Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

SKM ART CRAFT CORPORATION,
Petitioner,

- versus -

EFREN BAUCA, PATRICIO OLMILLA, ZALDY ESCALARES, PEDRITO OLMILLA, PEDRO BERAY, DANILO SOLDE, NOEL PALARCA, JULIUS CESAR MIGUELA, OCTAVIO OBIAS, ARVIN ABINES, RADDY TERENCIO, FE RANIDO, EDNA MANSUETO, SANDRO RODRIGUEZ, RENATO TANGO, HERMOGENES OBIAS, DOMINGO LAROCO, DANTE AQUINO, ARMANDO VILLA, ROGELIO DELOS REYES, NOMER MANAGO, ANTONIO BALUDCAL and LUDIVICO STA. CLARA,
Respondents.

G.R. No. 171282

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SKM ART CRAFT CORPORATION,
Petitioner,

- versus -

EFREN BAUCA, PATRICIO OLMILLA, ZALDY ESCALARES, PEDRITO OLMILLA, PEDRO

G.R. No. 183484

Present:

SERENO, *C.J.*,
Chairperson,
CARPIO,*
LEONARDO-DE CASTRO,
VILLARAMA, JR., and
REYES, *JJ.*

Promulgated:
NOV 27 2013

* Designated additional member per Raffle dated March 22, 2010.

BERAY, DANILO SOLDE, NOEL PALARCA, JULIUS CESAR MIGUELA, OCTAVIO OBIAS, ARVIN ABINES, RADDY TERENCIO, FE RANIDO, EDNA MANSUETO, SANDRO RODRIGUEZ, RENATO TANGO, HERMOGENES OBIAS, DOMINGO LAROCO, DANTE AQUINO, ARMANDO VILLA and ROGELIO DELOS REYES,

Respondents.

x- -x

DECISION

VILLARAMA, JR., *J.*:

For our resolution is the petition for review on certiorari in G.R. No. 171282 which assails the November 9, 2005 Decision[1] and January 24, 2006 Resolution[2] of the Court of Appeals (CA) in CA-G.R. SP No. 76670. The petition was earlier consolidated with the petition docketed as G.R. No. 183484, but said petition was denied on October 10, 2011 and said denial has become final on January 25, 2012, per the entry of judgment[3] in G.R. No. 183484.

The facts of the case follow:

The 23 respondents in G.R. No. 171282 were employed by petitioner SKM Art Craft Corporation which is engaged in the handicraft business. On April 18, 2000, around 1:12 a.m., a fire occurred at the inspection and receiving/repair/packing area of petitioner's premises in Intramuros, Manila. The fire investigation report[4] stated that the structure and the beach rubber building were totally damaged. Also burned were four container vans and a trailer truck. The estimated damage was ₱22 million.

On May 8, 2000, petitioner informed respondents that it will suspend its operations for six months, effective May 9, 2000.[5]

On May 16, 2000, only eight days after receiving notice of the suspension of petitioner's operations, the 23 respondents (and other co-workers) filed a complaint for illegal dismissal, docketed as NLRC NCR

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1 *Rollo* (G.R. No. 171282), pp. 32-59. Penned by Associate Justice Celia C. Librea-Leagogo with the concurrence of Associate Justices Renato C. Dacudao and Lucas P. Bersamin (now a Member of this Court).
2 Id. at 60-62.
3 *Rollo* (G.R. No. 183484), pp. 366-367.
4 *Rollo* (G.R. No. 171282), pp. 99-100.
5 Id. at 34, 139.

(South) Case No. 30-05-03012-00, 30-05-03028-00 and 30-05-03045-00. They alleged that there was discrimination in choosing the workers to be laid off and that petitioner had discovered that most of them were members of a newly-organized union.[6]

Petitioner denied the claim of illegal dismissal and said that Article 286[7] of the Labor Code allows the *bona fide* suspension of a business or undertaking for a period not exceeding six months. Petitioner claimed that the fire cost it millions in losses and that it is impossible to resume its normal operations for a significant period of time.[8]

In her Decision[9] dated June 29, 2001, the Labor Arbiter ruled that respondents were illegally dismissed and ordered petitioner to reinstate them and pay them back wages of ₱59,918.41 each, the amount being subject to further computation up to the date of their actual reinstatement. The Labor Arbiter ruled that the fire that burned a part of petitioner's premises may validate the suspension of respondents' employment, but the suspension must not exceed six months. Since petitioner failed to recall respondents after the lapse of six months, the Labor Arbiter held that respondents were illegally dismissed. The *fallo* of the Labor Arbiter's Decision reads:

> **WHEREFORE**, premises considered, judgment is hereby rendered declaring the dismissal of **[respondents] Efren Bauca**, **Patricio Olmilla**, **Zaldy Esc[a]lares**, Gaudencio Gutierrez, **Pedrito Olmilla**, **Pedro B[er]ay**, Edwin Penasa, **Danilo Solde**, **Noel P[a]larca**, **Julius [Cesar] Miguela**, Raul Baray, **Octa[v]io Obias**, Marcelo Balbuena, **Arvin Abines**, **Raddy O. [Terencio]**, **Fe Ranido**, **Edna Mansueto**, **Lud[i]vico Sta. Clara**, **Sandro Rodriguez**, **Antonio Baludcal**, **Nomer Manago**, **Renato Tango**, **Hermogenes [Obias]**, **Domingo Laroco**, [Wenceslao] Ranido, **Dante Aquino**, **Armando Villa**, Ramir Sevilla and Danili Portes, **R[o]gelio [delos] Reyes**, Luciano T. Obias, illegal and ordering the [petitioner] SKM Art Craft Corp[oration] to reinstate them to their former position without loss of seniority rights and privileges and to pay the following amount representing … back wages.
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> x x x x
>
> | | |
> |---|---|
> | 1) Basic: | |
> | x x x x | 54,498.73 |
> | 2) 13th Month Pay: x x x | 4,541.56 |
> | 3) Service Incentive Leave Pay: x x x | 878.12 |
> | TOTAL BACK WAGES | **₱59,918.41** |
>
> The amount of back wages shall be subject to further computation up to the date of their actual reinstatement.

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6 Id. at 34.

7 **ART. 286. When employment not deemed terminated.** – The bona fide suspension of the operations of a business or undertaking for a period not exceeding six (6) months, or the fulfillment by the employee of a military or civic duty shall not terminate employment.

In all such cases, the employer shall reinstate the employee to his former position without loss of seniority rights if he indicates his desire to resume his work not later than one (1) month from the resumption of operations of his employer or from his relief from the military or civic duty.

8 *Rollo* (G.R. No. 171282), p. 35.

9 Id. at 101-112.

> The [complaint as to] Gaudencio Gutierrez, Danilo Portes, Wenceslao Ranido, Lucino Obias, Edwin Penaso, Marcelo Balbuena, Raul Beray, Ramir Sevilla [is] dismissed with prejudice in view of the execution of their Release, Waiver and Quitclaim[s].
>
> **SO ORDERED**.[10]

The National Labor Relations Commission (NLRC) set aside the Labor Arbiter's Decision and ruled that there was no illegal dismissal. The NLRC ordered that respondents be reinstated to their former positions but it deleted the award of back wages. The NLRC noted that the fire caused millions in damages to petitioner. Thus, petitioner's suspension of operations is valid under Article 286 of the Labor Code. It was not meant to remove respondents because they were union members. The NLRC added that the illegal dismissal complaint filed by respondents was premature for it was filed during the six-month period of suspension of operations. The *fallo* of the NLRC's Decision[11] dated July 30, 2002 reads:

> WHEREFORE, premises considered, the assailed decision of the Labor Arbiter is hereby SET ASIDE and a new judgment is hereby rendered ordering the reinstatement of [respondents] to their former xxx position[s] without payment of backwages. If reinstatement is no longer feasible for reasons already stated herein, [petitioner is] hereby ordered to pay the remaining [respondents] with the exclusion of all those who have already executed quitclaims and release[s], the equivalent of one month pay for every year of service[,] a fraction of at least six months [being] considered as one whole year.
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> The [complaint as to] Nomer Manago, Ludivico Sta. Clara and Antonio Baludcud are dismissed [as said complainants have already] executed quitclaims and release[s].
>
> The award of proportionate 13th month pay is hereby GRANTED while the award of service incentive leave pay is DISMISSED for lack of basis.
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> SO ORDERED.[12]

The NLRC denied the parties' motions for reconsideration in its Resolution dated January 27, 2003.[13]

In the assailed Decision, the CA set aside the NLRC Decision and Resolution and reinstated the Labor Arbiter's Decision. The CA considered the merits of the petition for certiorari filed by respondents and the conflicting findings of the Labor Arbiter and the NLRC as justification for its decision to decide the case on the merits even if only nine of the respondents had signed the verification and certification against forum shopping attached to the petition.

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10 Id. at 111-112. Emphasis supplied.
11 Id. at 136-147.
12 Id. at 146.
13 Id. at 43.

The CA ruled that petitioner failed to prove that its suspension of operations is *bona fide*. The CA noted that the proof of alleged losses – the list of items and materials allegedly burned – was not even certified or signed by petitioner's accountant or comptroller. And even if the suspension of operations is considered *bona fide*, the CA said that respondents were not reinstated after six months. Thus, respondents are deemed to have been illegally dismissed. The CA also noted that petitioner's manifestation that it is willing to admit the respondents if they return to work was belatedly made after almost one year from the expiration of the suspension of operations.

The CA also held that the NLRC committed grave abuse of discretion in dismissing the complaints of Nomer Manago, Ludivico Sta. Clara and Antonio Baludcal since the Release, Waiver and Quitclaims executed by them pertain to another case, NLRC-NCR Case No. 00-02-01495. In fact, their quitclaims were executed on July 28, 1999 or long before the fire occurred on April 18, 2000. The *fallo* of the assailed CA Decision reads:

> **WHEREFORE**, premises considered, the Petition is **GRANTED**. The Decision dated 30 July 2002 and Resolution dated 27 January 2003 of the NLRC (Second Division) in NLRC NCR 30-05-03012-00 (CA No. 029182-01) are **REVERSED and SET ASIDE** and the Decision dated 29 June 2001 of Labor Arbiter Dolores M. Peralta-Beley is hereby **REINSTATED**. Costs against [petitioner].
>
> **SO ORDERED**.[14]

In the assailed Resolution, the CA denied petitioner's motion for reconsideration.

Petitioner in G.R. No. 171282 raised the following issues:

> I.
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> Whether the CA gravely erred in not summarily dismissing the [CA] petition insofar as xxx Patricio Olmilla [et al., or those who did not sign the verification and certification against forum shopping,] are concerned.
>
> II.
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> Whether the CA gravely erred in invalidating the quitclaims executed by Nomer Manago, Ludivico Sta. Clara and Antonio Baludcal.
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> III.
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> Whether the CA gravely erred in not dismissing the claims of Edna Mansueto, Rogelio Delos Reyes, Pedro Beray and Raddy Terencio, as they have already executed valid quitclaims in favor of the petitioner.
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> IV.
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> Whether the CA gravely erred in reversing and setting aside the [NLRC Decision and Resolution] and in reinstating the Decision of [the Labor Arbiter.][15]

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14 Id. at 57.

15 Id. at 11-12.

We will address first the first two issues raised by petitioner. Then, we will resolve the conflicting rulings on the issue of illegal dismissal and the quitclaims executed by almost all of the respondents.

On the first issue, we disagree with petitioner that the CA erred in giving due course to the petition filed by respondents even if only nine of them signed the verification and certification against forum shopping.[16] We hold that the verification signed by nine of the respondents substantially complied with the verification requirement since respondents share a common interest and cause of action in the case. The apparent merit of respondents' CA petition and the conflicting findings of the Labor Arbiter and the NLRC also justified the CA's decision to rule on the merits of the case.

The CA aptly noted that in *Torres v. Specialized Packaging Development Corporation*,[17] only two of the 25 petitioners therein signed the verification and certification against forum shopping. We said that the problem is not the lack of a verification, but the adequacy of one executed by only two of the 25 petitioners. These two signatories, we added, are unquestionably real parties in interest, who undoubtedly have sufficient knowledge and belief to swear to the truth of the allegations in the petition. This verification is enough assurance that the matters alleged therein have been made in good faith or are true and correct, not merely speculative. Hence, we ruled that the requirement of verification was substantially complied with. In *Altres v. Empleo*,[18] we also ruled that the verification requirement is deemed substantially complied with when one who has ample knowledge to swear to the truth of the allegations in the complaint or petition signs the verification, and when matters alleged in the petition have been made in good faith or are true and correct, as in this case.

In *Altres*, we likewise stated the general rule that the certification against forum shopping must be signed by all the plaintiffs or petitioners in a case; otherwise, those who did not sign will be dropped as parties to the case. We also said, however, that under reasonable or justifiable circumstances, as when all the plaintiffs or petitioners share a common interest and invoke a common cause of action or defense, as in this case, the signature of only one of them in the certification against forum shopping substantially complies with the certification requirement.[19] In *Torres*, we also considered the apparent merits of the case as a special circumstance or compelling reason for allowing the petition. We noted the conflicting findings of the NLRC and the Labor Arbiter and held this as ample justification for the CA's review of the merits. We stressed that rules of procedure are established to secure substantial justice. Being instruments of the speedy and efficient administration of justice, they must be used to achieve such end, not to derail

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16 Id. at 15.
17 G.R. No. 149634, July 6, 2004, 433 SCRA 455, 464.
18 G.R. No. 180986, December 10, 2008, 573 SCRA 583, 597.
19 Id.

it. Technical requirements may thus be dispensed with in meritorious appeals.[20]

On the second issue, we likewise disagree with petitioner. The CA properly rejected the Release, Waiver and Quitclaims[21] executed by Nomer Manago, Ludivico Sta. Clara and Antonio Baludcal. Said quitclaims are irrelevant to this case for they pertain to another case, NLRC-NCR Case No. 00-02-01495-99, and were executed on July 28, 1999, long before the fire occurred on April 18, 2000.

On the issue of illegal dismissal, while we agree with the NLRC that the suspension of petitioner's operation is valid, the Labor Arbiter and the CA are correct that respondents were illegally dismissed since they were not recalled after six months, after the *bona fide* suspension of petitioner's operations.

It is admitted that petitioner's premises was burned on April 18, 2000.[22] Petitioner also submitted pictures[23] of its premises after the fire, the certification[24] by the *Barangay* Chairman that petitioner's factory was burned, and the fire investigation report[25] of the Bureau of Fire Protection. To prove the damages, petitioner submitted a list[26] of burned machines, its inventory[27] for April 2000 and the fire investigation report which stated that the estimated damage is ₱22 million.

We therefore agree with the NLRC that petitioner's suspension of operations is valid because the fire caused substantial losses to petitioner and damaged its factory. On this point, we disagree with the CA that petitioner failed to prove that its suspension of operations is *bona fide*. The list of materials burned was not the only evidence submitted by petitioner. It was corroborated by pictures and the fire investigation report, and they constitute substantial evidence of petitioner's losses.

Under Article 286 of the Labor Code, the *bona fide* suspension of the operations of a business or undertaking for a period not exceeding six months shall not terminate employment. Article 286 provides,

> **ART. 286. When employment not deemed terminated.** – The bona fide suspension of the operations of a business or undertaking for a period not exceeding six (6) months, or the fulfillment by the employee of a military or civic duty shall not terminate employment.
>
> In all such cases, the employer shall reinstate the employee to his former position without loss of seniority rights if he indicates his desire to

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20 Supra note 17, at 467.
21 *Rollo* (G.R. No. 171282), pp. 193-195.
22 Id. at 34.
23 Id. at 65-70.
24 Id. at 64.
25 Id. at 99-100.
26 Id. at 72-73.
27 Id. at 74-98.

> resume his work not later than one (1) month from the resumption of operations of his employer or from his relief from the military or civic duty.

The NLRC correctly noted that the complaint for illegal dismissal filed by respondents was premature since it was filed only eight days after petitioner announced that it will suspend its operations for six months. In *Nippon Housing Phil., Inc. v. Leynes*,[28] we said that a complaint for illegal dismissal filed prior to the lapse of said six months is generally considered as prematurely filed.

In this case, however, we agree with the Labor Arbiter and the CA that respondents were already considered illegally dismissed since petitioner failed to recall them after six months, when its *bona fide* suspension of operations lapsed. We stress that under Article 286 of the Labor Code, the employment will not be deemed terminated if the *bona fide* suspension of operations does not exceed six months. But if the suspension of operations exceeds six months, the employment will be considered terminated. In *Valdez v. NLRC*,[29] we explained:

> Under Article 286 of the Labor Code, the *bona fide* suspension of the operation of a business or undertaking for a period not exceeding six months shall not terminate employment. Consequently, when the *bona fide* suspension of the operation of a business or undertaking exceeds six months, then the employment of the employee shall be deemed terminated. By the same token and applying said rule by analogy, if the employee was forced to remain without work or assignment for a period exceeding six months, then he is in effect constructively dismissed.

In *Waterfront Cebu City Hotel v. Jimenez*,[30] we also said:

> Under Art. 286 of the Labor Code, a *bona fide* suspension of business operations for not more than six (6) months does not terminate employment. After six (6) months, the employee may be recalled to work or be permanently laid off. In this case, more than six (6) months have elapsed from the time the Club ceased to operate. Hence, respondents' termination became permanent.

Indeed, petitioner's manifestation[31] dated October 2, 2001 that it is willing to admit respondents if they return to work was belatedly made, almost one year after petitioner's suspension of operations expired in November 2000. We find that petitioner no longer recalled, nor wanted to recall, respondents after six months.

Petitioner claims now that despite its liberality and gesture of goodwill, none of the respondents reported for work, and that aside from respondents' self-serving claims made in the form of manifestations filed

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28 G.R. No. 177816, August 3, 2011, 655 SCRA 77, 88.
29 349 Phil. 760, 765-766 (1998).
30 G.R. No. 174214, June 13, 2012, 672 SCRA 185, 192-193.
31 *Rollo* (G.R. No. 171282), pp. 129-132.

before the Labor Arbiter, nothing on record will show that respondents actually presented themselves to petitioner for reinstatement.[32]

We seriously doubt petitioner's liberality or goodwill. In its manifestation, petitioner even opposed the motion filed by respondents for execution of the reinstatement aspect of the Labor Arbiter's Decision, to wit:

> 1. [Petitioner] vehemently oppose[s] the Motion for Execution on the Reinstatement Aspect filed by [respondents]….[33]

And when the Labor Arbiter granted the motion for execution of the reinstatement aspect of her decision, petitioner filed a manifestation and motion to quash the writ of execution.[34] In this motion to quash, petitioner claimed that none of the respondents indicated their desire to return to work either through the office of the Labor Arbiter or through their counsel, by filing the appropriate notice or manifestation.[35] Notably, petitioner wanted the Labor Arbiter to believe that no manifestation was filed by respondents. But now, petitioner admits that manifestations were in fact filed by respondents before the Labor Arbiter. Petitioner's lack of candor to the Labor Arbiter is unfair. Petitioner's declaration that it is willing to reinstate respondents also lacks credence because it was in fact opposing such reinstatement.

Now, petitioner and almost all of the respondents have agreed to settle this case. To recall our February 27, 2012 Resolution,[36] 17 of the 23 respondents have opted to settle the case, to wit:

> For the reasons explained below, we deny petitioner's prayer in its manifestation and motion for clarification dated January 20, 2012 that we consider these petitions closed and terminated in view of the amicable settlement entered into by <u>all the parties</u>.
>
> As regards **G.R. No. 171282**, there are 23 named respondents but only 17 of them, based on our records, have opted to settle the case. In this case, we received a manifestation and motion dated January 16, 2007 filed by Esguerra and Blanco Law Office as counsel for petitioner and Atty. Lily S. Dayaon-Ireno as counsel for respondents. Counsels stated that petitioner and 15 respondents have arrived at a compromise agreement and that the 15 respondents have executed a Release, Waiver and Quitclaim. Counsels named these 15 respondents as: (1) Efren Bauca, (2) Noel Palarca, (3) Patricio Olmilla, (4) Pedrito Olmilla, (5) Zaldy Escalares, (6) Danilo Solde, (7) Julius [Cesar] Miguela, (8) Fe R. Ranido-Miguela, (9) Hermogenes T. Obias, (10) Antonio Baludcal, (11) Renato Tango, (12) Armando Villa, (13) Arvin Abines, (14) the heirs of Lud[i]vico Sta. Clara, and (15) Octavio T. Obias. Another manifestation and motion dated June 13, 2007 was later filed involving respondent Dante Aquino. Thus, in our Resolution dated September 19, 2007 in G.R. No. 171282, we granted the two motions that the petition be dismissed

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32 Id. at 25.
33 Id. at 129.
34 Id. at 133-135.
35 Id. at 134.
36 Id. at 651-654.

> insofar as the aforenamed 16 respondents are concerned. On October 11, 2011, we also considered these cases (G.R. No. 171282 and G.R. No. 183484) closed and terminated as to respondent Sandro Rodriguez who executed his own Release, Waiver and Quitclaim. Nonetheless, nothing prevents petitioner from withdrawing its own petition if it is convinced that it has settled its dispute with all 23 respondents. If it decides to do so, we can consider the petition withdrawn. And if it turns out that some of the 23 respondents have not agreed to settle this case, then they can have succor from the favorable judgment of the Court of Appeals.[37]

In our Resolution dated January 7, 2013,[38] we noted that petitioner did not file a motion to withdraw the petition in G.R. No. 171282. Hence, we said that our doubt remains regarding the claim that all 23 respondents have entered into an amicable settlement with petitioner. We repeated that nothing prevents petitioner from withdrawing its petition in G.R. No. 171282 if it is convinced that it has settled its dispute with all the respondents. We added that if it decides to do so, we will willingly consider the petition withdrawn for then our action will not prejudice any respondent. Nonetheless, we gave the parties a chance to prove the claim. Thus, we suspended for 90 days the period to file the parties' memoranda, to wit:

> **WHEREFORE**, we **DENY** the prayer in the joint manifestation and motion dated September 24, 2012 that we consider the petition in G.R. No. 171282 closed and terminated, without prejudice to the filing by petitioner of an appropriate motion to withdraw its petition in G.R. No. 171282, or to the submission of verified admissions by all the 23 respondents in G.R. No. 171282 that they have entered into a settlement agreement with the petitioner or of original copies of their Release, Waiver and Quitclaim.
>
> Accordingly, the period to file the parties' memoranda in G.R. No. 171282 is **SUSPENDED** for 90 days only, counted from receipt of this Resolution.[39]

Still, no motion to withdraw the petition in G.R. No. 171282 was filed. Nor did we receive the verified admissions by the 23 respondents that they have entered into a settlement agreement with petitioner, or the original copies of their Release, Waiver and Quitclaims.

On October 23, 2013, we dispensed with the filing of the parties' memoranda and considered the case submitted for resolution.

On the issue of validity of the Release, Waiver and Quitclaims signed by Edna Mansueto, Rogelio delos Reyes, Pedro Beray and Raddy O. Terencio, we note that the CA did not rule on the validity of their quitclaims. While no original copies of their quitclaims were submitted to us despite our Resolution dated January 7, 2013, the copies[40] attached to the petition are not disowned by respondents. And copies of the identification cards of

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37 Id. at 652.
38 Id. at 689-696.
39 Id. at 693.
40 Id. at 196-208.

Mansueto, delos Reyes, Beray and Terencio are attached to these quitclaims which were subscribed and sworn to before NLRC Commissioner Raul T. Aquino. To our mind, they have signed these quitclaims voluntarily and we affirm their validity.

In sum, while we agree with the CA in setting aside the NLRC Decision and Resolution and in reinstating the Labor Arbiter's Decision, the CA and Labor Arbiter's Decisions will now be subject to the settlement agreements entered into by petitioner and almost all of the respondents.

WHEREFORE, we **DENY** the petition in G.R. No. 171282 and **AFFIRM** the Decision dated November 9, 2005 and Resolution dated January 24, 2006 of the Court of Appeals in CA-G.R. SP No. 76670, subject to the settlement agreements and quitclaims signed by almost all of the respondents.

No pronouncement as to costs.

SO ORDERED.

MARTIN S. VILLARAMA, JR.
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson

ANTONIO T. CARPIO
Associate Justice

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

BIENVENIDO L. REYES
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the 1987 Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice