposing of labor cases and to be ever mindful of the constitutional precept on the promotion of social justice, (Sec. 6, Art. II, Philippine Constitution of 1973) and of the rather emphatic injunction in the constitution that "the State shall afford protection to labor."^[3] But We are of the considered opinion that the secondary force to which the ordinary rules of procedure and evidence have been relegated by the aforementioned agrarian court laws do not oblige Us to be unjust and unfair to employers. After all, in the eyes of all fair-minded men, injustice to the more affluent and fortunate sectors of society cannot be less condemnable and reprehensible, and should be avoided as much as injustice to labor and the poor. It is divinely compassionate no doubt to afford more in law to those who have less in life, but clear injustice to anyone amounts definitely to injustice to everyone, and all hopes for judicial redress for wrongdoings would vanish, if the even hand of law, justice and equity were to be made to favor anyone or any group or level of society, whoever they may be. It is verily not an exaggeration to assert that in a sense, courts that uphold and afford real justice can hold back and even repel the forces of malcontent and subversion more effectively and without loss of lives and blood and without destruction or devastation than the best equipped regiments of soldiers of the army. Justice, in its real and deepest essence, more than statute law must always prevail, and the courts are inexorably expected to

do justice to every men at all times. This Supreme Court yields to no one in that respect. That is its sacred duty and its sworn pledge that will remain unbroken *ruat caelum*.

- E -

Thus, while We are in agreement with the Court of Appeals in its construction and application of Sections 1 and 9 of Republic Act 809 as discussed above, We cannot agree with its conclusions regarding the pretended liability of the PLANTERS and VICTORIAS for the amount that the FEDERATION claims the laborers of the PLANTERS have not been paid as their share of the proceeds of the crop years 1952-53 to 1954-55. In resolving in the manner We have quoted, the second issue formulated by it relative to the appeal to it of the FEDERATION, it holds the appellees, the PLANTERS, including petitioners herein Primo Santos and Benjamin Tirol, and VICTORIAS "jointly and severally liable for tort in disposing, upon their own accord, and without any authority of the plantation laborers, of the money of the said laborers in the total amount of P5,186,083.34 and thus causing the loss of shares of stock and their earnings purchased out of P4,000,000.00 of such amount." Indeed, in the course of resolving the second issue and in disposing of the third issue, the Appellate Court found the PLANTERS and VICTORIAS guilty of misappropriation and conversion of the P5,186,083.34 plus the accrual thereof, corresponding to P4M worth of VICTORIAS shares of stock which under the ASCA was stipulated to be received by the PLANTERS in trust for the laborers.

Again, this aspect of these instant cases before Us involve questions both of fact and of law.

- F -

At this juncture, and referring first to the issues of fact, let it be clear that We find from the record and as found by the Court of Appeals, of the cash portion of P5,185,083.34 corresponding to the laborers pursuant to the ASCA, namely, P1,185,083.34, what actually the laborers received under the supervision of the representative of the Secretary (now Ministry) of Labor, was short only by P180,679.38 per the testimony of Mr. Felipe de Guia, the representative of the Department of Labor:

"The evidence shows that, except for a small part (P180,679.38) of the sum of P5,185,083.34, the entire P1,186,083.34 was actually paid to the laborers. Thus, testified witness Felipe de Guia, representative of the Department of Labor in charge of the distribution:

'COURT:

'Q. Mr. de Guia, you said that there were some amounts that were not distributed because some laborers cannot be located; is this the amount mentioned in this Exh. '23', under the words 'amount of undistributed or windfall'?

'A. Yes, sir, P180,679.38' (tsn. p. 28, June 18, 1970)

"Appellants themselves, in their brief, have made the following observations:

'So, it can be assumed without fear of contradiction that the last portion of the said amount of P1,186,083.34 was delivered, if ever, to PLANTERS-APPELLANTS--LABORERS after February 18, 1957.' (Appellants' Brief, p. 326)" (VICTORIAS' Brief, pp. 65-66, Appendix 'A', G.R. No. L-41222.)

There is no explanation anywhere in the records as to what happened subsequently to the shortage of P180,679.38, and We, therefore, agree with the Court of Appeals that judgment should be rendered for the payment thereof, there being no dispute that the said amount has not been received by the laborers.

- G -

We find it difficult, however, to subscribe to the finding of the Court of Appeals that the greater portion of the P5,185,083.34 in cash and in shares of stock of VICTORIAS was not received by the laborers and was instead malversed and misappropriated by the PLANTERS and VICTORIAS.

To start with, We have to state again that the petition that initiated the instant cases before Us was filed only under date of November 9, 1962 with the Court of Agrarian Relations in Bacolod City, that is to say, more than six years after the execution of the ASCA on March 5, 1956 and the subsequent payment and transfer of shares pursuant thereto had been factually accomplished. The inaction of the laborers for such a long space of time cannot but cast shadows of doubt as to the truthfulness of their claim, considering particularly the hugeness of the amount involved, which anyone aggrieved would lose no time to move to recover, specially if one takes into account the value of the Philippine peso during said period.

Second, and indeed rather importantly, the said initial petition made no reference whatsoever to the now pretended non-payment, but, on the contrary, as well shown and argued by the PLANTERS and VICTORIAS in the portions of their respective briefs We have quoted above, such payment was not only admitted in said petition as well as in the amended one filed in March, 1964, both of which referred exclusively to the laborers' share in the 1955-56 to 1973-74 crop years but even in the prayer portions thereof. What is more, as will be presently discussed, the payment in question appears proven by the evidence both oral and documentary submitted to the trial court.

Of course, We must say again, as a general rule, in petitions for review of decisions of the Court of Appeals, this Supreme Court is bound by the findings of fact of that Court and that We are limited only to an inquiry as to whether or not its decision predicated on its factual conclusions is in accordance with law. In these cases at bar, however, the factual matter of whether or not the laborers had already been paid their share corresponding to the 1952-53 to 1954-55 crop years is being laid before Us inextricably intertwined with a question of law arising from the indisputable fact that in the initial pleadings below what is manifest is not only that there is an express admission in paragraph 10 of the petition of the laborers "that pursuant to Section 9 of said Act (R.A. 809), respondent planters gave petitioners-laborers the latter's lawful participation in the sugar production as well as in the by-products and derivatives thereof and continued to give the same until November 1, 1955 when they ceased to do so until the present" but even in the prayer thereof, the FEDERATION confined the remedy it asked for to the payment of the laborers' share in the proceeds of the crop years after 1954-55 and up to 1973-74. We cannot conceive of a more emphatic and unequivocal words to convey the admission of the payment here in question.

We are now asked to rule on the legal effect of such admission in the light of the other circumstances extant in the record.

In that connection, there appears no alternative for Us than to rule that as contended by the PLANTERS and VICTORIAS, under the law, even if liberally applied, such admission should be considered as having some persuasive force, unless it was made through palpable mistake or misapprehension of the relevant circumstances. And what makes such admission more credible is the fact that not one single laborer was presented at the trial to deny that he had received his due share.

The Court of Appeals has attempted to extricate the laborers from their lamentable predicament by accepting the explanation of counsel for the FEDERATION that what the above-quoted paragraph actually was intended to mean was that VICTORIAS had only reserved the corresponding amount in the liquidation of the share of the planters in the proceeds during that period. Quite misleadingly, to be sure, the FEDERATION argues in its brief that they could not have made such a factual admission since at the time their petition was prepared and filed, the

money was still with the central. How false such a pretension is can be readily perceived by merely recalling that the FEDERATION filed its initial petition below in November of 1962, whereas the record shows indisputably that the payments and transfer of shares had already been made more than five years before. And as regards the rather naive acceptance by the Court of Appeals of the explanation of the FEDERATION, We hold that it was legally improper to do so, it appearing that such explanation was made, according to the brief of the PLANTERS, very much belatedly, only in the FEDERATION's reply brief in that court at page 1446 thereof, without any hint as to why it was not made earlier in the trial court, where it appears the FEDERATION had even filed an amended petition in 1964. Besides, there was no allegation of mistake; all that was done was to unconvincingly attribute a different subjective meaning to a word that is clear and unmistakable in itself, by explaining that what the pleader wished to convey by the word given was that the corresponding amount due the laborers had already been placed in reserve by the central.

The Court of Appeals further tried to sustain the Federation by citing Section 5 of Rule 10 of the Rules of Court authorizing the courts to decide cases on the basis of evidence on matters not alleged in the pleadings. In the first place, the cited rule applies only when the evidence on which the court would rely is presented without objection of the adverse party, since they would then correspond to issues "tried by express and implied consent of the parties." Here, however, the record shows that the PLANTERS and VICTORIAS vehemently objected to any evidence touching on the 1952-53 to 1954-55 crop years, precisely because of the explicit admissions contained in the plaintiff FEDERATION's petition. This is not, however, to ignore that nevertheless, the record shows that somehow both parties did present evidence touching on such payment. But judging from what such evidence consisted of, as reproduced in all the briefs before Us, We are fully satisfied that the findings and conclusions of fact of the Court of Appeals on the point at issue do not square with such evidence. To cite just one example, the testimony of the principal witness of the Federation, Atty. de Guia is more indicative of the complete and full payment in question than otherwise. For another instance, the ruling of the Court of Appeals that Exhibit 23-VICMICO is inadmissible because it is merely secondary evidence is, in Our view, erroneous, considering not only that the trial court was informed by Mr. de Guia himself that the original documents are so voluminous as to make it impracticable to take them to the court, but also that it was precisely on the basis of said exhibit that that court made the finding of a shortage of P180,679.38 in the cash payment, not to mention the obvious fact that the same witness actually made continuous reference to said exhibit while he was explaining the distribution of the full amount due the laborers. The contention of the Federation that said exhibit is a worthless piece of paper is an exaggeration that cannot hold water. In fact, no one pretends it is a mere fabrication, being part of the records of the Department of Labor. Of course, it is possible, as Mr. de Guia claimed, that he did not know of the actual issuance, sale and proceeds of sale of the 40,000 shares of stock, but the fact remains that it was he himself who referred to said documents with notable degree of certainty, at the start, and it was only later in his testimony that he disclaimed personal knowledge of the truth of its contents.

Thirdly, insofar as the joining of issues in regard to the point under discussion, by the PLANTERS and VICTORIAS, on the one hand, with the FEDERATION, on the other, in their briefs filed with the Court of Appeals, it is understandable that the PLANTERS and VICTORIAS had no alternative than to do so as a matter of defense, even as they maintained all the time it was not a proper issue and was beyond the jurisdiction of the Court of Appeals to consider. Moreover, it is quite obvious that the cited provision is by its very nature and context applicable only in trial courts and not in the Appellate Courts.[4] What is more, it bears repeating, there was actually no allegation of mistake here; all that was done by the FEDERATION was to unconvincingly attribute to the word "give" another meaning convenient and suitable to its purposes, casting aside the obvious fact that said word is clear and unmistakable in itself. Moreover, it appears that said purported explanation was made only in its reply brief, by way of argument unsupported by any scintilla of relevant evidence presented in

the court below.

Perhaps, We may emphasize again that We are not unaware that We are dealing with a review of a decision of the Court of Appeals in an appeal from a case which originated in the Court of Agrarian Relations in Bacolod City and that, there-fore, We are not supposed to adhere strictly to the tenets regard-ing evidence of the Rules of Court, but must be guided as liberally as possible in favor of the laborers in searching for the true facts upon which their claim is based, having in view Republic Act 1257 and Presidential Decree 946 and more imperatively, the constitutional provisions on social justice and protection to labor. But, as can be seen, it is indeed in the light of these principles that We have scrutinized the reasoning and argumentation of the Appellate Court. We reiterate, at this point, that observing the Rules of Court only secondarily per mandate of Republic Act 1267 and Presidential Decree No. 946 does not, in Our considered opinion, preclude the Courts of Agrarian Relations and the Appellate Courts, from applying long established principles in judicial fact finding that are founded on reason and the common sense and experience of mankind. Admissions, specially if express, have always been universally considered by all authorized triers of facts as evidence of the highest order. To obviate their effect as such, there must be potent and cogent considerations that are as equally convincing to the mind as the compulsive persuasiveness of a man's statement or declaration against his own interest. In the cases at bar, We are satisfied, We regret to say, that the FEDERATION has failed to provide Us with any-thing but pleas for emotional sympathy to enable this Court to pay little heed to or much less ignore the persuasive force of its written formal admission that their members have already been given and "continue to be given" their due legal share of the proceeds of 1952-53 to 1954-55 crop years in question, except for the amount of P180,679.38. It is Our conclusion from such admission and the evidence supporting the same, and more particularly from the absence of contrary evidence duly presented by the FEDERATION at the trial, that the truth is what said admission expressly declares.

- H -

With the matter of the cash payment thus resolved, We may now turn Our eyes to the Four Million (P4M) Pesos worth of shares of stock of VICTORIAS which, under the terms of the ASCA, were stipulated to be issued to the PLANTERS or their authorized Special Committee or Board of Trustees in trust for the benefit of the laborers. In regard to this matter, there are, as We view the situation, two controversial issues to be settled, namely, first, whether or not, it was proper for the PLANTERS and VICTORIAS to provide for such manner of payment to the laborers instead of in cash, and, second, disregarding the matter of such alleged impropriety, whether or not said shares or the proceeds thereof were received by the laborers.

For obvious reasons, We have to deal with the second issue ahead of the other. And in this respect, suffice it to say that the question of whether or not the proceeds of the VICTORIAS shares of stock corresponding to them under the ASCA had been actually received by them from their respective planters has already been resolved by Us above not only as necessarily in-cluded in the binding force of the admission of the FEDERATION in its original petition and amended petitions below but as proven by overwhelming evidence overlooked apparently by the Court of Appeals. To be clearer, contrary to the finding of the Court of Appeals, We hereby hold that the proceeds of all the P4M worth of VICTORIAS shares corresponding to the laborers under the ASCA were not only received in the form of shares by the PLANTERS from VICTORIAS but that the proceeds of the sale thereof by the Board of Trustees, together with their accruals, were actually received by the laborers from their respective planters-employers. We reiterate that not a single laborer had testified to the contrary. Additionally, Chairman Newton Jison testified positively to such effect.

With the foregoing conclusion, it is hardly of any consequence for Us to discuss what the Court of Appeals, breathing, as it were, with evident indignation and a stirring sense of reprobation, condemned to be an

unauthorized and improper act of the PLANTERS and VICTORIAS of planning, so to speak, and agreeing just between the two of them how the share of the laborers of 6% of the proceeds from 1952 to 1955 should be paid. Inferentially, if not directly, the Appellate Court found that the payment partly in cash and partly in shares of stock could have been done and should have been done only upon consultation with and with the consent or assent of the laborers either thru the FEDERATION or any of their authorized representative. We can admit that indeed that would have been most ideal to do. Actually, however, what happened was not exactly that way. Just the same, We shall proceed to show that the laborers were never at the short end of the bargain.

The pertinent portions of the ASCA read as follows:

""(a) The Party of the Second Part shall set aside Sixty Per Cent (60%) of the said sum of P8,643,472.24 as received by them to be held in trust for the benefit of their laborers that may be entitled thereto because some of them have already died and their heirs are unknown while a great number of them are hard to locate and identify, the Party of the Second Part, shall dispose of the said Sixty Per Cent (60%) of the sum of P8,643,472.24 as received by them, as follows:

""(1) The Party of the Second Part shall invest P4,000,000.00 of the P5,186,083.34, which is Sixty Per Cent (60%) of the said sum of P8,643,472.24, in 40,000 voting and transferable shares of capital stock of the COMPANY of the par value of P100.00 per share which shall be issued in four (4) blocks of 10,000 shares per block-by the COMPANY to the Party of the Second Part upon effectivity, of this agreement as provided in Clause (2) hereof, it being understood that the issuance of such shares does not involve an increase in the present authorized capitalization of the COMPANY.

""The above-mentioned 40,000 shares of the capital stock of the COMPANY will enable the laborers/planters to become part owners of the COMPANY but if within the period of eighteen (18) months, but not earlier than six (6) months, from and after date of delivery of the said 40,000 shares by the COMPANY to the Party of the Second Part, the Party of the Second Part should desire to have the value of the said 40,000 shares to wit, P4,000,000.00, or such portions thereof in blocks of 10,000 shares at P1,000,000.00 per block, paid in cash, the COMPANY will pay in cash to the Party of the Second Part or its successors the said value of the said 40,000 shares or of such blocks of 10,000 shares per block, as the Party of the Second Part may decide to have converted into cash; as to such blocks of 10,000 shares per block, that the Party of the Second Part may decide within the period above stipulated to retain, such shares may be retained by the PLANTERS for their own account upon their payment to the Party of the Second Part or its successors of the value thereof of P1,000,000.00 per block. The COMPANY shall have a period of Thirty (30) days after receipt of written request of the Party of the Second Part within which to make such cash payment of the value of the shares.

""The balance of P1,186,083.34 shall be distributed under the supervision of the Secretary of Labor among the present laborers of the Party of the Second Part who were already laborers of the PLANTERS during the period comprised between June 22, 1952 (the date of the passage of Republic Act 809) and October 31, 1955 (the end of the COMPANY's fiscal year);

'(ii) As to the sum of P3,457,388.90, which is the Forty Per Cent (40%) of the P8,643,472.24, the Party of the Second Part shall distribute this amount among the PLANTERS in proportion to the sugar milled for them by the COMPANY during the aforementioned period of June 22, 1952, to October 31, 1955.'

'(b) As to the manner of delivery of the cash involved in the foregoing transaction amounting to P4,643,472.24, a 'General Collective Sugar Milling Contract' has heretofore been prepared for the signature of the PLANTERS affiliated with the COMPANY signing the said 'General Collective Sugar Milling Contract', the COMPANY shall pay and deliver to the Party of the Second Part at least fifty per cent (50%) of the said cash balance of P4,643,472.24 or that portion thereof corresponding to the said majority of the PLANTERS affiliated with the COMPANY who have already signed the said 'General Collective Sugar Milling Contract', and the remaining fifty per cent (50%) or remainder thereof will be paid, one half upon the execution of their new individual

sugar milling contracts, and the other half upon the registration thereof in the Office of the Register of Deeds for the Province of Negros Occidental;

'(c) It is understood, as part of this settlement agreement, that the block of the COMPANY's common shares mentioned in sub-paragraph (i) and all its earnings shall constitute a trust fund to be dedicated to the amelioration of the plantation laborers of the PLANTERS in the Victorias Manapla-Cadiz milling district. Said trust fund shall be administered by the Party of the Second Part for the benefit of the PLANTERS' laborers under the supervision of the Secretary of Labor and in accordance with the trust laws of the Philippines. Should the trust fund be liquidated by order of the Court of Justice or in the manner provided for in paragraph (1) (a) (i) then the PLANTERS shall have the first option from the trustees, and the COMPANY the second option from the trustees and/or from the planters themselves, to buy said Victorias Milling Co., Inc., shares in blocks of 10,000 shares at their value of P1,000,000.00 per block. And in case both the Party of the First Part and Party of the Second Part refuse to exercise their right, then said block of VMC shares may be sold in the open market.'

"(2) This agreement will become effective if and when the majority of the planters affiliated with the Party of the First Part have signed the said 'General Collective Sugar Milling Contract'.

'Executed at Victorias, Negros Occidental, this 5th day of March, 1957." (VICTORIAS' Brief, pp. 26-30, Appendix A, G.R. No. L-41222.)

Thus, it is unmistakably clear that as far as VICTORIAS was concerned, it agreed to give to the PLANTERS the 10% it had precisely reserved for that purpose in order to comply with the mandate of the law in the event its challenge against its constitutionality should fail. And as it happened, it opted soon enough not to continue pressing that challenge by extra judicially entering into a settlement with the PLANTERS. And as regards the actual implementation of the portion of the agreement regarding the share of the laborers, apart from the admission of the FEDERATION, oft repeated earlier; relative to the actual receipt by its members of their legal share of 1952 to 1955 crop years, We might relevantly point out that Chairman Jison testified without contradiction thus:

"Q. Would you like to tell this Honorable Court what happened to the money, whether in cash, check or in terms of shares of stock which was delivered by the Victorias Milling Co., Inc. to the Board of Trustees?

"A. The stock of shares of the Victorias Milling Co., Inc. which was delivered to the Board of Trustees was sold and liquidated accord-ing to the Amicable Settlement-Compromise Agreement and in such case, checks were issued to the respondents planters and also to be delivered to the respective laborers under the supervision of the Department of Labor. So far the record is concerned, the Department of Labor has all the records. (pp. 37-38, tsn., June 17, 1970)." (VICTORIAS Brief, Appendix A, p. 71, G.R. No. L-41222.)

These, in addition to the testimony to the same effect of Mr. de Guia of the Department (now Ministry) of Labor lengthily quoted above as parts of the portions of the briefs of the PLANTERS and VICTORIAS. We say, to the same effect, because it is Our definite impression that read as a whole, and evaluated together with Exhibit 23-VICMICO, that testimony, albeit rather vague, confusing and at some places evasive, proved sufficiently that what were due the laborers in cash and in shares of stock (or the proceeds of the sale thereof) had been fully settled under the supervision of Mr. de Guia and his men not later than 1956 or 1957 in five phases of distribution. True it is that Exhibit 23-VICMICO was declared inadmissible as secondary evidence by the Court of Appeals, but what is even more legally accurate is that such ruling is erroneous, if only because said exhibit was precisely used by Mr. de Guia as basis for his testimony, and he explained that the pertinent records supporting the same were so voluminous that it would be impractical to take them to the court.

Incidentally, We are persuaded it cannot be said that the FEDERATION or the laborers did not agree to the

modality of payment provided for in the ASCA. If at all they muttered against it, it was only belatedly during the trial, that is, after they had already received the cash portion therein provided.

Indeed, We cannot share the view implicit in the decision of the Court of Appeals that the principal witness regarding the same, Mr. Felipe de Guia, the representative of the Secretary of Labor, under whose supervision, Section 9 of the Act requires the payments to the laborers to be made, was not duly aware of the medium provided in said ASCA that P4M of the share due the laborers would not be paid in cash but would be invested in the form of 40,000 shares of VICTORIAS. As may be noted from the Appellate Court's decision, the transcript of the stenographic notes of Mr. de Guia's testimony evidences that he had in his possession the record of the distribution of the P4M, although the said court held such assertion not to be the best evidence. Whether such ruling is correct or not, it refers only to the actual distribution of the cash and the shares of stock or the proceeds of the sale thereof, but the fact that P4M were to be paid in shares appears indubitably proven. We are thus of the considered opinion that the findings of fact of the Court of Appeals inconsistent with Our observations herein do not accord with conventional knowledge of men and the general experience of the business world, hence Our authority to modify the same.^[5] It is to Us but natural to assume that said witness, Mr. de Guia, knew or ought to have known of such medium of settling the laborers' claim because it is to be presumed that in the regularity of the performances of his duties to supervise the payment to the laborers, on behalf of the Secretary of Labor, he had read and did know the pertinent contents of the ASCA before supervising any payment at all to the laborers. He admitted that of P1,186,083.34 due in cash to the laborers, the latter were actually paid under his supervision, the said amount minus P180,679.38. We cannot suppose that he undertook that task without inquiring into the whys and wherefores thereof, that is to say, the reasons and details related to the amount being then paid. How could it have been possible for him to have supervised the payment of any amount to the laborers without determining first whether such payment was in full or not or in faithful compliance with Section 9 of the Republic Act 809? We have no doubt he must have been told about or even shown the ASCA, which was the basis for the payment. If it were otherwise, it was his inescapable duty to inquire. We presume, by mandate of the law, that he had complied with that duty. More, it is highly improbable that the FEDERATION did not know that what was due its members was P5,186,083.34. In truth, there is nothing before Us showing that the FEDERATION objected at all to the manner of payment provided in the ASCA when the time for implementation came. As far as the records before Us indicate, the laborers received under Mr. de Guia's supervision P1,186,083.34 (minus P180,679.38) without a word of complaint from anyone, either the FEDERATION or the SECRETARY. We are, therefore, not disposed to find that the mode of payment agreed upon in the ASCA was without the conformity or consent, even if subsequent to its execution, of the laborers and the Secretary of Labor. We hold that there was such consent.

In this connection, it should be recalled that after Civil Case No. 16815 of the Court of First Instance of Manila, wherein it was held that all the contracts being insisted upon by VICTORIAS as still existent had already expired on June 22, 1952, which decision was affirmed by this Supreme Court in G.R. No. L-6648 on July 25, 1955, in another suit, Civil Case No. 22577, also in the Court of First Instance of Manila, wherein the constitutionality of Republic Act 809 was impugned by VICTORIAS, the validity of ASCA itself was put to question when VICTORIAS and the PLANTERS submitted to the court their manifestation on April 23, 1956 that they had come to an extrajudicial settlement effective upon the signing of the General Collective Sugar Contract (Exhibits YYY and YYY-7), which was ultimately signed by majority of the PLANTERS on or before May 31, 1956. The challenge was made not only by some individual planters, like the Coruñas, Lacson, Chapa, Valencia, et al., but more importantly also by the Secretary of Labor. However, the intervention of these challengers was not allowed by the court, and on November 5, 1956, We issued a resolution in G.R. No. L-11218 dismissing a petition against such denial.

So, while it is true that the ASCA was questioned as being violative of Section 1 of the Sugar Act of 1952, the challenge was in relation alone to the contention of the FEDERATION, the SECRETARY OF LABOR and some planters that the ratio of sharing provided for in Section 1 of the Act is unalterable by contract. Insofar as the manner in which the payment of what is due to the laborers was concerned, that is, that stipulated in the ASCA, We are impressed convincingly that the same must have appeared satisfactory to all the parties concerned. Indeed, if the FEDERATION had felt that the mode or medium of payment stipulated in the ASCA was prejudicial or in any way inimical to the interests of its members, why was the cash payment of P1.8 M plus accepted without, as far as We can see from the records, any qualification or reservation on its part or on that of the Secretary of Labor?[6] On the contrary, what We note is that the transfer to the PLANTERS of 40,000 shares of VICTORIAS in trust for the laborers could have been viewed by the laborers with alacrity, not only because of the attractively high increment it was supposed to earn for them, but, what is more, the laborers would become thereby co-owners of the mill.

It is to Us of little, nay insignificant, moment who conceived or "engineered" the plan, whether VICTORIAS or any other party and what motivated the same. What cannot be denied is that under normal standards, no one can perceive therein any prejudice or risk to the pecuniary interests of the laborers. To speak of it, therefore, as approximating something immoral or improper, even illegal, for VICTORIAS to agree to it, as the Appellate Court did, is to miscomprehend entirely its concept, which under the circumstances then prevailing appeared to be the most practical and feasible way of meeting the situation for the convenience and benefit of the laborers themselves, the PLANTERS and VICTORIAS.

- I -

Having arrived at the conclusion that of the cash portion stipulated in the ASCA plus the proceeds of the sale of the 40,000 shares of VICTORIAS stock had already been "given" to use the word of the FEDERATION itself in its pleadings below, long before the case in the trial court was initiated, only P180,679.38 of the claim of the laborers pertaining to the 1952-53 to 1954-55 crop years remain unpaid, We shall now dwell on the curious and strange holding of the Court of Appeals that VICMICO and the PLANTERS are jointly and solidarily liable to the laborers for the payment of their claims, but only insofar as said P180,679.38 are concerned.

Referring to the FEDERATION's position in this respect, that is, the joint and solidary liability of the PLANTERS and VICTORIAS vis-a-vis the 1952 to 1955 phase of these cases, We must say that the same looks more like a dragnet intended to catch both the PLANTERS and VICTORIAS one way or another. After having admitted in its initial pleadings with an express assertion that the laborers concerned had already been "given" what is due them for the period in question, at the trial, its claim bulged to over P7 M for the 1952-1955 period, albeit it came out from the evidence that of such claim only P180,679.38 had not been paid. (According to Mr. de Guia, the corresponding laborers could not be located. Under the law, however, in such an instance the money due the lost laborers goes to a designated government fund for the general amelioration of labor and labor conditions in the whole country.) Actually, We might reiterate, said initial pleadings of the Federation made no reference at all to the crop years 1952-53 to 1954-55, but was confined itself to the claim that from 1955-56 crop year to 1973-74, the laborers were not being paid what is due them under the law, which they insisted then was 6% of the 10% increase due the PLANTERS. In other words, the FEDERATION based its original claim on the theory of obligation created by law, but, of course, in reference only to the 1956 to 1974 crop years – nothing of 1952-53 to 1954-55.

However, as may be gleaned from the decision of the Court of Appeals, in that Court, the FEDERATION shifted to another pose. It claimed, contrary to its admission in its original and amended petition in the trial court, that the laborers had not been actually fully paid what is due them for 1952 to 1955, and notwithstanding their receipt or

acceptance, without any protest or qualification of the cash portion (which turned out to be short by P180,679.38) provided in the ASCA, it assailed, rather belatedly, the legality and propriety of that agreement's provision to the effect that P4 M due them would be paid in 40,000 shares of stock to be entrusted to a Special Committee or Board of Trustees composed of five planters, and what is more, it contended vehemently that the laborers had not received any of said shares or any portion of the proceeds of the sale thereof. As to the legal aspect of such belated claim, its basis became no longer an obligation created by law but a liability imposed according to it by Articles 20 and 21 of the Civil Code. But it must have also relied on torts, for in its decision, the Court of Appeals found "the Central (VICTORIAS and PLANTERS jointly and severally liable for tort" while citing in another portion of its decision also Articles 20 and 21 of the Civil Code.

We must confess We are perplexed by such evident confusion of the pertinent juridical concepts in civil law in such postures of the Court of Appeals and the FEDERATION. The only legal provision that could impute joint and several or solidarity to the PLANTERS and VICTORIAS is Article 2194 of the Civil Code which reads:

"ART. 2194. The responsibility of two or more persons who are liable for a quasi-delict is solidary."

Since in this jurisdiction torts is generally equated with the quasi-delict or culpa aquiliana or extra-contractual defined and elucidated in Chapter 2, Title XVII, comprising of Articles 2176 to 2194 of the Civil Code, it must have been for this reason, that without mentioning the codal provisions just referred to, and trying to play safe, as it were, with its reference to torts in general, the Court of Appeals made its holding under discussion. Surprisingly, however, it later on cited Articles 20 and 21 of the Civil Code, thereby implying that its reference to torts might be in relation to these two later articles under Chapter 2 on Human Relations of Chapter I of the Code.

We do not hesitate to hold as We hereby hold that such a confusion of simple and well-known civil law concepts is unfortunate, to say the least. There is an obvious mix-up of the several sources of obligation under existing laws, and one is left uncertain whether what is being relied on is only one of them or a combination of them or all of them together, which would naturally be a veritable juridical and legal abnormality. For the benefit of everyone concerned, We shall make a brief analysis of each of them that have been directly or indirectly referred to by the Court of Appeals or the FEDERATION.

In regard to the FEDERATION's initial contention about obligation created by law, undoubtedly, it had in mind Sections 1 and 9 of Republic Act 809. But since in such initial pleading, the subject matter and cause of action referred to crop years 1955-56 to 1973-74, the FEDERATION is correct in sustaining that the laborers are entitled to a 60% share in the increase given to the PLANTERS by the CENTRAL. Its only misconception in such posture is that it assumed that the ratios in Section 1 of the Act have to be followed even if there were a majority of planters with written contracts with VICTORIAS. Under Talisay-Silay and the decision of the Court of Appeals, that position is untenable. However, the laborers are nevertheless entitled to 2.4% out of the 4% increase that pertained to the PLANTERS under the ASCA. Accordingly, the PLANTERS are liable to their respective laborers for the 2.4% that indisputably they have not paid since 1955 to 1974. Obviously, that is an obligation created by law.

But arising as it does from Republic Act 809, the relevant question that arises is whether such liability of the PLANTERS is joint and several or solidary. After mature deliberation, considering the peculiar facts of these cases wherein it appears that the PLANTERS always acted in concert with one another or as a single unit, We hold that the PLANTERS as an association, if it is, or all the planters in the Victorias sugar milling district, whether members or not of such possible association, and this includes petitioners Santos, as a lessee planter, and Tirol, are jointly and severally liable for the whole amount due all the laborers involved in these cases. As regards the pretended liability of VICTORIAS in this respect, We have already disposed of that matter earlier above.

Coming now to the matter of torts, the FEDERATION cites from Judge C. P. Caguioa's Comments and Cases on Civil Law, Vol. I, 1967 ed. to evidently give the impression that Article 20 of the Civil Code has adopted or imported into Our jurisdiction the so-called Anglo-American concept of torts which adds malice to the fault or negligence contemplated in the quasi-delict or culpa aquiliana or extra-contractual of our Civil Code. Such citation, We regret to say, does not reenforce at all the stand of the laborers. Truth to tell, with all due respect to the opinion of Judge Caguioa, a known civilian, Article 20 does not contemplate malice per se. The article reads thus:

"ART. 20. Every person who, contrary to law, wilfully or negligently causes damage to another, shall indemnify the latter for the same."

This article creates a new source of obligation in addition to culpa aquiliana. While Article 2176 mentions only fault or negligence, as can be seen, the above-quoted article requires that the person to be held liable must have acted "contrary to law" in "wilfully or negligently caus(ing) damage to another." If We are to believe the following citation in VICTORIAS brief:

"In order that liability under Article 2176 of the Civil Code will arise the following requisites must exist: (a) There must be damage or prejudice which must be proven by the party claiming it; (b) There must be an unlawful act or omission amounting to fault or negligence; and (c) There must be a direct causal connection between the damage or prejudice and the act or omission." (12 Manresa, 640-641; Taylor v. Manila Electric Co., 16 Phil. 8; Jarencio, Torts and Damages, 1968 Edition, p. 25)." (Page 222).

even under culpa aquiliana, "there must be an unlawful act or omission" for any liability to attach.

It is thus clear from the foregoing brief discussion of the juridical concepts of torts, culpa aquiliana and Article 20 of the Civil Code that neither the PLANTERS, and much less VICTORIAS, appears to be guilty of tort in any sense. Accordingly, the holding of the Court of Appeals that "the Central and PLANTERS are liable in tort" to the laborers of the former has no factual nor legal basis. In consequence, it necessarily follows that the joint and several liability imposed by the Court of Appeals upon VICTORIAS must be, as it is hereby, held to be erroneous and uncalled for, factually, as shown earlier in Our discussion of the relationship between the laborers of the PLANTERS and VICTORIAS, and legally, in the light of what We have just explained is the only correct legal basis of the laborers' claim, namely, an obligation arising from law. To reiterate, the law, that is, Republic Act 809, does not impose upon the centrals, whether expressly or impliedly, any joint and several liability with the planters for the share which the Act apportions for the laborers of the planters, since it is the responsibility exclusively of the planters to pay their laborers after they have been given by the central what is due them. In other words, the inherent nature of the obligation of the planters, that of paying their own laborers, has never been from the inception of the sugar industry up to the present, solidary with the Centrals. Article 1207 of the Civil Code provides in this respect thus:

"ART. 1207. The concurrence of two or more creditors or two or more debtors in one and the same obligation does not imply that each one of the former has a right to demand, or that each one of the latter is bound to render, entire compliance with the prestation. There is a solidary liability only when the obligation expressly so states, or when the law or the nature of the obligation requires solidarity."

In these premises, We cannot see how VICTORIAS may be held jointly and severally liable with the PLANTERS, contrary to what has been held by the Court of Appeals.

XIII

The foregoing sufficiently resolve, the first eight (I to VIII) of the ten (10) assignment of errors of the FEDERATION. We shall now tackle the remaining two of them.

- A -

In its Assignment of Error IX, the FEDERATION ascribes to the Court of Appeals the alleged error of not holding VICTORIAS and the PLANTERS jointly and severally liable for exemplary damages for the losses that the laborers have suffered because they were not paid their share of the 1952-53 to 1954-55 crop years production. Needless to say, as a consequence of Our holding that by their own admission and the evidence misapprehended, in Our view, by the Court of Appeals, all the amounts due them for said period have already been paid, except P180,679.38. We can perceive no legal reason why such claim for exemplary damages should be awarded. With particular reference to the P180,679.38 left unpaid in 1955, FEDERATION's own witness de Guia explained that the laborers to which the same correspond could not be located. In the light of such explanation, it would be unfair to even think of exemplary damages for the non-payment thereof.

- B -

As to the matter of the non-payment by the PLANTERS of the 2.4% due their laborers, a little clarification may be called for. We feel that the legal provision mandating such payment may indeed not be readily understood by or comprehensible to everyone in the same sense it was construed by this Court in *Talisay-Silay* and by the Court of Appeals in its subject decision. For, it is undeniable that Section 9 of Republic Act 809 uses the words "any increase in participation granted the planters under this Act". (Underlining Ours) Read literally, there could be a little shade of plausibility in the posture of VICTORIAS and PLANTERS that only any increase as a result of the application of Section 1 of the Act is contemplated in its Section 9, and not an increase by virtue of a written milling contract executed after the effectivity of the Act, even if those who do so might constitute the majority of the planters in the district. But, as We postulated in *Talisay-Silay*, any increase given to the planters by any central after the passage of the Act cannot be viewed in any way than that which has been induced or forced to be done on account of the compulsive effect of the various related provisions of the Act. Virtually, therefore, any such increase should be deemed as an "increase - - - under this Act", since it is a result of its operation. Understandably, since it is only because of this Court's construction of the Act rather liberally, to be sure, in favor of labor, We cannot say that, in the words of Article 2233 of the Civil Code, the laborers here are entitled to recover exemplary damages "as a matter of right." We must consider that per Article 2234, "the plaintiff must show that he is entitled to moral, temperate or compensatory damages before the court may consider the question of whether or not exemplary damages should be awarded." In the instant cases, all relevant circumstances considered, We fail to see Our way clear to granting any kind of moral, temperate or compensatory damages to the laborers, and We are not doing so. In fact and in law, We have no basis to go that far. Thus, it is pointless to speak of exemplary damages here.

- C -

Lastly, the FEDERATION complains that the Court of Appeals erred in reducing to 10% the 20% attorney's contingent fees stipulated in the laborers' contract with their counsel. (Page 307, Laborers' Brief) Every material point discussed in the brief taken into account, We share the conclusion of the Appellate Court that the said ten (10%) per centum award of attorney's fees is just and adequate.

XIV

Insofar as VICTORIAS' petition is concerned, there are only three assignments of error (VII, VIII and XII) that may not be said to be squarely resolved in the above opinion.

- A -

VICTORIAS vehemently maintains in its Assignment of Errors No. VII that nowhere in the course of the proceedings below, starting from the allegations of both the original and amended petition of the FEDERATION through the evidence it presented without opportune and appropriate objection, may there be traced any theory having the semblance of reliance on the law on torts, whether in the concept of culpa aquiliana or under Articles 20 and 21 of the Civil Code, the alleged Anglo-Saxon version, per Judge Caguioa, supra, or, any other variant thereof. According to VICTORIAS, the alternative bases perceptible in the FEDERATION's petitions which ultimately led to the instant cases before Us now were either an obligation arising from law (Republic Act 809) or one that is contractual, the latter being somewhat vague to Us, since it is in fact premised on the alleged invalidity of the provisions of the ASCA. And here, it is the position of VICTORIAS that assuming the cause of action of the FEDERATION could still be legally convertible in the appellate stage of the proceedings, either in the Court of Appeals or here, to one of "torts", We should dismiss the FEDERATION's petition, the same having been filed in November 1962 or more than four (4) years after the alleged cause of action arose in 1955 or 1956, citing Article 1146 (2) of the Civil Code.

With the view We have taken of the whole controversy as discussed in the above opinion, We deem it unnecessary to pass on such seventh assignment of error of VICTORIAS regarding prescription of an action on torts, whether We look at it in relation to the 1952-53 to 1954-55 crop years controversy or in connection with the 2.4% claim of the laborers for crop years 1956 to 1974.

- B -

It is VICTORIAS' posture in its assignment of error No. XII that the real nature of the action of the laborers in these cases is one for accounting, hence, as a preliminary matter, We should first determine whether or not they are entitled to such accounting. Stated otherwise, it looks to Us that VICTORIAS' claim is that it is premature yet at this stage of the controversy to deal with any sums of money or amounts due the laborers, there being no showing extant in the record that such entitlement exists. Again, We hold We do not have to spend more ink and paper to deal with such contention. Either it is quite clear that the FEDERATION has sufficiently established the predicate for accounting insofar as the PLANTERS are concerned or We consider it superfluous to make any ruling as to the point in question for the purposes of these cases, since the ultimate result of Our above opinion would virtually not be different anyway.

- C -

There is one point raised by VICTORIAS which although generally covered somehow in the above opinion, deserves special mention and discussion. The central maintains that in the interrelation among the planters, the plantation laborers and the miller, it has always been the practice and actually a legal axiom that the central, on the one hand, and the planter, on the other, whether the latter be a landowner or lessee or one who just factually plants and delivers his harvest for milling to the central of the corresponding district under any other arrangement with the landowner concerned, are the only ones who enter into contractual relations with each other, and in all the contracts between them, since the sugar industry began, nothing whatsoever has been provided with respect to the laborers, either of the miller or the planters, except, in any event, precisely to make it clear that neither of them

would have anything to do with the terms and conditions of each other's workers or laborers. We have stated earlier and We reiterate Our view that there is nothing in Republic Act No. 809 that alters such a long standing factual and juridical situation.

However, it cannot be denied that under Republic Act 809, for the first time, outside of enacting the Minimum Wage, Law and expressly extending fringe benefits, like cost-of-living allowances, bonuses, etc. to the workers in the sugar industry not only in the farms but also in the mills, the government has never fixed the manner in which the planters should share the proceeds of milled sugarcane with their respective plantation laborers. And notably, in Section 9 of the Act, the Congress made it abundantly specific that what the provision contemplates in the partition between the planters, on the one hand, and their respective plantation laborers, on the other, is of "any increase in the participation granted the planters under this Act and above their present share," which the provision explicitly mandates "shall be divided between the planter and his laborer in the plantation (and that) (T)he (said) distribution of the share corresponding to the laborers shall be made under the supervision of the Department of Labor."

Such being the case, VICTORIAS suggests the proposition that, therefore, if somehow the Act creates any link at all between the plantation laborers and the central, Section 9 itself makes the planter the agent of his laborers in such relationship and speaks for them and is responsible to them as their principal. When, therefore, the PLANTERS entered into and signed the ASCA, they did so not only for themselves but for and on behalf of their principal, the laborers, in respect to all matters concerning the latter. Consequently, VICTORIAS argues that the plantation laborers are bound by the terms and conditions of the ASCA as parties thereto, represented by their agent, the PLANTERS.

There may be something in such pose, but rather than go into the intricacies and complications that evidently would need to be elucidated and resolved in relation thereto, but which anyway would be inconsequential as far as the basic views of these cases expressed in Our above opinion are concerned, We prefer to deal with VICTORIAS' argument under discussion on some other appropriate occasion when its resolution should become indispensable. After all, in the cases at bar, it is already altogether clear, as We have discussed in Our above opinion, that whatever the plantation laborers are claiming is due them must be the exclusive responsibility and liability of the PLANTERS jointly and severally among themselves, to the complete exclusion of VICTORIAS.

XV

All of the assignments of errors of the PLANTERS (I to VI) in their brief with Us have been resolved in Our opinion above. There is, however, something they mentioned in their prayer that We might just as well clear up and dispose of. The PLANTERS pray that they should not be made liable to their respective laborers for any of the claims herein involved because they have not "engineered nor pocketed that which allegedly belong to the laborers as a result of the ASCA, for they (the PLANTERS) got only what they are entitled to under Republic Act 809", and elsewhere, they suggest that should they be found somehow liable, VICTORIAS should be adjudged to reimburse them therefor.

We shall not concern Ourselves about the "engineering" that brought forth the ASCA. The Court of Appeals discussed that matter in detail in its decision now under review, and its factual conclusions relative thereto, whether right or wrong, cannot, to Our mind be of pivotal influence in the ultimate resolution of these cases. In a sense, what circumstances go in the process of formulating contracts between the sugar centrals and the planters are matters of public knowledge among all those duly informed about and concerned with the sugar industry, and We must assume that whatever comes out of their bargaining cannot be but their voluntary and mutual agreements, even if, in this connection, it is but fair to admit that by force of the inherent nature of the

indispensability of the centrals as the last factor of production of the saleable milled sugar, its superior position is an economic reality everyone must accept. The Court of Appeals realistically considered the matter as something that is not illegal (and not exactly immoral), much less in contravention or circumvention of the Sugar Act, but dictated by the legitimate exercise of all individuals to make a profitable bargain. Emphatically, it must be said though, that the PLANTERS were not entirely helpless, for as we see the scenario that may be flashed out of Republic Act 809, all that the PLANTERS had to do was to refuse to sign any contract with VICTORIAS, in which event, the government, thru a receiver, would have run the mill and the PLANTERS could have gotten the 10% increase provided in Section 1. If they signed, as they did, a contract, the ASCA, providing for a 36-64% partition, we can only deduce ineluctably that such was a better option for them under the circumstances. And since, everyone is presumed to know the law, for ignorance thereof "excuses no one from compliance therewith", and the courts, after all, are not guardians of parties, *sui juris*, who might get the shorter end at bargaining tables, we have no alternative but to conclude that when they signed the ASCA, the PLANTERS were well aware that of the 4% increase granted therein to them, 60% had to be paid by them to their respective laborers. Thus, when they plead that what they got under the ASCA was only what they are entitled to under the Act, they must not be understood as referring to the whole 4% but only to 1.6%.

Let it be plainly understood, in this connection, that under Our Talisay-Silay ruling, the laborers are entitled to no more than 60% of any increase in any increase in participation their respective planters-employers might be granted. Beyond that, whatever goes to the PLANTERS and to VICTORIAS, for that matter, are theirs as a matter of law and right. To speak of "pocketing" by anyone of somebody else's rightful and lawful share is somehow malicious and entirely unwarranted.

From the facts extant in the record, and applying the law thereto, it is the conclusion of this Court that the PLANTERS are inescapably liable to their respective laborers in the amounts and manner hereinabove set forth. They should know better than to place the blame on anyone else. Their respective laborers have been deprived long enough of what is legally and rightfully theirs. It is unimaginable how said laborers could have had better lives and living conditions, worthy of their work, had the PLANTERS been more socially-minded and humanely concerned about the welfare of those that have made them the "sugar lords" during better times in Negros Occidental. To make things clearer, the claim for reimbursement by the PLANTERS is hereby overruled.

XVI

The petition of planters Primo Santos and Roberto Tirol requires no separate discussion. Their claims that the trial court had no jurisdiction over their persons and that they should not be held liable for obligations under a contract they have not signed deserve scant consideration. In fact, those points are already properly dealt with in the above opinion, hence all their assignment of errors are hereby held to be untenable.

JUDGMENT

Accordingly, the Court AFFIRMS the judgment of the Court of Appeals holding that the LABORERS are entitled to the payment of 60% of the 4% increase paid by VICTORIAS to the PLANTERS every crop year, from crop year 1955-56 to crop year 1973-74, the exact amount thereof in pesos to be determined by the trial court after a hearing to be held within thirty (30) days from the finality of this decision, the yearly amount thus determined to bear the corresponding legal interests up to the date of payment to the LABORERS;^[7] the PLANTERS, including appellants Primo Santos and Roberto Tirol, are sentenced to pay the said LABORERS the amount to be so determined, under the supervision of the Ministry of Labor. In addition, the said PLANTERS shall also pay to the LABORERS, the sum of P180,679.38, the balance unpaid of the latter's share in the 1952-53 to 1954-55 crop years,^[8] also with the same rates of interest and under the same supervision.

The judgment of the Court of Appeals is hereby modified by eliminating the joint and several or solidary liability of VICTORIAS with the PLANTERS for the above amounts, the said liability being solely and exclusively of the PLANTERS. Moreover, contrary to the finding of the Court of Appeals, the Court finds and holds that per their own admission in their complaint and the extant evidence, the laborers had already been paid their share in the 1952-53 to 1954-55 crop years, except for the P180,679.38 aforementioned. In all other respects, the judgment of the Court of Appeals is AFFIRMED insofar as the liability of the PLANTERS to their laborers are concerned. And We hold that said liability is joint and several among all the planters in the Victorias District from 1952 to 1973, provided that in the execution of this judgment, the primary and priority recourse should be against the members of the Special Committee or Board of Trustees and secondly, the PLANTERS, as an association, before they (the planters) are proceeded against individually.

Costs against the PLANTERS also in the same character of liability just set forth as to their principal liability.

Concepcion, Jr., Fernandez, Guerrero, Abad Santos, De Castro, and Melencio-Herrera, JJ., concur.

Fernando, C.J., concurs in the result and reserves the right to file a separate opinion.

Makasiar, J., the Court of Appeals should be entirely affirmed.

Teehankee and Aquino, JJ., did not take part.

[1] An initial attempt to pass a law referring only to the relationship between the centrals and the planters was thwarted by a veto by President Quirino on the ground of unconstitutionality. Subsequently, as it was finally passed and allowed to be a law without the President's signature, the Act contained provisions of social character in favor of labor, which in the Talisay-Silay case We upheld as justified and warranted not only by police power but by the more pervasive mandate of the social justice provisions of the Constitution.

[2] In respect to the 1952-53 to 1954-55 crop years, the Court of Appeals directly imputed connivance to the PLANTERS and VICTORIAS seemingly because, in its opinion, "the payment of P4 M in shares of stock instead of in cash was prejudicial (or at least resulted in prejudice or loss) to the laborers. But as regards the 1955-56 to 1973-74 crop years, the ASCA contained no provision other than what Talisay-Silay and the Court of Appeals held to be legal, namely, for VICTORIAS to share the proceeds of production during said period with the PLANTERS on a 36-64% basis.

[3] Section 9, Art. II, Id.

[4] Section 5, Rule 10

[5] Luna vs. Linatoc, 74 Phil. 15.

[6] Somewhere in the brief of the laborers, there is an indication that earlier, the Secretary of Labor voiced his objection to the part payment in shares of stock, but such objection paled into insignificance when no protest was made by him, when pursuant to the ASCA, the actual payment of the cash portion and the issuance of 40,000 shares were actually made. In fact, there is convincing evidence in the record that the payment was made under the direct supervision of his authorized representative, not only of the stipulated cash portion but even of the proceeds of the sales of the 40,000 shares of stock.

[7] The rates of interest should correspondingly be increased in accordance with the prevailing legal rate of each crop year.

[8] Computed on the basis of the share of the LABORERS' share of 6% in the 1952-53 to 1954-55 crop years, it may be estimated that with the 2.4% corresponding to them for the crop years 1955-56 to 1973-74, under this

judgment, the LABORERS should receive a total amount in the neighborhood of Thirty Million (P30 M) Pesos. This estimate is subject to the amount to be determined by the trial court.

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