Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

LORALEI P. HALILI, Petitioner,	**G.R. No. 194906**
	Present:
- versus -	SERENO, *C.J.,* Chairperson, LEONARDO-DE CASTRO, BERSAMIN,
JUSTICE FOR CHILDREN INTERNATIONAL, ROB MORRIS, and GUNDELINA A. VELAZCO, Respondents.	PEREZ, and PERLAS-BERNABE, *JJ.*
	Promulgated: SEP 09 2015

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D E C I S I O N

PERLAS-BERNABE, *J.*:

Assailed in this petition for review on *certiorari*[1] is the Decision[2] dated December 23, 2010 of the Court of Appeals (CA) in CA-G.R. SP No. 107209, which reversed the Decision[3] dated July 30, 2008 and the Resolution[4] dated November 25, 2008 of the National Labor Relations Commission (NLRC) in NLRC LAC Case No. 12-003358-07, and thereby found petitioner Loralei P. Halili (Halili) to have been validly dismissed by respondent Justice For Children International (JFCI).

The Facts

JFCI is an international non-governmental organization whose primary thrust is to provide aftercare to sexually trafficked children.[5] On

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1 *Rollo*, pp. 3-62.
2 Id. at 66-72. Penned by Associate Justice Samuel H. Gaerlan with Associate Justices Hakim S. Abdulwahid and Ricardo R. Rosario concurring.
3 Id. at 117-122. Penned by Presiding Commissioner Benedicto R. Palacol with Commissioners Isabel G. Panganiban-Ortiguerra and Nieves Vivar-De Castro concurring.
4 Id. at 123-124.
5 Id. at 118.

April 18, 2006, it hired Halili as its Consultant Program Coordinator, with the following duties and responsibilities, among others: (*a*) to take charge of JFCI's daily operations, especially the training sessions, conferences, meetings, and other activities of the aftercare program; (*b*) to coordinate with partners regarding the logistical and essential needs of the program; and (*c*) to perform the necessary functions in relation to the program as may be assigned by the Director for Aftercare or the President.[6]

Respondents Gundelina A. Velazco (Velazco) and Rob Morris (Morris), in their respective capacities as Director and President, executed an employment contract[7] with Halili for a term of one (1) year, with the condition that either party may terminate the same "at anytime by giving four [(4)] weeks written notice" (termination clause).[8]

On July 13, 2006, JFCI enforced the termination clause by informing[9] Halili that they are terminating her services as Consultant Program Coordinator, effective August 16, 2006.[10] Claiming that she was illegally dismissed, Halili filed a complaint[11] against JFCI, Velazco and Morris (respondents) before the NLRC, docketed as NLRC-NCR-00-08-07048-06.

In her Position Paper[12] dated November 8, 2006, Halili contended that while the right to pre-terminate her employment was expressly stipulated in the contract, the arbitrary manner in which it was exercised by JFCI was in clear violation of the doctrine of abuse of rights.[13] Halili likewise averred that in her termination, JFCI failed to observe the twin requirements of due process, hence, her dismissal was illegal.[14]

In opposition,[15] respondents maintained that: (*a*) they could not have illegally dismissed Halili in the absence of an employer-employee relationship between them;[16] and (*b*) even on the assumption that Halili was its employee, there was no illegal dismissal considering that her employment was for a term that lapsed when she was given a notice of termination.[17]

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6 See id. at 14-15 and 118.
7 Id. at 227-228.
8 See id. at 118 and 228.
9 See Letter dated July 13, 2006; id. at 231.
10 See id. at 118 and 231.
11 Id. at 232.
12 Id. at 125-147.
13 See id. at 135-140.
14 See id. at 144-145.
15 See respondents' Position Paper dated November 9, 2006; id. at 148-161.
16 See id. at 157-158.
17 See id. at 159-160.

The Labor Arbiter's Ruling

In a Decision[18] dated September 28, 2007, the Labor Arbiter (LA) ordered respondents to jointly and severally pay Halili the total of US$9,225.00, representing her unpaid salaries for the remaining portion of her contract, to be paid in Philippine currency at the exchange rate prevailing at the time of payment.[19]

The LA found that there existed an employer-employee relationship between Halili and JFCI, particularly, one with a fixed-term,[20] based on her duties and responsibilities. As such, compliance with the requirements of procedural and substantive due process must be observed. However, considering that Halili was dismissed without prior notice and hearing, and absent a valid cause, the LA found that she was illegally dismissed.[21]

Dissatisfied, respondents filed their appeal[22] before the NLRC.

The NLRC Ruling

In a Decision[23] dated July 30, 2008, the NLRC affirmed the LA's ruling *in toto*. It also found that Halili's consent was vitiated when JFCI led her to believe that the termination clause was a standard item to conform to the format of JFCI contracts.[24] It further held that JFCI cannot simply rely on the termination clause in dismissing Halili, but instead on a valid cause and with observance of procedural due process.[25] Moreover, the NLRC debunked respondents' new theory that Halili was terminated for loss of trust and confidence for having been raised for the first time on appeal.[26]

Unperturbed, respondents moved for reconsideration[27] which the NLRC denied in a Resolution[28] dated November 25, 2008, prompting the filing of a petition for *certiorari*[29] before the CA.

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18 Id. at 259-270. Penned by Labor Arbiter Ligerio V. Ancheta.
19 Id. at 270.
20 See id. at 265-266.
21 See id. at 267-269.
22 See Notice of Appeal dated November 12, 2007; id. at 271.
23 Id. at 117-122.
24 See id. at 120-121.
25 See id. at 121.
26 Id.
27 See motion for reconsideration dated August 13, 2008; id. at 298-302.
28 Id. at 123-124.
29 Id. at 73-111.

The CA Ruling

In a Decision[30] dated December 23, 2010, the CA reversed the NLRC ruling, attributing to it grave abuse of discretion in affirming the illegality of Halili's dismissal.[31]

It observed that while there was an initial apprehension on the part of Halili with respect to the terms of her employment contract, she nonetheless voluntarily gave her consent thereto and signed the same. As such, the contract has the force of law and the stipulations contained therein must be observed. Consequently, the termination clause, among others, was validly enforced by JFCI.[32]

At odds with the CA's ruling, Halili seeks its reversal through the present petition.

The Issue Before the Court

The primary issue in this case is whether or not the CA erred in granting respondents' petition for *certiorari*, thereby validating the termination of Halili's employment.

The Court's Ruling

The petition is meritorious.

Applicable laws form part of, and are read into, contracts without need for any express reference thereto;[33] more so, when it pertains to a labor contract which is imbued with public interest.[34] Each contract thus contains not only what was explicitly stipulated therein, but also the statutory provisions that have any bearing on the matter.[35]

In this case, it is undisputed that the contract entered into by JFCI and Halili is a fixed-term employment contract, **covering a period of one (1)**

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30 Id. at 66-72.

31 See id. at 71.

32 See id. at 69-71.

33 *Power Sector Assets and Liabilities Management Corp. v. Pozzolanic Phils., Inc.*, 671 Phil. 731, 763-764 (2011).

34 Article 1700 of the Civil Code reads:

> 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.

35 *Intra-Strata Assurance Corp. v. Republic of the Philippines*, 579 Phil. 631, 640 (2008), citing *Maritime Company of the Phil. v. Reparations Commission*, 148-B Phil. 65, 69-70 (1971).

year. The peculiar feature, however, of this contract lies in its termination clause which reads that either party may terminate the same "**at anytime by giving four (4) weeks written notice**":

> WRITTEN AGREEMENT REGARDING THE EMPLOYMENT OF [HALILI] BY [JFCI] AS CONSULTANT PROGRAM COORDINATOR FOR AFTERCARE
>
> This Agreement is made between [JFCI] and [Halili], for mutual consideration, the receipt and adequacy of which is acknowledged by the parties, who agree:
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> 1. Term. [Halili] is independently contracted by JFCI **to serve as Consultant Program Coordinator for Aftercare of JFCI for a contracted period of 46 weeks within one year, beginning May 15, 2006 and ending May 14, 2007**, with said term being capable of extension by mutual review and written agreement of both parties.
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> x x x x
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> **5. Termination of Agreement. Either party may terminate this agreement at anytime by giving four weeks written notice.**[36]
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> x x x x (Emphases supplied)

While said clause is silent on the requirement of a legal cause for the same to be operative, the fundamental principle – as above-stated – is that the law is read into every contract. Hence, the contract's termination clause should not be interpreted as a form of blanket-license by which each of the parties may just abdicate the contract at will. Rather, it is a clause which allows any of the parties to pre-terminate the employment contract within the stipulated fixed-term period of one year, **provided** that the party invoking the same has: (***a***) a legal cause for terminating it; and (***b***) notifies the other party in writing four (4) weeks prior to the intended date of termination.

That the parties had intended to dispense with the need for a legal cause for the termination clause to be operative does not sufficiently appear in this case. Had they so intended, then the contract should have so indicated, as in *Price v. Innodata Phils., Inc.*,[37] which contractual provision explicitly allowing the employer to pre-terminate the same "with or without cause" was, however, struck down as invalid:

> As a final observation, the Court also takes note of several other provisions in petitioners' employment contracts that display utter disregard for their security of tenure. Despite fixing a period or term of employment, *i.e.*, one year, INNODATA reserved the right to pre-terminate petitioners' employment under the following circumstances:

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36 *Rollo*, pp. 227-228.
37 588 Phil. 568 (2008).

> 6.1 x x x Further should the Company have no more need for the EMPLOYEE's services on account of completion of the project, lack of work (sic) business losses, introduction of new production processes and techniques, which will negate the need for personnel, and/or overstaffing, this contract maybe pre-terminated by the EMPLOYER upon giving of three (3) days notice to the employee.
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> x x x x
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> 6.4 The EMPLOYEE or the EMPLOYER may pre-terminate this CONTRACT, **with or without cause**, by giving at least Fifteen – (15) [day] notice to that effect. Provided, that such pre-termination shall be effective only upon issuance of the appropriate clearance in favor of the said EMPLOYEE.

Pursuant to the afore-quoted provisions, petitioners have no right at all to expect security of tenure, even for the supposedly one-year period of employment provided in their contracts, because they can still be pre-terminated (1) upon the completion of an unspecified project; or (2) **with or without cause**, for as long as they are given a three-day notice. **Such contract provisions are repugnant to the basic tenet in labor law that no employee may be terminated except for just or authorized cause.**

Under Section 3, Article XVI of the Constitution, it is the policy of the State to assure the workers of security of tenure and free them from the bondage of uncertainty of tenure woven by some employers into their contracts of employment. This was exactly the purpose of the legislators in drafting Article 280 of the Labor Code – to prevent the circumvention by unscrupulous employers of the employee's right to be secure in his tenure by indiscriminately and completely ruling out all written and oral agreements inconsistent with the concept of regular employment.[38] (Emphases and underscoring supplied)

Here, it is clear that the first requisite of legal cause was not complied with by JFCI. No just or authorized cause was proven by substantial evidence in support of its invocation of the termination clause stated in its contract with Halili. As such, the pre-termination of the contract was infirm. Thus, considering further that respondents' argument on its purported loss of trust and confidence in Halili cannot be taken into account at this stage since it was belatedly raised for the first time on appeal,[39] the NLRC did not gravely abuse its discretion in ruling that Halili's dismissal was illegal. The CA's issuance of a writ of *certiorari* was perforce improper.

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38 Id. at 586-587.

39 "[W]ell-settled is the rule, also applicable in labor cases, that issues not raised below cannot be raised for the first time on appeal. Points of law, theories, issues and arguments not brought to the attention of the lower court need not be, and ordinarily will not be, considered by the reviewing court, as they cannot be raised for the first time at that late stage. Basic considerations of due process impel this rule." (*Pag-Asa Steel Works, Inc. v. CA*, 520 Phil. 1006, 1023-1024 [2006].)

WHEREFORE, the petition is **GRANTED**. The Decision dated December 23, 2010 of the Court of Appeals in CA-G.R. SP No. 107209 is hereby **REVERSED** and **SET ASIDE**. The Decision dated July 30, 2008 and the Resolution dated November 25, 2008 of the National Labor Relations Commission in NLRC LAC Case No. 12-003358-07 are **REINSTATED**.

SO ORDERED.

ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

LUCAS P. BERSAMIN
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

CERTIFICATION

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

MARIA LOURDES P. A. SERENO
Chief Justice