

Title: Continental Micronesia, Inc. vs. Joseph Basso, 770 Phil. 201 (2015)

Facts:

1. Continental Micronesia, Inc. (CMI), a foreign corporation domiciled in the US, operated in the Philippines. Joseph Basso, a US citizen, was offered the position of General Manager for CMI's Philippine branch in 1990 during his visit to Manila.
2. Basso accepted the offer and an employment contract was formalized on February 1, 1991.
3. On November 7, 1992, CMI took over operations from Continental Airlines in the Philippines, with Basso continuing in his position.
4. On December 20, 1995, Basso received notice from Ralph Schulz, CMI's Vice President of Marketing and Sales, that his role would change to a consulting basis without monetary compensation but with certain benefits.
5. Basso proposed a counter-offer on January 11, 1996, but it was rejected. Subsequently, he was informed on March 14, 1996, that his employment was terminated effective January 31, 1996.
6. Claiming illegal dismissal, Basso filed a complaint on December 19, 1996. CMI moved to dismiss based on lack of jurisdiction on February 10, 1997.
7. The Labor Arbiter dismissed the case for lack of jurisdiction on August 27, 1997. The NLRC remanded the case back to the Labor Arbiter for further determination.
8. Labor Arbiter Madjayran Ajan dismissed the case for lack of merit and jurisdiction on September 24, 1999, applying US laws as per *lex loci celebrationis*.
9. On appeal, the NLRC vacated the Arbiter's decision and found CMI liable for non-compliance with due notice requirements.
10. Both parties filed motions for reconsideration, which were denied by the NLRC.
11. Basso and CMI filed separate Petitions for Certiorari with the Court of Appeals (CA-G.R. SP No. 83938 and CA-G.R. SP No. 84281). The cases were consolidated.

Issues:

1. Whether the Court of Appeals erred in reviewing the factual findings of the NLRC instead of limiting its inquiry to whether the NLRC committed grave abuse of discretion.
2. Whether the Labor Arbiter and the NLRC had jurisdiction over the illegal dismissal case.
3. Whether Basso was validly dismissed on the ground of loss of trust and confidence.

Court's Decision:

Issue 1: Review of NLRC's Factual Findings

- The Court of Appeals can review factual findings of the NLRC when there are conflicting findings between the NLRC and the Labor Arbiter, or when necessary to rectify a substantial injustice or to achieve substantial justice.
- The CA correctly reviewed the evidence and found Basso was illegally dismissed.

Issue 2: Jurisdiction of Labor Tribunals

- Jurisdiction over subject matter is determined by the complaint's allegations and statutory grants of jurisdiction. The case involved a termination dispute clearly within the Labor Arbiter's jurisdiction under the Labor Code.
- Jurisdiction over Basso (complainant) was acquired when he filed the case; jurisdiction over CMI (respondent) was via service of summons and voluntary participation in proceedings.
- The Philippine labor tribunals were deemed a convenient forum as both parties and pertinent events were connected to the Philippines. Philippine law applied due to significant contacts including residence, place of employment, and locus of alleged acts.

Issue 3: Legality of Dismissal

- CMI failed to substantiate allegations of loss of trust and confidence. Evidence presented lacked corroboration, while Basso provided satisfactory counter-explanations.
- Claims regarding improper advertising expenditures, unauthorized usage of club shares, and influence over sales lacked sufficient evidence.
- CMI did not comply with procedural due process requirements, including proper notice and hearing procedures detailed in *King of Kings Transport, Inc. v. Mamac*.

Doctrine:

- Jurisdiction: Jurisdiction is determined based on the law and material allegations of the complaint.
- Conflicts of Law: The appropriate law based on contacts and connections to the transaction or occurrence.
- Security of Tenure: Managerial employees, though they have trust responsibilities, retain rights to security of tenure. Termination for loss of trust and confidence must be founded on substantial evidence and genuine cause.
- Procedural Due Process: Twin-notice rule must be strictly followed with specific allegations and appropriate opportunity for defense.

Class Notes:

1. **Jurisdiction:** Defined by law and allegations in the complaint; foreign corporations are

subject to local jurisdiction through licensing and service processes.

2. **Conflicts of Law:** Choose law based on significant contacts (e.g., domicile, place of contract, place of performance).
3. **Security of Tenure:** Even managerial employees need substantial, clear evidence for dismissals, and procedural due process must be observed.
4. **Due Process:** Requires twin notices comprising specific allegations and opportunity for employees to defend themselves.

Historical Background:

- The case emphasizes the Philippine labor law's extra-territorial reach concerning foreign corporations operating in the Philippines and the robust protection of workers' rights irrespective of foreign contractual clauses like termination-at-will provisions. The decision roots in safeguarding local employment practices aligned with the labor protective policy enshrined in the Philippine Constitution and Labor Code. The ruling rejects the imposition of foreign labor laws that contravene domestic labor standards.