

**JULIUS KAWACHI AND GAYLE KAWACHI, PETITIONERS, VS.  
DOMINIE DEL QUERO AND HON. JUDGE MANUEL R. TARO,  
METROPOLITAN TRIAL COURT, BRANCH 43, QUEZON CITY,  
RESPONDENTS.**

*G.R. NO. 163768. March 27, 2007*

Ponente: TINGA, J.

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**TINGA, J.:**

This is a petition for review on certiorari under Rule 45 of the Rules of Civil Procedure, assailing two resolutions of the Regional Trial Court (RTC), Branch 226, Quezon City which affirmed the jurisdiction of the Metropolitan Trial Court (MeTC), Branch 42, Quezon City over private respondent's action for damages against petitioner.

The following factual antecedents are matters of record.

In an Affidavit-Complaint dated 14 August 2002, private respondent Dominie Del Quero charged A/J Raymundo Pawnshop, Inc., Virgilio Kawachi and petitioner Julius Kawachi with illegal dismissal, non-execution of a contract of employment, violation of the minimum wage law, and non-payment of overtime pay. The complaint was filed before the National Labor Relations Commission (NLRC).[1]

The complaint essentially alleged that Virgilio Kawachi hired private respondent as a clerk of the pawnshop and that on certain occasions, she worked beyond the regular working hours but was not paid the corresponding overtime pay.

The complaint also narrated an incident on 10 August 2002, wherein petitioner Julius Kawachi scolded private respondent in front of many people about the way she treated the customers of the pawnshop and afterwards terminated private respondent's employment without affording her due process.

On 7 November 2002, private respondent Dominie Del Quero filed an action for damages against petitioners Julius Kawachi and Gayle Kawachi before the MeTC of Quezon City.[2] The complaint, which was docketed as Civil Case No. 29522, alleged the following:

2. That the Plaintiff was employed as a clerk in the pawnshop business office of the Defendants otherwise known as the A/J RAYMUNDO PAWNSHOP, INC. located (sic) and with principal office address at Unit A Virka Bldg. Edsa Corner Roosevelt[,] Quezon City, from May 27, 2002 to August 10, 2002;
3. That on August 10, 2002 at or about 11:30 AM, the Plaintiff was admonished by the Defendants Julius Kawachi and Gayle Kawachi who are acting as manager and assistant manager respectively of the pawnshop business and alternately accused her of having committed an act which she had not done and was scolded in a loud voice in front of many employees and customers in their offices;
4. That further for no apparent reason the Plaintiff was ordered to get out and leave the pawnshop office and was told to wait for her salary outside the office when she tried to explain that she had no fault in the complaint of the customer, (sic) [H]owever[,] her explanation fell on deaf ears;

5. That she was instantly dismissed from her job without due process;
6. That the incident happened in front of many people which caused the Plaintiff to suffer serious embarrassment and shame so that she could not do anything but cry because of the shameless way by which she was terminated from the service; x x x[3]

The complaint for damages specifically sought the recovery of moral damages, exemplary damages and attorney's fees.

Petitioners moved for the dismissal of the complaint on the grounds of lack of jurisdiction and forum-shopping or splitting causes of action. At first, the MeTC granted petitioners' motion and ordered the dismissal of the complaint for lack of jurisdiction in an Order dated 2 January 2003.[4] Upon private respondent's motion, the MeTC reconsidered and set aside the order of dismissal in an Order dated 3 March 2003.[5] It ruled that no causal connection appeared between private respondent's cause of action and the employer-employee relations between the parties. The MeTC also rejected petitioners' motion for reconsideration in an Order dated 22 April 2003.[6]

Thus, petitioners elevated the MeTC's aforesaid two orders to the RTC, Branch 226 of Quezon City, via a Petition for Certiorari (With Prayer for Temporary Restraining Order and/or Preliminary Injunction). After due hearing, the RTC declined petitioners' prayer for a temporary restraining order. For her part, private respondent filed a Motion to Dismiss Petition.

On 20 October 2003, the RTC issued the assailed Resolution, upholding the jurisdiction of the MeTC over private respondent's complaint for damages.[7]

The RTC held that private respondent's action for damages was based on the alleged tortious acts committed by her employers and did not seek any relief under the Labor Code. The RTC cited the pronouncement in *Medina, et al. v. Hon. Castro-Bartolome, etc., et al.*[8] where the Court held that the employee's action for damages based on the slanderous remarks uttered by the employer was within the regular courts' jurisdiction since the complaint did not allege any unfair labor practice on the part of the employer.

On 29 March 2004, the RTC denied petitioners' motion for reconsideration.[9] Hence, the instant petition for review on certiorari, raising the sole issue of jurisdiction over private respondent's complaint for damages.

Petitioners argue that the NLRC has jurisdiction over the action for damages because the alleged injury is work-related. They also contend that private respondent should not be allowed to split her causes of action by filing the action for damages separately from the labor case.

Private respondent maintains that there is no causal connection between her cause of action and the employer-employee relations of the parties.

The petition is meritorious.

The jurisdictional controversy of the sort presented in this case has long been settled by this Court.

Article 217(a) of the Labor Code, as amended, clearly bestows upon the Labor Arbiter original and exclusive jurisdiction over claims for damages arising from employer-employee relations - in other words, the Labor Arbiter has jurisdiction to award not only the reliefs provided by labor laws, but also damages governed by the Civil Code.[10]

In the 1999 case of *San Miguel Corporation v. Etcuban*,[11] the Court noted what was then the current trend, and still is, to refer worker-employer controversies to labor courts, unless unmistakably provided by the law to be otherwise. Because of the trend, the Court noted further, jurisprudence has developed the "reasonable causal

connection rule." Under this rule, if there is a reasonable causal connection between the claim asserted and the employer-employee relations, then the case is within the jurisdiction of our labor courts. In the absence of such nexus, it is the regular courts that have jurisdiction.[12]

In *San Miguel Corporation*,[13] the Court upheld the labor arbiter's jurisdiction over the employees' separate action for damages, which also sought the nullification of the so-called "contract of termination" and noted that the allegations in the complaint were so carefully formulated as to avoid a semblance of employer-employee relations.

In said case, the employees of San Miguel Corporation (SMC) availed of the "Retrenchment to Prevent Loss Program." After their inclusion in the retrenchment program, the employees were given their termination letters and separation pay. In return, the employees executed "receipt and release" documents in favor of the company. Subsequently, the employees learned that the company was never in financial distress and was engaged in hiring new employees. Thus, they filed a complaint

before the NLRC for the declaration of nullity of the retrenchment program and prayed for reinstatement, backwages and damages. After the labor arbiter dismissed the complaint, the employees filed an action for damages before the RTC, alleging the deception employed upon them by SMC which led to their separation from the company. They sought the declaration of nullity of their so-called collective "contract of termination" and the recovery of actual and compensatory damages, moral damages, exemplary damages, and attorney's fees.

The Court held that the employees' claim for damages was intertwined with their having been separated from their employment without just cause and, consequently, had a reasonable causal connection with their employer-employee relations with petitioner. The Court explained in this manner:

x x x First, their claim for damages is grounded on their having been deceived into serving their employment due to SMC's concocted financial distress and fraudulent retrenchment program - a clear case of illegal dismissal. Second, a comparison of respondents' complaint for the declaration of nullity of the retrenchment program before the labor arbiter and the complaint for the declaration of nullity of their "contract of termination" before the RTC reveals that the allegations and prayer of the former are almost identical with those of the latter except that the prayer for reinstatement was no longer included and the claim for backwages and other benefits was replaced with a claim for actual damages. These are telltale signs that respondents' claim for damages is intertwined with their having been separated from their employment without just cause and, consequently, has a reasonable causal connection with their employer-employee relations with SMC. Accordingly, it cannot be denied that respondents' claim falls under the jurisdiction of the labor arbiter as provided in paragraph 4 of Article 217.[14]

The "reasonable causal connection rule" emerged in the 1987 case of *Primero v. Intermediate Appellate Court*,[15] where the Court recognized the jurisdiction of the labor arbiters over claims for damages in connection with termination of employment, thus:

It is clear that the question of the legality of the act of dismissal is intimately related to the issue of the legality of the manner by which that act of dismissal was performed. But while the Labor Code treats of the nature of, and the remedy available as regards the first - the employee's separation from employment - it does not at all deal with the second - the manner of that separation - which is governed exclusively by the Civil Code. In addressing the first issue, the Labor Arbiter applies the Labor Code; in addressing the second, the Civil Code. And this appears to be the plain and patent intent of the law. For apart from the reliefs expressly set out in the Labor Code flowing from illegal dismissal from employment, no other damages may be awarded to an illegally dismissed employee other than those specified by the Civil Code. Hence, the fact that the issue of whether or not moral or other damages were suffered by an employee and in the affirmative, the amount that should properly be awarded to him in the circumstances-is determined under the provisions of the Civil Code

and not the Labor Code, obviously was not meant to create a cause of action independent of that for illegal dismissal and thus place the matter beyond the Labor Arbiter's jurisdiction.[16]

In the instant case, the allegations in private respondent's complaint for damages show that her injury was the offshoot of petitioners' immediate harsh reaction as her administrative superiors to the supposedly sloppy manner by which she had discharged her duties.

Petitioners' reaction culminated in private respondent's dismissal from work in the very same incident. The incident on 10 August 2002 alleged in the complaint for damages was similarly narrated in private respondent's Affidavit-Complaint supporting her action for illegal dismissal before the NLRC. Clearly, the alleged injury is directly related to the employer-employee relations of the parties.

Where the employer-employee relationship is merely incidental and the cause of action proceeds from a different source of obligation, the Court has not hesitated to uphold the jurisdiction of the regular

courts. Where the damages claimed for were based on tort, malicious prosecution, or breach of contract, as when the claimant seeks to recover a debt from a former employee or seeks liquidated damages in the enforcement of a prior employment contract,[17] the jurisdiction of regular courts was upheld. The scenario that obtains in this case is obviously different. The allegations in private respondent's complaint unmistakably relate to the manner of her alleged illegal dismissal.

For a single cause of action, the dismissed employee cannot be allowed to sue in two forums: one, before the labor arbiter for reinstatement and recovery of back wages or for separation pay, upon the theory that the dismissal was illegal; and two, before a court of justice for recovery of moral and other damages, upon the theory that the

manner of dismissal was unduly injurious or tortious. Suing in the manner described is known as "splitting a cause of action," a practice engendering multiplicity of actions. It is considered procedurally unsound and obnoxious to the orderly administration of justice.[18]

In the instant case, the NLRC has jurisdiction over private respondent's complaint for illegal dismissal and damages arising therefrom. She cannot be allowed to file a separate or independent civil action for damages where the alleged injury has a reasonable connection to her termination from employment. Consequently, the action for damages filed before the MeTC must be dismissed.

WHEREFORE, the petition for review on certiorari is GRANTED. The two Resolutions dated 20 October 2003 and 29 March 2004 of the Regional Trial Court, Branch 226, Quezon City are REVERSED and SET ASIDE. Costs against private respondent.

### **SO ORDERED.**

Quisumbing, (Chairperson), Carpio, Carpio-Morales, and Velasco, Jr. JJ., concur.

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[1]Rollo, pp. 33-34.

[2]Id. at 35-36.

[3]Id.

[4]Id. at 45-46.

[5]Id. at 47.

[6]Id. at 51.

[7]Id. at 16-23.

[8]202 Phil. 163 (1982).

[9]Rollo, pp. 24-25.

[10]Bañez v. Hon. Valdevilla, 387 Phil. 601, 611 (2000).

[11]377 Phil. 733 (1999).

[12]Id. at 745.

[13]Id.

[14]San Miguel v. Etcuban, supra note 11 at 747.

[15]G.R. No. L-72644, December 14, 1987, 156 SCRA 435.

[16]Id. at 444-445.

[17]Bañez v. Valdevilla, supra note 10.

[18]Rodriguez, Jr. v. Aguilar, Sr., G.R. No. 159482, August 30, 2005, 468 SCRA 373, 389.

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