

Title: Philippine National Construction Corporation vs. National Labor Relations Commission, Philippine Overseas Employment Administration, and Ruben S. Buan

Facts:

On May 22, 1979, Romeo Buan was hired by the Philippine National Construction Corporation (PNCC) as a Civil Engineer III to work in Saudi Arabia under a two-year contract with a monthly salary of US\$1,024. The project involved the Mecca Stormwater Drainage, where PNCC was a subcontractor under the main contractor, Saudi Research and Development Corporation (REDEC).

After completing his first contract term, Buan signed another two-year contract with PNCC as a Senior Engineer with an increased monthly salary of US\$1,350. His contract specified that PNCC would handle visa and permit requirements, but cancellation could occur if the renewal of work permits was denied by relevant authorities.

On August 21, 1981, Buan arrived in Saudi Arabia on a REDEC-sponsored re-entry visa. However, his Residence and Work Permit (Iqama) expired by September 1, 1981. PNCC requested renewal, but REDEC refused, signaling dissatisfaction with Buan's performance, unintentionally leading to his repatriation on November 26, 1981.

Buan filed a complaint against PNCC for breach of contract or illegal dismissal before the Philippine Overseas Employment Administration (POEA), which ruled in his favor, ordering PNCC to compensate him for the Philippines currency equivalent of US\$28,080, along with attorney's fees. The PNCC appealed to the National Labor Relations Commission (NLRC), which upheld POEA's decision with modifications, granting Buan pay equivalent to fifteen months of salary.

Subsequently, PNCC submitted a Petition for Certiorari with the Supreme Court, arguing improper breach-of-contract liability.

Issues:

1. Whether the NLRC erred in holding PNCC liable for breach of contract when contract termination was due to events not anticipated by the parties.
2. Whether NLRC's decision contradicted Saudi Arabian labor laws and sanctions illegal employment conditions involving non-renewal of work permits.
3. Whether the NLRC's attorney's fees award was an abuse of discretion.

Court's Decision:

1. **Breach of Contract**:

The Supreme Court found that PNCC was not liable for breach of contract. The refusal by REDEC, which was necessary for the issuance of Iqama, fell under a condition specified in the contract, leading to its cancellation. The Court saw non-renewal of Buan's work permit as a legal impossibility that released PNCC of liability.

2. **Saudi Arabian Law**:

The Court recognized the incompatibility between Philippine labor laws and Saudi Arabian legal requirements for foreign work permits. Under Saudi law, REDEC was the necessary sponsor for Buan's work permit, emphasizing PNCC's constraints and lack of official standing in Saudi Arabia.

3. **Attorney's Fees**:

The Court found no justification for the award of attorney's fees, as PNCC acted without malice or bad faith.

Doctrine:

A key doctrine from the resolution values the principle of legal impossibility amidst international contracts. Under Article 1266 of the Civil Code, an obligor is released from obligations when performance becomes legally or physically impossible without the obligor's fault. In cases where foreign laws critically impact contract implementation, host country legal requirements prevail, particularly where international workers' permits are involved.

Class Notes:

- **Legal Impossibility**: When performance under contract becomes impossible due to external legal constraints (Art. 1266, Civil Code).
- **Dependency on Foreign Laws**: Overseas employment contracts are subject to host country laws; employers must adapt to and comply with such legal contexts.
- **Contractual Conditions**: Conditions in contracts must be clearly understood, especially resolutive clauses, which lead to contract termination upon certain unmet conditions.

Historical Background:

This case occurs during a period when overseas contractual employment was increasingly significant for Filipino labor export. Mobilization policies by the Philippine government sought to safely manage the legality and rights of overseas workers, though managing conflicts between foreign laws and domestic expectations created legal challenges for

contracting parties. The case underscores complexities when foreign legal systems intersect with local labor policies, highlighting gaps between employers and overseas contractual obligations.