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THIRD DIVISION

[G.R. No. 128024, May 09, 2000]

BEBIANO M. BAÑEZ, PETITIONER, VS. HON. DOWNEY C. VALDEVILLA AND ORO MARKETING, INC., RESPONDENTS.

D E C I S I O N

GONZAGA-REYES, J.:

The orders of respondent judge[1] dated June 20, 1996 and October 16, 1996, taking jurisdiction over an action for damages filed by an employer against its dismissed employee, are assailed in this petition for certiorari under Rule 65 of the Rules of Court for having been issued in grave abuse of discretion.

Petitioner was the sales operations manager of private respondent in its branch in Iligan City. In 1993, private respondent "indefinitely suspended" petitioner and the latter filed a complaint for illegal dismissal with the National Labor Relations Commission ("NLRC") in Iligan City. In a decision dated July 7, 1994, Labor Arbiter Nicodemus G. Palangan found petitioner to have been illegally dismissed and ordered the payment of separation pay in lieu of reinstatement, and of backwages and attorney's fees. The decision was appealed to the NLRC, which dismissed the same for having been filed out of time.[2] Elevated by petition for certiorari before this Court, the case was dismissed on technical grounds[3]; however, the Court also pointed out that even if all the procedural requirements for the filing of the petition were met, it would still be dismissed for failure to show grave abuse of discretion on the part of the NLRC.

On November 13, 1995, private respondent filed a complaint for damages before the Regional Trial Court ("RTC") of Misamis Oriental, docketed as Civil Case No. 95-554, which prayed for the payment of the following:

a. P709,217.97 plus 12% interest as loss of profit and/or unearned income of three years;
b. P119,700.00 plus 12% interest as estimated cost of supplies, facilities, properties, space, etc. for three years;
c. P5,000.00 as initial expenses of litigation; and
d. P25,000.00 as attorney's fees.[4]

On January 30, 1996, petitioner filed a motion to dismiss the above complaint. He interposed in the court below that the action for damages, having arisen from an employer-employee relationship, was squarely under the exclusive original jurisdiction of the NLRC under Article 217(a), paragraph 4 of the Labor Code and is barred by reason of the final judgment in the labor case. He accused private respondent of splitting causes of action, stating that the latter could very well have included the instant claim for damages in its counterclaim before the Labor Arbiter.

He also pointed out that the civil action of private respondent is an act of forum-shopping and was merely resorted to after a failure to obtain a favorable decision with the NLRC.

Ruling upon the motion to dismiss, respondent judge issued the herein questioned Order, which summarized the basis for private respondent's action for damages in this manner:

> Paragraph 5 of the complaint alleged that the defendant violated the plaintiff's policy re: His business in his branch at Iligan City wherein defendant was the Sales Operations Manager, and paragraph 7 of the same complaint briefly narrated the modus operandi of defendant, quoted herein: Defendant canvassed customers personally or through salesmen of plaintiff which were hired or recruited by him. If said customer decided to buy items from plaintiff on installment basis, defendant, without the knowledge of said customer and plaintiff, would buy the items on cash basis at ex-factory price, a privilege not given to customers, and thereafter required the customer to sign promissory notes and other documents using the name and property of plaintiff, purporting that said customer purchased the items from plaintiff on installment basis. Thereafter, defendant collected the installment payments either personally or through Venus Lozano, a Group Sales Manager of plaintiff but also utilized by him as secretary in his own business for collecting and receiving of installments, purportedly for the plaintiff but in reality on his own account or business. The collection and receipt of payments were made inside the Iligan City branch using plaintiff's facilities, property and manpower. That accordingly plaintiff's sales decreased and reduced to a considerable extent the profits which it would have earned.[5]

In declaring itself as having jurisdiction over the subject matter of the instant controversy, respondent court stated:

A perusal of the complaint which is for damages does not ask for any relief under the Labor Code of the Philippines. It seeks to recover damages as redress for defendant's breach of his contractual obligation to plaintiff who was damaged and prejudiced. The Court believes such cause of action is within the realm of civil law, and jurisdiction over the controversy belongs to the regular courts.

While seemingly the cause of action arose from employer- employee relations, the employer's claim for damages is grounded on the nefarious activities of defendant causing damage and prejudice to plaintiff as alleged in paragraph 7 of the complaint. The Court believes that there was a breach of a contractual obligation, which is intrinsically a civil dispute. The averments in the complaint removed the controversy from the coverage of the Labor Code of the Philippines and brought it within the purview of civil law. (Singapore Airlines, Ltd. Vs. Paño, 122 SCRA 671.) xxx[6]

Petitioner's motion for reconsideration of the above Order was denied for lack of merit on October 16, 1996. Hence, this petition.

Acting on petitioner's prayer, the Second Division of this Court issued a Temporary

Restraining Order ("TRO ") on March 5, 1997, enjoining respondents from further proceeding with Civil Case No. 95-554 until further orders from the Court.

By way of assignment of errors, the petition reiterates the grounds raised in the Motion to Dismiss dated January 30, 1996, namely, lack of jurisdiction over the subject matter of the action, *res judicata*, splitting of causes of action, and forum-shopping. The determining issue, however, is the issue of jurisdiction.

Article 217(a), paragraph 4 of the Labor Code, which was already in effect at the time of the filing of this case, reads:

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 non-agricultural:

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> 4. Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relations;
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> xxx

The above provisions are a result of the amendment by Section 9 of Republic Act ("R.A.") No. 6715, which took effect on March 21, 1989, and which put to rest the earlier confusion as to who between Labor Arbiters and regular courts had jurisdiction over claims for damages as between employers and employees.

It will be recalled that years prior to R.A. 6715, jurisdiction over all money claims of workers, including claims for damages, was originally lodged with the Labor Arbiters and the NLRC by Article 217 of the Labor Code.[7] On May 1, 1979, however, Presidential Decree ("P.D.") No. 1367 amended said Article 217 to the effect that "Regional Directors shall not indorse and Labor Arbiters shall not entertain claims for moral or other forms of damages."[8] This limitation in jurisdiction, however, lasted only briefly since on May 1, 1980, P.D. No. 1691 nullified P.D. No. 1367 and restored Article 217 of the Labor Code almost to its original form. Presently, and as amended by R.A. 6715, the jurisdiction of Labor Arbiters and the NLRC in Article 217 is comprehensive enough to include claims for all forms of damages "arising from the employer-employee relations".

Whereas this Court in a number of occasions had applied the jurisdictional provisions of Article 217 to claims for damages filed by employees,[9] we hold that by the designating clause "arising from the employer-employee relations" Article 217 should apply with equal force to the claim of an *employer* for actual damages against its dismissed employee, where the basis for the claim arises from or is necessarily connected with the fact of termination, and should be entered as a counterclaim in the illegal dismissal case.

Even under Republic Act No. 875 (the "Industrial Peace Act", now completely