

SECOND DIVISION

[G.R. No. 114776. February 2, 2000]

MENANDRO B. LAUREANO, *petitioner*, vs. COURT OF APPEALS AND SINGAPORE AIRLINES LIMITED, *respondents*.

DECISION

QUISUMBING, J.:

This petition for review on *certiorari* under Rule 45 of the Rules of Court seeks to reverse the Decision of the Court of Appeals, dated October 29, 1993, in C.A. G.R. No. CV 34476, as well as its Resolution dated February 28, 1994, which denied the motion for reconsideration.

The facts of the case as summarized by the respondent appellate court are as follows:

"Sometime in 1978, plaintiff [Menandro B. Laureano, herein petitioner], then Director of Flight Operations and Chief Pilot of Air Manila, applied for employment with defendant company [herein private respondent] through its Area Manager in Manila.

On September 30, 1978, after the usual personal interview, defendant wrote to plaintiff, offering a contract of employment as an expatriate B-707 captain for an original period of two (2) years commencing on January 21, 1978. Plaintiff accepted the offer and commenced working on January 20, 1979. After passing the six-month probation period, plaintiff's appointment was confirmed effective July 21, 1979. (Annex "B", p. 30, Rollo).

On July 21, 1979, defendant offered plaintiff an extension of his two-year contract to five (5) years effective January 21, 1979 to January 20, 1984 subject to the terms and conditions set forth in the contract of employment, which the latter accepted (Annex "C", p. 31, Rec.).

During his service as B-707 captain, plaintiff on August 24, 1980, while in command of a flight, committed a noise violation offense at the Zurich Airport, for which plaintiff apologized. (Exh. "3", p. 307, Rec.).

Sometime in 1980, plaintiff featured in a tail scraping incident wherein the tail of the aircraft scraped or touched the runway during landing. He was suspended for a few days until he was investigated by a board headed by Capt. Choy. He was reprimanded.

On September 25, 1981, plaintiff was invited to take a course of A-300 conversion training at Aeroformacion, Toulouse, France at defendant's expense. Having successfully completed and passed the training course, plaintiff was cleared on April 7, 1981 for solo duty as captain of the Airbus A-300 and subsequently appointed as captain of the A-300 fleet commanding an Airbus A-300 in flights over Southeast Asia. (Annexes "D", "E" and "F", pp. 34-38, Rec.).

Sometime in 1982, defendant, hit by a recession, initiated cost-cutting measures. Seventeen (17) expatriate captains in the Airbus fleet were found in excess of the defendant's requirement (t.s.n., July 6, 1988. p. 11). Consequently, defendant informed its expatriate pilots including plaintiff of the situation and advised them to take advance leaves. (Exh. "15", p. 466, Rec.).

Realizing that the recession would not be for a short time, defendant decided to terminate its excess personnel (t.s.n., July 6, 1988, p. 17). It did not, however, immediately terminate its A-300 pilots. It reviewed their qualifications for possible promotion to the B-747 fleet. Among the 17 excess Airbus pilots reviewed, twelve were found qualified. Unfortunately, plaintiff was not one of the twelve.

On October 5, 1982, defendant informed plaintiff of his termination effective November 1, 1982 and that he will be paid three (3) months salary in lieu of three months notice (Annex "I", pp. 41-42, Rec.). Because he could not uproot his family on such short notice, plaintiff requested a three-month notice to afford him time to exhaust all possible avenues for reconsideration and retention. Defendant gave only two (2) months notice and one (1) month salary. (t.s.n., Nov. 12, 1987. p. 25).

Aggrieved, plaintiff on June 29, 1983, instituted a case for illegal dismissal before the Labor Arbiter. Defendant moved to dismiss on jurisdictional grounds. Before said motion was resolved, the complaint was withdrawn. Thereafter, plaintiff filed the instant case for damages due to illegal termination of contract of services before the court a quo (Complaint, pp. 1-10, Rec.).

Again, defendant on February 11, 1987 filed a motion to dismiss alleging inter alia: (1) that the court has no jurisdiction over the subject matter of the case, and (2) that Philippine courts have no jurisdiction over the instant case. Defendant contends that the complaint is for illegal dismissal together with a money claim arising out of and in the course of plaintiff's employment "thus it is the Labor Arbiter and the NLRC who have the jurisdiction pursuant to Article 217 of the Labor Code" and that, since plaintiff was employed in Singapore, all other aspects of his employment contract and/or documents executed in Singapore. Thus, defendant

postulates that Singapore laws should apply and courts thereat shall have jurisdiction. (pp. 50-69, Rec.).

In traversing defendant's arguments, plaintiff claimed that: (1) where the items demanded in a complaint are the natural consequences flowing from a breach of an obligation and not labor benefits, the case is intrinsically a civil dispute; (2) the case involves a question that is beyond the field of specialization of labor arbiters; and (3) if the complaint is grounded not on the employee's dismissal per se but on the manner of said dismissal and the consequence thereof, the case falls under the jurisdiction of the civil courts. (pp. 70-73, Rec.)

On March 23, 1987, the court a quo denied defendant's motion to dismiss (pp. 82-84, Ibid). The motion for reconsideration was likewise denied. (p. 95 *ibid*)

On September 16, 1987, defendant filed its answer reiterating the grounds relied upon in its motion to dismiss and further arguing that plaintiff is barred by laches, waiver, and estoppel from instituting the complaint and that he has no cause of action. (pp. 102-115)"^[1]

On April 10, 1991, the trial court handed down its decision in favor of plaintiff. The dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered in favor of plaintiff Menandro Laureano and against defendant Singapore Airlines Limited, ordering defendant to pay plaintiff the amounts of -

SIN\$396,104.00, or its equivalent in Philippine currency at the current rate of exchange at the time of payment, as and for unearned compensation with legal interest from the filing of the complaint until fully paid;

SIN\$154,742.00, or its equivalent in Philippine currency at the current rate of exchange at the time of payment; and the further amounts of P67,500.00 as consequential damages with legal interest from the filing of the complaint until fully paid;

P1,000,000.00 as and for moral damages; P1,000,000.00 as and for exemplary damages; and P100,000.00 as and for attorney's fees.

Costs against defendant.

^[1] *Rollo*, pp. 30-32.

SO ORDERED."^{2[2]}

Singapore Airlines timely appealed before the respondent court and raised the issues of jurisdiction, validity of termination, estoppel, and damages.

On October 29, 1993, the appellate court set aside the decision of the trial court, thus,

"...In the instant case, the action for damages due to illegal termination was filed by plaintiff-appellee only on January 8, 1987 or more than four (4) years after the effectivity date of his dismissal on November 1, 1982. Clearly, plaintiff-appellee's action has already prescribed.

WHEREFORE, the appealed decision is hereby REVERSED and SET ASIDE. The complaint is hereby dismissed.

SO ORDERED."^{3[3]}

Petitioner's and Singapore Airlines' respective motions for reconsideration were denied.

Now, before the Court, petitioner poses the following queries:

1. IS THE PRESENT ACTION ONE BASED ON CONTRACT WHICH PRESCRIBES IN TEN YEARS UNDER ARTICLE 1144 OF THE NEW CIVIL CODE OR ONE FOR DAMAGES ARISING FROM AN INJURY TO THE RIGHTS OF THE PLAINTIFF WHICH PRESCRIBES IN FOUR YEARS UNDER ARTICLE 1146 OF THE NEW CIVIL CODE?
2. CAN AN EMPLOYEE WITH A FIXED PERIOD OF EMPLOYMENT BE RETRENCHED BY HIS EMPLOYER?
3. CAN THERE BE VALID RETRENCHMENT IF AN EMPLOYER MERELY FAILS TO REALIZE THE EXPECTED PROFITS EVEN IF IT WERE NOT, IN FACT, INCURRING LOSSES?

At the outset, we find it necessary to state our concurrence on the assumption of jurisdiction by the Regional Trial Court of Manila, Branch 9. The trial court rightly ruled on the application of Philippine law, thus:

"Neither can the Court determine whether the termination of the plaintiff is legal under the Singapore Laws because of the defendant's failure to show which specific laws of Singapore Laws apply to this case. As

^{2[2]} *Id.* at 65.

^{3[3]} *Id.* at 40.

substantially discussed in the preceding paragraphs, the Philippine Courts do not take judicial notice of the laws of Singapore. The defendant that claims the applicability of the Singapore Laws to this case has the burden of proof. The defendant has failed to do so. Therefore, the Philippine law should be applied."^{4[4]}

Respondent Court of Appeals acquired jurisdiction when defendant filed its appeal before said court.^{5[5]} On this matter, respondent court was correct when it barred defendant-appellant below from raising further the issue of jurisdiction.^{6[6]}

Petitioner now raises the issue of whether his action is one based on Article 1144 or on Article 1146 of the Civil Code. According to him, his termination of employment effective November 1, 1982, was based on an employment contract which is under Article 1144, so his action should prescribe in 10 years as provided for in said article. Thus he claims the ruling of the appellate court based on Article 1146 where prescription is only four (4) years, is an error. The appellate court concluded that the action for illegal dismissal originally filed before the Labor Arbiter on June 29, 1983, but which was withdrawn, then filed again in 1987 before the Regional Trial Court, had already prescribed.

In our view, neither Article 1144^{7[7]} nor Article 1146^{8[8]} of the Civil Code is here pertinent. What is applicable is Article 291 of the Labor Code, viz:

"Article 291. Money claims. - All money claims arising from employee-employer 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.

x x x"

^{4[4]} *Id.* at 54.

^{5[5]} *Id.* at 32.

^{6[6]} *Id.* at 33.

^{7[7]} Article 1144. The Following actions must be brought within ten years from the time the right of action accrues:

(1) Upon a written contract;

x x x

^{8[8]} Article 1146. The following actions must be instituted within four years:

(1) Upon an injury to the rights of the plaintiff;

x x x

What rules on prescription should apply in cases like this one has long been decided by this Court. In *illegal dismissal*, it is settled, that the ten-year prescriptive period fixed in Article 1144 of the Civil Code **may not** be invoked by petitioners, for the Civil Code is a law of general application, while the prescriptive period fixed in Article 292 of the Labor Code [now Article 291] is a SPECIAL LAW applicable to claims arising from employee-employer relations.^{9[9]}

More recently in *De Guzman. vs. Court of Appeals*,^{10[10]} where the money claim was based on a written contract, the Collective Bargaining Agreement, the Court held:

"...The language of Art. 291 of the Labor Code does not limit its application only to 'money claims specifically recoverable under said Code' but covers all money claims arising from an employee-employer relations" (Citing *Cadalin v. POEA Administrator*, 238 SCRA 721, 764 [1994]; and *Uy v. National Labor Relations Commission*, 261 SCRA 505, 515 [1996]). ...

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 therefore should prevail.' (Citing *Leveriza v. Intermediate Appellate Court*, 157 SCRA 282, 294.) *Generalia specialibus non derogant.*"^{11[11]}

In the light of Article 291, *aforecited*, we agree with the appellate court's conclusion that petitioner's action for *damages due to illegal termination* filed again on January 8, 1987 or more than four (4) years after the effective date of his dismissal on November 1, 1982 has already prescribed.

"In the instant case, the action for damages due to illegal termination was filed by plaintiff-appellee only on January 8, 1987 or more than four (4) years after the effectivity date of his dismissal on November 1, 1982. Clearly, plaintiff-appellee's action has already prescribed."

^{9[9]} *Manuel L. Quezon University Association v. Manuel L. Quezon Educational Institution Inc.*, 172 SCRA 597, 604 (1989), citing *De Joya v. Lantin*, 19 SCRA 893 (1967); *Lagman v. City of Manila*, 17 SCRA 579 (1966); *Pepsi-Cola Bottling Company of the Philippines v. Guanzon*, 172 SCRA 571, 575 (1967); *Barcenas v. NLRC*, 187 SCRA 498, 503 (1990); *Central Negros Electric Cooperative Inc., v. NLRC*, 236 SCRA 108, 114 (1994).

^{10[10]} 297 SCRA 743 (1998).

^{11[11]} *Id.* At 750-751 (1998).

We base our conclusion not on Article 1144 of the Civil Code but on Article 291 of the Labor Code, which sets the prescription period at three (3) years and which governs under this jurisdiction.

Petitioner claims that the running of the prescriptive period was tolled when he filed his complaint for illegal dismissal before the Labor Arbiter of the National Labor Relations Commission. However, this claim deserves scant consideration; it has no legal leg to stand on. In *Olympia International, Inc. vs. Court of Appeals*, we held that "although the commencement of a civil action stops the running of the statute of prescription or limitations, its dismissal or voluntary abandonment by plaintiff leaves the parties in exactly the same position as though no action had been commenced at all."^{12[12]}

Now, as to whether petitioner's separation from the company due to retrenchment was valid, the appellate court found that the employment contract of petitioner allowed for pre-termination of employment. We agree with the Court of Appeals when it said,

"It is a settled rule that contracts have the force of law between the parties. From the moment the same is perfected, the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all consequences which, according to their nature, may be in keeping with good faith, usage and law. Thus, when plaintiff-appellee accepted the offer of employment, he was bound by the terms and conditions set forth in the contract, among others, the right of mutual termination by giving three months written notice or by payment of three months salary. Such provision is clear and readily understandable, hence, there is no room for interpretation."

X X X

Further, plaintiff-appellee's contention that he is not bound by the provisions of the Agreement, as he is not a signatory thereto, deserves no merit. It must be noted that when plaintiff-appellee's employment was confirmed, he applied for membership with the Singapore Airlines Limited (Pilots) Association, the signatory to the aforementioned Agreement. As such, plaintiff-appellee is estopped from questioning the legality of the said agreement or any proviso contained therein."^{13[13]}

Moreover, the records of the present case clearly show that respondent court's decision is amply supported by evidence and it did not err in its findings, including the reason for the retrenchment:

^{12[12]} 180 SCRA 353, 363 (1989).

^{13[13]} *Rollo*, pp. 35-36.

"When defendant-appellant was faced with the world-wide recession of the airline industry resulting in a slow down in the company's growth particularly in the regional operation (Asian Area) where the Airbus 300 operates. It had no choice but to adopt cost cutting measures, such as cutting down services, number of frequencies of flights, and reduction of the number of flying points for the A-300 fleet (t.s.n., July 6, 1988, pp. 17-18). As a result, defendant-appellant had to layoff A-300 pilots, including plaintiff-appellee, which it found to be in excess of what is reasonably needed."^{14[14]}

All these considered, we find sufficient factual and legal basis to conclude that petitioner's termination from employment was for an authorized cause, for which he was given ample notice and opportunity to be heard, by respondent company. No error nor grave abuse of discretion, therefore, could be attributed to respondent appellate court.

ACCORDINGLY, the instant petition is DISMISSED. The decision of the Court of Appeals in C.A. CV No. 34476 is AFFIRMED.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Buena, and De Leon, Jr., JJ., concur.

^{14[14]} *Id.* at 37.