

LINGKOD MANGGAGAWA SA RUBBERWORLD, ADIDAS-ANGLO, ITS OFFICERS AND MEMBERS AS REPRESENTED BY SONIA ESPERANZA, PETITIONERS, VS. RUBBERWORLD (PHILS.) INC. AND ANTONIO YANG, LAYA MA...

G.R. NO. 153882. January 29, 2007

Ponente: GARCIA, J.

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GARCIA, J.

Assailed and sought to be set aside in this petition for review under Rule 45 of the Rules of Court is the Decision[1] dated January 18, 2002 of the Court of Appeals (CA) in CA-G.R. SP No. 53356, as reiterated in its Resolution[2] of June 5, 2002, denying the petitioners' motion for reconsideration. The assailed CA decision annulled and set aside an earlier decision of the Labor Arbiter, as well as the resolution/order and writ of execution issued by the National Labor Relations Commission (NLRC) in a labor dispute between the petitioners and the respondents over which a suspension order had been issued by the Securities and Exchange Commission (SEC).

Petitioner Lingkod Manggagawa sa Rubberworld, Adidas-Anglo is a legitimate labor union whose members were employees of the principal respondent, Rubberworld Philippines, Inc.(Rubberworld, for short), a domestic corporation engaged in the manufacture of footwear, bags and garments.

The facts:

On August 26, 1994, Rubberworld filed with the Department of Labor and Employment (DOLE) a Notice of Temporary Partial Shutdown due to severe financial crisis, therein announcing the formal actual company shutdown to take effect on September 26, 1994. A copy of said notice was served on the recognized labor union of Rubberworld, the Bisig Pagkakaisa-NAFLU, the union with which the corporation had a collective bargaining agreement.

On September 1, 1994, Bisig Pagkakaisa-NAFLU staged a strike. It set up a picket line in front of the premises of Rubberworld and even welded its gate. As a result, Rubberworld's premises closed prematurely even before the date set for the start of its temporary partial shutdown.

On September 9, 1994, herein petitioner union, the Lingkod Manggagawa Sa Rubberworld, Adidas-Anglo (Lingkod, for brevity), represented by its President, Sonia Esperanza, filed a complaint against Rubberworld and its Vice Chairperson, Mr. Antonio Yang, for unfair labor practice (ULP), illegal shutdown, and non-payment of salaries and separation pay. In its complaint, docketed as NLRC-NCR-Case No. 00-09-06637 (hereinafter referred to as ULP Case, for brevity), petitioner union alleged that it had filed a petition for certification election during the freedom period, which petition was granted by the DOLE Regional Director. In the same complaint, petitioner union claimed that the strike staged by Bisig Pagkakaisa-NAFLU was company-instigated/supported. The said complaint was referred to Labor Arbiter Ernesto Dinopol for appropriate action.

On November 22, 1994, while the aforementioned complaint was pending with Labor Arbiter Dinopol, Rubberworld filed with the SEC a Petition for Declaration of a State of Suspension of Payments with Proposed Rehabilitation Plan. The petition, docketed as SEC Case No. 11-94-4920, was granted by the SEC in its Order[3] dated December 28, 1994, to wit:

Accordingly, with the creation of the Management Committee, all actions for claims against Rubberworld Philippines, Inc. pending before any court, tribunal, office, board, body, Commission or sheriff are hereby deemed SUSPENDED.

Consequently, all pending incidents for preliminary injunctions, writ of attachments, foreclosures and the like are hereby rendered moot and academic.

SO ORDERED.

Notwithstanding the SEC's aforementioned suspension order and despite Rubberworld's submission on January 10, 1995 of a Motion to Suspend Proceedings,[4] Labor Arbiter Dinopol went ahead with the ULP case and rendered his decision[5] thereon on August 16, 1995, saying in part, thus:

x x x [I]t is crystal clear that the SEC Order notwithstanding, Labor Arbiters and the National Labor Relations Commission should not abdicate the jurisdiction which Article 217 of the Labor Code has conferred upon them subject to the condition that awards, if any, should be presented to the Management Committee for processing and payment,

and disposing as follows:

WHEREFORE, decision is hereby rendered:

- 1) denying respondents motion to suspend proceedings;
- 2) declaring respondent Rubberworld Phils., Inc. to have committed unfair labor practice;
- 3) declaring the temporary shutdown to have been officially ended as of March 26, 1995;
- 4) ordering respondent Rubberworld Phils., Inc. to reinstate complainant-Union's members who indicate their intention to be so reinstated within one month from the receipt of this decision by complainants' counsel;
- 5) ordering respondent Rubberworld Phils., Inc. to pay the members of the complainant-Union their backwages computed from April 26, 1995 and separation pay if reinstatement is no longer possible plus 10% of the total award of attorney's.

For purposes of quantifying the backwages and separation pay, and identifying the recipients thereof, Mr. Ricardo Atienza of the Research and Information Unit of this Commission is hereby directed to proceed to the office of the respondent Rubberworld whose responsible officers are ordered to allow Mr. Atienza or his representative access to such records as may be necessary and render a report thereon within 30 days from his receipt of this Decision.

For purposes of any appeal, the appeal bond is tentatively set at P500,000.00.

SO ORDERED.

On September 21, 1995, Rubberworld went on appeal to the NLRC, posting therefor a temporary appeal bond in the amount of P500,000.00 as tentatively fixed by the Labor Arbiter. Meanwhile, on October 10, 1995, Ricardo Atienza of the NLRC's Research and Information Unit submitted his report on the computation of the monetary

awards, as ordered by the Labor Arbiter. He came out with the total amount of Twenty Seven Million Five Hundred Six Thousand and Two Hundred Fifty-Five Pesos and 70/100 (P27,506,255.70). Despite Rubberworld's vigorous opposition, the First Division of the NLRC, in its Order[6] of January 22, 1996, required the corporation to post an appeal bond in an amount equivalent to Mr. Atienza's computation, with a warning that failure to do so shall result in the dismissal of its appeal for non-perfection, thus:

Accordingly, respondents-appellants are hereby directed to upgrade or complete their Appeal Bond in the amount equivalent to Twenty Seven Million Five Hundred Six Thousand Two Hundred Fifty-Five Pesos and 70/100 (P27,506,255.70) pursuant to the award as computed by Ricardo O. Atienza within ten (10) days from receipt of this Order.

Failure of the respondents-appellants to comply with this directive will give this Commission no choice but to dismiss their appeal for non-perfection thereof.

Its motion for reconsideration of the same Order having been denied by the NLRC in its Resolution[7] of March 29, 1996, Rubberworld directly went to this Court on a Petition for Certiorari,[8] interposing the sole issue of whether or not the NLRC acted without or in excess of jurisdiction or with grave abuse of discretion amounting to lack or excess of jurisdiction in requiring the corporation to post the upgraded appeal bond of P27,506,255.70 based on the computation of Mr. Atienza.

Meanwhile, on account of Rubberworld's failure to upgrade or complete its appeal bond as indicated in the NLRC's January 22, 1996 Order, the Commission, in a decision[9] dated June 28, 1996, did dismiss Rubberworld's appeal. Owing to this development, Rubberworld filed with the Court a Supplemental Petition for Certiorari,[10] therein incorporating its challenge to the said dismissal order of the NLRC, contending that the labor tribunal acted without or in excess of jurisdiction.

On April 22, 1998, the SEC issued an Order[11] declaring Rubberworld as dissolved and lifting its earlier suspension order, to wit:

Finding that the continuance in business [of Rubberworld] would neither be feasible/profitable nor work to the best of interest of the stockholders, parties-litigants, creditors, or the general public, xxx Rubberworld Philippines, Inc. is hereby DISSOLVED under Section 6(d) of P.D. 902-A. Accordingly, the suspension Order is LIFTED.

The Laya Mananghaya Salgado & Co., CPA's is hereby appointed as liquidator to effect the dissolution of the petitioner.

SO ORDERED.

On August 18, 1995, a writ of execution[12] was issued by the NLRC in favor of the petitioner union with a copy thereof served on the respondent corporation. Faced with this dilemma, Rubberworld filed with the Court an Urgent Omnibus Motion to declare null and void the execution/garnishment made pursuant to the same writ. The motion, however, was denied by the Court in its Resolution of November 18, 1998.

On February 8, 1999, Rubberworld filed with the Court a Motion to Admit its Amended Petition for Certiorari[13] and its Supplement,[14] alleging therein that pursuant to the SEC Order dated December 28, 1994, *supra*, the proceedings before the Labor Arbiter should have been suspended. Hence, since the Labor Arbiter disregarded the SEC's suspension order, the subsequent proceedings before it were null and void.

Consistent with its ruling in *St. Martin Funeral Homes v. NLRC*,[15] the Court, in its Resolution of February 29, 1999, referred Rubberworld's amended petition for certiorari and its supplement to the CA for appropriate action, whereat it was docketed as CA- G.R. SP No. 53356.

For its part, the CA, in its Resolution[16] of May 11, 2000, over the vehement opposition of the petitioner union, resolved to admit Rubberworld's aforementioned amended petition and the supplement thereto "in the interest of justice."

Eventually, in the herein assailed Decision[17] dated January 18, 2002, the CA granted Rubberworld's petition in CA-G.R. SP. No. 53356 on the finding that the Labor Arbiter had indeed committed grave abuse of discretion when it proceeded with the ULP case despite the SEC's suspension order of December 28, 1994, and accordingly declared the proceedings before it, including the subsequent orders by the NLRC dismissing Rubberworld's appeal and the writ of execution, null and void.

With their motion for reconsideration having been denied in the CA in its Resolution[18] of June 5, 2002, petitioners are now with the Court via the instant recourse, raising the following issues:

- 1) Whether the CA had committed grave abuse of discretion amounting to lack of jurisdiction or an excess in the exercise thereof when it gave due course to the petition filed by Rubberworld (Phils.), Inc. and annulled and set aside the decisions rendered by the labor arbiter a quo and the NLRC, when the said decisions had become final and executory warranting the outright dismissal of the aforesaid petition;
- 2) Whether the CA had committed grave abuse of discretion and reversible error when it applied Section 5(d) and Section 6 (c) of P.D. No. 902-A, as amended, to the case at bar;
- 3) Whether the CA had committed reversible error when it adopted and applied the rulings in the cases of Rubberworld (Phils.), Inc., or Julie Yap Ong v. NLRC, Marilyn F. Arellano, et. al.[19] and Rubberworld (Phils.), Inc. and Julie Y. Ong v. NLRC, Aquino Magsalin, et. al.[20] to the case at bar.

We DENY.

It is the petitioners' submission that the decision of the Labor Arbiter, the affirmatory decision of the NLRC and the latter's dismissal of Rubberworld's appeal, as well the writ of execution subsequently issued, can no longer be annulled and set aside, the same having all become final and executory. Additionally, petitioners argue that no appeal from the decision of the Labor Arbiter was ever perfected due to Rubberworld's failure to upgrade or post additional bond as ordered by the NLRC. Hence, they submit that the CA acted in grave abuse of discretion in even giving due course to Rubberworld's petition in CA-G.R. SP No. 53356, let alone rendering a decision thereon annulling and setting aside the proceedings before the Labor Arbiter and the NLRC's dismissal of Rubberworld's appeal and the writ of execution issued following the dismissal of said appeal.

The Court disagrees.

While posting an appeal bond is indeed a requirement for the perfection of an appeal from the decision of the Labor Arbiter to the NLRC, Rubberworld's failure to upgrade its appeal bond cannot bar, in this particular instance, the review by the CA of the lower court proceedings.

Given the factual milieu obtaining in this case, it cannot be said that the decision of the Labor Arbiter, or the decision/dismissal order and writ of execution issued by the NLRC, could ever attain final and executory status. The Labor Arbiter completely disregarded and violated Section 6(c) of Presidential Decree 902-A, as amended, which categorically mandates the suspension of all actions for claims against a corporation placed under a management committee by the SEC. Thus, the proceedings before the Labor Arbiter and the order and writ subsequently issued by the NLRC are all null and void for having been undertaken or issued in violation of the SEC suspension Order dated December 28, 1994. As such, the Labor Arbiter's decision, including the dismissal by the NLRC of Rubberworl's appeal, could not have achieved a final and executory status.

Acts executed against the provisions of mandatory or prohibitory laws shall be void, except when the law itself authorizes their validity.[21] The Labor Arbiter's decision in this case is void ab initio, and therefore, non-existent.[22] A void judgment is in effect no judgment at all. No rights are divested by it nor obtained from it. Being worthless in itself, all proceedings upon which the judgment is founded are equally worthless. It neither binds nor bars anyone. All acts performed under it and all claims flowing out of it are void.[23] In other words, a void judgment is regarded as a nullity, and the situation is the same as it would be if there were no judgment. It accordingly leaves the party-litigants in the same position they were in before the trial.[24]

In fact, it is immaterial whether an appeal from the Labor Arbiter's decision was perfected or not, since a judgment void ab initio is non-existent and cannot acquire finality.[25] The judgment is vulnerable to attack even when no appeal has been taken. Hence, such judgment does not become final in the sense of depriving a party of his right to question its validity.[26] Hence, no grave abuse of discretion attended the CA's taking cognizance of the petition in CA-G.R. SP No. 53356.

Besides, the Labor Arbiter, by simultaneously ruling in his decision of August 16, 1995 on both the merits of the ULP case and the motion of Rubberworld to suspend the proceedings thereon, effectively required the respondent corporation to post a surety bond before the same respondent could have questioned the arbiter's action in not suspending the proceedings before him.

A bond is only mandatory from an appeal of the decision itself on the merits of the laborers' money claims to ensure payment thereof. Had the Labor Arbiter taken heed of Rubberworld's motion to suspend proceedings when that motion was filed, and ruled upon it separately, no bond would have been required for a review of his resolution thereon. As it were, the Labor Arbiter chose to continue to decide the main case, then to incorporate in his decision the denial of Rubberworld's motion to suspend proceedings, thereby effectively requiring a bond on a question which would not have ordinarily required one.

We shall now address the more substantial issue in this case, namely, the applicability of the provisions of Section 5 (d) and Section 6 (c) of P.D. No. 902-A, as amended, reorganizing the SEC, vesting it with additional powers and placing it under the Office of the President, which respectively read:

Section 5. In addition to the regulatory adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

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d) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities, but is under the management of a rehabilitation receiver or management committee created pursuant to this Decree.

Section 6. In order to effectively exercise such jurisdiction, the Commission shall possess the following powers:

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c) To appoint one or more receivers of the property, real or personal, which is the subject of the action pending before the Commission in accordance with the pertinent provisions of the Rules of Court in such other cases whenever necessary in order to preserve the rights of the parties-litigants and/or protect the interest of the investing public and creditors: x x x Provided, finally, That upon appointment of a management committee, the

rehabilitation receiver, board or body, pursuant to this Decree, all actions for claims against corporations, partnerships, or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly. [Emphasis supplied]

As correctly ruled by the CA, the issue of applicability in labor cases of the aforequoted provisions of PD 902-A, as amended, had already been resolved by this Court in its earlier decisions in *Rubberworld (Phils.), Inc., or Julie Yap Ong v. NLRC, Marilyn F. Arellano, et. al.*[27] and *Rubberworld (Phils.), Inc. and Julie Y. Ong v. NLRC, Aquino, Magsalin, et. al.*[28] *supra*.

In the first *Rubberworld* case, the Court upheld the applicability of PD 902-A to labor cases pursuant to Section 5(d) and Section 6(c) thereof, with the following pronouncements:

It is plain from the foregoing provisions of the law that “upon the appointment [by the SEC] of a management committee or a rehabilitation receiver,” all actions for claims against the corporation pending before any court, tribunal or board shall ipso jure be suspended. The justification for the automatic stay of all pending actions for claims “is to enable the management committee or the rehabilitation receiver to effectively exercise its/his powers free from any judicial or extra-judicial interference that might unduly hinder or prevent the rescue of the debtor company. To allow such other actions to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation.”[29]

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x x x The law is clear: upon the creation of a management committee or the appointment of a rehabilitation receiver, all claims for actions “shall be suspended accordingly.” No exception in favor of labor claims is mentioned in the law. Since the law makes no distinction or exemptions, neither should this Court. *Ubi lex non distinguit nec nos distinguere debemos*. Allowing labor cases to proceed clearly defeats the purpose of the automatic stay and severely encumbers the management committee's time and resources. The said committee would need to defend against these suits, to the detriment of its primary and urgent duty to work towards rehabilitating the corporation and making it viable again. To rule otherwise would open the floodgates to other similarly situated claimants and forestall if not defeat the rescue efforts. Besides, even if the NLRC awards the claims of private respondents, its ruling could not be enforced as long as the petitioner is under the management committee.[30]

In *Chua v. National Labor Relations Commission*, we ruled that labor claims cannot proceed independently of a bankruptcy liquidation proceeding, since these claims “would spawn needless controversy, delays, and confusion.”[31] With more reason, allowing labor claims to continue in spite of a SEC suspension order in a rehabilitation case would merely lead to such results.

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Article 217 of the Labor Code should be construed not in isolation but in harmony with PD 902-A, according to the basic rule in statutory construction that implied repeals are not favored.[32] Indeed, it is axiomatic that each and every statute must be construed in a way that would avoid conflict with existing laws. True, the NLRC has the power to hear and decide labor disputes, but such authority is deemed suspended when PD 902-A is put into effect by the Securities and Exchange Commission. [Emphasis supplied]

The second *Rubberworld* case reiterates the above pronouncements of the Court:

Presidential Decree No. 902-A is clear that “all actions for claims against corporations, partnerships or

associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.” The law did not make any exception in favor of labor claims.

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Thus, when NLRC proceeded to decide the case despite the SEC suspension order, the NLRC acted without or in excess of its jurisdiction to hear and decide cases. As a consequence, any resolution, decision or order that it rendered or issued without jurisdiction is a nullity. [Emphasis supplied]

Petitioners argue, however, that the doctrines laid down in the two aforecited cases cannot be made to apply to the instant controversy because the SEC order therein only mandates that all pending cases against Rubberworld Philippines, Inc. should be deemed suspended. Petitioners contend that the decision of the Labor Arbiter in the present case, as well the order of dismissal and writ of execution issued by NLRC, have become final and executory by reason of Rubberworld’s failure to perfect its appeal by not upgrading or completing the required cash or surety bond as ordained by the NLRC. Petitioners thus conclude that the doctrine of stare decisis cannot apply to the instant case.

Petitioners are in error.

It is incontrovertible that the denial of Rubberworld’s motion to suspend proceedings in the principal case was incorporated in the decision of the Labor Arbiter. Obviously, then, the Labor Arbiter’s decision of August 16, 1995 was rendered at a time when Lingkod’s complaint against Rubberworld in NLRC-NCR-Case No. 00-09-06637-94 ought to have been suspended.

In short, at the time the SEC issued its suspension Order of December 28, 1994, the proceedings before the Labor Arbiter were still very much pending. As such, no final and executory decision could have validly emanated therefrom. Like the CA, we do not see any reason why the doctrine of stare decisis will not apply to this case.

For being well-grounded in fact and law, the assailed CA decision and resolution in CA-G.R. SP No. 53356 cannot be said to have been tainted with grave abuse of discretion or issued in excess or want of jurisdiction. We find no reason to overturn such rulings.

WHEREFORE, the instant petition is DENIED and the assailed decision and resolution of the CA are AFFIRMED.

Costs against the petitioner.

SO ORDERED.

CANCIO C. GARCIA

Associate Justice

WE CONCUR:

REYNATO S. PUNO

Chief Justice

Chairperson

ANGELINA SANDOVAL-GUTIERREZ

Associate Justice

RENATO C. CORONA

Associate Justice

ADOLFO S. AZCUNA

Associate Justice

[1] Penned by Associate Justice Rebecca De Guia-Salvador, with Associate Justices Eugenio S. Labitoria (now ret.) and Teodoro P. Regino (now ret.), concurring; Rollo, pp. 98-106.

[2] Id. at 108-112.

[3] Id. at 186-190.

[4] Id. at 141-144.

[5] Id. at 146-157.

[6] Id. at 239-242.

[7] Id. at 244-249.

[8] Id. at 255-270.

[9] Id. at 251-254.

[10] Id. at 275-283.

[11] Id. at 202.

[12] Id. at 158-164.

[13] Rollo, pp. 319-357.

[14] Id. at 357-388.

[15] G.R. No. 130866, September 16, 1998, 295 SCRA 494.

[16] Rollo, pp. 390-391.

[17] Supra note 1.

[18] Supra note 2.

[19] G.R. No. 126773, April 14, 1999, 305 SCRA 721.

[20] G.R. No. 128003, July 26, 2000, 336 SCRA 433.

[21] Article 5, The Civil Code; *Buyco v. Philippine National Bank*, 112 Phil. 588.

[22] *Barde v. Posiquit*, G.R. No. L-29445, August 15, 1988, 164 SCRA 304.

[23] *Comia v. Nicolas*, G.R. No. L-26079, September 30, 1969, 29 SCRA 492 citing *Chavez v. Court of Appeals*, 24 SCRA 663, 685 and *Gomez v. Concepcion*, 47 Phil 717, 712.

[24] *Metropolitan Waterworks & Sewerage System v. Sison*, G.R. No. L-40309, August 31, 1983, 124 SCRA 394, 404 citing 31 Am. Jur., 91-92.

[25] Supra note 18.

[26] *David v. Aquilizan*, G.R. No. L-49360, December 14, 1979, 94 SCRA 707, 714 citing *Hatib Abbarn v. Longhan Chaw, et al.*, G.R. No. L-24241, February 26, 1968, 22 SCRA 748, 754.

[27] Supra note 19.

[28] Supra note 20.

[29] Id. citing BF Homes, Incorporated v. Court of Appeals, G.R. No. 76879, October 3, 1990, 190 SCRA 262, 269, per Cruz, J.

[30] Id. citing BF Homes, Incorporated v. Court of Appeals, supra, p. 268.

[31] Ibid., p. 576.

[32] See Ching v. Land Bank of the Philippines, G.R. No. 73123, September 2, 1991, 201 SCRA 190, 202, per Fernan, C.J. See also Governor Pablo P. Garcia, et al. v. Hon. Jose P. Burgos, et al., GR No. 124130, pp. 28-29, June 29, 1998, 291 SCRA 546; citing Frivaldo v. Commission on Elections, 257 SCRA 727, 743-744, June 28, 1996.

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