



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

**PHILIPPINE TRANSMARINE
CARRIERS, INC., CARLOS C.
SALINAS, and NORWEGIAN
CREW MANAGEMENT A/S,**

Petitioners,

- versus -

CESAR C. PELAGIO,

Respondent.

G.R. No. 211302

Present:

SERENO, C.J., Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PEREZ, and
PERLAS-BERNABE, JJ.

Promulgated:

AUG 12 2015

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DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*¹ are the Decision² dated December 21, 2012 and the Resolution³ dated February 17, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 122771, which dismissed the *certiorari* petition of petitioners Philippine Transmarine Carriers, Inc. (PTCI), Carlos C. Salinas, and Norwegian Crew Management A/S (petitioners) before the CA on the ground that the issues raised therein had become moot and academic on account of the compromise agreement between petitioners and respondent Cesar C. Pelagio (Pelagio).

The Facts

PTCI, for and on behalf of his foreign principal, Norwegian Crew Management A/S, hired Pelagio as a Motorman on board the vessel M/V Drive Mahone for a period of six (6) months, under a Philippine Overseas

¹ *Rollo*, pp. 30-64.

² *Id.* at 74-88. Penned by Associate Justice Magdangal M. De Leon with Associate Justices Agnes Reyes Carpio and Myra V. Garcia-Fernandez concurring.

³ *Id.* at 101-102.

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Employment Administration (POEA)-approved employment contract⁴ dated September 29, 2009, as well as the collective bargaining agreement⁵ between Norwegian Crew Management A/S and Associated Marine Officers' and Seamen's Union of the Philippines (CBA). After being declared fit for employment, Pelagio boarded M/V Drive Mahone on November 3, 2009.⁶

Sometime in February 2010, Pelagio experienced difficulty in breathing and pains on the nape, lower back, and joints while at work. Pelagio was then referred to a port doctor in Said, Egypt, where he was diagnosed with "Myositis"⁷ and declared unfit to work.⁸ On March 2, 2010, Pelagio was repatriated back to the Philippines for further medical treatment, and thereafter, promptly sought the medical attention of the company-designated physician, Dr. Robert D. Lim (Dr. Lim), at the Metropolitan Medical Center.⁹

After a series of medical and laboratory examinations, including chest x-ray, pulmonary function tests, electroencephalogram, and other related physical examinations, Pelagio was finally diagnosed to have Carpal Tunnel Syndrome, Bilateral L5-S1 Radiculopathy, Mild Degenerative Changes, and Lumbosacral Spine¹⁰ with an assessment of disability rating of Grade 11 – "slight loss of lifting power of the trunk."¹¹

On August 18, 2010, Pelagio sought a second opinion from a private orthopedic surgeon physician, Dr. Manuel Fidel M. Magtira (Dr. Magtira), who assessed him with a Grade 8 disability – moderate rigidity or two-thirds loss of motion or lifting power of the trunk – and declared him "permanently UNFIT TO WORK in any capacity at his previous occupation."¹²

Pelagio sought payment of permanent total disability benefits from petitioners, but to no avail. Hence, he filed a complaint¹³ for disability benefits, reimbursement of medical expenses, illness allowance, damages, and attorney's fees against petitioners before the Arbitration Branch of the National Labor Relations Commission (NLRC), docketed as NLRC-NCR No. (M) 09-13299-10.¹⁴ Essentially, Pelagio contended that his inability to

⁴ See Contract of Employment; *id.* at 134.

⁵ *Id.* at 135-148.

⁶ *Id.* at 75. See also *CA rollo*, p. 339.

⁷ See indorsement letter dated May 18, 2010; *CA rollo*, p. 203.

⁸ *Rollo*, p. 75.

⁹ *Id.*

¹⁰ *CA rollo*, pp. 55 and 78-79. See also 3rd medical report dated March 11, 2010 of Assistant Medical Coordinator Mylene Cruz-Balbon and Dr. Robert D. Lim; *CA rollo*, pp. 207-208.

¹¹ See private and confidential medical report dated July 27, 2010; *id.* at 375-376.

¹² *Rollo*, pp. 75-76. See also Medical Report of Dr. Manuel Fidel M. Magtira dated August 18, 2010; *CA rollo*, pp. 274-276.

¹³ *CA rollo*, p. 67.

¹⁴ *Rollo*, p. 76.

work for more than 120 days from repatriation entitles him to permanent total disability benefits.¹⁵

For their part,¹⁶ petitioners countered that Pelagio is not entitled to permanent total disability benefits, considering that the independent physician, Dr. Magtira, assessed him with a Grade 8 impediment. In this relation, petitioners likewise claimed that on August 5, 2010, the company-designated physician, Dr. Lim, assessed Pelagio with a Grade 11 disability – “slight loss of lifting power of the trunk.”¹⁷ In view of the conflicting findings of the company-designated and independent physicians, petitioners suggested that they seek a third mutually-appointed doctor to comply with the provisions of the POEA-Standard Employment Contract, but Pelagio refused.¹⁸ Finally, petitioners averred that they offered the amount of US\$13,437.00, the amount of benefit corresponding to a Grade 11 impediment, pursuant to the CBA, but Pelagio rejected such offer.¹⁹

The LA Ruling

In a Decision²⁰ dated April 29, 2011, the LA found that Pelagio was suffering from a permanent partial disability, and accordingly, ordered petitioners to jointly and severally pay him the amount of US\$13,437.00.²¹ The LA ruled that Pelagio’s mere inability to work for 120 days from his repatriation did not *ipso facto* mean that he is suffering from a permanent total disability, especially in view of the disability assessments given by both the company-designated and the independent physicians.²² On this note, the LA gave weight to the findings of the company-designated physician that Pelagio was suffering from a Grade 11 impediment, and thus, must only be awarded disability benefits corresponding thereto.²³

Dissatisfied, Pelagio appealed to the NLRC.²⁴

The NLRC Ruling

In a Decision²⁵ dated August 24, 2011, the NLRC reversed and set aside the LA ruling, and accordingly, awarded Pelagio the amount of

¹⁵ See Pelagio’s Position Paper dated January 24, 2011; CA *rollo*, p. 236. See also *rollo*, p. 76.

¹⁶ See petitioners’ Position Paper dated March 2, 2010; *id.* at 71-107.

¹⁷ See CA *rollo*, pp. 79 and 91. See also *rollo*, p. 77.

¹⁸ See CA *rollo*, p. 91. See also *rollo* p. 78.

¹⁹ See CA *rollo*, p. 82. See also *rollo*, p. 78.

²⁰ CA *rollo*, pp. 54-59. Penned by Labor Arbiter Jose G. De Vera.

²¹ *Id.* at 59.

²² See *id.* at 58.

²³ See *id.* at 59.

²⁴ See Memorandum of Appeal dated May 20, 2011; *id.* at 320-337.

²⁵ *Id.* at 39-53. Penned by Commissioner Numeriano D. Villena with Presiding Commissioner Herminio V. Suelo and Commissioner Angelo Ang Palaña concurring.

US\$77,000.00 at its peso equivalent at the time of actual payment representing permanent total disability benefits and attorney's fees.²⁶

The NLRC found that the records are bereft of anything that would support petitioners' claim that the company-designated physician indeed gave Grade 11 disability rating, and thus, deemed that there was no assessment made on him.²⁷ In view thereof, the NLRC ruled that Pelagio's disability went beyond 240 days without a declaration that he is fit to resume work or an assessment of disability rating, and as such, he is already entitled to permanent total disability benefits as stated under the CBA.²⁸

Petitioners moved for reconsideration,²⁹ which was, however, dismissed in a Resolution³⁰ dated October 4, 2011. Aggrieved, petitioners filed a petition for *certiorari*³¹ before the CA, docketed as CA G.R. SP No. 122771.

During the pendency of the *certiorari* proceedings before the CA, the parties executed a Satisfaction of Judgment³² dated December 21, 2011 stating that petitioners had already given Pelagio the amount of ₱3,313,772.00 as full and complete satisfaction of the NLRC ruling. However, it is likewise stated therein that such satisfaction of judgment "is without prejudice to [petitioners'] petition for *certiorari* pending with the [CA] x x x," and that the same was "being made only to prevent imminent execution being undertaken by the NLRC and [Pelagio]."³³ On even date, Pelagio likewise executed a Receipt of Payment³⁴ acknowledging receipt of the aforesaid amount, but recognizing that such payment is "understood to be without prejudice to the pending petition for *certiorari* filed by [petitioners] before the [CA]."³⁵ Pelagio further executed an Affidavit of Claimant³⁶ stating that he "understand[s] that payment is hereby being made by the shipowners/manning agents to [him] only to prevent further execution proceedings that [he has] initiated with the NLRC;" and that he "recognize[s] the NLRC's jurisdiction on Restitution proceedings, in case of a reversal of judgment by the Higher Courts x x x."³⁷ On February 10, 2012, the NLRC issued an Order³⁸ approving the settlement and considered the case closed and terminated.

²⁶ Id. at 52-53.

²⁷ Id. at 46.

²⁸ Id. at 48B.

²⁹ See Motion for Reconsideration dated September 20, 2011; id. at 346-367.

³⁰ Id. at 61-64.

³¹ See id. at 4-32.

³² Id. at 427-428.

³³ Id. at 428.

³⁴ Id. at 429.

³⁵ Id.

³⁶ Not attached to the *rollos*.

³⁷ See *rollo*, p. 43.

³⁸ CA *rollo*, pp. 424-425.

The CA Ruling

In a Decision³⁹ dated December 21, 2012, the CA dismissed the *certiorari* petition, ruling that the Satisfaction of Judgment executed by the parties is in the nature of a compromise agreement, which was properly approved by the NLRC, as it did not contravene any law, morals, public policy, or public order.⁴⁰ In this regard, the CA held that the issues raised in the petition had already been rendered moot and academic, and as such, the petition must be dismissed without going into the merits of the case.⁴¹

Petitioners moved for reconsideration⁴² but was denied in a Resolution⁴³ dated February 17, 2014; hence, this petition.

The Issue Before the Court

The primordial issue for the Court's resolution is whether or not the CA correctly dismissed the *certiorari* petition on the basis of the compromise agreement between the parties. Otherwise stated, the issue is whether or not the execution of the Satisfaction of Judgment between the parties rendered the *certiorari* proceedings before the CA moot and academic.

The Court's Ruling

The petition is meritorious.

A compromise agreement is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.⁴⁴ To be considered valid and binding between the contracting parties, a compromise agreement must be: (a) not contrary to law, morals, good customs, public order, and public policy; (b) freely and intelligently executed by and between the parties; and (c) compliant with the requisites and principles of contracts.⁴⁵ Once entered into, it has the effect and the authority of *res judicata* upon the parties.⁴⁶ In other words, a valid compromise agreement may render a pending case moot and academic. However, the parties may opt to put therein clauses, conditions, and the like that would prevent a pending case from becoming moot and academic – such as when the execution of such agreement is without prejudice to the

³⁹ *Rollo*, pp. 74-88.

⁴⁰ *Id.* at 83-84.

⁴¹ See *id.* at 85 and 87.

⁴² See Motion for Reconsideration (with prayer for Oral Arguments) dated January 25, 2013; *CA rollo*, pp. 466-475.

⁴³ *Rollo*, pp. 101-102.

⁴⁴ Article 2028, CIVIL CODE.

⁴⁵ See *Magbanua v. Uy*, 497 Phil. 511, 517-518 (2005).

⁴⁶ *Id.* at 518.

final disposition of the said case. After all, a compromise agreement is still a contract by nature, and as such, the parties are free to insert clauses to modify its legal effects, so long as such modifications are not contrary to law, morals, good customs, public order, or public policy.⁴⁷

In the instant case, it is undisputed that the parties had entered into a Satisfaction of Judgment signifying that petitioners had already given Pelagio the amount of ₱3,313,772.00 as full and complete satisfaction of the NLRC ruling. While this document may be properly deemed as a compromise agreement, it is conditional in nature, considering that it is without prejudice to the *certiorari* proceedings pending before the CA, *i.e.*, it obliges Pelagio to return the aforesaid proceeds to petitioners should the CA ultimately rule in the latter's favor. In *Leonis Navigation Co., Inc. v. Villamater*⁴⁸ (*Leonis Navigation*), the Court held that such an agreement will not render a pending case moot and academic as it does not preclude the employer from recovering from the employee should the courts ultimately decide in favor of the former, to wit:

Simply put, the execution of the final and executory decision or resolution of the NLRC shall proceed despite the pendency of a petition for *certiorari*, unless it is restrained by the proper court. In the present case, petitioners already paid Villamater's widow, Sonia, the amount of ₱3,649,800.00, representing the total and permanent disability award plus attorney's fees, pursuant to the Writ of Execution issued by the Labor Arbiter. Thereafter, an Order was issued declaring the case as "closed and terminated." However, although there was no motion for reconsideration of this last Order, **Sonia was, nonetheless, estopped from claiming that the controversy had already reached its end with the issuance of the Order closing and terminating the case. This is because the Acknowledgment Receipt she signed when she received petitioners' payment was without prejudice to the final outcome of the petition for certiorari pending before the CA.**⁴⁹ (Emphasis and underscoring supplied)

However, in *Career Philippines Ship Management, Inc. v. Madjus*⁵⁰ (*Career Philippines*), the Court made a seemingly contrary ruling from that in *Leonis Navigation*, holding that such an agreement is tantamount to an absolute amicable settlement, thus, rendering the *certiorari* petition before the CA dismissible for being moot and academic, *viz.*:

In effect, while petitioner had the luxury of having other remedies available to it such as its petition for *certiorari* pending before the appellate court, and an eventual appeal to this Court, respondent, on the other hand, could no longer pursue other claims, including for interests that may accrue during the pendency of the case.

⁴⁷ See *Morla v. Belmonte*, 678 Phil. 102, 116-117 (2011).

⁴⁸ 628 Phil. 81 (2010).

⁴⁹ *Id.* at 94.

⁵⁰ 650 Phil. 157 (2010).

Contrary to petitioner's assertion, it could not, at the time respondent moved for the execution of the Labor Arbiter's monetary awards, have been compelled to immediately pay the judgment award, for it had filed with the NLRC an appeal bond, intended to assure respondent that if he prevailed in the case, he would receive the money judgment in his favor upon the dismissal of the employer's appeal. **The Labor Arbiter and the appellate court may not thus be faulted for interpreting petitioner's "conditional settlement" to be tantamount to an amicable settlement of the case resulting in the mootness of the petition for certiorari.**⁵¹ (Emphasis supplied, underscoring in the original)

Fortunately, the Court had the opportunity to reconcile the ostensibly opposing pronouncements in the *Leonis Navigation* and *Career Philippines* cases in *Philippine Transmarine Carriers, Inc. v. Legaspi*,⁵² (*Philippine Transmarine*) in this wise:

In *Career Philippines*, believing that the execution of the LA Decision was imminent after its petition for injunctive relief was denied, the employer filed before the LA a pleading embodying a conditional satisfaction of judgment before the CA and, accordingly, paid the employee the monetary award in the LA decision. In the said pleading, the employer stated that the conditional satisfaction of the judgment award was without prejudice to its pending appeal before the CA and that it was being made only to prevent the imminent execution.

The CA later dismissed the employer's petition for being moot and academic, noting that the decision of the LA had attained finality with the satisfaction of the judgment award. This Court affirmed the ruling of the CA, **interpreting the "conditional settlement" to be tantamount to an amicable settlement of the case resulting in the mootness of the petition for certiorari, considering (i) that the employee could no longer pursue other claims, and (ii) that the employer could not have been compelled to immediately pay because it had filed an appeal bond to ensure payment to the employee.**

Stated differently, the Court ruled against the employer because the conditional satisfaction of judgment signed by the parties was highly prejudicial to the employee. The agreement stated that the payment of the monetary award was without prejudice to the right of the employer to file a petition for certiorari and appeal, while the employee agreed that she would no longer file any complaint or prosecute any suit of action against the employer after receiving the payment.

In contrast, in *Leonis Navigation*, after the NLRC resolution awarding disability benefits became final and executory, the employer paid the monetary award to the employee. The CA dismissed the employer's petition for *certiorari*, ruling that the final and executory decisions or resolutions of the NLRC rendered appeals to superior courts moot and academic. **This Court disagreed with the CA and held that final and executed decisions of the NLRC did not prevent the CA**

⁵¹ Id. at 165.

⁵² G.R. No. 202791, June 10, 2013, 698 SCRA 280.

from reviewing the same under Rule 65 of the Rules of Court. It was further ruled that the employee was estopped from claiming that the case was closed and terminated, considering that the employee's Acknowledgment Receipt stated that such was without prejudice to the final outcome of the petition for certiorari pending before the CA.⁵³ (Emphases and underscoring supplied)

Ultimately, in *Philippine Transmarine*, the Court ruled that since the agreement in that case was fair to the parties in that it provided available remedies to both parties, the *certiorari* petition was not rendered moot despite the employer's satisfaction of the judgment award, as the respondent had obliged himself to return the payment if the petition would be granted.⁵⁴

In the instant case, the body of the Satisfaction of Judgment entered into by petitioners and Pelagio reads:

1. That complainant Cesar C. Pelagio received the sum of Three Million Three Hundred Thirteen Thousand Seven Hundred [Seventy-Two] Pesos (PHP3,313,772.00), as full and complete satisfaction of the Decision and Resolution of this Honorable Commission (Fourth Division) dated 24 August 2011 and 4 October 2011. That payment is hereby made to complainant only to prevent imminent execution that the NLRC and the complainant are undertaking.

2. That said payment was made by means of Citibank Check No. 1000006094 dated 21 December 2011 in the sum of Three Million Three Hundred Thirteen Thousand Seven Hundred [Seventy-Two] Pesos (PHP3,313,772.00) payable to complainant Cesar C. Pelagio.

3. That by virtue of said payment, which is in full and complete satisfaction of the judgment award as indicated in the Decision and Resolution of this Honorable Commission (Fourth Division) dated 24 August 2011 and 4 October 2011 respectively, herein complainant has no further claims against respondents Philippine Transmarine Carriers, Inc./Mr. Carlos C. Salinas and/or Norwegian Crew Mangament A/S and will no longer pursue the execution proceedings he initiated by virtue of the judgment award of the NLRC.

4. That this Satisfaction of Judgment is without prejudice to herein respondents' Petition for *Certiorari* pending with the Court of Appeals docketed as case entitled "Philippine Transmarine Carriers, Inc./Mr. Carlos C. Salinas and/or Norwegian Crew Mangament A/S vs. NLRC and Cesar C. Pelagio" and this Satisfaction of Judgment is being made only to prevent imminent execution being undertaken by the NLRC and complainant.⁵⁵

⁵³ Id. at 289-291; citations omitted.

⁵⁴ Id. at 291.

⁵⁵ CA *rollo*, pp. 427-428.

On the other hand, the Receipt for Payment executed by Pelagio provides:

Received from DEL ROSARIO & DEL ROSARIO Citibank Check No. 1000006094 dated 20 December 2011 in the sum of Three Million Three Hundred Thirteen Thousand Seven Hundred [Seventy-Two] Pesos (PHP3,313,772.00) payable to Cesar C. Pelagio, in full and complete payment of the judgment award. That payment is hereby made to the complainant only to prevent imminent execution of the Decision and the Resolution of the NLRC (Fourth Division) dated 24 August 2011 and 4 October 2011 docketed as NLRC LAC Case No. M-05-000458-11-M/NLRC NCR Case No. 09-13299-10-M case entitled "Cesar C. Pelagio vs. Transmarine Carriers, Inc. et al." This payment is also understood to be without prejudice to the pending Petition for *Certiorari* filed by the respondents before the Court of Appeals, case entitled "Philippine Transmarine Carriers, Inc. and/or Mr. Carlos C. Salinas and Norwegian Crew Management A/S versus National Labor Relations Commission and Cesar C. Pelagio.

I hereby certify and warrant that if any other person will claim from the vessel, her Owners, manager, charterers, agents or P & I Club his compensation/damages in connection with my illness, I shall hold said vessel/persons free and harmless from any and all claims and liabilities whatsoever.⁵⁶

Finally, pertinent parts of the Affidavit of Claimant executed by Pelagio states:

3. That in connection with my claim, I have discussed this matter with my lawyer (Valmores and Valmores Law Offices – Atty. Romulo P. Valmores/Atty. Christopher Rey P. Valmores) and Del Rosario & Del Rosario and the manning agents and after discussion, to my full and complete satisfaction, I have freely and voluntarily agreed to a full and final payment of all my past, present and future claims against the vessel MV Drive Mahone her Owners, agents and operators in an amount not exceeding US\$77,000.00 or its equivalent in Philippine currency. That I understand that payment is hereby being made by the shipowners/manning agents to me only to prevent further execution proceedings that I have initiated with the NLRC.

4. That I understand that the payment of the judgment awards in the amount of US\$77,000.00 or its equivalent in Philippine currency is without prejudice to the shipowners'/manning agents' Petition for *Certiorari* pending with the Court of Appeals case entitled "*Philippine Transmarine Carriers, Inc. and/or Mr. Carlos C. Salinas and Norwegian Crew Management A/S versus National Labor Relations Commission and Cesar C Pelagio*;

5. That I understand that in case of reversal and/or modification of the Decision and the Resolution dated 24 August 2011 and 4 October 2011

⁵⁶ Id. at 429.

of the NLRC by the Court of Appeals and/or the Supreme Court, I shall return whatever is due and owing to shipowners/manning agents without need of further demand;

6. That I recognize the NLRC's jurisdiction on Restitution proceedings, in case of a reversal of judgment by the Higher Courts by virtue of the NLRC 2011 Rules of Procedure, Rule XI, Section 14 thereof, to wit:

“SECTION 14. EFFECT OF REVERSAL OF EXECUTED JUDGMENT. – Where the executed judgment is totally or partially reversed or annulled by the Court of Appeals or the Supreme Court, the Labor Arbiter shall, on motion, issue such orders of restitution of the executed awards, except wages paid during reinstatement pending appeal.”⁵⁷

A reading of the foregoing documents reveals that: (a) petitioners paid Pelagio ₱3,313,772.00 as full and complete satisfaction of the NLRC rulings; (b) such payment is made in order to prevent imminent execution of such rulings being undertaken by the NLRC and Pelagio; (c) such payment is without prejudice to the outcome of the *certiorari* proceedings before the CA; and (d) in case of partial or complete reversal of the NLRC judgment by the CA, Pelagio is obliged to reimburse petitioners accordingly. More importantly, the foregoing documents do not have any clause prohibiting either of the parties from seeking further redress against each other. Thus, both petitioners and Pelagio may pursue any of the available legal remedies should any eventuality arise in their dispute, *i.e.*, when the CA renders a ruling adverse to their respective interests. It can, therefore, be said that similar to the *Philippine Transmarine* case above-cited, the agreement entered into by the petitioners and Pelagio is fair and is not prejudicial to either party, and thus, such agreement did not render the *certiorari* proceedings before the CA moot and academic.

In sum, the CA erred in dismissing the *certiorari* petition before it on the basis of the compromise agreement between petitioners and Pelagio. In view of the fact that such dismissal was not based on the merits, the Court deems it appropriate to remand the case to the CA for further proceedings.

WHEREFORE, the petition is **GRANTED**. Accordingly the Decision dated December 21, 2012 and the Resolution dated February 17, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 122771 are hereby **REVERSED** and **SET ASIDE**. CA-G.R. SP No. 122771 is **REINSTATED** and **REMANDED** to the CA, which is hereby directed to resolve the case on the merits.

⁵⁷ See *rollo*, p. 43.

SO ORDERED.

M. Bernabe
ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:

Maria Lourdes P. A. Sereno
MARIA LOURDES P. A. SERENO
Chief Justice

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Associate Justice

Lucas P. Bersamin
LUCAS P. BERSAMIN
Associate Justice

Jose Portugal Perez
JOSE PORTUGAL PEREZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Maria Lourdes P. A. Sereno
MARIA LOURDES P. A. SERENO
Chief Justice