

YUSEN AIR AND SEA SERVICE PHILIPPINES, INCORPORATED, PETITIONER, VS. ISAGANI A. VILLAMOR, RESPONDENT.

G.R. NO. 154060. August 16, 2005

Ponente: GARCIA, J.

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GARCIA, J.:

Via this petition for review on certiorari under Rule 45 of the Rules of Court, petitioner Yusen Air and Sea Service Philippines, Incorporated, urges us to annul and set aside the following orders of the Regional Trial Court at Parañaque City, Branch 258, in its Civil Case No. 02-0063, to wit:

- Order dated March 20, 2002,[1] dismissing, on ground of lack of jurisdiction, petitioner's complaint for injunction and damages with prayer for a temporary restraining order filed by it against herein respondent, Isagani A. Villamor; and
- Order dated June 21, 2002,[2] denying petitioner's motion for reconsideration.

The facts:

Petitioner, a corporation organized and existing under Philippines laws, is engaged in the business of freight forwarding. As such, it is contracted by clients to pick-up, unpack, consolidate, deliver, transport and distribute all kinds of cargoes, acts as cargo or freight accommodation and enters into charter parties for the carriage of all kinds of cargoes or freight.

On August 16, 1993, petitioner hired respondent as branch manager in its Cebu Office. Later, petitioner reclassified respondent's position to that of Division Manager, which position respondent held until his resignation on February 1, 2002.

Immediately after his resignation, respondent started working for Aspac International, a corporation engaged in the same line of business as that of petitioner.

On February 11, 2002, in the Regional Trial Court at Parañaque City, petitioner filed against respondent a complaint[3] for injunction and damages with prayer for a temporary restraining order. Thereat docketed as Civil Case No. 02-0063 which was raffled to Branch 258 of the court, the complaint alleged, inter alia, as follows:

- That [respondent] duly signed an undertaking to abide by the policies of the [Petitioner] which includes the provision on the employees' responsibility and obligation in cases of conflict of interest, which reads:

No employee may engage in any business or undertaking that is directly or indirectly in competition with that of the company and its affiliates or engage directly or indirectly in any undertaking or activity prejudicial to the interests of the company or to the performance of his/her job or work assignments. The same provision will be implemented for a period of two (2) years from the date of an employee's resignation, termination or separation from the company.

- That in clear violation and breach of his undertaking and agreement with the policies of [petitioner], [respondent] joined Aspac International, within two years from [his] date of resignation, whose business is directly in conflict with that of [petitioner]. (Underscoring supplied; words in bracket ours).

Petitioner thus prayed for a judgment enjoining respondent from "further pursuing his work at Aspac International", and awarding it P2,000,000 as actual damages; P300,000 as exemplary damages; and another P300,000 as attorney's fees.

On March 4, 2002, apparently not to be outdone, respondent filed against petitioner a case for illegal dismissal before the National Labor Relations Commission.

Meanwhile, instead of filing his answer in Civil Case No. 02-0063, respondent filed a Motion to Dismiss,[4] arguing that the RTC has no jurisdiction over the subject matter of said case because an employer-employee relationship is involved.

On March 20, 2002, the trial court issued the herein first assailed order dismissing petitioner's complaint for lack of jurisdiction over the subject matter thereof on the ground that the action was for damages arising from employer-employee relations. Citing Article 217 of the Labor Code, the trial court ruled that it is the labor arbiter which had jurisdiction over petitioner's complaint:

xxx the Court, after going over all the assertions, averments and arguments of the parties and after carefully evaluating the same, is of the firm and honest opinion that the arguments raised by [respondent] movant are more in conformity with the rules and jurisprudence as this case involves an employer-employee relationship and is within the exclusive original jurisdiction of the NLRC pursuant to Art. 217 of the Labor Code of the Philippines. Not only that, there is even a pending case for illegal dismissal against herein [petitioner] filed by [respondent] before the Regional Arbitration Branch VII in Cebu City.

WHEREFORE, this case is hereby ordered DISMISSED for lack of jurisdiction.

SO ORDERED. (Words in bracket ours).

In time, petitioner moved for a reconsideration but its motion was denied by the trial court in its subsequent order of June 21, 2002.

Hence, petitioner's present recourse, maintaining that its cause of action did not arise from employer-employee relations even if the claim therein is based on a provision in its handbook, and praying that Civil Case No. 02-0063 be remanded to the court a quo for further proceedings.

The petition is impressed with merit.

At the outset, we take note of the fact that the 2-year prohibition against employment in a competing company which petitioner seeks to enforce thru injunction, had already expired sometime in February 2004. Necessarily, upon the expiration of said period, a suit seeking the issuance of a writ of injunction becomes functus officio and therefore moot. As things go, however, it was not possible for us, due to the great number of cases awaiting disposition, to have decided the instant case earlier. However, the issue of damages remains unresolved. In *Philippine National Bank v. CA*,[5] we declared:

In the instant case, aside from the principal action for damages, private respondent sought the issuance of a temporary restraining order and writ of preliminary injunction to enjoin the foreclosure sale in order to prevent an alleged irreparable injury to private respondent. It is settled that these injunctive reliefs are preservative remedies for the protection of substantive rights and interests. Injunction is not a cause of action in itself but merely a provisional remedy, an adjunct to a main suit. When the act sought to be enjoined ha[s] become fait accompli, only the prayer for provisional remedy should be denied. However, the trial court should still

proceed with the determination of the principal action so that an adjudication of the rights of the parties can be had.

Along similar vein, the damage aspect of the present suit was never rendered moot by the lapse of the 2-year prohibitive period against employment in a competing company.

This brings us to the sole issue of whether petitioner's claim for damages arose from employer-employee relations between the parties.

We rule in the negative.

Actually, the present case is not one of first impression. In a kindred case, *Dai-Chi Electronics Manufacturing vs. Villarama*,^[6] with a substantially similar factual backdrop, we held that an action for breach of contractual obligation is intrinsically a civil dispute.

There, a complaint for damages was filed with the regular court by an employer against a former employee who allegedly violated the non-compete provision of their employment contract when, within two years from the date of the employee's resignation, he applied with, and was hired by a corporation engaged in the same line of business as that of his former employer. The employer sought to recover liquidated damages. The trial court ruled that it had no jurisdiction over the subject matter of the controversy because the complaint was for damages arising from employer-employee relations, citing Article 217 (4) of the Labor Code, as amended by R.A. No. 6715, which stated that it is the Labor Arbiter who had original and exclusive jurisdiction over the subject matter of the case.

When the case was elevated to this Court, we held that the claim for damages did not arise from employer-employee relations, to wit:

Petitioner does not ask for any relief under the Labor Code of the Philippines. It seeks to recover damages agreed upon in the contract as redress for private respondent's breach of his contractual obligation to its "damage and prejudice". Such cause of action is within the realm of Civil Law, and jurisdiction over the controversy belongs to the regular courts. More so when we consider that the stipulation refers to the post-employment relations of the parties.

[W]hile seemingly the cause of action arose from employer-employee relations, the employer's claim for damages is grounded on wanton failure and refusal without just cause to report to duty coupled with the averment that the employee maliciously and with bad faith violated the terms and conditions of the contract to the damage of the employer. Such averments removed the controversy from the coverage of the Labor Code of the Philippines and brought it within the purview of Civil Law.

Indeed, jurisprudence has evolved the rule that claims for damages under paragraph 4 of Article 217, to be cognizable by the Labor Arbiter, must have a reasonable causal connection with any of the claims provided for in that article. Only if there is such a connection with the other claims can a claim for damages be considered as arising from employer-employee relations.

Article 217, as amended by Section 9 of RA 6715, provides:

Art. 217. Jurisdiction of Labor Arbiters and the Commission. - (a) Except as otherwise provided under this Code, the Labor Arbiters shall have original and exclusive jurisdiction to hear and decide, within thirty (30) calendar days after the submission of the case by the parties for decision without extension, even in the absence of stenographic notes, the following cases involving all workers, whether agricultural or non-agricultural:

xxx xxx xxx

4. Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relations;"

xxx xxx xxx

In *San Miguel Corporation vs. National Labor Relations Commission*,^[7] we had occasion to construe Article 217, as amended by B.P. Blg. 227. Article 217 then provided that the Labor Arbiter had jurisdiction over all money claims of workers, but the phrase "arising from employer-employee relation" was deleted. We ruled thus:

While paragraph 3 above refers to "all money claims of workers," it is not necessary to suppose that the entire universe of money claims that might be asserted by workers against their employers has been absorbed into the original and exclusive jurisdiction of Labor Arbiters. In the first place, paragraph 3 should be read not in isolation from but rather within the context formed by paragraph 1 (relating to unfair labor practices), paragraph 2 (relating to claims concerning terms and conditions of employment), paragraph 4 (claims relating to household services, a particular species of employer-employee relations), and paragraph 5 (relating to certain activities prohibited to employees or employers). It is evident that there is a unifying element which runs through paragraph 1 to 5 and that is, that they all refer to cases or disputes arising out of or in connection with an employer-employee relationship. This is, in other words, a situation where the rule of *noscitur a sociis* may be usefully invoked in clarifying the scope of paragraph 3, and any other paragraph of Article 217 of the Labor Code, as amended. We reach the above conclusion from an examination of the terms themselves of Article 217, as last amended by B.P. Blg. 227, and even though earlier versions of Article 217 of the Labor Code expressly brought within the jurisdiction of the Labor Arbiters and the NLRC "cases arising from employer-employee relations," which clause was not expressly carried over, in printer's ink, in Article 217 as it exists today. For it cannot be presumed that money claims of workers which do not arise out of or in connection with their employer-employee relationship, and which would therefore fall within the general jurisdiction of regular courts of justice, were intended by the legislative authority to be taken away from the jurisdiction of the courts and lodged with Labor Arbiters on an exclusive basis. The Court, therefore, believes and so holds that the "money claims of workers" referred to in paragraph 3 of Article 217 embraces money claims which arise out of or in connection with the employer-employee relationship, or some aspect or incident of such relationship. Put a little differently, that money claims of workers which now fall within the original and exclusive jurisdiction of Labor Arbiters are those money claims which have some reasonable causal connection with the employer-employee relationship.

When, as here, the cause of action is based on a quasi-delict or tort, which has no reasonable causal connection with any of the claims provided for in Article 217, jurisdiction over the action is with the regular courts.^[8]

As it is, petitioner does not ask for any relief under the Labor Code. It merely seeks to recover damages based on the parties' contract of employment as redress for respondent's breach thereof. Such cause of action is within the realm of Civil Law, and jurisdiction over the controversy belongs to the regular courts. More so must this be in the present case, what with the reality that the stipulation refers to the post-employment relations of the parties.

For sure, a plain and cursory reading of the complaint will readily reveal that the subject matter is one of claim for damages arising from a breach of contract, which is within the ambit of the regular court's jurisdiction.^[9]

It is basic that jurisdiction over the subject matter is determined upon the allegations made in the complaint, irrespective of whether or not the plaintiff is entitled to recover upon the claim asserted therein, which is a matter resolved only after and as a result of a trial. Neither can jurisdiction of a court be made to depend upon the defenses made by a defendant in his answer or motion to dismiss. If such were the rule, the question of jurisdiction would depend almost entirely upon the defendant.^[10]

ACCORDINGLY, the assailed orders of the lower court are SET ASIDE and Civil Case No. 02-0063 REMANDED to it for trial on the merits of the main claim for damages.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, Corona, and Carpio Morales, JJ., concur.

[1] Rollo, p. 19.

[2] Rollo, p. 20.

[3] Rollo, pp. 21-22.

[4] Rollo, pp. 29-30.

[5] 291 SCRA 271 [1998].

[6] 238 SCRA 267 [1994].

[7] 161 SCRA 719 of Article 217 [1988].

[8] Ocheda vs. Court of Appeals, 214 SCRA 629 [1992].

[9] Basilio vs. David, 98 Phil. 995 [1955].

[10] Magay vs. Estiandan, 69 SCRA 456 [1976]; Multinational Village Homeowners Association, Inc. vs. Court of Appeals, 203 SCRA 104 [1991]; Cardenas vs. Camus, 5 SCRA 639 [1962]; Torio vs. CA, 49 SCRA 141, [1994]; Javelosa vs. CA, 77 SCRA 860 [1996].

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