

**TEAM IMAGE ENTERTAINMENT, INC., AND FELIX S. CO,
PETITIONERS, V. SOLAR TEAM ENTERTAINMENT, INC.,
RESPONDENT.***G.R. No. 191652. September 13, 2017*

Ponente: LEONEN, J.

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A judgment upon a compromise is rendered based on the parties' reciprocal concessions. With all the more reason should a judgment upon a compromise be complied with in good faith considering that the parties themselves crafted its terms.

These are consolidated Petitions for Review on Certiorari assailing the December 10, 2009 Decision[1] and March 17, 2010 Resolution[2] of the Court of Appeals in CA-G.R. SP No. 104961. The Court of Appeals held that both parties—Team Image Entertainment, Inc. (Team Image) and Solar Team Entertainment, Inc. (Solar Team)—violated the Compromise Agreement they had entered into in connection with a civil case for accounting[3] filed before Branch 59, Regional Trial Court, Makati City. Team Image was specifically ordered to pay Solar Team P2,000,000.00 in liquidated damages for failing to settle its monetary obligation to Solar Team within the period provided in the Compromise Agreement.[4] Further, the Court of Appeals allowed Team Image to suspend payments under the Compromise Agreement because Solar Team failed to withdraw the complaint-in-intervention it had earlier filed against Team Image's President, Felix S. Co (Co), contrary to their agreement to dismiss all actions they had filed against each other.[5]

Solar Team owned movies, films, telenovelas, television series, programs, and coverage specials that it aired over block times in several television stations.[6] It derived profits by selling advertising spots to interested business enterprises.[7]

On April 24, 1996, Solar Team entered into a Marketing Agreement with Team Image,[8] which agreed to act as Solar Team's exclusive marketing agent by selling advertising spots to business enterprises on behalf of Solar Team.[9]

According to Solar Team, Team Image breached their Marketing Agreement by failing to disclose the names of the entities to which Team Image sold advertising spots. Further, Team Image allegedly represented itself as the owner of Solar Team's television programs, series, and telenovelas, hence collecting the proceeds of the sale without remitting them to Solar Team. For these reasons, Solar Team demanded that Team Image render an accounting of all the transactions the latter had entered into pursuant to the Marketing Agreement and that it remit all the proceeds it had received in selling Solar Team's television programs, series, and telenovelas.[10]

When Team Image refused to render an accounting, Solar Team filed against Team Image and its President, Co, a Complaint for Accounting and Damages before the Regional Trial Court of Makati.[11] The case was raffled to Branch 59, presided by Judge Winlove M. Dumayas (Judge Dumayas).[12]

On January 17, 2002, the trial court rendered a Decision,[13] finding that Team Image breached the Marketing Agreement. According to the trial court, Team Image only had the authority to sell advertisement spots on behalf of Solar Team, not to collect any sales proceeds. Thus, it ordered Team Image to render an accounting of all its transactions and collections under the Marketing Agreement. The dispositive portion of this Decision read:

WHEREFORE, judgment is hereby rendered in favor of [Solar Team] and against [Team Image and Felix S. Co]. as follows:

- Ordering [Team Image and Felix S. Co] jointly and severally to immediately render an accounting within fifteen (15) days from receipt of this decision, on all its sales and collections on the television properties of [Solar Team] mentioned in Annex "A" of the complaint, from date of the agency agreement (Exhibit "A") on April 24, 1996 until the filing of the complaint;
- Directing [Team Image and Felix S. Co] jointly and severally to make available to [Solar Team] or its authorized representatives) accountant[s] or auditors, within fifteen (15) days from receipt hereof, all their books of accounts and records on all their sales and collections on [Solar Team's] aforesaid television properties[; and]
- Ordering [Team Image and Felix S. Co] jointly and severally to pay [Solar Team] the sum of Php50,000.00 for attorney's fee; and Php200,000.00 for moral, exemplary[,] nominal and temperate damages; and cost[s] of suit.

SO ORDERED.[14]

More than a year after or on April 28, 2003, Solar Team and Team Image entered into a Compromise Agreement,[15] submitting it to the trial court for approval. In essence, the parties agreed on the payment terms and their division of receivables from the media company VTV Corporation, which had purchased advertising spots from Team Image as Solar Team's marketing agent. For purposes of accounting and auditing these receivables, the parties hired SyCip Gorres Velayo and Company (SGV and Co.) as auditor.

With respect to other business ventures that the parties may have jointly undertaken, paragraph 18 of the Compromise Agreement stated that the parties must submit a certification of the existence of these receivables:

18. To further assure each one of them, both parties shall within ten (10) days from the date of execution of this agreement, submit to one another, certification and/or reasonable and available proof of the existence of said receivables.[16]

The parties likewise agreed to waive all their claims against each other and to cause the provisional dismissal of all the criminal and civil actions that they had filed against each other. Paragraphs 21 and 22 of the Compromise Agreement provided:

21. This agreement constitutes the final repository of all the prior understanding agreements and contracts of the parties and shall operate as total waiver and discharge of any or all claims, counterclaims, causes of action, claims and demands of whatever kind and nature which each may have against the other, including their respective heirs[,] assigns[,] and successors-in-interest arising out of any of all matters, cause or thing, whether directly or indirectly, related with the Marketing Agency Agreement dated 24 April 1996.

22. By virtue hereof, the parties have agreed, as they hereby agree to immediately provisionally dismiss all actions, whether civil or criminal, they may have filed against the other, and after SGV shall have finally completed the audit and accounting tasked upon it, the results of which is final and binding upon the parties, all said civil and/or criminal actions shall be permanently dismissed by the parties.[17]

Further, the parties agreed to the immediate issuance of a writ of execution and payment of liquidated damages in

case of breach of the Compromise Agreement. Paragraph 24 of the Compromise Agreement stated:

24. In the event SGV shall have made a final determination of the respective accountability of the parties and any of the parties fail to comply with the same, or in the event any of the parties is remiss or reneges from [its] commitment/s as specified in this Agreement or breaches the warranties and/or representation as contained herein, then the aggrieved party shall be entitled to an immediate issuance of a writ of execution to enforce compliance thereof and the guilty party shall pay the innocent party the sum of P2 Million Pesos by way of liquidated damages and/or penalty and shall, likewise, shoulder all the expenses in enforcing this compromise agreement by a writ of execution. Moreover, the innocent party shall have the right to invoke the principle of reciprocity of obligations in contracts as provided for by law.[18]

Finding the provisions of the Compromise Agreement not contrary to law, morals, or public policy, the trial court approved and rendered judgment based on the Compromise Agreement in its Decision[19] dated April 30, 2003.

The parties subsequently filed motions for issuance of a writ of execution on account of the other's alleged violation of the Compromise Agreement.

The first motion for issuance of a writ of execution was filed by Team Image on April 26, 2004.[20] Team Image prayed that the trial court allow it to suspend payments to Solar Team under the Compromise Agreement due to the alleged failure of Solar Team's Chief Executive Officer, William Tieng (Tieng), to collect receivables from VTV Corporation. In addition, Solar Team allegedly failed to submit to Team Image a certification on the existence of the receivables from VTV Corporation, in violation of paragraph 18 of the Compromise Agreement.

In its Order[21] dated April 29, 2004, the trial court allowed Team Image to suspend payments to Solar Team "until after [the trial court] shall have resolved [the April 26, 2004 motion for issuance of a writ of execution]."[22] The trial court subsequently issued a Writ of Execution on May 28, 2004.[23] However, in its Order[24] dated November 23, 2004, the trial court granted Solar Team's Motion for Reconsideration; thus, it set aside its previous order allowing suspension of payment and quashed the writ of execution. The dispositive portion of the November 23, 2004 Order read:

ORDER

Finding the Motion for Reconsideration filed by [Solar Team] to be impressed with merit, the same is hereby GRANTED.

Accordingly, the Order of the Court dated April 30, 2004 is hereby RECONSIDERED and set aside and the Writ of Execution dated May 28, 2004 is hereby QUASHED.[25]

Team Image moved to reconsider the November 23, 2004 Order.[26]

In the meantime, on October 6, 2005, Team Image filed a second motion[27] for issuance of a writ of execution and suspension of payments (October 6, 2005 Motion) due to Solar rerun's alleged violation of paragraphs 21 and 22 of the Compromise Agreement. According to Team Image, Solar Team failed to cause the dismissal of its complaint-in-intervention in a collection case filed against Team Image,[28] with Solar Team actively participating in the civil case after the execution of the Compromise Agreement.

In its Order[29] dated November 3, 2005, the trial court granted the October 6, 2005 Motion, issuing a writ of execution to enforce payment by Solar Team of P2,000,000.00 in liquidated damages and allowing Team Image to suspend payments to Solar Team. The dispositive portion of the November 3, 2005 Order read:

WHEREFORE, premises considered, the Court hereby . . . GRANTS [Team Image's] motion for the issuance of a writ of execution along with their prayer for an order allowing suspension of payment and Orders [Solar

Team] to comply with paragraphs 21 and 22 of the compromise agreement executed by the parties herein.

Accordingly, let a writ of execution be issued against [Solar Team] to enforce payment of the sum of P2 Million Pesos as liquidated damages pursuant to paragraph 24 of the compromise agreement.

SO ORDERED.[30]

Solar Team moved for a partial reconsideration of the November 3, 2005 Order.[31]

On December 6, 2005, Solar Team filed its own motion[32] for issuance of a writ of execution due to Team Image's alleged violation of paragraph 20 of the Compromise Agreement.[33] Solar Team claimed that Team Image failed to submit documents necessary for the auditing and accounting of receivables to SGV and Co., the appointed auditor under the Compromise Agreement.

Meanwhile, in its Order[34] dated April 7, 2006, the trial court denied both Team Image's Motion for Reconsideration of the November 23, 2004 Order and Solar Team's Motion for Partial Reconsideration of the November 3, 2005 Order. The trial court found that Team Image filed the Motion for Reconsideration beyond the reglementary period. As for Solar Team, the trial court found that it had failed to comply with its obligation to cause the dismissal of all pending cases that it had filed against Team Image. Hence, Solar Team was ordered to pay Team Image P2,000,000.00 in liquidated damages per paragraph 24 of the Compromise Agreement. The dispositive portion of the April 7, 2006 Order read:

WHEREFORE, premises considered, this Court resolves to DENY [Team Image's] Motion for Reconsideration dated August 22, 2005 from the Order of this Court dated November 23, 2004. [Solar Team's] Motion for Partial Reconsideration dated November 19, 2005 from the Order of this Court dated November 3, 2005 is, likewise, DENIED for lack of merit.

SO ORDERED.[35]

On December 5, 2007, Team Image filed before the trial court its third motion[36] for issuance of writ of execution with prayer for suspension of payments (December 5, 2007 Motion). Team Image argued that Solar Team's Tieng violated anew paragraphs 21 and 22 of the Compromise Agreement by failing to cause the dismissal of the criminal cases he had earlier filed against Team Image's Co. On December 18, 2007, Team Image filed an Omnibus Motion[37] with prayer for issuance of a writ of execution and suspension of payments (December 18, 2007 Omnibus Motion), this time, for Solar Team's Tieng to return to Team Image a total of P25,862,750.00. This amount allegedly included the collections in excess of the P26,000,000.00 fixed in the Compromise Agreement; the P2,891,226.97 supposedly collected by a certain Ma. Fe Barreiro (Barreiro)[38] without Solar Team's authority but actually redounded to Tieng's benefit; and a total of P8,500,000.00 in post-dated checks still in possession of Tieng. Thus, Team Image reiterated its prayer for the trial court to implement the November 3, 2005 Order directing Solar Team to pay Team Image liquidated damages.[39]

In its Order[40] dated January 9, 2008, the trial court ordered the implementation of the November 3, 2005 Order to enforce payment of liquidated damages by Solar Team for failure to cause the dismissal of its complaint-in-intervention in the collection case filed against Team Image. A Writ of Execution[41] was subsequently issued on January 16, 2008, directing the sheriff to implement the November 3, 2005 Order.

Two (2) days after or on January 18, 2008, Solar Team filed a motion to defer the implementation of the January 16, 2008 Writ of Execution.[42] Solar Team likewise filed a motion to hold in abeyance the implementation of the Letters of Garnishment issued pursuant to the January 16, 2008 Writ of Execution.[43]

Acting on Team Image's December 5, 2007 Motion and December 18, 2007 Omnibus Motion in the Order[44]

dated January 21, 2008, the trial court directed Solar Team, through Tieng, to cause the dismissal of the criminal cases filed against Co pursuant to paragraphs 21 and 22 of the Compromise Agreement.

Further, the trial court found that Tieng indeed had excess collections from VTV Corporation. In his complaint for sum of money filed against VTV Corporation, Tieng allegedly admitted that he had collected P22,971,572.03 from VTV Corporation, an amount which exceeded the P10,275,547.48 disclosed in paragraph 4 of the Compromise Agreement.[45]

The trial court likewise found that contrary to Solar Team's representation in paragraph 5 of the Compromise Agreement,[46] the P2,891,226.97 supposedly collected by Barreiro without Solar Team's authority actually redounded to Tieng's benefit.[47]

Based on these findings, the trial court ordered Solar Team to return the excess amounts and incorrect charges and to pay Team Image a total of P8,000,000.00 in liquidated damages for breaching four (4) warranties made in the Compromise Agreement. The dispositive portion of the January 21, 2008 Order read:

WHEREFORE, PREMISES CONSIDERED, this Court hereby grants [Team Image and Felix S. Co's] 1) Motion for the issuance of writ of execution for violation of paragraphs 21 and 22 of the compromise agreement with prayer for an order allowing continuance of suspension of payment of obligation/s, if any, as per paragraph 24 thereof dated December 5, 2007; and 2) Omnibus motion for the issuance of an order directing William Tieng to return to [Team Image and Felix S. Co]; (a) overpayment under the compromise agreement (b) marketing commission falsely charged against the share of [Team Image and Felix S. Co] in the VTV operations and (c) for writ of execution and suspension of payment, if any dated December 18, 2007.

Accordingly, [Team Image and Felix S. Co] are hereby authorized to suspend payment of their obligation, if any, pursuant to paragraph 24 of the compromise agreement and that:

ON THE FIRST MOTION

a)

William Tieng is hereby ordered to dismiss and/or cause the dismissal of Criminal Case Nos. 07-1235 and 07-1236 now pending before the Regional Trial Court of Parañaque City, Metro Manila; and

b)

Let a writ of execution issue to enforce the payment to [Team Image and Felix S. Co] the sum of TWO MILLION (PhP2,000,000.00) PESOS as liquidated damages on account of William Tieng's breach of warranties and representations under paragraphs 21 and 22 of the compromise agreement.

ON THE SECOND MOTION

a)

William Tieng is hereby ordered to pay/return to [Team Image and Felix S. Co] the sum of TWENTY[-]FIVE MILLION EIGHT HUNDRED SIXTY[-]TWO THOUSAND SEVEN HUNDRED FIFTY and 00/100 (PhP25,862,750.00) PESOS broken down as: PhP17,362,750.00 cash amount received by William Tieng and PhP8,500,000.00, total amount of checks still in the possession of William Tieng;

b)

William Tieng is hereby ordered to turn over to [Solar Team] the amount of TWO MILLION EIGHT HUNDRED NINETY[-] ONE THOUSAND TWO HUNDRED TWENTY[-]SIX and 97/100 (PhP2,891,226.97) PESOS and for SGV to pay [Team Image and Felix S. Co's] share thereon;

c)

Let a writ of execution issue to enforce payment of the sum of FOUR MILLION (Php4,000,000.00) PESOS by way of liquidated damages on account of TIENG's aforesaid two (2) breaches of warranty and representation under the first ground hereof and; and another FOUR MILLION (Php4,000,000.00) PESOS by way of liquidated damages on account of TIENG's aforesaid two (2) breaches of warranty and representation under the second ground her of or a total of EIGHT MILLION (Php8,000,000.00) PESOS, all pursuant to paragraph 24 of the Compromise Agreement.

SO ORDERED.[48]

A Motion for Reconsideration of the January 21, 2008 Order was filed by Solar Team.[49] When the trial court ordered the deputy sheriff to deliver the garnished amount to Team Image through a certified bank check, Solar Team likewise filed a Motion for Reconsideration.[50]

In its Omnibus Order[51] dated May 19, 2008, the trial court acted on Team Image's December 18, 2007 Omnibus Motion. According to the trial court, the only remedy allowed under the Compromise Agreement is the filing of a motion for issuance of a writ of execution and that the orders allowing Team Image to suspend payments were merely temporary and did not exonerate or release Team Image and Co from their obligation.[52] It then found that Team Image and Co were "clearly in default in the payment of their obligation"[53] under the Compromise Agreement. Therefore, the trial court set aside all its previous orders that allowed Team Image to suspend payments, i.e., the November 3, 2005 and January 21, 2008 Orders.

Furthermore, acting on Solar Team's Motion for Reconsideration, the trial court reversed and set aside its January 21, 2008 Order where it declared that Solar Team made excess collections from VTV Corporation. The trial court reversed itself, and said that it was "premature to declare that there was overpayment made to [Solar Team] or William Tieng"[54] because the appointed auditor, SGV and Co., had not yet finalized the required audit.

Nevertheless, the trial court reiterated that Solar Team violated the Compromise Agreement when it failed to cause the dismissal of the complaint in intervention it had filed against Team Image. The trial court ordered Solar Team to pay Team Image P2,000,000.00 in liquidated damages and to deposit the amount before the Office of the Clerk of Court of the Regional Trial Court of Makati.

The dispositive portion of the May 19, 2008 Omnibus Order read:

WHEREFORE, PREMISES CONSIDERED, this Court hereby resolves the parties' motions, as follows:

- [Solar Team's] Urgent Omnibus Motion dated January 18, 2008 praying that:

1)

the implementation of the Writ of Execution dated January 10, 2008 be held in abeyance is hereby DENIED for being moot and academic;

2)

a Writ of Execution be issued against [Team Image] to enforce payment of the sum of TWO MILLION (Php2,000,000.00) PESOS and the unpaid obligation of [Team Image] pursuant to paragraph 24 of the compromise agreement is GRANTED, The previous Orders of this Court allowing suspension of payment are hereby RECONSIDERED AND SET ASIDE;

- [Solar Team's] Urgent Motion dated January 21, 2008 praying that the Letters of Garnishment be recalled

and/or their implementation be held in abeyance is hereby DENIED for being moot and academic;

- [Solar Team's] Motion for Reconsideration dated January 28, 2008 is hereby GRANTED. The Order dated January 21, 2008 is hereby RECONSIDERED and SET ASIDE;

- [Solar Team's] Omnibus Motion dated March 27, 2008 seeking that [Solar Team] be allowed to deposit the amount of P2 Million Pesos to the Office of the Clerk of Court - Regional Trial Court of Makati City is GRANTED.

- Finally, [Team Image and Felix S. Co's] prayer to cite [Solar Team's William Tieng] and his counsels for direct contempt is hereby DENIED for lack of merit.

Accordingly, [Solar Team] is hereby ordered to deposit the amount of P2 Million Pesos to the Office of the Clerk of Court - Regional Trial Court of Makati City within ten (10) days from receipt of this Order, the same will be released only after final determination of the obligations of [Team Image and Felix S. Co] pursuant to the compromise agreement and after the issue on the violation of the same agreement by [Solar Team] for its failure to cause the dismissal of Civil Case No. 97-024 has been resolved with finality.

On the other hand, [Team Image and Felix S. Co] are hereby ordered to pay [Solar Team] as follows:

1) the sum of TWO MILLION (Php2,000,000.00) PESOS as liquidated damages for their failure to pay [Solar Team] the value of the dishonored checks despite its demand after the April 30, 2004 Order allowing the suspension of payment to [Solar Team] was set aside by the November 23, 2004 Order of this Court.

2) the sum of EIGHT MILLION FIVE HUNDRED THOUSAND (P8,500,000.00) PESOS representing the value of the seventeen (17) dishonored checks which has remained unpaid as provided under paragraph 7 of the compromise agreement.

Let a writ of execution issue against [Team Image and Felix S. Co] to enforce the payment of the sum of TWO MILLION (Php2,000,000.00) PESOS as liquidated damages and EIGHT MILLION FIVE HUNDRED THOUSAND (P8,500,000.00) PESOS representing the value of the said seventeen (17) dishonored checks or a total of TEN MILLION FIVE HUNDRED THOUSAND (P10,500,000.00), pursuant to paragraphs 7 and 24 of the compromise agreement.

SO ORDERED.[55]

Team Image filed a Motion for Reconsideration of the May 19, 2008 Omnibus Order, which the trial court denied in its August 8, 2008 Order,[56] the dispositive portion of which read:

WHEREFORE, premises considered, this Court resolves to DENY [Solar Team's] Motion to Consider [Team Image and Felix S. Co's] Motion for Reconsideration as Not Filed dated July 2, 2008. [Team Image and Felix S. Co's] Motion for Reconsider[a]tion dated June 17, 2008 is likewise DENIED for utter lack of merit.

Accordingly, let the Writ as ordered by this Court to be issued per its Order dated May 19, 2008 be now issued and implemented in the manner provided for under Rule 39, Section 8 of the Rules of Court and according to its aforesaid terms.

SO ORDERED.[57]

Team Image filed a Petition for Certiorari before the Court of Appeals to assail the May 19, 2008 and August 8, 2008 Orders of the trial court.[58]

The issue for the Court of Appeals' resolution was whether or not the trial court gravely abused its discretion:

First, in ordering the Clerk of Court to keep in the trial court's custody the deposited P2,000,000.00 in liquidated damages instead of ordering Solar Team Entertainment, Inc. to pay the amount directly to Team Image

Entertainment, Inc.;

Second, in disallowing Team Image Entertainment, Inc. from suspending payments because the Compromise Agreement allegedly did not allow suspension of payments;

Third, in ruling that a criminal case cannot be the subject of a compromise;

Fourth, in refusing to rule on whether or not Solar Team Entertainment, Inc.'s William Tieng made excess collections from VTV Corporation; and

Finally, in holding that only a maximum of P2,000,000.00 in liquidated damages may be claimed under the Compromise Agreement regardless of the number of violations.[59]

On the first action, the Court of Appeals held that the trial court gravely abused its discretion in ordering the Clerk of Court to keep in custodia legis the P2,000,000.00 liquidated damages deposited by Solar Team for its failure to dismiss the complaint-in-intervention it had filed against Team Image. By keeping this amount in court custody instead of ordering the Clerk of Court to deliver it to Team Image, the trial court allegedly stayed the execution of a final and executory judgment.[60]

On the second action, the Court of Appeals ruled that the Compromise Agreement allowed for suspension of payments, paragraph 24[61] of which stated that the "principle of reciprocity" under the Civil Code applied to the parties. The Court of Appeals stated that Team Image was not obliged to pay its monetary obligations under the Compromise Agreement since Solar Team violated several of its provisions such as submitting the required certification of receivables and dismissing the cases earlier filed against Team Image.[62]

Nevertheless, the Court of Appeals found that the trial court November 23, 2004 Order which allowed the suspension of Team Image's payments was merely temporary. When the trial court set aside this Order, Team Image should have resumed paying its obligations to Solar Team until November 3, 2005, when the trial court granted Team Image's second motion to suspend payments. By failing to resume its payment in the interim, Team Image and Co were in default from November 23, 2004 to November 3, 2005.[63]

On the third action, the Court of Appeals said that criminal liability cannot be the subject of a compromise; hence, Solar Team cannot be deemed to have violated the Compromise Agreement when it failed to cause the dismissal of the criminal cases against Co.[64]

On the fourth action, the Court of Appeals refused to resolve the issue of grave abuse of discretion because doing so would allegedly preempt the proceedings before Branch 57, Regional Trial Court, Makati City where Solar Team sued VTV Corporation for P18,617,915.81 in advertising spot fees.[65]

On the last action, the Court of Appeals held that only a maximum of P2,000,000.00 in liquidated damages may be paid under the Compromise Agreement, paragraph 24[66] of which still maintained that liquidated damages are payable in case of failure to comply with "commitments" and in case of "breaches [of] warranties." The use of plural "commitments" and "breaches," observed the Court of Appeals, meant that P2,000,000.00 is payable for collective breaches of the Compromise Agreement. In the words of the Court of Appeals, "the totality of infractions or the number of violations would not be relevant and liquidated damages would be pegged at Two Million (P2,000,000.00) Pesos for the total violations." [67]

In its December 10, 2009 Decision,[68] the Court of Appeals partly granted Team Image's Petition for Certiorari, disposing the case in this wise:

WHEREFORE, premises considered, the petition is PARTLY GRANTED and resolved as follows:

The implementation of the Writ of Execution dated January 10, 2008 is AFFIRMED.

The payment by [Team Image] of TWO MILLION (Php2,000,000.00) PESOS pursuant to paragraph 24 of the Compromise Agreement for its failure to settle its obligation within the period from November 23, 2004 to November 3, 2005 is AFFIRMED.

The suspension of payment granted in the Order dated November 3, 2005 STAYS until respondent Solar Team Entertainment, Inc. withdraws the complaint-in-intervention in Civil Case No. 97-024 before Branch 137, Regional Trial Court of Makati City.

The denial of the recall of the issued Letters of Garnishment is AFFIRMED.

The order to deposit the amount of P2 Million Pesos to the Office of the Clerk of Court Regional Trial Court of Makati City is REVERSED and SET ASIDE. The garnished amount of Two (P2M) Million pesos representing liquidated damages is ordered released from the custody of the Clerk of Court of the Regional Trial Court of Makati City and delivered to [Team Image].

The reversal of the order which requires [Solar Team's] William Tieng to cause the dismissal of Criminal Case Nos. 07-1235 and 07-1236 is AFFIRMED.

The reversal of the order requiring [Solar Team's] William Tieng to pay the sum of TWO MILLION (Php2,000,000.00) PESOS as liquidated damages on account of its failure to dismiss Crim. Case Nos. 07-1235 and 07-1236 is AFFIRMED.

The reversal of the order requiring [Solar Team's] William Tieng to return the sum of TWENTY[-]FIVE MILLION EIGHT HUNDRED SIXTY[-]TWO THOUSAND SEVEN HUNDRED FIFTY and 00/100 PESOS (Php25,862,750.00) on account of [Solar Team's] alleged admission in its pleading in Civil Case No. 05-603 despite the pendency of the SGV audit is AFFIRMED.

The reversal of the order requiring [Solar Team's] William Tieng to turn over the amount of TWO MILLION EIGHT HUNDRED NINETY[-]ONE THOUSAND TWO HUNDRED TWENTY[-]SIX and 97/100 (Php2,891,226.97) PESOS to [Solar Team] is AFFIRMED.

The reversal of the order requiring [Solar Team's] William Tieng to pay a total of EIGHT MILLION PESOS (Php8,000,000.00) PESOS, pursuant to paragraph 24 of the Compromise Agreement for alleged breaches of warranty and representation is AFFIRMED.

SO ORDERED.[69]

Team Image and Solar Team filed their separate Motions for Reconsideration,[70] both of which were denied in the Resolution[71] dated March 17, 2010.

Separate Petitions for Review on Certiorari were filed by Team Image and Co[72] and Solar Team.[73] The Petitions were thereafter consolidated.[74] Comments[75] and Replies[76] had likewise been tiled by the parties.

The issues for this Court's resolution are the following:

First, whether or not the Court of Appeals erred in finding no grave abuse of discretion on the part of the trial court when the latter declared Team Image Entertainment, Inc. in default for failing to resume payments from November 23, 2004 to November 3, 2005;

Second, whether or not the Court of Appeals erred in finding no grave abuse of discretion on the part of the trial court when the latter declared Solar Team Entertainment, Inc. to have violated the Compromise Agreement for failing to withdraw the complaint-in-intervention it had earlier filed in a collection case against Team Image Entertainment, Inc.;

Third, whether or not the Court of Appeals erred in finding no grave abuse of discretion on the part of the trial court when the latter declared that Solar Team Entertainment, Inc. did not violate the Compromise Agreement for failing to cause the dismissal of the criminal cases for estafa filed by Solar Team Entertainment, Inc.'s William Tieng against Team Image Entertainment, Inc.'s Felix S. Co;

Fourth, whether or not the Court of Appeals erred in finding no grave abuse of discretion in the trial court's reversal of its earlier order that required Solar Team Entertainment, Inc.'s William Tieng to turn over P25,862,750.00. to Team Image Entertainment, Inc. as overpayments and P2,891,226.97 to Solar Team Entertainment, Inc. as amounts collected by William Tieng from VTV Corporation; and,

Finally, whether or not only a maximum of P2,000,000.00 in liquidated damages may be awarded under the Compromise Agreement.

On the first issue, Team Image argues that the Court of Appeals erred in affirming the trial court's May 19, 2008 Order declaring Team Image to have defaulted in paying its obligation under the Compromise Agreement. Team Image maintains that the trial court, in its own November 3, 2005 Order, stated that Team Image was entitled to suspend payments under the Compromise Agreement because Solar Team did not withdraw the complaint-in-intervention it had earlier filed against Team Image. Team Image's liability under the Compromise Agreement, if any, only became due and demandable on April 7, 2006 when the trial court set aside the November 3, 2005 Order, not on February 19, 2005 as erroneously found by the trial court in its subsequent May 19, 2008 Order.[77]

On the second issue, Team Image maintained that Solar Team violated the Compromise Agreement because the latter failed to withdraw the complaint-in-intervention it had filed in ABC v. Team Image, a collection case against Team Image. The trial court's November 3, 2005 and April 7, 2006 Orders that ordered Solar Team to withdraw its complaint-in-intervention were affirmed on certiorari by the Court of Appeals in CA-G.R. SP No. 94102 and on appeal by this Court in G.R. No. 183848. While Solar Team filed a Motion for Reconsideration in G.R. No. 183848, the Motion was already denied with finality. Thus, Solar Team's argument that it cannot withdraw its complaint-in-intervention pending the resolution of its Motion for Reconsideration "rest[s] on a shaky and slim foundation[.]"[78]

On the third issue, Team Image argues that the Court of Appeals erred in declaring that criminal liability cannot be the subject of a compromise. Team Image maintains that there was nothing in the Compromise Agreement which was contrary to law, morals, or public policy. Further, courts encourage judgments based on compromise, the only exceptions being matters relating to: (a) civil status of persons; (b) the validity of a marriage or a legal separation; (c) any ground for legal separation; (d) future support; (e) the jurisdiction of courts; and, (f) future legitime.[79] Paragraph 24 of the Compromise Agreement that required Solar Team to dismiss all cases it had filed against Team Image and Co does not fall within these exceptions. Consequently, Solar Team must cause the dismissal of the criminal cases it filed against Team Image and Co per paragraph 24 of the Compromise Agreement.[80]

On the fourth issue, Team Image maintains that the Court of Appeals erred in affirming the reversal of trial court's earlier Orders requiring Solar Team's Tieng to turn over a total of P25,862,750.00 in excess collections from VTV Corporation to Team Image for equal division among the parties. Team Image argues that contrary to Solar Team and Tieng's representation in paragraph 4 of the Compromise Agreement, Tieng collected more than P10,275,547.48 from VTV Corporation. Specifically, Tieng received P22,971,527.03 from VTV Corporation as he alleged in his Complaint in Civil Case No. 05-603 pending before Branch 57 of the trial court. In addition, the P2,891,226.97 supposedly collected by Barreiro without Solar Team's authority actually redounded to the benefit

of Tieng; hence, the amount should likewise be returned for equal distribution between Solar Team and Team Image.[81]

On the fifth issue, Team Image argues that the Court of Appeals erred in affirming the reversal by the trial court of its earlier Order for Solar Team to pay a total of P8,000,000.00 in liquidated damages: According to Team Image, it is clear from paragraph 24 of the Compromise Agreement that a writ of execution may issue for every violation of the Compromise Agreement. Hence, for every writ of execution, a corresponding award of liquidated damages to the aggrieved party must be paid. Team Image contends that the maximum amount of P2,000,000.00 in liquidated damages allowed to be awarded would "result in a serious crisis whereby one party will contravene and/or breach with impunity any of [its] representations and warranties, and worst, even all of them, with only a relatively small amount of penalty compared [to] the actual amount which is the subject matter of the entire compromise agreement." [82]

Arguing on the first issue, Solar Team counters that Team Image defaulted in its payments under the Compromise Agreement as was earlier found by the trial court. Between November 23, 2004, when the trial court set aside its initial order allowing suspension of payments, and November 3, 2005, when the trial court again allowed suspension of payments, there was an almost one (1)-year period when Team Image should have resumed its payments to Solar Team. Team Image, thus, defaulted in its payments during this almost one (1)-year period and the Court of Appeals correctly affirmed the November 3, 2005 and April 7, 2006 Orders directing Team Image to pay Solar Team P2,000,000.00 in liquidated damages for violation of the Compromise Agreement.[83]

On the second issue, Solar Team maintains that it did not violate the Compromise Agreement when it failed to withdraw the complaint-in- intervention it had filed in ABC v. Team Image. Solar Team alleges that the issue of whether or not it indeed violated the Compromise Agreement is currently pending before this Court in a Petition for Review docketed as Solar Team v. Hon. Dumayas, G.R. No. 183848. Consequently, the Court of Appeals should not have resolved this issue in deference to this Court's "supreme authority." [84]

On the third issue, Solar Team echoes the Court of Appeals' pronouncement that criminal liability cannot be the subject of a compromise. A crime being a violation of public law, the aggrieved party is the public in general, not a private individual. Consequently, neither Team Image nor Solar Team, both being private entities, may agree to cause the dismissal of the criminal cases they filed against each other because they are both mere witnesses, not parties, in the criminal cases.[85]

On the fourth issue, Solar Team maintains that Team Image's claim of overpayments is premature considering that the appointed auditing firm, SGV and Co., has not yet finalized its accounting report as required under paragraph 24 of the Compromise Agreement. Further, Tieng's supposed admission that he received P22,971,572.03 from VTV Corporation was, at best, an extrajudicial admission not made in the present case. This admission cannot be used against him and the Court of Appeals correctly affirmed the trial court orders that set aside the earlier directives for Solar Team to return Team Image's alleged overpayments.[86]

On the fifth issue, Solar Team reiterates the Court of Appeals' pronouncement that only a maximum of P2,000,000.00 in liquidated damages may be awarded based on the Compromise Agreement. Solar Team argues that nothing in the Compromise Agreement provided that each breach would correspond to an award of liquidated damages. Furthermore, paragraph 24 used "breaches of warranties" and "commitments," meaning, "there can be as many orders of compliance as there are proven breaches," [87] but only a maximum of P2,000,000.00 in liquidated damages, regardless of the number of supposed breaches, may be awarded.[88]

This Court partially grants the respective Petitions for Review on Certiorari filed by Team Image and Solar Team.

I

Under the Compromise Agreement, Team Image acknowledged and agreed to pay a total of P26,000,000.00 representing marketing commissions collectible from VTV Corporation. Team Image also agreed to pay half of the professional fees of SGV and Co., the auditing firm hired to determine the final amounts payable by the parties under the Compromise Agreement. The specific payment terms were provided in paragraphs 6 to 9 of the Compromise Agreement:

6. After crediting for the moment the amount of P7,384,320.51 mentioned in paragraph 4 hereof, as having been collected by William Tieng from VTV, the parties agree that there remains, for the moment, a balance of EIGHTEEN MILLION SIX HUNDRED FIFTEEN THOUSAND SIX HUNDRED SEVENTY[-]NINE AND 49/100 PESOS (P18,615,679.49) which Felix Co [and/or Team Image] agree to jointly and severally pay William Tieng in the following manner and schedule:

P3,267,000.00 - by a 50[-]day postdated check from date of signing, which amount Felix Co [and/or Team Image] represent to be his own collectibles from Duty Free Philippines, Inc. The encashment of said check shall not be dependent upon Felix Co's/[Team Image's] ability to collect from Duty Free Philippines, Inc.

P349,428.37 - to be withdrawn from the joint account of William Tieng and Felix S. Co with Philippine Bank of Communications; Provided, That, Felix S. Co shall jointly sign a withdrawal slip or document to effect or authorize the withdrawal thereof.

P983,826.06 to be taken from the earlier collections of SGV deposited with International Exchange Bank; Provided, That Felix S. Co and William Tieng shall jointly sign a withdrawal slip or document for the withdrawal of the same,

The total of the above sums is FOUR MILLION SIX HUNDRED THOUSAND TWO HUNDRED FIFTY[-]FOUR AND 43/100 (P4,600,254.43).

7. Felix Co/[Team Image] shall jointly and severally pay and liquidate the remaining balance of FOURTEEN MILLION FIFTEEN THOUSAND FOUR HUNDRED TWENTY[-]FIVE AND 06/100 PESOS (P14,015,425.06) in the following manner:

P1,015,425.06 - on or before 60 days from date of signing this agreement; Provided, That, Felix Co/[Team Image] shall issue the corresponding postdated check therefor; and

P13,000,000.00 - to be paid in twenty[-]six (26) equal monthly installments of P500,000.00 each beginning 30 July 2003 and every 30[th] of the month thereafter until fully liquidated, Provided, That, Felix Co/[Team Image] shall issue the corresponding postdated checks therefor.

8. Felix Co/[Team Image] likewise agree, to jointly and severally immediately reimburse William Tieng, upon the execution of this agreement, fifty percent (50%) of the amount of TWO HUNDRED SEVENTY[-]EIGHT THOUSAND SIX HUNDRED SEVENTY PESOS (P278,670.00) which the latter had paid to Sycip Gorres & Velayo (SGV), by way of the latter's professional fee or the sum of One Hundred Thirty[-]Nine Thousand Three Hundred Thirty[-]Five (P139,335) Pesos.

9. Felix Co further agrees to recompense William Tieng the amount of P600,000.00, subject matters of I.S. No. 99-F-3526 and P2,225,244.59, subject matter of I.S. No. 99-F-3525, both of the Office of the City Prosecutor, Parañaque City, Metro Manila, or the total amount of P2,825,244.59 by way of postdated checks in five (5) equal monthly installments of P565,048.92 each installments, the same to commence on 15 July 2003 and every 15[th] day of the month thereafter, Provided, That, the parties agree to submit these accounts to SGV for the final determination of the nature of the consideration of these checks, i.e., whether or not the same represent

over-payment on the capital contribution of Felix S. Co into Solar Team Entertainment, Inc. (STEI) to purchase TV programs/materials owned by Solar Entertainment Corporation and/or from other suppliers and/or personal indebtedness of Felix S. Co to William Tieng, Provided, That, SGV shall finish said accounting or on before 01 July 2003, and, Provided, Finally, that, in the event SGV shall determine before the due date of any of the five (5) postdated checks herein mentioned, that said amounts of the two (2) aforementioned checks are over payment on the capital contribution of Felix Co, then Felix S. Co shall have the right to stop the payment of the checks which have not been presented for payment and William Tieng shall immediately return to Felix S. Co the amount/s of the check/s so far encashed.[89]

The table below summarizes Team Image's monetary obligations and the periods or conditions required for their performance:

Obligation

Period or condition required for performance of obligation

Basis under the Compromise Agreement

Payment of P3,267,000.00 through a postdated check

Fifty (50) days from date of signing the Compromise Agreement

Paragraph 6

Withdrawal of P349,428.37 from the joint account of William Tieng and Felix S. Co

No period or condition provided, i.e., a pure obligation demandable at once[90]

Paragraph 6

Withdrawal of P983,826.06 from earlier collections of SGV and Co. Upon the joint signing of a withdrawal slip by William Tieng and Felix S. Co or any document authorizing the withdrawal

Paragraph 6

Payment of P1,015,425.06

On or before 60 days from date of signing the Compromise Agreement

Paragraph 7

Payment of P13,000,000.00

To be paid in twenty-six (26) equal monthly installments of P500,000.00 each beginning 30 July 2003 and every 30[th] of the month thereafter until fully liquidated

Paragraph 7

Reimburse William Tieng P139,335.00 representing 50% of SGV and Co.'s professional fees Immediately, i.e., upon the execution of the Compromise Agreement on April 28, 2003

Paragraph 8

A total of P2,825,244.59 representing the amounts subject matters of I.S. No. 99-F-3526 and I.S. No. 99-F-3525, both of the Office of the City Prosecutor, Parañaque City, Metro Manila By way of postdated checks in five (5) equal monthly installments of P565,048.92 each installments, the same to commence on 15 July 2003 and every 15[th] day of the month thereafter

Paragraph 9

Based on the periods and conditions provided in paragraphs 6 to 9, except for the payment of P13,000,000.00, Team Image should have already performed its monetary obligations under the Compromise Agreement by April 26, 2004, when it filed its first motion for issuance of writ of execution and suspension of payment. For instance, 50 days from the signing of the Compromise Agreement on April 28, 2003 would fall on June 17, 2003. Hence, by June 17, 2003, Team Image should have already paid Solar Team P3,267,000.00 in post-dated checks. Another obligation would be for Team Image to pay Solar Team P1,015,425.06 within 60 days from the signing of the Compromise Agreement, the 60[th] day being June 27, 2003.[91] There is no proof, however, that Team Image complied with these obligations within the required periods. That Team Image filed a motion for suspension of payments further demonstrates that it had not fully paid its obligations under the Compromise Agreement.

While it is true that the trial court granted the Motion for Suspension of Payments in its April 29, 2004 Order, this Order was subsequently set aside on November 23, 2004. Until the trial court granted Team Image's second motion for suspension of payments on November 3, 2005, Team Image had almost a year to resume payments. However, Team Image did not do so. The Court of Appeals, therefore, correctly held that Team Image was in default for failure to resume payments under the Compromise Agreement. Team Image violated paragraphs 6 to 9 of the Compromise Agreement.

II

Paragraphs 21 and 22 of the Compromise Agreement are again provided below:

21. This agreement constitutes the final repository of all the prior understanding agreements and contracts of the parties and shall operate as total waiver and discharge of any or all claim, counterclaims, causes of action, claims and demands of whatever kind and nature which each may have against the other, including their respective heirs[,] assigns[,] and successors-in-interest arising out of any of all matters, cause or thing, whether directly or indirectly, related with the Marketing Agency Agreement dated 24 April 1996.

22. By virtue hereof, the parties have agreed, as they hereby agree to immediately provisionally dismiss all actions, whether civil or criminal, they may have filed against the other, and after SGV shall have finally completed the audit and accounting tasked upon it, the results of which is final and binding upon the parties, all said civil and/or criminal actions shall be permanently dismissed by the parties.

Paragraph 22 requires both Team Image and Solar Team to "immediately provisionally dismiss all actions, whether civil or criminal, they may have filed against each other." They shall cause the permanent dismissal of the actions "after [SGV and Co.] shall have finally completed the audit and accounting tasked upon it."

When the Compromise Agreement was executed on April 28, 2003, there was a pending collection case filed by ABC Television against Team Image when Solar Team filed a complaint-in-intervention. It does not appear that Solar Team filed a motion to dismiss the complaint-in-intervention it had filed against Team Image; hence, Solar Team violated paragraph 22 of the Compromise Agreement.

That the term "provisional dismissal," in its technical sense, only applies to criminal cases[92] is not an argument for Solar Team to refuse to withdraw the complaint-in-intervention. It does not appear that Team Image and Solar Team meant to use the term in its technical sense. Considering that the parties agreed in paragraph 21 that the Compromise Agreement "shall operate as total waiver and discharge of any or all claims, counterclaims, causes of action, claims and demands of whatever kind and nature which each may have against the other," the parties intended to terminate all the cases they filed against each other.

The pendency of the Motion for Reconsideration filed by Solar Team in *Solar Team v. Hon. Dumayas*, G.R. No.

183848, may no longer be invoked because it had already been denied with finality. Even if G.R. No. 183848 remained active, it originated from a Petition for Certiorari questioning the interlocutory Order of November 3, 2005, a suit that can proceed separately from the main case.[93] It merely continued the certiorari proceedings before the Court of Appeals; hence, this Court need not await the resolution of G.R. No. 183848 before resolving whether or not Solar Team violated the Compromise Agreement for failing to withdraw its complaint-in-intervention against Team Image.

III

However, despite paragraphs 21 and 22 of the Compromise Agreement, Solar Team cannot be deemed to have violated it for failing to cause the dismissal of the criminal cases for estafa Tieng filed against Co. It is settled that criminal liability cannot be the subject of a compromise.[94] "[A] criminal case is committed against the People, and the offended party may not waive or extinguish the criminal liability that the law imposes for its commission." [95] This explains why "a compromise is not one of the grounds prescribed by the Revised Penal Code for the extinction of criminal liability." [96]

None of the cases cited by Team Image supports its argument that criminal liability may be subject of a compromise. *Chavez v. Presidential Commission on Good Government* [97] and *Benedicto v. Board of Administrators*, [98] ironically cited by Team Image, are both clear that compromise is encouraged only in civil cases. Chavez explicitly stated that "[w]hile a compromise in civil suits is expressly authorized by law, there is no similar general sanction as regards criminal liability." [99]

Team Image confused the Presidential Commission on Good Government's power to grant criminal immunity [100] with the act of compromising criminal liability. Granting criminal immunity is allowed because no criminal case has yet been filed in court, and therefore, there is no criminal liability to compromise. On the other hand, compromising criminal liability presupposes that a criminal case has already been filed in court, the dismissal of which is already based on the sound discretion of the trial court. [101] In other words, the dismissal cannot be automatic, regardless of the agreement between the private complainant and the accused to dismiss the case. As discussed, the real offended party in a criminal case is the State and the outcome of the criminal case cannot be based on the will of the private complainant who is a mere witness for the prosecution.

The cases involved here are cases not under the jurisdiction of the Presidential Commission on Good Government. Chavez and Benedicto, therefore, do not apply.

All told, the Court of Appeals correctly found no grave abuse of discretion on the part of the trial court when it held that Team Image and Solar Team cannot agree on the dismissal of the criminal cases. Solar Team did not violate the Compromise Agreement when Tieng failed to cause the dismissal of the criminal cases for estafa he had filed against Co.

IV

Furthermore, it was premature for Team Image to claim that it made overpayments to Solar Team when Tieng allegedly admitted to receiving from VTV Corporation the amount of P22,971,572.03, significantly more than the P10,275,547.48 provided in paragraph 4 of the Compromise Agreement.

Paragraphs 3, 4, and 5 of the Compromise Agreement provide:

3. The parties agree that William Tieng is entitled to initially receive the amount of TWENTY[-]SIX MILLION PESOS (P26,000,000.00), Philippine Currency, as stipulated and embodied in their handwritten memorandum of agreement executed on 05 May 1998, out of the sales and collections made by [Team

Image]/Felix S. Co as marketing agent of [Solar Team]. This is so because, [Team Image]/Felix S. Co have admitted having earlier collected at least the sum of at least P26M, hence, to equalize the sharing of Felix S. Co and William Tieng on the proceeds of the sales. William Tieng should also receive the sum of at least P26M.

4. William Tieng acknowledges that VTV had made payments in the total sum of TEN MILLION TWO HUNDRED SEVENTY[-]FIVE THOUSAND FIVE HUNDRED FORTY[-]SEVEN AND 48/100 PESOS (10,275,547[.]48) Philippine Currency, from the contracts with VTV for the airing over IBC-13 of the TV programs/materials belonging to either Solar Entertainment Corporation, or Solar Films, Inc., or Solar Team Entertainment, Inc., out of which, TWO MILLION EIGHT HUNDRED NINETY[-]ONE THOUSAND TWO HUNDRED TWENTY[-]SIX AND 97/100 (P2,891,226.97) was collected and paid to Ma. Fe Barriero as what she represented to be marketing commissions, thus leaving a balance of SEVEN MILLION THREE HUNDRED EIGHTY[-]FOUR THOUSAND THREE HUNDRED TWENTY AND 51/100 (P7,384,320.51). An accounting shall be made by VTV to determine how much of this amount of P7,384,320.51, pertain to programs/materials owned by [Solar Team]. Upon such determination, the amount pertaining to the programs/materials owned by [Solar Team] (which company is owned 50/50 by Felix Co and William Tieng) shall be credited to it and shall be credited to William Tieng as part of the amount he is entitled to receive stated and referred to in paragraph 3 hereof:

5. William Tieng represents and warrants that the aforesaid sum of P2,891,226.97 which is charged as marketing commissions are unauthorized collections which, did not redound to the benefit of the parties from their joint operation as stated in the paragraph immediately preceding, but to the personal gain and advantage of their marketing agent, Maria Fe Barriero, hence, earnest efforts shall be exerted by said William Tieng to collect the same from the offending party. After said collection or in the event that said amount shall be proved to have redounded to the benefit of said William Tieng, then William Tieng shall turn-over the said amount to [Solar Team] and thereafter SGV shall determine the share of Felix S. Co thereon which shall be paid immediately to the latter.[102]

Under paragraphs 4 and 5 of the Compromise Agreement, there must first be an audit and accounting by SGV and Co. before there can be a final determination of the share of Team Image from the collectibles from VTV Corporation. There is no showing that SGV and Co. had already completed its audit and accounting when Team Image filed a motion for the issuance of a writ of execution.

The supposed admission of Tieng in Civil Case No. 05-603 that he received P22,971,572.03 is not a judicial admission contemplated under Rule 129, Section 4 of the Rules of Court.[103] Rule 129, Section 4 requires that the admission be made in the same case. The admission of Tieng was made in a different case. Therefore, the admission in Civil Case No. 05-603 cannot be made basis to contend that Tieng misrepresented the amounts he stated in paragraph 4 of the Compromise Agreement. The Court of Appeals correctly held that it was premature for Team Image to claim overpayments.

V

Paragraph 24 of the Compromise Agreement is reiterated below:

24. In the event SGV shall have made a final determination of the respective accountability of the parties and any of the parties fail to comply with the same, or in the event any of the parties is remiss or reneges from [its] commitment/s as specified in this Agreement or breaches the warranties and/or representation as contained herein, then the aggrieved party shall be entitled to an immediate issuance of a writ of execution to enforce compliance thereof and the guilty party shall pay the innocent party the sum of P2 Million Pesos by way of liquidated damages and/or penalty and shall, likewise, shoulder all the expenses in enforcing this compromise agreement by a writ of execution. Moreover, the innocent party shall have the right to invoke the principle of

reciprocity of obligations in contracts as provided for by law.[104]

Paragraph 24 of the Compromise Agreement gives two (2) classifications of the possible violations of the Compromise Agreement. The first is "in the event" where the appointed auditing firm, SGV and Co., would have made a final determination of the accountabilities of the parties and any of the parties fails to pay its respective accountabilities based on the audit. The second is "in the event" where "any of the parties is remiss or reneges from [its] commitment/s as specified in this Agreement or breaches the warranties and/or representation as contained herein." That these are the only two (2) classifications of violations is inferable from the use of the phrase "in the event," a comma, and the word "or" to separate these two (2) instances. In other words, all obligations that require SGV and Co.'s final accounting fall under the first classification. All other obligations fall under the second classification.

Given the foregoing, the payment of liquidated damages is based on these two (2) "events" or classifications of violation. Since there are only two (2) classifications of violations immediately preceding the provision on the payment of P2,000,000.00 liquidated damages, only a maximum of P4,000,000.00 may be paid under paragraph 24.

The obligations under the Compromise Agreement that require SGV and Co.'s final determination are found in paragraphs 9, [105] 13,[106] 15,[107] 16,[108] 17,[109] 19,[110] 22,[111] and 24.[112] Violations of these paragraphs fall under the first "event" or classification. Violations of all other paragraphs fall under the second "event" or classification.

As previously discussed, Team Image violated paragraphs 6 and 7 of the Compromise Agreement by failing to pay its monetary obligations under these paragraphs. For these violations, Team Image must pay Solar Team P2,000,000.00 in liquidated damages. As for Solar Team, it violated paragraph 22 the Compromise Agreement for failure to withdraw the complaint-in-intervention it had earlier filed against Team Image. Hence, Solar Team must pay Team Image P2,000,000.00 in liquidated damages.

VI

Articles 1279 and 1281 of the Civil Code provide:

Article 1279. In order that compensation may be proper, it is necessary:

- (1) That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other;
- (2) That both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;
- (3) That the two debts be due;
- (4) That they be liquidated and demandable;
- (5) That over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor.

Article 1281. Compensation may be total or partial. When the two debts are of the same amount, there is a total compensation.

Considering that the parties are equally liable to each other in the amount of P2,000,000.00, this Court confirms that the amounts are set off by operation of law.[113]

VII

However, this Court recalls that in the May 19, 2008 Omnibus Order, Judge Dumayas directed Solar Team to deposit with Office of the Clerk of Court Regional Trial Court of Makati City the amount of P2,000,000.00 representing liquidated damages for Solar Team's failure to withdraw the complaint-in-intervention it had filed against Team Image. Judge Dumayas added that the amount "will be released only after final determination of the obligations of [Team Image and Co] pursuant to the compromise agreement and after the issue on the violation of the same agreement by [Solar Team] for its failure to [withdraw the complaint-in-intervention] has been resolved with finality." [114]

As held by the Court of Appeals, it was grave abuse of discretion for Judge Dumayas to keep the P2,000,000.00 in custodia legis. Upon approval, a judgment upon a compromise is immediately executory, not even subject to appeal. [115] Ordering the deposit of the P2,000,000.00 with the Office of the Clerk of Court effectively stayed the execution of an immediately executory judgment. It is highly irregular. Nowhere in the law or the Rules of Court is such deposit allowed.

Additionally, the complexity of resolving the present petitions could have been avoided had Judge Dumayas properly managed the case for accounting. For this reason, adding the highly irregular order of deposit, this matter is referred to the Office of the Court Administrator to be docketed as a separate administrative matter against Judge Dumayas. Judge Dumayas is to show cause why he should not be disciplinarily dealt with for: first, in issuing the May 19, 2008 Omnibus Order which directed the deposit of P2,000,000.00 before the Office of the Clerk of Court-Regional Trial Court, Makati City; and, second, for reversing himself, on several occasions, on the issues of whether or not Team Image was entitled to suspend payments to Solar Team and whether or not the criminal cases may be dismissed based on the Compromise Agreement.

WHEREFORE, the Petitions for Review on Certiorari filed by Team Image Entertainment, Inc. and Solar Team Entertainment, Inc. are PARTIALLY GRANTED and the Court of Appeals December 10, 2009 Decision in CA-G.R. SP No. 104961 is MODIFIED as follows:

The implementation of the Writ of Execution dated January 10, 2008 is AFFIRMED;

Team Image Entertainment, Inc. is LIABLE to Solar Team Entertainment, Inc. in the amount of P2,000,000.00 pursuant to paragraph 24 of the Compromise Agreement for its failure to settle its obligation within the period from November 23, 2004 to November 3, 2005;

Solar Team Entertainment, Inc. is LIABLE to Team Image Entertainment, Inc. in the amount of P2,000,000.00 pursuant to paragraph 24 of the Compromise Agreement for its failure to withdraw earlier the complaint in intervention it filed in Civil Case No. 97-024 pending before Branch 137, Regional Trial Court of Makati City;

Considering that Team Image Entertainment, Inc. and Solar Team Entertainment, Inc. are concurrently liable to each other in equal amounts, the compensation of their liabilities takes effect by operation of law. The order for Solar Team Entertainment, Inc. to deposit the amount of P2,000,000.00 to the Office of the Clerk of Court - Regional Trial Court of Makati City is REVERSED and SET ASIDE. The garnished amount of P2,000,000.00 representing liquidated damages is ordered released from the custody of the Clerk of Court of the Regional Trial Court of Makati City and must be returned to Solar Team Entertainment, Inc.;

The reversal of the order which requires William Tieng to cause the dismissal of Criminal Case Nos. 07-1235 and 07-1236 is AFFIRMED;

The reversal of the order requiring William Tieng to pay the sum of P2,000,000.00 as liquidated damages on

account of his failure to dismiss Criminal Case Nos. 07-1235 and 07-1236 is AFFIRMED;

The reversal of the order requiring William Tieng to return the sum of P25,862,750.00 on account of Solar Team Entertainment, Inc.'s alleged admission in its pleading in Civil Case No. 05-603 despite the pendency of the SyCip Gorres Velayo and Co. audit is AFFIRMED;

The reversal of the order requiring William Tieng to turn over the amount of P2,891,226.97 to Solar Team Entertainment, Inc. is AFFIRMED;

The reversal of the order requiring William Tieng to pay a total of P8,000,000.00 as liquidated damages for alleged breaches of warranty and representation is AFFIRMED; and

Finally, the issuance of the May 19, 2008 Omnibus Order is REFERRED to the Office of the Court Administrator to be docketed as a regular administrative matter against Presiding Judge Winlove M. Dumayas of Branch 59, Regional Trial Court, Makati City.

SO ORDERED.

Velasco, Jr., (Chairperson), Bersamin, Martires, and Gesmundo, JJ., concur.

December 12, 2017

NOTICE OF JUDGMENT

Sirs/Mesdames:

Please take notice that on September 13, 2017 a Decision, copy attached hereto, was rendered by the Supreme Court in the above-entitled cases, the original of which was received by this Office on December 12, 2017 at 1:20 p.m.

Very truly yours,

(SGD.) WILFREDO V. LAPITAN
Division Clerk of Court

[1] Rollo (G.R. No. 191652), pp. 64-94 and rollo (G.R. No. 191658), pp. 39-70. The Decision was penned by Associate Justice Arcangelita M. Romilla-Lontok and was concurred in by Associate Justices Arturo G. Tayag and Sixto C. Marella, Jr. of the Special Sixth Division, Court of Appeals, Manila.

[2] Id. at 96-99 and rollo (G.R. No. 191658), pp. 72-75. The Resolution was penned by Associate Justice Arcangelita M. Romilla-Lontok and was concurred in by Associate Justices Portia Aliño-Hormachuelos and Mario V. Lopez of the Second Division, Court of Appeals, Manila.

[3] Docketed as Civil Case No. 00-1122, see rollo (G.R. No. 191652), p. 64.

[4] Rollo (G.R. No. 191652), p. 92.

[5] Id.

[6] Id. at 65 and rollo (G.R. No. 191658), p. 40.

[7] Id. at 153 and rollo (G.R. No. 191658), p. 113, Court of Appeals Decision dated December 12, 2007. The Decision involved Solar Team's Petition for Certiorari assailing the November 3, 2005 and April 7, 2006 Orders of the trial court.

[8] Id.

[9] Id. at 65 and rollo (G.R. No. 191658), p. 40.

[10] Id. at 154 and rollo (G.R. No. 191658), p. 114.

[11] Id. and rollo (G.R. No. 191658), p. 114.

[12] Id. at 152 and rollo (G.R. No. 191658), p. 112.

[13] Rollo (G.R. No. 191658), p. 81-85.

[14] Id. at 84-85.

[15] Rollo (G.R. No. 191652), pp. 104-112 and rollo (G.R. No. 191658), pp. 86-94.

[16] Id. at 110 and rollo (G.R. No. 191658), p. 92.

[17] Id. at 110-111 and rollo (G.R. No. 191658), pp. 92-93.

[18] Id. at 111 and rollo (G.R. No. 191658), p. 93.

[19] Id. at 113-120.

[20] Id. at 72 and rollo (G.R. No. 191658), pp. 95-98.

[21] Id. at 121.

[22] Id.

[23] Id. at 122.

[24] Id.

[25] Id.

[26] Id. at 73.

[27] Id. at 123-128.

[28] Id. at 125, Associated Broadcasting Company v. Team Image Entertainment, Inc., Civil Case No. 97-024 filed before Branch 137, Regional Trial Court, Makati City.

[29] Id. at 129-135.

[30] Id. at 135.

[31] Id. at 136 and rollo (G.R. No. 191658), p. 109.

[32] Rollo (G.R. No. 191658), pp. 100-103.

[33] Paragraph 20 of the Compromise Agreement provides:

20. The parties warrant and assure each other that they shall promptly provide SGV with all the necessary papers and documents which the latter may require in its audit and accounting, it being the intention of said parties that any or all such audit and accounting as provided for elsewhere in this Agreement should be

terminated within ninety (90) days from date of execution hereof.

[34] Rollo (G.R. No. 191652), pp. 136-138 and rollo (G.R. No. 191658), pp. 109-111.

[35] Id. at 138 and rollo (G.R. No. 191658), p. 111.

[36] Id. at 139-145.

[37] Id. at 163-178.

[38] Id. at 167.

[39] Id. at 177-178. See rollo (G.R. No. 191652) pp. 168-169.

[40] Id. at 199-200.

[41] Id. at 201-202.

[42] Id. at 74-75.

[43] Id. at 75 and rollo (G.R. No. 191658), p. 51.

[44] Id. at 203-213.

[45] Id. at 208.

[46] Id. at 105. Paragraph 5 of the Compromise Agreement provides:

5. William Tieng represents and warrants that the aforesaid sum of P2,891,226.97 which is charged as marketing commissions are unauthorized collections which, did not redound to the benefit of the parties from their joint operation as stated in the paragraph immediately preceding, but to the personal gain and advantage of their marketing agent, Maria Fe Barriero, hence, earnest efforts shall be exerted by said William Tieng to collect the same from the offending party. After said collection or in the event that said amount shall be proved to have redounded to the benefit of said William Tieng, then William Tieng shall turn over the said amount to [Solar Team] and thereafter SGV shall determine the share of Felix S. Co thereon which share shall be paid immediately to the latter.

[47] Id. at 211-212.

[48] Id. at 212-213.

[49] Id. at 214.

[50] Id.

[51] Id. at 214-222 and rollo (G.R. No. 191658), pp. 123-131.

[52] Id. at 216 and rollo (G.R. No. 191658), p. 125.

[53] Id. at 217 and rollo (G.R. No. 191658), p. 126.

[54] Id. at 220 and rollo (G.R. No. 191658), p. 129.

[55] Id. at 220-222 and rollo (G.R. No. 191658), pp. 129-131.

[56] Id. at 244-247 and rollo (G.R.No. 191658), pp. 132-135.

[57] Id. at 247and rollo (G.R.No. 191658), p. 135.

[58] Id. at 64 and rollo (G.R. No. 191658), p. 39.

[59] Id. at 78-80.

[60] Id. at 80-84 and rollo (G.R. No. 191658), pp. 56-60.

[61] Paragraph 24 of the Compromise Agreement provides:

24. In the event SGV shall have made a final determination of the respective accountability of the parties and any of the parties fail to comply with the same, or in the event any of the parties is remiss or reneges from [its] commitment/s as specified in this Agreement or breaches the warranties and/or representation as contained herein, then the aggrieved party shall be entitled to an immediate issuance of a writ of execution to enforce compliance thereof and the guilty party shall pay the innocent party the sum of P2 Million Pesos by way of liquidated damages and/or penalty and shall, likewise, shoulder all the expenses in enforcing this compromise agreement by a writ of execution. Moreover, the innocent party shall have the right to invoke the principle of reciprocity of obligations in contracts as provided for by law.

[62] Rollo (G.R. No. 191652), pp. 85-87 and rollo (G.R. No. 191658), pp. 61-63.

[63] Id. at 84-85 and rollo (G.R. No. 191658), pp. 60-61.

[64] Id. at 87-88 and rollo (G.R. No. 191658), pp. 63-64.

[65] Id. at 88 and rollo, (G.R. No. 191658) p. 64.

[66] Paragraph 24 of the Compromise Agreement provides:

24. In the event SGV shall have made a final determination of the respective accountability of the parties and any of the parties fail to comply with the same, or in the event any of the parties is remiss or reneges from [its] commitment/s as specified in this Agreement or breaches the warranties and/or representation as contained herein, then the aggrieved party shall be entitled to an immediate issuance of a writ of execution to enforce compliance thereof and the guilty party shall pay the innocent party the sum of P2 Million Pesos by way of liquidated damages and/or penalty and shall, likewise, shoulder all the expenses in enforcing this compromise agreement by a writ of execution. Moreover, the innocent party shall have the right to invoke the principle of reciprocity of obligations in contracts as provided for by law.

[67] Rollo (G.R. No. 191652), p. 89 and rollo (G.R. No. 191658), p. 65.

[68] Id. at 64-94 and rollo (G.R. No. 191658), pp. 39-70.

[69] Id. at 92-93 and rollo (G.R. No. 191658), pp. 68-69.

[70] Id. at 96 and rollo (G.R. No. 191658), p. 72.

[71] Id. at 96-99 and rollo (G.R. No. 191658), pp. 72-75.

[72] Id. at 7-62.

[73] Id. at 11-35.

[74] Id. at 281-282 and rollo (G.R. No. 191658), pp. 333-334. No resolution explicitly declaring the cases as consolidated can be found in the records of the case.

[75] Id. at 283-311 and rollo (G.R. No. 191658), pp. 355-364.

[76] Id. at 373-379 and rollo (G.R. No. 191658), pp. 408-412.

[77] *Id.* at 29-33.

[78] *Rollo* (G.R. No. 191658), p. 363.

[79] CIVIL CODE, art. 2035.

[80] *Rollo* (G.R. No. 191652), pp. 35-42.

[81] *Id.* at 47-50.

[82] *Id.* at 55.

[83] *Id.* at 297-301.

[84] *Rollo* (G.R. No. 191658), pp. 30-31.

[85] *Rollo* (G.R. No. 191652), pp. 301-305.

[86] *Id.* at 305-307.

[87] *Id.* at 308.

[88] *Id.* at 307-309.

[89] *Id.* at 105-108.

[90] CIVIL CODE, art. 1179 partly provides:

Art. 1179. Every obligation whose performance does not depend upon a future or uncertain event, or upon a past event unknown to the parties, is demandable at once.

[91] The Compromise Agreement was entered into on April 28, 2003.

[92] RULES OF COURT, Rule 117, sec. 8 provides:

Section 8. Provisional dismissal. — A case shall not be provisionally dismissed except with the express consent of the accused and with notice to the offended party.

The provisional dismissal of offenses punishable by imprisonment not exceeding six (6) years or a fine of any amount, or both, shall become permanent one (1) year after issuance of the order without the case having been revived. With respect to offenses punishable by imprisonment of more than six (6) years, their provisional dismissal shall become permanent two (2) years after issuance of the order without the case having been revived.

[93] See *Leynes v. Former Tenth Division of the Court of Appeals*, 655 Phil. 29 (2011) [Per J. Leonardo-de Castro, First Division]; *Federal Builders, Inc. v. Daiichi Properties and Development, Inc.*, 598 Phil. 580 (2009) [Per J. Chico-Nazario, Third Division]; *Chua v. Santos*, 483 Phil. 392 (2004) [Per J. Callejo, Sr., Second Division].

[94] CIVIL CODE, art. 4034 provides:

Art. 2034. There may be a compromise upon the civil liability arising from an offense; but such compromise shall not extinguish the public action for the imposition of the legal penalty.

See also *Trinidad v. Office of the Ombudsman*, 564 Phil. 382, 391 (2007) [Per J. Carpio Morales, En Banc].

[95] *Trinidad v. Office of the Ombudsman*, 564 Phil. 382, 391 (2007) [Per J. Carpio Morales, En Banc].

[96] Id.

[97] 360 Phil. 133 (1998) [Per J. Panganiban, First Division].

[98] G.R. No. 87710, March 31, 1992, 207 SCRA 659 [Per J. Griño-Aquino, En Banc].

[99] Chavez v. Presidential Commission on Good Government, 360 Phil. 133, 169 (1998) [Per J. Panganiban, First Division].

[100] Exec. Order No. 14 as amended by Exec. Order No. 14-A, sec. 5 provides:

Section 5. The Presidential Commission on Good Government is authorized to grant immunity from criminal prosecution to any person who provides information or testifies in any investigation conducted by such Commission to establish the unlawful manner in which any respondent, defendant or accused has acquired or accumulated the property or properties in question in any case where such information or testimony is necessary to ascertain or prove the latter's guilt or his civil liability. The immunity thereby granted shall be continued to protect the witness who repeats such testimony before the Sandiganbayan when required to do so by the latter or by the Commission.

[101] Chavez v. Presidential Commission on Good Government, 360 Phil. 133, 172 (1998) [Per J. Panganiban, First Division].

[102] Rollo (G.R. No. 191652), pp. 104-105 and rollo (G.R. No. 191658), pp. 86-87.

[103] RULES OF COURT, Rule 129, sec. 4 provides:

Section 4. Judicial admissions. — An admission, verbal or written, made by the party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made.

[104] Rollo (G.R. No. 191652), p. 111 and rollo (G.R. No. 191658), p. 93.

[105] Paragraph 9 of the Compromise Agreement provides:

9. Felix Co further agrees to recompense William Tieng the amount of P600,000.00, subject matters of I.S. No. 99-F-3526 and P2,225,244.59, subject matter of I.S. No. 99-F-3525, both of the Office of the City Prosecutor, Paranaque City, Metro Manila, or the total amount of P2,825,244.59 by way of postdated checks in five (5) equal monthly installments of P565,048.92 each installments, the same to commence on 15 July 2003 and every 15th day of the month thereafter, Provided, That, the parties agree to submit these accounts to SGV for the final determination of the nature of the consideration of these checks, i.e., whether or not the same represent over-payment on the capital contribution of Felix S. Co into Solar Team Entertainment, Inc. (STEI) to purchase TV programs/materials owned by Solar Entertainment Corporation and/or from other suppliers and/or personal indebtedness of Felix S. Co to William Tieng, Provided, That, SGV shall finish said accounting on or before 01 July 2003, and, Provided, Finally, that, in the event SGV shall determine before the due date of any of the five (5) postdated checks herein mentioned, that said amounts of the two (2) aforementioned checks are over-payment on the capital contribution of Felix Co, then Felix S. Co shall have the right to stop the payment of the checks which have not been presented for payment and William Tieng shall immediately return to Felix S. Co the amount/s of the check/s so far encashed.

[106] Paragraph 13 of the Compromise Agreement provides:

13. Felix Co [and/or Team Image], likewise, confirm that, to the best of their information and subject to confirmation by SGV, [Solar Team] has a receivable of P4,147,501.64 more or less arising out of their operation in Radio Philippines Network, Inc., (unless otherwise already collected by SGV under prior arrangement with the latter).

[107] Paragraph 15 of the Compromise Agreement provides:

15. The parties agree that William Tieng and Felix Co, shall jointly collect the said amount stated in the paragraph immediately preceding and any amount so collected shall pertain to them also on a 50/50 sharing scheme, less expenses if any, subject to the final accounting of SGV; any collection made shall be deposited in the joint account of William Tieng and Felix [S]. Co with Philippine Bank of Communication.

[108] Paragraph 16 of the Compromise Agreement provides:

16. The parties hereby warrant unto each other that the aforesaid receivables are outstanding and unpaid and they shall proceed with the accounting of all monies received by said parties and their respective accountabilities with SGV in accordance with the generally accepted accounting principles, taking into consideration, among others, the amount of sales, collection and such other expense/s related thereto, if any, whose decision shall be final, binding and conclusive between them and that any or all collections shall pertain to Felix S. Co and William Tieng under a 50/50 sharing arrangement; Provided, That, if after final accounting by SGV of all the receivables, any party suffers an imbalance, then said party shall have a right of first call on said receivables.

[109] Paragraph 17 of the Compromise Agreement provides:

17. The parties agree to authorize SGV to undertake an accounting in respect of other business ventures they may have jointly undertaken and wherein each of them is entitled to a share in the profits.

[110] Paragraph 19 of the Compromise Agreement provides:

19. After SGV shall have finally completed the audit and accounting which are hereinbefore tasked upon them to perform, the parties agree that all remaining assets and collections, if any, as may be established by said SGV, shall pertain to Felix S. Co and William Tieng on a 50/50 sharing scheme and that they shall, within a reasonable period of time, undertake the appropriate steps for the dissolution of [Solar Team].

[111] Paragraph 22 of the Compromise Agreement provides:

22. By virtue hereof, the parties have agreed, as they hereby agree to immediately provisionally dismiss all actions, whether civil or criminal, they may have filed against the other, and after SGV shall have finally completed the audit and accounting tasked upon it, the results of which is final and binding upon the parties, all said civil and/or criminal actions shall be permanently dismissed by the parties.

[112] Paragraph 24 of the Compromise Agreement provides:

24. In the event SGV shall have made a final determination of the respective accountability of the parties and any of the parties fail to comply with the same, or in the event any of the parties is remiss or reneges from [its] commitment/s as specified in this Agreement or breaches the warranties and/or representation as contained herein, then the aggrieved party shall be entitled to an immediate issuance of a writ of execution to enforce compliance thereof and the guilty party shall pay the innocent party the sum of P2 Million Pesos by way of liquidated damages and/or penalty and shall, likewise, shoulder all the expenses in enforcing this compromise agreement by a writ of execution. Moreover, the innocent party shall have the right to invoke the principle of reciprocity of obligations in contracts as provided for by law.

[113] CIVIL CODE, art. 1290 provides:

Article 1290. When all the requisites mentioned in Article 1279 are present, compensation takes effect by operation of law, and extinguishes both debts to the concurrent amount, even though the creditors and debtors are not aware of the compensation.

[114] Rollo (G.R. No. 191652), p. 221 and rollo (G.R. No. 191658), p. 130.

[115] See *Magbanua v. Uy*, 497 Phil. 511, 518 (2005) [Per J. Panganiban, Third Division].

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