Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

PAPERTECH, INC.,
Petitioner,

G.R. No. 236020

Present:

LEONEN, *J.*, *Chairperson*,
GESMUNDO,
CARANDANG,
ZALAMEDA, and
DELOS SANTOS,* *JJ.*

- versus -

JOSEPHINE P. KATANDO,
Respondent.

Promulgated:

January 8, 2020

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DECISION

CARANDANG, *J.*:

This is a Petition for Review on *Certiorari*[1] filed by petitioner Papertech, Inc. (Papertech) assailing the Decision[2] dated August 18, 2017 and Resolution[3] dated December 1, 2017 of the Court of Appeals (CA) in CA-G.R. SP No. 142250. The CA reversed and set aside the Decision[4] dated May 25, 2015 and Resolution[5] dated June 30, 2015 of the National Labor Relations Commission (NLRC), which affirmed the Decision[6] dated January 30, 2015

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* Designated as Additional Member of the Third Division.

1 *Rollo*, pp. 10-31.

2 Penned by Associate Justice Mario V. Lopez, with Associate Justices Remedios A. Salazar-Fernando and Ramon Paul L. Hernando (now a Member of this Court), concurring; id. at 32-38.

3 Id. at 39-40.

4 Penned by Commissioner Dolores M. Peralta-Beley, with Commissioners Grace E. Maniquiz-Tan and Mercedes R. Posada-Lacap, concurring; id. at 219-228.

5 Id. at 234-236. Commissioner Grace E. Maniquiz-Tan dissented and stated that she was for the reinstatement of the complainant.

6 Penned by Labor Arbiter Nicolas B. Nicolas; id. at 201-208.

of Labor Arbiter Nicolas B. Nicolas (Labor Arbiter Nicolas), insofar as it ordered the payment of separation pay to respondent Josephine P. Katando (Katando) in lieu of her reinstatement.

Antecedents

On June 6, 1996, Papertech hired Katando as a machine operator[7] in its office at 835 Felipe Pike Street, Bagong Ilog, Pasig City.[8] In 2007, Katando and other employees of Papertech filed a Petition for Certification Election.[9] They conducted a picket in the company on February 28, 2008.[10] This prompted Papertech to file a Complaint for Illegal Strike[11] against Katando and the other participants in the picket on May 24, 2008. Papertech prayed that the participants be declared to have lost their employment.[12]

Labor Arbiter Thomas T. Que, Jr. (Labor Arbiter Que) ruled in favor of Papertech on May 30, 2008, but his ruling was reversed by the NLRC on appeal in its Decision on May 29, 2009.[13] The NLRC ordered the reinstatement of Katando and her fellow employees. The ruling of the NLRC was upheld by the CA and this Court, and became final and executory on September 2, 2011. Upon motion of Katando and the other employees, Labor Arbiter Que issued a Writ of Execution on April 17, 2013 ordering their reinstatement at Papertech's premises in Pasig City.[14]

On May 14, 2013, Papertech sent a notice to Katando and other employees ordering them to report to various posts in Cagayan De Oro, Davao City, Cebu City, Iloilo City, and Pangasinan, under pain of removal in case of non-compliance. They filed a Manifestation with Urgent Motion to Cite Respondent Company in Contempt and to Order Payment of their Salaries.[15] On August 5, 2013, Labor Arbiter Que denied their manifestation with motion, so they filed a verified petition for extraordinary remedies before the NLRC. The NLRC granted it in its Resolutions dated September 30, 2013[16] and November 29, 2013[17] and declared the Order[18] dated August 5, 2013 of Labor Arbiter Que null and void. The NLRC ordered Labor Arbiter Que to resolve the issues on the salaries as contained in Katando and her co-respondents' manifestation with motion, and to proceed with the execution of the NLRC Decision dated May 29, 2009 without delay.[19] Papertech assailed the NLRC Resolutions before the CA.[20]

On December 14, 2013, Katando received a memorandum from Papertech stating that due to urgency of business, she will be transferred to its

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7 Id. at 220.
8 Id. at 157.
9 Id. at 163-166.
10 Id. at 220.
11 Id. at 41-48.
12 Id. at 220.
13 Id. at 288.
14 Id. at 220.
15 Id. at 127-132.
16 Id. at 220-221.
17 Id. at 287-288.
18 No attached to the *rollo*.
19 *Rollo*, p. 145.
20 Docketed as CA-G.R. SP No. 135557.

Makati office.[21] The memorandum states that she will still be under the same employment terms and conditions but will be tasked to clean the area.[22] Three days later, Katando received another memorandum asking her to explain why she should not be subjected to disciplinary action for failing to sign the December 14, 2013 memorandum, for her refusal to transfer to the Makati office, and for shouting at Papertech's representative. Papertech sent Katando a memorandum on December 26, 2013 imposing a seven-day suspension upon her for her disrespectful behaviour to her fellow employees and officials of the company.[23]

Katando served her suspension. However, she was suspended yet again for one week for her disobedience or refusal to transfer as directed. Katando then filed a complaint for illegal suspension before the NLRC.[24]

Papertech issued a memorandum dated February 6, 2014 to Katando reiterating her transfer to its Makati office.[25] Thereafter, Papertech issued a notice to Katando requiring her to explain within 48 hours why she refused to receive the February 6, 2014 memorandum. Katando submitted her explanation.[26]

Papertech issued another notice to Katando on February 17, 2014 directing her to explain why she should not be administratively charged for refusing to transfer to its Makati office. Despite submitting her explanation, Papertech issued a notice on February 24, 2014 dismissing Katando for her insubordination. Katando filed a complaint for illegal dismissal, moral and exemplary damages, and attorney's fees against Papertech[27] and its Chairman of the Board of Directors, Alexander Wong, and Human Resource Manager Joan M. Balde.[28]

On May 26, 2014, Labor Arbiter Rosalina Maria O. Apita-Battung issued a Decision[29] finding that Katando's suspension was illegal.[30]

Ruling of the Labor Arbiter

On January 30, 2015, Labor Arbiter Nicolas issued a ruling in favor of Katando in this case, to wit:

> **WHEREFORE**, premises considered, complainant is declared illegally dismissed. Accordingly, respondent Papertech Inc. is ordered to pay her backwages, other benefits, separation pay plus attorney's fees, in the total amount of P429,258.72 as computed in this decision.

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21 *Rollo*, p. 221.
22 Id. at 61.
23 Id. at 221.
24 Id.
25 Id.
26 Id. at 221-222.
27 Id. at 222.
28 Id. at 201.
29 Id. at 156-160.
30 Id. at 223.

Other claims are denied for lack of merit.

SO ORDERED.[31]

Labor Arbiter Nicolas held that there was no just cause for Katando's termination. Papertech failed to prove the existence of a legitimate urgency justifying her transfer to the Makati office. In fact, they did not disprove the certification from the Makati City Business Permit Office that it is not a registered entity in Makati City.[32] Thus, Labor Arbiter Nicolas ordered Papertech to pay Katando backwages from the time that she was illegally dismissed until the finality of its decision based on her daily wage plus allowance amounting to ₱480.00. However, Katando's prayer for reinstatement was not granted. Instead, Papertech was ordered to pay her separation pay of one month pay for every year of service from the commencement of her employment on June 6, 1996 until the finality of its decision. According to Labor Arbiter Nicolas, "[t]he filing of the instant case and the attempts of the Papertech to transfer the complainant have brought about antipathy and antagonism between them, thereby resulting to strained relationship."[33] With respect to the claim for damages, it was, likewise, denied due to Katando's failure to discuss or pray for it in her position paper. Labor Arbiter Nicolas granted attorney's fees because Katando was forced to litigate. Katando partially appealed to the NLRC.[34]

Ruling of the NLRC

On May 25, 2015, the NLRC denied the partial appeal but ordered Papertech to pay Katando her backwages from the time that she was illegally dismissed on February 25, 2014 until the finality of its decision, and separation pay computed at one month pay for every year of service up to the finality of the decision.[35]

The NLRC agreed with the Labor Arbiter that separation pay should be given to Katando in lieu of her reinstatement. The NLRC cited several cases involving Papertech and Katando, namely: (1) Papertech's complaint in 2008 for illegal strike; (2) Katando's verified petition for extraordinary remedies in September 2013; (3) Katando's complaint for illegal suspension in February 2014; and (4) Katando's complaint for illegal dismissal on April 24, 2014. The NLRC held that these cases created an atmosphere of antipathy and antagonism.[36] According to the NLRC, "separation pay is the better alternative as it liberates Katando from what could be a highly hostile work environment, while releasing respondents from the grossly unpalatable obligation of maintaining in their employ a worker they could no longer trust."[37]

Katando appealed to the CA.

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31 Id. at 207-208.
32 Id. at 206.
33 Id. at 207.
34 Id.
35 Id. at 227.
36 Id. at 226.
37 Id. at 226-227.

Meanwhile on November 9, 2015, the CA, in CA-G.R. SP No. 135557,[38] nullified the Resolutions dated September 30, 2013 and November 29, 2013 of the NLRC and directed Katando and her co-respondents to report back to work in the place designated by Papertech per notice of job assignments dated May 4, 2013, or if they obstinately refuse such assignment, ordered Papertech to pay them separation pay equivalent to one month salary for every year of service, as fraction of at least six months being considered as one whole year.[39] The CA held that Papertech was able to prove that it could no longer reinstate Katando and her co-petitioners to their previous positions. The abolition of these positions in its premises in Pasig City and the employees' reassignment to its provincial plants were a valid exercise of its management prerogative.[40] Should the employees refuse their reinstatement to an equivalent position, the CA held that the payment of separation pay is a viable remedy.[41] This Court upheld the ruling of the CA in Our Resolution[42] dated August 15, 2016, which became final and executory on November 21, 2016.[43]

Ruling of the CA

On August 18, 2017, the CA granted Katando's petition and ordered Papertech to immediately reinstate her to her previous position without loss of seniority rights in addition to the award of backwages.[44]

The CA ruled that the doctrine of strained relations cannot apply to Katando as she is part of the rank and file workforce and does not occupy a managerial or key position in the company. She even asked for her reinstatement. In addition, there is no proof of strained relations between her and Papertech.[45] It is not sufficient that the parties were involved in several cases because no strained relations should arise from a valid and legal act of asserting one's right.[46]

Papertech filed a motion for reconsideration but it was denied by the CA. Thus, it filed a petition for review on *certiorari* before this Court seeking the reversal of the ruling of the CA. In compliance with the Resolution of this Court, Katando filed her comment and/or opposition to Papertech's petition.

Issue

Whether the CA erred in ordering the reinstatement of Katando instead of granting her separation pay.

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38 Penned by Associate Justice Zenaida T. Galapate-Laguilles, with Associate Justices Mariflor P. Punzalan-Castillo and Florito S. Macalino, concurring; id. at 287-297.
39 Id. at 296-297.
40 Id. at 294.
41 Id. at 295-296.
42 Id. at 298.
43 Id. at 299.
44 Id. at 37.
45 Id. at 36.
46 Id. at 37.

Ruling of the Court

We grant the petition.

The doctrine of strained relations was first introduced in the case of *Balaquezon Employees & Workers Transportation Union v. Zamora*.[47] In *Balaquezon*, the Court awarded backwages as severance pay based on equity. The Court explained, "[t]his means that a monetary award is to be paid to the striking employees as an alternative to reinstatement which can no longer be effected in view of the long passage of time or because of the "realities of the situation."[48] After *Balaquezon*, the Court further expounded on the doctrine of strained relations in the case of *Globe-Mackay Cable and Radio Corp. v. National Labor Relations Commission*,[49] wherein We discussed the following considerations in applying the doctrine of strained relations: (1) the employee must occupy a position where he or she enjoys the trust and confidence of his or her employer;[50] (2) it is likely that if reinstated, an atmosphere of antipathy and antagonism may be generated as to adversely affect the efficiency and productivity of the employee concerned; (3) it cannot be applied indiscriminately because some hostility is invariably engendered between the parties as a result of litigation; and (4) it cannot arise from a valid and legal act of asserting one's right.[51] After *Globe-Mackay*, We clarified that the doctrine cannot apply when the employee has not indicated an aversion to returning to work, or does not occupy a position of trust and confidence in, or has no say in the operation of, the employer's business.[52] In addition, strained relations between the parties must be proven as a fact.[53]

Although Katando does not occupy a position of trust and confidence as a machine operator, the circumstances of this case nonetheless calls for the application of the doctrine of strained relations. It is true that litigation between the parties *per se* should not bar the reinstatement of an employee. However, as observed by the NLRC, this is not the only case involving Papertech and Katando. They have been in conflict since 2008, or for 11 years now. In the case of *Digital Telecommunications Philippines, Inc. v. Digitel Employees Union*,[54] We held that the length of time from the occurrence of the incident to its resolution and the demonstrated litigiousness of the parties showed that their relationship is strained. Similarly, the protracted litigation between the parties here sufficiently demonstrate that their relationship is strained. It is notable that Papertech has not even bothered to appeal the ruling of the Labor Arbiter, and even stated that "in order not to prolong the proceedings, and for both parties to peacefully move on from this unwanted situation, Papertech is willing to pay the judgment award of separation pay."[55] Clearly, Papertech does not want Katando back as its employee.

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47 *Esmalin v. National Labor Relations Commission*, 258 Phil. 335, 349 (1989).
48 *Balaquezon Employees & Workers Transportation Union v. Zamora*, 186 Phil. 3, 9 (1980).
49 283 Phil. 649, 664 (1992).
50 See *TPG Corp. v. Pinas*, 804 Phil. 222, 232 (2017).
51 Supra note 49 at 661.
52 *Fernandez, Jr. v. Manila Electric Co.*, G.R. No. 226002, June 25, 2018, 868 SCRA 156, 169.
53 *Rodriguez v. Sintron Systems, Inc.*, G.R. No. 240254, July 24, 2019.
54 697 Phil. 132, 157 (2012).
55 *Rollo*, p. 25.

Moreover, the CA stated in its final and executory November 9, 2015 Decision in CA-G.R. SP No. 135557, wherein Katando was one of the respondents together with Papertech's other employees, that what remained in Papertech's Pasig City premises was its sales, marketing, and distribution operations. In that case, the CA held that the transfer of Papertech's manufacturing and production departments to its provincial plants was valid. Consequently, the positions held by Katando and her co-respondents in Pasig City were abolished.[56] Bearing this in mind, Katando's reinstatement as a machine operator in Papertech's Pasig City premises is no longer possible. Thus, separation pay is the only viable option for Katando.

In addition to the monetary awards to Katando, legal interest to be counted from the time of extrajudicial or judicial demand, if the amount was established with reasonable certainty, or otherwise from the date of judgment of the court which quantified the amount until full payment, may also be imposed. However, the imposition of legal interest is subject to the discretion of the court.[57] Considering that Papertech was willing to pay Katando's backwages and separation pay after Labor Arbiter Nicolas rendered his Decision,[58] We find that the imposition of an interest in this case is not warranted. Papertech should not be penalized for the delay in payment of the monetary awards because it was Katando who opted to elevate the case before the NLRC and the CA.

WHEREFORE, the petition is **GRANTED**. The Decision dated August 18, 2017 and the Resolution dated December 1, 2017 of the Court of Appeals in CA-G.R. SP No. 142550 are hereby **REVERSED** and **SET ASIDE**. The Decision dated May 25, 2015 and the Resolution dated June 30, 2015 of the National Labor Relations Commission in NLRC NCR Case No. 04-04837-14 are **REINSTATED**.

SO ORDERED.

ROSMARI D. CARANDANG
Associate Justice

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56 Id. at 294.
57 *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*, G.R. No. 225433, August 28, 2019.
58 See *rollo*, p. 255.

WE CONCUR:

MARVIC MARIO VICTOR F. LEONEN
Associate Justice
Chairperson

ALEXANDER G. GESMUNDO
Associate Justice

RODIL V. ZALAMEDA
Associate Justice

EDGARDO L. DELOS SANTOS
Associate Justice

ATTESTATION

I attest 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.

MARVIC MARIO VICTOR F. LEONEN
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the 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.

DIOSDADO M. PERALTA
Chief Justice

CERTIFIED TRUE COPY

MISAEL DOMINGO C. BATTUNG III
Division Clerk of Court
Third Division
FEB 18 2020