Reinstatement Pending Appeal within the Context of Corporate Rehabilitation: A Critique of *Garcia v. Philippine Airlines, Inc.*

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I. INTRODUCTION

In the wake of the 1997 Asian Financial Crisis, Philippine Airlines, Inc. (PAL), the country's flag-carrier, entered into corporate rehabilitation.[1] "It

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1. Kerlyn G. Bautista, Flag carrier PAL said it will not exit its rehab program this year, *available at* http://www.gmanews.tv/story/2309/flag-carrier-pal-said-it-will-not-exit-its-rehab-program-this-year (last accessed May 22, 2010).

entered receivership in 1999 after a series of external and internal crises led to massive financial losses, forcing it to suspend operations for two weeks."[2] In 2007, PAL's early exit from corporate rehabilitation, "following three years of profitability," was approved by the Securities and Exchange Commission (SEC).[3]

Now, in the wake of the 2008 global financial crisis, there are rumblings indicating a possible second rehabilitation for PAL. PAL has reported losses in the last two fiscal years, provoking the public concern of whether its exit from rehabilitation was premature. In reaction to its present financial crisis, the carrier has announced plans to reduce nearly half of its workforce and the sale of its non-core businesses.[4] With the government's fiscal inability to assist PAL, the 2008 global financial crisis, and the worldwide airline industry in dire straits,[5] the possibility of a second entry into rehabilitation is not far-fetched.

A financial crisis, by its very nature, spells out business reverses and closures, insolvency, and rehabilitation. The adverse effects on business then reverberate in the labor market. One year after the 1997 Asian Financial Crisis, the Department of Labor and Employment reported that "more than 155,000 workers were affected by job cuts while a total of 3,072 companies reported closure, retrenchment and/or [ ] adopted work reduction programmes."[6] At present, more than a year after the onset of the 2008 global financial crisis, recovery has begun but remains fragile and is expected to wane in the coming months. The expectation is that "employment growth will remain weak and unemployment [will] remain

2. Manila Times, PAL must bite the bullet, *available at* http://www.manilatimes.net/index.php/component/content/article/83-opinion-columnist/15692-pal-must-bite-the-bullet (last accessed May 22, 2010).

3. *Id. See also* Manila Bulletin, SEC okays PAL exit from rehab, *available at* http://mb.com.ph/node/35923 (last accessed May 22, 2010).

4. Manila Times, *supra* note 2.

5. *Id.*

6. Philip Arnold P. Tuaño, The Effects of the Asian Financial Crisis on the Philippines Labour Markets, *available at* http://www.eadn.org/The%20Effects%20of%20the%20Asian%20Financial%20Crisis%20on%20the%20Philippines.pdf (last accessed May 22, 2010).

high for many years."[7] From October 2008 to April 2009, crisis-related retrenchments alone have affected 50,000 workers.[8]

Thus, as the country recovers from the 2008 global financial crisis, a rise in the entry of companies into corporate rehabilitation proceedings and labor litigation is expected.

Garcia v. Philippine Airlines, Inc.[9] laid down the doctrine on the entitlement to and collection of reinstatement pending appeal after a company has exited rehabilitation proceedings.[10] Given that PAL was the first entity to exit rehabilitation proceedings,[11] not only is the issue novel, its resolution also necessarily sets the tone for the disposition of future post-rehabilitation labor cases. With the recent exit or imminent exit from rehabilitation of other companies — such as Maynilad Water Services, Inc., Negros Navigation Co., Inc., Philippine Realty and Holdings Corporation, and Victorias Milling Company, Inc.[12] — the probability that the issue will again be raised is high. The issue also finds much significance considering the anticipated rise of corporate rehabilitation proceedings and labor litigation during the country's recovery from the 2008 global financial crisis. An assessment of *Garcia* is, therefore, in order.

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7. World Bank, Global Economic Prospects 2010: Outlook Summary, *available at* http://web.worldbank.org/external/default/main?theSitePK=612501&pagePK=2904583&contentMDK=20656835&menuPK=612508&piPK=2904598 (last accessed May 22, 2010).

8. Jenny Guste, Economies Still Struggling, Jobless, Hungry People on the Rise, *available at* http://www.ibon.org/ibon_features.php?id=28 (last accessed May 22, 2010).

9. Garcia v. Philippine Airlines, Inc., 576 SCRA 479 (2009).

10. *Id.* at 496.

11. Elizabeth Sanchez-Lacson & Daxim Lucas, PAL receivership exit a first in SEC history, *available at* http://business.inquirer.net/money/topstories/view/20071011-93753/PAL_receivership_exit_a_first_in_SEC_history (last accessed May 22, 2010).

12. GMANews.TV, Court approves Maynilad's early exit from rehab, *available at* http://www.gmanews.tv/story/73639 (last accessed May 22, 2010); Jeremiah F. de Guzman, Nenaco exits rehabilitation, *available at* http://www.manilastandardtoday.com/insideBusiness.htm?f=2010/march/16/business1.isx&d=2010/march/16 (last accessed May 22, 2010); Doris Dumlao, Philrealty eyes rehab exit in 2010, *available at* http://business.inquirer.net/money/topstories/view/20091020-231361/Philrealty-eyes-rehab-exit-in-2010 (last accessed May 22, 2010) [hereinafter Dumlao, Philrealty]; Doris Dumlao, Victorias needs investor to exit rehab, *available at* http://services.inquirer.net/print/print.php?article_id=20090204-187262 (last accessed May 22, 2010) [hereinafter Dumlao, Victorias].

II. FACTS OF THE CASE

PAL dismissed Juanito Garcia and Alberto Dumago for using drugs in company premises in violation of the PAL Code of Discipline. Garcia and Dumago filed a complaint for illegal dismissal with the Labor Arbiter.[13]

Prior to the promulgation of the decision, the SEC placed PAL under an Interim Rehabilitation Receiver. On 11 January 1999, the Labor Arbiter ruled in favor of Garcia and Dumago and ordered immediate reinstatement. PAL was placed under a Permanent Rehabilitation Receiver on 7 June 1999.[14]

PAL appealed the case to the National Labor Relations Commission (NLRC), which reversed the Labor Arbiter's decision and dismissed the case on 31 January 2000.[15] The subsequent Motion for Reconsideration was denied and, on 13 July 2000, entry of judgment was issued.[16]

On 5 October 2000, the Labor Arbiter issued a writ of execution as to the reinstatement aspect of its previous decision.[17] Subsequently, he issued a notice of garnishment.[18] PAL moved to quash both the writ and the notice, as well as filed a petition for injunction with the NLRC.[19] The NLRC affirmed the validity of the writ and the notice but suspended their enforcement and referred these matters to the Rehabilitation Receiver.[20]

PAL appealed to the Court of Appeals, which then nullified the NLRC resolutions on two grounds: (1) "a subsequent finding of a valid dismissal removes the basis for implementing the reinstatement aspect of a labor arbiter's decision,"[21] and (2) "the impossibility to comply with the reinstatement order due to corporate rehabilitation provides a reasonable justification for the failure to exercise the options under Article 223 of the Labor Code."[22]

Upon petition for review by Garcia and Dumago, the Court's Second Division, on 29 August 2007, partially granted the petition by suspending the proceedings on the ground that the former's claim is a money claim

13. *Garcia*, 576 SCRA at 485–86.
14. *Id.* at 486.
15. *Id.*
16. *Id.* at 487.
17. *Id.*
18. *Id.*
19. *Garcia*, 576 SCRA at 487.
20. *Id.*
21. *Id.*
22. *Id.*

suspended pending PAL's corporate rehabilitation proceedings. On 30 October 2007, PAL subsequently informed the Supreme Court of its exit from rehabilitation proceedings.[23]

III. LEGAL HISTORY: A SURVEY OF LAWS AND JURISPRUDENCE

Article 223 of the Labor Code has long established the mandate of reinstatement pending appeal:

> In any event, the decision of the Labor Arbiter reinstating a dismissed or separated employee, insofar as the reinstatement aspect is concerned, shall immediately be executory, even pending appeal. The employee shall either be admitted back to work under the same terms and conditions prevailing prior to his dismissal or separation or, at the option of the employer, merely reinstated in the payroll. The posting of a bond by the employer shall not stay the execution for reinstatement provided herein.[24]

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23. *Id.* at 488.

24. A Decree Instituting a Labor Code Thereby Revising and Consolidating Labor and Social Laws to Afford Protection to Labor, Promote Employment and Human Resources Development and Insure Industrial Peace Based on Social Justice [LABOR CODE], Presidential Decree No. 442, as Amended, art. 223 (1974) (emphasis supplied). The full provision reads:

> Art. 223. *Appeal.* Decisions, awards, or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders. Such appeal may be entertained only on any of the following grounds:
>
> (a) If there is prima facie evidence of abuse of discretion on the part of the Labor Arbiter;
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> (b) If the decision, order or award was secured through fraud or coercion, including graft and corruption;
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> (c) If made purely on questions of law; and
>
> (d) If serious errors in the findings of facts are raised which would cause grave or irreparable damage or injury to the appellant.
>
> In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the Commission in the amount equivalent to the monetary award in the judgment appealed from.
>
> In any event, the decision of the Labor Arbiter reinstating a dismissed or separated employee, insofar as the reinstatement aspect is concerned, shall immediately be executory, even pending appeal. The employee shall either be admitted back to work under the same terms and conditions prevailing prior to his dismissal or separation or, at the option of the employer, merely reinstated in the payroll. The posting

While reinstatement pending appeal is clearly granted under the provision, the controversy lies in whether reinstatement pending appeal can still be collected after reversal of the reinstatement order. When an employee is actually reinstated, no disagreement is forthcoming. It is fundamental that an employee is entitled to wages for work actually performed.[25] Payroll reinstatement, however, has been the subject of dispute.

Militating against the possibility of collection is the recent case of *Genuino v. National Labor Relations Commission*, which set aside the award of payroll reinstatement pending appeal upon reversal by the higher court.[26] It deviated from previous judicial precedents by requiring a refund of salaries received from payroll reinstatement pending appeal upon reversal of the reinstatement order.[27]

> *If the decision of the labor arbiter is later reversed on appeal* upon the finding that the ground for dismissal is valid, then *the employer has the right to require the dismissed employee on payroll reinstatement to refund the salaries s/he received while the case was pending appeal, or it can be deducted from the accrued benefits that the dismissed employee was entitled to receive* from his/her employer under existing laws, collective bargaining agreement provisions, and company practices. However, if the employee was reinstated to work during the pendency of

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> of a bond by the employer shall not stay the execution for reinstatement provided herein.
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> To discourage frivolous or dilatory appeals, the Commission or the Labor Arbiter shall impose reasonable penalty, including fines or censures, upon the erring parties.
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> In all cases, the appellant shall furnish a copy of the memorandum of appeal to the other party who shall file an answer not later than ten (10) calendar days from receipt thereof.
>
> The Commission shall decide all cases within twenty (20) calendar days from receipt of the answer of the appellee. The decision of the Commission shall be final and executory after ten (10) calendar days from receipt thereof by the parties.
>
> Any law enforcement agency may be deputized by the Secretary of Labor and Employment or the Commission in the enforcement of decisions, awards or orders.
>
> *Id.*

25. *See, e.g.* Genuino v. National Labor Relations Commission, 539 SCRA 342, 363-64 (2007); Roquero v. Philippine Airlines, Inc., 401 SCRA 424, 430-31 (2003).

26. *Genuino*, 539 SCRA at 363-64.

27. *Id.*

> the appeal, then the employee is entitled to the compensation received for actual services rendered without need of refund.[28]

Genuino, however, alone and unaffirmed in its refund doctrine, can be characterized as stray. Further, it was promulgated by the Second Division of the Court, not the Court *en banc*, and cannot be considered to have overturned earlier judicial doctrines.[29] These earlier judicial doctrines are set forth below.

Roquero v. Philippine Airlines, Inc. recognized the exercise of police power in enacting the execution pending appeal under Article 223 — a directive "designed to stop, although temporarily since the appeal may be decided in favor of the appellant, a continuing threat or danger to the survival or even the life of the dismissed or separated employee and his family."[30] Given the immediately executory nature of the reinstatement order, absent a restraining order, it is mandatory on the employer to effect actual or payroll reinstatement and "ministerial upon the Labor Arbiter to implement the order of reinstatement."[31] The technicalities of procedure do not apply to labor cases: the Rules of Court operate suppletorily only when the purposes of the Labor Code are furthered.[32] Reversal of the reinstatement order by the higher court does not remove the employer's obligation to pay the wages pending appeal.[33] No reimbursement is required of the employee upon reversal, especially when services were actually rendered.[34] In *Roquero*, however, a motion for the issuance of a writ of execution had been filed and was granted prior to reversal.[35]

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28. *Id.* (citing Omnibus Rules Implementing the Labor Code, bk. VI, rule 1, § 7 (May 27, 1989)) (emphasis supplied).

29. *Garcia* cited several cases contradicting *Genuino*. *See Garcia*, 576 SCRA at 490, n. 15 (citing International Container Terminal Services, Inc. v. NLRC, 300 SCRA 335 (1998) [hereinafter *ICTSI*]; Composite Enterprises, Inc. v. Caparoso, 529 SCRA 470 (2007); Kimberly Clark (Phils.), Inc. v. Facundo, G.R. No. 144885, July 26, 2006 (unsigned resolution); Sanchez v. National Labor Relations Commission, G.R. No. 124348, Feb. 7, 2001 (unsigned resolution)). *See also* Air Philippines Corporation v. Zamora, 498 SCRA 59 (2006); *Roquero*, 401 SCRA 424.

30. *Roquero*, 401 SCRA at 430 (citing Aris (Phil.) Inc. v. NLRC, 200 SCRA 246, 255 (1991)).

31. *Id.*

32. *Id.*

33. *Id.* at 430–31.

34. *Id.* at 431.

35. *Roquero*, 401 SCRA 424 (citing Philippine Rabbit Bus Lines, Inc. v. NLRC, 306 SCRA 151, 155 (1999)) ("The unjustified refusal of the employer to reinstate a dismissed employee entitles him to payment of his salaries effective

Reiterating *Roquero, Air Philippines Corporation v. Zamora* held the employer liable for the wages pending appeal despite the subsequent reversal by the NLRC of the reinstatement order.[36] Similarly, the wages were, however, already the subject of a writ of execution issued during the pendency of the appeal.[37]

The issue of collection, thus, appears to be hinged on whether a writ of execution is required under Article 223: whether reinstatement pending appeal's immediately executory nature makes it self-executory.

Instructive is *International Container Terminal Services, Inc. (ICTSI) v. NLRC*.[38] In ruling in favor of the employer's liability for wages pending appeal despite reversal of the reinstatement order, the Court declared that the immediate enforceability of the reinstatement order signified that the employer was duty-bound to choose between actual or payroll reinstatement.[39] Failure to exercise this option still resulted in liability for wages from notice of the reinstatement order until its reversal.[40] Such wages "*automatically accrued* from notice of the ... order of reinstatement until its ultimate reversal."[41] In this case, a motion for the issuance of a writ of execution had been filed with the reversing court pending appeal but it was not acted upon.[42] Affirming *Pioneer Texturizing Corp. v. NLRC*,[43] the Court held that the reversing court's inaction over the motion for the issuance of the writ of execution could not adversely affect the dismissed employee as the reinstatement order was self-executory.[44]

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from the time the employer failed to reinstate him despite the issuance of a writ of execution.").

36. *Air Philippines*, 498 SCRA at 72.

37. *Id.* The Court elucidated further:

> The premise of the award of unpaid salary to respondent is that prior to the reversal by the NLRC of the decision of the Labor Arbiter, *the order of reinstatement embodied therein was already the subject of an alias writ of execution even pending appeal.* Although petitioner did not comply with this writ of execution, its intransigence made it liable nonetheless to the salaries of respondent pending appeal.

Id. (emphasis supplied).

38. *ICTSI*, 300 SCRA 335.

39. *Id.* at 343.

40. *Id.*

41. *Id.* (emphasis supplied).

42. *Id.* at 339-40.

43. Pioneer Texturizing Corp. v. NLRC, 280 SCRA 806 (1997).

44. *ICTSI*, 300 SCRA at 340 (citing *Pioneer*, 280 SCRA at 826).

Pioneer is vital to the instant case. An *en banc* decision,[45] its doctrinal pronouncement definitively resolved the issue of whether a writ of execution is needed to effect reinstatement pending appeal.[46] Disputing the previous pronouncement of *Maranaw Hotel Resort Corporation v. NLRC*[47] (that reinstatement pending appeal is not self-executory as evidenced by Article 224),[48] *Pioneer* distinguished Article 223 from Article 224.[49] Article 224, which requires the issuance of a writ of execution, applies only to final and executory orders and awards.[50] Article 223, in contrast, covers only orders or awards for reinstatement that are appealable or pending appeal.[51] The legislative intent is evident — immediate enforceability of reinstatement, even pending appeal.[52] To further require the application for and issuance of a writ of execution to carry out reinstatement runs counter

45. *Pioneer*, 280 SCRA at 806.

46. *Id.* at 826.

47. Maranaw Hotel Resort Corporation v. NLRC, 238 SCRA 190 (1994).

48. *Id.* at 199.

49. *Pioneer*, 280 SCRA at 824-26.

50. *Id.* at 824. *See* LABOR CODE, art. 224.

> Art. 224. *Execution of decisions, orders or awards.*
>
> (a) The Secretary of Labor and Employment or any Regional Director, the Commission or any Labor Arbiter, or Med-Arbiter or Voluntary Arbitrator may, motu proprio or on motion of any interested party, issue a *writ of execution* on a judgment within five (5) years from the date it becomes *final and executory*, requiring a sheriff or a duly deputized officer to execute or enforce final decisions, orders or awards of the Secretary of Labor and Employment or regional director, the Commission, the Labor Arbiter or med-arbiter, or voluntary arbitrators. In any case, it shall be the duty of the responsible officer to separately furnish immediately the counsels of record and the parties with copies of said decisions, orders or awards. Failure to comply with the duty prescribed herein shall subject such responsible officer to appropriate administrative sanctions.
>
> (b) The Secretary of Labor and Employment, and the Chairman of the Commission may designate special sheriffs and take any measure under existing laws to ensure compliance with their decisions, orders or awards and those of the Labor Arbiters and voluntary arbitrators, including the imposition of administrative fines which shall not be less than P500.00 nor more than P10,000.00.

LABOR CODE, art. 224 (emphasis supplied).

51. *Pioneer*, 280 SCRA at 825. *See* LABOR CODE, art. 223.

52. *Pioneer*, 280 SCRA at 825.

to this very intent and renders the award ineffective.[53] Delay for any number of reasons, including continuance or postponement of hearing or the Labor Arbiter's or NLRC's inaction, could easily debilitate the reinstatement order.[54] "Statutes, as a rule, are to be construed in the light of the purpose to be achieved and the evil sought to be remedied."[55] Where more than one construction of the statute is possible, that which "will most tend to give effect to the manifest intent of the lawmaker and promote the object for which the statute was enacted" should be adopted.[56] The Legislature, in enacting Republic Act No. 6715 — which, among others, amended Article 223 to include the reinstatement aspect[57] — is presumed not to have indulged in a "mere semantic exercise" and is presumed to have intended a functional law.[58] Furthermore, well-established is the rule that "[a]ll doubts in the implementation and interpretation of the provisions of [the Labor] Code, including its implementing rules and regulations, shall be resolved in favor of labor."[59] Thus, by law and judicial edict, reinstatement pending appeal is held to be self-executory.[60]

Situated in the context of these judicial precedents is the Court's ruling and the separate opinions in the instant case.

IV. THE INSTANT CASE

A. The En Banc Decision

1. Entitlement to Reinstatement Pending Appeal

53. *Id.*

54. *Id.* at 825-26.

55. *Pioneer*, 280 SCRA at 826 (citing LVN Pictures, Inc. v. Philippine Musicians Guild and CIR, 110 Phil. 725, 731 (1961)).

56. *Id.* (citing U.S. v. Toribio, 15 Phil. 85, 90 (1910)).

57. An Act to Extend Protection to Labor, Strengthen the Constitutional Rights of Workers to Self-Organization, Collective Bargaining and Peaceful Concerted Activities, Foster Industrial Peace and Harmony, Promote the Preferential Use of Voluntary Modes of Settling Labor Disputes, and Reorganize the National Labor Relations Commission, Amending for These Purposes Certain Provisions of Presidential Decree No. 442, as Amended, Otherwise Known as the Labor Code of the Philippines, Appropriating Funds Therefor and for Other Purposes, Republic Act No. 6715, § 12 (1989).

58. *Pioneer*, 280 SCRA at 826.

59. *Id.* LABOR CODE, art. 4. *See also* An Act to Ordain and Institute the Civil Code of the Philippines [CIVIL CODE], Republic Act No. 386, art. 1702 (1950) ("In case of doubt, all labor legislation and all labor contracts shall be construed in favor of the safety and decent living for the laborer.").

60. *See generally Pioneer*, 280 SCRA at 825-26.

The Court ruled that Garcia and Dumago were entitled to actual or payroll reinstatement during the pendency of their appeal in the NLRC, the subsequent reversal by the NLRC notwithstanding. Article 223 of the Labor Code states that a Labor Arbiter's order to reinstate is "immediately executory pending appeal," and the same cannot be stayed even if the employer posts a bond.[61] In the order's execution, the employer is given the option of actual or payroll reinstatement.[62]

The Court found that prevailing jurisprudence interpreted this provision to mean that, even where an order to reinstate is subsequently reversed on appeal, the employer is obligated to effect the reinstatement and pay wages accordingly.[63] Upon reversal of such order, the employee is not obliged to reimburse the wages he received prior to the reversal. Unless a restraining order is issued, the reinstatement order (and, consequently, the payment of wages) is ministerial upon the Labor Arbiter and mandatory upon the employer.[64]

In contrast, *Genuino* accorded the employer the right to require a refund of the salaries received from payroll reinstatement pending appeal or its deduction from accrued benefits the employee is entitled to upon reversal of the order to reinstate.[65] The Court, however, declared *Genuino* to be a stray decision whose underlying reasoning is contrary to the rationale of reinstatement pending appeal — to temporarily stop the "continuing threat or danger to the survival or even the life of the dismissed or separated employee and his family."[66]

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61. *Garcia*, 576 SCRA at 492–93 (citing LABOR CODE, art. 223).

62. *Id.* at 493 (citing LABOR CODE, art. 223).

63. *Id.*

64. *Id.* at 496 (citing *Roquero*, 401 SCRA at 430).

65. *Id.* at 489 (citing *Genuino*, 539 SCRA at 363–64).

    In *Genuino*, the Court, however, ruled that an employee actually reinstated pending appeal is entitled to compensation for actual services without need of refund. It must be noted that the Court found that the employee in *Genuino* was neither actually reinstated nor reinstated through payroll.

    Id. (citing *Genuino*, 539 SCRA at 364).

66. *Id.* at 490–91 (citing *Roquero*, 401 SCRA at 430).

    > Then, by and pursuant to the same power (police power), the State may authorize an immediate implementation, pending appeal, of a decision reinstating a dismissed or separated employee since that saving act is designed to stop, although temporarily since the appeal may be decided in favor of the appellant, a continuing threat or danger to the survival or even the life of the dismissed or separated employee and his family.

    Id. at 491 (citing *Roquero*, 401 SCRA at 430).

Countering Justice Presbitero J. Velasco, Jr.'s argument that to award reinstatement pending appeal after reversal results in unjust enrichment, the Court ruled that "*[t]he social justice principles of labor law outweigh or render inapplicable the civil law doctrine of unjust enrichment.*"[67]

Upholding the *Genuino* refund doctrine would unduly prejudice, instead of favor, labor: the amount awarded pending appeal will be better left unspent or even refused, if the employee will eventually be required to refund what was awarded to help him eke out a living during the pendency of the appeal. The refund doctrine renders reinstatement pending appeal an ineffectual stop-gap measure, one which could easily lead the dismissed employee into insolvency.[68] The Court also found the same unduly advantageous to management: the salaries, in effect, serve as a bond posted in installment and without payment of bond premiums, effectively thwarting Article 223's prohibition against the stay of the reinstatement order through the posting of a bond.[69]

The Court also found tenuous Justice Velasco, Jr.'s argument that a writ of execution must be issued prior to the reversal of the reinstatement order.[70] Such argument not only fails to consider the cause of delay in implementation, it also goes against the immediately executory nature of the reinstatement order as established by jurisprudence.[71]

In sum, the Court ruled that, reinstatement, and the payment of wages, pending appeal is obligatory on the part of the employer and is immediately executory.[72] The employer must choose between actual or payroll reinstatement.[73] The failure to exercise this option still binds the employer to pay the wages pending appeal.[74]

2. Corporate Rehabilitation as a Bar to Collection

The Court, however, found that, despite their entitlement to payroll reinstatement pending appeal, Garcia and Dumago were barred from collecting the accrued wages.[75]

67. *Garcia*, 576 SCRA at 491 (emphasis supplied).

68. *Id.*

69. *Id.* at 492.

70. *Id.*

71. *Id.* (citing Panuncillo v. CAP Philippines, 515 SCRA 323, 342-43 (2007)).

72. *Id.* at 493.

73. *Garcia*, 576 SCRA at 493.

74. *Id.* (citing *Kimberly Clark*, G.R. No. 144885).

75. *Id.* at 496.

As reinstatement pending appeal requires immediate execution, "*any attempt on the part of the employer to evade or delay its execution during the pendency of the appeal … should not be countenanced.*"[76] Nevertheless, after reversal of the reinstatement order, collection may be barred if the delay in enforcement was without the fault of the employer.[77] The two-fold test in barring collection requires that "(1) there must be actual delay or the fact that the order of reinstatement pending appeal was not executed prior to its reversal; and (2) the delay must not be due to the employer's unjustified act or omission."[78]

Despite the issuance of a writ of execution for the reinstatement order, albeit after the NLRC's reversal, PAL manifestly failed to reinstate Garcia and Dumago.[79] There being actual delay, what remained to be established is whether PAL's failure to reinstate was unjustified.[80]

Jurisprudence has required the enforcement of a reinstatement order, except when a restraining order exists.[81] In the instant case, an Interim Rehabilitation Receiver was appointed prior to the reinstatement order.[82] After promulgation of the reinstatement order, a Permanent Rehabilitation Receiver was appointed.[83] The *ipso jure* suspension of "all actions for claims before any court, tribunal or board against the corporation"[84] upon the

76. *Id.* at 494 (emphasis supplied). The Court cited cases where the employer attempted to evade or delay the execution. *See generally Panuncillo*, 515 SCRA 323; *Air Philippines*, 498 SCRA 59; *Composite Enterprises*, 529 SCRA 470; *Kimberly Clark*, G.R. No. 144885; *Roquero*, 401 SCRA 424.

77. *Id.*

78. *Id.*

79. *Garcia*, 576 SCRA at 496.

80. *Id.*

81. *Id.* (citing *Roquero*, 401 SCRA at 430).

82. *Id.*

83. *Id.* at 496.

84. *Id.* (citing Garcia v. Philippine Airlines, Inc., 531 SCRA 574, 582 (2007)). *See* Reorganization of the Securities and Exchange Commission with Additional Powers and Placing the Said Agency under the Administrative Supervision of the Office of the President [SEC Reorganization Act], Presidential Decree No. 902-A, as Amended, § 6 (c) (1976). Section 6 (c) of the law reads:

> (c) To appoint one or more receivers of the property, real or personal, which is the subject of the action pending before the Commission in accordance with the pertinent provisions of the Rules of Court in such other cases whenever necessary in order to preserve the rights of the parties-litigants and/or protect the interest of the investing public and creditors: *Provided, finally*, That *upon appointment of a* management committee, *rehabilitation receiver*, board or body, pursuant to

appointment of the rehabilitation receiver partook "of the nature of a restraining order that constitute[d] a legal justification for [PAL]'s non-compliance with the reinstatement order."[85] PAL's obligation to pay wages pending appeal did not attach as a result of its justified failure to choose between actual reinstatement and payroll reinstatement:[86]

> While reinstatement pending appeal aims to avert the continuing threat or danger to the survival or even the life of the dismissed employee and his family, it does not contemplate the period when the employer-corporation itself is similarly in a *judicially monitored* state of being resuscitated in order to survive.[87]

Opposing Justice Leonardo A. Quisumbing's contention that PAL had previously failed to corroborate its claim of actual or imminent substantial losses to justify retrenchment, the Court found retrenchment and corporate rehabilitation dissimilar.[88] "[T]he state of corporate rehabilitation was judicially pre-determined by a competent court and not formulated for the first time in this case by [PAL]."[89] Further, "the interim relinquishment of management control" to the rehabilitation receiver, a legal effect of corporate rehabilitation, in effect, divested PAL of its right to exercise its options under Article 223.[90]

B. The Separate Opinions

1. Separate Opinion of Justice Quisumbing

Justice Quisumbing voted to allow Garcia and Dumago to collect the wages which have accrued pending appeal.[91]

Contradicting Justice Velasco, Jr.'s proposition that requiring the payment of wages pending appeal despite the failure to effect reinstatement prior to the reversal of the reinstatement order would constitute unjust enrichment, he argued the inapplicability of the principle of unjust enrichment on two grounds.[92] First, reinstatement pending appeal, "is in

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> this Decree, *all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.*

SEC Reorganization Act, § 6 (c) (emphasis supplied).

85. *Garcia*, 576 SCRA at 496.

86. *Id.*

87. *Id.* at 496–97.

88. *Id.* at 497.

89. *Id.*

90. *Id.*

91. *See Garcia*, 576 SCRA at 509 (Quisumbing, J., separate opinion).

92. *Id.* at 505.

accord with the social justice philosophy of [the] Constitution."[93] It affords full protection to labor by provisionally alleviating "a continuing threat or danger to the survival or even the life of the dismissed employee and his family."[94] Second, unjust enrichment under the Civil Code,[95] a general law, must give way to reinstatement pending appeal, a special law.[96]

Against Justice Velasco, Jr.'s argument that enforcement was barred because the dismissed employees slept on their rights, he further argued that the reinstatement order, being self-executory, required no writ of execution, much less a motion for its issuance.[97]

Responding to Justice Velasco, Jr.'s argument that Rule IX, Section 6 of the 2005 NLRC Revised Rules of Procedure provides only citation for contempt, not the payment of accrued salaries, as a relief to non-enforcement of the reinstatement order, Justice Quisumbing clarified that the said rule provides two reliefs: (a) payment of accrued salaries and (b) citation for contempt.[98] Such Rules direct the employer to either actually reinstate or payroll reinstate the employee.[99] Under these Rules, the employer is to submit a compliance report within 10 days of his receipt of the decision.[100] It

93. *Id.*

94. *Id.*

95. CIVIL CODE, art. 22.

96. *Garcia*, 576 SCRA at 505 (Quisumbing, J., separate opinion).

97. *Id.* at 506 (citing *Pioneer*, 280 SCRA at 824-25).

98. *Id.* at 507.

99. *Id. See* National Labor Relations Commission, The 2005 Revised Rules of Procedure of the National Labor Relations Commission, rule XI, § 6 (Jan. 6, 2006) [hereinafter 2005 Revised NLRC Rules].

> Section 6. *Execution of Reinstatement Pending Appeal.* — In case the decision includes an order of reinstatement, and the employer disobeys the directive under the second paragraph of Section 14 of Rule V or refuses to reinstate the dismissed employee, *the Labor Arbiter shall immediately issue writ of execution*, even pending appeal, directing the employer to immediately reinstate the dismissed employee either physically or in the payroll, and to pay the accrued salaries as a consequence of such reinstatement at the rate specified in the decision.
>
> The Sheriff shall serve the writ of execution upon the employer or any other person required by law to obey the same. If he disobeys the writ, such employer or person may be cited for contempt in accordance with Rule IX.

2005 Revised NLRC Rules, rule XI, § 6 (emphasis supplied).

100. *Garcia*, 576 SCRA at 507 (Quisumbing, J., separate opinion). *See* 2005 Revised NLRC Rules, rule V, § 14.

> Section 14. *Contents of Decisions.* - The decisions and orders of the Labor Arbiter shall be clear and concise and shall include a brief

is only upon the employer's disobedience of the order or refusal to reinstate that a writ of execution issues. Disobedience of the writ results in citation for contempt.[101]

Justice Quisumbing's agreement with the *ponencia* ended with the foregoing: he disagreed with regard to the Court's declaration that collection by Garcia and Dumago was already barred. He argued that "[r]ehabilitation merely provides for the automatic stay of all pending actions or the suspension of payments of the distressed corporation to prevent the dissipation of its assets; it does not relieve the corporation of its obligations. *Upon its successful rehabilitation, it must settle in full all claims previously suspended.*"[102] To follow the majority's reasoning would result in the nullification of the legal relief, where the law only sanctions its suspension.

In addition, delay in enforcement by the employees was of no moment, as "it was the statutory duty of [PAL] as employer to comply with a self-executory order in favor of the employees."[103] The employees' right automatically vested from receipt of the Labor Arbiter's reinstatement order, regardless of whether rehabilitation prevented PAL from choosing between actual or payroll reinstatement.[104]

Finally, Justice Quisumbing further disagreed with the majority's finding that PAL was "similarly in a state of being resuscitated to survive," as he noted that PAL "failed to substantiate its claim of actual and imminent losses," so as to justify retrenchment, in the recent case of *Flight Attendants and Stewards Association of the Philippines v. Philippine Airlines, Inc.*[105] Thus,

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> statement of the: (a) facts of the case; (b) issues involved; (c) applicable laws or rules; (d) conclusions and the reasons therefor; and (e) specific remedy or relief granted. In cases involving monetary awards, the decisions or orders of the Labor Arbiter shall contain the amount awarded.
>
> In case the decision of the Labor Arbiter includes an order of reinstatement, it shall likewise contain: a) a statement that the reinstatement aspect is immediately executory; and b) a directive for the employer to submit a report of compliance within ten (10) calendar days from receipt of the said decision.

2005 Revised NLRC Rules, rule V, § 14.

101. *Garcia*, 576 SCRA at 507 (Quisumbing, J., separate opinion). *See* 2005 Revised NLRC Rules, rule XI, § 6.

102. *Garcia*, 576 SCRA at 508 (Quisumbing, J., separate opinion) (emphasis supplied).

103. *Id.* at 509.

104. *Id.*

105. *Id.* at 508-09. *See* Flight Attendants and Stewards Association of the Philippines v. Philippine Airlines, Inc., 559 SCRA 252, 274-86 (2008) [hereinafter *FASAP*].

corporate rehabilitation does not necessarily signify substantial losses. He argued that PAL had already begun recovery in early 1999.[106]

2. Separate Opinion of Justice Velasco, Jr.

Justice Velasco, Jr. concurred with the *ponencia's* result, but for different reasons: for him, Garcia and Dumago were not entitled to the accrued wages after the NLRC's reversal because they "failed to obtain a writ of execution and their reinstatement was not implemented prior to the reversal of the arbiter's decision granting reinstatement."[107] He gave 10 reasons for his opinion.

First, employees must work for the release and implementation of a writ of execution pending appeal. Paragraph 3 of Article 223 is procedural in nature, at most, granting a procedural "right to *execution* of the reinstatement order pending appeal,"[108] not a "substantive right to wages under any and all circumstances during such pendency of the appeal regardless of the outcome of the [same]."[109] The provision dispenses only with the necessity for a motion for the issuance of the writ of execution.[110] The issuance itself of the writ is still necessary under Section 6 of Rule XI of the 2005 NLRC Revised Rules of Procedure.[111]

While it is mandatory for the Labor Arbiter to issue the writ, the employee must still work its release and implementation — an employer only becoming liable when it unjustifiably refuses to reinstate when served with the writ.[112] If reinstatement remains unimplemented upon reversal because of the employee's inaction, he is not entitled to the backwages.[113] Otherwise, the employer's right to appeal, and the higher courts' power of judicial review over, the award of backwages would be nullified, while the employee need not strive for reinstatement as the same is already assured.[114]

Second, employees are required to return the salaries received under payroll reinstatement pending appeal upon reversal of the reinstatement order.

106. *Garcia*, 576 SCRA at 509 (Quisumbing, J., separate opinion). *See FASAP*, 559 SCRA at 284.

107. *Id.* at 510-11 (Velasco, Jr., J., separate opinion).

108. *Id.* at 511 (emphasis supplied).

109. *Id.* at 512.

110. *Id.* at 511.

111. *Id.* at 511-12. *See* 2005 Revised NLRC Rules, rule XI, § 6.

112. *Garcia*, 576 SCRA at 512 (Velasco, Jr., J., separate opinion) (citing Medina v. Consolidated Broadcasting System (CBS)-DZWX, 222 SCRA 707, 711 (1993)).

113. *Id.* at 512-13.

114. *Id.* at 513.

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Reinstatement pending appeal is "a species of execution pending appeal."[115] Under Rule 39 of the Rules of Court, "which applies suppletorily … in labor cases,"[116] in discretionary execution pending appeal, "the prevailing party is obliged to make restitution or reparation, as justice and equity may warrant, in case the executed judgment is reversed on appeal."[117] Citing *Genuino*, Justice Velasco, Jr. applied this, by analogy: "[i]f the party granted execution pending appeal is required to make restitution or reparation in ordinary civil cases, then an employee reinstated under payroll reinstatement is likewise obliged to make restitution of the salaries paid to him once the dismissal is upheld."[118]

Third, the NLRC's reversal removed the legal basis for the reinstatement. Applying Section 2 of Rule 2 of the Rules of Court, Justice Velasco, Jr. argued that the provisional relief of reinstatement only follows when the employee proves his cause of action, i.e. illegal dismissal.[119] While the Labor Arbiter's decision is the legal basis for the immediate execution of the reinstatement order pending appeal, its non-implementation prior to the NLRC's reversal and the latter's finality, bars the employee from the relief as there is no longer any legal basis for the same. Garcia and Dumago, having secured the writ of execution only on 5 October 2000, long after the finality of the NLRC's reversal on 13 July 2000, are no longer entitled to the backwages.[120]

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115. *Id.* at 514.

116. *Id. See* 2005 Revised NLRC Rules, rule I, § 3.

> Section 3. *Suppletory Application of the Rules of Court.* — In the absence of any applicable provision in these Rules, and in order to effectuate the objectives of the Labor Code, the pertinent provisions of the Rules of Court of the Philippines may, in the interest of expeditious dispensation of labor justice and whenever practicable and convenient, be applied by analogy or in a suppletory character and effect.

2005 Revised NLRC Rules, rule I, § 3.

117. *Garcia*, 576 SCRA at 514 (Velasco, Jr., J., separate opinion). *See* 1997 RULES OF CIVIL PROCEDURE, rule 39, § 5.

> SEC. 5. *Effect of reversal of executed judgment.* — Where the executed judgment is reversed totally or partially, or annulled, on appeal or otherwise, the trial court may, on motion, issue such orders of restitution or reparation of damages as equity and justice may warrant under the circumstances.

1997 RULES OF CIVIL PROCEDURE, rule 39, § 5.

118. *Garcia*, 576 SCRA at 514-15 (Velasco, Jr., J., separate opinion) (citing *Genuino*, 539 SCRA 342).

119. *Id.* at 515. *See* 1997 RULES OF CIVIL PROCEDURE, rule 2, § 2 ("A cause of action is the act or omission by which a party violates a right of another.").

120. *Garcia*, 576 SCRA at 515-16 (Velasco, Jr., J., separate opinion).

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Fourth, there is no legal basis for the automatic payment of backwages for the period beginning from the reinstatement order until its reversal where the employee failed to work the implementation of the reinstatement. Article 223 is silent on "the consequences of the non-implementation of reinstatement pending appeal through the inaction of the employee, in the event the reinstatement is subsequently set aside."[121] Applying the plain-meaning rule, *index animi sermo est*, "the law cannot be extended to matters outside its scope."[122]

Fifth, the only relief under the 2005 NLRC Revised Rules of Procedure to compel compliance of the employer with the order for reinstatement is citation for contempt, not the liability for backwages when reinstatement is not effected. While *Pioneer* states that there is no need for the issuance of a writ of execution to enforce reinstatement pending appeal,[123] the NLRC has rendered this procedure ineffective by providing for the issuance of the writ under its present and previous rules of procedure.[124] The 2005 NLRC Revised Rules of Procedure only allows the citation of the employer in contempt if he disobeys the writ of execution, it does not provide for his liability for backwages when reinstatement is not effected.[125]

Eighth, "[i]f there is a justification for the refusal to reinstate, then the employer is not liable for the payment of salaries during the appeal period."[126] Jurisprudence has established that reinstatement pending appeal could be avoided if a strained employment relationship or "an atmosphere of antipathy and antagonism" would ensue.[127] In view of Garcia and Dumago's criminal act of using drugs, PAL's refusal to reinstate is justifiable as the addiction to drugs could "contaminate the other employees in the workplace thereby prejudicing the quality of work in a public service and utility company like PAL."[128]

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121. *Id.* at 516.

122. *Id.* at 516-17 ("If the statute is clear, plain, and free from ambiguity, it must be given its literal meaning and applied without attempted interpretation").

123. *Id.* at 517 (citing *Pioneer*, 280 SCRA 806).

124. *Id.* at 517-18. *See* 2005 Revised NLRC Rules, rule XI, § 6. *See also* National Labor Relations Commission, New Rules of Procedure of the National Labor Relations Commission, as amended, rule VIII, § 3 (Aug. 31, 1990).

125. *Id.* (Velasco, Jr., J., separate opinion). *See* 2005 Revised NLRC Rules, rule XI, § 6.

126. *Garcia*, 576 SCRA at 520 (Velasco, Jr., J., separate) (citing *Philippine Rabbit*, 306 SCRA at 155) (emphasis supplied).

127. *Id.* at 520 (citing Philippine Telegraph and Telephone Corporation (PT&T) v. National Labor Relations Commission, 251 SCRA 21 (1995); Equitable Banking Corporation v. NLRC, 273 SCRA 352 (1997)).

128. *Id.*

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Sixth, seventh, and ninth, the jurisprudence cited in the ponencia and the other separate opinions are not stare decisis in the instant case.

In *Pioneer*, the illegal dismissal, and, consequently, the order for reinstatement, was affirmed on appeal; in the instant case, the illegal dismissal was reversed by the NLRC and the reversal lapsed into finality.[129] In response to Justice Arturo D. Brion's claim that a writ of execution issues only upon refusal of the employer to reinstate the employee, Justice Velasco, Jr. argued that Section 6 of Rule XI of 2005 NLRC Revised Rules of Procedure mandates the immediate issuance of a writ of execution upon the promulgation of the Labor Arbiter's decision.[130] Only the motion for its issuance is dispensed with under *Pioneer* and Article 223.[131]

In *Air Philippines*, the reinstatement was being sought prior to the resolution of the appeal and there was, thus, basis for the employee's reinstatement.[132] In *Roquero*, the motion for the issuance of the writ of execution was filed and granted during the pendency of the appeal, but the writ was issued only after reversal of the finding of illegal dismissal.[133] In *ICTSI*, the motion for the issuance of a writ of execution was filed pending appeal.[134] Lastly, in *Kimberly Clark (Phils.), Inc. v. Facundo*, the writ of execution was issued pending appeal.[135]

The jurisprudence cited all deal with writs of execution filed and/or issued pending appeal. In the instant case, PAL justifiably failed to comply with reinstatement by reason of its pending corporate rehabilitation, no citation for contempt was applied for, and the writ of execution was only applied for after the NLRC's decision became final.[136]

Finally, to hold that employees are entitled to receive salaries they potentially earned during the pendency of the appeal even after the reinstatement has been reversed with finality would result in unjust enrichment. Applying the principle of unjust enrichment, *nemo cum alterius detrimento locupletari potest*, to hold Garcia and Dumago entitled to backwages after the finality of the reversal would unjustly enrich them at PAL's expense.[137]

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129. *Id.* at 518–19 (citing *Pioneer*, 280 SCRA 806).

130. *Id.* at 519 (citing 2005 Revised NLRC Rules, rule XI, § 6).

131. *Id.* (citing *Pioneer*, 280 SCRA 806; LABOR CODE, art. 223).

132. *Garcia*, 576 SCRA at 519–20 (Velasco, Jr., J., separate opinion) (citing *Air Philippines*, 498 SCRA 59).

133. *Id.* at 520–21 (citing *Roquero*, 401 SCRA 424).

134. *Id.* at 521 (citing *ICTSI*, 300 SCRA 335).

135. *Id.* (citing *Kimberly Clark*, G.R. No. 144885).

136. *Id.* at 519.

137. *Id.* at 522. *See* CIVIL CODE, art. 22 ("Every person who through an act of performance by another, or any other means, acquires or comes into possession

3. Separate Concurring and Dissenting Opinion of Justice Brion

Justice Brion both concurred in and dissented from the *ponencia*. He divided his discussion into two aspects: (a) the labor aspect, or Garcia and Dumago's entitlement to wages pending appeal, which portion of the *ponencia* he concurred in, and (b) the corporate rehabilitation aspect, or Garcia and Dumago's ability to collect the wages, which portion of the *ponencia* he dissented from.

a. Labor Aspect: Entitlement to Wages Pending Appeal

Justice Brion found no legal controversy in the question of the employees' entitlement to wages during the pendency of their appeal to the NLRC, even with the subsequent reversal of the Labor Arbiter's decision by the NLRC.

Under Article 223, the employer chooses between actual or payroll reinstatement. Jurisprudence has established that no reimbursement is necessary in either case:[138]

> In the first case, no refund or reimbursement of salaries paid is necessary, as the worker earned his or her salaries through actual services rendered. In the second case, the worker would have worked, but the employer waived his right to exact services for the salaries he had paid. Thus, even if a reversal subsequently occurs, the employer is stopped from claiming any reimbursement or refund of salaries paid since they were paid for services deemed rendered.[139]

The problem with applying the foregoing lies in the absence of actual or payroll reinstatement in the instant case; thus, the enforceability of the right to reinstatement pending appeal after the reversal of the reinstatement order is called into question.[140]

Article 223's reinstatement pending appeal was enacted for the protection of labor[141] — to account for the disadvantaged position of a worker deprived of his means of livelihood during the pendency of the appeal:

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of something at the expense of the latter without just or legal ground, shall return the same to him.").

138. *Garcia*, 576 SCRA at 524-25 (Brion, J., concurring and dissenting opinion) (citing Triad Security & Allied Services, Inc. v. Ortega, Jr., 481 SCRA 591 (2006); *Medina*, 222 SCRA at 711).

139. *Id.* at 525.

140. *Id.*

141. *Id.* at 525-26 (citing *Anis*, 200 SCRA at 255; Fuentes v. National Labor Relations Commission, 266 SCRA 24 (1997)).

> In more practical terms, the provision came because of the need to level the playing field between labor and management; a worker deprived of his or [her] means of livelihood during the pendency of the employer's appeal in a dismissal case is at an extreme disadvantage because of lack of funds for his or her basic survival needs. This realization, coupled with the undisputed delay that attends litigation, is enough to discourage workers from seeking redress o[r] from pursuing cases already filed, to their gross disadvantage. This situation can be an oft-repeating reality unless the State intervenes.[142]

The reinstatement aspect of Article 223 is self-executory — needing no motion for, or the issuance of, a writ of execution.[143] The 2005 NLRC Revised Rules of Procedure leave enforcement with the employer: the employer must submit a compliance report within 10 days from receipt of the decision and, only upon his refusal to reinstate, is a writ of execution issued.[144] The employee is not tasked to actively seek reinstatement: "[i]f at all, only his refusal to be reinstated or a waiver of this right on his part can disentitle him to what the law grants."[145] Prevailing jurisprudence is to the effect that, despite reversal of the reinstatement order, the dismissed employee is still entitled to accrued wages pending appeal.[146]

At the end of his discussion, Justice Brion refuted J. Velasco, Jr.'s arguments. *First*, he characterized *Genuino*'s refund doctrine as a stray doctrine which is insufficiently persuasive to justify deviation from prevailing jurisprudence. *Second*, Justice Velasco, Jr.'s reference to Section 5 of Rule 39 of the Rules of Court is misplaced as the provision refers to *discretionary* executions pending appeal, which is inapplicable to the *mandatory* execution pending appeal under Article 223, as it fails to consider the special circumstances which led to the latter's enactment.[147] *Third*, he argued that, viewed from its legislative intent, Article 223 grants a substantive, not a mere procedural, right that must be granted *"irrespective of the presence of fault or lack of it on the part of the employer."*[148] "Source of livelihood and support — a worker's basic means for survival — cannot be matters of procedure that can be undone and taken back when conditions change."[149] *Fourth*, the silence of Article 223 on entitlement to wages pending appeal does not bar its

142. *Id.* at 526.

143. *Id.* at 526-27 (citing *Pioneer*, 280 SCRA 806; *Panuncillo*, 515 SCRA at 342-43).

144. *Garcia*, 576 SCRA at 527 (Brion, J., concurring and dissenting opinion). *See* 2005 Revised NLRC Rules, rule V, § 14 & rule XI, § 6.

145. *Garcia*, 576 SCRA at 527 (Brion, J., concurring and dissenting opinion).

146. *Id.* (citing *Roquero*, 401 SCRA 424; *ICTSI*, 300 SCRA 335; *Kimberly Clark*, G.R. No. 144885).

147. *Id.* at 528.

148. *Id.* at 528-29.

149. *Id.* at 529.

existence, especially given the provision's clear intent and the mandate that any doubt in interpreting and implementing the Labor Code should be construed in favor of labor.[150] *Fifth*, prevailing jurisprudence has also established that "there can be no unjust enrichment pursuant to Article 22 of the Civil Code if there is a legal basis for the situation complained of as unjust,"[151] such as Article 233.

b. Corporate Rehabilitation Aspect: Collection of the Accrued Wages

The law on corporate rehabilitation states that all claims or actions against the corporation are suspended when a rehabilitation receiver or management committee has been appointed.[152] While the majority interpreted this to

150. *Id.* at 529-30. *See* LABOR CODE, art. 4 ("All doubts in the implementation and interpretation of the provisions of this Code, including its implementing rules and regulations, shall be resolved in favor of labor.").

151. *Garcia*, 576 SCRA at 530 (Brion, J., concurring and dissenting opinion) (citing Baje v. Court of Appeals, 11 SCRA 34 (1964); Comm'r of Internal Revenue v. Fireman's Fund Ins. Co., 148 SCRA 315 (1987)).

152. *Id. See* SEC Reorganization Act, § 5 (d); Amending Further Section 6 of Presidential Decree No. 902-A, Presidential Decree No. 1799, § 1 (1981). The latter provides:

> Section 1. Subparagraphs (c), (d) and (h) of Section 6 of Presidential Decree No. 902-A, as amended, are hereby further amended to read as follows:
>
> (c) To appoint one or more receivers of the property, real and personal, which is the subject of the action pending before the Commission in accordance with the pertinent provisions of the Rules of Court in such other cases whenever necessary in order to preserve the rights of the parties-litigants and/or protect the interest of the investing public and creditors: Provided, however, That the Commission may, in appropriate cases, appoint a rehabilitation receiver of corporations, partnerships or other associations not supervised or regulated by other government agencies who shall have, in addition to the powers of a regular receiver under the provisions of the Rules of Court, such functions and powers as are provided for in the succeeding paragraph d) hereof: Provided, further, That the Commission may appoint a rehabilitation receiver of corporations, partnerships or other associations supervised or regulated by other government agencies, such as banks and insurance companies, upon request of the government agency concerned: *Provided, finally, That upon appointment of a management committee, rehabilitation receiver, board or body, pursuant to this Decree, all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.*

have made it legally impossible for PAL to choose to, actually or through payroll, reinstate Garcia and Dumago, Justice Brion remarked that the surrounding circumstances of the suspension must be considered.[153]

The illegal dismissal case was filed on 30 October 1997, while the petition for approval of the corporate rehabilitation plan was filed 19 June 1998.[154] On 23 June 1998, the order appointing the interim rehabilitation receiver was issued. On 1 July 1998, the stay order suspending all claims was issued.[155] Nevertheless, PAL failed to invoke the stay order to suspend the claim against it prior to the Labor Arbiter's order for reinstatement on 11 January 1999 and, again, when it appealed the decision to the NLRC on 26 February 1999.[156] Garcia and Dumago's continued efforts at reinstatement (i.e. the letter to PAL demanding reinstatement, the motion for the issuance of a writ of execution and for citation of PAL in contempt) were not opposed.[157] The NLRC, in its decision and resolutions, never indicated that it took official notice of the stay order.[158] It was only on October 2000, when the writ of execution and notice of garnishment were issued, that PAL invoked the stay order.[159] All these events occurred prior to the effectivity on 15 December 2000 of the 2000 Interim Rules of Procedure on Corporate Rehabilitation — before the *in rem* nature of corporate rehabilitation proceedings was expressly laid down.[160]

The burden was on PAL to actively assert the suspension of claims. It not only slept on its rights, it was estopped when it actively represented that the suspension was not necessary when it appealed to the NLRC purely on

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P.D. No. 1799, § 1 (emphasis supplied).

153. *Garcia*, 576 SCRA at 530-31 (Brion, J., concurring and dissenting opinion).

154. *Id.*

155. *Id.* at 532.

156. *Id.*

157. *Id.*

158. *Id.* at 532-34.

159. *Garcia*, 576 SCRA at 534 (Brion, J., concurring and dissenting opinion).

160. *Id.* at 532 & 535 (citing INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, A.M. No. 00-8-10-SC, rule 3, § 1, Nov. 21, 2000 [hereinafter 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION]; Securities and Exchange Commission, SEC Revised Rules of Procedure (Aug. 1, 1989) & (July 15, 1999)) ("Any proceeding initiated under these Rules shall be considered in rem."). Note that the 2000 Interim Rules of Procedure on Corporate Rehabilitation has been superseded by the 2008 Rules of Procedure on Corporate Rehabilitation. The new rules contain the same provision, however. *See* RULES OF PROCEDURE ON CORPORATE REHABILITATION, A.M. No. 00-8-10-SC rule 3, § 1, Dec. 2, 2008 [hereinafter 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION].

the merits. PAL cannot disregard the suspension of claims to file its appeal and, simultaneously, invoke it against the execution of the reinstatement order.[161] If the suspension of claims is to automatically apply, it should apply to all proceedings.[162]

Using the *ponencia's* test in determining whether collection on the claims was barred, Justice Brion illustrated that Garcia and Dumago are not barred from collection. As mentioned, "[t]he test is two-fold: (1) there must be actual delay or the fact that the order of reinstatement pending appeal was not executed prior to its reversal and (2) the delay must not be due to the employer's unjustified refusal."[163] The second test was not met in the instant case. PAL unjustifiably failed to effect reinstatement despite the Labor Arbiter's decision expressly ordering the same and seasonable demands by Garcia and Dumago for the same, only belatedly invoking the stay order after the NLRC's decision.

V. ANALYSIS: A RETURN TO FUNDAMENTALS

Garcia is one of great import and consequence: not only does it have repercussions on two major fields of law — labor law and corporate law — it is also an *en banc* decision superseding all previous doctrines on the matters taken up. Additionally, the matters taken up were contentious enough to merit three separate opinions, which put forward highly divergent views. It is, therefore, imperative to examine the issues involved and that have arisen from the decision's promulgation.

A. Labor Aspect: Entitlement to Reinstatement Pending Appeal

As to the labor aspect, or the question of entitlement to reinstatement pending appeal, two main points were central to the *ponencia* and the separate opinions: first, whether entitlement to reinstatement pending appeal is absolute; second, whether immediate execution of reinstatement pending appeal entailed the application for and/or issuance of a writ of execution. Despite the lengthy debate on the first two topics, the discussion on both matters, arguably, hinge on when a prevailing doctrine is overturned and the hierarchy of laws.

The third discussion point re-examines the declaration by the Garcia Court with regard to unjust enrichment.

1. Absolute Entitlement to Reinstatement Pending Appeal

161. *Garcia*, 576 SCRA at 534-35 (Brion, J., concurring and dissenting opinion).

162. *Id.* at 536.

163. *Id.*

A considerable portion of the *ponencia* and the separate opinions deal with whether the entitlement to reinstatement pending appeal is absolute or dependent on the outcome of the appeal.

Jurisprudence is generally uniform in this respect: reimbursement is not required even after the reversal of the reinstatement order.[164] The 2007 case of *Genuino*, however, laid down a contradictory ruling: where the reinstatement order is reversed upon appeal, the amount received by way of payroll reinstatement pending appeal accords the employer the right to refund.[165] Nevertheless, there are reasons militating against the application of *Genuino*.

That *Genuino* is the more recent case does not grant it greater weight as a judicial precedent. The Constitution clearly states "that no doctrine or principle of law laid down by the court in a decision rendered *en banc* or in division may be modified or reversed except by the court sitting *en banc*."[166] *Genuino*, not being an *en banc* case, could not have overturned previous cases like *Roquero*, *Air Philippines*, and *ICTSI*. In the face of consistent and established doctrines to the contrary, *Genuino's* unaffirmed refund doctrine appears to be more stray than controlling.

More importantly, *Genuino's* refund doctrine does not lay down its legal basis. The discussion in *Genuino* fails to justify its pronouncement: it simply declares the employer's right to refund of the payroll reinstatement pending appeal upon reversal of the reinstatement order without explication.[167] No

164. *See, e.g. Roquero*, 401 SCRA 424; *Air Philippines*, 498 SCRA 59; *ICTSI*, 300 SCRA 335.

165. *Genuino*, 539 SCRA at 363-64. Note that the *ponente* in this case was Justice Velasco, Jr.

166. PHIL. CONST. art. VIII, § 4(3).

167. *Genuino* deals with the subject matter in three sentences:

> If the decision of the labor arbiter is later reversed on appeal upon the finding that the ground for dismissal is valid, then the employer has the right to require the dismissed employee on payroll reinstatement to refund the salaries s/he received while the case was pending appeal, or it can be deducted from the accrued benefits that the dismissed employee was entitled to receive from his/her employer under existing laws, collective bargaining agreement provisions, and company practices. However, if the employee was reinstated to work during the pendency of the appeal, then the employee is entitled to the compensation received for actual services rendered without need of refund.
>
> Considering that Genuino was not reinstated to work or placed on payroll reinstatement, and her dismissal is based on a just cause, then she is not entitled to be paid the salaries stated in item no. 3 of the *fallo* of the September 3, 1994 NLRC Decision.

less than the Constitution declares that "[n]o decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the *law* on which it is based."[168] While it cites Section 7 of Rule I of Book VI of the Omnibus Rules Implementing the Labor Code as its basis for the pronouncement,[169] the provision fails to provide support:

> Section 7. *Termination of employment by employer.* The just causes for terminating the services of an employee shall be those provided in Article 282 of the Code. The separation from work of an employee for a just cause does not entitle him to the termination pay provided in the Code, without prejudice, however, to whatever rights, benefits, and privileges he may have under the applicable individual or collective agreement with the employer or voluntary employer policy or practice.[170]

There is nothing in the provision dealing with payroll reinstatement pending appeal, much less the right to its refund. Further, "in the absence of legislative intent to the contrary, [words] should be given their plain, ordinary, and common usage meaning."[171] Termination pay, being undefined, should be understood in its literal sense, or payment by reason of termination. Payroll reinstatement pending appeal is the payment of salaries by reason of legally-mandated reinstatement, despite the employer's waiver of actual rendering of service. The two are not equivalent to each other. In any case, it is elementary that "[a]dministrative or executive acts, orders and regulations shall be valid only when they are not contrary to laws or the Constitution."[172] The implementing rule can neither modify nor supplant the absolute, clear, and unqualified grant of reinstatement pending appeal under Article 223 and jurisprudence.[173]

Finally, while *Garcia*, being before the Court *en banc*, provided an opportunity to overturn previous jurisprudence like *Roquero*, *Air Philippines*, and *ICTSI* and uphold *Genuino*, none of the justices took such opportunity. Even Justice Velasco, Jr. did not argue for the abandonment of the rulings in *Roquero*, *Air Philippines*, and *ICTSI* and their replacement with *Genuino*. Despite appearances, *Genuino* does not even feature prominently in his separate opinion. He merely cited *Genuino* as support for his main

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Genuino, 539 SCRA at 363-64.

168. PHIL. CONST. art. VIII, § 14 (emphasis supplied).

169. *Genuino*, 539 SCRA at 363-64 (citing Omnibus Rules Implementing the Labor Code, bk. VI, rule I, § 7 (May 27, 1989)).

170. Omnibus Rules Implementing the Labor Code, bk. VI, rule I, § 7 (May 27, 1989).

171. RUBEN E. AGPALO, STATUTORY CONSTRUCTION 273 (6th ed. 2009).

172. CIVIL CODE, art. 7.

173. *Id.* art. 8 ("Judicial decisions applying or interpreting the laws or the Constitution shall form part of the legal system of the Philippines.").

contention that reinstatement pending appeal is a type of execution pending appeal,[174] a line of reasoning not mentioned in *Genuinc*. Further, this argument, as admitted even by Justice Velasco, Jr., applies by analogy a general procedural rule taken from court procedural rules which only have suppletory application, in complete disregard of directly applicable judicial precedents expressly ruling to the contrary.

The prevailing law being that no reimbursement of payroll reinstatement pending appeal is required upon reversal of the reinstatement order, the entitlement to reinstatement pending appeal is, thus, absolute and not dependent on the final outcome of the appeal.

2. Self-Executory Nature of Reinstatement Pending Appeal

Another highly contentious point in the *ponencia* and the opinions was whether the immediate execution of reinstatement pending appeal required the issuance of a writ of execution.

Key to this discussion is *Pioneer*. *Pioneer* explicitly stated that no writ of execution is needed for the immediate execution of reinstatement pending appeal under Article 223. To require otherwise would contradict the legislative intent of immediate execution and easily open execution to delays.[175] Being an *en banc* case, it superseded any opposing judicial

174. *Garcia*, 576 SCRA at 514 (Velasco, Jr., J., separate opinion).

175. *Pioneer*, 280 SCRA at 825-26. The Court declared that

> [t]he legislative intent is quite obvious, *i.e.*, to make an award of reinstatement immediately enforceable, even pending appeal. To require the application for and issuance of a writ of execution as prerequisites for the execution of a reinstatement award would certainly betray and run counter to the very object and intent of Article 223, *i.e.*, the immediate execution of a reinstatement order. The reason is simple. An application for a writ of execution and its issuance could be delayed for numerous reasons. A mere continuance or postponement of a scheduled hearing, for instance, or an inaction on the part of the Labor Arbiter or the NLRC could easily delay the issuance of the writ thereby setting at naught the strict mandate and noble purpose envisioned by Article 223. In other words, if the requirements of Article 224 were to govern, as we so declared in *Maranaw*, then the executory nature of a reinstatement order or award contemplated by Article 223 will be unduly circumscribed and rendered ineffectual. In enacting the law, the legislature is presumed to have ordained a valid and sensible law, one which operates no further than may be necessary to achieve its specific purpose. Statutes, as a rule, are to be construed in the light of the purpose to be achieved and the evil sought to be remedied. And where the statute is fairly susceptible of two or more constructions, that construction should be adopted which will most tend to give effect to the manifest intent of

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precedents before its promulgation. Having not been overturned by an *en banc* decision, it remains the prevailing doctrine.[176]

Again, *Garcia*, being before the Court *en banc*, gave an opening for the replacement of the prevailing doctrine as laid down by *Pioneer*. Again, no justice took this opening. Justice Velasco, Jr.'s contentions were not based on objections against the ruling in *Pioneer*, but that the ruling had been displaced with the issuance of the 2005 NLRC Revised Rules of Procedure.[177] As mentioned, however, basic is the rule that administrative rules cannot prevail over laws; laws, in turn, include judicial decisions interpreting them.[178] It should also be noted that procedural rules of quasi-judicial bodies are subject to the disapproval of the Supreme Court.[179]

In any case, a glance at the two pertinent provisions of the 2005 NLRC Revised Rules of Procedure contradicts Justice Velasco, Jr.'s arguments. Section 14 of Rule V patently states that where a Labor Arbiter's decision includes reinstatement, it shall (a) state that the reinstatement order is immediately executory, and (b) direct the employer to report compliance with the same within 10 days from receipt.[180] Thus, the employer must comply with the reinstatement order within 10 days from the receipt of the decision, without need of any other action from the dismissed employees or the Labor Arbiter. Section 6 of Rule XI expressly and plainly states that a writ of execution is issued only when the employer disobeys the reinstatement order or "refuses to reinstate the dismissed employee."[181] When the writ is disobeyed, the employer may then be cited in contempt.[182] Both provisions, despite their adamant invocation by Justice Velasco, Jr., support Justices Quisumbing's and Brion's arguments. As raised by Justice

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> the lawmaker and promote the object for which the statute was enacted, and a construction should be rejected which would tend to render abortive other provisions of the statute and to defeat the object which the legislator sought to attain by its enactment. In introducing a new rule on the reinstatement aspect of a labor decision under R.A. No. 6715, Congress should not be considered to be indulging in mere semantic exercise. On appeal, however, the appellate tribunal concerned may enjoin or suspend the reinstatement order in the exercise of its sound discretion.

Id.

176. *See* PHIL. CONST. art. VIII, § 4 (3).

177. *Garcia*, 576 SCRA at 511-12 (Velasco, Jr., J., separate opinion).

178. CIVIL CODE, arts. 7 & 8.

179. PHIL. CONST. art. VIII, § 5 (5).

180. 2005 Revised NLRC Rules, rule V, § 14.

181. *Id.* rule XI, § 6.

182. *Id.*

Velasco, Jr. himself, *index animi sermo est*: where the law is clear, its literal meaning applies without need of interpretation.[183]

As the controlling doctrine requires no prior application for or issuance of a writ of execution for reinstatement pending appeal to be executed, the employee had the right to, and the employer had the duty to effect, such reinstatement from the time the employer received the Labor Arbiter's reinstatement order, subsequent reversal by the NLRC notwithstanding.

3. Unjust Enrichment v. Protection of Labor

Because of Justice Velasco, Jr.'s argument that unjust enrichment would ensue if the amount of the reinstatement pending appeal was allowed even after the reversal of the reinstatement order, the Court stated that *"[t]he social justice principles of labor law outweigh or render inapplicable the civil law doctrine of unjust enrichment."*[184] It can be argued, however, that the statement is legally inaccurate and may give rise to a dangerous precedent in disregard of established legal precepts.

On the one hand, protection afforded labor can be found in the Constitution, the Labor Code, and the Civil Code. Section 18 of Article II of the Constitution, in affirming "labor as a primary social economic force," enjoins the State to "protect the rights of workers and promote their welfare."[185] In addition, Section 3 of Article XIII of the Constitution charges the State with the full protection of labor; the promotion of full and equal opportunities for employment; the guarantee of labor's basic rights; and the regulation of the relations of workers and employers.[186] The Civil Code

183. *See* AGPALC, *supra* note 171, at 130.

184. *Garcia*, 576 SCRA at 514.

185. PHIL. CONST. art. II, § 18. *See also* PHIL. CONST. art. II, § 10 & art. XIII (social justice provisions).

186. PHIL. CONST. art. XIII, § 3.

> Section 3. The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.
>
> It shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations, and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, humane conditions of work, and a living wage. They shall also participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.
>
> The State shall promote the principle of shared responsibility between workers and employers and the preferential use of voluntary modes in settling disputes, including conciliation, and shall enforce their mutual compliance therewith to foster industrial peace.

likewise provides for the regulation of the relations between capital and labor, such relations being "impressed with public interest."[187] Finally, both the Labor Code and the Civil Code provide for construction of labor contracts and legislation in favor of labor in case of doubts.[188]

On the other hand, the doctrine against unjust enrichment is laid down in Article 22 of the Civil Code: "[e]very person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him."[189]

Well-established is the rule where a law conflicts with the Constitution, the Constitution governs and the statute is held void.[190] As social justice principles and the protection to labor are enshrined in the Constitution, and unjust enrichment only in the Civil Code, the issue *appears* cut and dry. This view, however, disregards other existing constitutional and legal provisions.

First, there is no basis to rule upon the weight and applicability of unjust enrichment vis-à-vis labor-related social justice as the unjust enrichment

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> The State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns to investments, and to expansion and growth.

LABOR CODE, art. 3.

> Art. 3. *Declaration of basic policy.* The State shall afford protection to labor, promote full employment, ensure equal work opportunities regardless of sex, race or creed and regulate the relations between workers and employers. The State shall assure the rights of workers to self-organization, collective bargaining, security of tenure, and just and humane conditions of work.

Id.

187. CIVIL CODE, art. 1700.

> Art. 1700. The relations between capital and labor are not merely contractual. They are so impressed with public interest that labor contracts must yield to the common good. Therefore, such contracts are subject to the special laws on labor unions, collective bargaining, strikes and lockouts, closed shop, wages, working conditions, hours of labor and similar subjects.

Id.

188. LABOR CODE, art. 4 ("All doubts in the implementation and interpretation of the provisions of this Code, including its implementing rules and regulations, shall be resolved in favor of labor."); CIVIL CODE, art. 1702 ("In case of doubt, all labor legislation and all labor contracts shall be construed in favor of the safety and decent living for the laborer.").

189. CIVIL CODE, art. 22.

190. *Id.* art. 7.

principle is inapplicable to the instant case. Unjust enrichment only comes into play when a person "acquires or comes into possession of something at the expense of the latter *without just or legal ground*."[191] Article 223 of the Labor Code, including the relevant judicial precedents, provide sufficient legal ground for the payment of reinstatement pending appeal. The payment of salaries corresponding to that period is grounded not on the finality of the decision in the illegal dismissal case (such that a reversal of the decisions removes legal basis for the payment), but on the reinstatement during that time — for actual services rendered or for services which would have been rendered had their rendering not been waived.

Second, the rule that the Constitution prevails over a statute only applies when there is conflict between the Constitution and the law. Article 22 of the Civil Code is not in conflict with the Constitution, but, in fact, furthers the due process guarantee against undue deprivation of property.[192]

Third, while the Constitution and statutes mandate the protection of labor, this protection is not achieved by completely eliminating management's rights.

The Constitution and the Civil Code not only protect labor; they also protect management. Section 20 of Article II of the Constitution "recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."[193] Section 3 of Article XIII of the Constitution recognizes both labor's and management's rights: labor has the right "to its just share in the fruits of production" and management has the right "to reasonable returns on investments, and to expansion and growth."[194] The Civil Code categorically states "[n]either capital nor labor shall act oppressively against the other, or impair the interest or convenience of the public."[195] It cannot, thus, be argued that the protection of labor, being constitutionally- and statutorily-sanctioned, prevails over the protection of management, as the latter is likewise so sanctioned.

More importantly, to authorize unjust enrichment violates the substantive guarantee of the most cardinal of constitutional rights — the right to due process, under which "[n]o person shall be deprived of life, liberty, or *property* without due process of law."[196] To arbitrarily and oppressively advocate the protection of labor, to the undue detriment of

191. *Id.* art. 22 (emphasis supplied).

192. *See* PHIL. CONST. art. III, § 1.

193. PHIL. CONST. art. II, § 20.

194. PHIL. CONST. art. XIII, § 3.

195. CIVIL CODE, art. 1701.

196. PHIL. CONST. art. III, § 1 (emphasis supplied).

management, contravenes substantive due process; consequently, such act fails to attain the status of law.[197]

Although the *Garcia* Court clearly intended to counteract undue prejudice to the dismissed employees, its unqualified and categorical statement that labor-related social justice renders ineffective the prohibition against unjust enrichment created a completely diametrical condition unduly iniquitous to management and violative of the Constitution and other laws.

As a last note, *Calalang v. Williams* has, as far back as 1940, explained the concept of social justice: it is not "a mistaken sympathy towards any given group," but is "founded on the recognition of the necessity of interdependence among the diverse units of a society and of the protection that should be equally and evenly extended to all groups as a combined force in our social and economic life."[198]

B. Corporate Law Aspect: Collection in the Context of Corporate Rehabilitation

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197. *See* JOAQUIN G. BERNAS, S.J., THE 1987 CONSTITUTION OF THE REPUBLIC OF THE PHILIPPINES: A COMMENTARY 118 (2009 ed.) (citing Hurtado v. California, 110 U.S. 516, 536 (1884)) ("Arbitrary power, enforcing its edicts to the injury of the persons and property of its subjects, is not law, whether manifested as the decree of a personal monarch or of an impersonal multitude.").

198. Calalang v. Williams, 70 Phil. 726, 734-35 (1940).

> The promotion of social justice is to be achieved not through a mistaken sympathy towards any given group. Social justice is "neither communism, nor despotism, nor atomism, nor anarchy," but the humanization of laws and the equalization of social and economic forces by the State so that justice in its rational and objectively secular conception may at least be approximated. Social justice means the promotion of welfare of all the people, the adoption by the Government of measures calculated to insure economic stability of all competent elements of society, through the maintenance of a proper economic and social equilibrium in the interrelations of the members of the community, constitutionally, through the adoption of measures legally justifiable, or extra-constitutionally, through the exercise of powers underlying the existence of all governments on the time-honored principle of *salus populi est suprema lex.*
>
> Social justice, therefore, must be founded on the recognition of the necessity of interdependence among the diverse units of a society and of the protection that should be equally and evenly extended to all groups as a combined force in our social and economic life, consistent with the fundamental and paramount objective of the state of promoting the health, comfort, and quiet of all persons, and of bringing about "the greatest good to the greatest number."

Id.

The majority claim that collection of payroll reinstatement pending appeal was barred because the rationale behind reinstatement pending appeal, the survival of the dismissed employee and his family, is inapplicable "when the employer-corporation itself is similarly in a *judicially monitored* state of being resuscitated in order to survive"[199] and because the stay order is like a restraining order. No legal bases have, however, been given for these pronouncements. It is, therefore, essential to determine whether such declarations are in accord with the legal nature of and rationale behind corporate rehabilitation.

While the labor aspect was exhaustively discussed and debated upon, the corporate rehabilitation aspect was largely unexplored, despite being potentially pivotal to the case. While this Comment does not endeavor an in-depth discussion on the intricacies of corporate rehabilitation, it briefly examines the nature of and rationale behind corporate rehabilitation and its implications on collection. Specifically, it looks into (a) rehabilitation as a means to protect the interests of creditors and (b) the stay order as suspension of, not bar to, claims.

The final subject matter makes a comparison between corporate rehabilitation and injunction in light of the foregoing.

1. Threshold Issue: Applicability of Rules of Procedure

It must be noted that the 2000 Interim Rules of Procedure on Corporate Rehabilitation took effect on 15 December 2000,[200] after the appointment of PAL's Permanent Rehabilitation Receiver on 7 June 1999.[201] The 2000 Interim Rules was, arguably, applicable to the corporate rehabilitation proceedings of PAL as it took effect during the pendency of proceedings.[202] There have been controversies, however, with regard to whether the 2000 Interim Rules affect substantive rights and whether these Rules were promulgated beyond the Court's rule-making powers.[203] The 2008 Rules of

199. *Garcia*, 576 SCRA at 514.

200. 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 5, § 2.

201. *Garcia*, 576 SCRA at 534 (2009).

202. Jurisprudence has long established that procedural laws have retroactive effect and "apply to all proceedings and actions pending at the time of its enactment, provided it does not create new rights nor affect those already acquired by the parties." Hosana v. Diomano and Diomano, 56 Phil. 741, 746 (1927).

203. *See, e.g.* Cesar L. Villanueva, Judicial Activism in Commercial Laws, *available at* http://www.deanclv.net/_newsdata/13/object/judicial_activism.doc (last accessed May 22, 2010); Roberto T. Santiago, Jr., *The Contract Clause and Corporate Rehabilitation: A Comment on Leca Realty Corporation v. Manuela Corporation*, 53 ATENEO L.J. 822, 835-38 (2008). This Comment does not, however, discuss this issue.

Procedure on Corporate Rehabilitation, on the other hand, took effect on 16 January 2009,[204] after PAL had exited from rehabilitation proceedings on 28 September 2007, [205] and could not have been applicable to the proceedings. Nevertheless, both sets of Rules and the jurisprudence under them are, at times, included in the discussion, but only insofar as they confirm the legal doctrines already laid down even prior to their issuance or promulgation.[206]

2. Rehabilitation as a Means to Protect the Interests of Creditors

"[Corporate] [r]ehabilitation contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency,"[207] "if it is shown that its continuance of operation is economically feasible and its *creditors* can recover by way of the present value of payments projected in the plan more if the corporation continues as a going concern than if it [is] immediately liquidated."[208] The corporation, to be worthy of recovery, must be of value to the public and its creditors.

In particular, the stakeholders rehabilitation seeks to benefit are "*employees, creditors*, stockholders and, in a larger sense, the general public." [209] In determining whether to rehabilitate, among the SEC's foremost considerations is "the *interest of creditors, including employees*."[210]

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204. 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 9, § 3.

205. *Garcia*, 576 SCRA at 514.

206. To simplify and streamline the discussion, the 1999 SEC Rules of Procedure on Corporate Recovery has been omitted from the Comment. It is noted, however, that the 1999 SEC Rules bear many similarities to the 2001 Interim Rules and 2008 Rules. *See* Securities and Exchange Commission, Rules of Procedure on Corporate Recovery (Dec. 21, 1999). Note also that, at the time of the writing of this Comment, the bill on corporate recovery is still pending passage.

207. Ruby Industrial Corporation v. Court of Appeals, 284 SCRA 445, 460 (1998) (citing New York Title and Mortgage Co. v. Friedman, 276 N.Y.S. 72, 153, Misc. 697 (1934)); Philippine Veterans Bank Employees Union-N.U.B.E. v. Vega, 360 SCRA 33, 39 (2001); New Frontier Sugar Corporation v. Regional Trial Court, Branch 29, Iloilo City, 513 SCRA 601, 605 (2007).

208. 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 2, § 1 (emphasis supplied).

209. Rubberworld (Phils.), Inc. v. NLRC, 305 SCRA 721, 728-29 (1999) (emphasis supplied).

210. *Id.* at 729 (citing JOSE C. CAMPOS, JR. & MARIA CLARA LOPEZ-CAMPOS, THE CORPORATION CODE: COMMENTS, NOTES AND SELECTED CASES 27 (1990)) (emphasis supplied).

The protection of creditors is, thus, central to the concept of corporate rehabilitation. In fact, the power of the Securities and Exchange Commission (SEC) to declare corporations, partnerships, or associations in suspension of payments is tied to the payment of its liabilities: such entity can only be declared in suspension of payments (a) if it "possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due," or (b) if it "has no sufficient assets to cover its liabilities, but is under the management of a [r]ehabilitation [r]eceiver."[211] Additionally, rehabilitation is disallowed where the SEC determines "the continuance in business of such corporation or entity would not be feasible or profitable nor *work to the best interest of the* stockholders, parties-litigants, *creditors*, or the general public."[212] In case of disallowance, the SEC orders, instead, "the dissolution of such corporation entity and [that] its remaining assets [be] liquidated accordingly."[213]

The appointment of a rehabilitation receiver likewise revolves around the preservation of the debtor's assets for the payment of the creditors' claims. The rehabilitation receiver's primary task is "to study the best way to rehabilitate the debtor and to ensure that the value of the debtor's property is reasonably maintained pending the determination of whether or not the debtor should be rehabilitated, as well as implement the rehabilitation plan after its approval."[214] The law even specifically lists the determination of "the best way *to salvage and protect the interest of the* investors and *creditors*" as one of the rehabilitation receiver's main functions.[215] In addition, the appointment

211. SEC Reorganization Act, § 5 (d). Under both the 2000 Interim Rules and the 2008 Rules, (a) a debtor can initiate rehabilitation proceedings when it "foresees the impossibility of meeting its debts when they respectively fall due;" and (b) a creditor or creditors can initiate rehabilitation proceedings when it holds "at least twenty-five percent (25%) [under the 2000 Interim Rules or 20% under the 2008 Rules] of the debtor's total liabilities."

2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 1; 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 1 & rule 5, § 1.

212. SEC Reorganization Act, § 5 (d) (emphasis supplied).

213. *Id.* (emphasis supplied).

214. 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 14; 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 3, § 12.

215. SEC Reorganization Act, § 6 (d). (emphasis supplied). In addition to this, the rehabilitation receiver also has the power/s of a receiver under the Rules of Court; to "take custody of, and control over, all the existing assets and property of such entities under management;" to "evaluate the existing assets and liabilities, earnings and operations of such corporations, partnerships or other associations;" to "study, review and evaluate the feasibility of continuing operations and restructure and rehabilitate such entities if determined to be

of a rehabilitation receiver for such entity places all the entity's assets "*in trust for the equal benefit of all creditors* to preclude one from obtaining an advantage or preference over another by the expediency of attachment, execution or otherwise."[216] "Simply put, the purpose of the law in directing the appointment of receivers is to protect the interests of the corporate investors and creditors."[217]

Both the 2000 Interim Rules and the 2008 Rules are replete with provisions clearly aimed at the protection of creditors. For instance, the verified petition for rehabilitation must state with particularity, among others, the manner of rehabilitation and how rehabilitation "may benefit the general body of *creditors, employees,* and stockholders."[218] The 2008 Rules even require that the debtor verify that "[t]he petition is being filed *to protect the interests of* the debtor, the stockholders, the investors and *the creditors* of the debtor, which warrants the appointment of a rehabilitation receiver."[219] Both Rules grant the creditor certain rights aimed at protecting their interests during the rehabilitation proceedings.[220] Further, the Rules grant

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feasible by the [SEC];" and to "overrule or revoke the actions of the previous management and board of directors of the entity or entities under [receivership] notwithstanding any provision of law, articles of incorporation or by-laws to the contrary."

Id.

See 1997 RULES OF CIVIL PROCEDURE, rule 59. Even many of its functions under both Rules are specifically geared towards protecting creditors' interests.

See 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 14 (d), (g) & (l); 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 3, § 12 (d), (g) & (l). Both Rules even require that a rehabilitation receiver possess "[g]eneral familiarity with the rights of creditors in suspension of payments or rehabilitation and general understanding of the duties and obligations of a [r]ehabilitation [r]eceiver."

2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 13 (c); 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 3, § 11 (a) (3).

216. *Ruby*, 284 SCRA at 460 (emphasis supplied); Alemar's Sibal & Sons, Inc. v. Elbinias, 186 SCRA 94, 99 (1990) (emphasis supplied). *See also New Frontier*, 513 SCRA 601.

217. Pryce Corporation v. Court of Appeals, 543 SCRA 657, 664 (2008).

218. 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 2 (g) (emphasis supplied); 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 2 (7).

219. 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 3 (emphasis supplied).

220. *See, e.g.* 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, §§ 10, 12 & 20-21; 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, §§ 4 & 8-9 & rule 6, § 4.

the court the power and duty to "issue the necessary orders or processes for [the rehabilitation plan's] immediate and successful implementation," as well as "impose such terms, conditions, or restrictions as the effective implementation and monitoring thereof may reasonably require, or for the protection and preservation of the interests of the creditors should the plan fail."[221]

In light of the pervasiveness of protection to creditors in the substance and procedure of corporate rehabilitation, that corporate rehabilitation is allowed to become a means to defeat the claims of such creditors and impair their rights is highly suspect. As the broad definition of "creditor" includes a dismissed employee claiming reinstatement pending appeal,[222] it is critical that his rights be thoroughly protected during rehabilitation proceedings.

3. The Stay Order as Suspension of, Not Bar to, Claims

Central to corporate rehabilitation is the stay order or the suspension of all claims: upon appointment of the rehabilitation receiver, "all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly."[223] It has long been established that labor claims are among those suspended, as the law suspends *all* claims without distinction. An award in the labor case would not be capable of enforcement while the entity is under receivership.[224]

In determining the scope of the stay order's effects, its nature and the rationale behind it are instructive.

The rationale is two-pronged. *First*, the automatic stay "is intended to give enough breathing space for the management committee or rehabilitation receiver to make the business viable again, without having to divert attention and resources to litigations in various fora."[225] The rehabilitation receiver can then effectively pursue the rescue of the entity,

221. 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 23; 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 11.

222. A "creditor," under both Rules, is "any holder of a claim." A "claim" includes "all claims or demands of whatever nature or character against a debtor or its property, whether for money or otherwise." 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 2, § 1; 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 2, § 1.

223. SEC Reorganization Act, § 6 (c).

224. *Rubberworld*, 305 SCRA at 729-30 (citing BF Homes, Incorporated v. Court of Appeals, 190 SCRA 262, 268 (1990)). *See also* Rubberworld (Philippines), Inc. v. NLRC, 336 SCRA 433, 437 (2000).

225. *Rubberworld*, 305 SCRA at 724.

unhindered by interference, judicial or extrajudicial. Otherwise, the rehabilitation receiver will be saddled with, and will expend all efforts and resources in defending against, creditors' claims and will, consequently, become diverted from its goals of restructuring and rehabilitation.[226] *Second*, the automatic stay *protects all creditors* and ensures, as far as possible, the *payment of all claims* by preventing collusion between management and favored creditors through the placement of all creditors on equal ground and the prohibition of any premature payment to selected creditors.[227] Ultimately, "[t]he rationale behind PD 902-A, as amended, is to effect a feasible and viable rehabilitation" — which cannot be achieved if selected creditors are preferred[228] and if the rehabilitation receiver is burdened with claims against the entity under rehabilitation.

Both purposes — the corporation's "gain[ing of] a new lease on life" and the eventual payment of creditors — find their underlying basis in "the State's objective to promote a wider and more meaningful equitable distribution of wealth to protect investments and the public."[229] Rehabilitation "of ailing corporations" is, ultimately, carried out for "the public welfare."[230]

The rationale, thus, provides a guide as to the scope of the stay order's coverage and effects. The stay order is, thus, operative insofar as it (a) allows a temporary respite from claims to permit the entity to recuperate, and (b) protects the interests of creditors and enables, as far as possible, payment of all the claims. The extent of its applicability is, thus, limited by the extent it furthers public welfare.

The limited nature of the stay order is further illustrated by the "serious situation test." No rehabilitation receiver can be appointed, nor any stay order issued, unless there exists "a clear and imminent danger of losing the corporate assets if a receiver is not appointed."[231] A stay order should, thus,

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226. *BF Homes*, 190 SCRA at 269. *See also Rubberworld*, 336 SCRA at 437; Bank of the Philippine Islands v. Court of Appeals, 229 SCRA 223, 227-28 (1994) [hereinafter *BPI*].

227. *Ruby*, 284 SCRA at 460 (citing Araneta v. Court of Appeals, 211 SCRA 390, 398-99 (1992); Rizal Commercial Banking Corporation v. Intermediate Appellate Court, 213 SCRA 830, 837-38 (1992) [hereinafter *RCBC*]); *Alemar's Sibal & Sons*, 186 SCRA at 99-100; *BPI*, 229 SCRA at 227-28; *New Frontier Sugar*, 513 SCRA at 605-06. This is the principle of equality in equity.

228. *BPI*, 229 SCRA at 227-28.

229. Metropolitan Bank & Trust Company v. ASB Holdings, Inc., 517 SCRA 1, 15 (2007) (citing *Rubberworld*, 305 SCRA at 728-29; SEC Reorganization Act, whereas cl., ¶ 1).

230. *Id.* at 15-16 (citing *RCBC*, 213 SCRA at 838).

231. *Pryce Corporation*, 543 SCRA at 664 (2008).

not issue where there is no "imminent danger of dissipation of assets or of paralization [sic] of business operations to warrant the appointment of a rehabilitation receiver."[232]

Accordingly, the restricted scope of the stay order disallows the unjustified expansion of its effects.

> The nature and extent of the power of the SEC to approve and enforce a rehabilitation plan is certainly an important issue. Often, a rehabilitation plan would require a diminution, if not destruction, of contractual and property rights of some, if not most of the various stakeholders in the petitioning corporation. *In the absence of clear coercive legal provisions, the courts of justice and much less the SEC would have no power to amend or destroy the property and contractual rights of private parties*, much less relieve a petitioning corporation from its contractual commitments.[233]

"[W]hat is allowed in rehabilitation proceedings is only the suspension of payments, or the stay of all actions for claims of distressed corporations, and upon its successful rehabilitation, the claims must be settled in full."[234] The barring of claims, in lieu of suspension, is not sanctioned anywhere under the law.

Considering the foregoing, absent clear legal provisions permitting it, the barring of legal claims, such as payroll reinstatement pending appeal, through the issuance of a stay order, especially when such bar fails to promote the purposes behind such order, is unauthorized, unjustified, and lacks any basis in the law. Only suspension of claims is authorized by law. Upon successful rehabilitation, the corporation is liable for the full satisfaction of its liabilities.

4. Corporate Rehabilitation v. Injunction

Roquero's pronouncement, that "[u]nless there is a restraining order issued, it is ministerial upon the Labor Arbiter to implement the order of reinstatement,"[235] was key to the *Garcia* Court's decision. The *Garcia* Court found that the stay order issued upon the rehabilitation receiver's appointment was in "the nature of a restraining order that constitute[d] a legal justification for [PAL]'s non-compliance with the reinstatement order."[236] The Court, however, failed to provide legal basis and expound on

232. *Id.* at 665.

233. Leca Realty Corporation v. Manuela Corporation, 534 SCRA 97, 109 (2007) (citing Cesar L. Villanueva, *Revisiting the Philippine "Laws" on Corporate Rehabilitation*, 43 ATENEO L.J. 183, 184 (1999)) (emphasis supplied).

234. *Id.* (citing Danilo L. Concepcion, Corporate Rehabilitation: The Philippine Experience, *available at* http://www.oecd.org/dataoecd/4/11/1897355.pdf (last accessed May 22, 2010)).

235. *Roquero*, 401 SCRA at 430.

236. *Garcia*, 576 SCRA at 496 (2009).

its pronouncement. A brief comparison of corporate rehabilitation and injunction is, therefore, warranted.

Nature. As previously mentioned, corporate rehabilitation seeks the "continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency."[237] In contrast, a final injunction perpetually restrains another "from the continuance of the act or acts or confirm[s] the preliminary mandatory injunction."[238] A final injunction makes a preliminary injunction permanent.

Grounds. An entity may be declared in suspension of payments only if (a) it "possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due," or (b) it "has no sufficient assets to cover its liabilities, but is under the management of a [r]ehabilitation [r]eceiver."[239] On the other hand, a preliminary injunction is granted on three grounds: (a) "the applicant is entitled to the relief demanded," which relief wholly or partly consists in temporarily or perpetually restraining or requiring the commission or continuance of an act or acts; (b) "the commission, continuance or non-performance of the act or acts complained of during the litigation would probably work injustice to the applicant;" and (c) a person or body does, threatens, or attempts, or procures or suffers, an "act or acts probably in violation of the rights of the applicant respecting the subject of the action or proceeding, and tending to render the judgment ineffectual."[240]

Effects. The stay order in corporate rehabilitation *suspends* "*all actions for claims* against corporations, partnerships or associations under management or receivership *pending before any court, tribunal, board or body*," upon appointment of the rehabilitation receiver.[241] This suspension covers labor claims.[242] Conversely, a preliminary injunction is issued to *restrain or require* performance of a certain act or acts.[243] No court or other body, except the NLRC, may issue a "temporary or permanent injunction or restraining order in any case involving or growing out of labor disputes."[244] Further, an injunction may not be issued to restrain a co-equal court or quasi-judicial

237. *Ruby*, 284 SCRA at 460; *Philippine Veterans*, 360 SCRA at 39; *New Frontier Sugar*, 513 SCRA at 605 (2007).

238. 1997 RULES OF CIVIL PROCEDURE, rule 58, § 9.

239. SEC Reorganization Act, § 5 (d).

240. 1997 RULES OF CIVIL PROCEDURE, rule 58, § 3.

241. SEC Reorganization Act, § 6 (c) (emphasis supplied).

242. *Rubberworld*, 305 SCRA at 729-30 (citing *BF Homes*, 190 SCRA at 268) (emphasis supplied). *See also Rubberworld*, 336 SCRA at 437.

243. 1997 RULES OF CIVIL PROCEDURE, rule 58, § 1.

244. LABOR CODE, arts. 218 (e) & 254.

body. Both the NLRC and the SEC are of equal rank with the Regional Trial Court.[245]

It is clear that corporate rehabilitation does not partake of the nature of an injunction. Clearly, corporate rehabilitation only sanctions the temporary suspension of claims, including those for payroll reinstatement pending appeal, insofar as to grant an entity respite in order to fully recover before satisfying its liabilities. Its effects cannot be so extended as to include the effects of an injunction in order to perpetually bar collection of such suspended claims. The two are distinct remedies and highly dissimilar.

As a last note, this Comment examines the Court's statement that because of its entry into corporate rehabilitation, PAL was justifiably unable to choose between actual or payroll reinstatement. [246] While the rehabilitation receiver is granted broad powers, including close oversight and monitoring powers over the debtor's operations, it is not granted the power "over the management and control of the debtor."[247] The law requires the debtor to pay administrative expenses precisely because it remains "in possession or … in control of its business and property [even] after the rehabilitation proceedings have commenced and [even] after the stay order has been issued."[248] PAL, thus, had the ability to choose between actual or payroll reinstatement during the pendency of the rehabilitation proceedings and cannot be said to be justified in its failure to exercise this choice. Corporate rehabilitation proceedings should not be abused "for the sole purpose of preventing, or at least delaying, the collection of [ ] legitimate obligations."[249]

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245. WILLARD B. RIANO, CIVIL PROCEDURE (A RESTATEMENT FOR THE BAR) 479 (2007) (citing Philippine Pacific Fishing Co., Inc. v. Luna, 112 SCRA 604, 613 (1982)); St. Martin Funeral Home v. NLRC, 295 SCRA 494, 508, n.23 (1998); 2 JOSE Y. FERIA & MARIA CONCEPCION S. NOCHE, CIVIL PROCEDURE ANNOTATED 334-35 (2001 ed.); REYNALDO U. AGRANZAMENDEZ, QUESTIONS & ANSWERS IN REMEDIAL LAW 253 (2d ed. 2008) (citing Aquino v. Valenciano, 239 SCRA 428, 434 (1994)).

246. *Garcia*, 576 SCRA at 496.

247. 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 14; 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 3, § 12. *See also* Laurence Hector B. Arroyo, *Updating the Law on Corporate Rehabilitation*, 53 ATENEO L.J. 547, 580 (2008).

248. MARCIAL O.T. BALGOS, INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION 23 (2006) (citing Weintraub & Resnick, *Bankruptcy Law Manual*, § 8.08 (1986)). *See* 2000 INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 4, § 6 (f); 2008 RULES OF PROCEDURE ON CORPORATE REHABILITATION, rule 3, § 7 (f) & rule 6, § 2 (l).

249. Banco de Oro-EPCI, Inc. v. JAPRL Development Corporation, 551 SCRA 342, 356 (2008).

VI. CONCLUSION

The manner in which *Garcia* has set the tone of how the Court will resolve post-rehabilitation labor cases gives cause for concern. Despite finding the employees entitled to reinstatement pending appeal, the Court found collection of such amount barred by reason of corporate rehabilitation.[250] On both aspects of the decision, it can be argued that the legal bases have been infirm or unduly expanded and the explanations have been lacking. Particularly problematic are the declarations that protection to labor prevails over unjust enrichment[251] and that corporate rehabilitation partakes of the nature of an injunction which will bar collection of reinstatement pending appeal.[252]

Yet, even with their problematic nature, these rulings will have far-reaching effects as illustrated below. First, as mentioned, PAL entered corporate rehabilitation in 1998 and exited from it in 2007.[253] During this period of suspension, a considerable number of labor-related cases were filed against PAL.[254] Second, considering its present financial circumstances,[255] it is possible that PAL may re-enter corporate rehabilitation proceedings. Labor claims are also likely to be filed against it soon considering the massive layoffs it has planned.[256] Third, many other companies have recently exited or are about to exit rehabilitation proceedings.[257] Labor claims are also likely to arise from corporate reorganization or restructuring. Finally, the 2008 global financial crisis is bound to cause more companies to enter into rehabilitation proceedings and give rise to more labor problems.[258] The consequences are two-fold: (a) all the labor claims not involving reinstatement pending appeal may be decided to the undue prejudice of the company by simply invoking

250. *See Garcia*, 576 SCRA at 496.

251. *Id.* at 491.

252. *Id.* at 496.

253. Bautista, *supra* note 1; Manila Times, *supra* note 2; Manila Bulletin, *supra* note 3.

254. *See, e.g.* Philippine Airlines, Inc. v. NLRC and Pescante, 328 SCRA 273 (2000); Philippine Airlines, Inc. v. NLRC (4th Division), 337 SCRA 286 (2000); Rivera v. Espiritu, 374 SCRA 351 (2002); *Roquero*, 401 SCRA 424; Philippine Airlines, Inc. v. Pascua, 409 SCRA 195 (2003); Philippine Airlines, Inc. v. Tongson, 413 SCRA 344 (2003); Philippine Airlines, Inc. and Yngente, et al. v. Zamora, 514 SCRA 584 (2007); Philippine Airlines, Inc. v. Philippine Airlines Employees Association (PALEA), 525 SCRA 29 (2007); *Garcia*, 531 SCRA 574; Almario v. Philippine Airlines, Inc., 532 SCRA 614 (2007).

255. Manila Times, *supra* note 2.

256. *Id.*

257. *See, e.g.* GMANews.TV, *supra* note 12; de Guzman, *supra* note 12; Dumlao, Philrealty, *supra* note 12; Dumlao, Victorias, *supra* note 12.

258. Tuaño, *supra* note 6; World Bank, *supra* note 7; Guste, *supra* note 8.

the primacy of protection to labor over unjust enrichment; and (b) all labor claims involving reinstatement pending appeal may be easily but unduly evaded by mere invocation of the corporate rehabilitation proceedings.

Such far-reaching consequences may render nugatory both the legal mandate against unjust enrichment and the statutory relief of reinstatement pending appeal within the context of corporate rehabilitation.

It can be argued that these sweeping pronouncements, especially considering the arguable lack of explanation and infirmity in legal bases, provide dangerous precedents that may unduly prejudice (a) capital, insofar as the labor aspect, and (b) labor, insofar as the corporate rehabilitation aspect. These may create avenues for the easy evasion of legal obligations. A re-examination of the decision, arguably, necessitates a return to fundamental legal precepts in order to avoid inequity and further justice.