

LILIA HERNAEZ, PLAINTIFF AND APPELLANT, VS. YAN KAO, DEFENDANT AND APPELLEE.

G.R. No. 22370. May 27, 1966

Ponente: SANCHEZ, J.

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SANCHEZ, J.:

Suit originally started in the City Court of Davao City. There, on April 27, 1963, plaintiff—a former sales-girl in defendant's Centro de Modas Tailoring—lodged her complaint^[1] for unpaid wages, differential pay, premium pay and overtime pay, amounting to P1,611.90.^[2]

Plaintiff's complaint was met with defendant's motion to dismiss filed on May 18, 1963 upon the ground of release.^[3] This motion to dismiss brings to the fore another proceeding before the Department of Labor, Regional Office No. XII, where plaintiff first filed her complaint in February, 1963 against the same defendant, doing business under the name and style of Centro de Modas Tailoring, covering the same cause of action set forth in plaintiff's complaint, namely: non-payment of wages, differential pay, , premium pay, and overtime pay. That proceeding ended in an amicable settlement between the parties set forth in an "Affidavit of Release" dated February 26, 1963 and executed by plaintiff before Bernardo G. Delfin, Labor Attorney.^[4]

On June 26, 1963, the City Court, over plaintiff's objection, granted the motion and, dismissed plaintiff's case.

Plaintiff thereafter elevated the case to the Court of First Instance of Davao.^[5]

On October 3, 1963 the Court of First Instance of Davao —after a review of the record elevated from the City Court—similarly dismissed plaintiff's case upon the same ground of release.^[6]

The present is an appeal registered on November 6, 1963 from the foregoing order of October 3, 1963, "on purely a question of law".^[7]

We focus attention on plaintiff's Affidavit of Release, which reads:

"I, LILLIA HERNAEZ, of legal age, married and a resident of Bonifacio Street, Davao City, after having duly sworn in accordance with law, hereby depose and say:

That I am the same Lilia Hernaez who filed a complaint with the Department of Labor, Davao City, against the Centro de Modas Tailoring for non-payment of wages, differential pay, premium pay and overtime pay and separation pay;

That acting upon my said claim, Atty. Bernardo G. Delfin, Labor Attorney, set a conference between me and the one against whom I have filed my complaint;

That during the conference, the Centro de Modas, represented by Miss Fely Yan, and I have agreed to settle the same amicably;

That during the amicable settlement, I was paid all my claims against the Centro de Modas, through Atty. Delfin;

That by virtue of the said amicable settlement to my full satisfaction, I am executing this affidavit for the purpose of informing all and sundry of our said settlement." [8]

For, indeed, the dismissals both in the City Court and in the Court of First instance are anchored exclusively on the value given the foregoing affidavit.

Plaintiff's complaint seeks relief for non-payment of wages, differential pay, premium pay and overtime pay. The release likewise covers the very same claim of plaintiff for non-payment of wages, differential pay, premium pay and overtime pay. Concretely, the claim before the court and the previous one before the Department of Labor, refer exactly to the same cause of action. That claim was amicably settled. The affidavit recites that plaintiff was paid all her claims against the Centra de Modas Tailoring thru Labor Attorney Bernardo G. Delfin.

Plaintiff does not impugn the genuineness and due execution of the affidavit of release she subscribed and swore to. There is no intimation that fraud, threat or intimidation vitiated that document. There is no charge that the settlement was executed through mistake or undue influence. It was voluntary; more, it was to her full satisfaction. The amicable settlement entered into is valid and binding. [9] The law looks at compromise with favor. [10]

But plaintiff seeks to downgrade the legal effects of the release. She puts forward the averment that it amounts to a waiver of her claim for compensation and defeats the provisions of Commonwealth Acts 303 [11] and 444. Plaintiff is laboring under a misconception. Waiver "is the intentional relinquishment of a known right". [12] Here, there is no such known right. Nothing in the record suggests that plaintiff's claim had ever been fully-established or liquidated in the Department of Labor. There simply was a compromise, an amicable settlement. [13] Said compromise is valid and binding, "not because it is the settlement of a valid claim, but because it is the settlement of a controversy" [14] brought to the Labor Department. And, compromise is a ground for motion to dismiss. [15]

The issue here raised is by no means untrodden ground. In 1956, in the Mercader case, [16] this Court was at grips with a similar problem. Plaintiff therein was employed by the Manila Polo Club as a bookkeeper and accountant. His services having been terminated, plaintiff lodged a claim for P10,000.00 in the Department of Labor. The proceedings there ended with plaintiff signing the receipt (Exhibit 1) for P7,000.00 "in full settlement of any and all claims, including overtime work, vacation and sick leave privileges, which said Alejandro Mercader has or may have against the Manila Polo Club." This notwithstanding, plaintiff sued defendant in court praying for P5,000.00 by way of actual and compensatory damages; P50,000.00, moral damages; P2,000.00, attorney's fees; and P200.00, litigation expenses. This Court there held that "by virtue of said settlement, plaintiff lost any action against the defendant Manila Polo Club in connection with his employment and separation from said Club." [17] Paraphrasing the opinion of this court in a labor case, [18] the compromise now before us has the force of law between plaintiff and defendant, and may not be unilaterally jettisoned by plaintiff, one of the parties thereto.

Upon the premises, the order of October 8, 1963 appealed from should be, as it is, hereby affirmed. No costs allowed. [19] So ordered.

Bengzon, C.J., Bautista Angelo, Concepcion, Reyes, J.B.L., Barrera, Dizon, Regala, Makalintal, Bengzon, J.P. and Zaldivar, JJ., concur.

Order affirmed.

[1] Civil Case No. 284-B, entitled Lilia Hernaez, plaintiff vs. Yan Kao, defendant.

[2] Amended complaint registered in the City Court on May 14, 1963.

[3] Section 1 (g) Rule 8 of the 1940 Rules of Court provides that a defendant may file a motion to dismiss the action on the ground:

"That the claim or demand set forth in the plaintiff's pleading has been released." This rule of procedure in the Court of First Instance is made applicable to inferior courts by Section 7, Rule 4, of the same Rules.

[4] Annex 1, cf the motion to dismiss.

[5] Civil Case No. 4005.

[6] Section 10, Rule 40 of the 1940 Rules of Court provides: "Where the action has been disposed of by an inferior court upon a question of law and not after a valid trial upon the merits, the Court of First Instance shall on appeal review the ruling of the inferior court and may affirm or reverse it, as the case may be. In case of reversal, the case shall be remanded for further proceedings."

[7] Section 3, Rule 42 of the 1940 Rules of Court provides: "Where the appeal is based purely on questions of law, the appellant shall so state in his notice of appeal, and then no other questions shall be allowed, and the evidence need not be elevated."

[8] Italics supplied.

[9] *MacCarthy vs. Barber Steamship Lines*, 45 Phil. 409, 408-499; *Berg vs. National City Bank of New York*, L-9312, Oct. 31, 1957.

[10] Act 2028, et seg. Civil Code; *McCarthy vs. Barber Steamship Line*, supra.

[11] C.A. No. 303. An act providing for the time of payment of salaries and wages of Laborers and employees: prohibiting the forcing, compelling, or obliging of any employer or laborer to purchase merchandise, commodities, or any other personal property under certain conditions, and the payment of the salary or wages of an employee or laborer by means of tokens or objects other than the legal tender currency of the Philippines: prescribing penalties for violations hereof;

[12] *O'Brien vs. China Banking Corporation*, 55 Phil. 353, 357, citing 27 R.C.L., p. 904. See also *I Martin's Rules of Court in the Philippines*, p. 449, citing *Bennecke vs. Ins.. Co.*, 105 U. S. 359, 26 L. Ed. 900.

[13] Art. 2028, supra.

[14] 5 It. C. L., p. 877, cited in *McCarthy vs. Baber Steamship Lines*, supra, p. 498.

[15] *Moran*, Comments on the Rules of Court, 1957 ed., p. 142, citing *Basa Vda. de Concepcion vs. Santos*, 89 Phil., 429.

[16] *Mercader vs. Manila Polo Club, et al.*, 52 Off. Gaz., No. 17, p. 7272, September 28, 1956.

[17] *Id.*, p. 7274.

[18] *Katipunan Labor Union vs. Caltex (Philippines) Inc., et al.* L-10337, May 27, 1957.

[19] Suit was started and appeals were taken in forma pauperis.

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