RAFAEL RONDINA, PETITIONER, VS. COURT OF APPEALS FORMER SPECIAL 19TH DIVISION, UNICRAFT INDUSTRIES INTERNATIONAL CORP., INC., ROBERT DINO, CRISTINA DINO, MICHAEL LLOYD DINO, ALL...

G.R. No. 172212. July 09, 2009

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

In this petition for certiorari, petitioner seeks the nullification of the Amended Decision[1] dated January 16, 2006 of the Court of Appeals in CA-G.R. SP No. 81951.

The salient facts, as found by the Court of Appeals,[2] are as follows:

Petitioner Rafael Rondina is among the thirty-two (32) employees of respondent Unicraft Industries International Corporation, Inc., who filed with the National Labor Relations Commission (NLRC) a complaint for illegal dismissal, underpayment/non-payment of wages, overtime pay, holiday pay, 13[th] month pay, and service incentive leave pay.

On December 19, 1996, pursuant to Policy Instruction No. 56 dated April 6, 1996 of the Secretary of Labor, and by virtue of the agreement of the parties, the case was submitted to Voluntary Arbitrator (VA) Florante V. Calipay, for voluntary arbitration. Later, private respondents filed a motion for re-selection of voluntary arbitrator. VA Calipay denied the motion and defined the issues to be resolved in the arbitration proceedings.

On March 15, 1997, for failure of private respondents and their counsel to appear and present evidence at the scheduled hearing, VA Calipay rendered a decision in favor of the employees. Private respondents filed a petition for certiorari with the Court of Appeals contending that they were denied the opportunity to be heard in the proceedings before VA Calipay. On April 22, 1997, the appellate court approved a Stipulation[3] of the parties to remand the case to VA Calipay to allow private respondents to prove their case.

Instead of conducting further proceedings, however, VA Calipay filed a comment praying, inter alia, that he be declared to have lost jurisdiction over the case upon rendition of the judgment. On June 18, 1998, upon motion of the employees, the appellate court re-examined the stipulation of the parties and thereafter rendered a resolution allowing, among others, the partial execution of the decision of VA Calipay with respect to the award of separation pay and attorney's fees.

Private respondents challenged the resolution before this Court. In a Decision[4] dated March 26, 2001, we ruled that the appellate court committed grave abuse of discretion amounting to lack of jurisdiction when it ordered the immediate execution of VA Calipay's award of separation pay and attorney's fees. The award of separation pay carries with it the inevitable conclusion that the employees were illegally dismissed. However, that finding of VA Calipay was premature and null and void since private respondents were not given the chance to present evidence on their behalf. Thus, we remanded the case to VA Calipay and directed him to receive evidence for private

respondents and conduct further proceedings therein.

Pursuant to this Court's directive, VA Calipay required the parties to submit supplemental pleadings and additional evidence. Private respondents filed a motion to inhibit due to VA Calipay's professional relationship with the counsel representing the employees. VA Calipay denied the motion and gave private respondents an extension of time to submit their supplemental pleadings and additional evidence.

On January 23, 2004, VA Calipay rendered a decision,[5] the decretal portion of which, reads:

> WHEREFORE, premises considered, judgment is hereby rendered in favor of the complainants, to wit:
>
> a. Illegal Dismissal & Violations of Minimum Wage and Standard Labor Benefits. The dismissal of the complainants [is] hereby declared illegal. The respondents: Spouses ROBERT DINO, CRISTINA DINO, children MICHAEL LLOYD DINO, ALLAN DINO & MYLENE JUNE DINO are hereby declared guilty of illegal dismissal and violation [of] minimum wage and labor standard benefits. They are therefore held jointly and solidarily liable for and thus, ordered to pay the complainants' separation pay, wage differentials, moneys, backwages, attorney's fees, costs of litigation.
>
> b. Joint and Solidary Liability of Respondents. The respondents are further ordered, in view of imputations of bad faith and the strained relations of the parties, to pay the complainants separation pay at one (1) month pay for every year of service from the first day of service until the date of finality of this judgment, less the amounts the complainants acknowledged to have received before officials at the Department of Labor and Employment Region VII, Cebu City. The total separation pay is ONE MILLION NINE HUNDRED SIXTY-TWO THOUSAND EIGHT HUNDRED FORTY PESOS (P1,962,840.00).
>
> c. Wage Differentials, Standard Labor Benefits plus Backwages up to 31 December 2003. Aside from being guilty of illegal dismissal, the respondents are also guilty for violating minimum wages and labor standard law and are hereby ordered to pay the complainants differentials in wage and labor standard benefits, plus backwages from date of illegal dismissal in 1995, which as of date of judgment on 31 December 2003, had amounted to SEVENTEEN MILLION EIGHT [HUNDRED] TWENTY-FIVE THOUSAND SIX HUNDRED FOURTEEN PESOS (P17,825,614.00).
>
> d. Thus, the total monetary obligation, which the respondents are jointly and solidarily held liable and mandated to pay (embracing separation pay, wage and labor standards differentials or award plus backwages) had amounted to NINETEEN MILLION SEVEN HUNDRED EIGHTY-EIGHT THOUSAND FOUR HUNDRED FIFTY-FOUR PESOS & FORTY CENTAVOS (P19,788,454.40).
>
> e. The claims for moral damages are DISMISSED for lack of convincing evidence.
>
> f. Attorney's Fees and Litigation Costs. The respondents are ordered to pay Attorney's Fees in the amount equivalent to ten (10) percent of the total award. Litigation costs of TEN THOUSAND PESOS (P10,000.00) is likewise awarded to the complainants.
>
> g. Legal Interest. The respondents shall be liable for legal interest of one (1) percent per month or twelve (12) percent per annum over the total judgment award from the date of finality of judgment until it is fully settled.
>
> In Summation
>
> Judgment is rendered in favor of the complainants and against the respondents: Spouses ROBERT DINO, CRISTINA DINO, children MICHAEL LLOYD DINO, ALLAN DINO & MYLENE JUNE DINO, holding them jointly and solidarily liable and ordering them to pay the former TWENTY-ONE MILLION SEVEN HUNDRED SEVENTY-SEVEN THOUSAND TWO HUNDRED NINETY-NINE PESOS & EIGHTY-FOUR CENTAVOS (P21,777,299.84) divided as follows:
>
> a.) total Separation Pay & Monetary Award P19,788,454.40

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b.) Attorney's Fees of 10% ..... P 1,978,845.44
c.) Litigation Costs ..... P 10,000.00

TOTAL P21,777,299.84

The respondents are ordered to pay legal interest at 12% per annum or one (1) percent per month of the judgment award from the date of judgment up to the date of its full payment.

The respondents are therefore mandated and enjoined to comply with this judgment.

SO ORDERED.[6]

Dissatisfied, private respondents filed a petition for certiorari with the Court of Appeals. In its Decision[7] dated September 23, 2005, the appellate court ruled that: First, the jurisdiction of VA Calipay to hear and decide the case had been affirmed by this Court which specifically remanded the case to him for reception of evidence and further proceedings. The parties had also agreed in a stipulation, which was approved by the appellate court on April 22, 1997, to remand the case to VA Calipay to allow private respondents to prove their case. Such stipulation embodied the issues to be resolved in the arbitration proceedings. Second, VA Calipay never showed manifest partiality in favor of the employees. He gave private respondents the opportunity to submit their supplemental pleadings and additional evidence to support their case but they ignored it. The fact that VA Calipay has a professional relationship with the counsel representing the employees does not prove in any way that he acted with partiality in deciding the case in favor of the employees. Third, the stipulation of the parties which was approved by the appellate court on April 22, 1997, showed that there were 32 employees. These employees were also indicated as parties in the case in the Decision dated March 26, 2001 of this Court. Fourth, private respondents should not be adjudged solidarily liable with the corporation. VA Calipay failed to point out the circumstances that would prove bad faith or malice on their part in terminating the employees. Fifth, the quitclaims[8] executed by some of the employees carried with it the presumption of validity since these were verified by an officer of the Department of Labor and Employment. Such presumption is strengthened by the fact that the employees failed to disclaim their signatures therein or assert that they were forced to sign the same. Thus, the quitclaims effectively barred those who executed the same from making further claims from the corporation.

Thus, the appellate court remanded the case to VA Calipay for a detailed computation of the monetary benefits by showing the basis or factors of the computation and to exclude therefrom the employees who have executed the valid quitclaims. The dispositive portion states:

WHEREFORE, premises considered, the petition is PARTIALLY GRANTED. Consequently, the assailed judgment is hereby AFFIRMED with MODIFICATION by holding that ONLY Unicraft Industries International Corporation is held liable to private respondents, except those who executed the valid quitclaims. Individual petitioners are not personally liable to private respondents.

The monetary awards for private respondents who executed the valid quitclaims are DELETED for reasons stated above.

Let the case be remanded to VA Calipay for him to make a detailed computation of the monetary judgment for each of the private respondents by showing therein the basis and factors of the computation, excluding those who executed the valid quitclaims.

SO ORDERED.[9]

Both parties filed separate motions for reconsideration. In its Amended Decision dated January 16, 2006, the appellate court noted that private respondents filed criminal and administrative complaints against VA Calipay

and that his counsel is the counsel representing the employees. With these developments, the appellate court ruled that while the decision of VA Calipay was free from partiality, it would be for the best interest of justice not to remand the case to him for the recomputation of the monetary benefits. As a result, the appellate court ordered the parties to choose another voluntary arbitrator for the purpose of recomputing the monetary benefits of the employees who are entitled thereto. Thus:

> WHEREFORE, premises considered, the petition is PARTIALLY GRANTED. Consequently, the assailed judgment is hereby AFFIRMED with MODIFICATION by holding that ONLY Unicraft Industries International Corporation is held liable to private respondents, except those who executed the valid quitclaims. Individual petitioners are not personally liable to private respondents.
>
> The monetary awards for private respondents who executed the valid quitclaims are DELETED for reasons stated above.
>
> The parties are ordered to choose another accredited Voluntary Arbitrator within fifteen (15) days from receipt hereof for the purpose of recomputing the monetary benefits for each of the private respondents by showing therein the basis and factors of the computation, excluding those who executed the valid quitclaims.
>
> As soon as the parties have selected the new Voluntary Arbitrator, they are ordered to notify this Court within ten (10) days from such selection so that this case shall be remanded to him for the recomputation of the monetary benefits of the private respondents who are entitled thereto. Also, VA Calipay is ordered to immediately transmit all the records of the case in his custody to the newly chosen Voluntary Arbitrator.
>
> SO ORDERED.[10]

Hence, the instant petition anchored on the following grounds:

> THE PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION:
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> I.
>
> WHEN THE PUBLIC RESPONDENT RULED THAT ONLY RESPONDENT UNICRAFT IS LIABLE [FOR THE ILLEGAL DISMISSAL].
>
> II.
>
> WHEN THE PUBLIC RESPONDENT DECLARED THAT THE QUITCLAIMS WERE VALID AND DELETED THE MONETARY AWARDS FOR THOSE WHO EXECUTED THEM.
>
> III.
>
> WHEN THE PUBLIC RESPONDENT ORDERED THE SELECTION OF A NEW VOLUNTARY ARBITRATOR CONTRARY TO THE FINAL RESOLUTIONS OF THE COURT OF APPEALS, MANILA AND THE SUPREME COURT.[11]

At the outset, we note that petitioner came to this Court via a petition for certiorari under Rule 65 of the Rules of Court instead of an appeal under Rule 45. It deserves to be dismissed on procedural grounds, as it was filed in lieu of appeal, which is the prescribed remedy, and far beyond the reglementary period. It is elementary in remedial law that the use of an erroneous remedy is cause for dismissal of the petition for certiorari and it has been repeatedly stressed that a petition for certiorari is not a substitute for a lost appeal. This is due to the nature of a Rule 65 petition for certiorari which lies only where there is "no appeal," and "no plain, speedy and adequate remedy in the ordinary course of law."[12]

Be that as it may, this Court treats the present petition for certiorari as one for review under Rule 45 in accordance

with the liberal spirit pervading the Rules of Court and in the interest of justice, and after noting that the application of the rules had been similarly relaxed in the proceedings below.

Petitioner contends that private respondents should be made solidarily liable with the corporation since they acted with bad faith and malice in dismissing the employees. Petitioner adds that the quitclaims were invalid since the same were executed without the assistance of counsel and the amounts therein were unconscionable. Petitioner also argues that since the jurisdiction of VA Calipay to hear and decide the case had been affirmed by the Court of Appeals and by this Court, he should not be substituted by any other voluntary arbitrator for the purpose of recomputing the monetary benefits of the employees.

The first and second contentions hinge on certain factual determinations made by the Court of Appeals which ruled that VA Calipay failed to point out the circumstances proving that private respondents acted with bad faith or malice in dismissing the employees. At the same time, the appellate court held that the quitclaims executed by some of the employees carried with it the presumption of validity since these were verified by an officer of the Department of Labor and Employment. Such presumption is strengthened by the fact that the employees failed to disclaim their signatures therein or assert that they were forced to sign them. Thus, the quitclaims effectively barred those who executed the same from making further claims from the corporation.

It is worth mentioning that VA Calipay made conflicting observations on the matter of bad faith or malice on the part of private respondents when they dismissed the employees. While he initially concluded that "[e]vidence had proven that [private] respondents were guilty of malice in illegally dismissing the complainants, inflicting oppression upon the complaining workers,"[13] he later on declared that "[i]n either case, moral damages may be awarded when the dismissal was executed with malice and oppression. But such is not clear in this case due to lack of convincing evidence."[14] Indeed, to hold a director personally liable for the debts of the corporation, and thus pierce the veil of corporate fiction, the bad faith or wrongdoing of the director must be established clearly and convincingly. Bad faith is never presumed. Bad faith does not connote bad judgment or negligence. Bad faith imports a dishonest purpose. Bad faith means breach of a known duty through some ill motive or interest. Bad faith partakes of the nature of fraud.[15] Thus, we agree with the appellate court that VA Calipay failed to point out the circumstances proving that private respondents acted with bad faith or malice in dismissing the employees so as to make them solidarily liable with the corporation.

On the validity of the quitclaims, we note that both VA Calipay and the Court of Appeals declared the same valid due to the failure of the employees to disclaim their signatures therein or assert that they were forced to sign the same. The only question before us is the extent to which the amount reflected therein is to be credited to petitioner's monetary award as the only employee who appealed the appellate court's decision. However, we find that VA Calipay and the appellate court erred in concluding that petitioner voluntarily signed the quitclaim. Contrary to this assumption, the mere fact that petitioner was not physically coerced or intimidated does not necessarily imply that he freely or voluntarily consented to the terms thereof. Moreover, private respondents, not petitioner, have the burden of proving that the quitclaim was voluntarily entered into.[16] As a rule, deeds of release or quitclaim cannot bar employees from demanding benefits to which they are legally entitled or from contesting the legality of their dismissal. The acceptance of those benefits would not amount to estoppel.[17] Furthermore, there is a gross disparity between the amount actually received by petitioner as compared to the amount owing him as initially computed by VA Calipay. The amount of the settlement is indubitably unconscionable; hence, ineffective to bar petitioner from claiming the full measure of his legal rights.[18] In any event, we deem it appropriate that the amount he received as consideration for signing the quitclaim be deducted from his monetary award.

Finally, the Court of Appeals noted that in the criminal and administrative complaints which private respondents

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filed against VA Calipay, he was represented by the counsel representing the employees. The appellate court, thus, ruled that while the decision of VA Calipay was free from partiality, it would be for the best interest of justice not to remand the case to him for the recomputation of the monetary benefits of the employees. Instead, it ordered the parties to choose another voluntary arbitrator for the purpose of recomputing the monetary benefits of the employees who are entitled thereto. We do not agree. The alleged partiality of VA Calipay due to his professional relationship with the counsel representing the employees was already an issue even before VA Calipay rendered his decision on January 23, 2004. We cannot see how the appellate court could conclude that the rendition of the decision was free from partiality but not so with the computation of the monetary benefits. Indeed, to require the parties to choose another voluntary arbitrator for the sole purpose of recomputing the monetary benefits would only prolong the final disposition of this case. Thus, we deem it proper to remand the case to VA Calipay for the prompt recomputation of the monetary benefits of the employees.

WHEREFORE, the petition is PARTIALLY GRANTED. The Amended Decision dated January 16, 2006 of the Court of Appeals in CA-G.R. SP No. 81951 is MODIFIED such that petitioner's quitclaim is deemed invalid. Further, Voluntary Arbitrator Florante V. Calipay is hereby DIRECTED to promptly make a detailed computation of the monetary benefits of the employees excluding those who executed the quitclaims but did not appeal in this Court. Report of appropriate action taken by him should be made to this Court within 15 days from notice. No pronouncement as to costs.

SO ORDERED.

Carpio Morales, Chico-Nazario,[*] Leonardo-De Castro,[**] and Brion, JJ., concur.

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[*] Designated member of the Second Division per Special Order No. 658.

[**] Designated member of the Second Division per Special Order No. 635.

[1] Rollo, pp. 152-179. Penned by Associate Justice Arsenio J. Magpale, with Associate Justices Vicente L. Yap and Enrico A. Lanzanas concurring.

[2] With editorial changes. See also Unicraft Industries International Corporation v. Court of Appeals, G.R. No. 134903, March 26, 2001, 355 SCRA 233.

[3] Rollo, pp. 31-33.

[4] Unicraft Industries International Corporation v. Court of Appeals, supra note 2.

[5] Rollo, pp. 47-55.

[6] Id. at 54-55.

[7] Id. at 126-150.

[8] Id. at 336.

[9] Id. at 149.

[10] Id. at 178.

[11] Id. at 17.

[12] Gonzales v. Climax Mining Ltd., G.R. Nos. 161957 & 167994, January 22, 2007, 512 SCRA 148, 163; Nippon Paint Employees Union-Olalia v. Court of Appeals, G.R. No. 159010, November 19, 2004, 443 SCRA

286, 291.

[13] Rollo, p. 52.

[14] Id. at 53.

[15] Carag v. National Labor Relations Commission, G.R. No. 147590, April 2, 2007, 520 SCRA 28, 49-50; See Mandaue Dinghow Dimsum House, Co., Inc. v. National Labor Relations Commission-Fourth Division, G.R. No. 161134, March 3, 2008, 547 SCRA 402, 414-415.

[16] EMCO Plywood Corporation v. Abelgas, G.R. No. 148532, April 14, 2004, 427 SCRA 496, 514.

[17] EMCO Plywood Corporation v. Abelgas, id. at 515; See Solgus Corporation v. Court of Appeals, G.R. No. 157488, February 6, 2007, 514 SCRA 522, 535-536.

[18] Mindoro Lumber and Hardware v. Bacay, G.R. No. 158753, June 8, 2005, 459 SCRA 714, 723; See C. Planas Commercial v. National Labor Relations Commission, G.R. No. 144619, November 11, 2005, 474 SCRA 608, 620.

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