

THIRD DIVISION

[G.R. No. 200088, February 26, 2018]

PHILIPPINE AIRLINES, INC., PETITIONER, VS. AIRLINE PILOTS ASSOCIATION OF THE PHILIPPINES, SOTICO T. LLOREN, RONALDO V. CUNANAN, LEONCIO H. MANARANG, JR., VICTOR N. AGUILAR, RODOLFO M. MEDINA, RENATO A. FLESTADO, ROMEO L. LORENZO, WESLEY V. TATE, SALVADOR S. ARCEO, JR., MARIANO V. NAVARETTE, JR., WILLIAM Z. CENZON, LIBERATE D. GUTIZA, MANUEL F. FORONDA, ISMAEL C. LAPUS, JR., RAQUELITO L. CAMACHO, JOHN JOSEPH V. DE GUZMAN, EFREN L. PATTUGALAN, JIMMY JESUS D. ARRANZA, PAUL DE LEON, ANTONIO A. CAYABA, DIOSDADO S. JUAN, JR., ORLANDO A. DEL CASTILLO, DEOGRACIAS C. CABALLERO, JR., AND FLORENDO R. UMALI, RESPONDENTS.

DECISION

MARTIRES, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court seeking the reversal of the 26 August 2011 Decision^[1] and 05 January 2012 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 113985, which affirmed with modification the 27 April 2009^[3] and 26 February 2010^[4] Resolutions of the National Labor Relations Commission (NLRC) in NLRC LAC No. 036558-03 (RA-10-08), which likewise affirmed with modification the 22 April 2008 Decision^[5] of the Labor Arbiter (LA) in NLRC NCR No. 04-04906-03.

THE FACTS

The present case arose from a labor dispute between petitioner Philippine Airlines, Inc. (PAL) and respondent Airline Pilots' Association of the Philippines (ALPAP), a duly registered labor organization and the exclusive bargaining agent of all commercial pilots of PAL. On 9 December 1997, ALPAP filed with the Department of Labor and Employment (DOLE) a notice of strike alleging that PAL committed unfair labor practice. On 23 December 1997, the Secretary of DOLE (SOLE) assumed jurisdiction over the dispute and thereafter prohibited ALPAP from staging a strike and committing any act that could exacerbate the dispute.^[6]

Despite the prohibition by the SOLE, ALPAP staged a strike on 5 June 1998. A return-to-work order^[7] was issued by the SOLE on 7 June 1998, but ALPAP defied the same and went on with their strike. Consequently, on 1 June 1999, the SOLE issued a resolution^[8] which declared the illegality of the strike staged by ALPAP and the loss of employment status of the officers who participated in the strike.

The SOLE's resolution was upheld by the CA in CA-G.R. SP No. 54880.^[9] The matter was eventually elevated to this Court in G.R. No. 152306. In a Resolution,^[10] dated 10 April 2002, the Court dismissed ALPAP's petition for failure to show that the CA committed grave abuse of discretion or a reversible error. The resolution attained finality on 29 August 2002.^[11]

On 22 April 2003, or almost eight (8) months :from the finality of the Court's 10 April 2002 Resolution, PAL filed before the LA a complaint^[12] for damages against ALPAP, as well as some of its officers and members.

PAL alleged, among others, that on 6 June 1998, the second day of the illegal strike conducted by ALPAP, its striking pilots abandoned three (3) PAL aircraft, as follows: (i) PR 730 bound for Paris, France, at Bangkok, Thailand; (ii) PR 741 bound for Manila, at Bangkok, Thailand; and (iii) PR 104 bound for Manila, at San Francisco, California, U.S.A. Because of the deliberate and malicious abandonment of the said flights, its passengers were stranded, and rendered PAL liable for violation of its contract of carriage. Thus, PAL was compelled to incur expenses by way of hotel accommodations, meals for the stranded passengers, airport parking fees, and other operational expenses. PAL further alleged that its operation was crippled by the illegal strike resulting in several losses from ticket refunds, extraordinary expenses to cope with the shutdown situation, and lost income from the cancelled domestic and international flights. PAL claimed that, as a result of the illegal strike, it suffered actual damages in the amount of P731,078,988.59. PAL further prayed that it be awarded P300,000,000.00 and P3,000,000.00 as exemplary damages and attorney's fees, respectively.

The LA Ruling

In its decision, dated 22 April 2008, the LA dismissed PAL's complaint. It ruled that it had no jurisdiction to resolve the issue on damages. It noted that the SOLE did not certify the controversy for compulsory arbitration to the NLRC nor in any occasion did the parties agree to refer the same to voluntary arbitration under Article 263(h) of the Labor Code. Hence, jurisdiction to resolve all issues arising from the labor dispute, including the claim for damages arising from the illegal strike, was left with the SOLE to the exclusion of all other fora.

The LA further ruled that PAL's cause of action had already been barred by prescription. It opined that since the complaint was premised on the illegality of the strike held by the respondents, the accrual of PAL's cause of action should be reckoned either on 5 June 1998, the first day of the strike, or on 7 June 1998, when the respondents defied the SOLE's return-to-work order. Hence, PAL's 22 April 2003 complaint was filed beyond the 3-year prescriptive period set forth in Article 291 of the Labor Code. The LA suggested, however, that PAL's cause of action may be treated as an independent civil action in another forum. The dispositive portion reads:

WHEREFORE, the complaint is DISMISSED for lack of merit.

SO ORDERED.^[13]

Aggrieved, PAL elevated an appeal to the NLRC.

The NLRC Ruling

In its resolution, dated 27 April 2009, the NLRC affirmed with modification the LA's 22 April 2008 decision. It ruled that labor tribunals have no jurisdiction over the claims interposed by PAL. It opined that the reliefs prayed for by PAL should have been ventilated before the regular courts considering that they are based on the tortuous acts allegedly committed by the respondents. It explained that the airline pilots' refusal to fly their assigned aircrafts constitutes breach of contractual obligation which is intrinsically a civil dispute. The dispositive portion of the resolution states:

WHEREFORE, except for the MODIFICATION that the phrase "for lack of merit" in the dispositive portion is deleted therefrom, the appealed Decision is hereby AFFIRMED.

SO ORDERED.^[14]

PAL moved for reconsideration, but the same was denied by the NLRC in its resolution, dated 26 February 2010.

Unconvinced, PAL filed a petition for certiorari under Rule 65 of the Rules of Court before the CA.

The CA Ruling

In its assailed Decision, dated 26 August 2011, the CA partially granted PAL's petition. It ruled that while the NLRC correctly sustained the LA's dismissal of the complaint for lack of jurisdiction, it declared that the NLRC gravely abused its discretion when it affirmed the LA's pronouncement that PAL's cause of action had already prescribed.

The appellate court concurred with the NLRC's opinion that exclusive jurisdiction over PAL's claim for damages lies with the regular courts and not with the SOLE. It ratiocinated that while Article 263(g) of the Labor Code vests in the SOLE the authority to resolve all questions and controversies arising from a labor dispute over which it assumed jurisdiction, said authority must be interpreted to cover only those causes of action which are based on labor laws. Stated differently, causes of action based on an obligation or duty not provided under the labor laws are beyond the SOLE's jurisdiction. It continued that only those issues that arise from the assumed labor dispute, which has a direct causal connection to the employer-employee relationship between the parties, will fall under the jurisdiction of the SOLE. It pointed out that the damages caused by the wilful acts of the striking pilots in abandoning their aircraft are recoverable under civil law and are thus within the jurisdiction of the regular courts.

Further, the appellate court held that PAL's cause of action accrued only on 29 August 2002, the date when this Court's resolution sustaining the finding of the strike's illegality had attained finality. The dispositive portion of the assailed decision reads:

WHEREFORE, premises considered, the Petition for *Certiorari* is PARTIALLY GRANTED. The April 27, 2009 and February 26, 2010 NLRC Resolutions are MODIFIED as follows:

- 1) The complaint for damages arising from the illegal strike claimed by the petitioner lies not within the jurisdiction of the DOLE Secretary or the Labor Arbiter but with the regular courts; and
- 2) Petitioner's cause of action for damages has not yet prescribed.

No costs.

SO ORDERED.^[15]

PAL moved for partial reconsideration but the same was denied by the CA in its assailed Resolution, dated 5 January 2012.

Hence, this petition.

THE ISSUE

WHETHER THE NLRC AND THE LABOR ARBITER HAVE JURISDICTION OVER PAL'S CLAIMS AGAINST THE RESPONDENTS FOR DAMAGES INCURRED AS A CONSEQUENCE OF THE LATTER'S ACTIONS DURING THE ILLEGAL STRIKE.

THE COURT'S RULING

The petition is partially meritorious.

Labor tribunals have jurisdiction over actions for damages arising from a labor strike.

Under Article 217 [now Article 224] of the Labor Code, as amended by Section 9 of R.A. No. 6715, the LA and the NLRC have jurisdiction to resolve cases involving claims for damages arising from employer-employee relationship, to wit:

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 nonagricultural:

1. **Unfair labor practice cases;**
2. Termination disputes;
3. If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment
4. **Claims for actual, moral, exemplary and other forms of damages arising from employer-employee relations;**
5. **Cases arising from any violation of Article 264 of this Code including questions involving the legality of strikes and lockouts; and**
6. Except claims for Employees Compensation, Social Security, Medicare and maternity benefits, all other claims, arising from employer-employee relations, including those of persons in domestic or household service, involving an amount exceeding five thousand pesos (P5,000.00) regardless of whether accompanied with a claim for reinstatement.

[emphases supplied]

It is settled, however, that not every controversy or money claim by an employee against the employer or vice-versa falls within the jurisdiction of the labor arbiter. [16] Intrinsically, civil disputes, although involving the claim of an employer against its employees, are cognizable by regular courts. [17]

To determine whether a claim for damages under paragraph 4 of Article 217 is properly cognizable by the labor arbiter, jurisprudence has evolved the "reasonable connection rule" which essentially states that the claim for damages must have reasonable causal connection with any of the claims provided for in that article. A money claim by a worker against the employer or vice-versa is within the exclusive jurisdiction of the labor arbiter only if there is a "reasonable causal connection" between the claim asserted and employer-employee relations. Only if there is such a connection with the other claims can the claim for damages be considered as arising from employer-employee relations. [18] Absent such a link, the complaint will be cognizable by the regular courts.

The appellate court was of the opinion that, applying the reasonable connection rule, PAL's claims for damages have no relevant connection whatsoever to the employer-employee relationship between the parties. Thus, the claim is within the exclusive jurisdiction of the regular courts. It explained that Article 217 of the Labor Code does not include a claim for damages wherein the employer-employee relation is merely incidental, and where the claim is largely civil in character.

The appellate court is mistaken.