

### Title: Rubberworld (Phils.), Inc. vs. National Labor Relations Commission (NLRC)

### Facts:

This case involves Rubberworld (Phils.), Inc., established in 1965 and engaged in the manufacturing of footwear, bags, and garments. Employees Aquilino Magsalin, Pedro Manibo, Ricardo Borja, Benjamin Camitan, Alicia M. San Pedro, and Felomena Tolin held various positions within the company. On August 26, 1994, Rubberworld notified the Department of Labor and Employment (DOLE) about a temporary shutdown scheduled for September 26, 1994 but was forced to shut down prematurely. Consequently, on November 11, 1994, the employees filed a complaint with the NLRC against Rubberworld for illegal dismissal and non-payment of separation pay.

Rubberworld, on November 22, 1994, petitioned the Securities and Exchange Commission (SEC) for suspension of payments with a proposed rehabilitation plan. The SEC issued an order on December 28, 1994, suspending all actions for claims against Rubberworld. Regardless, on January 24, 1995, the labor arbiter proceeded with the case despite Rubberworld's motion to suspend the proceedings based on the SEC's order. The labor arbiter ruled the shutdown illegal, ordering Rubberworld to pay separation pay, moral and exemplary damages, and attorney's fees. Rubberworld appealed to the NLRC, which affirmed the decision but deleted the awards for moral and exemplary damages.

### Issues:

1. Whether the DOLE, the labor arbiter, and the NLRC can legally act on the employees' claims despite the SEC order suspending all actions against a company under rehabilitation.
2. Whether the labor arbiter and subsequently, the NLRC acted without or in excess of their jurisdiction in proceeding with the case in light of the SEC's suspension order.

### Court's Decision:

The Supreme Court granted the petition, setting aside the decisions of the labor arbiter and the NLRC resolution. The Court ruled that the SEC's suspension order effectively barred any actions for claims against Rubberworld, including labor claims. The justification for such suspension is to enable the management committee or the rehabilitation receiver to effectively execute its powers without judicial or extra-judicial interference. The Court highlighted that allowing the labor case to proceed would undermine the rehabilitation efforts and defeat the purpose of the automatic stay, rendering any decision unenforceable as long as Rubberworld was under management committee.

### Doctrine:

This case reinforces the doctrine that all actions for claims against corporations under management or receivership pending before any court, tribunal, or body are suspended to allow the management committee or rehabilitation receiver to effectively exercise its powers without interference.

### Class Notes:

- Automatic Suspension of Actions: When a corporation undergoes rehabilitation under SEC oversight, an automatic suspension of all pending actions for claims against the corporation is invoked to allow uninterrupted restructuring and rehabilitation efforts.
- Jurisdiction: Labor arbiters and the NLRC lack jurisdiction to hear and decide on labor disputes against a corporation once it is placed under rehabilitation and a management committee is established by the SEC.
- Enforcement of Decisions: Any ruling in favor of claimants (employees) against a corporation under rehabilitation cannot be enforced so long as the company remains under the management committee's control.

### Historical Background:

This case illustrates the complexities and intersections between labor law and corporate rehabilitation under Philippine law. It underscores the tension between protecting workers' rights and enabling financially distressed companies to recover via rehabilitation processes. The Supreme Court's decision sets a precedent on the prioritization of corporate rehabilitation efforts over the resolution of labor disputes, within the legal framework established by Presidential Decree No. 902-A and subsequent jurisprudence.