

****Title**:** San Miguel Corporation vs. Alfredo Etcuban, et al.

****Facts**:**

1. ****1981-1983**:** San Miguel Corporation (SMC) informed its Mandaue City Brewery employees about suffering heavy losses and financial distress. SMC held several meetings explaining their poor sales performance which necessitated a cut in production and workforce. They offered a “Retrenchment to Prevent Loss Program” and advised employees that availing it would ensure they receive retrenchment benefits easily, while failing to do so might delay separation pay from Manila.
2. ****1981-1983**:** Convinced by SMC’s representations, respondents, who had been employees since the 1960s, availed of the retrenchment program. They received termination letters and separation pay, in return for executing “receipt and release” documents in favor of SMC.
3. ****May 1986**:** Respondents discovered from an SMC publication that the company was not in financial distress but was, in fact, enjoying growth in sales, and was hiring new employees during the retrenchment period. They concluded the retrenchment program was a scheme to avoid paying full benefits.
4. ****October 17, 1988**:** Respondents filed a complaint with the Regional Arbitration Branch No. VII of the National Labor Relations Commission (NLRC) to declare the retrenchment program null. They alleged they were deceived and sought reinstatement, backwages, and damages.
5. ****July 25, 1989**:** The Labor Arbiter dismissed the complaint for prescription, stating under Article 291 of the New Labor Code, the causes of action had prescribed.
6. ****December 20, 1990**:** NLRC dismissed respondents’ appeal, affirming the Labor Arbiter’s decision.
7. ****December 14, 1993**:** Respondents filed a complaint in Regional Trial Court of Cebu City, claiming the retrenchment contract was invalid due to SMC’s deceit, seeking damages.
8. ****June 21, 1994**:** RTC dismissed the complaint on grounds of lack of jurisdiction and prescription.
9. ****Appeal to CA**:** Respondents appealed to the Court of Appeals (CA).
10. ****May 16, 1996**:** CA reversed the RTC decision, ruling the case was a civil dispute over a void contract, thus within RTC’s jurisdiction and not prescribed.
11. ****SMC’s Certiorari**:** SMC filed a petition for review on certiorari with the Supreme Court, challenging the CA’s decision.

****Issues**:**

1. Whether the Regional Trial Court has jurisdiction over the complaint.

2. Whether the respondents' cause of action had prescribed.
3. Whether the earlier dismissal by the NLRC constituted res judicata.

Court's Decision:

1. **Jurisdiction:** The Supreme Court ruled that the case falls under the jurisdiction of the labor courts as it fundamentally involves an employer-employee relationship. The claim for damages from being deceived into retrenchment is inherently a labor issue covered under Article 217 of the Labor Code.
2. **Prescription:** The action to annul a voidable contract based on fraud should be filed within four (4) years from the discovery of the fraud. Respondents discovered the fraud in May 1986 but filed the court action only in December 1993, hence the action had prescribed.
3. **Res Judicata:** Since the jurisdiction and prescription issues were dispositive, the Court did not address the issue of res judicata.

Doctrine:

- Claims involving employer-employee relations, even those framed as civil law actions for nullity of a contract, fall within the jurisdiction of labor courts if there is a reasonable causal connection.
- An action based on fraud must be brought within four (4) years from discovery for contracts that are voidable due to vitiated consent.
- The principle that an illegally dismissed employee can seek redress in labor courts for both labor and civil claims arising from the same cause of action.

Class Notes:

- **Key Elements:**
 - Employer-Employee Relationship Jurisdiction: Under Article 217 of the Labor Code.
 - Prescription of Claims: Article 291 of the New Labor Code, and Article 1391 of the Civil Code.
 - Void vs. Voidable Contracts: Article 1338 of the Civil Code (deceit/fraud); Article 1409 and 1410 (inexistent cause); Article 1391 (action for annulment due to fraud).
- **Statutes Explained:**
 - **Article 217, Labor Code:** Defines jurisdiction of labor arbiters including cases of termination disputes, claims for damages due to employer-employee relations.
 - **Article 291, Labor Code:** Prescribes a three-year period for money claims arising from employer-employee relations.
 - **Article 1391, Civil Code:** Timeframe for annulment actions.

****Historical Background**:**

During the 1980s, labor disputes and organizational restructuring were common as companies faced economic pressures. San Miguel Corporation, one of the largest companies in the Philippines, was involved in several labor disputes owing to its large workforce, especially regarding terms of employment and benefits. This context highlights the tension between labor rights and corporate strategies during an economically challenging era.