

**\*\*Title\*\*:** Arsenio T. Mendiola v. Court of Appeals, National Labor Relations Commission, Pacific Forest Resources, Phils., Inc., and Cellmark AB

**\*\*Facts\*\*:**

1. Pacific Forest Resources, Phils., Inc. (Pacfor), a subsidiary of Cellulose Marketing International (Sweden), entered into an agreement with Arsenio T. Mendiola (ATM) in 1995. Under the "Side Agreement on Representative Office," Pacfor established a representative office in the Philippines with ATM as its President.
2. The SEC granted Pacfor a license to operate in the Philippines on July 14, 1995. Pacfor named petitioner ATM as its resident agent.
3. A revised operating agreement in 1997 upped Mendiola's salary to \$78,000 per annum and stated operational expenses and profits would be split equally between Pacfor and ATM.
4. In July 2000, Mendiola sought confirmation of his 50% ownership in Pacfor Phils. Pacfor disclaimed this, stating it was merely a theoretical company for income division.
5. Disputes arose, with Mendiola alleging unpaid commissions and other claims. Pacfor ordered him to turn over company documents, remit client funds, and seize company assets.
6. Pacfor communicated with its clients, instructing them not to deal with Mendiola, which he interpreted as his employment termination.
7. Mendiola filed a complaint for illegal dismissal in February 2001 after efforts to resolve disputes failed.
8. Labor Arbiter ruled in favor of Mendiola, awarding him separation pay, damages, and attorney's fees. Pacfor contested the decision, claiming there was no employer-employee relationship, a stance upheld by the NLRC and later by the Court of Appeals.

**\*\*Issues\*\*:**

1. Whether an employer-employee relationship exists between Mendiola and Pacfor.
2. Whether Mendiola was constructively dismissed.
3. The jurisdiction over the subject matter and the waiver considerations regarding jurisdictional arguments on appeal.

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

1. **\*\*Employer-Employee Relationship\*\*:**

- The Supreme Court held that an employer-employee relationship existed. The key elements: selection and engagement, payment of wages, power of dismissal, and employer's control over the employee's methods and means were met.
- Selection: Pacfor selected and engaged Mendiola as its resident agent.
- Payment: Mendiola received an annual salary from Pacfor.

- Power of dismissal: Pacfor issued memoranda against Mendiola showing control over termination.
- Control: Evidence showed Pacfor exercised control over Mendiola's work, notably through directives regarding business operations and client communications.

2. **Constructive Dismissal**:

- The Court found constructive dismissal. Pacfor's directives deprived Mendiola of his functions, rendering his job unbearable and indicating an intent to sever the relationship.
- Acts such as ordering Mendiola to turn over all records, remit funds, and advise clients to avoid him indicated a systematic stripping of his duties and responsibilities.

3. **Jurisdiction**:

- The Court also ruled that the issue of jurisdiction was appropriately raised considering the existence of an employer-employee relationship under the Labor Code. Hence, labor tribunals had the proper jurisdiction over the case.

**Doctrine**:

- The existence of an employer-employee relationship hinges significantly on the "right of control" test, focusing on whether the employer has the right to control the manner and method by which the work is performed.
- Constructive dismissal occurs when continued employment is made unbearable due to employer actions, compelling the employee to resign.

**Class Notes**:

- **Key Elements - Employment Relationship**:
  - Selection and Engagement: Employer's initiation in hiring.
  - Payment of Wages: Salary or remuneration from employer to employee.
  - Power of Dismissal: Employer's authority to terminate employment.
  - Employer's Control: Supervision over how work duties are performed.
- **Statutory Provisions**:
  - Article 279(b) of the Labor Code: Employer-employee relationship definition.
  - Article 282 of the Labor Code: Grounds for termination by employer.
- **Constructive Dismissal**: Acts by the employer leading to the implied termination due to intolerable working conditions.

**Historical Background**:

- The case occurred in the early 2000s when the Philippine legal framework was increasingly interpreting labor disputes with sensitivity towards worker rights. The emphasis was on genuinely protecting employees from exploitative practices, reflective of broader labor rights movements during the period. The decision accentuates the judiciary's role in ensuring equitable treatment of workers against unjust corporate actions.