

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
FIRST DIVISION**

**AMADO DE GUZMAN and MANILA  
WORKERS UNION AND GENERAL  
WORKERS UNION (MALEGWU)**  
*Petitioners,*

*-versus-*

**G.R. No. 132257  
October 12, 1998**

**COURT OF APPEALS and NASIPIT  
LUMBER COMPANY,**  
*Respondents.*

X-----X

**DECISION**

**PANGANIBAN, J.:**

All money claims arising from an employer-employee relation are covered by the three-year prescriptive period mandated by Article 291 of the Labor Code, and not by Article 1144 of the Civil Code which provides for a ten-year prescriptive period for written agreements. Thus, Article 291 of the Labor Code applies to petitioners' money claim, which is based on a provision of the Collective Bargaining Agreement (CBA) on retirement and separation benefits and is a consequence of employer-employee relation. Moreover, voluntary arbitrators have original and exclusive jurisdiction to hear and decide grievances arising from the implementation of a CBA. Hence, the

filing of a CBA-related complaint before the labor arbiter or the NLRC does not interrupt the three-year prescriptive period.

### **Statement of the Case**

These principles are used by this Court in denying the Petition for Review on *Certiorari* before us, assailing the July 4, 1997 Decision<sup>[1]</sup> of the Court of Appeals<sup>[2]</sup> in CA-GR SP No. 12952, which reversed the voluntary arbitrator's Decision<sup>[3]</sup> in this wise:

“We have no option but to reverse the ruling of the Voluntary Arbitrator. Respondents' claim already prescribed.

“THE FOREGOING CONSIDERED, judgment is hereby rendered, declaring as null and void the July 16, 1996 contested Decision, but only insofar as it concerns the optional retirement plan of the respondents Samuel Escalanda and Amado de Guzman; and the separation assistance grant, both under the CBA, with respect to Jose Espiritu, Jr., Dominador Quillooy and Forferio Higuít.”<sup>[4]</sup>

### **The Facts**

The Court of Appeals (CA) summarized the undisputed facts as follows:<sup>[5]</sup>

“The [private respondent], on April 16, 1992, because of serious business reverses, undertook a partial suspension of operation resulting in the forced leave for six (6) months of fifteen (15) rank-and-file employees, including Escalanda, de Guzman, Espiritu, Jr., Quillooy, Higuít, Tangca, Dizon, Torralba, Hernandez, Labay, Almaraz, Cunanan, Bonachita, Bulawan and Penomeno.

“On April 4, 1992 and April 7, 1992, Annexes C and D, respectively, the [Petitioner] Union, in two (2) letters, treated the forced leave as a “grievance” supposedly because of violation of the CBA (Collective Bargaining Agreement) with respect to optional retirement and separation pay grant.

“There was instituted before the NLRC on June 2, 1992, a case for illegal forced leave (NLRC Case NO. 00-06-03067-92, Manila Lumber Employees and General Workers Union, Escalanda, et. al. vs. Nasipit Lumber Company, et. al ).

“The [private respondent] sought dismissal of the case for the reason that the Voluntary Arbitrator, not the Labor Arbiter, has the original and exclusive jurisdiction to hear and decide all grievances arising from the interpretation of the Collective Bargaining Agreement, as provided for in Article 261, Labor Code. This was however denied by the Labor Arbiter.

“On January 11, 1993, the Supreme Court (GR. No. 106933) ‘dismissed the petition’ (Petition for *Certiorari*) under Rule 65 of the Rules of Court.

“There was another case instituted by the [petitioners] on December 7, 1992 before the NLRC (Case No. 00-12-06862-92) for illegal dismissal or in the alternative, the payment of CBA benefits.

“There was a judgment by the Labor Arbiter, on November 9, 1994, dismissing the case but directing it [private respondent] to pay the individual [petitioners] the amount of P206,959.19, representing retrenchment benefits.

“In the appeal by the [petitioners], they questioned why the Decision of the Labor Arbiter did not touch on the retirement benefits under the CBA, even if the CBA benefits were being raised repeatedly as one of the causes of action.

“There was a dismissal of the appeal by the NLRC on March 31, 1995, but with respect to the CBA benefits, it ruled (Rollo, p. 13):

‘Another error imputed to the Labor Arbiter has to do with his not applying the CBA concerning retirement benefits.

‘Having ruled that the retrenchment of the complainants was for valid cause, we focus Our attention to complainants’ contention relative to their alternative prayer that they be awarded 90 days’ pay for every year of service as what is provided for in Section 12, Article V of the Collective Bargaining Agreement.

‘Mention must be made that at the time of the retrenchment, the benefits applicable to an employee who was then eligible for retirement was 75 days pay plus 15 days pay for every year of service.

‘As correctly pointed out by the [private respondent] in their Opposition to Appeal, to wit:

‘For the information of the Honorable Commission, the interpretation of Section 12, Article V of the CBA, in the case of Mr. Sergio M. Torralba, the person who verified the appeal, has been submitted to voluntary arbitration. In a Decision rendered by Honorable Voluntary Arbitrator Ramon T. Jimenez on October 12, 1993, he sustained the position of the company that a retiring employee be paid 75 days lump sum payment and 15 days pay for every year of service, a copy of which is hereto attached as annex B. Said judgment was elevated to the Supreme Court by way of a petition for *certiorari* but was dismissed by the Supreme Court in its Resolution dated June 20, 1994, a copy of which is hereto attached as annex C. The Supreme Court in its Resolution dated August 17, 1994 denied reconsideration of its earlier resolution, a copy of which is hereto attached as Annex D.

x x x’

‘All told, We find no merit in the complainant’s appeal. Hence, We affirm.’

“The November 9, 1994 Decision of the Labor Arbiter and the NLRC Decision dated March 31, 1995, are now final and executory, a Motion for Reconsideration not having been filed.

“[This] case was eventually referred to the Voluntary Arbitrator, at the instance of the [petitioners]. On July 16, 1996, a judgment was rendered (Ibid, p. 14), thus:

‘WHEREFORE, premises considered, this office finds SAMUEL ESCALANDA and AMADO DE GUZMAN, entitled to the OPTIONAL RETIREMENT PLAN, and JOSE ESPIRITU, JR., DOMINADOR QUILLOY and PORFERIO HIGUIT entitled to SEPARATION ASSISTANCE GRANT under the CBA in addition to the separation/retrenchment pay already paid to them by virtue of the final judgment of the NLRC in 1995. The basis for computation of the benefits would be seventy five (75) days lump sum plus fifteen (15) days for every year of service for OPTIONAL RETIREMENT, and fifty two (52) days lump sum pay plus fifteen days pay for every year of service for SEPARATION PAY GRANT.’

“On December 2, 1996, [private respondent’s] Motion for Reconsideration was denied.”

Hence, private respondent elevated the matter to the Court of Appeals.

### **Public Respondent’s Ruling**

In reversing the Decision of the voluntary arbitrator, the Court of Appeals ruled as to follows:<sup>[6]</sup>

“Under Article 261, Labor Code, the Voluntary Arbitrator has original and exclusive jurisdiction to decide all grievances arising from either the interpretation or implementation of the Collective Bargaining Agreement; violations of the CBA shall no longer be treated as an unfair labor practice but instead should be resolved as grievance under the CBA, and the Department of Labor and Employment shall not entertain any matter under

the exclusive and original jurisdiction of the Voluntary Arbitrator. That the Voluntary Arbitrator has original and exclusive jurisdiction to hear and decide all grievances arising from the implementation of the CBA, is even obvious under Rule 111 of the Omnibus Rules implementing the Labor Code.

X X X

“If NLRC had no jurisdiction, then the non applicability of res judicata necessarily follows. The doctrine of conclusiveness of judgment is also called collateral estoppel or preclusion of issues.

“We rule, however, that respondents’ cause of action already prescribed. Article 291, Labor Code, provides (Rollo, p. 20):

‘The ten-year prescriptive period fixed in Article 1144 of the Civil Code may not be invoked by the petitioners for the Civil Code is a law of general application, while the prescriptive period fixed in Article 292 of the Labor Code (now Art. 291) is a special law applicable to claims arising from employer-employee relations (De Joya vs. Lantin, 19 SCRA 893, Lagman vs. City of Manila, 17 SCRA 579, Philippine Trust Co. vs. Macuan, 54 Phil. 655.)’

X X X

‘ART. 291. Money Claims. — All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they are barred forever.’

“The pretension was that because there is no provision of law on prescription involving claims or the interpretation of the CBA, the provisions of Article 1144, Civil Code, should apply (prescription of ten (10) years if the action is based upon a written contract) and that the CBA being a written contract, the filing of the claim and the decision of the Voluntary Arbitrator in May, 1996, was within the ten-year period counted from the

time the cause of action accrued on November 16, 1992, when the complaints were dismissed. This cannot be accepted by us.

“We rule, the prescriptive period is only three (3) years and here, there is already prescription.”

Dissatisfied with the CA Decision, petitioners lodged this petition for review before us.<sup>[7]</sup>

### **The Issues**

Before us, petitioners raise the following issues:

“I

Whether or not the complainants are entitled [to] optional retirement pursuant to Article V Section 12 (a) and separation assistance grants as provided by Article V Section 13 of the CBA despite the Decision of the labor arbiter (NLRC Case No. 06-03017-92 and NLRC Case No. 12-06862-92) as affirmed by the NLRC, wherein judgment was rendered affirming their dismissal and ordering payment of retrenchment benefits.

“II

If complainants are entitled to the above benefits, whether or not, they be entitled to 90 days pay per year of service as optional retirement benefits or 67 days per year of service as separation assistance grants under the CBA, as the case may be.”<sup>[8]</sup>

The lis mota in this case is whether petitioners’ cause of action has prescribed.

### **The Court’s Ruling**

The petition is unmeritorious.

### ***Lis Mota: Applicable Statute of Limitation***

Because the CBA is a written contract, petitioners contend that any cause of action arising therefrom is governed by the prescriptive period under Article 1144 of the Civil Code,<sup>[9]</sup> not Article 291 of the Labor Code as ruled by the voluntary arbitrator.<sup>[10]</sup> This contention is devoid of merit.

Article 291 of the Labor Code provides:

“ART. 291. Money Claims. — All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be forever barred.”

Undisputed is the fact that an employer-employee relation exists between the parties in this case. It is precisely this relation that justified the execution of the CBA. Thus, any money claim arising from the said agreement is merely a consequence of the employer-employee relation. We take this occasion to emphasize that the language of Article 291 of the Labor Code does not limit its application only to “money claims specifically recoverable under said Code,”<sup>[11]</sup> but covers all money claims arising from employer-employee relation.<sup>[12]</sup> Since petitioners’ demand for unpaid retirement/separation benefits is a money claim arising from their employment by private respondent, Article 291 of the Labor Code is applicable. Therefore, petitioners’ claim should be filed within three years from the time their cause of action accrued, or be forever barred by prescription.<sup>[13]</sup>

It should be noted further that Article 291 of the Labor Code is a special law applicable to money claims arising from employer-employee relations; thus, it necessarily prevails over Article 1144 of the Civil Code, a general law. Basic is the rule in statutory construction that “where two statutes are of equal theoretical application to a particular case, the one designed therefor specially should prevail.”<sup>[14]</sup> *Generalia specialibus non derogant.*

## **Petitioners' Cause of Action Prescribed**

Applying Article 291 of the Labor Code, we find that the petitioners' cause of action has evidently prescribed. The elements of a cause of action are as follows: (1) a right in favor of the plaintiff, (2) an obligation on the part of the defendant to respect or not to violate said right, and (3) an act of omission of the defendant constituting a breach of said obligation.<sup>[15]</sup> When the last element occurs, the cause of action arises.<sup>[16]</sup> The petitioners' cause of action accrued when they were dismissed from employment on November 16, 1992, without payment of their retirement and separation benefits as provided in their CBA. It is from this date that the three-year prescriptive period is reckoned. In the absence of an equivalent Labor Code provision for determining whether the said period may be interrupted, Article 1155 of the Civil Code may be used, viz.:

“ART. 1155        The prescription of actions is interrupted when they are filed before the Court, when there is a written extrajudicial demand by the creditors, and when there is any written acknowledgment of the debt by the debtor.”

Based on Article 1155, the three-year prescriptive period can be interrupted by a claim filed at the proper judicial or quasi-judicial forum, an extrajudicial demand on the employer, or the employer's acknowledgment of its debt or obligation.<sup>[17]</sup> Not one of these conditions was present; hence, the prescriptive period continued to run unabated.

Petitioners' extrajudicial demand, contained in the letters dated April 4, 1992<sup>[18]</sup> and April 7, 1992,<sup>[19]</sup> did not interrupt the running of the prescriptive period. Petitioners' cause of action arose only on November 16, 1992, the date of their dismissal. Hence, the said demand was clearly premature.

Furthermore, NLRC-NCR Case Nos. 00-06-03067-92 and 00-12-06862-92, filed with the labor arbiter by petitioners against private respondent on June 2, 1992 and December 7, 1992, respectively, did not toll the running of the prescriptive period. Article 261 of the Labor Code is clear. It is the voluntary arbitrator or the panel of voluntary arbitrators who “shall have original and exclusive jurisdiction to hear

and decide all unresolved grievances arising from the interpretation or implementation of the Collective Bargaining Agreement.” The labor arbiter, or the NLRC for that matter, had no jurisdiction over petitioners’ money claim, which is an “unresolved grievance.” Hence, “it is as if no action has been filed which could have stopped the running of the prescriptive period.”<sup>[20]</sup>

The running of the three-year prescriptive period not having been interrupted, petitioners’ cause of action perforce prescribed on November 16, 1995. Ineludibly, when petitioners filed their money claim before the voluntary arbitrator on July 16, 1996, their claim had already been barred by prescription.

**WHEREFORE**, the Petition is hereby **DENIED** and the assailed Decision is **AFFIRMED**. Costs against petitioners.

**SO ORDERED.**

**Davide, Jr., Bellosillo, Vitug and Quisumbing, JJ., concur.**

---

[1] Rollo, pp. 14-25.

[2] Second Division, composed of J. Bernardo LL. Salas, ponente; and, concurring with him, JJ. Fidel P. Purisima (now an associate justice of the Supreme Court), chairman; and Angelina Sandoval-Gutierrez, member.

[3] Rollo, pp 27-23.

[4] Decision of the Court of Appeals, pp 11-12; rollo, pp. 24-25.

[5] Ibid, pp. 1-7; rollo, pp. 14-20.

[6] Ibid., pp 7-11; rollo, pp. 20-24.

[7] This case was deemed submitted for decision on August 17, 1998, upon receipt by the Court of the Memorandum for Private Respondent.

[8] Memorandum for Petitioner, p. 5; rollo, p. 71.

[9] “ART. 1144 The following actions must be brought within ten years from the time the right of action accrues:

- (1) Upon a written contract;
- (2) Upon an obligation created by law;
- (3) Upon a judgment.”

[10] Memorandum for Petitioner, p. 6; rollo, p. 72.

[11] Cadalin vs. POEA’s Administrator, 238 SCRA 721, 764, December 5, 1994.

[12] Uy vs. National Labor Relations Commission, 261 SCRA 505, 515, September 6, 1996.

- [13] University of Pangasinan vs. Confesor, 278 SCRA 591, 600-601, September 5, 1997.
- [14] Leveriza vs. Intermediate Appellate Court, 157 SCRA 282, 294, January 25, 1988, per Bidin, J.
- [15] Blue Bar Coconut Phils. Inc. vs. NLRC, 208 SCRA 371, 376, May 6, 1992; citing Baliwag Transit, Inc. vs. Ople, 171 SCRA 250, March 16, 1989.
- [16] Ibid., citing Kramer Jr. vs. Court of Appeals, 178 SCRA 518, October 13, 1989.
- [17] Manuel L. Quezon University Association vs. Manuel L. Quezon Educational Institution, Inc. (MLQU), 172 SCRA 597, 603, April 19, 1989.
- [18] Rollo of the Court of Appeals, p. 41.
- [19] Ibid., p. 42.
- [20] Rances vs. National Labor Relations Commission, 246 SCRA 250, 254, July 14, 1995, per Quiason, J.