

**PHILIPPINE PIZZA, INC., PETITIONER, V. JENNY PORRAS[
CAYETANO, RIZALDO G. AVENIDO, PEE JAY T. GURION, RUMEL A.
RECTO, ROGELIO T. SUMBANG, JR., AND JIMMY J. DELOSO,
RESPONDENTS.**

G.R. No. 230030. August 29, 2018

Ponente: PERLAS-BERNABE, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-230030/>

PERLAS-BERNABE, J.:

Assailed in this petition for review on certiorari[1] are the Decision[2] dated March 30, 2016 and the Resolution[3] dated January 6, 2017 rendered by the Court of Appeals (CA) in CA-G.R. SP No. 136333, which reversed and set aside the Decision[4] dated January 28, 2014 and the Resolution[5] dated April 30, 2014 of the National Labor Relations Commission (NLRC) in NLRC-NCR Nos. 04-05060-13, 05-06931-13, 05-07363-13, 05-07941-13, and 06-08125-13, and thereby, reinstated the Decision[6] dated August 30, 2013 of the Labor Arbiter (LA) in NLRC NCR Case Nos. 04-05060-13, 05-06931-13, 05-07363-13, 05-07941-13, and 06-08125-13, finding petitioner Philippine Pizza, Inc. (PPI) and Consolidated Building Maintenance, Inc. (CBMI) jointly and severally liable for illegal dismissal.

The Facts

On various dates,[7] respondents Jenny Porras Cayetano (Cayetano), Rizaldo G. Avenido (Avenido), Pee Jay T. Gurion (Gurion), Rumel A. Recto (Recto), Rogelio T. Sumbang, Jr. (Sumbang, Jr.), and Jimmy J. Deloso (Deloso; collectively, respondents) were hired by CBMI, a job contractor which provides kitchen, delivery, sanitation, and allied services to PPI's[8] Pizza Hut chain of restaurants (Pizza Hut),[9] and were thereafter deployed to the various branches of the latter. Cayetano and Deloso worked as team members/service crew, while Avenido, Gurion, Recto, and Sumbang, Jr. served as delivery riders.[10]

Respondents alleged that they rendered work for Pizza Hut, ranging from seven (7) to eleven (11) years, hence, they were regular employees of PPI and not of CBMI. They claimed to have been initially hired by PPI but were subsequently transferred to CBMI so as to prevent them from attaining their regular employment status. Despite the said transfer, however, they were still under the direct supervision of the managers of Pizza Hut and had been using its tools and machines for work.[11] Thus, respondents, along with several others,[12] filed separate complaints for Illegal Dismissal against PPI and CBMI,[13] before the NLRC, docketed as NLRC NCR Case Nos. 04-05060-13, 05-06931-13, 05-07363-13, 05-07941-13, and 06-08125-13.

For its part, PPI denied any employer-employee relationship with respondents, averring that it entered into several Contracts of Services[14] with CBMI to perform janitorial, bussing, kitchen, table service, cashiering, warehousing, delivery, and allied services in PPI's favor. It also contended that respondents were assigned to various branches of Pizza Hut and were performing tasks in accordance with CBMI's manner and method, free from the direction and control of PPI.[15]

On the other hand, CBMI admitted that respondents were its employees, and that it paid their wages and remitted their SSS,[16] PhilHealth,[17] and Pag-IBIG[18] contributions. It insisted that it is a legitimate job contractor, as it possesses substantial capital and a Department of Labor and Employment (DOLE) Certificate of Registration;[19] undertakes a business separate and distinct from that of PPI based on its Articles of Incorporation;[20] and more importantly, retained and exercised the right of control over respondents. Moreover, CBMI explained that it had no choice but to recall, and subsequently, place respondents in floating status, considering that PPI had reduced its need for services in some Pizza Hut branches. Lastly, CBMI maintained that before it had the opportunity to re-assign respondents, the latter already filed their complaints.[21]

The LA's Ruling

In a Decision[22] dated August 30, 2013, the LA found PPI and CBMI jointly and severally liable for illegal dismissal, and accordingly, ordered them to immediately reinstate respondents to their former positions without loss of seniority rights and privileges and to pay respondents their full backwages and moral and exemplary damages.[23]

The LA ruled that respondents were regular employees of PPI and not of CBMI, as they were repeatedly hired to perform work that was usually necessary and desirable to the main business of PPI. It observed that while CBMI was able to establish compliance with the substantial capital requirement, it failed to show that it undertook the contract work on its own account. On the other hand, it found that PPI exercised control over respondents through the numerous certifications issued to them, e.g., for delivering hospitality behavior, for demonstrating skills and knowledge in the areas of cooking, for having completed training, for being an outstanding rider, and for exemplary performance.[24]

Moreover, the LA took judicial notice of the case of *Philippine Pizza, Inc. v. Noel Matias*[25] (Philippine Pizza, Inc.), which involved a similar complaint for illegal dismissal filed by a delivery rider of Pizza Hut. In the said case, the Court disregarded the separate personalities of PPI and CBMI, holding that they were engaged in a prohibited labor-only contracting arrangement.[26]

Aggrieved, PPI and CBMI appealed[27] to the National Labor Relations Commission (NLRC).

The NLRC's Ruling

In a Decision[28] dated January 28, 2014, the NLRC reversed and set aside the LA's Decision and dismissed the complaints for lack of merit.[29] The NLRC found that CBMI is a legitimate job contractor, as it has sufficient capital and investment to properly carry out its obligation with PPI, as well as adequate funds to cover its operational expenses. It also observed that CBMI is presumed to have complied with all the requirements of a legitimate job contractor in light of the Certificate of Registration issued by the DOLE.[30]

The NLRC also held that there was no employer-employee relationship between PPI and respondents, observing that the mere issuance of Pizza Hut's certifications was insufficient to show the element of control. On the contrary, CBMI was the one which ultimately exercised control and supervision over respondents, as it assigned at least one (1) supervisor in respondents' respective workplaces to regularly control, supervise, and monitor their attendance and performance.[31]

Meanwhile, the NLRC ruled that the principle of *stare decisis* could not be applied to the instant case, since Philippine Pizza, Inc.'s case was resolved through a mere minute resolution, and as such, was bereft of a complete statement of the facts of the case, as well as the applicable laws and jurisprudence. It also declared that respondents' floating status did not constitute dismissal from service, as it was done in the exercise of CBMI's management prerogative.[32]

Dissatisfied, respondents sought reconsideration,[33] which was denied in a Resolution[34] dated April 30, 2014. Thus, they filed a petition for certiorari[35] before the CA.

The CA's Ruling

In a Decision[36] dated March 30, 2016, the CA annulled and set aside the NLRC ruling, and accordingly, reinstated the LA's ruling.[37] In holding PPI and CBMI jointly and severally liable to respondents, the CA applied the principle of stare decisis, relying on the Court's ruling in *Philippine Pizza, Inc.* that CBMI is engaged in prohibited labor-only contracting and thus, PPI is the principal employer of respondents. According to the CA, there was no showing that CBMI supervised and evaluated the performance of the employees who were deployed to Pizza Hut. CBMI likewise did not prove that it had established the working methods and procedures of the said employees. On the contrary, it found PPI to have exercised control and supervision over its employees in view of the awards and seminars given to them.[38]

Moreover, the CA declared that respondents were regular employees of PPI, having rendered service for more than a year, specifically ranging from seven (7) to eleven (11) years.[39]

Unperturbed, PPI and CBMI moved for reconsideration,[40] which was denied in a Resolution[41] dated January 6, 2017; hence, this petition filed by PPI.

The Issues Before the Court

The issues to be resolved by the Court are whether or not the CA: (a) correctly relied on the ruling in *Philippine Pizza, Inc.* in concluding that CBMI is engaged in a prohibited labor-only contracting arrangement with PPI; and (b) correctly ruled that respondents were illegally dismissed from employment.

The Court's Ruling

The petition is meritorious.

At the outset, the Court stresses the distinct approach in reviewing a CA ruling in a labor case. In a Rule 45 review, the Court examines the correctness of the CA Decision in contrast with the review of jurisdictional errors under Rule 65. Furthermore, Rule 45 limits the review to questions of law. In ruling for legal correctness, the Court views the CA Decision in the same context that the petition for certiorari was presented to the CA. Hence, the Court has to examine the CA Decision from the prism of whether the CA correctly determined the presence or absence of grave abuse of discretion in the NLRC Decision.[42]

Case law states that grave abuse of discretion connotes a capricious and whimsical exercise of judgment, done in a despotic manner by reason of passion or personal hostility, the character of which being so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined by or to act at all in contemplation of law.[43]

In labor cases, grave abuse of discretion may be attributed to the NLRC when its findings and conclusions are not supported by substantial evidence, which refers to that amount of relevant evidence that a reasonable mind might accept as adequate to justify a conclusion. Thus, if the NLRC ruling has basis in the evidence and the applicable law and jurisprudence, then no grave abuse of discretion exists and the CA should so declare and, accordingly, dismiss the petition.[44]

Guided by the foregoing considerations, the Court finds that the CA erroneously ascribed grave abuse of discretion on the part of the NLRC. In arriving at its Decision, the CA adopted the Court's minute resolution in *Philippine Pizza, Inc.*, as it purportedly stemmed from a similar complaint for illegal dismissal filed by a delivery rider against PPI and CBMI. In the said case, the Court found CBMI to be a labor-only contractor and held PPI as

the employer of the delivery rider.

The CA's reliance on the Philippine Pizza, Inc.'s minute resolution is, however, misplaced. Case law instructs that although the Court's dismissal of a case via a minute resolution constitutes a disposition on the merits, the same could not be treated as a binding precedent to cases involving other persons who are not parties to the case, or another subject matter that may or may not have the same parties and issues.[45] In other words, a minute resolution does not necessarily bind non-parties to the action even if it amounts to a final action on a case.[46]

In this case, records do not bear proof that respondents were also parties to the Philippine Pizza, Inc.'s case or that they participated or were involved therein. Moreover, there was no showing that the subject matters of the two (2) cases were in some way similar or related to one another, since the minute resolution in the case of Philippine Pizza, Inc. did not contain a complete statement of the facts, as well as a discussion of the applicable laws and jurisprudence that became the basis for the Court's minute resolution therein. In this light, the principle of stare decisis cannot be invoked to obtain a dismissal of the instant petition.

Instead, independently considering the attending circumstances of this case, the Court finds that the NLRC did not in fact gravely abuse its discretion in holding that CBMI is a legitimate job contractor, and consequently, the employer of respondents. As the NLRC aptly pointed out, CBMI is presumed to have complied with all the requirements of a legitimate job contractor, considering the Certificates of Registration[47] issued to it by the DOLE. Although not a conclusive proof of legitimacy, the certification nonetheless prevents the presumption of labor-only contracting from arising. It gives rise to a disputable presumption that the contractor's operations are legitimate.[48]

The NLRC was also correct in holding that CBMI has substantial capital and investment. Based on CBMI's 2012 General Information Sheet,[49] it has an authorized capital stock in the amount of P10,000,000.00 and subscribed capital stock in the amount of P5,000,000.00, P3,500,000.00 of which had already been paid-up. Additionally, its audited financial statements[50] show that it has considerable current and non-current assets amounting to P85,518,832.00. Taken together, CBMI has substantial capital to properly carry out its obligations with PPI, as well as to sufficiently cover its own operational expenses.

More importantly, the NLRC correctly gave credence to CBMI's claim that it retained control over respondents, as shown by the deployment of at least one (1) CBMI supervisor in each Pizza Hut branch to regularly oversee, monitor, and supervise the employees' attendance and performance. This claim was further substantiated by CBMI's area coordinators, who admitted in their Affidavits[51] that: (a) they oversee, monitor, and ensure CBMI employees' compliance with company policies, rules, and regulations whichever Pizza Hut branch they may be assigned; (b) they are responsible for ensuring that CBMI employees perform their tasks and functions in the manner that CBMI mandates; (c) they regularly visit and monitor each area of deployment; (d) they track and confirm the attendance and punctuality of CBMI employees; and (e) they constantly inform CBMI's Human Resource Department (HRD) Manager of any company violations committed by the employees.

Furthermore, the existence of the element of control can also be inferred from CBMI's act of subjecting respondents to disciplinary sanctions for violations of company rules and regulations as evidenced by the various Offense Notices and Memoranda[52] issued to them. Additionally, records show that CBMI employed measures to ensure the observance of due process before subjecting respondents to disciplinary action. In fact, CBMI's HRD Manager, Sarah G. Delgado, attested in her Affidavit[53] that one of her duties is to make sure that due process is equally afforded to all erring CBMI employees before a disciplinary action is imposed upon them.

Lastly, the NLRC correctly found that no employer-employee relationship exists between PPI and respondents, and that the latter were employees of CBMI. Records reveal that respondents applied for work with CBMI and

were consequently selected and hired by the latter.[54] They were then required by CBMI to attend orientations and seminars wherein respondents were apprised of the working conditions, basic customer service, basic good grooming, and company rules and regulations.[55] During the course of their employment, CBMI paid their wages[56] and remitted/paid their SSS, PhilHealth, and Pag-IBIG contributions.[57] CBMI also exercised the power of discipline and control over them as discussed in the preceding paragraphs.

From all indications, the Court finds that CBMI is a legitimate job contractor, and thus, the employer of respondents.

As to the issue of illegal dismissal, the Court agrees with the finding of the NLRC that respondents were not illegally dismissed from work. Records show that while PPI denied the existence of an employer-employee relationship with respondents, CBMI actually acknowledged that respondents were its employees. CBMI likewise presented proof that it duly informed respondents of their impending lay-off, yet they immediately filed the complaints before it had the chance to re-deploy them.[58] On the other hand, respondents did not even refute CBMI's claim that they were informed of its decision to place them in floating status pending their re-deployment. As such, respondents could not have been illegally terminated from work, for they were placed in a temporary lay-off status when they prematurely filed the complaints.[59] There being no dismissal to speak of, respondents were thus not illegally dismissed by CBMI, their actual employer.

WHEREFORE, the petition is GRANTED. The Decision dated March 30, 2016 and the Resolution dated January 6, 2017 rendered by the Court of Appeals in CA-G.R. SP No. 136333 are hereby REVERSED and SET ASIDE. Accordingly, the Decision dated January 28, 2014 and the Resolution dated April 30, 2014 of the National Labor Relations Commission in NLRC-NCR Nos. 04-05060-13, 05-06931-13, 05-07363-13, 05-07941-13, and 06-08125-13 are REINSTATED.

SO ORDERED.

Carpio (Chairperson), Caguioa, A. Reyes, Jr., and J. Reyes, Jr.,^[**] JJ., concur.

[*] "Poras" in the title of the Petition. See rollo, Vol. I, p. 9.

[**] Designated Additional Member per Special Order No. 2587 dated August 28, 2018.

[1] Id. at 9-40.

[2] Id. at 46-60. Penned by Associate Justice Henri Jean Paul B. Inting with Associate Justices Marlene Gonzales-Sison and Ramon A. Cruz, concurring.

[3] Id. at 62-63.

[4] Rollo, Vol. II, pp. 537-552. Penned by Presiding Commissioner Gerardo C. Nograles with Commissioners Perlita B. Velasco and Romeo L. Go, concurring.

[5] Id. at 553-555.

[6] CA rollo, Vol. I, pp. 52-65. Penned by J. Potenciano F. Napenas, Jr.

[7] Respondents were hired on the following dates: Cayetano on November 9, 2004; Avenido in March 2006; Gurion in August 2006; Recto in May 2002; Sumbang, Jr. on June 23, 2003; and Deloso on June 10, 2002 (see rollo, Vol. I, p. 47).

[8] Rollo, Vol. II, p. 506.

[9] Rollo, Vol. I, p. 10.

[10] Rollo, Vol. II, p. 507.

[11] See rollo. Vol. I, p. 48; and rollo, Vol. II, pp. 540-541.

[12] Complaints were likewise filed by Alexander Castillo and Jojo N. Nace in NLRC Case No. 04-05060-13, but the latter opted to settle their claims with PPI and CBMI. As to Eduardo M. Buot, Jr. and Michael Bachicha, the latter failed to appear and file their respective position papers; thus, their complaints were dismissed for lack of interest (see *id.* at 53).

[13] The Complaints were likewise filed against PPI and CBMI's respective Presidents, i.e., Jorge Araneta, and Salvador Ortáñez (see CA rollo, Vol. I, pp. 66-88).

[14] See copies of various contracts of service between Pizza Hut and CBMI; rollo, Vol. I, pp. 112-202.

[15] See *id.* at 48-49.

[16] Stands for "Social Security Service."

[17] Stands for "Philippine Health Insurance Corporation."

[18] Stands for "Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industria at Gobyerno."

[19] See CA rollo, Vol. I, p. 479.

[20] See CA rollo, Vol. II, p. 754.

[21] See rollo, Vol. I, p. 50.

[22] CA rollo, Vol. I, pp. 53-65.

[23] See *id.* at 63-65.

[24] See *id.* at 59-60.

[25] See Minute Resolution in G.R. No. 200656, April 16, 2012.

[26] See CA rollo, Vol. I, p. 61.

[27] See rollo, Vol. II, pp. 453-471 (for PPI) and 504-536 (for CBMI).

[28] *Id.* at 537-552.

[29] *Id.* at 551.

[30] See *id.* at 549-550.

[31] *Id.* at 550.

[32] See *id.* at 550-551.

[33] Not attached to the records.

[34] Rollo, Vol. II, pp. 553-554.

[35] Dated July 11, 2014. *Id.* at 556-580.

[36] Rollo, Vol. I, pp. 46-60.

[37] Id. at 59-60.

[38] See id. at 55-57.

[39] Id. at 57.

[40] See rollo, Vol. II, pp. 617-641 (for PPI) and pp. 643-667 (for CBMI).

[41] Rollo, Vol. I, pp. 62-63.

[42] See *Quebral v. Angbus Construction, Inc.*, G.R. No. 221897, November 7, 2016, 807 SCRA 176, 184, citing *Montoya v. Transmed Manila Corporation*, 613 Phil. 696, 707 (2009).

[43] See *Quebral v. Angbus Construction, Inc.*, id. at 186, citing *Gadia v. Sykes Asia, Inc.*, 752 Phil. 413, 419-420 (2015).

[44] See *Quebral v. Angbus Construction, Inc.*, id., citations omitted.

[45] See *Read-Rite Philippines, Inc. v. Francisco*, G.R. No. 195457, August 16, 2017, citing *Philippine Health Care Providers, Inc. v. Commissioner of Internal Revenue*, 616 Phil. 387, 421 (2009).

[46] See *Read-Rite Philippines, Inc. v. Francisco*, id., citing *Alonso v. Cebu Country Club, Inc.*, 426 Phil. 61, 86 (2002).

[47] CA rollo, Vol. I, pp. 479-481.

[48] See *W.M. Manufacturing, Inc. v. Dalag*, 774 Phil. 353, 378 (2015).

[49] CA rollo, Vol. II, pp. 768-777.

[50] Id. at 780-782.

[51] Id. at 803-811.

[52] See copies of various Offense Notices and Memoranda issued to respondents; id. at 812-818.

[53] Id. at 800-802.

[54] See copies of respondents' bio-data and personnel information sheets; id. at 641-642, 645-649, and 651-655.

[55] See copies of various certifications; id. at 643, 644, and 650.

[56] See copies of respondents' pay slips; id. at 656-667.

[57] See copies of computer-generated reports of the SSS, PhilHealth, and Pag-IBIG remittances/payments made by CBMI for respondents; id. at 668-724. See also copies of the certifications of such remittances; id. at 725-730.

[58] See copies of various memoranda issued by CBMI to respondents informing them of their impending lay-off; id. at 731-735. See also copies of affidavits of CBMI's officials attesting to PPI's decision to reduce its need for services in some of its branches; id. at 736-740.

[59] See *Innodata Knowledge Services, Inc. v. Inting*, G.R. No. 211892, December 6, 2017 and *Mindanao Terminal and Brokerage Service, Inc. v. Nagkahiusang Mamumuo sa Minterbro-Southern Philippines Federation of Labor*, 700 Phil. 205 (2012).

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.