SUPREME COURT
FIRST DIVISION

DAI-CHI ELECTRONICS MANUFACTURING CORPORATION,
***Petitioner*,**

-versus-

G.R. No. 112940
November 21, 1994

HON. MARTIN S. VILLARAMA, JR., Presiding Judge, Regional Trial Court, Branch 156, Pasig, Metro Manila and ADONIS C. LIMJUCO,
***Respondents*.**
x----------x

D E C I S I O N

QUIASON, *J.*:

This is a Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court in relation to R.A. No. 5440 and Circular No. 2-90 of the following orders of the Regional Trial Court, Branch 156, Pasig, Metro Manila, in Civil Case No. 63448: 1) Order dated September 20, 1993, dismissing the complaint of petitioner on the ground of lack of jurisdiction over the subject matter of the controversy; and 2) Order dated November 29, 1993, denying petitioner's motion for reconsideration.

I

On July 29, 1993, petitioner filed a complaint for damages with the Regional Trial Court, Branch 156, Pasig, Metro Manila, against private respondent, a former employee.

Petitioner alleged that private respondent violated paragraph five of their Contract of Employment dated August 27, 1990, which provides:

> "That for a period of two (2) years after termination of service from EMPLOYER, EMPLOYEE shall not in any manner be connected, and/or employed, be a consultant and/or be an informative body directly or indirectly, with any business firm, entity or undertaking engaged in a business similar to or in competition with that of the EMPLOYER" (Rollo, p. 24).

Petitioner claimed that private respondent became an employee of Angel Sound Philippines Corporation, a corporation engaged in the same line of business as that of petitioner, within two years from January 30, 1992, the date of private respondent's resignation from petitioner's employ. Petitioner further alleged that private respondent is holding the position of Head of the Material Management Control Department, the same position he held while in the employ of petitioner.

Petitioner sought to recover liquidated damages in the amount of One Hundred Thousand Pesos (P100,000.00), as provided for in paragraph seven of the contract, which provides:

> "That a violation of the conditions set forth in provisions Nos. (2) and (5) of this contract shall entitle the EMPLOYER to collect from the EMPLOYEE the sum of ONE HUNDRED THOUSAND PESOS (P100,000.00) by way of liquidated damages and likewise to adopt appropriate legal measures to prevent the EMPLOYEE from accepting employment and/or engaging, directly or indirectly, in a business similar to or in competition with that of the EMPLOYER, before the lapse of the aforesaid period of TWO (2) YEARS from date of termination of service from EMPLOYER" (Rollo, p. 25).

Respondent court, in its Order dated September 20, 1993, ruled that it had no jurisdiction over the subject matter of the controversy because the complaint was for damages arising from employer-employee relations. Citing Article 217(4) of the Labor Code of the Philippines, as amended by R.A. No. 6715, respondent court stated that it is the Labor Arbiter which had original and exclusive jurisdiction over the subject matter of the case (Rollo, pp. 28-32).

In this petition, petitioner asks for the reversal of respondent court's dismissal of the civil case, contending that the case is cognizable by the regular courts. It argues that the cause of action did not arise from employer-employee relations, even though the claim is based on a provision in the employment contract.

II

This issue is: Is petitioner's claim for damages one arising from employer-employee relations?

We answer in the negative.

Article 217, as amended by Section 9 of R.A. No. 6715, provides as follows:

> "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:
>
> x x x
>
> 4. Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relations;" (Emphasis supplied)
>
> x x x

Petitioner does not ask for any relief under the Labor Code of the Philippines. It seeks to recover damages agreed upon in the contract as redress for private respondent's breach of his contractual obligation to its "damage and prejudice" (Rollo, p. 57). Such cause of action is within the realm of Civil Law, and jurisdiction over the controversy belongs to the regular courts. More so when we consider that the stipulation refers to the post-employment relations of the parties.

A case in point is Singapore Airlines Limited vs. Paño, 122 SCRA 671 (1983), which also dealt with the employee's breach of an obligation embodied in a written employment agreement. Singapore Airlines filed a complaint in the trial court for damages against its employee for "wanton failure and refusal" without just cause to report to duty and for having "maliciously and with bad faith" violated the terms and conditions of its "Agreement for a Course of Conversion Training at the Expense of Singapore Airlines Limited." This agreement provided that the employee shall agree to remain in the service of the employer for a period of five years from the date of the commencement of the training program. The trial court dismissed the complaint on the grounds that it did not have jurisdiction over the subject matter of the controversy.

On appeal to this court, we held that jurisdiction over the controversy belongs to the civil courts. We stated that the action was for breach of a contractual obligation, which is intrinsically a civil dispute. We further stated that while seemingly the cause of action arose from employer-employee relations, the employer's claim for damages is grounded on "wanton failure and refusal" without just cause to report to duty coupled with the averment that the employee "maliciously and with bad faith" violated the terms and conditions of the contract to the damage of the employer. Such averments removed the controversy from the coverage of the Labor Code of the Philippines and brought it within the purview of Civil Law.

Jurisprudence has evolved the rule that claims for damages under paragraph 4 of Article 217, to be cognizable by the Labor Arbiter, must have a reasonable causal connection with any of the claims provided for in that article. Only if there is such a connection with the

other claims can the claim for damages be considered as arising from employer-employee relations.

In San Miguel Corporation vs. National Labor Relations Commission, 161 SCRA 719 (1988), we had occasion to construe Article 217, as amended by B.P. Blg. 227. Article 217 then provided that the Labor Arbiter had jurisdiction over all money claims of workers, but the phrase "arising from employer-employee relation" was deleted. We ruled thus:

> "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 be 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,' 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 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 some 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" (Emphasis supplied).

San Miguel was cited in Ocheda vs. Court of Appeals, 214 SCRA 629 (1992), where we held that when the cause of action is based on a quasi-delict or tort, which has no reasonable causal connection with any of the claims provided for in Article 217, jurisdiction over the action is with the regular courts.

We also applied the "reasonable causal connection rule" in Pepsi-Cola Distributors of the Philippines, Inc. vs. Gallang, 201 SCRA 695 (1991), where we held that an action filed by employees against an employer for damages for the latter's malicious filing of a criminal complaint for falsification of private documents against them came under the jurisdiction of the regular courts (See also Honiron Philippines, Inc. vs. Intermediate Appellate Court, G.R. No. 66929, August 13, 1990 and Abejaron vs. Court of Appeals, 208 SCRA 899 [1992]).

The rationale behind the holdings in these cases is that the complaint for damages was anchored not on the termination of the employee's services per se, but rather on the manner and consequent effects of such termination.

Cases decided under earlier versions of Article 217 were consistent also in that intrinsically civil disputes, even if these involve an employer and his employee, are cognizable by the regular courts. In Medina vs. Castro-Bartolome, 116 SCRA 597 (1982), a civil complaint for damages against the employer for slanderous remarks made against them, we upheld the regular court's jurisdiction after finding that the plaintiffs did not allege any unfair labor practice, their complaint being a simple action for damages for tortious acts allegedly committed by the defendants. In Molave Sales, Inc. vs.

Laron, 129 SCRA 485 (1984), we held that the claim of the plaintiff against its sales manager for payment of certain accounts and cash advances was properly cognizable by the regular courts because "although a controversy is between an employer and an employee, the Labor Arbiters have no jurisdiction if the Labor Code is not involved."

Private respondent also raises the issue of forum shopping. He asserts that the petition should be dismissed pursuant to Circular No. 28-91 because petitioner merely "mentioned in passing a labor case between petitioner and private respondent which is being handled by petitioner's other counsel" (Rollo, p. 42). Private respondent is referring to NLRC NCR Case No. 00-11-0689493 filed by him on November 8, 1993.

Petitioner asserts that the case before the Labor Arbiter was filed by private respondent against petitioner for alleged illegal dismissal, underpayment of wages and non-payment of overtime and premium pay with prayer for moral and exemplary damages, to which petitioner, through its other counsel, "logically raised as one of its several counterclaims against private respondent the liquidated damages mentioned in the contract of employment between the parties" (Rollo, p. 69).

Petitioner did not fail to disclose the pending labor case in the certification required under Circular No. 28-91. Thus, petitioner cannot be considered to have submitted a false certification warranting summary dismissal of the petition (par. 3[a] of Circular No. 28-91).

Petitioner did not commit forum shopping. It set up its counterclaim for liquidated damages merely as a defense against private respondent's complaint before the Labor Arbiter.

ACCORDINGLY, the Orders of the Regional Trial Court dated September 20, 1993 and November 29, 1993 are **SET ASIDE**. The trial court is **ORDERED** to continue with the proceedings in Civil Case No. 63448.

SO ORDERED.

Padilla, Davide, Jr., Bellosillo and Kapunan, *JJ.*, concur.
