

THIRD DIVISION

[G.R. No. 124250, October 18, 2004]

UNIVERSITY OF SANTO TOMAS, PETITIONER, VS. COURT OF APPEALS AND PRISCILLA TIONGCO CANICOSA, RESPONDENTS.

DECISION

CORONA, J.:

This petition for review on certiorari seeks to annul and set aside the decision^[1] dated March 6, 1996 of the Court of Appeals in CA-G.R. CV No. 43248 which in turn affirmed the decision^[2] dated December 21, 1992 of the Regional Trial Court of Manila, Branch 50, in Civil Case No. R-82-6145.

Petitioner is a corporation duly organized and existing under the laws of the Philippines. It owns and operates the hospital known as the Santo Tomas University Hospital (STUH). On January 1, 1976, petitioner entered into an agreement, denominated as "Indenture of Lease," with Dr. Librado Canicosa whereby the latter leased Room 203 of the hospital for a period of two years (January 1, 1976 to December 31, 1977). Annexed to the lease agreement was a statement of "Policies in Private Clinics" in which the following restriction was specifically set forth:

4. No physician accepted as lessee shall maintain or offer in the leased premises any ancillary services which is being offered by the Santo Tomas University Hospital (such as nuclear and other laboratory services, physiotherapy, x-ray, pharmacy, etc.) except upon special arrangement in writing with the hospital administration.

The lease agreement was renewed for another two years from January 1, 1978 to December 31, 1979. In February 1979, petitioner acquired two diagnostic machines — a scintillation gamma camera and an up take machine — which became fully operational on March 7, 1979. Because STUH had a similar diagnostic instrument, petitioner sent a letter to Dr. Canicosa on March 22, 1979 requesting the latter to remove his up take machine pursuant to the limitation attached to the agreement.

However, in a letter dated March 26, 1979, respondent Canicosa rejected petitioner's request, claiming that his machine was not in the hospital premises but in the room he was leasing from the hospital. He also averred that the machine was essential to the diagnosis and treatment of thyroid disorders and was being used only for his own private patients.

Due to the refusal of respondent to remove his up take machine from Room 203 of STUH, petitioner filed an ejectment complaint on May 17, 1979 against Canicosa on the ground of violation of the terms of the lease agreement.

In his answer, Canicosa insisted that the up take machine was essential to his

medical practice as an internist specializing in thyroidology. He claimed he had been using this machine since 1967. He also filed a counterclaim seeking actual, moral and exemplary damages for the following causes of action:

- (1) on October 31, 1975, petitioner dismissed him as personnel health officer, a position he had held since 1950. He thus filed a case for illegal dismissal at the National Labor Relations Commission (NLRC) and demanded his reinstatement and payment of backwages. Canicosa claimed that his dismissal was a product of ill-will, revenge and harassment as he earlier opposed the application for Filipino citizenship of the hospital administrator, Fr. Antonio Cabezon, O.P. On February 28, 1978, the labor arbiter ^[3] rendered a decision branding his dismissal as illegal and ordering his reinstatement to his former position with full backwages. Petitioner appealed to the NLRC which affirmed the decision on May 29, 1980. ^[4] Petitioner elevated the case to the Supreme Court which, on October 28, 1983, affirmed the decisions of both the labor arbiter and the NLRC. ^[5]
- (2) sometime in April 1978, petitioner, through Fr. Cabezon, filed a criminal complaint for falsification against him before the City Fiscal of Manila. The complaint was, however, dismissed on August 4, 1978.
- (3) the filing of the instant suit against him was clearly motivated by malice and revenge. He suspected that petitioner had long wanted to get rid off him mainly because of his disagreement with some hospital officials, particularly Fr. Cabezon.

On October 6, 1981, while the case against him was pending, respondent Canicosa died and he was substituted by his wife, Priscilla Tiongco Canicosa.

On December 21, 1992, the trial court rendered a decision dismissing petitioner's complaint and granting private respondent's counterclaim on his first and third causes of action:

WHEREFORE, judgement is hereby rendered dismissing plaintiff's complaint and, upon the counterclaim, ordering plaintiff University of Santo Tomas to pay substituted defendant Priscilla Tiongco Canicosa the following:

- a. on the First Cause of action – P40,000.00 for formal damages and P10,000.00 for attorney's fees;
- b. on the Third Cause of action – P20,000.00 for moral damages and P10,000.00 for attorney's fees;
- c. plus costs of suit.

Defendant's Second Cause of action is dismissed for lack of merit.

SO ORDERED. ^[6]

On appeal, the Court of Appeals affirmed in toto the decision of the trial court.

Hence, the present action, with petitioner arguing that the Court of Appeals erred in (1) not dismissing respondent's first cause of action under his counterclaim for lack

of jurisdiction and (2) affirming the trial court's award of moral damages and attorney's fees in favor of respondent.

At the outset, it should be noted that petitioner filed the complaint against Dr. Canicosa to compel him to stop using his up take machine and to vacate Room 203 of the hospital for his violation of the "Indenture of Lease." However, in view of the expiration of the lease on December 31, 1979 as well as Canicosa's death in 1981, the ejectment complaint instituted by petitioner became moot. Hence, we shall focus on the issues raised by petitioner with respect to respondent's counterclaim for damages.

DAMAGES DUE TO ALLEGED ILLEGAL DISMISSAL

On the first assignment of error, petitioner argues that respondent's first cause of action under his counterclaim was the claim for damages for his alleged illegal dismissal as personnel health officer of the hospital. As such, it was the NLRC and not the trial court which had jurisdiction to hear the claim for damages, pursuant to PD 1691 which took effect on May 1, 1980.

The complaint for ejectment was filed by petitioner on May 17, 1979 while respondent's answer with counterclaim was filed on June 27, 1979. At that time, PD 1367^[7] was still the prevailing law. Petitioner alleges that, although the case was filed during the effectivity of PD 1367 which vested the regular courts with jurisdiction over claims for damages arising from an employer-employee relationship, *that jurisdiction was removed from the courts when PD 1691 amended PD 1367 during the pendency of the case.* PD 1691 restored to the labor arbiters and the NLRC their jurisdiction over all money claims of workers and all other claims arising from employer-employee relations, including moral and exemplary damages.

On the other hand, respondent maintains that once a court has assumed jurisdiction over a case, its jurisdiction continues until the case is terminated.

Generally, jurisdiction is determined by the law in force at the time of the institution of the action.^[8] When petitioner filed the ejectment case on May 17, 1979, the applicable law was PD 1367, Section 1 of which provided that:

labor arbiters shall not entertain claims for moral or other forms of damages.

However, on May 1, 1980, *during the pendency of this case*, PD 1691 was promulgated, amending Section 1 of PD 1367:

ART. 217. Jurisdiction of the Labor Arbiter 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:

x x x

3) **All money claims of workers**, including those based on non-payment and underpayment of wages, overtime compensation, separation pay and other benefits provided by law or appropriate agreement, except claims for employees