

Title: Dynamic Signmaker Outdoor Advertising Services, Inc. v. Francisco Potongan [G.R. No. 149933, March 14, 2007]

****Facts**:**

1. In 1987, Francisco Potongan (respondent) began working as a Production Supervisor for Dynamic Signmaker Outdoor Advertising Services Inc. (petitioner) with a monthly salary of ₱16,000.
2. In early February 1996, the union representing rank-and-file employees went on strike, leading the petitioner to replace all supervisors, including the respondent.
3. Potongan was advised to take a leave of absence starting February 21, 1996, and his salary was withheld.
4. On February 28, 1996, the petitioner corporation formally charged Potongan with allegations related to acts of sabotage and urging contractors to sympathize with strikers.
5. Potongan, through counsel, denied the allegations on March 4, 1996, and expressed readiness for an NLRC investigation.
6. Potongan was not formally terminated but was blocked from returning to work following his leave.
7. On January 29, 1997, Potongan filed a complaint for illegal dismissal with the NLRC's Regional Arbitration Branch.
8. The Labor Arbiter dismissed the complaint on June 30, 1997, invoking prior judgment from a related case.
9. On May 21, 1998, NLRC's 2nd Division set aside the Labor Arbiter's decision for not acquiring jurisdiction over Potongan, rendering the prior ruling related to him void.
10. Petitioner instructed Potongan to return to work on March 1, 1999.
11. By July 20, 1999, the Labor Arbiter dismissed Potongan's complaint again for lack of merit.
12. NLRC affirmed this decision on February 29, 2000.
13. Potongan's motion for reconsideration was denied on May 11, 2000.
14. Potongan filed a petition for certiorari, leading to the Court of Appeals reversing the NLRC's decisions on September 30, 2002, ruling that Potongan was illegally dismissed without cause and was denied due process.
15. Petitioners filed a petition for review on certiorari to the Supreme Court.

****Issues**:**

1. Whether the respondent was legally or illegally dismissed.
2. Whether the principle of res judicata was properly applied by the Labor Arbiter.
3. Whether the corporate reorganization claimed by the petitioner justifies the respondent's

termination.

4. Whether the summons and procedural requirements were met in the consolidated cases.
5. Whether the respondent was entitled to attorney's fees.
6. Whether the appellate court's decision violated the finality of the prior NLRC decision.

****Court's Decision**:**

1. ****Illegal Dismissal**:** The Supreme Court upheld the Court of Appeals' finding that the respondent was constructively dismissed. The petitioner's instruction to Potongan to take indefinite leave and withholding his salary effectively terminated his employment without just cause or the due process required under labor laws.
2. ****Res Judicata**:** The Court affirmed that res judicata did not apply as the previous NLRC decision was null and void due to lack of proper service of summons and jurisdiction over Potongan in the consolidated cases.
3. ****Reorganization as Justification**:** The Court found the corporate reorganization claim as lacking good faith and held that the alleged reorganization was a pretext to dismiss Potongan.
4. ****Summons and Procedural Compliance**:** The Court determined that the procedural requirements for summons were not properly observed in the consolidated cases, impacting jurisdiction.
5. ****Attorney's Fees**:** The awarding of attorney's fees was upheld since the respondent was compelled to litigate to defend his rights.
6. ****Finality of NLRC Decision**:** The Supreme Court ruled that a void judgment, such as one rendered without jurisdiction, can be challenged at any time; thus, the decisions rendered in the consolidated cases were not impervious to attack.

****Doctrine**:**

1. ****Constructive Dismissal**:** Employee dismissal can occur without explicit termination if the employer's actions effectively force the employee to leave or prevent them from working without just cause and due process.
2. ****Jurisdiction and Service of Summons**:** Proper service of summons is essential for jurisdiction. Judgments rendered without jurisdiction due to improper service can be declared void and challenged even after becoming final.
3. ****Management Prerogative**:** While employers have a prerogative to manage operations, any personnel reassignments and decisions must be made in good faith and not circumvent labor rights.
4. ****Due Process in Employment Termination**:** Employers must adhere to procedural due process in terminating employees, involving proper notice and opportunity to be heard.

****Class Notes**:**

- ****Constructive Dismissal****: Occurs when an employee is forced out through indirect means such as unbearable work conditions or undue suspension.
- ****Just Causes for Termination**** (Article 282 of Labor Code): Misconduct, neglect, fraud, crime against employer, and similar analogs.
- ****Service of Summons****: Essential for jurisdiction; governed by specific rules of Civil Procedure and NLRC guidelines.
- ****Res Judicata****: Requires finality and jurisdiction; a void decision cannot be final.
- ****Attorney's Fees****: Awarded when litigation is necessary to protect labor rights.

****Historical Background**:**

This case highlights an era in Philippine labor history marked by heightened awareness and advocacy for labor rights, emphasizing procedural due process in employment disputes. It underscores the judiciary's role in balancing managerial prerogatives against employee security of tenure amidst industrial actions and corporate reorganizations common during the 1990s.