

Title: Philippine Duplicators, Inc. v. National Labor Relations Commission and Philippine Duplicators Employees Union-TUPAS

Facts:

The case originated from a dispute over the calculation of the 13th-month pay for employees of Philippine Duplicators, Inc. (“Duplicators”). Duplicators challenged the inclusion of sales commissions in the calculation, asserting that only fixed wages should be considered. The Labor Arbiter, Felipe T. Garduque II, ruled in favor of the employees, leading Duplicators to file a Petition for Certiorari with the National Labor Relations Commission (NLRC), which affirmed the Arbiter’s decision. Duplicators then brought the case to the Supreme Court, which initially dismissed the petition. Upon denial of their Motion for Reconsideration, Duplicators sought to leverage a subsequent Supreme Court decision in consolidated cases *Boie-Takeda Chemicals, Inc. v. Hon. Dionisio de la Serna* and *Philippine Fuji-Xerox Corp. v. Hon. Cresenciano B. Trajano* (referred to as *Boie-Takeda*), challenging the validity of certain guidelines on 13th-month pay computation. This led to an en banc review of Duplicators’ Second Motion for Reconsideration by the Supreme Court.

Issues:

1. Whether sales commissions should be included in the “basic salary” for the purpose of computing the 13th-month pay.
2. Whether the decision in *Boie-Takeda*, which invalidated a part of the Revised Guidelines on the 13th Month Pay Law, impacts the ruling of the Duplicators case.
3. Whether the change in legal strategy by Duplicators, challenging the validity of the Revised Guidelines after the initial dismissal, is permissible.

Court’s Decision:

The Supreme Court en banc denied the Motions filed by Duplicators, holding that:

1. **Sales Commissions Inclusion**: Sales commissions are indeed part of the basic salary as they constitute compensation or remuneration for the salesmen’s services. The commissions, being a significant portion of the salesmen’s earnings, motivate greater enterprise and diligence. Consequently, such commissions are integral to the basic salary structure and should be included in computing the 13th-month pay.
2. **Impact of *Boie-Takeda***: The court held that the *Boie-Takeda* decision does not serve as a precedent that could alter the outcome of the Duplicators case. *Boie-Takeda* was rendered after the Duplicators’ decision became final, and the legal issues in both cases

were distinct despite superficial similarities.

3. **Permissibility of Changed Legal Strategy**: The court also ruled that Duplicators' late stage change in legal theory, challenging the Revised Guidelines' validity, could not be entertained. The Guidelines' validity was not an issue Duplicators contested in its original petition or subsequent filings until after the decision in *Boie-Takeda*.

Doctrine:

This case clarified the inclusion of sales commissions in the computation of 13th-month pay under Philippine labor law. It established that such commissions, being part of the salesmen's compensation for actual services rendered, should be considered part of the basic salary. The decision distinguished between "sales commissions" integral to an employee's remuneration and "productivity bonuses" or similar payments, which are dependent on the employer's overall performance rather than on individual employee effort.

Class Notes:

- **Key Elements**:

- **Basic Salary**: Includes sales commissions as it constitutes part of an employee's remuneration for services rendered.

- **13th Month Pay Computation**: Sales commissions must be included; distinct from productivity bonuses or profit-sharing payments not tied directly to the individual's work effort.

- **Relevant Statutory Provision**:

- **13th Month Pay Law (Presidential Decree No. 851)**: Mandates employers to pay their rank-and-file employees a 13th-month bonus based on the employee's basic salary.

- **Application in the Case Context**:

- The court distinguished sales commissions from bonuses not directly earned through individual efforts, emphasizing the necessity of including them in the basic salary calculation for 13th-month pay.

Historical Background:

This case sheds light on evolving interpretations of labor laws in the Philippines, particularly on compensation components included in 13th-month pay computation. It underscores the judiciary's role in clarifying labor regulations and highlights the procedural intricacies involved in challenging administrative and legal decisions in labor disputes.