REGAL FILMS, INC., PETITIONER, VS. GABRIEL CONCEPCION, RESPONDENT.

G.R. No. 139532. August 09, 2001

Ponente: VITUG, J.

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VITUG, J.:

The case involves a compromise judgment issued by the Regional Trial Court of Quezon City, later affirmed by the Court of Appeals, and now being assailed in the instant petition for review.

Culled from the records, the facts that led to the controversy would not appear to be in serious dispute.

In 1991, respondent Gabriel "Gabby" Concepcion, a television artist and movie actor, through his manager Lolita Solis, entered into a contract with petitioner Regal Films, Inc., for services to be rendered by respondent in petitioner's motion pictures. Petitioner, in turn, undertook to give two parcels of land to respondent, one located in Marikina and the other in Cavite, on top of the "talent fees" it had agreed to pay.

In 1993, the parties renewed the contract, incorporating the same undertaking on the part of petitioner to give respondent the two parcels of land mentioned in the first agreement. Despite the appearance of respondent in several films produced by petitioner, the latter failed to comply with its promise to convey to respondent the two aforementioned lots.

On 30 May 1994, respondent and his manager filed an action against petitioner before the Regional Trial Court of Quezon City, docketed Civil Case No. Q-94-20714 and raffled to Branch 76, for rescission of contract with damages. In his complaint, respondent contended that he was entitled to rescind the contract, plus damages, and to be released from further commitment to work exclusively for petitioner owing to the latter's failure to honor the agreement.

Instead of filing an answer to the complaint, petitioner moved for its dismissal on the allegation that the parties had settled their differences amicably. Petitioner averred that both parties had executed an agreement, dated 17 June 1994, which was to so operate as an addendum to the 1991 and 1993 contracts between them. The agreement was signed by a representative of petitioner and by Solis purportedly acting for and in behalf of respondent Concepcion.

The preliminary conference held by the trial court failed to produce a settlement between the parties; thereupon, the trial court ordered Solis and respondent to comment on petitioner's motion to dismiss.

On 30 September 1994, Solis filed a motion to dismiss the complaint reiterating that she, acting for herself and for respondent Concepcion, had already settled the case amicably with petitioner. On 17 October 1994, respondent Concepcion himself opposed the motion to dismiss contending that the addendum, containing provisions grossly disadvantageous to him, was executed without his knowledge and consent. Respondent stated that Solis had since ceased to be his manager and had no authority to sign the addendum for him.

During the preliminary conference held on 23 June 1995, petitioner intimated to respondent and his counsel its willingness to allow respondent to be released from his 1991 and 1993 contracts with petitioner rather than to further pursue the addendum which respondent had challenged.

On 03 July 1995, respondent filed a manifestation with the trial court to the effect that he was now willing to honor the addendum to the 1991 and 1993 contracts and to have it considered as a compromise agreement as to warrant a judgment in accordance therewith. The manifestation elicited a comment from both petitioner and Solis to the effect that the relationship between the parties had by then become strained, following the notorious Manila Film Festival scam involving respondent, but that it was still willing to release respondent from his contract.

On 24 October 1995, the trial court issued an order rendering judgment on compromise based on the subject addendum which respondent had previously challenged but later agreed to honor pursuant to his manifestation of 03 July 1995.

Petitioner moved for reconsideration; having been denied, it then elevated the case to the Court of Appeals arguing that the trial court erred in treating the addendum of 17 June 1994 as being a compromise agreement and in depriving it of its right to procedural due process.

On 30 July 1999, the appellate court rendered judgment affirming the order of the trial court of 24 October 1995; it ruled:

> "In the instant case, there was an Addendum to the contract signed by Lolita and Regal Films' representative to which addendum Concepcion through his Manifestation expressed his conformity. There was, therefore, consent of all the parties.
>
> "The addendum/compromise agreement was perfected and is binding on the parties and may not later be disowned simply because of a change of mind of Regal Films and/or Lolita by claiming, in their Opposition/Reply to Concepcion's Manifestation, that after the 1995 Metro Manila Films Festival scam/fiasco in which Concepcion was involved, the relationship between the parties had become bitter to render compliance with the terms and conditions of the Addendum no longer possible and consequently release Concepcion from the 1991 and 1993 contracts."[1]

Dissatisfied, petitioner appealed to this Court claiming in its petition for review that -

> "I.
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> THE COURT OF APPEALS ERRED IN AFFIRMING THE TRIAL COURT'S ACTION IN RENDERING JUDGMENT ON A COMPROMISE BASED ON THE ADDENDUM WHEN PETITIONER REGAL FILMS SUBMITTED THIS DOCUMENT TO THE TRIAL COURT MERELY TO SERVE AS BASIS FOR ITS MOTION TO DISMISS;
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> "II.
>
> THE COURT OF APPEALS ERRED IN RENDERING JUDGMENT ON A COMPROMISE WHEN THE PARTIES DID NOT AGREE TO SUCH A COMPROMISE;
>
> "III.
>
> THE COURT OF APPEALS ERRED IN HOLDING THAT THE MINDS OF THE PARTIES HAD MET TO ELEVATE THE PREVIOUSLY REJECTED ADDENDUM TO THE LEVEL OF A JUDGMENT ON A COMPROMISE."[2]

The petition is meritorious.

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Petitioner argues that the subject addendum could not be the basis of the compromise judgment. The Court agrees.

A compromise is an agreement between two or more persons who, for preventing or putting an end to a lawsuit, adjust their respective positions by mutual consent in the way they feel they can live with. Reciprocal concessions are the very heart and life of every compromise agreement,[3] where each party approximates and concedes in the hope of gaining balanced by the danger of losing.[4] It is, in essence, a contract. Law and jurisprudence recite three minimum elements for any valid contract - (a) consent; (b) object certain which is the subject matter of the contract; and (c) cause of the obligation which is established.[5] Consent is manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the agreement. The offer, however, must be certain and the acceptance seasonable and absolute; if qualified, the acceptance would merely constitute a counter-offer.[6]

In this instance, the addendum was flatly rejected by respondent on the theses (a) that he did not give his consent thereto nor authorized anyone to enter into the agreement, and (b) that it contained provisions grossly disadvantageous to him. The outright rejection of the addendum made known to the other ended the offer. When respondent later filed his Manifestation, stating that he was, after all, willing to honor the addendum, there was nothing to still accept.

Verily, consent could be given not only by the party himself but by anyone duly authorized and acting for and in his behalf. But by respondent's own admission, the addendum was entered into without his knowledge and consent. A contract entered into in the name of another by one who ostensibly might have but who, in reality, had no real authority or legal representation, or who, having such authority, acted beyond his powers, would be unenforceable.[7] The addendum, let us then assume, resulted in an unenforceable contract, might it not then be susceptible to ratification by the person on whose behalf it was executed? The answer would obviously be in the affirmative; however, that ratification should be made before its revocation by the other contracting party.[8] The adamant refusal of respondent to accept the terms of the addendum constrained petitioner, during the preliminary conference held on 23 June 1995, to instead express its willingness to release respondent from his contracts prayed for in his complaint and to thereby forego the rejected addendum. Respondent's subsequent attempt to ratify the addendum came much too late for, by then, the addendum had already been deemed revoked by petitioner.

WHEREFORE, the petition is GRANTED, and the appealed judgment of the Court of Appeals affirming that of the trial court is SET ASIDE, and the case is remanded to the trial court for further proceedings. No costs.

SO ORDERED.

Melo, (Chairman), Panganiban, Gonzaga-Reyes, and Sandoval-Gutierrrez, JJ., concur.

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[1] Rollo, pp. 28-29.

[2] Rollo, pp. 95-99.

[3] Abarintos vs. Court of Appeals, 315 SCRA 550.

[4] Del Rosario vs. Madayag, 247 SCRA 767.

[5] Art. 1318, New Civil Code.

[6] Art. 1319, New Civil Code.

[7] Arts. 1317, 1403; see also Art. 1878.

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[8] Art. 1317. 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.

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