

TALISAY-SILAY MILLING CO., INC. AND J. AMADO ARANETA, PETITIONERS, VS. THE COURT OF INDUSTRIAL RELATIONS AND CENTRAL AZUCARERA OB-DANAO, RESPONDENTS.

G.R. No. L-21582. November 29, 1966

Ponente: REGALA, J.

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REGALA, J.:

Talisay-Silay Milling Co. and J. Amado Araneta filed this petition for certiorari to test the power of the Court of Industrial Relations to take cognizance of a third party complaint filed against them by the Central Azucarera del Danao in view of the absence of employer-employee relationship between the parties.

Talisay-Silay Milling Co., of which J. Amado Araneta is the president, was, prior to March 3, 1960, the owner of 2,689 shares of stock, which represent 93 per cent of the paid up capital stock, of the respondent Central Azucarera del Danao. On that date, it transferred its stockholding to the Philippine National Bank in exchange for a number of shares of stock of the Bacolod Murcia Milling Co. and of the Ma-ao Sugar Central which the PNB held in those centrals.

The exchange was part of an agreement signed by Talisay-Silay Milling Co., the respondent Central Azucarera del Danao and the Philippine National Bank in settlement of several cases pending in court between respondent Central Azucarera del Danao and the PNB. With respect to pending obligations of the respondent Central Azucarera del Danao, the agreement provided :

"9) That all obligations of Central Azucarera del Danao incurred before the date of this Agreement but not those incurred by the Bank during the period when the Central Azucarera del Danao was under the management of the BANK, in favor of trade creditors for supplies, equipment, full and spare parts outstanding in the books, of Danao shall be listed and itemized, and only such items as are approved and acknowledged by the BANK shall be considered as legitimately incurred and due for payment by Danao;

"This provision, however, shall not apply to Central Azucarera del Danao's account with the Philippine National Bank and the Development Bank of the Philippines (formerly R.F.C.), full responsibility for which shall remain with Central Azucarera del Danao;

"10) That any or all obligations purporting to be of Central Azucarera del Danao but not appearing in the books thereof nor acknowledged as in paragraph 9 above shall be borne and paid for by Talisay-Silay Central and/or Mr. J. Amado Araneta.

Shortly after the conclusion of this agreement, the Negros Occidental Federation of Labor and some of its members filed a complaint in the Court of Industrial Relations, charging the respondent central with unfair labor practice. They alleged that the individual complainants were employed at the respondent central but that in September of 1953 they were dismissed for refusing to join a rival union. The complainants, therefore, asked the court to order the reinstatement of the dismissed employees "under the same terms and conditions of employment."

Respondent central in turn filed a third party complaint against petitioners on the ground that the unfair labor practices denounced by the union were allegedly committed at the time when petitioners were in control of the respondent central and, therefore, were the sole responsibility of the petitioners. It also averred that in accordance with the provisions of the agreement as quoted above, the resulting claims for backpay should be made against the petitioner.

The petitioners questioned the jurisdiction of the court on the ground that there was no employer-employee relationship between them and the respondent central. Nevertheless, the court assumed jurisdiction of the third party complaint and denied petitioners' motion for reconsideration. Hence, this petition for certiorari. We gave due course to the petition and granted injunction in this case on July 24, 1963.

We have indeed held in a number of cases that for the Court of Industrial Relations to acquire jurisdiction over a case, (1) there must be an employer-employee relationship between the parties or a claim for reinstatement; and (2) the controversy must relate to a case certified by the President to the Court of Industrial Relations as involving national interest, or must have a bearing on an unfair labor practice charge, or must arise either under the Eight-Hour Labor Law or under the Minimum Wage Law. (E.g., *Compos v. Manila Railroad Co.*, G. R. No. L-17905, May 25, 1962; *Sy Huan v. Bautista*, G. R. No. L-16115, August 29, 1961) It is not, however, necessary that these requisites concur in order that a defendant may be able to file a third party complaint in the Court of Industrial Relations, where the latter court has already acquired jurisdiction over the main case, for the third party complaint is but a continuation of the main action, its purpose being merely to seek "contribution, indemnity, subrogation or any other relief, in respect of his opponent's claim." (Rule 6, sec. 12) The aim is to avoid two actions which should be tried together to save the time and cost of a reduplication of evidence, to obtain consistent results from identical or similar evidence, and to do away with the serious handicap to a defendant of a time difference between a judgment against him and a judgment in his favor against the third party defendant. (*Metzger v. Breeze Corp.*, 37 F. Supp. 693, 695 [1941]; *Brandt v. Olson*, 179 F. Supp. 363 [1959])

Thus it has been held that "where a [Federal] court has jurisdiction of a claim and the parties in the principal action, it generally has jurisdiction also of a suit or proceeding which is a continuation of or incidental and ancillary to the principal action, even though it might not have jurisdiction of the ancillary proceeding if it were an independent and original action or proceeding. The jurisdiction of the ancillary suit or proceeding is referable to or dependent upon the jurisdiction of the court over the principal suit or proceeding." (*United States v. Accord*, 209 F.2d 709 [1954] *Accord, Morrel v. United Airline Transport Corp.*, 29 F. Supp. 757 [1939])

Petitioners urge that a rule similar to the rule on counterclaims be adopted. But a third party complaint cannot be likened to a counterclaim which must be within the jurisdiction of the court trying the main case, because unlike a third party complaint, a counterclaim is itself a distinct and independent cause of action. Indeed, the Rules of Court state that a counterclaim "need not diminish or defeat the recovery sought by the opposing party, but may claim relief exceeding in amount or different in kind from that sought in the opposing party's claim." (Rule 6, sec. 6) A third party complaint may likewise be likened to a cross claim under Rule 9, section 5. (*City of Boston v. Boston Edison Co.*, 260 F.2d 872 [1958]) The principle is at once apparent, namely, that where an action is ancillary to a main action over which a court has jurisdiction, no independent jurisdiction is needed to enable the court to take cognizance of the ancillary action.

WHEREFORE, the petition is denied and the injunction issued is hereby dissolved, with costs against petitioners.

Concepcion, C.J., Makalintal, Bengzon, J. P., Zaldivar, Sanchez and Ruiz Castro, JJ., concur.

Reyes, J.B.L., J., in the result.

Barrera, J., took no part.

Dizon, J., reserves his vote.

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