

Title: Innodata Philippines, Inc. v. Jocelyn L. Quejada-Lopez and Estella G. Natividad-Pascual, G.R. No. 156277, November 24, 2006

Facts:

1. **Employment History**: Estrella G. Natividad and Jocelyn L. Quejada were employed as formatters by Innodata Philippines, Inc. from March 4, 1997, until their separation on March 3, 1998.
2. **Claims and Complaint**: Natividad and Quejada argued that their work was necessary and desirable to the usual business of Innodata and that they were regular employees under Article 280 of the Labor Code. They filed a complaint for illegal dismissal, damages, and attorney's fees against Innodata Philippines, Inc., Innodata Processing Corporation, and Todd Solomon.
3. **Labor Arbiter Decision**: Labor Arbiter Donato G. Quinto ruled in favor of the complainants, ordering their reinstatement with back wages amounting to P112,535.28 each and joint payment of attorney's fees equivalent to 10% of their respective awards.
4. **NLRC Appeal and Decision**: Innodata appealed to the National Labor Relations Commission (NLRC), which reversed the Labor Arbiter's decision, holding that the fixed-term contract was valid, and dismissed the complaint.
5. **Court of Appeals**: Natividad and Quejada elevated the case to the Court of Appeals (CA), which ruled that they were regular employees and reinstated the Labor Arbiter's decision, considering the fixed-term contract as an attempt to circumvent their right to security of tenure.

Issues:

1. **Validity of Fixed-Term Employment Contracts**: Whether fixed-term employment contracts between Innodata and the respondents are valid.
2. **Nature of Employment**: Whether the employment of the respondents should be considered regular given the nature of their work.
3. **Circumvention of Security of Tenure**: Whether the purported fixed-term contract was a guise to prevent the respondents from attaining regular employee status.

Court's Decision:

1. Validity of Fixed-Term Employment Contracts:

- The Supreme Court acknowledged that while fixed-term employment contracts are generally valid, such contracts should not be used to avoid the acquisition of security of tenure by employees.
- The Court found that Innodata's contracts, despite being reworded, continued to present a

scheme similar to what was found objectionable in previous cases (Villanueva and Servidad).

****2. Nature of Employment**:**

- The Court emphasized that employment which is necessary and desirable in the usual trade or business of the employer, as in the case of data processing/conversion here, renders the employees regular.

****3. Circumvention of Security of Tenure**:**

- The Supreme Court struck down the employment contracts because the provisions, particularly Paragraph 7.4, still effectively granted probationary periods within a fixed-term contract scheme, intended to block the attainment of tenurial security.
- Regularity of employment cannot be negated by merely creating fixed-term contracts, especially where the nature of employment is related to the main business of the employer.

Doctrine:

Contracts of employment cannot be used to circumvent the policy on security of tenure. Fixed-term contracts that effectively enforce probationary periods contradict this policy and are considered void.

Class Notes:

****Key Concepts**:**

1. ****Fixed-Term Employment****: Valid but not when used to inhibit regularization.
2. ****Security of Tenure****: Employees hired for work necessary and desirable to the business are considered regular employees.
3. ****Article 280, Labor Code****: Employs presumptions concerning the nature of employment based on the character of the job.

****Statutory References**:**

- ****Labor Code of the Philippines, Article 280****: Defines regular and casual employment.
- ****Civil Code, Article 1700****: Mandates that labor contracts align with public interest and labor laws.
- ****Philippine Constitution****: Ensures security of tenure as a fundamental right.

Historical Background:

This case continues the judicial scrutiny on employment contracts reflecting fixed-term schemes designed to prevent employees from obtaining regular status. It is set against a backdrop of evolving labor jurisprudence in the Philippines that seeks to balance the interests of business flexibility and employee rights. The decision reaffirmed established

precedents (Villanueva and Servidad) and reinforced the interpretation that employment relationships should reflect substantive, not merely formal, compliance with labor protections.