Supreme Court E-Library

SECOND DIVISION

[G.R. No. 69999. April 30, 1991]

LUZVIMINDA VISAYAN, BENJAMIN BORJA, PABLO AJERO, LORETO DEDOYCO, NESTOR GORGOLLO, DOMINGO METRAN, LITO MONTERON, ROMEO OMAGBON, BOMBOM PAUSAMOS, CIRILO RAMOS, MARCOS SISON, ERIC BONDOLO, REY ZAMORA, TERESA ANAVISO, EVELYN BACULINAO, MARIBEL BASAG, VIOLETA DAGUISA, ADELAIDA CANALDA, LAILA DIMLA, MACHAELA LUCERO, DIVINA MARIANO, EPIFANIA OBLIGADO, RAQUEL PONCIANO, ELLEN SACRAMENTO, GRACE SULLETA, FELY TAPAY, SUSAN VILLAMOR, ANAINO AMPLAYO, MARIO CHIONG, NESTOR ESTARES, ALELI ALEJO, ELVIE BAUTISTA, JANINA ESTARES, NORMA MENDOZA, LIGAYA SYDUA, & JANETTE VILLAREAL, *petitioners, vs.* **NATIONAL LABOR RELATIONS COMMISSION (THIRD DIVISION) AND FUJIYAMA RESTAURANT AND HOTEL, INC. and its MANAGER/ OPERATOR,** *respondents.*

SYLLABUS

1. COMMERCIAL LAW; CORPORATION CODE; BOARD OF DIRECTORS; A CORPORATION ACTS ONLY THROUGH ITS BOARD OF DIRECTORS. — It is clear from Section 23 of B.P. 68, otherwise known as the Corporation Code of the Philippines that a corporation can act only through its board of directors. "The law is settled that contracts between a corporation and third persons must be made by or under the authority of its board of directors and not by its stockholders. Hence, the action of the stockholders in such matters is only advisory and not in any wise binding on the corporation."

2. ID.; ID.; ID.; ABSENT AN AUTHORITY FROM THE BOARD OF DIRECTORS, NO PERSON, NOT EVEN THE OFFICERS CAN VALIDLY BIND THE CORPORATION. — A corporation, like

Supreme Court E-Library

a natural person who may authorize another to do certain acts for and in his behalf, through its board of directors, may legally delegate some of its functions and powers to its officers, committees or agents appointed by it. In the absence of an authority from the board of directors, no person, not even the officers of the corporation, can validly bind the corporation. Thus, the Supreme Court has made the following pronouncement in the case of *Vicente vs. Geraldez*, L-32473, 53 SCRA 210.

3. **LABOR AND SOCIAL LEGISLATION, LABOR RELATIONS; NO EMPLOYER-EMPLOYEE RELATIONSHIP EXISTS BETWEEN EMPLOYER AND PERSONS HIRED WITHOUT AUTHORITY.** — It is not denied by both parties that the operation and management of the Fujiyama Hotel & Restaurant Corporation, including the control and possession of all its assets, were forcibly taken by Jureidini and Tsuchiya from the owners who composed the board of directors of said corporation by virtue of a writ of preliminary mandatory injunction issued by then Court of First Instance of Manila Branch XXXVI. The two managed and operated the latter apparently without any authority from the latter's board of directors. Thus, all acts done by them for and in behalf of respondent corporation, having been made without the requisite authority from the board of directors, were not binding upon the said corporation. One of these unauthorized acts was the unwarranted termination of the original employees of respondent corporation who were validly hired by its board of directors, *vis-a-vis*, the hiring of new employees, the petitioners in the case at bar, to replace the said original employees. Since said acts were not binding upon the corporation, no employer-employee existed between the Fujiyama Hotel & Restaurant, Inc. and the herein petitioners.

4. **ID.; ID.; ID.; UNAUTHORIZED PERSONS WHO HIRED EMPLOYEES ARE RESPONSIBLE TO THE LATTER.** — It will be recalled that on August 21, 1981, this Court issued a writ of preliminary injunction in the case of *Rivera, et al. vs. Judge Alfredo C. Florendo, et al.*, G.R. No. 57586, promulgated October 8, 1986, enjoining the enforcement of the writ of preliminary mandatory injunction issued by respondent judge therein. Despite the issuance of said writ, Jureidini and Tsuchiya refused to return the management of the corporation but continued managing and operating respondent corporation and in fact terminated the original employees of respondent

Supreme Court E-Library

corporation and hired new ones in place of those dismissed. The appointment papers of these new employees would show that they were hired only in one day, *i.e.*, December 15, 1981, and that they were hired on a probationary basis. It follows that only Jureidini and Tsuchiya, being the ones who hired the petitioners, should be the ones responsible for the petitioners' claims.

5. **ID.; NATIONAL LABOR RELATIONS COMMISSION; APPEALS; NLRC VESTED WITH BROAD POWERS TO AMEND OR WAIVE ANY ERROR, INJUSTICE, DEFECT OR IRREGULARITY.** — Since it would be most unfair and unjust to hold the respondent corporation liable for the claims of petitioners, even if respondent corporation's memorandum was filed beyond the 10-day reglementary period (note that the notice of appeal had been filed on time), We rule that the NLRC did not commit grave abuse of discretion in giving due course to respondent corporation's appeal and in reversing the Labor Arbiter's decision dated September 21, 1982. The NLRC is vested with broad powers by the Labor Code, particularly Art. 218 thereof, to correct, amend or waive any error, injustice, defect or irregularity whether in substance or in form; and in adjudicating all cases brought before it, the NLRC is likewise empowered to use every and all reasonable means to ascertain the facts in each case expeditiously and objectively without regard to procedural technicalities.

6. **ID.; ID.; ID.; RULES OF PROCEDURE ARE USED ONLY TO HELP SECURE AND NOT OVERRIDE SUBSTANTIAL JUSTICE.** — While it is true that an appeal within the meaning of the Labor Code must include the assignments of error, memorandum of arguments in support thereof and the reliefs prayed for such that a mere notice of appeal will not toll the running of the period for perfecting an appeal, and the general rule is that after a judgment has become final the appellate court loses jurisdiction to entertain the appeal, the aforementioned rules admit of exceptions too, because it is also well-settled that such rules of procedure are used only to help secure and not override substantial justice.

APPEARANCES OF COUNSEL

Danilo S. Lorredo for petitioners.
King, Capuchino, Banico & Associates for private respondent.

Supreme Court E-Library

DECISION

PARAS, *J.*:

Assailed in the instant petition is the Resolution of public respondent National Labor Relations Commission (NLRC, for brevity) promulgated January 15, 1985 for being contrary to law and jurisprudence and arrived at in grave abuse of discretion amounting to lack or in excess of jurisdiction.

The facts are briefly stated as follows:

Private respondent Fujiyama Hotel & Restaurant, Inc. was formally organized in April, 1978 with Aquilino Rivera holding a majority interest in the corporation. The rest of the four (4) incorporators composed the minority stockholders of respondent corporation.

Upon organization in 1978, respondent corporation immediately opened a Japanese establishment, known as Fujiyama Hotel & Restaurant, located at 1413 M. Adriatico St., Ermita, Manila. In order to fully offer an authentic Japanese cuisine and traditional Japanese style of service, private respondent hired the services of Isamu Akasako as its chef and restaurant supervisor. (Private respondent's memorandum, p. 4).

In June, 1980, Lourdes Jureidini and Milagros Tsuchiya, allegedly pretending to be stockholders of the corporation, filed a case with the then Court of First Instance of Manila, Branch XXXVI against Rivera and Akasako to wrest control over the establishment. In June, 1981, the said court issued a writ of preliminary mandatory injunction transferring possession of all the assets of the company and the management thereof to Jureidini and Tsuchiya. The stockholders and directors of the corporation were thereby excluded from the management and operation of the restaurant.

Upon assuming management, Jureidini and Tsuchiya replaced almost all of the existing employees with new ones, majority of whom are the present petitioners in the instant case. Apparently, the new employees were extended probationary

Supreme Court E-Library

appointments for six (6) months from December 15, 1981 to June 15, 1982.

In the meantime, Rivera and the rest of the stockholders elevated the civil case to the Supreme Court through a petition for *certiorari* assailing the ground for the issuance of the writ of preliminary mandatory injunction by the said Court of First Instance, which case was entitled *Aquilino Rivera, et al. vs. Hon. Alfredo C. Florendo, et al.*, docketed as G.R. No. 57586. On motion of *Rivera, et al.* in the said case, this Court on August 21, 1981 issued a writ of preliminary injunction to enjoin enforcement of the June 23, 1981 writ of preliminary mandatory injunction issued by the said Court of First Instance. Since Jureidini and Tsuchiya disregarded the writ We had previously issued, We issued another resolution on May 26, 1982 directing both Jureidini and Tsuchiya to strictly and immediately comply with the Court's injunction. Thus, this Court ordered Jureidini and Tsuchiya, "their agents, representatives, and/or any person or persons acting upon their orders or in their place or stead to refrain from further managing and/or interfering with the management of the business and assets of petitioner corporation and x x x to turn over all assets and the management of petitioner corporation, Fujiyama Hotel & Restaurant, Inc., to Aquilino Rivera and Isamu Akasako." (NLRC, Resolution, p. 4; *Rollo*, p. 116).

Pursuant to the above-quoted resolution, Rivera and Akasako regained control and management of Fujiyama Hotel & Restaurant, Inc. Immediately upon assumption of the management of the corporation, Rivera, *et al.*, refused to recognize as employees of the corporation all persons that were hired by Jureidini and Tsuchiya during the one-year period that the latter had operated the company and reinstated the employees previously hired by them. This gave rise to the filing of the present case by the dismissed employees hired by Jureidini and Tsuchiya (some of whom had allegedly been hired by Rivera and Akasako even before Jureidini and Tsuchiya assumed management of the corporation) against Fujiyama Hotel & Restaurant, Inc. for illegal dismissal, which case was docketed

Supreme Court E-Library

as NLRC-NCR Case No. 6-4110-82. On motion of private respondent corporation, the Labor Arbiter included Jureidini and Tsuchiya as third-party respondents therein. Thereafter, the parties, except Jureidini and Tsuchiya, submitted their respective position papers and affidavits in support of their contentions. On the basis of said position papers and affidavits, the Labor Arbiter rendered a decision on September 21, 1982 ordering respondent company and/or Akasako, Jureidini and Tsuchiya to reinstate all the complainants to their former positions plus backwages and to pay jointly and severally the complainants their unpaid wages plus their share in the service charges. (NLRC Decision, pp. 4-5; *Rollo*, pp. 25-26).

On October 12, 1982, the aforesaid decision of the Labor Arbiter was received by private respondent's counsel. Ten (10) days thereafter, or on October 22, 1982, said counsel filed a notice of appeal with an accompanying supersedeas bond in the sum of ₱80,000.00 as fixed by the Labor Arbiter. Notably, the memorandum of appeal was not filed until November 24, 1982 when the attention of private respondent's counsel was called by the filing on November 19, 1982 of a motion for execution of the September 21, 1982 decision by the complainants. Thus, upon motion of private respondent, the NLRC temporarily stayed execution and directed the Labor Arbiter to transmit the entire record of the case to the NLRC for appropriate action.

On December 28, 1983, the NLRC resolved to deny the appeal of private respondent for having been filed out of time. Subsequently, a motion for reconsideration was seasonably filed by private respondent which became the basis of another resolution dated January 15, 1985 issued by the NLRC setting aside its previous resolution of December 28, 1983 as well as the Labor Arbiter's decision dated September 21, 1982. The decretal portion of the January 15, 1982 NLRC Resolution is quoted, thus:

"WHEREFORE, the Resolution sought to be reconsidered and the Decision appealed from are hereby SET ASIDE and a new Decision is entered, declaring respondents Lourdes Jureidini and Mila Tsuchiya as the previous employer of the complainants hired by them while

Supreme Court E-Library

operating the Fujiyama Restaurant & Hotel, Inc. Consequently, the establishment and its present operator, Isamu Akasako, is absolved of any liability to them but the entire record is remanded for further appropriate proceedings to determine who are the complainants hired by said Jureidini and Tsuchiya.

SO ORDERED."

(NLRC Resolution, pp. 19-20; *Rollo*, p. 7-8)

The legal issues in the instant case are: (1) whether or not there is privity of contract between petitioners and private respondent as to establish an employer-employee relationship between the parties, and (2) whether or not the respondent NLRC erred in giving due course to private respondent's appeal and in reversing the September 21, 1982 decision of the Labor Arbiter.

Section 23 of B.P. 68, otherwise known as the "Corporation Code of the Philippines," expressly provides as follows:

"Unless otherwise provided in this Code, the corporate powers of all corporations formed under this Code shall be exercised, all business conducted and all property of such corporations controlled and held by the board of directors or trustees to be elected from among the holders of stocks, or where there is no stock, from among the members of the corporation, who shall hold office for one (1) year and until their successors are elected and qualified.

x x x x x x x x x."

It is clear from the above-quoted provision that a corporation can act only through its board of directors. "The law is settled that contracts between a corporation and third persons must be made by or under the authority of its board of directors and not by its stockholders. Hence, the action of the stockholders in such matters is only advisory and not in any wise binding on the corporation." (De Leon, *The Corporation Code of the Philippines*, 1989 edition, p. 168, citing the case of *Barreto vs. La Previsora Filipina*, 57 Phil. 649).

A corporation, like a natural person who may authorize another to do certain acts for and in his behalf, through its board of

Supreme Court E-Library

directors, may legally delegate some of its functions and powers to its officers, committees or agents appointed by it. (Campos & Campos, The Corporation Code — Comments, Notes, and Selected cases, 1981 ed., p. 253). In the absence of an authority from the board of directors, no person, not even the officers of the corporation, can validly bind the corporation. Thus, the Supreme Court has made the following pronouncement in the case of *Vicente vs. Geraldez*, L-32473, 53 SCRA 210:

"x x x. Whatever authority the officers or agents of a corporation may have is derived from the board of directors or other governing body, unless conferred by the charter of the corporation. A corporate officer's power as an agent of the corporation must therefore be sought from the statute, the charter, the by-laws, or in a delegation of authority to such officer, from the acts of the board of directors, formally expressed or implied from a habit or custom of doing business. In the case at bar no provision of the charter and by-laws of the corporation or any resolution or any other act of the board of directors has been cited from which we could reasonably infer that the administrative manager had been granted expressly or impliedly the power to bind the corporation or the authority to compromise the case. The signature of Atty. Cardenas on the Agreement would therefore be legally ineffectual". (*Vicente vs Geraldez*, L-32473, 52 SCRA 210, p. 227). (Respondent's Memorandum, p. 11)

Applying the aforesaid doctrines in the case at bar, We hold that all acts done solely by Jureidini and Tsuchiya allegedly, for and in behalf of private respondent during the period from June, 1981 up to May 31, 1982 were not binding upon respondent corporation.

It is not denied by both parties that the operation and management of the Fujiyama Hotel & Restaurant Corporation, including the control and possession of all its assets, were forcibly taken by Jureidini and Tsuchiya from the owners thereof by virtue of a writ of preliminary mandatory injunction issued by then Court of First Instance of Manila, Branch XXXVI. These owners, the Rivera-Akasako group, composed the board of directors of respondent corporation during the one (1) year period that Jureidini and Tsuchiya controlled the respondent corporation, the former managed and operated the latter apparently without

Supreme Court E-Library

any authority from the latter's board of directors. As alleged by Rivera, *et al.*, Jureidini and Tsuchiya were not even officers of respondent corporation as to be considered its agents, which fact prompted this tribunal to order said persons, under pain of contempt, to turn over the management and assets of respondent corporation to Rivera, *et al.*, as shown by this Court's resolution of May 26, 1982. Thus, all acts done by Jureidini and Tsuchiya for and in behalf of respondent corporation, having been made without the requisite authority from the board of directors, were not binding upon the said corporation. One of these unauthorized acts was the unwarranted termination of the original employees of respondent corporation who were validly hired by its board of directors, *vis-a-vis*, the hiring of new employees, the petitioners in the case at bar, to replace the said original employees. Since said acts were not binding upon the corporation, no employer-employee existed between the Fujiyama Hotel & Restaurant, Inc. and the herein petitioners.

We agree with private respondent that the act of the Rivera-Akasako group in admitting the original employees of respondent corporation after regaining control and management of the latter on May 31, 1982, having been made by the corporation's board of directors, was valid. Even if Jureidini and Tsuchiya took over the management and control of respondent corporation, the employer-employee relationship between the corporation and its original employees has not been severed for lack of authority on the part of Jureidini and Tsuchiya to dismiss said employees.

Consequently, petitioners' claim of illegal dismissal is entirely mistaken as they were not hired by respondent corporation or its duly authorized officers or agents, hence, no employer-employee relationship ever existed between them. Jureidini and Tsuchiya, the persons who hired petitioners' services, are to be considered their employer, and not the private respondents.

Neither may petitioners claim good faith or ignorance of the lack of authority on the part of Jureidini and Tsuchiya to legally hire them and bind the corporation because they were all informed

Supreme Court E-Library

by Isamu Tatewaki, respondent corporation's Assistant Manager, of such fact at the time they were hired. (Reply Brief of Isamu Tatewaki, Annex "10"). Besides, it was clearly shown that the appointments of the petitioners were on a probationary basis.

Further, it will be recalled that on August 21, 1981, this Court issued a writ of preliminary injunction in the case of *Rivera, et al. vs. Judge Alfredo C. Florendo, et al.*, G.R. No. 57586, promulgated October 8, 1986, enjoining the enforcement of the writ of preliminary mandatory injunction issued by respondent judge therein. Despite the issuance of said writ, Jureidini and Tsuchiya refused to return the management of the corporation but continued managing and operating respondent corporation and in fact terminated the original employees of respondent corporation and hired new ones in place of those dismissed. The appointment papers of these new employees would show that they were hired only in one day, *i.e.*, December 15, 1981, and that they were hired on a probationary basis. It follows that only Jureidini and Tsuchiya, being the ones who hired the petitioners, should be the ones responsible for the petitioners' claims.

Since it would be most unfair and unjust to hold the respondent corporation liable for the claims of petitioners, even if respondent corporation's memorandum was filed beyond the 10-day reglementary period (note that the notice of appeal had been filed on time), We rule that the NLRC did not commit grave abuse of discretion in giving due course to respondent corporation's appeal and in reversing the Labor Arbiter's decision dated September 21, 1982.

The NLRC is vested with broad powers by the Labor Code, particularly Art. 218 thereof, to correct, amend or waive any error, injustice, defect or irregularity whether in substance or in form; and in adjudicating all cases brought before it, the NLRC is likewise empowered to use every and all reasonable means to ascertain the facts in each case expeditiously and objectively without regard to procedural technicalities. Thus, Art. 221 of the Labor Code provides as follows:

Supreme Court E-Library

"In any proceeding before the Commission or any of the Labor Arbiters, the rules of evidence prevailing in Courts of Law or equity shall not be controlling and it is the spirit and intention of this Code that the Commission and its members and the Labor Arbiters shall use every and all reasonable means to ascertain the facts in each case speedily and objectively and without regard to technicalities of law or procedure, all in the interest of due process. In any proceeding before the Commission or any Labor Arbiter to exercise complete control of the proceedings at all stages."

The factual circumstances and substantial merits of the instant case justify the NLRC's exercise of its reserve powers granted by the aforequoted provision. Private respondent's appeal should be granted and entertained in order to prevent a manifest injustice upon said respondent.

While it is true that an appeal within the meaning of the Labor Code must include the assignments of error, memorandum of arguments in support thereof and the reliefs prayed for such that a mere notice of appeal will not toll the running of the period for perfecting an appeal, and the general rule is that after a judgment has become final the appellate court loses jurisdiction to entertain the appeal, the aforementioned rules admit of exceptions too, because it is also well-settled that such rules of procedure are used only to help secure and not override substantial justice.

"Litigations should, as much as possible, be decided on their merits and not on technicality, and under the circumstances obtaining in this case, We are reminded of what We said in the case of *Gregorio vs. CA*, 72 SCRA 120, — 'Dismissal of appeals purely on technical grounds is frowned upon where the policy of the courts is to encourage hearings of appeals on their merits and the rules of procedure ought not to be applied in a very rigid, technical sense; rules of procedure are used only to help secure, not override substantial justice. If a technical and rigid enforcement of the rules is made, their aim would be defeated." (*American Home Insurance Co. vs. Court of Appeals*, 109 SCRA 180)

In the case at bar, the finding of the Labor Arbiter that there is an employer-employee relationship existing between petitioners and private respondent counteracts the provisions of the

Supreme Court E-Library

Corporation Code such that to strictly apply the procedural rules on appeal under the Labor Code would obviously result in patent and gross injustice upon private respondent's substantive rights. In relation to the peculiar factual background of the instant case, private respondent's defense of lack of privity of contract with petitioners merits greater consideration in the interest of substantial justice.

It will be recalled that the Labor Arbiter's finding of illegal dismissal and order of reinstatement were anchored on an erroneous premise that Jureidini and Tsuchiya were duly authorized and legitimate officers of the corporation. The enforcement of said erroneous ruling will cause serious injustice, not only upon respondent corporation but also upon the corporation's original employees who were taken back by the Aquilino Rivera group when they regained possession and management of the corporation. If petitioners are reinstated, that would result in an absurd situation wherein the corporation will have employees very much more in excess of what the business would require.

Besides, it is quite evident that private respondent seriously intended to appeal the Labor Arbiter's decision and We hereby quote a portion of the herein assailed NLRC Resolution:

"x x x. In fact, it even filed an urgent petition for reduction of supersedeas bond, praying that it be allowed to file a ₱50,000.00 bond but it was fixed at ₱80,000.00 by the Labor Arbiter which it filed with its notice of appeal. In the conference on 15 October 1982 called by the Labor Arbiter issuing his decision for the purpose of settling the case amicably, the respondent again manifested after no settlement was arrived at that it will file its appeal. With these in mind, We are convinced that respondent's failure to file its memorandum on appeal with its notice of appeal was through excusable mistake only on the part of the messenger-clerk. Otherwise, it would not have gone through the burden of going through the rigors of having the supersedeas bond reduced and abiding with the amount fixed which entailed expenses. Consequently, in the interest of substantial justice and in line with the repeated rulings of the Supreme Court lately which abhors dismissal of cases based solely on technicalities, We set aside the Resolution sought to be reconsidered and give due course to the appeal." (pp. 15-16, *Rollo*)

Supreme Court E-Library

Finally, it is clear that petitioners were not abandoned by the NLRC as the latter ordered that the case be remanded to the Arbitration Branch for further proceedings to determine who among the petitioners were really hired by respondent corporation or by Jureidini, *et al.*, in order to ultimately determine who is responsible for the settlement of petitioners' claims. Thus, petitioners are not without recourse relative to their claims.

ACCORDINGLY, the instant petition is hereby DISMISSED for lack of merit and the assailed decision of the National Labor Relations Commission dated January 15, 1985 is AFFIRMED *in toto*.

SO ORDERED.

Melencio-Herrera (Chairperson), Padilla, Sarmiento, and *Regalado, JJ.*, concur.

FIRST DIVISION

[G.R. No. 71835. April 30, 1991]

REPUBLIC OF THE PHILIPPINES, *petitioner, vs.* **INTERMEDIATE APPELLATE COURT, MUTALIB SUSUKAN, NORORA BASA, HAJAL INDAL, BERJIN AMILABAS, DAYANG DAYANG IN, NORIA ABDUL AND KALUYA YOSUP,** *respondents.*

SYLLABUS

1. CIVIL LAW; LAND REGISTRATION; RECONSTITUTION OF CERTIFICATES OF TITLE; AUTHORITY OF FISCAL TO ACT IN BEHALF OF THE GOVERNMENT. — The act of provincial fiscal in signing the compromise agreement was in accordance with his duty to appear for and protect the interests of the government in court in petitions for reconstitution, as