SUPREME COURT
THIRD DIVISION

SAN MIGUEL CORPORATION,
***Petitioner*,**

-versus-

G.R. No. 80774
May 31, 1988

NATIONAL LABOR RELATIONS COMMISSION and RUSTICO VEGA,
***Respondents*.**
x----------x

D E C I S I O N

FELICIANO, *J.*:

In line with an Innovation Program sponsored by petitioner San Miguel Corporation ("Corporation;" "SMC") and under which management undertook to grant cash awards to "all SMC employees except [ED-HO staff, Division Managers and higher-ranked personnel" who submit to the Corporation ideas and suggestions found to be beneficial to the Corporation, private respondent Rustico Vega submitted on 23 September 1980 an innovation proposal. Mr. Vega's proposal was entitled "Modified Grande Pasteurization Process," and was supposed to eliminate certain alleged defects in the quality and taste of the product "San Miguel Beer Grande:"

"Title of Proposal

Modified Grande Pasteurization Process

Present Condition or Procedure

At the early stage of beer grande production, several cases of beer grande full goods were received by MB as returned beer fulls (RBF). The RBF's were found to have sediments and their contents were hazy. These effects are usually caused by underpasteurization time and the pasteurization units for beer grande were almost similar to those of the stenie.

Proposed Innovation (Attach necessary information)

In order to minimize if not eliminate underpasteurization of beer grande, reduce the speed of the beer grande pasteurizer thereby, increasing the pasteurization time and the pasteurization units for grande beer. In this way, the self-life (sic) of beer grande will also be increased."[1]

Mr. Vega at that time had been in the employ of petitioner Corporation for thirteen (13) years and was then holding the position of mechanic in the Bottling Department of the SMC Plant Brewery situated in Tipolo, Mandaue City.

Petitioner Corporation, however, did not find the aforequoted proposal acceptable and consequently refused Mr. Vega's subsequent demands for a cash award under the Innovation Program. On 22 February 1983, a Complaint[2] (docketed as Case No. RAB-VII-0170-83) was filed against petitioner Corporation with Regional Arbitration Branch No. VII (Cebu City) of the then Ministry of Labor and Employment. Private respondent Vega alleged there that his proposal "[had] been accepted by the methods analyst and implemented by the Corporation [in] October 1980," and that the same "ultimately and finally solved the problem of the Corporation in the production of Beer Grande." Private respondent thus claimed entitlement to a cash prize of P60,000.00 (the maximum award per proposal offered under the Innovation Program) and attorney's fees.

In an Answer With Counterclaim and Position Paper,[3] petitioner Corporation alleged that private respondent had no cause of action. It denied ever having approved or adopted Mr. Vega's proposal as part of the Corporation's brewing procedure in the production of San Miguel Beer Grande. Among other things, petitioner stated that Mr. Vega's proposal was turned down by the company "for lack of originality" and that the same, "even if implemented [could not] achieve the desired result." Petitioner further alleged that the Labor Arbiter had no jurisdiction, Mr. Vega having improperly bypassed the grievance machinery procedure prescribed under a then existing collective bargaining agreement between management and employees, and available administrative remedies provided under the rules of the Innovation Program. A counterclaim for moral and exemplary damages, attorney's fees, and litigation expenses closed out petitioner's pleading.

In an Order,[4] dated 30 April 1986, the Labor Arbiter, noting that the money claim of complainant Vega in this case is "not a necessary incident of his employment" and that said claim is not among those mentioned in Article 217 of the Labor Code, dismissed the complaint for lack of jurisdiction. However, in a gesture of "compassion and to show the government's concern for the workingman," the Labor Arbiter also directed petitioner to pay Mr. Vega the sum of P2,000.00 as "financial assistance."

The Labor Arbiter's order was subsequently appealed by both parties, private respondent Vega assailing the dismissal of his complaint for lack of jurisdiction and petitioner Corporation questioning the propriety of the award of "financial assistance" to Mr. Vega. Acting on the appeals, the public respondent National Labor Relations Commission, on 4 September 1987, rendered a Decision,[5] the dispositive portion of which reads:

> "WHEREFORE, the appealed Order is hereby set aside and another judgment entered, ordering the respondent to pay the complainant the amount of P60,000.00 as explained above.
>
> SO ORDERED."

In the present Petition for Certiorari filed on 4 December 1987, petitioner Corporation, invoking Article 217 of the Labor Code, seeks to annul the Decision of public respondent Commission in Case No. RAB- VII-0170-83 upon the ground that the Labor Arbiter and the Commission have no jurisdiction over the subject matter of the case.

The jurisdiction of Labor Arbiters and the National Labor Relations Commission is outlined in Article 217 of the Labor Code, as last amended by Batas Pambansa Blg. 227 which took effect on 1 June 1982:

> "ART. 217. Jurisdiction of Labor Arbiters and the Commission. —
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> (a) The Labor Arbiters shall have the original and exclusive jurisdiction to hear and decide within thirty (30) working days after submission of the case by the parties for decision, the following cases involving all workers, whether agricultural or non-agricultural:
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> 1. Unfair labor practice cases;
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> 2. Those that workers may file involving wages, hours of work and other terms and conditions of employment;
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> 3. All money claims of workers, including those based on non-payment or underpayment of wages, overtime compensation, separation pay and other benefits provided by law or appropriate agreement, except claims for employees' compensation, social security, medicare and maternity benefits;
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> 4. Cases involving household services; and
>
> 5. Cases arising from any violation of Article 265 of this Code, including questions involving the legality of strikes and lockouts.

> (b) The Commission shall have exclusive appellate jurisdiction over all cases decided by Labor Arbiters." (Emphasis supplied)

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 he 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 to employers). It is evident that there is a unifying element which runs through paragraphs 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,"[6] 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 the 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.

Applying the foregoing reading to the present case, we note that petitioner's Innovation Program is an employee incentive scheme offered and open only to employees of petitioner Corporation, more specifically to employees below the rank of manager. Without the existing employer-employee relationship between the parties here, there would have been no occasion to consider the petitioner's Innovation Program or the submission by Mr. Vega of his proposal concerning beer grande; without that relationship, private respondent Vega's suit against petitioner Corporation would never have arisen. The money claim of private respondent Vega in this case, therefore, arose out of or in connection with his employment relationship with petitioner.

The next issue that must logically be confronted is whether the fact that the money claim of private respondent Vega arose out of or in connection with his employment relation with petitioner Corporation, is enough to bring such money claim within the original and exclusive jurisdiction of Labor Arbiters.

In Molave Motor Sales, Inc. vs. Laron,[7] the petitioner was a corporation engaged in the sale and repair of motor vehicles, while private respondent was the sales Manager of petitioner. Petitioner had sued private respondent for non-payment of accounts which had arisen from private respondent's own purchases of vehicles and parts, repair jobs on cars personally owned by him, and cash advances from the corporation. At the pre-trial in the lower court, private respondent raised the question of lack of jurisdiction of the court, stating that because petitioner's complaint arose out of the employer-employee relationship, it fell outside the jurisdiction of the court and consequently should be dismissed. Respondent Judge did dismiss the case, holding that the sum of money and damages sued for by the employer arose from the employer-employee relationship and, hence, fell within the jurisdiction of the Labor Arbiter and the NLRC. In reversing the order of dismissal and requiring respondent Judge to take cognizance of the case below, this Court, speaking through Mme. Justice Melencio-Herrera, said:

> "Before the enactment of BP Blg. 227 on June 1, 1982, Labor Arbiters, under paragraph 5 of Article 217 of the Labor Code had jurisdiction over 'all other cases arising from employer-employee relation, unless expressly excluded by this Code.' Even then, the principle followed by this Court was that, although a controversy is between an employer and an employee, the Labor Arbiters have no jurisdiction if the Labor Code is not involved. In Medina vs. Castro-Bartolome, 11 SCRA 597, 604, in negating jurisdiction of the Labor Arbiter, although the parties were an employer and two employees, Mr. Justice Abad Santos stated:
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> > 'The pivotal question to Our mind is whether or not the Labor Code has any relevance to the reliefs sought by the plaintiffs. For if the Labor Code has no relevance, any discussion concerning the statutes amending it and whether or not they have retroactive effect is unnecessary.
> >
> > It is obvious from the complaint that the plaintiffs have not alleged any unfair labor practice. Theirs is a simple action for damages for tortious acts allegedly committed by the defendants. Such being the case, the governing statute is the Civil Code and not the Labor Code. It results that the orders under review are based on a wrong premise.'

And in Singapore Airlines Limited vs. Paño, 122 SCRA 671, 677, the following was said:

> 'Stated differently, petitioner seeks protection under the civil laws and claims no benefits under the Labor Code. The primary relief sought is for liquidated damages for breach of a contractual obligation. The other items demanded are not labor benefits demanded by workers generally taken cognizance of in labor disputes, such as payment of wages, overtime compensation or separation pay. The items claimed are the natural consequences flowing from breach of an obligation, intrinsically a civil dispute.'

> In the case below, PLAINTIFF had sued for monies loaned to DEFENDANT, the cost of repair jobs made on his personal cars, and for the purchase price of vehicles and parts sold to him. Those accounts have no relevance to the Labor Code. The cause of action was one under the civil laws, and it does not breach any provision of the Labor Code or the contract of employment of DEFENDANT. Hence the civil courts, not the Labor Arbiters and the NLRC should have jurisdiction."[8]

It seems worth noting that Medina vs. Castro-Bartolome, referred to in the above excerpt, involved a claim for damages by two (2) employees against the employer company and the General Manager thereof, arising from the use of slanderous language on the occasion when the General Manager fired the two (2) employees (the Plant General Manager and the Plant Comptroller). The Court treated the claim for damages as "a simple action for damages for tortious acts" allegedly committed by private respondents, clearly if impliedly suggesting that the claim for damages did not necessarily arise out of or in connection with the employer-employee relationship. Singapore Airlines Limited vs. Paño, also cited in Molave, involved a claim for liquidated damages not by a worker but by the employer company, unlike Medina. The important principle that runs through these three (3) cases is that where the claim to the principal relief sought[9] is to be resolved not by reference to the Labor Code or other labor relations statute or a collective bargaining agreement but by the general civil law, the jurisdiction over the dispute belongs to the regular courts of justice and not to the Labor Arbiter and the NLRC. In such situations, resolution of the dispute requires expertise, not in labor management relations nor in wage structures and other terms and conditions of employment, but rather in the application of the general civil law. Clearly, such claims fall outside the area of competence or expertise ordinarily ascribed to Labor Arbiters and the NLRC and the rationale for granting jurisdiction over such claims to these agencies disappears.

Applying the foregoing to the instant case, the Court notes that the SMC Innovation Program was essentially an invitation from petitioner Corporation to its employees to submit innovation proposals, and that petitioner Corporation undertook to grant cash awards to employees who accept such invitation and whose

innovation suggestions, in the judgment of the Corporation's officials, satisfied the standards and requirements of the Innovation Program[10] and which, therefore, could be translated into some substantial benefit to the Corporation. Such undertaking, though unilateral in origin, could nonetheless ripen into an enforceable contractual *(facio ut des)*[11] obligation on the part of petitioner Corporation under certain circumstances. Thus, whether or not an enforceable contract, albeit implied and innominate, had arisen between petitioner Corporation and private respondent Vega in the circumstances of this case, and if so, whether or not it had been breached, are preeminently legal questions, questions not to be resolved by referring to labor legislation and having nothing to do with wages or other terms and conditions of employment, but rather having recourse to our law on contracts.

WHEREFORE, the Petition for Certiorari is **GRANTED**. The decision dated 4 September 1987 of public respondent National Labor Relations Commission is **SET ASIDE** and the complaint in Case No. RAB-VII-0170-83 is hereby **DISMISSED**, without prejudice to the right of private respondent Vega to file a suit before the proper court, if he so desires. No pronouncement as to costs.

SO ORDERED.

Fernan, Gutierrez, Jr., Bidin and Cortes, *JJ*., concur.

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[1] NLRC Records, Vol. I, p. 105.
[2] Rollo, pp. 19-20, Annex "A" of Petition.
[3] Id., pp. 21-24, Annex "B" of Petition.
[4] Id., pp. 30-32, Annex "D" of Petition.
[5] Id., pp. 44-50, Annex "G" of Petition.
[6] Article 217 of the Labor Code as it existed prior to 1 May 1978, provided as follows:

> "Art. 217. Jurisdiction of Labor Arbiters and the Commission. - (a) The Labor Arbiters shall have exclusive jurisdiction to hear and decide the following cases involving all workers, whether agricultural or non-agricultural:
>
> (1) Unfair labor practice cases;
>
> (2) Unresolved issues in collective bargaining including those which involve wages, hours of work, and other terms and conditions of

employment duly indorsed by the Bureau in accordance with the provisions of this Code;

(3) All money claims of workers involving non-payment or underpayment of wages, overtime or premium compensation, maternity or service incentive leave, separation pay and other money claims arising from employer-employee relation, except claims for employee's compensation, social security and medicare benefits and as otherwise provided in Article 128 of this Code;

(4) Cases involving household services; and

(5) All other cases arising from employer-employee relation unless expressly excluded by this Code.

(b) The Commission shall have exclusive appellate jurisdiction over all cases decided by Labor Arbiters, compulsory arbitrators, and voluntary arbitrators in appropriate cases provided in Article 263 of this Code." (Italics supplied)

On 1 May 1978, Article 217 was amended by P.D. No. 1367 in the following manner:

"Section 1. Paragraph (a) of Art. 217 of the Labor Code as amended is hereby further amended to read as follows:

(a) The Labor Arbiters shall have exclusive jurisdiction to hear and decide the following cases involving all workers, whether agricultural or non-agricultural:

1) Unfair labor practice cases;

2) Unresolved issues in collective bargaining, including those which involve wages, hours of work, and other terms and conditions of employment; and

3) All other cases arising from employer-employee relations duly indorsed by the Regional Directors in accordance with the provisions of this Code; Provided, that the Regional Directors shall not indorse and Labor Arbiters shall not entertain claims for moral or other forms of damages.'" (Emphasis supplied)

On 1 May 1980, Article 217 was once more amended by P.D. No. 1 691, which amendment reads as follows:

"Article 217. Jurisdiction of Labor Arbiters and the Commission. -

(a) The Labor Arbiters shall have the original and exclusive jurisdiction to hear and decide the following cases involving all workers, whether agricultural or non-agricultural:

(1) Unfair labor practice cases;

(2) Unresolved issues in collective bargaining, including those that involve wages, hours of work, and other terms and conditions of employment;

(3) All money claims of workers, including non-payment or underpayment of wages, overtime compensation, separation pay and other benefits provided by law or appropriate agreement, except claims for employees compensation, social security, medicare and maternity benefits;

(4) Cases involving household services; and

(5) All other claims arising from employer-employee relations, unless expressly excluded by this Code.

(b) The Commission shall have exclusive appellate jurisdiction over all cases decided by Labor Arbiters, compulsory arbitrators, and voluntary arbitrators in appropriate cases provided in Article 263 of this Code." (Emphasis supplied)

In other words, P.D. No. 1691 deleted the proviso which had been inserted by P.D. No. 1367, which proviso excluded from the jurisdiction of the Labor Arbiter claims for moral and other forms of damages. Under P.D. No. 1691, therefore, Labor Arbiters could once more take cognizance of claims for moral and other forms of damages which are incidental to or necessarily bound up with money claims of workers which are otherwise clearly within the jurisdiction of Labor Arbiters. (Sagmit vs. Sibulo, 133 SCRA 359 [1984]; National Federation of Labor vs. Eisma, 127 SCRA 419 [1984]; Sentinel Insurance Co., Inc. vs. Bautista, 127 SCRA 623 [1984], Getz Corporation, Phils., Inc. vs. Court of Appeals, 116 SCRA 86 [1982]; Ebon vs. de Guzman, 113 SCRA 52 [1982]; Aguda vs. Vallejos, 113 SCRA 69 [1982]; and Pepsi-Cola Bottling Co. vs. Martinez, 112 SCRA 579 [1982]. See also Cardinal Industries, Inc. vs. Vallejos, 114 SCRA 472 [1982].)

B.P. Blg. 130, which took effect on 21 August 1981, introduced amendments to Article 217 which are not, however, relevant for present purposes.

[7] 129 SCRA 485 (1984).

[8] 129 SCRA at 488-489; emphasis supplied.

[9] It is the character of the principal relief sought that appears essential, in this connection. Where such principal relief is to be granted under labor legislation or a collective bargaining agreement, the case should fall within the jurisdiction of the Labor Arbiter and the NLRC, even though a claim for damages might be asserted as an incident to such claim. In such situations, the need to avoid splitting of jurisdiction arises. (Filipinas Life Assurance Co., Inc. vs. Bleza, 139 SCRA 565 [1985]; Sentinel Insurance Co., Inc. vs. Bautista, supra; Agusan del Norte Electric Cooperative, Inc. vs. Suarez, 125 SCRA 437 [1983]; Getz Corporation, Phils., Inc. vs. Court of Appeals, supra; Aguda vs. Vallejos, supra; Pepsi-Cola Bottling Co. vs. Martinez, supra; and Calderon, Sr. vs. Court of Appeals, 100 SCRA 459 [1980] (discussion at 463-466). See also Bengzon vs. Inciong, 91 SCRA 248 [1979]; and Quisaba vs. Sta. Ines-Melale Veneer & Plywood, Inc., 58 SCRA 771 [1974].)

[10] Innovation proposals, to qualify for an award under the Innovation Program of petitioner Corporation, had to satisfy certain requirements, i.e.: a proposal should be "specific and deliberate," new to San Miguel Corporation," "legal," "feasible" and "[capable of] achiev[ing] the company's objective more effectively". NLRC Records, Vol. 2, pp. 75-76.

[11] See Corpus vs. Court of Appeals, et al., 98 SCRA 424, 439 (1980).