

****Title:**** Manuela S. Catan / M.S. Catan Placement Agency vs. NLRC, POEA, and Francisco D. Reyes

****Facts:****

Manuela S. Catan Placement Agency (petitioner), a licensed recruitment agency, recruited Francisco D. Reyes (private respondent) to work for Ali and Fahd Shabokshi Group in Saudi Arabia under a one-year employment contract starting May 15, 1981. The contract included an automatic renewal provision unless either party notified the other at least one month prior to the expiration date. The contract renewed automatically when neither party gave notice. Reyes was later assigned as a crusher plant operator.

On March 30, 1983, Reyes suffered a severe injury to his right ankle while operating the crusher plant. He returned to the Philippines on May 15, 1983, after the renewed contract term ended, and underwent surgery and incurred medical expenses. On September 9, 1983, he returned to his job in Saudi Arabia but eventually was repatriated again on May 15, 1984, due to ongoing medical issues. Reyes incurred further medical expenses upon his final return to the Philippines.

Reyes filed a claim for compensation under his employment contract with the Philippine Overseas Employment Administration (POEA), which ruled in his favor, awarding him disability benefits and reimbursement for medical expenses. The National Labor Relations Commission (NLRC) affirmed POEA's decision. Unhappy with the decision, Catan raised the case to the Supreme Court through a special civil action for certiorari, alleging grave abuse of discretion.

****Issues:****

1. Whether the injury to Reyes occurred within the validity of the employment contract, thus making the petitioner liable.
2. Whether Catan can be held jointly and solidarily liable with the foreign principal for the disability benefits due to the injury sustained by Reyes.
3. Whether the NLRC gravely abused its discretion by awarding medical expenses, given the petitioner's argument that Reyes returned to work while not medically fit.

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

1. ****Validity of Employment Contract:****

- The Supreme Court held that Reyes' injury occurred during the valid term of his employment contract, as it was automatically renewed in the absence of termination notice.

Thus, his contract was still effective when he sustained the injury.

2. **Joint and Solidary Liability:**

- The Court reiterated that recruitment agencies and their foreign principals could be held jointly and solidarily liable for violations of employment contracts, according to law and prevailing jurisprudence. It cited the case of Ambraque International Placement & Services v. NLRC, emphasizing the need for employment agencies to fulfill their obligations until the actual expiration of the employment contracts of recruited workers.

3. **Award of Medical Expenses:**

- Regarding the medical expenses, the Court found no merit in the petitioner's argument that Reyes was negligent in returning to work while unfit. There was no concrete evidence to prove that Reyes was unfit to work at the time of his return to Saudi Arabia. Moreover, the agency itself facilitated Reyes's return, which implied a certification of his fitness to work.

Doctrine:

A recruitment agency can be held jointly and solidarily liable with its foreign principal for any breach of the recruitment agreement or employment contracts. This liability persists until the expiration of the employment contract even if the agency-principal agreement has been terminated, as exemplified in Ambraque International Placement & Services v. NLRC.

Class Notes:

1. **Joint and Solidary Liability:**

- Private employment agencies and their foreign principals can be sued jointly and solidarily for breaches of employment contracts.

2. **Automatic Contract Renewal:**

- Employment contracts with automatic renewal clauses remain effective unless proper termination notice is given by either party.

3. **Disability Benefits Under Employment Contracts:**

- Employers (and by extension, their agents) are liable for injuries sustained by employees during the valid term of employment.

4. **Requisites for Agency Liability in Recruitment:**

- According to Section 10 of the rules governing overseas employment, agencies must be fully liable for violations during the employment term.

5. **Termination Notice Requirement:**

- Under Article 1921 of the Civil Code, agency revocation without proper notice does not

affect third parties.

****Historical Background:****

During the early 1980s, the significant outflow of Filipino workers for overseas employment necessitated stringent laws and regulations to protect their welfare. This resulted in the solidary liability rules ensuring that recruitment agencies remained responsible for their recruits, which guarded against exploitative practices by foreign principals. This case exemplifies the application and enforcement of such protective measures for overseas workers.