

Title:

****Benjamin Yu vs. National Labor Relations Commission and Jade Mountain Products Company Limited****

Facts:

Benjamin Yu was appointed as Assistant General Manager of Jade Mountain Products Company Limited—a marble quarrying and export business—on March 14, 1985, following a partnership resolution. He was promised a salary of PHP 4,000 per month but received only half due to the firm’s expectation of additional funding. Yu managed the business’s operations and finances.

In 1988, the general and limited partners of the original partnership sold their interests to Willy Co and Emmanuel Zapanta. The new partners continued the business under the Jade Mountain name but shifted the main office from Makati to Mandaluyong. When Yu reported to the new office in November 1987, Co informed him that he would not absorb the obligations of the old partnership, including Yu’s unpaid salaries, and Yu was prevented from working.

On December 21, 1988, Yu filed a complaint for illegal dismissal and recovery of unpaid wages from November 1984 to October 1988, moral and exemplary damages, and attorney’s fees, against Jade Mountain and the involved individuals. The Labor Arbiter ruled in favor of Yu, but the National Labor Relations Commission (NLRC) reversed this judgment, dismissing Yu’s complaint and stating that the new partnership was not obligated to retain Yu.

Issues:

1. ****Existence of New Partnership:****

- Did the entry of new partners and the changes in ownership constitute the creation of a new partnership?

2. ****Assertion of Rights by the Employee:****

- If a new partnership existed, could Yu assert his employment rights against this new partnership?

Court’s Decision:

1. ****Existence of New Partnership:****

- The Court affirmed that changes in the partnership’s membership resulted in the dissolution of the old partnership (Article 1828 and 1830, Civil Code of the Philippines).

Despite the appearance of a new partnership, the business was continued without formal winding up, creating liabilities for the new partnership.

2. **Assertion of Rights by the Employee:**

- Yu's claim for unpaid salaries and other benefits from the old partnership remained enforceable against the new partnership under Article 1840 of the Civil Code, which states that the creditors of a dissolved partnership are also creditors of the continuing business if the business is carried on without liquidation.
- Yu was not illegally dismissed; instead, his role as Assistant General Manager became redundant. Thus, the Court awarded him separation pay, moral damages due to the hardship he faced, and attorney's fees for the litigation.

Doctrines:

- **Partnership Dissolution and Continuity (Civil Code Articles 1828, 1830, and 1840):** Changes in membership dissolve a partnership, but its business can continue. Creditors of the old partnership can claim against the new partnership operating without liquidation of the old's affairs.
- **Employee Redundancy (Article 283, Labor Code):** An employee can be terminated due to redundancy with entitlement to separation pay, one month's salary per year of service.

Class Notes:

- **Elements of Partnership Dissolution (Civil Code Art. 1828, 1830, 1840):** Dissolution occurs with changes in partners. Business continuation without winding-up makes new partners liable for old partnership debts.
- **Employment Termination (Labor Code Art. 283):** Termination for redundancy is justified with proper notice and entitlement to separation pay.
- **Interest and Attorney's Fees:** Legal interest at 6% per annum on due amounts and attorney's fees when litigation is necessary to enforce worker's rights.

Historical Background:

This case sheds light on the complexities in the transition and continuity of business liabilities when changes occur within a partnership. It illustrates how the Philippine civil and labor law protect individuals' rights (workers in this case) amid these transitions, echoing economic restructuring in the late 1980s Philippines, where businesses were grappling with financial instability, leading to frequent ownership changes.